



ESTONIAN FINANCIAL MARKET as at 31.12.2011

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

Consumers of Estonian financial services were characterised by their tendency to save, act cautiously and avoid risks in 2011.

The total deposit volume grew by 9.9% in a year, including the volume of demand and overnight deposits that grew by 4.3% and the volume of term and savings deposits that grew by 17.7%. The total volume of customers' deposits reached the level of 11.6 billion euro at the end of 2011.

The total volume of banks' loan portfolios fell by 5.3% compared to 2010. The total loan portfolio volume of banks was 14.1 billion euro at the end of 2011.

Also the investment area experienced a drop in volumes. The volume of insurance premiums from unit-linked life insurance fell by 32% compared to the previous year. The total asset volume of equity funds registered in Estonia decreased also by 32%, including due to the smaller number of investors. Mandatory pension funds were those who saved the Estonian funds sector from bigger drop. The total asset volume of funds registered in Estonia (including pension funds) decreased in total

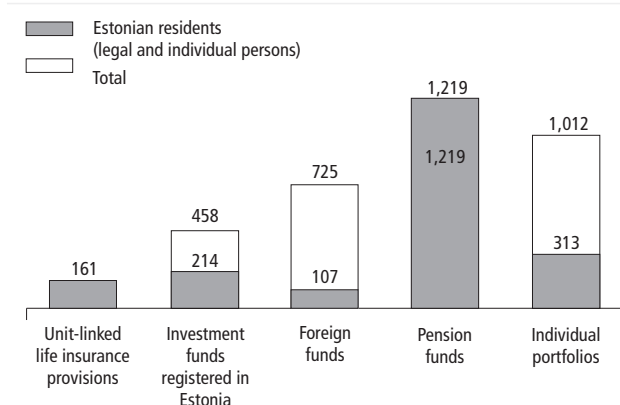
by 4%, dropping to the level of 1.7 billion euro. Investments made into foreign funds decreased by 21% to the level of 0.7 billion euro. The total volume of individual portfolios dropped by 36%, amounting to 1.0 billion euro.

In general, the volume of assets invested into savings-orientated financial services – including unit-linked life insurance products, investment funds, pension funds, individual portfolios, term and savings deposits and investment deposits – decreased in comparison with 2010 and amounted to 8,890 million euro (8,948 million euro at the end of 2010).

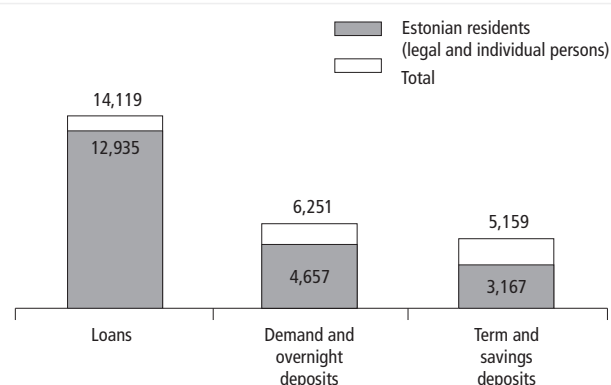
The volume of life insurance premiums fell in total by 16% in comparison with 2010. The main driver of this drop was the shrinking in the volume of investment-linked insurance products: the volume of unit-linked life insurance decreased by 32% and the volume of endowment insurance decreased by 15%. As far as non-life insurance business is concerned, the volume of insurance premiums maintained the level of 2010.

Volumes of financial services provided by Estonian financial institutions:

Volumes of investment services, 31.12.2011 (in millions of EUR)



Volumes of banking services, 31.12.2011 (in millions of EUR)



The following table presents the volume of investment and banking services provided by Estonian financial institutions, including the data on Estonian resident individuals (in millions of euro, as at 31.12.2011):

Service	Total, in millions of EUR	Incl. Estonian resident individuals	
		in millions of EUR	Share of the total service
Investment funds	458	51	11%
Pension funds	1,219	1,219	100%
Foreign funds provided in Estonia	725	44	6%
Provisions of unit-linked life insurance	161	161	100%
Individual portfolios	1,012	51	5%
Loans	14,119	6,988	49%
Demand and overnight deposits	6,251	2,142	34%
Term and savings deposits	5,159	2,082	40%
Investment and other deposits	156	102	65%

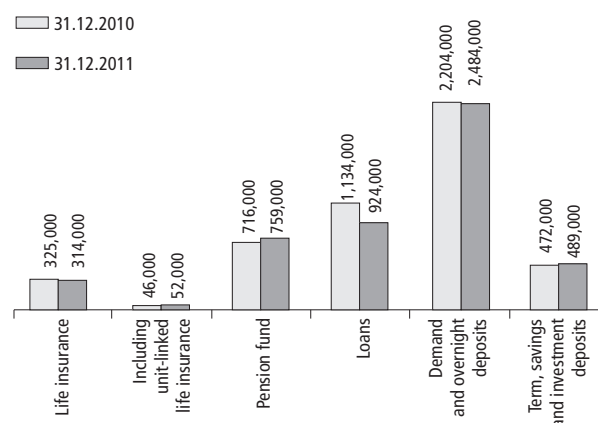
2. Private customers by services

Based on the number of contracts, demand deposit (current account) is the most frequently used deposit type in Estonia. Individuals owned in total **2,189 thousand current accounts**¹ at the end of 2011 (a lot of individuals own several current accounts).

The second most frequently used financial service is the **loan**. Individuals had concluded **924 thousand loan agreements**² at the end of 2011.

The number of persons who had joined a pension fund increased from 716 thousand to 759 thousand in a year. The number of term, savings and investment deposit contracts increased from 472 thousand to 489 thousand. In life insurance the number of contracts decreased from 325 thousand to 314 thousand, whereas in unit-linked life insurance the number of contracts increased from 46 thousand to 52 thousand.

Number of contracts concluded with individuals



¹ This number includes only funded accounts.

² Note: the analysis does not take into account the fact that a person may have concluded several contracts.

3. Life insurance

Life insurers collected **insurance premiums** within the amount of **67.7 million euro³** in Estonia in 2011 (80.3 million euro in 2010). **The volume of insurance premiums dropped by almost 16% in comparison with 2010. This drop was primarily driven by the decrease of 32% in unit-linked life insurance premiums.**

Despite of this decrease in the premium volume, unit-linked life insurance with the insurance premium volume of 27.2 million euro (40.1 million euro in 2010) and the share of 40% (50% in 2010) remained the life insurance product with the largest volume of premiums.

Unit-linked life insurance was followed by the endowment insurance with the premium volume of 20.9 million euro (24.6 million euro in 2010) and annuities with the premium volume of 9.2 million euro (5.6 million euro in 2010).

Other life insurance products collected premiums within the amount of 10.4 million euro (10.0 million euro in 2010).

a. Consumers

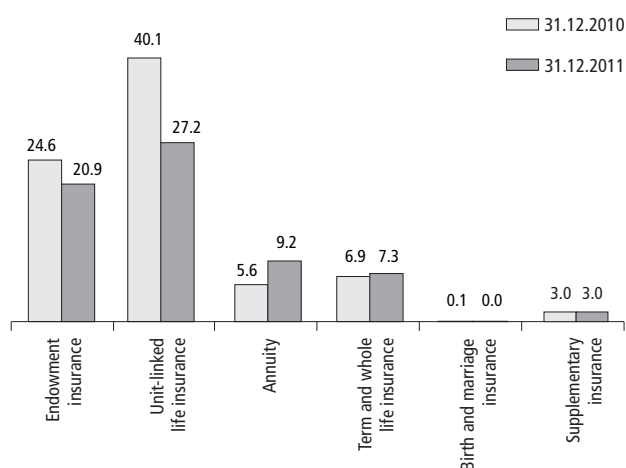
Life insurers operating in Estonia had concluded 313,601 life insurance contracts, including **199,509 main contracts⁴** at the end of 2011 (324,889 contracts at the end of 2010, including 207,048 main contracts).

The number of concluded contracts dropped in 2011. As in previous year, the biggest drop was experienced in the endowment insurance where the number of valid contracts decreased by 14,409 contracts in comparison with the previous year, dropping to 66,246 contracts by the end of 2011.

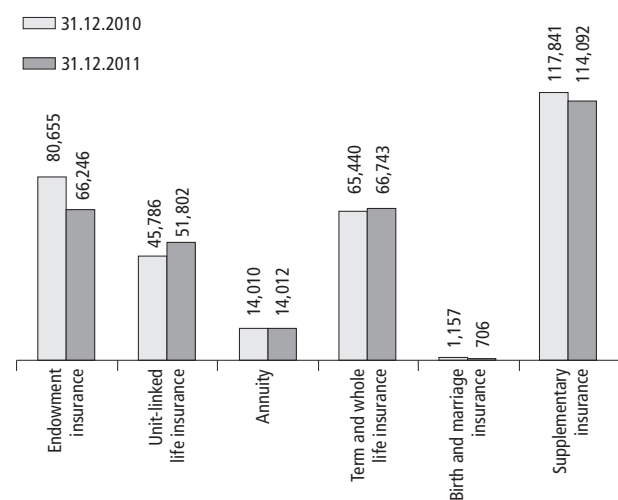
However, contrary to the previous year, the number of valid unit-linked life insurance contracts increased: from 45,786 to 51,802.

General market structure:	Swedbank Life Insurance	37%
	SEB Elu- ja Pensionikindlustus	26%
	Mandatum Life Insurance Baltic	17%
Customers:	313,601 contracts in force	
Service volume:	in total 67.7 million euro of collected insurance premiums in 2011	

Insurance premiums by life insurance classes (in millions of EUR)



Number of valid life insurance contracts concluded in Estonia (pcs)



³ Excluding insurance premiums collected outside Estonia.

⁴ Including only life insurance contracts concluded in Estonia.

The number of valid contracts in term and whole life insurance increased from 65,440 to 66,743 and the term and whole life insurance became the biggest main insurance class in terms of the number of contracts.

The number of supplementary insurance contracts amounted to 114,092 by the end of 2011 (117,841 contracts at the end of 2010).

Unit-linked life insurance and annuities experienced the biggest changes in **the contract volume**. The average contribution in other insurance classes did not change considerably during the year.

The average contribution per annuities contract increased from 403 euro to 658 euro in comparison with the previous year. The average contribution to unit-linked life insurance decreased from 876 euro to 525 euro.

The average contribution to endowment insurance maintained virtually the same level, increasing from 305 euro to 316 euro in a year.

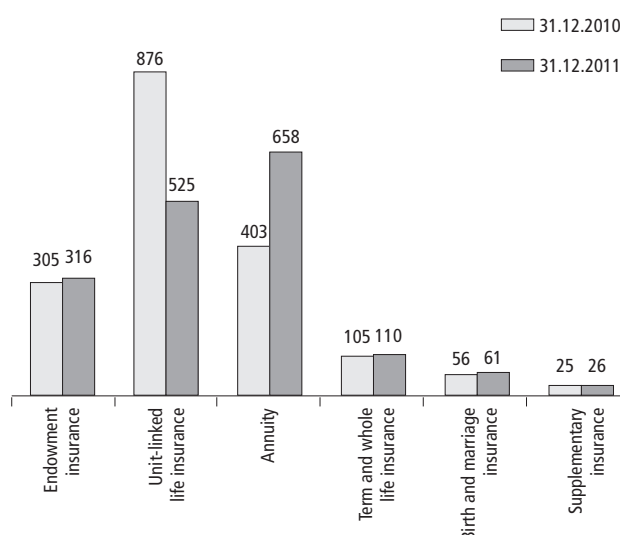
b. Service providers

Leading three life insurers –Swedbank Life Insurance, Mandatum Life Insurance Baltic and SEB Elu- ja Pensionikindlustus – collected 80% of insurance premiums in 2011 (87% of insurance premiums in 2010).

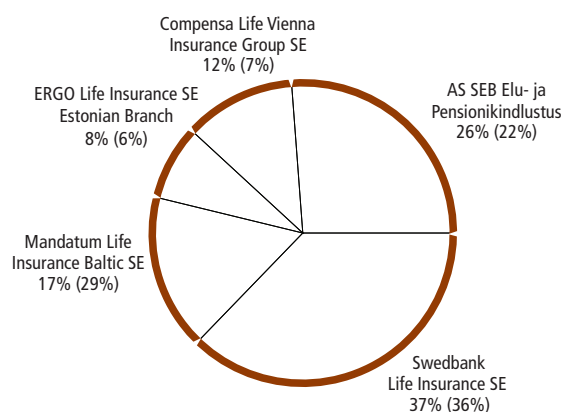
In comparison with the previous year, the biggest change in the market structure was caused by Mandatum Life Insurance Baltic – its market share decreased from 29% to 17% in a year. The significant drop in the premium collection of unit-linked life insurance caused this decrease.

Market structure experienced the biggest change in annuities and unit-linked life insurance.

Average annual insurance premium per contract (in EUR)



Structure of life insurance market in 2011, based on collected insurance premiums (data of 2010 in brackets)



As to **annuities**, the collection of insurance premiums increased in all insurance companies. Insurance premiums collected by Compensa Life Vienna Insurance almost doubled, and thus the respective market share of Compensa Life Vienna Insurance increased from 48% to 55%. Despite the growth in premium volume, the market share of ERGO Life Insurance SE Estonian Branch decreased from 33% to 29% and the market share of SEB Elu- ja Pensionikindlustus decreased from 17% to 13%.

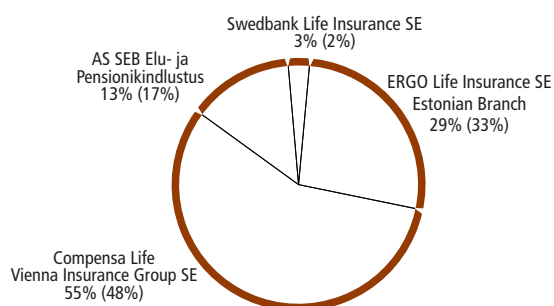
In **unit-linked life insurance** market the collection of insurance premiums dropped in almost all life insurance companies, except in SEB Elu- ja Pensionikindlustus. Mandatum Life Insurance Baltic experienced the biggest drop – its market share in

unit-linked life insurance decreased from 54% to 35%. The market share of SEB Elu- ja Pensionikindlustus grew from 11% to 21% at the same time and the market share of Swedbank Life Insurance increased from 30% to 36%.

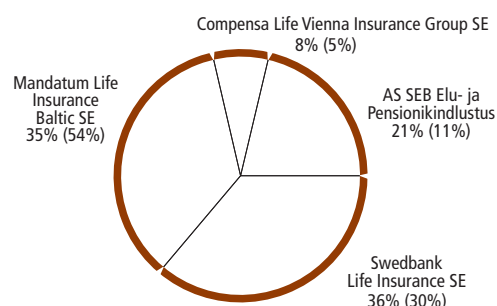
In **term and whole life insurance** market, the shares of insurers experienced no major change. The market share of Swedbank Life Insurance decreased from 65% to 62%. At the same time the market share of SEB Elu- ja Pensionikindlustus increased from 23% to 25%.

In **endowment insurance** market the collection of insurance premiums dropped in all life insurance companies. However, this did not lead to major changes in market structure.

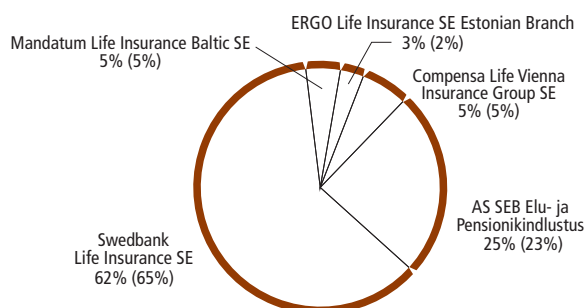
Market structure: annuities as at 31.12.2011 (31.12.2010 in brackets)



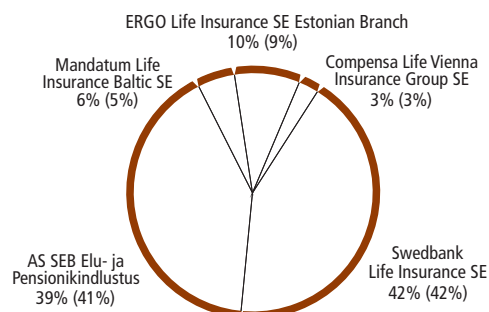
Market structure: unit-linked life insurance



Market structure: term and whole life insurance



Market structure: endowment insurance



4. Non-life insurance⁵

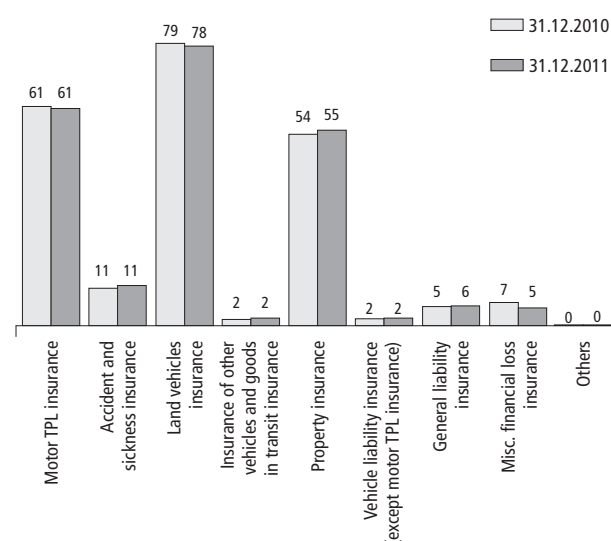
In 2011, the amount of insurance premiums collected by non-life insurers authorized in Estonia and local branches of foreign non-life insurers was equal to that collected a year ago – **220 million euro**. Estonian branches of foreign non-life insurers collected 37 million euro, i.e. 17% of total collected insurance premiums (32 million euro in 2010, i.e. 14% of total collected insurance premiums). **The collection of insurance premiums in various insurance classes experienced no major changes.** The biggest change occurred in the miscellaneous financial loss insurance where the amount of collected insurance premiums dropped from 7 million euro to 5 million euro.

The **land vehicles insurance (KASKO)** captured as previously the largest market share – 36% (78 million euro of insurance premiums), and the market share of mandatory **motor TPL insurance** was 28% (61 million euro of insurance premiums). They were followed by property insurance with the share of 25% and the volume of insurance premiums of 55 million euro.

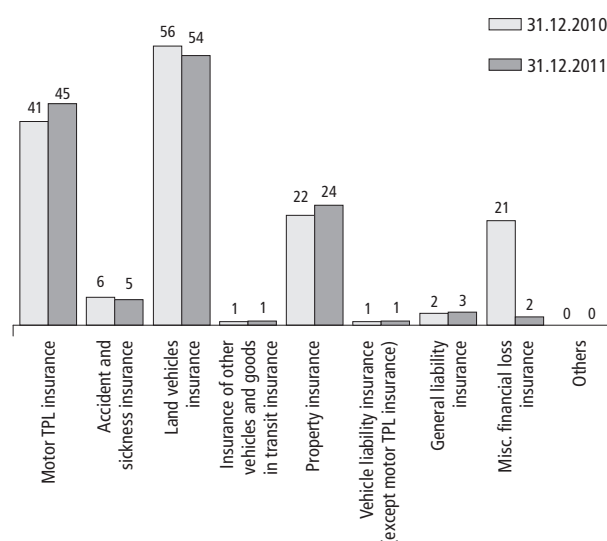
135 million euro was paid out as indemnities in 2011 (151 million euro in 2010). **The amount of paid indemnities dropped significantly in the miscellaneous financial loss insurance: from 21 million euro to 2 million euro.** Indemnities dropped also in land vehicles insurance: from 56 million euro to 54 million euro. However, the motor TPL insurance and property insurance saw the growth in indemnities.

General market	IF P&C Insurance	28%
structure:	ERGO Kindlustus	18%
	Swedbank Insurance	15%
Customers:	n/a	
Service volume:	220 million euro of collected insurance premiums in 2011	

Insurance premiums by non-life insurance classes (in millions of EUR)



Paid claims by non-life insurance classes (in millions of EUR)



⁵ Data includes only contracts that have been concluded in Estonia.
It excludes contracts that have been concluded by foreign branches of Estonian non-life insurers.

The highest ratio of paid claims to insurance premiums was in the motor TPL insurance where the respective percentage increased from 67% to 74% as compared with the previous year.

The ratio of paid claims to insurance premiums was 70% in land vehicles insurance (KASKO) and 69% in vehicle liability insurance.

The ratio of paid claims to insurance premiums decreased dramatically in the miscellaneous financial loss insurance: from 324% to 33%.

a. Service providers

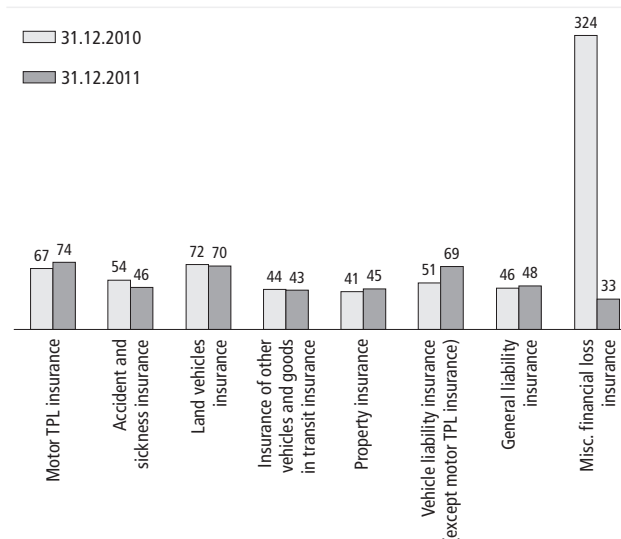
Market structure

In 2011, the amount of collected insurance premiums increased only in 4 insurance companies: Codan Forsikring A/S Estonian Branch by 8.2 million euro, If P&C Insurance AS by 3.0 million euro, Inges Kindlustus by 2.7 million euro and BTA apdrosinasa-nas akciju sabiedriba Estonian Branch by 0.9 million euro. **This trend was reflected also in the increase of their market shares.**

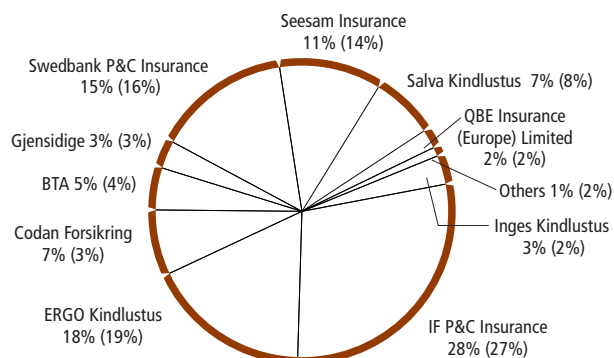
At the end of December 2011, the IF P&C Insurance captured the biggest share of the non-life insurance market with 28%. The market share of ERGO Kindlustus was 18% and Swedbank P&C Insurance AS's share was 15%.

The aggregate market share of branches of foreign insurers was 17%. Codan Forsikring A/S Estonian Branch captured the biggest share (5%) among the branches, having increased its market share from 3% to 7%.

Paid claims to insurance premiums (per cent)



Structure of non-life insurance market in 2011, based on collected premiums (data of 2010 in brackets)



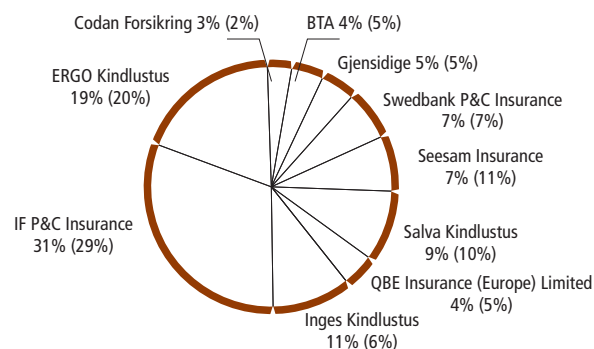
The following Figures show the market structure of Estonian insurers and Estonian branches of foreign insurers by three major non-life insurance products.

IF P&C Insurance captured as previously the biggest share in the motor TPL insurance and property insurance – respectively 31% and 37%. Swedbank P&C Insurance AS captured the biggest share in land vehicles insurance – 23%. Codan Forsikring A/S Estonian Branch that became increasingly active in the Estonian market increased its market share in **land vehicles insurance** from 5% to 12% and in **property insurance** from 2% to 7%.

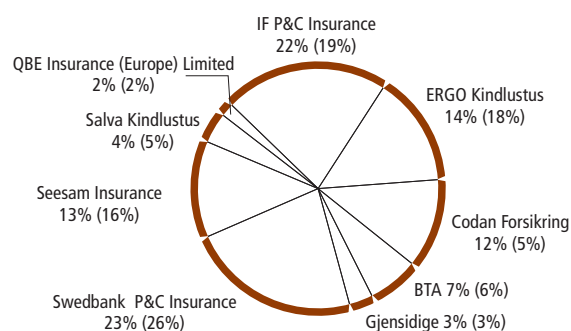
Motor TPL insurance market witnessed the biggest changes as far as Inges Kindlustus and Seesam Insurance AS were concerned: the volume of insurance premiums collected by Inges Kindlustus increased significantly and its market share grew from 6% to 11% in 2011. The market share of Seesam Insurance AS decreased from 11% to 7%.

Market structure: motor TPL insurance as at 31.12.2011

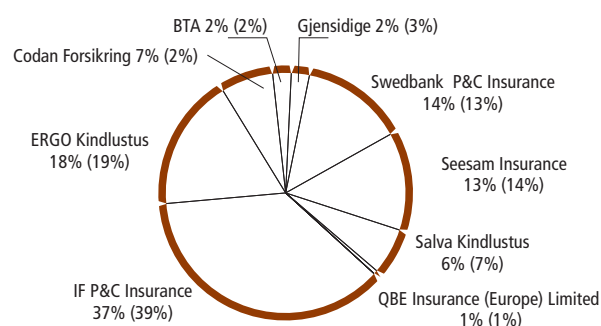
(31.12.2010 in brackets)



Market structure: land vehicles insurance



Market structure: property insurance



5. Investment and pension funds⁶

The asset volume of investment funds, including pensions funds, decreased by 4% (78 million euro) in 2011, dropping to the level of 1.68 billion euro at the end of 2011⁷.

Similarly to previous years, the Estonian funds' sector was primarily supported by mandatory pension funds that hedged the bigger drop on the market caused by equity funds.

The asset volume of mandatory pension funds grew by 64 million euro (6%) in 2011, reaching the level of 1.134 billion euro at the end of 2011 and accounting for 2/3 of the Estonian funds market. The asset volume of voluntary pension funds decreased by 5 million euro: from 90 million euro to 85 million euro.

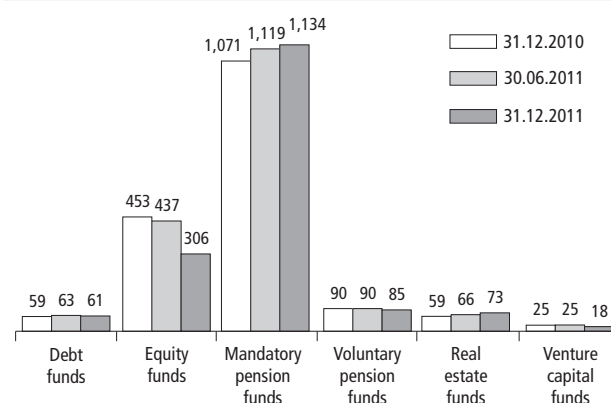
The asset volume of equity funds decreased by 32% in a year: from 453 million euro to 306 million euro.

The asset volume of real estate funds grew from 59 million euro to 73 million euro in 2011, i.e. 24%. The asset volume of debt funds increased from 59 million euro to 61 million euro in 2011, i.e. 4%.

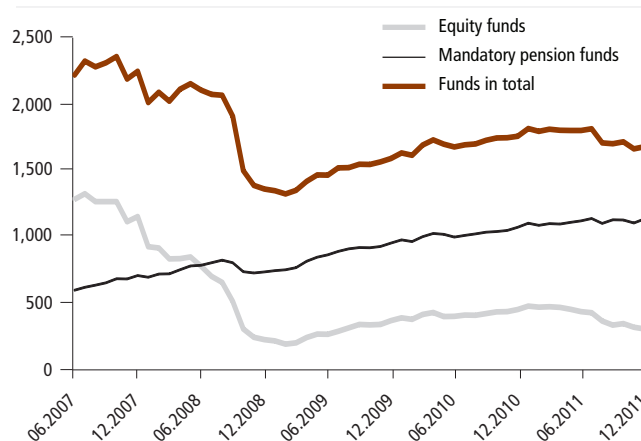
Mandatory pension funds with the share of 68% continued to hold the leading position in the market (61% at the end of 2010). The second place was captured by equity funds with the share of 18% (26% at the end of 2010). Debt funds accounted for 4% of the total asset volume of funds (3% at the end of 2010).

General market	Swedbank Investeerimisfondid	44%
structure:	SEB Varahaldus	23%
	Danske Capital	9%
	LHV Varahaldus	9%
Customers:	779,486 contracts in force	
Service volume:	volume of funds totalled 1.68 billion euro	

Volumes of funds (in millions of EUR)



Dynamics of investment and pension funds (in millions of EUR)



⁶ Data includes all clients of investment funds that are registered in Estonia, including clients from foreign countries.

⁷ Market value.

a. Consumers⁸

In 2011, the total number of unit holders of investment funds⁹ increased, primarily at the expense of mandatory pension funds. According to the Financial Supervision Authority, the number of unit holders of mandatory pension funds grew by 45,724 persons and reached to the level of 708,439 persons at the end of December. However, we have to notice that many persons take advantage of the possibility to accumulate the pension through several mandatory pension funds and that the actual number of persons who have joined the II Pillar is thus smaller than the number of unit holders (622,723 persons at the end of December 2011).

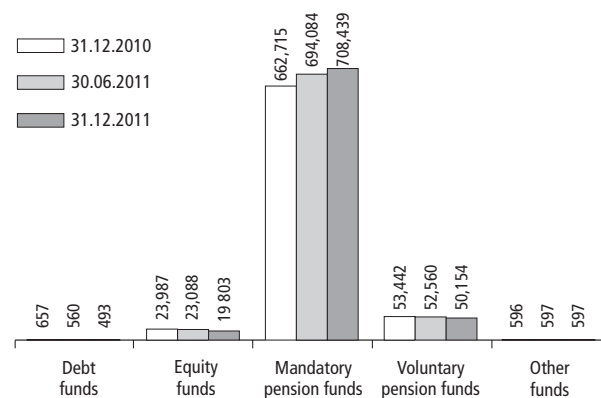
The number of persons who invest in other funds has decreased. The biggest drop was experienced by equity funds where the number of unit holders decreased in total by 4,184 persons. This drop was three times bigger than the drop in 2010 and it was the biggest in years. At present, the number of unit holders in equity funds is similar to that at the beginning of 2006.

The number of unit holders of debt funds decreased by 164 persons and the number of unit holders of voluntary pension funds diminished by 3,288 persons, which was the biggest outflow of unit holders in years.

In general, mandatory pension funds with 708,439 unit holders formed the major fund type according to the customer base. They were followed by:

- Voluntary pension funds with 50,154 unit holders;
- Equity funds with 19,803 unit holders;
- Debt funds with 493 unit holders;
- Other funds (real estate and venture capital funds) with 597 unit holders.

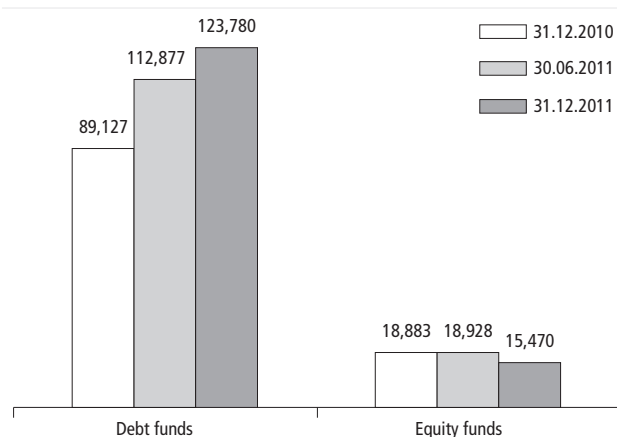
Number of unit holders of investment and pension funds



⁸ All conclusions made on the customer base of funds are drawn from the number of unit holders. A person may own units of several funds. The number of unit holders shows thus the activity of people in making investments through different funds rather than the number of persons who invest into funds.

⁹ Includes also non-resident unit holders.

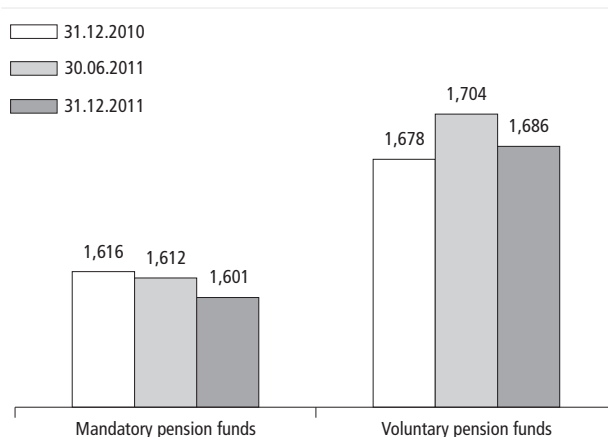
Investments per a unit holder (in EUR) (1)



As before, the **biggest investments per customer**¹⁰ were made into debt funds. This can be explained with the fact that these funds were primarily used by legal persons for the purpose of liquidity management.

Pension collection through various mandatory pension funds and the resulting increase in the number of unit holders in 2011 led to the decrease in the market value of average investments. However, this does not necessarily imply to the decrease in accumulated amounts.

Investments per a unit holder (in EUR) (2)



As the end of 2011, average investments per customer were as follows:

- Debt funds 123,780 euro;
- Equity funds 15,470 euro;
- Mandatory pension funds 1,601 euro;
- Voluntary pension funds 1,686 euro.

Investments into other funds (real estate and venture capital funds) totalled 153,059 euro as an average per a unit holder, which was a lot more than in case of other funds. Both real estate and venture capital funds are more risky and they are mostly the investment target of wealthier individuals and professional investors.

¹⁰ Investments per a customer are illustrative and show only the approximate level of investment (e.g. in case of pension funds the newcomers decrease the average investment figure).

b. Service providers

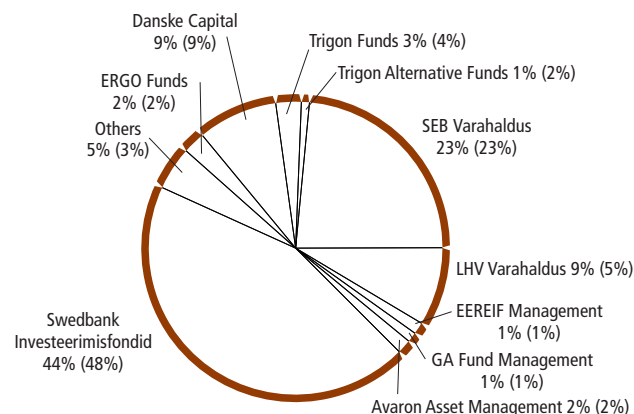
The division of funds' assets between different fund management companies was relatively stable in 2011. The biggest changes took place in the market share of the market leader – Swedbank Investeeringimisfondid – that decreased from 48% to 44%, and in the market share of LHV Varahaldus that increased from 5% to 9%.

Similarly to previous year, SEB Varahaldus captured 23% and Danske Capital captured 9% of the funds' market.

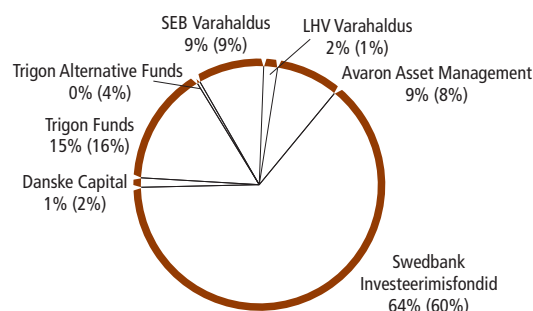
The biggest change in the market structure of **equity funds** was related to the market share of Trigon Alternative Funds that decreased from 4% to 0,4%. Swedbank Investeeringimisfondid continued to be the market leader and its market share increased from 60% to 64% in a year. Trigon Funds followed it with the market share of 15%. SEB Varahaldus captured the third place in the market with the share of 9%.

Debt funds¹¹ are currently offered only by 2 fund management companies: SEB Varahaldus with the market share of 95% and Danske Capital with the market share of 5%. Redgate Intressifond that was brought to the market in 2011 by Redgate Asset Management was virtually not active on the market at the end of 2011.

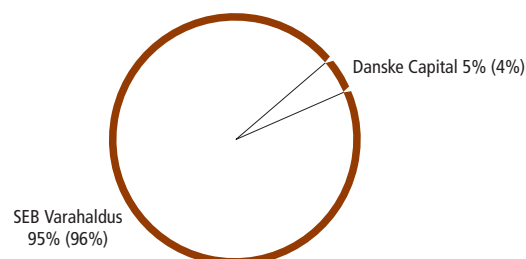
Market structure: all funds as at 31.12.2011 (31.12.2010 in brackets)



Market structure: equity funds



Market structure: debt funds



Swedbank Investeerimisfondid continued to be the leading fund management company in the **pension funds** market. However, there occurred some changes in the market structure of **mandatory pension funds**. Market shares of major players dropped – the market share of Swedbank Investeerimisfondid decreased from 47% to 44%, the market share of SEB Varahaldus decreased from 27% to 25% and the market share of Danske Capital decreased from 13% to 12%.

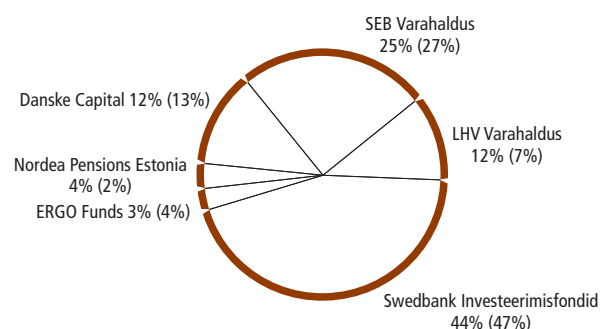
Market shares of smaller fund managers increased at the same time – the market share of LHV Varahaldus grew from 7% to 12% and the market share of Nordea Pensions Estonia grew from 2% to 4%.

In case of **voluntary pension funds**, the market share of Swedbank Investeerimisfondid decreased from 63% to 62%, but it still captured 2/3 of the voluntary pension funds' market.

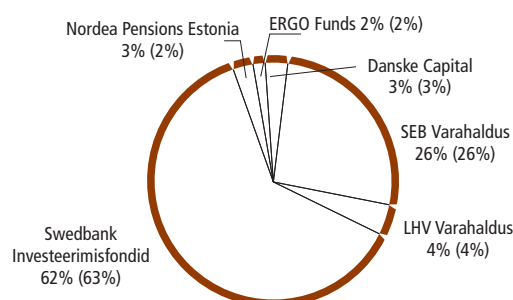
As far as **other funds** were concerned, EfTEN Capital with the share of 28% and EEREIF Management (former GILD Property Asset Management) with the share of 24% led the market. GA Fund Management followed them with the market share of 20%. BPTAM Estonia AS who entered the market at the end of 2010 increased its market share from 7% to 13%.

As most of the customers of investment funds are non-residents, it is important to distinguish Estonian resident customers from non-resident customers in order to draw conclusions on the Estonian funds' market.

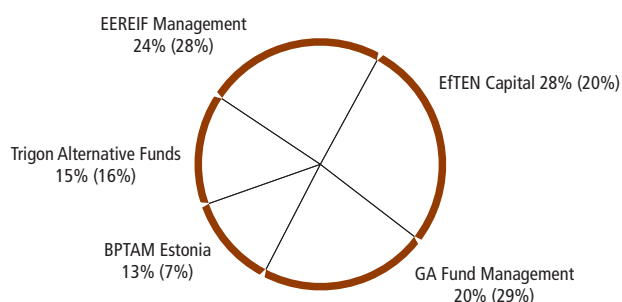
Market structure: mandatory pension funds



Market structure: voluntary pension funds



Market structure: other funds



The structure of customers of **equity funds** remained mostly the same as a year ago. **Non-residents with 56%** held the leading position by volume (also 56% at the end of 2010).

15% of 306 million euro that were invested into **equity funds** belonged to Estonian resident individuals. Estonian **resident individuals** preferred the Swedbank Investeerimisfondid to other fund management companies of equity funds. It managed 55% of assets invested into equity funds by Estonian resident individuals. SEB Varahaldus managed 31% of assets invested into equity funds by Estonian resident individuals.

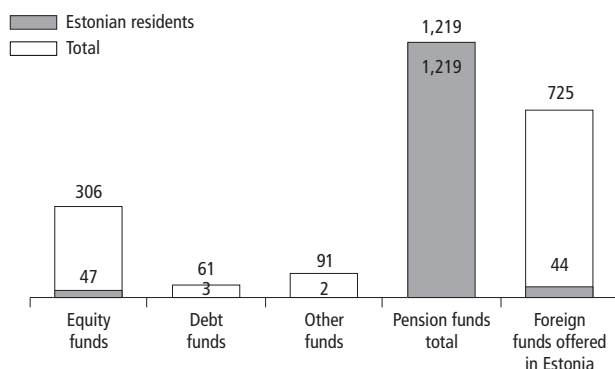
Estonian resident individuals owned only 4% of 61 million euro that was invested into **debt funds**. As far as Estonian resident individuals were concerned, SEB Varahaldus that managed 54% of assets invested into debt funds captured the biggest market share. Danske Capital managed 46% of assets invested into debt funds. Swedbank Investeerimisfondid managed no debt funds any more.

Estonian resident individuals owned only 2% of 91 million EUR that was invested into **other funds**. AS EEREIF Management that managed 59% of assets invested into other funds captured the biggest market share in Estonian resident individuals' market.

Preferences of Estonian resident individuals in terms of funds:

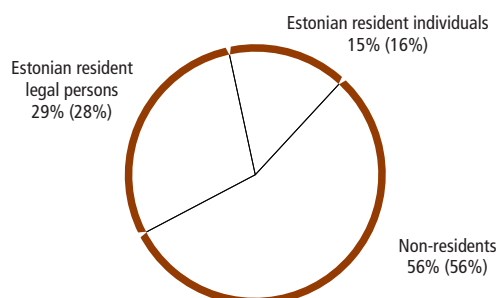
Funds invested by Estonian resident individuals, 31.12.2011

(in millions of EUR)



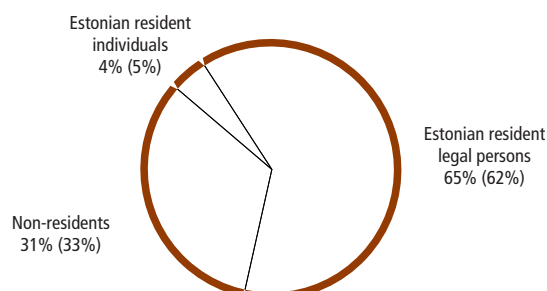
Customer structure of equity funds, 31.12.2011

(31.12.2010 in brackets)



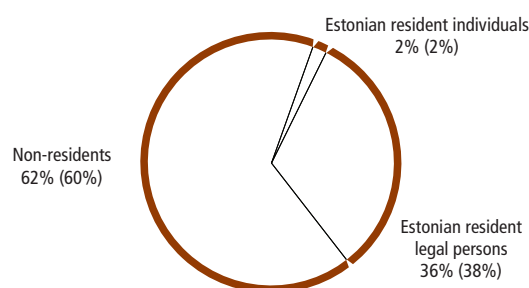
Customer structure of debt funds, 31.12.2011

(31.12.2010 in brackets)



Customer structure of other funds, 31.12.2011

(31.12.2010 in brackets)



6. Individual portfolios¹²

a. Service

Investment firms, fund management companies and credit institutions offer the management service of individual portfolios.

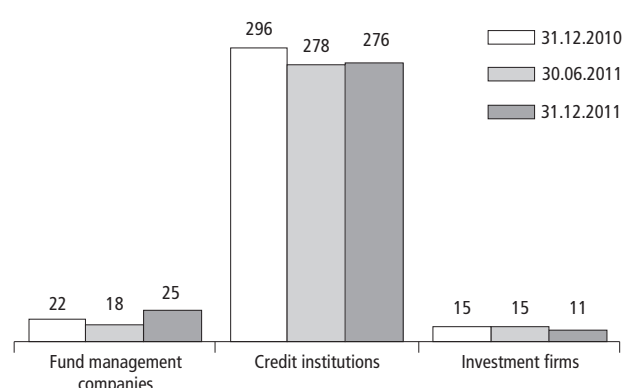
This report does not cover institutional customers; data is presented only on individual portfolio management service used by Estonian resident individuals and companies.

The volume of individual portfolios of **Estonian resident companies and individuals** totalled 312 million euro at the end of 2011 (333 million euro at the end of 2010).

The total volume of individual portfolios of companies and individuals dropped by 6% in a year.

88% of funds included in individual portfolios of Estonian resident companies and individuals are held in credit institutions: credit institutions managed individual portfolios within the amount of almost 276 million euro at the end of 2011.

Volume of individual portfolios of Estonian resident companies and individuals (in millions of EUR)



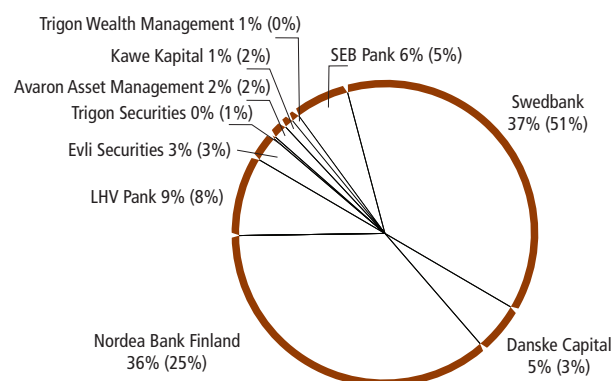
General market	Swedbank	37%
structure:	Nordea Bank Finland	36%
	LHV Pank	9%
Customers:	n/a	
Service volume:	portfolio volume of Estonian resident companies and individuals totalled 312 million euro	

The volume of individual portfolios of resident customers that were managed by fund management companies totalled 25 million euro. The volume managed by investment funds reached to 11 million euro.

b. Service providers

In 2011, Swedbank captured the biggest market share of 37% in the management of individual portfolios of Estonian resident companies and individuals. Its market share decreased from 51% to 37% in a year. The market share of Nordea Bank Finland Estonian Branch increased from 25% to 36% in 2011. LHV Pank followed them with the market share of 9% of individual portfolios of Estonian resident companies and individuals.

Market structure of individual portfolios of Estonian resident companies and individuals by service providers, 31.12.2011 (31.12.2010 in brackets)



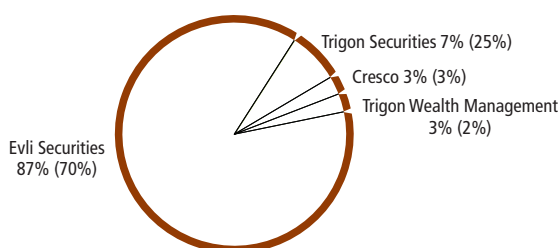
¹² Data on the management of individual portfolios includes all entities, which provide such a service in Estonia and whose customer base may include both Estonian and foreign clients.

Swedbank with 42% and Nordea Bank Finland Estonian Branch with 41% owned the largest aggregate portfolio of individual portfolios among credit institutions. LHV Pank captured 10% and SEB Pank captured 7% of the market.

As far as investment firms are concerned, Evli Securities owned as in previous years the majority of the volume of individual portfolios (87%).

As for the fund management companies, Danske Capital owned the biggest aggregate portfolio of individual portfolios (65%). Avaron Asset Management captured 19% and Kawe Kapital 16% of the fund managers' market.

Market structure by investment firms



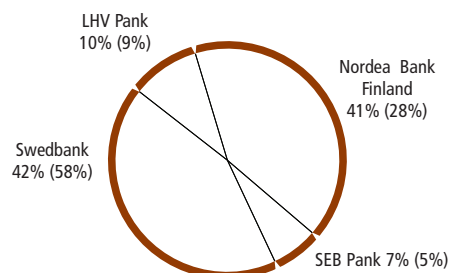
c. Service users

Pursuant to the data of the Financial Supervision Authority, individual portfolios of Estonian resident companies and individuals accounted for 31% of the total volume of individual portfolios at the end of 2011. Credit institutions captured the largest amounts (276 million euro).

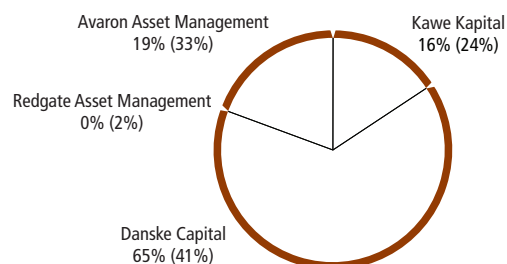
Individual portfolios of Estonian resident credit institutions, financial institutions and government accounted for 31%, individual portfolios of non-resident credit institutions and financial institutions accounted for 29%, and individual portfolios of non-resident companies and individuals accounted for 9% of the total volume of individual portfolios.

Market structure by credit institutions as at 31.12.2011

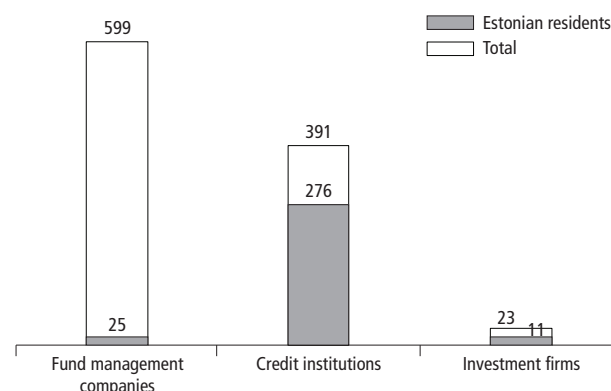
(31.12.2010 in brackets)



Market structure by fund management companies



Share of Estonian resident companies and individuals in managed individual portfolios, 31.12.2011 (in millions of EUR)



7. Loans¹³

In 2011, the volume of banks' loan portfolios dropped by 5.3% (796 million euro) to the level of 14.12 billion euro at the end of 2011; loans to companies¹⁴ accounted for 43% thereof and loans to individuals¹⁵ 50%.

The volume of loans granted to companies decreased the most – by 600 million euro. Loans granted to individuals decreased by 276 million euro. However, loans to financial institutions grew by 77 million euro and loans to government by 3 million euro.

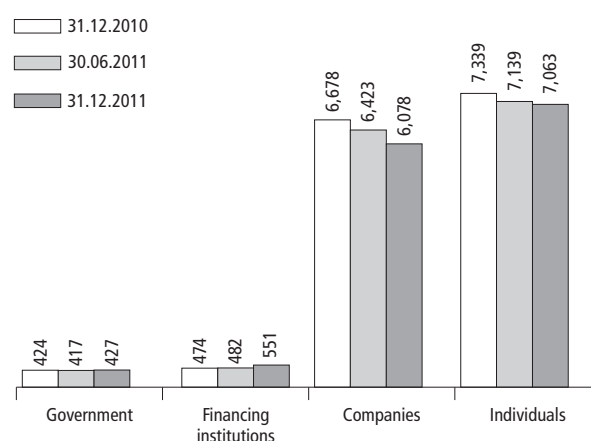
In general, individuals had received loans within the amount of 7.1 billion euro and companies within the amount of 6.1 billion euro by the end of 2011. Loans granted to financial institutions¹⁶ totalled 551 million euro and loans granted to the government¹⁷ 427 million euro.

The volume of loans to individuals dropped in all classes of loan.

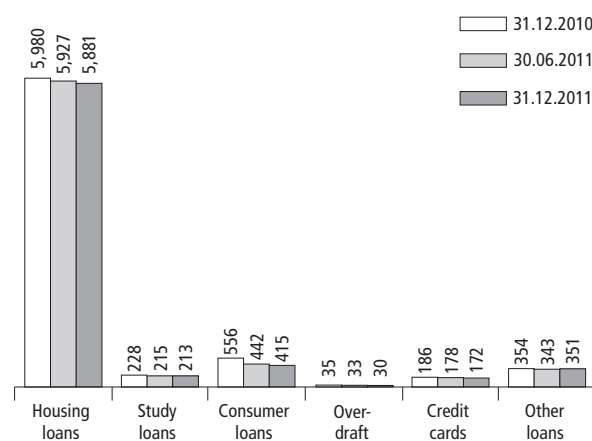
Housing loans within the amount of 5.88 billion euro formed the biggest share of loans granted to individuals. The volume of consumer loans dropped the most in 2011: by 141 million euro.

General market structure:	Swedbank	41%
	SEB Pank	23%
	Nordea Bank Finland Estonian Branch	18%
Customers (individuals):	924,463 contracts in force	
Service volume:	loan portfolio volume totalled 14.12 billion euro	

Volume of loans (in millions of EUR)



Volume of loans to individuals (in millions of EUR)



¹³ Data on loans include loans granted in Estonia.

¹⁴ State or municipal company, other company.

¹⁵ Individual, non-profit association.

¹⁶ Insurance company and pension fund, other financial institution.

¹⁷ Central government, local authority, national social security fund, other extra-budgetary fund.

a. Consumers

Average loan balance of individuals:

Average loan balance of individuals (in EUR)			
	31.12.2010	30.06.2011	30.06.2011
Housing loans	37,866	37,606	37,437
Study loans	2,120	2,110	2,149
Consumer loans	2,260	2,828	2,904
Overdraft	248	249	263
Credit cards	461	456	453
Other loans	8,175	10,327	11,181

In 2011, the average balance of housing loans decreased from 37,866 euro at the beginning of 2011 to 37,437 euro at the end of 2011. The average balance of consumer loans increased from 2,260 euro to 2,904 euro. The average balance of study loans increased from 2,120 euro to 2,149 euro. The average balance of credit card amounts decreased from 461 euro to 453 euro. The average balance of overdraft increased from 248 euro to 263 euro. The average balance of other loans¹⁸ increased from 8,175 euro to 11,181 euro. The high average balance of other loans is primarily due to the amount of loans taken for the purpose of business; the balance of such loans totalled 30,316 euro as an average.

The number of loan contracts decreased in all classes of loan in 2011.

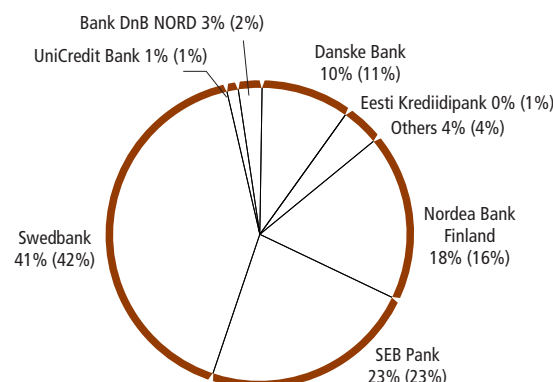
At the end of 2011, the number of housing loan contracts concluded with individuals totalled 157,095 (157,922 as at 31.12.2010), the number of study loan contracts totalled 99,099 (107,389), the number of consumer loans totalled 142,991 (246,128¹⁹), the number of overdraft contracts totalled 113,516 (142,521), the number of credit card contracts totalled 380,331 (403,771) and the number of other loan contracts totalled 31,431 (43,266).

b. Service providers

Loan market is divided mostly between four major banks that capture in total 92% of the loan market. Swedbank accounts for the biggest share – 41% of the aggregate loan portfolio. SEB Pank follows it with 23%, Nordea Bank Finland Estonian Branch with 18% and Danske Bank Estonian Branch with 10%.

The rest (10%) of the market is divided between 13 market participants. DnBNord captures the biggest market share (3%) among these market participants.

Market structure: loans as at 31.12.2011 (31.12.2010 in brackets)

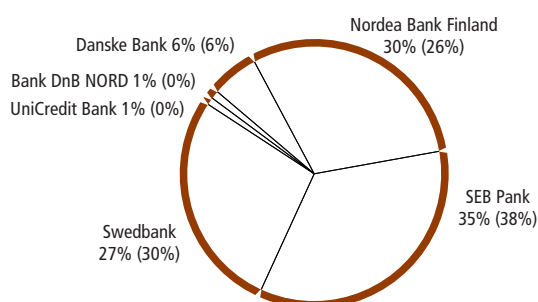


18 Other loans granted to individuals and non-profit associations include loans taken for the purchase of securities and for the start-up and expansion of a company.

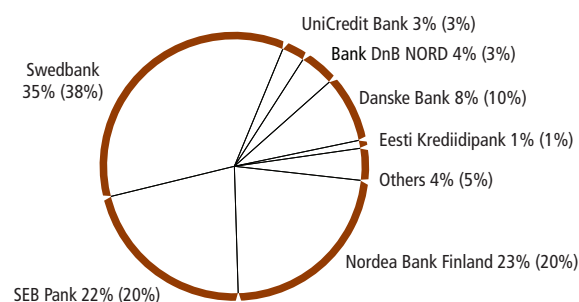
19 Data until 31.12.2010 include the undistinguishable number of consumer loans granted by foreign branches.

The following Figures show the division of different types of loans between credit institutions that operate in Estonia.

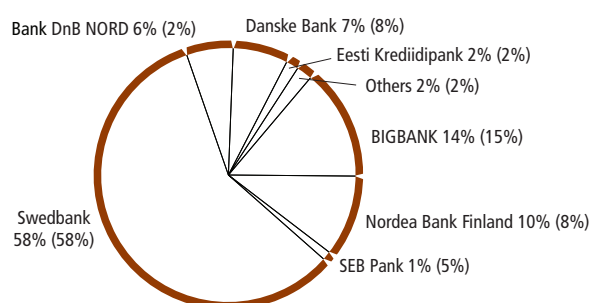
Market structure: loans to the government, 31.12.2011 (31.12.2010 in brackets)



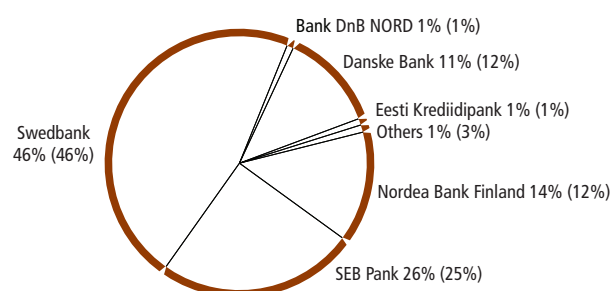
Market structure: loans to companies



Market structure: loans to financial institutions



Market structure: loans to individuals



In the market of loans granted to government the market shares of SEB Pank and Swedbank have decreased and the market shares of other banks have increased. As previously, SEB Pank with 35% captured the biggest share of the market. Nordea Bank Finland Estonian Branch won the second place with 30%. Swedbank followed them with 27%. In 2011, UniCredit Bank Estonian Branch and Bank DnB NORD Estonian Branch entered the market of loans granted to government, both having the market share of 1%.

The major part of the market of loans granted to financial institutions (58%) belonged to the Swedbank. BIGBANK captured 14% and Nordea Bank Finland Estonian Branch captured 10%

of the market. The market share of Bank DnB NORD Estonian Branch increased from 2% to 6% in a year. The market share of SEB Pank decreased from 5% to 1%.

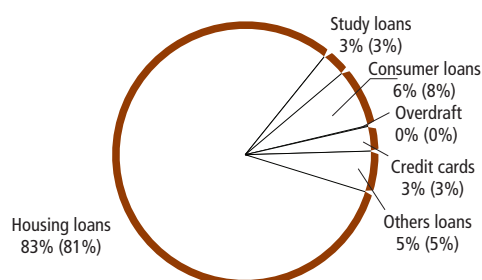
Most of the loans to companies were granted by Swedbank (35%), Nordea Bank Finland Estonian Branch (23%) and SEB Pank (22%).

The majority of loan balances of individuals were also held in Swedbank (46%) and SEB Pank (26%). Market structure of loans granted to individuals has been the most stable throughout the years.

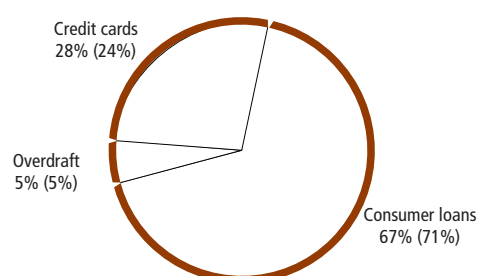
The division of different types of loans granted to individuals experienced the following changes in 2011: the share of housing loans grew from 81% to 83% and the share of consumer loans decreased from 8% to 6%.

Housing loans formed the majority of loans granted to individuals – 83% or 5.9 billion euro. Loans related to day-to-day consumption (consumer loans, credit card loans, overdraft) totalled 0.6 billion euro.

Division of loans granted to individuals, 31.12.2011 (31.12.2010 in brackets)

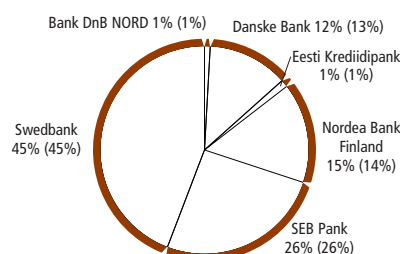


Loans related to day-to-day consumption

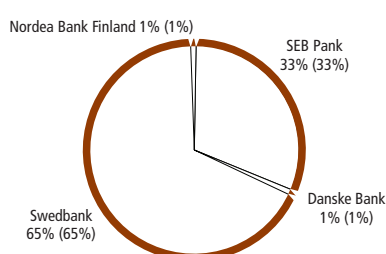


Loan market of individuals is extremely concentrated: almost half of the market is owned by the Swedbank, the rest is divided primarily between SEB Pank, Danske Bank Estonian Branch and Nordea Bank Finland Estonian Branch.

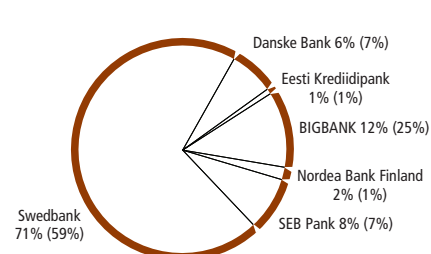
Market structure: housing loans to individuals



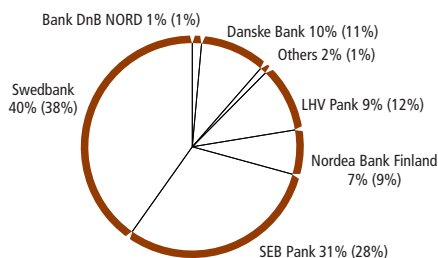
Market structure: study loans to individuals



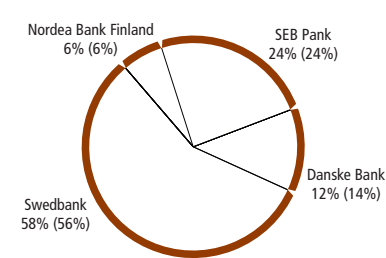
Market structure: consumer loans to individuals



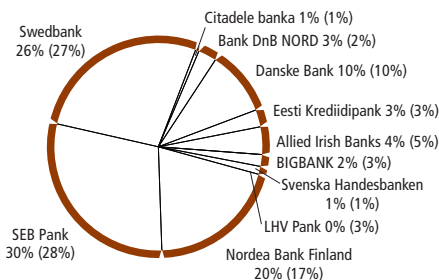
Market structure: overdraft for individuals



Market structure: credit cards of individuals



Market structure: other loans to individuals



8. Depositing²⁰

The **volume of deposits** in Estonian banks grew by 9.9% in 2011 (1.0 billion euro) reaching to the level of 11.6 billion euro in the end of 2011. Demand and overnight deposits totalled 6.3 billion euro, term and savings deposits 5.2 billion euro and investment and other deposits 0.2 billion euro thereof. The share of demand and overnight deposits decreased from 57% to 54% in 2011, and the share of term and savings deposits increased correspondingly from 42% to 45% of the total deposit volume.

Deposits of companies²¹ formed the biggest share with 47% of the total deposit volume and total amount of 5.4 billion euro. 2/3 of companies' deposits were demand and overnight deposits (3.5 billion euro), 1/3 were term and savings deposits (1.9 billion euro).

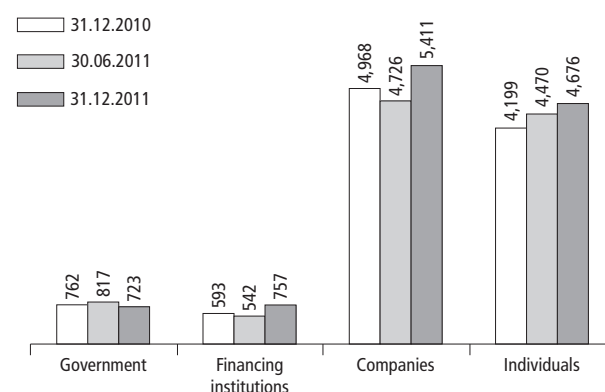
Individuals²² owned 40% of deposits within the amount of 4.7 billion euro. There was an equal division between demand and overnight deposits as well as term and savings deposits: both groups totalled 2.3 billion euro. Investment and other deposits totalled 0.1 billion euro.

Deposits of government accounted for 6% of the total deposit volume and totalled 0.7 billion euro.

Deposits of financial institutions²³ accounted for 7% of the total deposit volume and totalled 0.8 billion euro.

General market structure:	Swedbank	46%
	SEB Pank	21%
	Danske Bank Finland	
	Estonian Branch	15%
Customers:	2,928,854 contracts in force	
Service volume:	deposit volume totalled 11.6 billion euro	

Volume of deposits (in millions of EUR)



²⁰ Data on deposits includes amounts deposited in credit institutions operating in Estonia and in Estonian branches of foreign financial institutions, i.e. the deposits of both Estonian residents and non-residents. Data does not include amounts deposited in foreign branches of Estonian credit institutions.

²¹ State or municipal companies, other companies.

²² Individuals, non-profit associations.

²³ Insurance companies and pension funds, other financial institutions.

a. Service providers

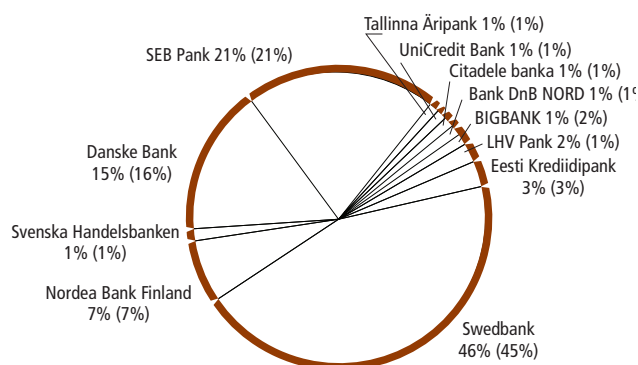
Estonian deposit market is primarily divided between four major banks. Swedbank captured 46% of the deposit market at the end of 2011 and it had achieved the leading position in all client categories.

SEB Pank captured 21%, Danske Bank Estonian Branch captured 15% and Nordea Bank Finland Estonian Branch captured 7% of the total deposit market.

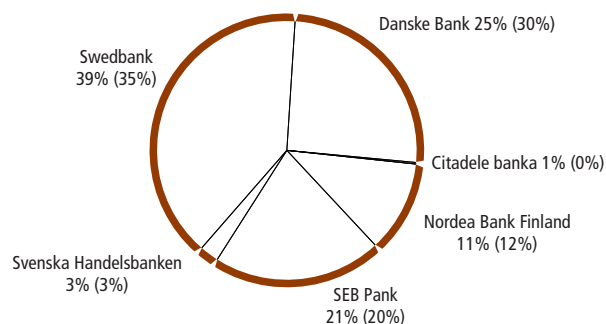
Swedbank captured the biggest share in the market of **government deposits**; its market share increased from 35% to 39% in a year. The market share of Danske Bank Estonian Branch decreased from 30% at the end of 2010 to 25% at the end of 2011, the market share of SEB Pank increased from 20% to 21% and the market share of Nordea Bank Finland Estonian Branch decreased from 12% to 11%.

Swedbank captured the biggest share in the market of **deposits of financial institutions**. The market share of Danske Bank Estonian Branch decreased from 39% to 30% and the market share of SEB Pank increased from 19% to 22%. The market share of Nordea Bank Finland Estonian branch decreased from 5% to 2%.

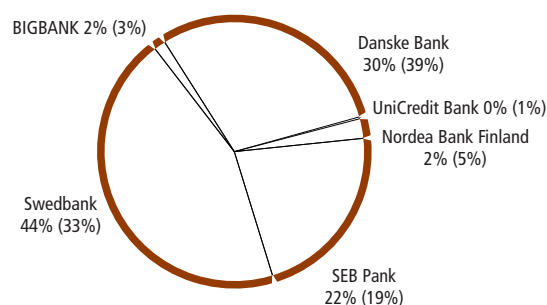
Market structure: deposits as at 31.12.2011 (31.12.2010 in brackets)



Market structure: deposits of government

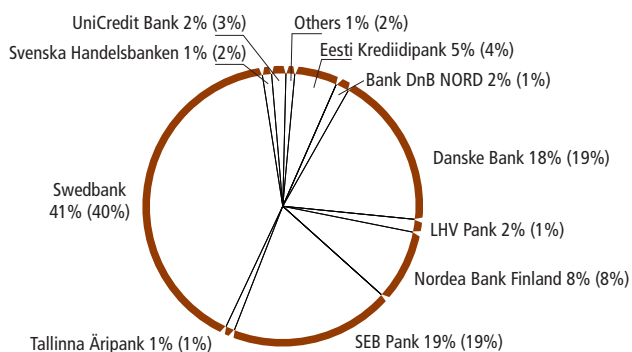


Market structure: deposits of financial institutions



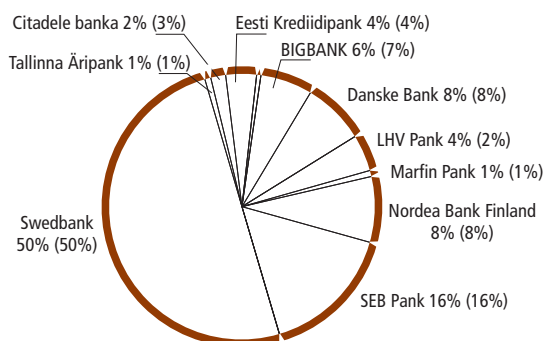
Similarly to previous years, the market of deposits of companies was characterized by stability – market shares fluctuated mostly within the range of 1 percent point. Swedbank continued to capture the biggest market share; its market share increased from 40% to 41% in a year. The market share of SEB Pank maintained the previous level – 19% and the market share of Danske Bank Estonian Branch decreased from 19% to 18%.

Market structure: deposits of companies



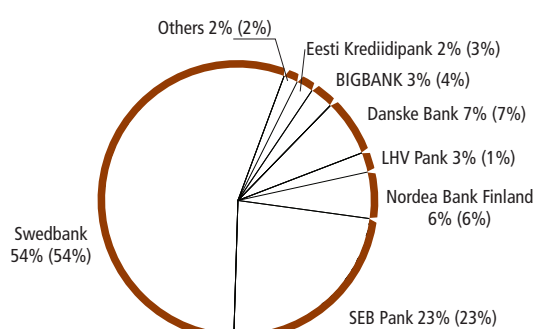
Half (50%) of 2.3 billion euro of term and savings deposits of individuals was deposited in Swedbank at the end of 2011. 16% was deposited in SEB Pank, 8% in Nordea Bank Finland Estonian Branch and Danske Bank Estonian Branch and 6% in BIGBANK.

Market structure: term and savings deposits of individuals



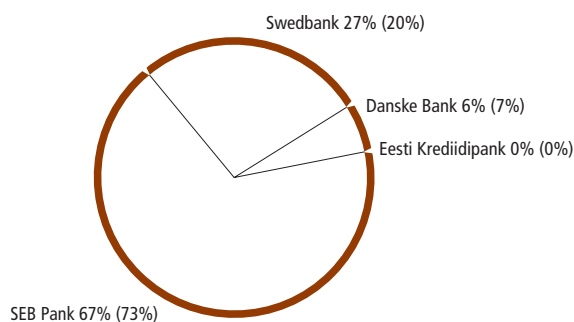
The market of deposits of individuals was also characterized by stability. More than half of the market belonged to Swedbank (54%). The market share of SEB Pank was 23% and the market share of Danske Bank Estonian Branch was 7% and the market share of Nordea Bank Finland Estonian Branch was 6%.

Market structure: deposits of individuals



4 banks offered investment deposits that have a higher yield at the end of 2011, and investment deposits opened by individuals totalled 96 million euro at the end of 2011. SEB Pank captured the biggest market share with 67%. The market share of Swedbank was 27%.

Market structure: investment deposits of individuals



b. Service users

The number of deposit contracts decreased in comparison with 2010 in all customer groups.

The number of deposit contracts in force²⁴ as at 31.12.2011:

- Total demand and overnight deposits, 2,424,000 contracts
including individuals 2,189,000 contracts
- Total term and savings deposits, 470,000 contracts
including individuals 456,000 contracts
- Total investment and other deposits, 34,000 contracts
including individuals 33,000 contracts

However, the average amounts of deposits increased. The average amount of a demand or overnight deposit of an individual was **1,046** euro at the end of 2011 (940 euro at the end of 2010), the average amount of a term or saving deposit was **4,999** euro (4,608 euro) and the average amount of an investment or other deposit was **3,165** euro (3,132 euro).

24 Includes only funded accounts.