



ESTONIAN FINANCIAL MARKET as at 30.06.2012

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I. General developments in financial services

Estonian consumers of financial services were characterized in the first half-year of 2012 by continuing cautiousness and risk averseness.

The total volume of deposits grew by 3% in the period observed, of which demand and overnight deposits grew 9%, term and savings deposits decreased by 5%. The volume of clients' deposits at the end of the first half-year of 2012 totalled 11.9 billion euros.

Banks' total volume of loan portfolios remained practically unchanged in the first half-year, dropping 0.2% in six months. As of the end of the first half-year of 2012, total loan portfolio of credit institutions was 14.1 billion euros.

A cautious atmosphere prevailed in investment activities in the first half-year of 2012, which led the volume of investment-related products to decrease. The volume of premiums received on the basis of unit-linked life insurance dropped by 17% compared to the same period a year ago. (A 12% decrease was also noted in comparison with the second half of 2011.)

Investments into foreign funds decreased 30% and amounted to 0.5 billion euros. At the same time the volume of some of investment products has grown. The overall volume of individual portfolios grew by 7%, amounting to 1.1 billion euros.

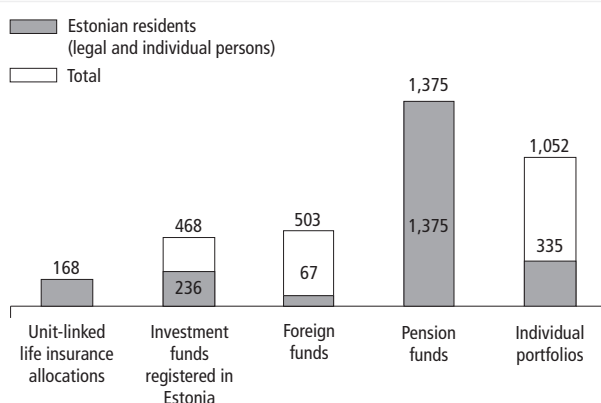
Equity funds have shown some growth: after an extended decline, the volume of total equity fund assets in Estonia edged upward by 1% in the first half year. The volume of total assets in funds registered in Estonia (including pension funds) grew overall by 10%, amounting to 1.8 billion euros. Compulsory pension funds were responsible for the growth; their volume grew by 13% in the first half-year.

Overall, the volume of assets placed into **capital-growth financial services** – including unit-linked life insurance products, investment funds, pension funds, term and saving deposits and investment and other deposits – **decreased** compared to 2011, making up 8,608 million euros (8,836 million euros as of end of June 2011, 8,890 million euros as of the end of 2011).

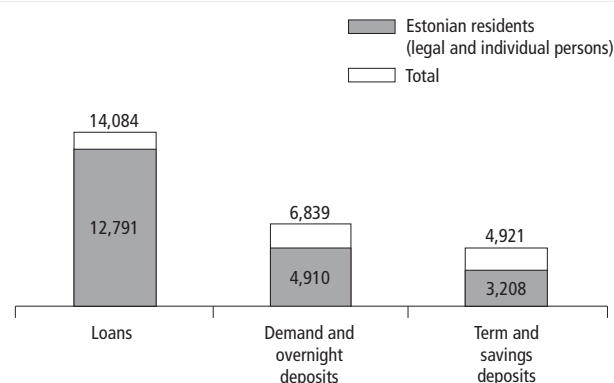
The volume of insurance premiums in **life insurance** dropped by 9% compared to the first half-year of 2011. The factor responsible for this was a decrease in insurance products related to investments: The volume of unit-linked life insurance dropped 17% and endowment insurance volume dropped 19%. The volume of insurance premiums received in **non-life insurance** grew by 6% compared to the first half-year of 2011.

Volumes of financial services provided by Estonian financial institutions:

Volumes of various investment services as of 30.6.2012 (in millions of EUR)



Volumes of various banking services as of 30.6.2012 (in millions of EUR)



The volume of investment and banking services provided by Estonian financial institutions, including data on individuals resident in Estonia, are shown in the following table (millions of EUR, as of 30 June 2012):

Service	Total, in millions of EUR	Of which Estonian-resident individuals	
		Millions of euros	Percentage of total services
Investment funds	468	50	11%
Pension funds	1,375	1,375	100%
Foreign funds offered in Estonia	503	25	5%
Provisions of unit-linked life insurance allocations	168	168	100%
Individual portfolios	1,052	54	5%
Loans	14,084	6,881	49%
Demand and overnight deposits	6,839	2,383	35%
Term and savings deposits	4,921	2,090	42%
Investment and other deposits	121	94	78%

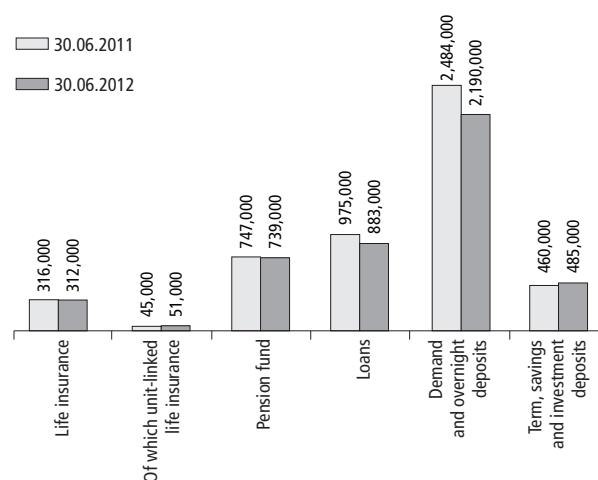
2. Distribution of individuals by services

By number of contracts, the most frequently used service in Estonia is the demand deposit (standard bank account). As of the end of June 2012, individuals held **2,190,000** such accounts¹ (many individuals have more than one account).

The second most frequently used financial service among individuals is the **loan**. As of end of June 2012, **individuals had signed 883,000 loan agreements**².

The number of those who have joined pension funds dropped during the year from 747,000 to 739,000. The number of term deposits, saving deposits and investment deposits grew from 460,000 to 485,000. The number of agreements in life insurance dropped from 316,000 to 312,000, while in unit-linked life insurance, the policies grew from 45,000 to 51,000.

Number of individuals' agreements by financial service



¹ Only deposits with balances were considered.

² Important note: the analysis does not take into account the possibility that certain individuals may have entered into more than one agreement.

3. Life insurance

In the first half-year, life insurance companies in Estonia garnered insurance premiums totalling 31.9 million euros³ (first half-year of 2011: 34.8 million euros). Compared to the period a year ago, the volume of insurance premiums decreased by close to 9%. The drop in insurance premiums was occasioned above all by the decrease in unit-linked life insurance and endowment insurance premiums.

In spite of the drop in insurance premiums, unit-linked life insurance is the life insurance product with the greatest volume, totalling 11.6 million euros (first half-year of 2011: 14.0 million euros) and percentage 37% (first half-year of 2011: 40%).

Unit-linked life insurance is followed by endowment insurance premiums amounting to 9.3 million euros (first half-year of 2011: 11.6 million euros) and annuity premiums of 5.3 million euros (first half-year of 2011: 4.1 million euros).

A total of 5.6 million euros was received from other life insurance product contracts (first half-year of 2011: 5.2 million euros).

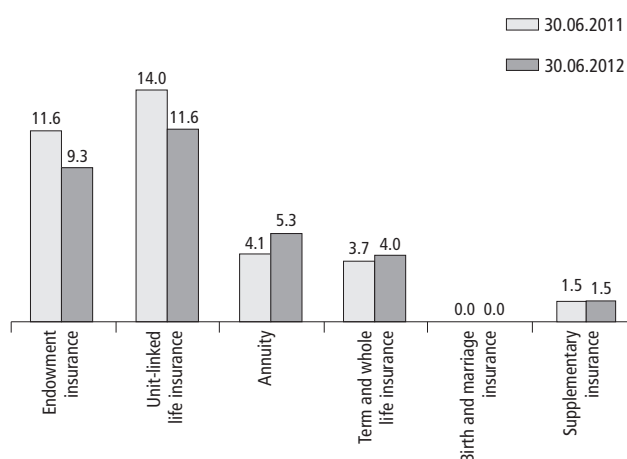
a. Consumers

As of the end of June 2012, a total of 312,012 life insurance contracts had been signed with life insurance companies operating in Estonia, including 197,813 primary life insurance contracts⁴ (as of the end of June 2011, 316,451 contracts, including 201,283 primary life insurance contracts). The total number of life insurance contracts has continued to decrease. As in previous years, the greatest drop occurred in endowment insurance, where in comparison to the period a year ago, the number of contracts in force dropped by 13,524 contracts, making up 63,748 contracts as of the end of the year.

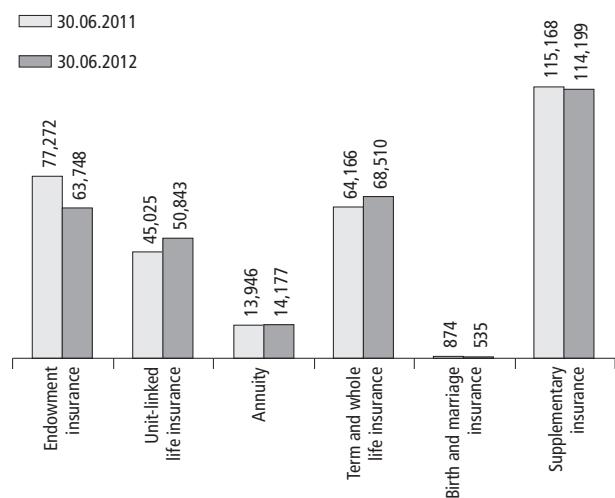
At the same time, unlike previous years, the number of valid contracts in unit-linked life insurance increased from 45,025 to 50,843.

Overall market	Swedbank Life Insurance	38%
distribution:	SEB Elu- ja Pensionikindlustus	28%
	Compensa Life Vienna Insurance	13%
Clients:	312,012 valid agreements	
Service volume:	insurance premiums received in the first half-year of 2012 totalled at 31.9 million EUR	

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



Number of current life insurance agreements concluded in Estonia



3 The data do not include insurance premiums from outside Estonia.

4 The data include only life insurance contracts concluded in Estonia.

The number of agreements in term and whole life insurance increased from 64,166 to 68,510 and term and whole life insurance have become the largest primary category in terms of total number of contracts.

As of the end of the year, a total of 114,199 supplementary insurance contracts had been signed (as of end of June 2011: 115,168 contracts).

The largest changes in terms of **volume of contracts** took place with regard to unit-linked life insurance and annuities. The average amount of contributions in other insurance types has not changed significantly.

The average contribution paid in to annuities increased compared to the period a year ago from 294 euros to 376 euros. The contribution into unit-linked life insurance fell from 312 euros to 229 euros.

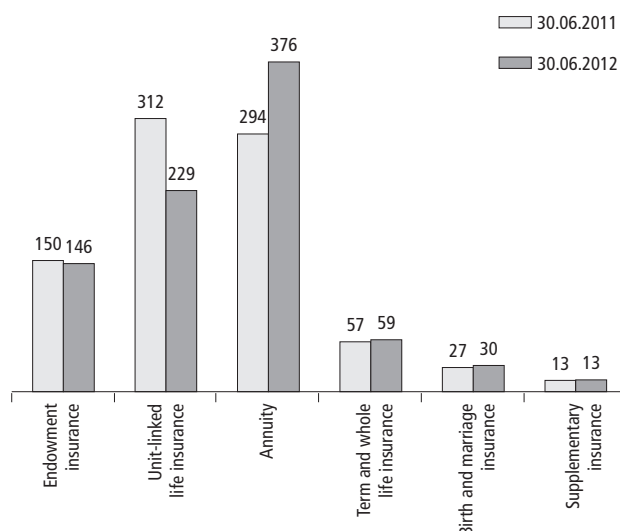
The average contribution paid in to endowment insurance increased remained practically the same, dropping slightly from 150 to 146 euros during the year.

b. Service providers

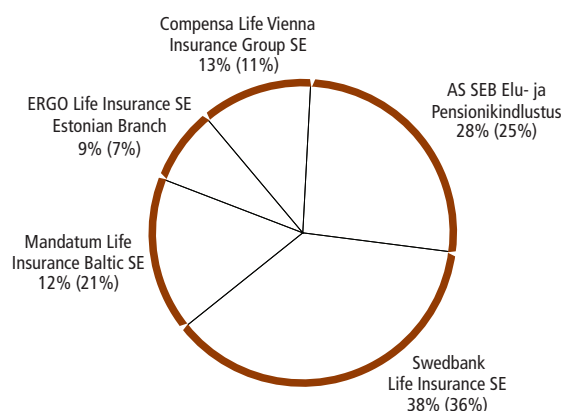
The top three life insurance providers - Swedbank Life Insurance, Mandatum Life Insurance Baltic and SEB Elu- ja Pensioni-kindlustus – received 78 percent of insurance premiums in the first half-year of 2012 (first half-year of 2011: 82%).

Compared to the period a year ago, the largest change in the market distribution of life insurance societies took place in the case of Mandatum Life Insurance Baltic, where the market share fell from 21% to 12% during the year. The reason was receipts of unit-linked life insurance premiums, which were down significantly.

Average amount in insurance premiums contributed toward contract during half-year (in EUR)



Market shares of life insurance in the first half of 2012 based on insurance premiums received (data in brackets refer to first half-year of 2011)



The biggest changes in **market distribution** took place in unit-linked life insurance.

Receipts of insurance premiums from **annuities** increased at all life insurance companies, but especially at SEB Elu- ja Pensionikindlustus, where receipts nearly doubled, as a result of which the company's market share rose from 14% to 19%. The market share of ERGO Life Insurance SE Estonia branch rose from 22% to 26%. In spite of the growth in the volume of insurance premiums, the market share of Compensa Life Vienna Insurance Group dropped from 61% to 52%, but it remained by far Estonia's largest annuity service provider.

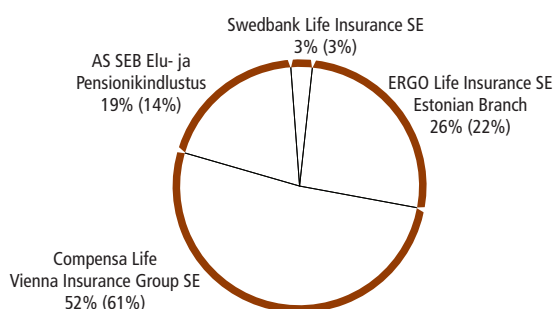
On the **unit-linked life insurance** market, major changes took place. Mandatum Life Insurance Baltic's insurance premiums into unit-linked life insurance fell by around half, as a result

of which its market share in the field of unit-linked life insurance fell from 46% to 25%. At the same time, Swedbank Life Insurance's market share rose from 34% to 47% and that of SEB Elu- ja Pensionikindlustus rose from 13% to 20%.

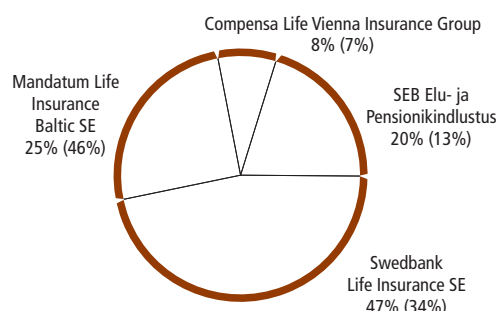
The market shares in **term and whole life insurance** fluctuated relatively little. The market share of Swedbank Life Insurance dropped from 61% to 60%. The market share of SEB Elu- ja Pensionikindlustus grew from 25% to 27%.

Compared to the period a year ago, the volume of **endowment insurance** premiums decreased at nearly all insurance companies. Swedbank Life Insurance's endowment insurance premiums dropped by one-third, as a result of which market share decreased from 41% to 35%. The greatest market share is held by SEB Elu- ja Pensionikindlustus (45%).

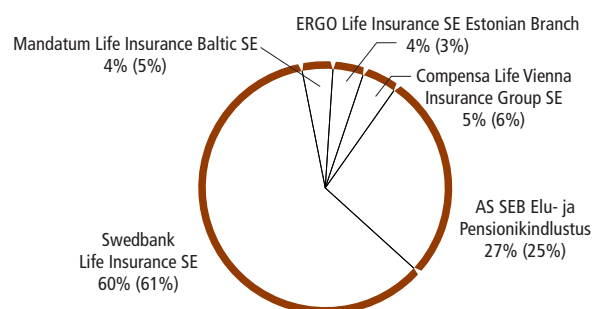
Market distribution: annuity as of 30.6.2012 (30.6.2011 in brackets)



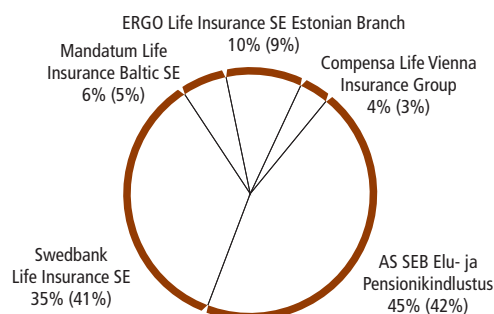
Market distribution: unit-linked life insurance



Market distribution: term and whole life insurance



Market distribution: endowment insurance



4. Non-life insurance⁵

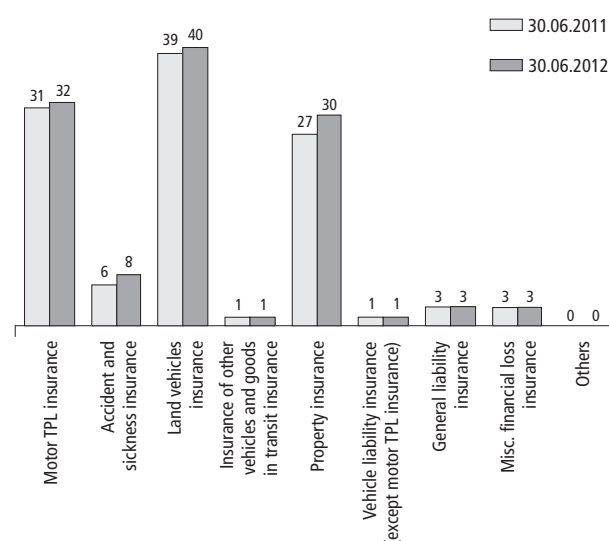
In the first half-year of 2012, almost as much in insurance premiums was received by non-life insurance companies and branches of foreign non-life insurance companies operating in Estonia as a year ago – **116 million euros** (first half-year of 2011 – 110 million euros), including 22 million euros by branches of foreign insurance companies, i.e. 19% of all collected insurance premiums (first half-year of 2011 – 16 million euros, i.e. 15% of all collected insurance premiums).

Insurance premiums received by various types of non-life insurance did not experience much change. The most notable change took place in property insurance, where compared to the year before, the volume of premiums increased from 27 million euros to 30 million euros. The type of insurance that accounted for the greatest volume continued to be land vehicle insurance (**own damage insurance**) with 34% (volume of premiums – 40 million euros) and **compulsory motor TPL insurance** with 27% (volume of premiums – 32 million euros). They were followed by property insurance with a 25% share and volume of 30 million euros.

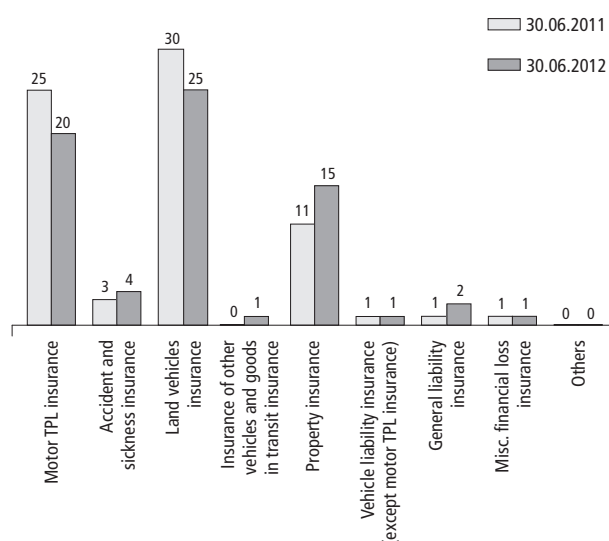
In the first half-year of 2012, a total of 67 million euros was paid out as indemnities (first half-year of 2011: 71 million euros). **Compared to the period a year ago, the paid-out indemnities decreased the most in land vehicle insurance from 30 million euros to 25 million euros; and in motor TPL insurance from 25 million euros to 20 million euros.** What is noteworthy is that the paid-out indemnities in motor TPL insurance were at the lowest level in the past six years, which was probably due to the relatively good winter conditions and, undoubtedly, certain traffic restrictions established in early 2012. At the same time, indemnities grew in property insurance: from 11 million euros to 15 million euros.

Overall market	IF P&C Insurance	28%
distribution:	ERGO Kindlustus	18%
	Swedbank Insurance	14%
Clients:	no information	
Service volume:	insurance premiums received in the first half-year of 2012 116 million EUR	

Premiums by type of non-life insurance (in millions of EUR)



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



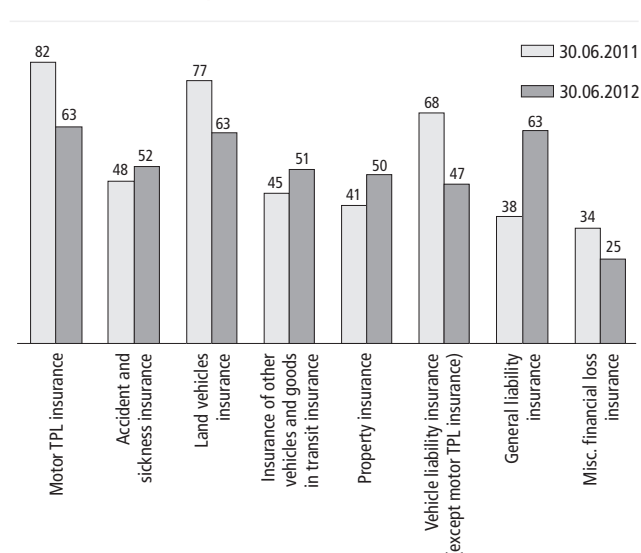
⁵ The data on non-life insurance cover only contracts concluded in Estonia. The data do not include insurance contracts entered into in foreign branches of Estonian insurance companies.

The ratio of indemnities to insurance premiums in the first half-year of 2012 fluctuated less than in previous periods, mainly in the range of 47% - 63%. The exception was insurance against monetary loss, where the ratio of indemnities to premiums was the lowest in years – just 25%.

The highest ratio of indemnities to premiums was seen in motor TPL insurance, land vehicle insurance and general liability insurance, where the indicator was 63% in both cases.

In property insurance the ratio of indemnities to premiums was 50%.

Ratio of indemnities to premiums (%)



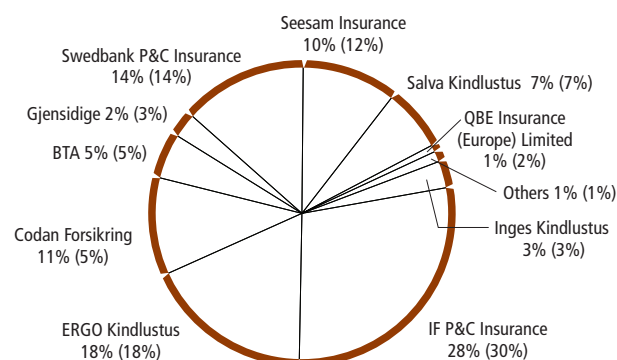
a. Service providers

In the first half of 2012, the Estonian branch of Codan Forsikring A/S saw its premiums received double, as a result of which the insurance company's market share rose from 5% to 11%. By insurance premiums, the Estonian branch of Codan Forsikring A/S is now among the top four non-life insurance companies operating in Estonia.

As of end of June 2012, IF P&C Insurance AS had the largest market share on the non-life insurance market. ERGO Insurance's market share was 18%. Swedbank P&C Insurance AS held 14% of the market.

The total market share of foreign insurers was 19%. The one with the largest share of the market among them was the Estonian branch of Codan Forsikring A/S.

Market shares of non-life insurance companies according to premiums received in first half of 2012 (data for first half of 2011 in brackets)

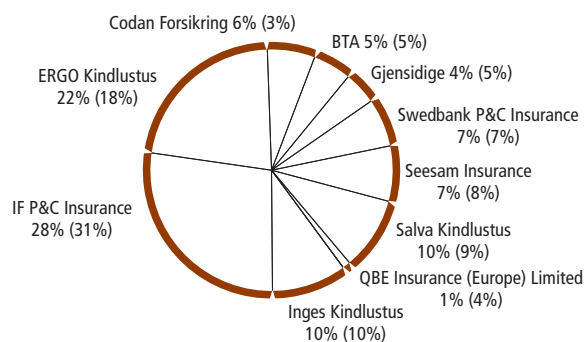


The following figures show how the market is distributed between the Estonian insurance companies and Estonian branches of foreign insurers by each non-life insurance product.

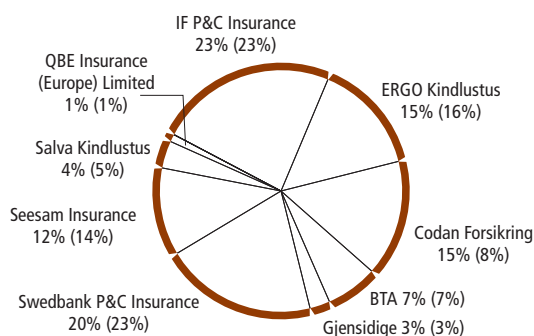
The largest market share in the motor TPL, land vehicle and property insurance still belongs to IF P&C Insurance AS – 28%, 23% and 36%, respectively. The Estonian branch of Codan Forsikring A/S, which is an active player on the Estonian market, grew its market share in the all of the above insurance products: 3% to 6% in **motor TPL insurance**, from 8% to 15% in **land vehicle insurance** and from 6% to 11% in **property insurance**.

Market distribution: motor TPL insurance as of 30.6.2012

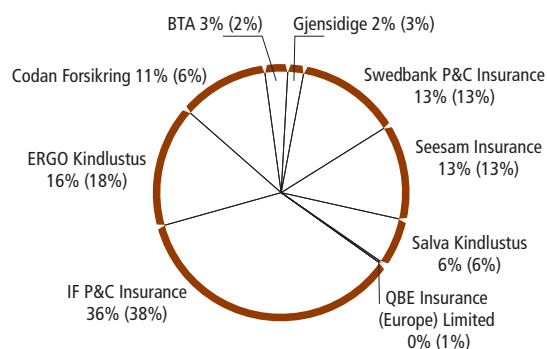
(30.6.2011 in brackets)



Market distribution: land vehicle insurance



Market distribution: property insurance



5. Investment and pension funds⁶

The volume of investment funds, including pension funds, grew by 10% in the first half-year of 2012 – i.e. 165 million euros, making up 1.84 billion euros⁷ by the end of June 2012, which is the highest figure in recent years and which is beginning to approach the pre-crisis level.

As in previous periods, compulsory pension funds supported the growth of the Estonian fund sector.

In the first half-year of 2012, the volume of compulsory pension funds soared by 152 million euros, which is 13%, reaching 1.287 billion euros by end of June 2012. The volume of voluntary pension funds grew by 3 million euros – from 85 million euros to 88 million euros.

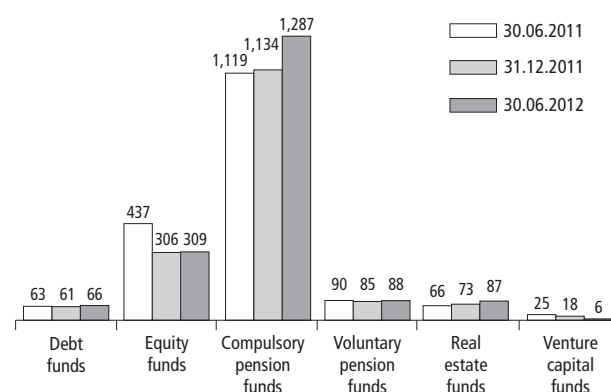
The volume of equity funds remained practically unchanged, growing 1% in the half-year: from 306 million euros to 309 million euros.

The volume of real estate funds grew from 73 million euros to 87 million euros in the first half-year of 2012 – 19%. The volume of debt funds grew from 61 million euros to 66 million euros in the first half-year of 2012 – 9%.

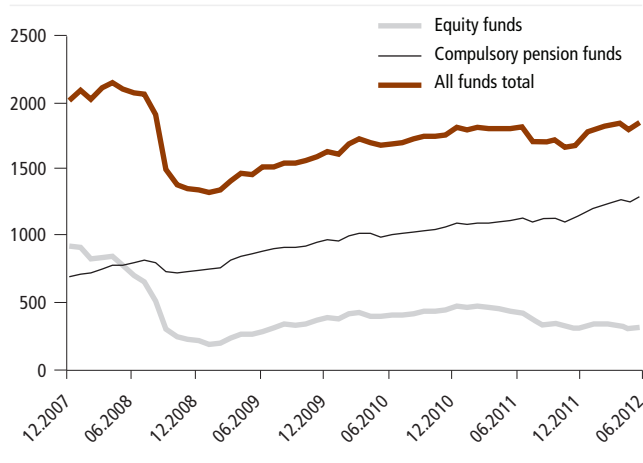
The largest type of fund in the fund sector is still compulsory pension funds, making up 70% (68% at the end of 2011). Second place is taken by equity funds, with 17% (18% at the end of 2011). The rest of the funds – debt funds, voluntary pension funds and real estate funds – each hold 4-5% of the total fund volumes.

Overall market distribution:	Swedbank Investeeringimisfondid	44%
	SEB Varahaldus	23%
	LHV Varahaldus	11%
Clients:	759,454 valid agreements	
Service volume:	total volume of funds: 1.84 billion EUR	

Market value of investments in funds (in millions of EUR)



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



⁶ The data on investment funds cover all clients of investment funds registered in Estonia, including clients from foreign states

⁷ Market value.

a. Consumers⁸

The number of unit holders⁹ dropped in the first half-year of 2012 in nearly all types of funds. The number of unit holders remained the same only in venture capital and real estate funds, which by their nature are mainly closed funds. For the first time, the number of compulsory pension fund unit holders decreased by 16,776 individuals – the biggest decrease – the reason evidently being the termination of contracts in connection with the beginning of disbursement of pillar II pensions. As of the end of June 2012, the number of unit holders in compulsory pension funds stood at 691,663, according to Financial Supervision Authority data. But it should be borne in mind that many individuals take the opportunity to save up for their pension through more than one compulsory pension funds, and thus the actual number of those who have joined pillar II of the pension scheme is lower than the number of unit holders (628,781 people as of the end of June 2012).

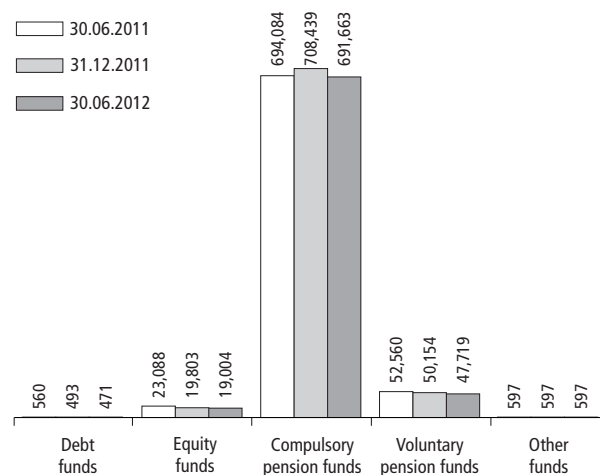
The number of individuals who have invested into other funds has dropped; this trend is not new and depending on the type of fund, it has persisted for the last year and a half to three years. Interest in equity funds and debt funds has continually decreased starting from early 2009. Already in 2009, the growth in the number of voluntary pension fund unit holders stalled as well, and during the last 18 months, the number of unit holders has fallen here, too.

The number of equity fund unit holders fell by 799 people in the first half-year of 2012. The number of debt fund unit holders dropped by 22. The number of voluntary pension fund unit holders dropped by 2,435 people, which is the largest outflow of unit holders in recent years.

To sum up, the largest type of fund in terms of client base is the compulsory pension funds with 691,663 individuals and they are followed by:

- voluntary pension funds with the total unit holders made up by 47,719 individuals;
- stock funds with 19,004 people as unit holders;
- debt funds with 471 people as unit holders;
- other funds (real estate and venture capital funds) with 592 people as unit holders.

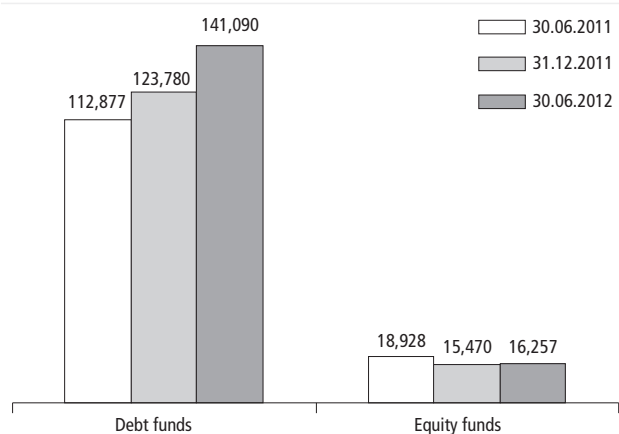
Number of fund unit holders



⁸ All conclusions about the client base of funds are based on the number of unit holders. A person may hold units in more than one fund. Thus the number of unit holders indicates people's activity in investing through different funds, not the number of people investing into funds.

⁹ Also includes non-resident unit holders.

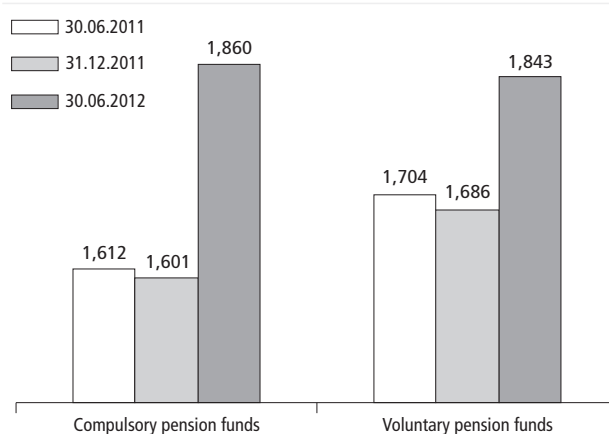
Market value of investments per unit holder (in EUR) (1)



The most investment per customer¹⁰ occurred into real estate funds (274,328 euros), which is due to the fact that it is mainly wealthy individuals and professional investors who invest into such funds.

The average market value of investments soared in the first half-year of 2012 in both compulsory and voluntary pension funds. The reason could be that smaller investors are pulling out of the funds; certainly another is that the volume of pension fund assets is increasing. During the half-year, the average investment grew by approx. 10-20% in nearly all pension funds.

Market value of investments per unit holder (in EUR) (2)



Average investments per customer by various funds as of the end of June 2012:

- debt funds 141,090 euros;
- equity funds 16,257 euros;
- compulsory pension funds 1,860 euros;
- voluntary pension funds 1,843 euros.

¹⁰ Investments per client are an illustrative statistic that indicates the approximate size of an investment (e.g. in the case of pension funds, new subscribers bring the average investment downward).

b. Service providers

The greatest change in the distribution of funds' assets¹¹ compared to the period a year ago was that the market share of LHV Varahaldus increased from 7% to 11% and that the market share of AS Trigon Funds decreased from 5% to 2%.

As of the end of June 2012, Swedbank Investeerimisfondid held 44% of the fund market, SEB Varahaldus had 23% and Danske Capital had 9%.

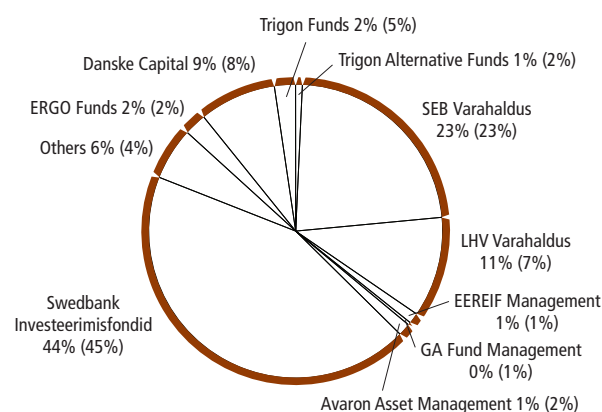
The greatest change in the market distribution of **equity funds** is the fact that the market share of Swedbank Investeerimisfondid increased from 57% to 66%. Thus Swedbank Investeerimisfondid has made its leader position even more secure.

The second-largest, Trigon Funds, lost some of its market share (19% to 14%).

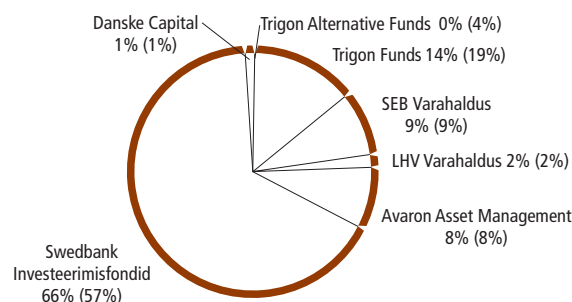
Due to the winding-up of its equity fund Trigon Active Alpha Fund, the market share of Trigon Aletrnativa Funds dropped from 4% to 0%. SEB Varahaldus is third with a 9% market share.

Currently only two fund management companies offer **debt funds**¹²: SEB Varahaldus with 95% of the market and Danske Capital with a 5% share. Redgate Intressifond, launched in 2011 by Redgate Asset Management is currently effectively idle.

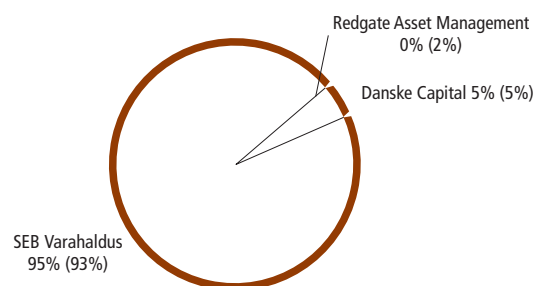
Market distribution: all funds as of 30.6.2012 (30.6.2011 in brackets)



Market distribution: equity funds



Market distribution: debt funds



¹¹ On the basis of market value.

¹² Money market funds and interest funds.

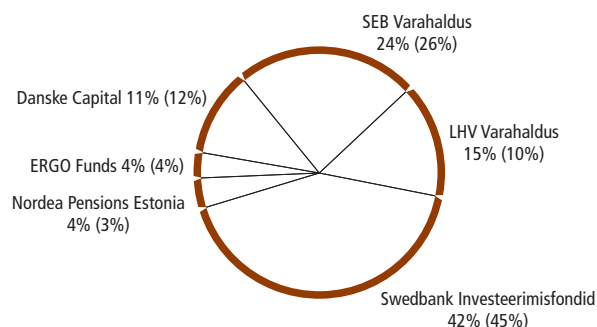
The largest share of the **pension funds market** is still held by Swedbank Investeerimisfondid. At the same time money in **compulsory pension funds** continued to migrate from larger asset management companies to smaller ones. Swedbank Investeerimisfondid's market share declined from 45% to 42%, while SEB Varahaldus's share dropped from 26% to 24% and that of Danske Capital, from 12% to 11%. At the same time, the market shares of smaller management companies grew. The market share of LHV Varahaldus grew from 10% to 15% and the market share of Nordea Pensions Estonia from 3% to 4%.

With regard to **voluntary pension funds**, the market share of Swedbank Investeerimisfondid dropped from 63% to 62% but they still control 2/3 of the voluntary pension fund market despite the small contraction.

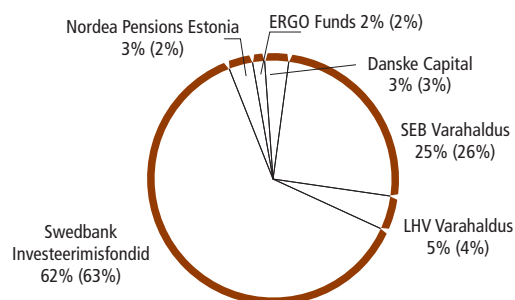
As to **other funds**, the one with the greatest market share is EFTEN Capital (29%) followed by EEREIF Management (formerly GILD Property Asset Management) with 24%. They are followed by GA Fund Management with a 20% market share¹³.

As non-residents make up the majority of investment fund customers, it is important that Estonian resident customers be distinguished from non-residents in order to draw conclusions about the Estonian fund market.

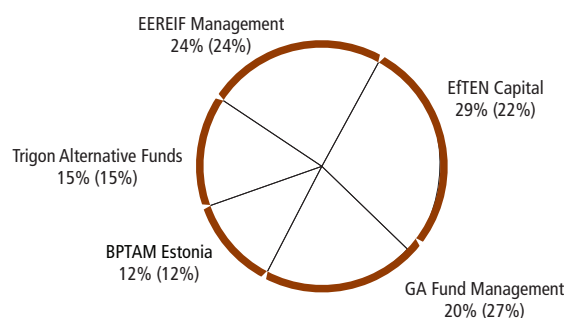
Market distribution: compulsory pension funds



Market distribution: voluntary pension funds



Market distribution: other funds



13 On the basis of market value.

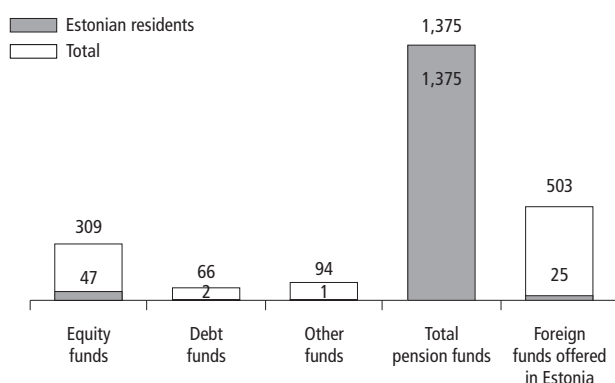
Compared to the period a year ago, the structure of **equity fund** customers remained largely the same. The greatest share – **54%** – belonged to **non-residents** (end of June 2011: 57%). **Of the money invested into equity funds**, Estonian-resident individuals held 15%. The fund management company most preferred by Estonian-resident individuals is Swedbank Investeerimisfondid, which managed 57% of the assets placed in equity funds by Estonian-resident individuals. SEB Varahaldus managed 31% of the assets placed in equity funds by Estonian-resident individuals.

Of the money invested into **debt funds**, Estonian-resident individuals held just 3%. The largest market share of the Estonian-resident individuals market was controlled by SEB Varahaldus, which managed 75% of the assets invested by individuals into debt funds. Danske Capital held 25% of the assets invested by individuals into debt funds. Swedbank Investeerimisfondid no longer manages debt funds.

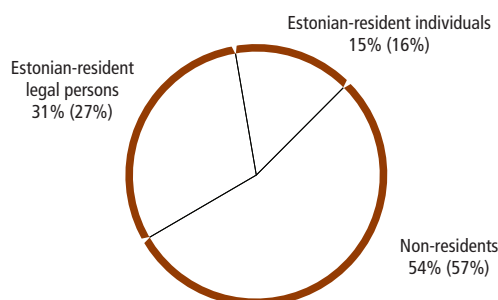
Of the money invested into **other funds**, Estonian-resident individuals held just 2%. The largest market share of the market in the case of Estonian-resident individuals was held by AS EEREIF Asset Management, which managed 67% of the assets invested in other funds.

The preferences of Estonian-resident individuals in selecting fund:

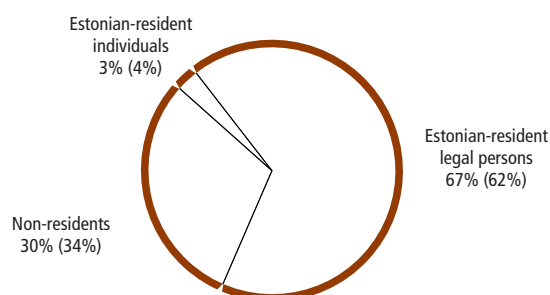
Money placed in funds by Estonian-resident individuals as of 30.6.2012
(in millions of EUR)



Structure of clients of equity funds as of 30.6.2012 (30.6.2011 in brackets)



Structure of clients of debt funds as of 30.6.2012 (30.6.2011 in brackets)



Structure of clients of other funds as of 30.6.2012 (30.6.2011 in brackets)



6. Individual portfolios¹⁴

a. Service

Individual portfolio management service is offered by both investment companies, fund management companies and credit institutions. This report does not deal with institutional clients and the data encompass only individual portfolio management service used by Estonian-resident individuals and companies.

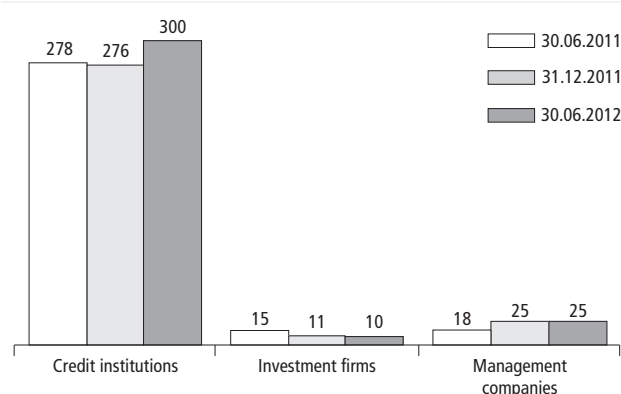
The volume of **Estonian-resident companies and natural persons'** individual portfolio at the end of June 2012 stood at 335 million euros (end of 2011: 312 million euros).

In the half-year, the total volume of companies' and individuals' personal portfolios increased by 7%.

90% of the assets kept in the individual portfolios of Estonian-resident and individuals' individual portfolios are in credit institutions. As of the end of June 2012, credit institutions managed close to 300 million euros in the form of individual portfolios.

The volume of Estonian-resident companies and natural persons' individual portfolios made up 25 million euros. Investment companies managed 10 million euros.

Volumes of individual portfolios held by Estonian-resident companies and individuals (in millions of EUR)

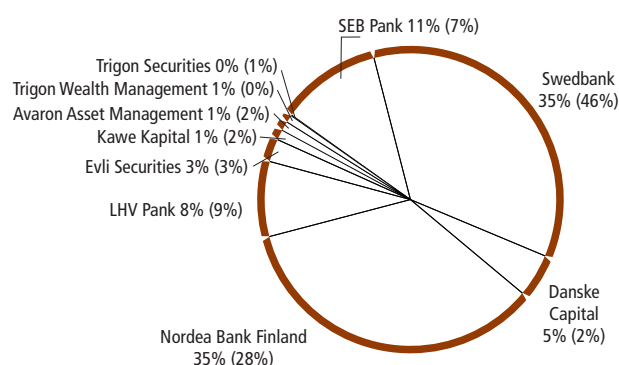


Overall market	Swedbank	35%
distribution:	Nordea Pank Finland	35%
	SEB Pank	11%
Clients:	no information	
Service volume:	total volume of portfolios of Estonian-resident companies and individuals: 335 million EUR	

b. Service providers

The largest market share in management of Estonian-resident companies and natural persons' individual portfolios at the end of June 2012 belonged to Swedbank (35%). During the year, its market share dropped from 46% to 35%. The market share of Nordea Bank Finland Plc Estonia branch grew from 28% to 35% during the year. They were followed by LHV Pank, which held 8% of the market of Estonian-resident companies and natural persons' individual portfolios. SEB Pank's market share increased from 7% to 11% during the year.

Market distribution of individual portfolios of Estonian-resident companies and individuals by service provider as of 30.6.2012 (30.6.2011 in brackets)



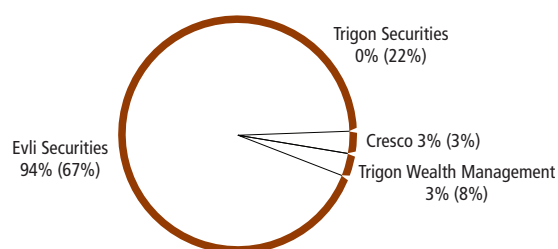
14 Data on management of individual portfolios cover all of the subjects that offer the said service in Estonia

By bank, the largest consolidated portfolios of individual portfolios belonged to Swedbank and Nordea Bank Finland Estonia branch, both 39% of the market. SEB Pank had 13% of the market; LHV Pank, 9%.

Similarly to previous years, the predominant share of the volume of individual portfolios was controlled by Evli Securities (94%).

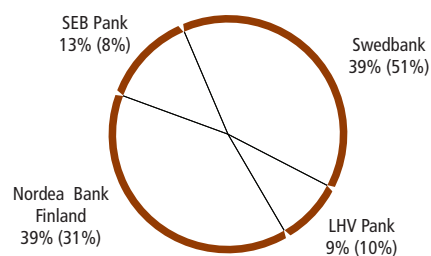
By management company, the greatest consolidated portfolio of individual portfolios belonged to Danske Capital (65%). Avaron Asset Management held 19% of the management company market; and Kawe Kapital, 16%.

Market distribution: investment firms

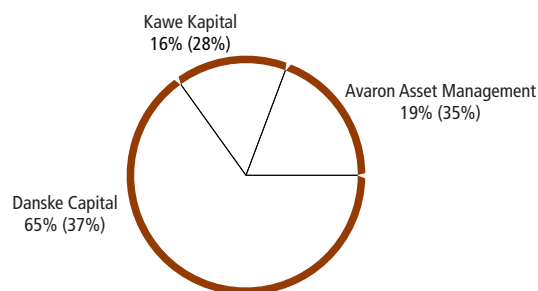


Market distribution: credit institutions as at 30.6.2012

(30.6.2011 in brackets)



Market distribution: management companies

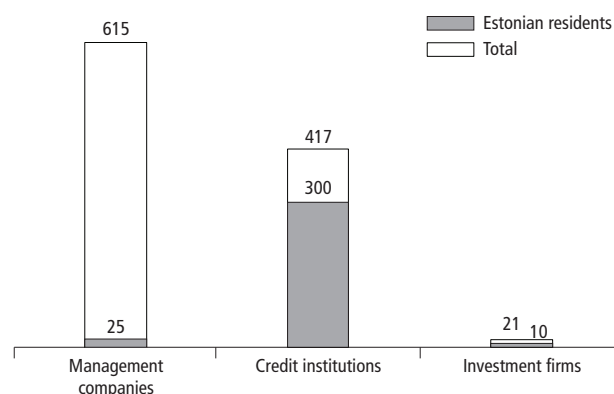


c. Consumers

According to the Financial Supervision Authority's data, Estonian-resident companies and natural persons' individual portfolios at the end of June 2012 made up 32% of the total volume of individual portfolios. The greatest share was in the hands of credit institutions (300 million euros).

The individual portfolios of Estonian-resident credit institutions, financial institutions and government made up 30%, non-resident credit institutions' and financial institutions' portfolios were 29% and non-resident companies and individuals' individual portfolios accounted for 9% of the total volume of individual portfolios.

Share of Estonian-resident companies and individuals in the managed individual portfolios as of 30.6.2012 (in millions of EUR)



7. Loans¹⁵

In first half-year of 2012, the volume of banks' loan portfolio in Estonia was practically unchanged, dropping 0.2% compared to the beginning of the year, which is 35 million euros, and reaching 14.08 billion euros by the end of June 2012, of which loans to companies¹⁶ made up 43% and loans to individuals¹⁷ made up 49%.

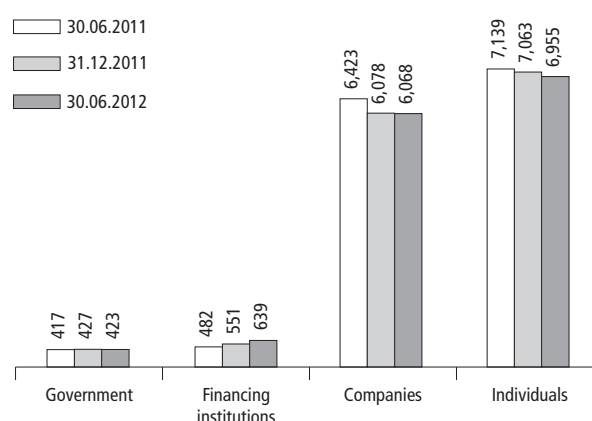
The volume of loans to individuals continued to decrease: by 108 million euros in the first half-year. Loans to companies decreased by 10 million euro and loans to government by 5 million euros. At the same time, loans to financing institutions grew by 88 million euros.

Overall, as of the end of June 2012, 7.0 billion euros in loans had been issued to individuals and 6.1 billion euros to companies. Loans to financing institutions¹⁸ made up 639 million euros and loans to government¹⁹ made up 423 million euros:

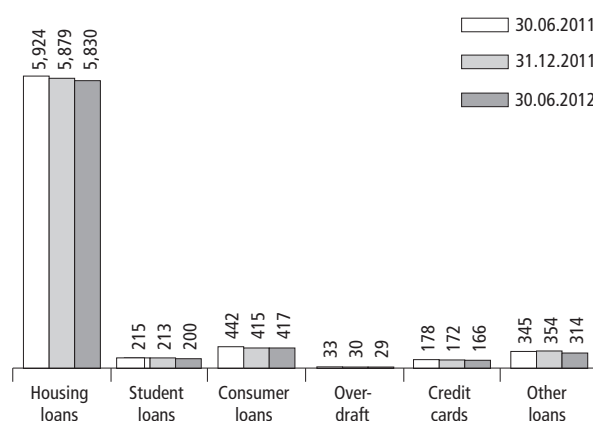
The volume of loans to individuals decreased in nearly all categories of loans. Housing loans continue to make up the greatest share of individuals' loans, amounting to 5.83 billion euros. In the half-year, the volume of housing loans dropped by 49 million euros. Starting in 2009, the volume of individuals' housing loans has continually decreased. It has dropped by 6% in the last three and a half years – by 390 million euros.

Overall market distribution:	Swedbank	41%
	SEB Pank	23%
	Nordea Bank Finland	
	Estonia branch	19%
Clients (individuals):	882,923 valid agreements	
Service volume:	total loan portfolio 14.08 billion EUR	

Loan balances (in millions of EUR)



Volume of loans to individuals (in millions of EUR)



¹⁵ Data on loans include loans issued in Estonia.

¹⁶ State or local government company, other company.

¹⁷ Individual, non-profit association.

¹⁸ Insurance institution and pension fund, other financing institution.

¹⁹ Central government, local government, state social insurance fund, other non-budgetary fund.

a. Consumers

The average loan balances of individuals also dropped in nearly all loan categories, with only consumer loans being the exception:

Average balance of loans to individuals, EUR

	30.06.2011	31.12.2011	30.06.2012
Housing loans	37,615	37,445	37,272
Student loans	2,110	2,149	2,147
Consumer loans	2,828	2,904	3,251
Overdraft	249	263	248
Credit cards	456	453	447
Other loans	10,369	11,218	17,722

In the first half year of 2012, the average balance of housing loans dropped from 37,445 euros at the beginning of the year to 37,272 euros at the end of June. The average student loan balance dropped from 2,149 euros to 2,147 euros. The average consumer loan balance grew from 2,904 euros to 3,251 euros. The average overdraft balance dropped from 263 euros to 248 euros. The average credit card sum balance dropped from 453 euros to 447 euros. The average balance of other loans²⁰ grew from 11,218 euros to 17,722 euros. The high average balance of other loans is due above all to the size of loans taken for business purposes, with the balance of the latter being an average of 31,858 euros.

The number of loan agreements in the first half-year of 2012 fell in nearly all types of loans. Overdraft was the exception.

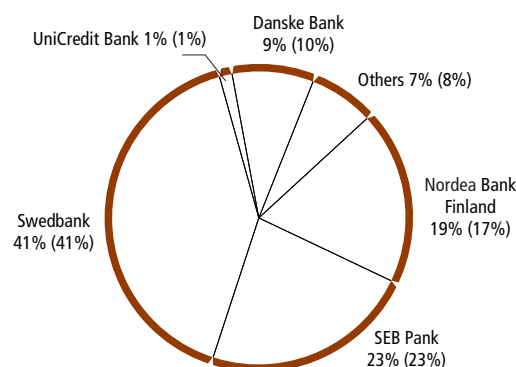
As of the end of June 2012, a total of **156,421 (30 December 2011: 157,001)** housing loan agreements had been concluded with individuals. The figures were **93,060 (99,099)** for student loans, **128,132 (142,991)** for consumer loans, **115,258 (113,516)** for overdraft agreements, **382,351 (280,331)** for credit card agreements and **17,701 (31,431)** for other loans.

b. Service providers

The loan market is largely distributed between four major banks, which control 92% of the loan market. Swedbank controls the largest market share – 41% of the entire loan portfolio, followed by SEB Pank 23%, Nordea Bank Finland Estonia branch 19% and Danske Bank Estonia branch 9%.

The remaining 8% of the market is shared by 12 participants with Bank DnB NORD Estonia branch (DNB Bank as of 1 September) having the largest share, 3%.

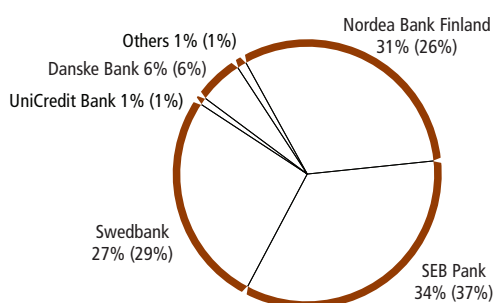
Market distribution: loans as of 30.06.2012 (30.06.2011 in the brackets)



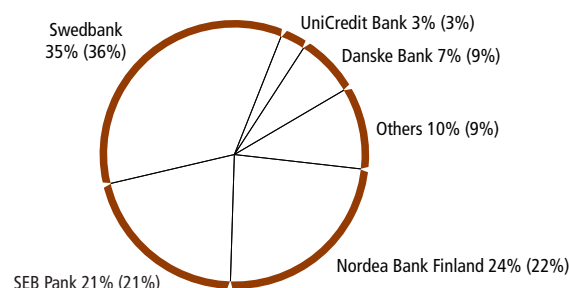
20 Other loans issued to individuals and non-profit associations include loans for buying securities, starting a business or expanding a business.

The following figures show how the various types of loans are distributed by credit institutions operating in Estonia.

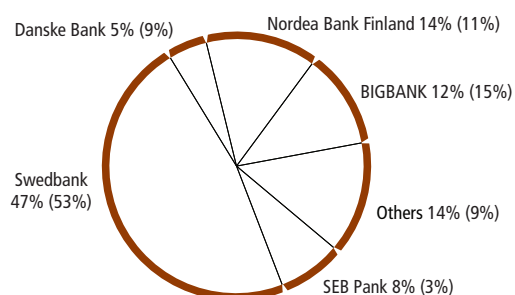
Market distribution: government loans as of 30.06.2012
(30.06.2011 in the brackets)



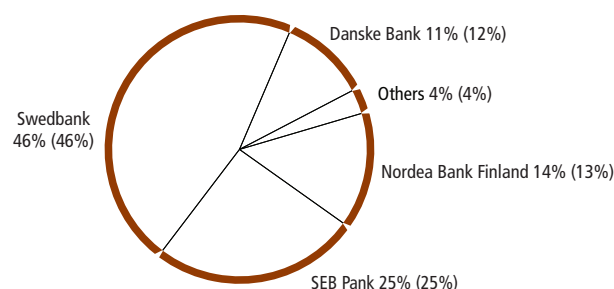
Market distribution: loans to companies



Market distribution: loans to financing institutions



Market distribution: loans to individuals



On the **government loan market**, the shares held by SEB Pank and Swedbank have decreased and that of Nordea Bank Finland Estonia branch has increased. The majority of the government loan market (34%) continues to be in the hands of SEB Pank. The second-largest share is held by Nordea Bank Finland Plc Estonia branch, with 31%. They are followed by Swedbank with 27%. 2011 saw the addition of UniCredit Bank Estonia branch and Bank DnB NORD Estonia branch (as of 1 September 2012 AS DNB Bank) as government creditors, each with 1% of government loans.

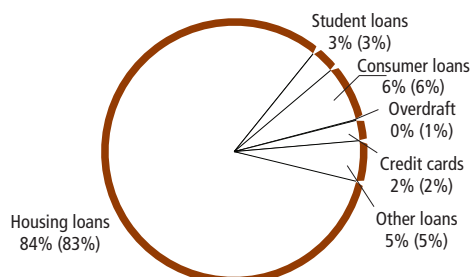
The largest share of the market of **loans to financial institutions** (47%) was held by Swedbank. The market share of Nor-

dea Bank Finland Plc Estonia branch was 14% while BIGBANK held 12%. During the year, the share held by Bank DnB NORD Estonia branch (DNB Bank as of 1 September 2012) increased from 4% to 7% and SEB's share rose from 3% to 8%.

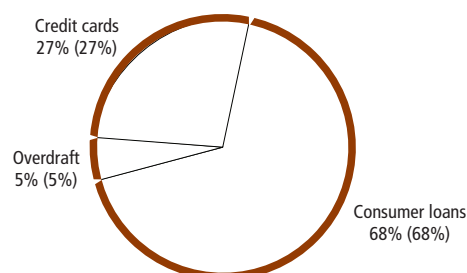
The largest shares of **loans to companies** were issued by Swedbank (35%), Nordea Bank Finland Estonia branch (24%) and SEB Pank (21%).

The largest share of loan balances belonging **to individuals** was also in the hands of Swedbank (46%) and SEB Pank (26%). The distribution of the market for loans to individuals has historically been the most stable.

Distribution of loans to individuals as of 30.06.2012
(30.06.2011 in the brackets)



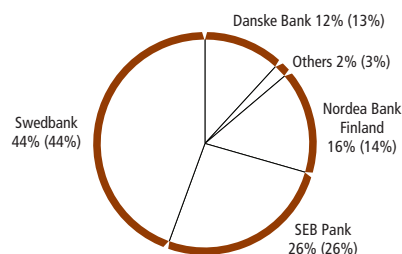
Loans related to everyday consumption



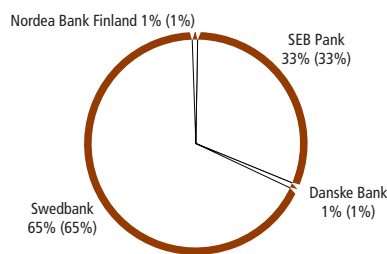
There have not been changes in the last year in the distribution of the various types of loans issued to individuals. The predominant share of loans issued to individuals is formed by housing loans – 84% or 5.8 billion euros. Loans connected to everyday spending (consumer loans, the used portions of credit cards, overdraft) make up a total of 0.6 billion euros.

The market for loans to individuals is very concentrated, with nearly half held by Swedbank, the rest divided between SEB Pank, Danske Bank Estonia branch and Nordea Bank Finland Estonia branch.

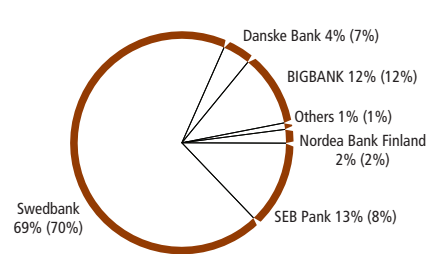
Market distribution: housing loans to individuals



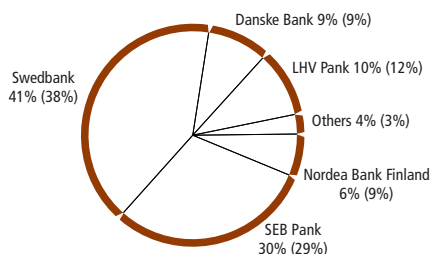
Market distribution: student loans to individuals



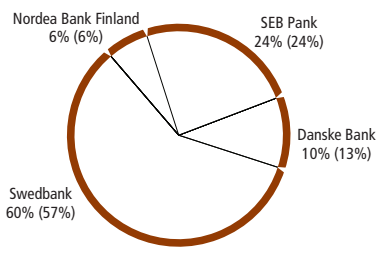
Market distribution: consumer loans to individuals



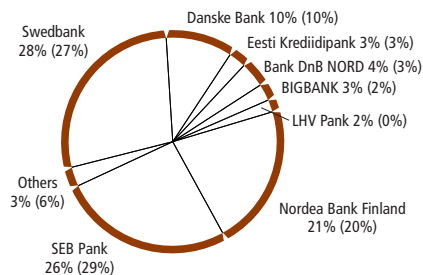
Market distribution: overdraft to individuals



Market distribution: credit cards to individuals



Market distribution: other loans to individuals



8. Savings²¹

The **volume of deposits** held with Estonian banks grew in the first half-year of 2012 by 3%, which was 315 million euros, reaching 11.9 billion euros by end of June. Demand deposits and overnight deposits made up 6.8 billion euros while term and savings deposits made up 4.9 billion euros and investment and other deposits accounted for 0.1 billion euros. In the first half-year of 2012, demand and overnight deposits increased from 54% to 58% and term and savings deposits decreased from 45% to 41% of all deposits.

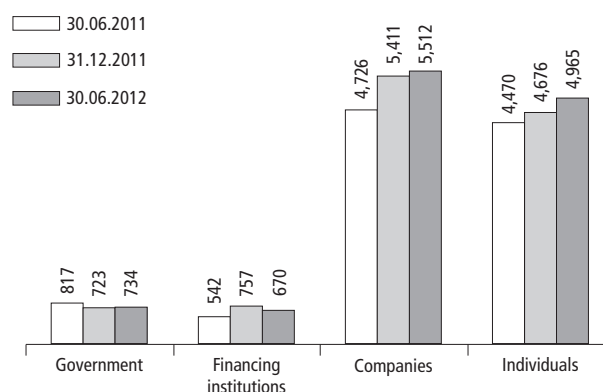
The greatest share of deposits was made up of companies'²² deposits, which accounted for 46% of all deposits, with a total volume of 5.5 billion euros. Two-thirds of companies' deposits are demand and overnight deposits, totalling 3.6 billion euros, 1/3 are term and savings deposits worth 1.9 billion euros.

Individuals²³ held 42% of the deposits, worth 5.0 billion euros, of which demand and overnight deposits made up 2.5 billion euros and term and savings 2.3 billion euros. Investment and other deposits made up 0.2 billion euros.

Government and financing institutions²⁴ deposits each made up 6% of all deposits, with a total volume of 0.7 billion euros.

Overall market	Swedbank	46%
distribution:	SEB Pank	21%
	Danske Bank Estonia branch	12%
Clients:	2,929,887 valid agreements	
Service volume:	total volume of deposits 11.9 billion EUR	

Volume of deposits (in millions of EUR)



21 Data on deposits cover all amounts deposited in credit institutions operating in Estonia and Estonian branches of foreign credit institutions, that is, deposits of both Estonian residents and non-residents. The data do not include the deposits opened in foreign branches of Estonian credit institutions.

22 State or local government companies, other companies.

23 Individuals, non-profit associations.

24 Insurers and pension funds, other financing institutions.

a. Service providers

During the year (especially the first half-year of 2012) some changes took place in the distribution of the Estonian deposits market, which had remained unchanged for some time.

Compared to the period a year ago, Danske Bank Estonia branch lost its market share to Nordea Bank Finland Estonia branch and smaller market participants.

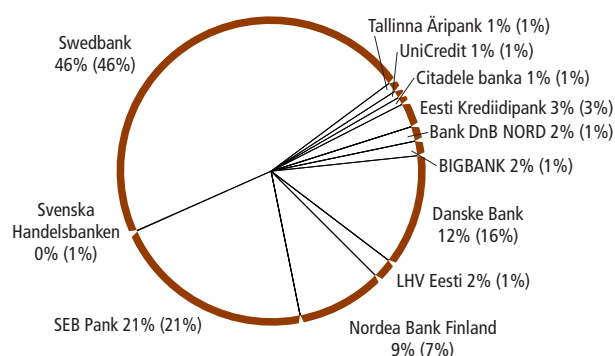
The market share of Danske Bank' Estonia branch dropped from 16% to 12%. The market share of Nordea Bank Finland Estonia branch grew from 7% to 9%. The market share of SEB Pank had 21% of the deposits market.

The Estonian deposits market is still divided up among four larger banks. The largest market share at the end of June 2012 belonged to Swedbank (46% of the deposits market), with Swedbank holding the leader position in all primary client categories. SEB Pank had 21% of the deposits market.

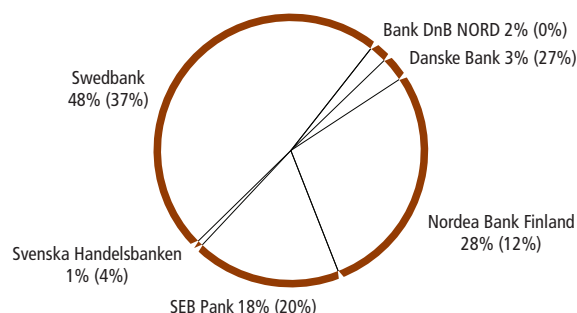
Unlike previous periods, there was noteworthy change in the case of **government deposits**. The market share of Danske Bank Estonia branch fell from 27% to 3%, while the Nordea Bank Finland Estonia's market share increased from 12% to 28% and Swedbank's increased from 37% to 48%. SEB Pank's market share decreased from 20% to 18%.

With regard to **financing institutions' accounts**, Swedbank held the biggest market share as well, and it increased from 33% to 44% during the year. The market share of Danske Bank Estonia branch dropped from 40% to 25% while SEB Pank's increased from 17% to 23%.

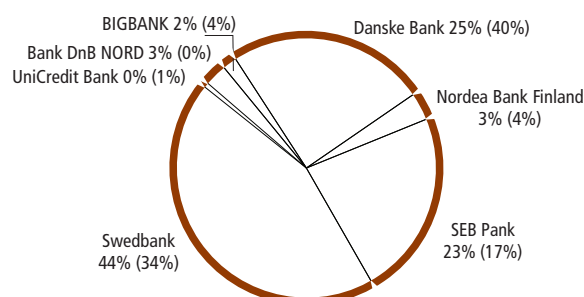
Market distribution: deposits as of 30.06.2012 (30.06.2011 in the brackets)



Market distribution: government deposits

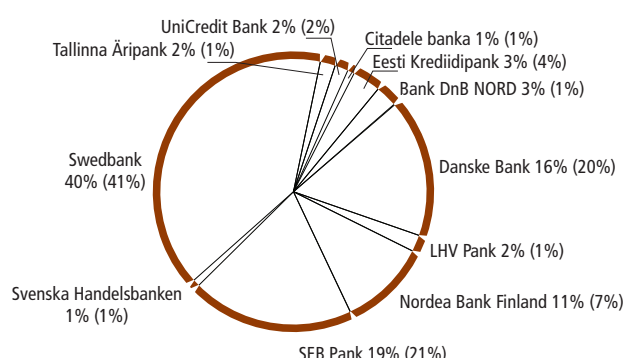


Market distribution: financing institutions' accounts



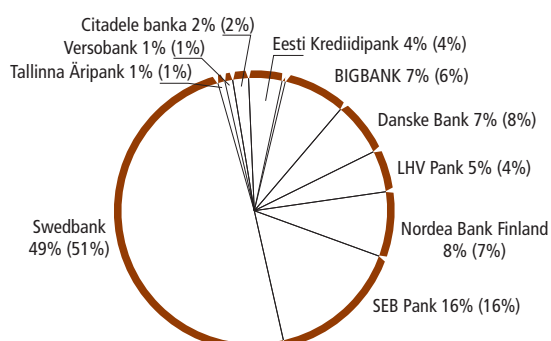
Companies' deposits grew above all in smaller banks, which was reflected here in an increase in their market shares. The largest market shares were held by Swedbank (40%), SEB Pank (19%), and Danske Bank Estonia branch (16%).

Market distribution: companies' deposits as of 31.12.2012
(30.06.2011 in the brackets)



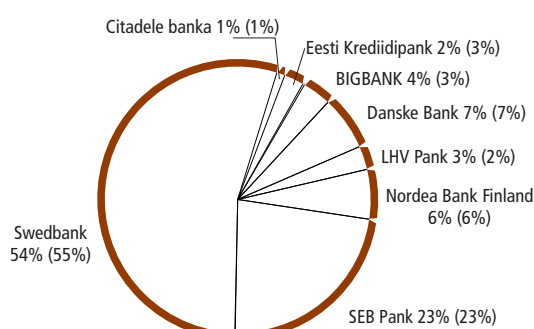
One-half (49%) of the 2.3 billion euros in individuals' term deposits and saving deposits was deposited with Swedbank as of the end of June 2012. 16% was deposited in SEB Pank, 8% in Nordea Bank Finland Estonia branch, and 7% in Danske Bank Estonia branch as well as 7% in BIGBANK.

Market distribution: individuals' term and savings deposits



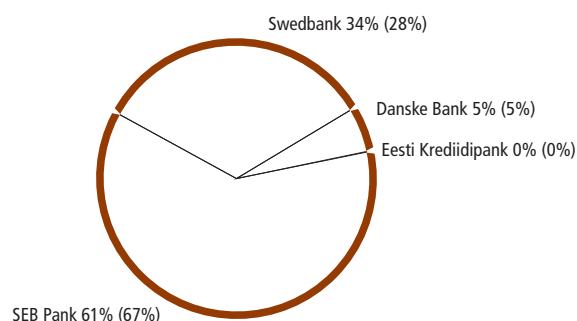
As in years past, the **individuals' deposits market** was still stable – market shares fluctuate no more than one percentage point. Over half of the individuals' deposit market belongs to Swedbank (54%). SEB Pank's market share is 23%, Danske Bank Estonia branch's share is 7% and Nordea Bank Finland Estonia branch's is 6%.

Market distribution: individuals' deposits



As of the end of 2012, four banks offered investment deposits, and the volume of investment deposits opened by individuals was 87 million euros as of end of June 2012. The largest market share by individuals belonged here to SEB Pank (61%). Swedbank held 34% of the volume of individuals' investment deposits.

Market distribution: individuals' investment deposits



b. Consumers

Compared to June 2011, the number of deposit agreements is down in all customer categories.

The number of valid deposit agreements²⁵ as of 30 June 2012:

- Demand and overnight deposits

together	2,431,000 agreements
of which individuals held	2,190,000 agreements
- Term and savings deposits together 470,000 agreements

of which individuals held	457,000 agreements
---------------------------	--------------------
- Investment and other deposits

together	29,000 agreements
of which individuals held	28,000 agreements

The average size of individuals' deposits has grown. The average amount of individuals' demand and overnight deposits at the end of June 2012 was **1,164 euros** (905 euros in the end of June 2011), the average amount of term and savings deposits was 5,073 euros (4,608 euros); investment and other deposits, **3,423 euros** (2,879 euros).

²⁵ Only deposits with monetary balances were considered.