



ESTONIAN FINANCIAL MARKET as at 30.06.2013

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.

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I. General developments in financial services

The Estonian financial services market showed **signs of growth** in the first half-year of 2013: **volumes grew in both life insurance and the funds sector**, with the growth in funds no longer relying solely on pension funds. The popularity of investment products was enhanced by low interest rates which forced people to search for alternatives to term deposits.

The **total volume of client deposits grew** by 2% (200 million euros) in the first half-year of 2013, with demand deposits and overnight deposits growing by 304 million euros and term deposits shrinking by 113 million euros. As of the end of June 2013, the clients' deposits totalled **12.8 billion euros**.

The **total volume of loan portfolios** remained virtually **unchanged** in the first half-year of 2013, growing by 0.4% in the first six months of the year. As of the end of June 2013, the total loan portfolio of banks stood at **14.2 billion euros**.

On the investment front, growth was evident in all investment products. The volume of insurance premiums received on the basis of unit-linked life insurance contracts grew by 26% and the total volume of pension funds by 10% in the first half-year.

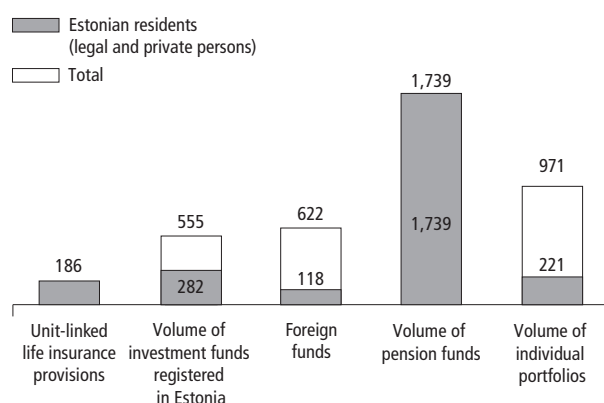
The total volume of investment funds registered in Estonia (excluding pension funds) grew by 8%. Investments in foreign funds¹ increased by 2%, with the total volume of individual portfolios growing by 2%.

Thus, the **volume of assets placed in capital-growth financial services** – including unit-linked life insurance products, investment funds, pension funds, individual portfolios, term and savings deposits and investment and other deposits – has **increased**, compared to the end of 2012, amounting to **8.538 billion euros** (as of the end of 2012, 8.409 billion euros). The decrease in term deposits was compensated by the increase in pension fund assets.

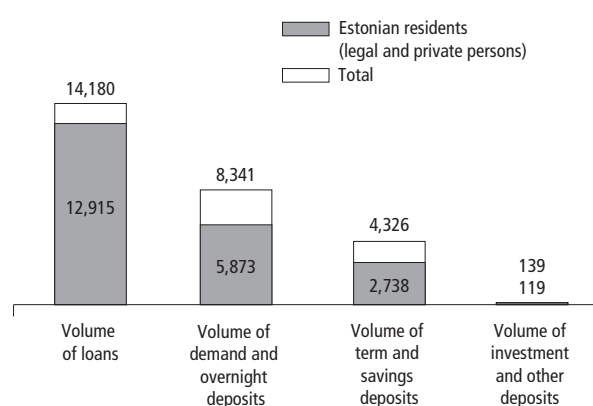
The volume of insurance premiums in **life insurance grew by 13%** in the first half-year of 2013, amounting to **36 million euros**. The volume of insurance premiums received in **non-life insurance grew by 3%** in the first half-year of 2013, amounting to **119 million euros**.

Volume of financial services provided by Estonian financial institutions:²

Volumes of various investment services as of 30.06.2013 (in millions of EUR)



Volumes of various banking services as of 30.06.2013 (in millions of EUR)



¹ In order to avoid duplication of data, the investments of Estonian insurance companies and pension funds in foreign investment funds have been deducted from investments.

² Data of Estonian residents include only legal and private persons (financial institutions excluded).

The volume of investment and banking services provided by Estonian financial institutions, including data on Estonian-resident individuals are shown in the following table (in millions of EUR, as of 30.06.2013):

Service	Total, in millions of EUR	Of which Estonian-resident individuals	
		Millions of euros	Percentage of total services
Investment funds	555	55	10%
Pension funds	1,739	1,739	100%
Foreign funds offered in Estonia	622	70	11%
Provisions of unit-linked life insurance allocations	186	186	100%
Individual portfolios	971	79	8%
Loans	14,180	6,798	48%
Demand and overnight deposits	8,341	2,838	34%
Term and savings deposits	4,326	1,916	44%
Investment and other deposits	139	92	66%

2. Distribution of private clients by service

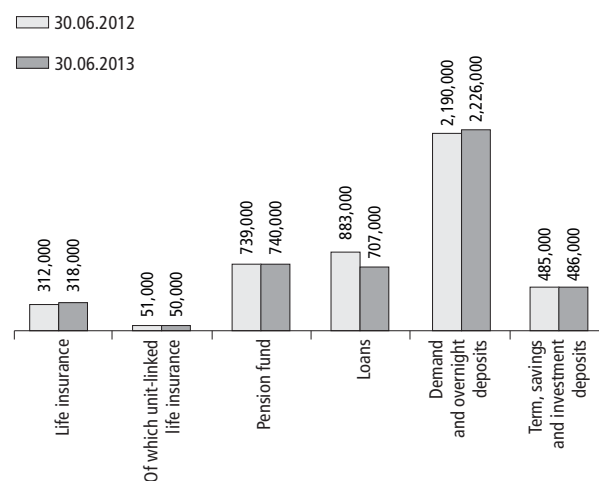
By number of contracts, the most frequently used service in Estonia is the **demand deposit (current account)**. As of the end of June 2013, individuals held a total of **2,226 thousand current accounts**³ (with many individuals holding more than one current account).

The second most frequently used financial service among individuals are **pension funds**. The number of individuals who have entered into a contract with pension funds grew from 739 thousand to **740 thousand**, exceeding the number of individuals who have entered into a loan agreement.

In the first half-year of 2013, the **number of loan agreements**⁴ with individuals fell from 883 thousand to 707 thousand.

The number of term deposit, savings deposit and investment deposit agreements rose from 485 thousand to 486 thousand. In life insurance, the number of contracts rose from 312 thousand to 318 thousand, with the number of unit-linked life insurance contracts dropping from 51 thousand to 50 thousand.

Number of individuals' contracts by financial service



³ Only current accounts with balances were considered.

⁴ Important note: the analysis does not take into account the possibility that certain individuals may have entered into more than one contract.

3. Life insurance

a. Service

In the first half-year of 2013, life insurance companies in Estonia collected **36.1 million euros in insurance premiums**⁵ (first half-year of 2012: 31.9 million euros). The **volume of insurance premiums grew by 13.2%**, year over year.

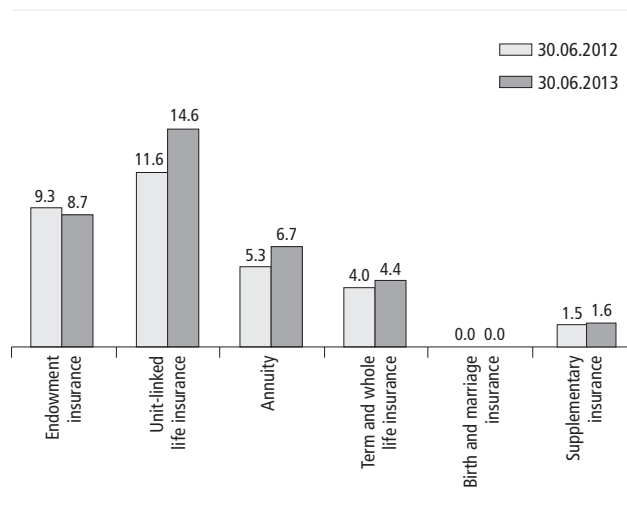
The increase in insurance premiums can mainly be attributed to the unit-linked life insurance, which is still the life insurance product with the greatest volume of 14.6 million euros (first half-year of 2012: 11.6 million euros) and proportion 40% (first half-year of 2012: 37%).

Unit-linked life insurance was followed by endowment insurance, with premiums totalling 8.7 million euros (first half-year of 2012: 9.3 million euros), and annuity, with premiums of 6.7 million euros (first half-year of 2012: 5.3 million euros).

A total of 6.0 million euros (first half-year of 2012: 5.5 million euros) was received from other life insurance product contracts.

Overall market	Swedbank Life Insurance	39%
distribution:	SEB Elu- ja Pensionikindlustus	26%
	Compensa Life Vienna Insurance	16%
Clients:	317,726 valid contracts	
Service volume:	Insurance premiums received in the first half-year of 2013: 36.1 million euros	

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



⁵ The data do not include insurance premiums collected from outside Estonia.

b. Consumers

As of the end of June 2013, a total of 317,726 life insurance contracts had been signed with life insurance companies operating in Estonia, including **199,990 primary life insurance contracts**⁶ (as of the end of June 2012: 312,012 contracts, including 197,813 primary life insurance contracts). **After a fall of several years, the number of life insurance contracts has risen.**

This growth can mainly be attributed to the rise in term and whole life insurance and supplementary insurance. The number of valid contracts in term and whole life insurance grew from 68,510 to 76,329 (i.e. by 7,819 contracts). Thus, **in terms of the number of contracts, term and whole life insurance remains the most popular type of insurance.** As of the end of June, a total of 117,736 (as of the end of June 2012: 114,199) supplementary insurance contracts had been signed.

The number of valid contracts in annuity rose from 14,177 to 14,422.

Similarly to previous periods, endowment insurance continued to drop, with the number of valid contracts falling by 5,152, compared to the same period a year ago, amounting to 58,596 contracts as of the end of June.

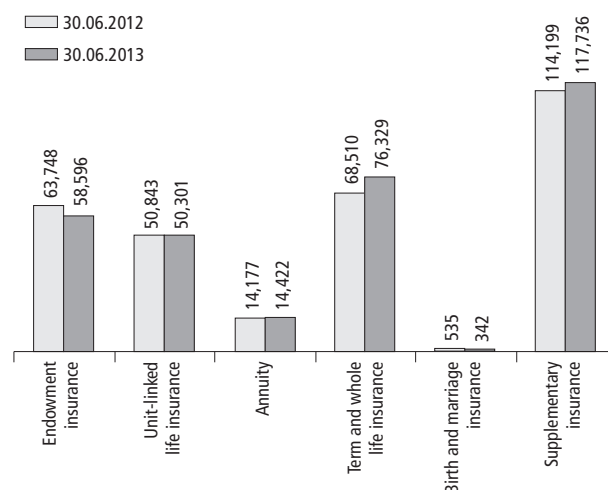
The number of valid contracts in unit-linked life insurance also decreased: from 50,843 to 50,301.

The biggest changes in terms of **average volume of contracts** occurred with regard to annuities and unit-linked life insurance. The average amount of contributions into other insurance types did not change significantly during the year.

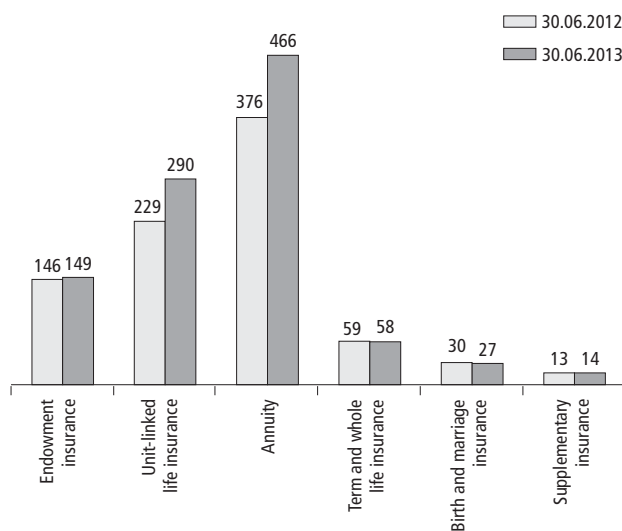
The average contribution paid into annuities increased from 376 euros to 466 euros, year over year.

The average contribution paid into unit-linked life insurance grew from 229 euros to 290 euros during the year.

Number of current life insurance contracts concluded in Estonia



Average amount of insurance premiums contributed towards contracts during the half-year (in EUR)



⁶ The data include only life insurance contracts concluded in Estonia.

c. Service providers

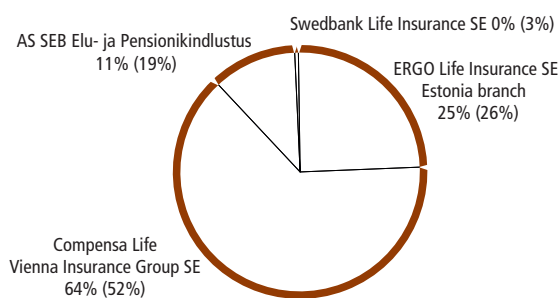
The top three life insurance providers – Swedbank Life Insurance, SEB Elu- ja Pensionikindlustus and Compensa Life Vienna Insurance Group – received 81% of all insurance premiums in the first half-year of 2013 (first half-year of 2012: 79% of all insurance premiums).

Compared to the same period last year, the biggest changes in the market distribution of life insurance companies took place with regard to Compensa Life Vienna Insurance Group and SEB Elu- ja Pensionikindlustus. Compensa Life Vienna Insurance Group increased its market share from 13% to 16% (at the expense of annuity, mostly), with the market share of SEB Elu- ja Pensionikindlustus falling from 28% to 26% (collection of insurance premiums dropping in several types of insurance).

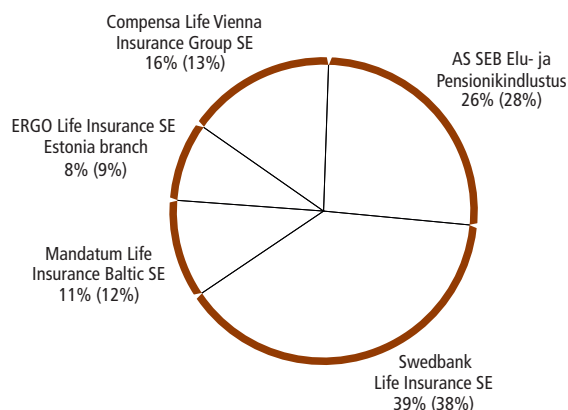
The figures below provide an overview of the **market distribution** of life insurance companies by types of insurance. The biggest changes occurred in annuity.

Compensa Life Vienna Insurance Group remains the predominant provider of **annuity** service in Estonia. Indeed, a bulk of the increase in insurance premiums from annuity in the first half-year of 2013 can be attributed to Compensa Life Vienna Insurance Group, with the market share of Compensa Life Vienna Insurance Group showing a further growth: from 52% to 64%. ERGO Life Insurance SE Estonia branch ranked second with a market share of 25%. The market share of SEB Elu- ja Pensionikindlustus dropped from 19% to 11%.

Market distribution: annuity as of 30.06.2013 (30.06.2013 in brackets)

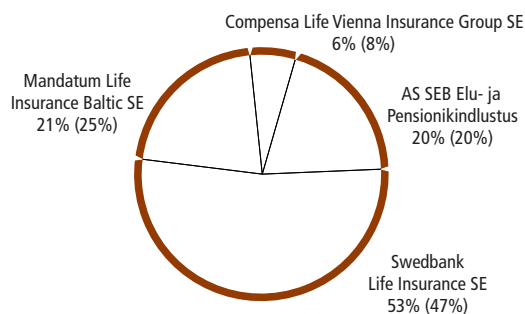


Market shares of life insurance companies based on insurance premiums received in the first half-year of 2013 (the first half-year of 2012 in brackets)



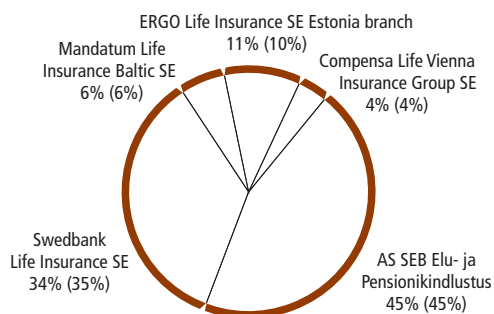
The inflow of unit-linked life insurance premiums grew in almost all life insurance companies, especially in Swedbank Life Insurance. As a result, the market share of Swedbank Life Insurance grew from 47% to 53%. Despite growth in the volume of insurance premiums, the market share of SEB Elu- ja Pensionikindlustus remained unaffected (at 20%), with the market share of Mandatum Life Insurance Baltic contracting from 25% to 21%.

Market distribution: unit-linked life insurance



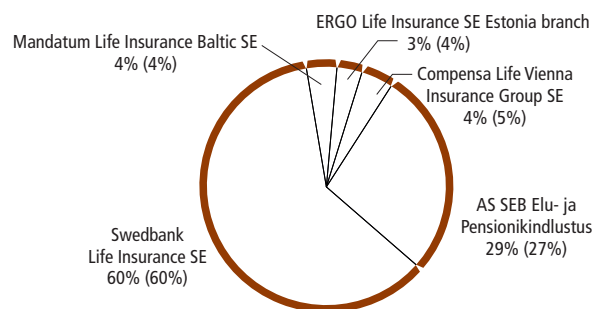
Due to the decrease in the popularity of **endowment insurance**, the volume of insurance premiums received in endowment insurance dropped in almost all life insurance companies, year over year. As this decrease was relatively even, it had no significant impact on market shares. SEB Elu- ja Pensionikindlustus was the largest provider of endowment insurance services in Estonia as of the end of June 2013, with a market share of 45%.

Market distribution: endowment insurance



In **term and whole life insurance**, market shares showed little fluctuation. The market share of the market leader Swedbank Life Insurance remained unchanged at 60%. The market share of SEB Elu- ja Pensionikindlustus grew from 27% to 29%.

Market distribution: term and whole life insurance



3.1. Life insurance brokers

a. Service

According to the data available to the Financial Supervision Authority, **insurance brokers in life insurance registered in Estonia** collected **insurance premiums** in the total amount of 268 thousand euros in the first half-year of 2013.

Volumes were the largest in unit-linked life insurance contracts, followed by accident and sickness insurance: the volume of insurance premiums received through brokers in the first half-year of 2013 amounted to 167 thousand euros.

Risk life insurance was the greatest contributor.

The volume of insurance premiums under accident and sickness insurance amounted to 53 thousand euros and the volume of insurance premiums under unit-linked life insurance to 48 thousand euros.

Life insurance brokers in Estonia **mainly intermediate the contracts of insurers of European Economic Area countries**: these make up 57% of the insurance premiums and 43% of the total number of contracts.

b. Consumers

In the first half-year of 2013, a total of 234 life insurance contracts were entered into via insurance brokers operating in Estonia.

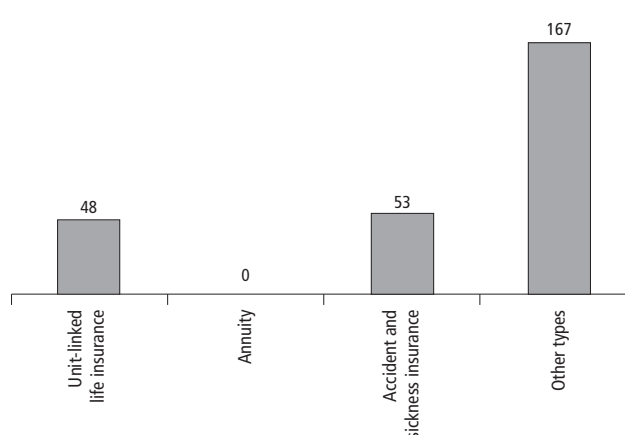
The number of valid life insurance contracts entered into through insurance brokers as of 30 June 2013 was divided as follows:

- unit-linked life insurance – 2 contracts
- annuity – 0 contracts
- accident and sickness insurance – 79 contracts
- other types – 153 contracts

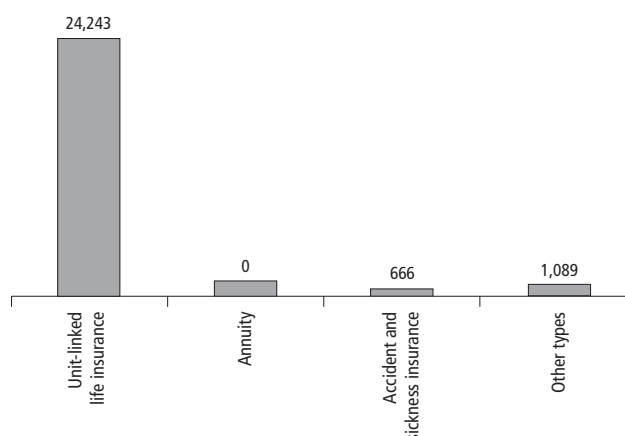
The average contract volume was the highest in unit-linked life insurance: 24,243 euros. Contributions to other life insurance contracts entered into through insurance brokers amounted to an average of 1,089 euros, and contributions to accident and sickness insurance contracts an average of 666 euros.

Overall market distribution:	KindlustusEst Kindlustusmaakler	43%
	UADBB Aon Baltic Estonia branch	35%
Clients:	234 valid contracts	
Service volume:	Insurance premiums intermediated in the first half-year of 2013: 268 thousand euros	

Insurance premiums received through insurance brokers, by type of life insurance during the first half-year of 2013 (in thousands of EUR)



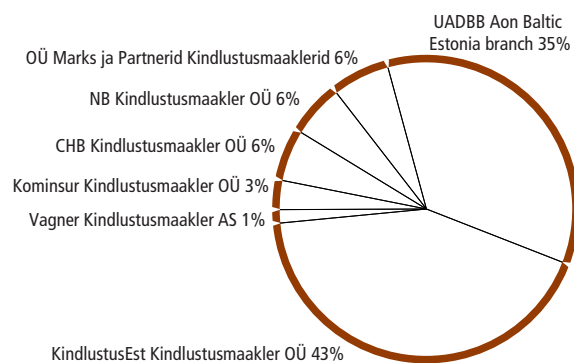
Average amount of insurance premium contributed towards contract during the first half-year of 2013 (in EUR)



c. Service providers

In the first half-year of 2013, seven insurance brokers offered life insurance contracts, while the predominant market share of these belonged to KindlustusEst Kindlustusmaakler OÜ (43%). UADBB Aon Baltic Estonia branch ranked second, with a market share of 35%. NB Kindlustusmaakler OÜ, OÜ Marks ja Partnerid Kindlustusmaaklerid and CHB Kindlustusmaakler each concluded 6% life insurance contracts intermediated through insurance brokers.

Market shares of insurance brokers based on life insurance premiums as of 30.06.2013



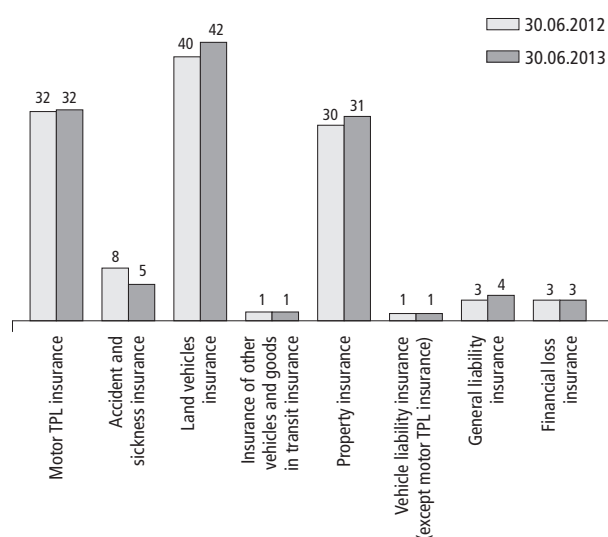
4. Non-life insurance⁷

a. Service

In the first half-year of 2013, licensed non-life insurance companies and branches of foreign non-life insurance companies operating in Estonia received insurance premiums in the total amount of **119 million euros** (first half-year of 2012: 116 million euros), including 27 million euros, i.e. 23% of all insurance premiums collected, by the branches of foreign insurance companies operating in Estonia (first half-year of 2012: 22 million euros or 19% of all insurance premiums collected).

Insurance premiums received by different types of non-life insurance were largely similar to 2012. The most notable change occurred in land vehicles insurance (i.e. **own damage insurance**), with the volume of insurance premiums growing from 40 million euros to 42 million euros, compared to last year. Land vehicles insurance continued as the type of insurance accounting for the greatest volume (35%).

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

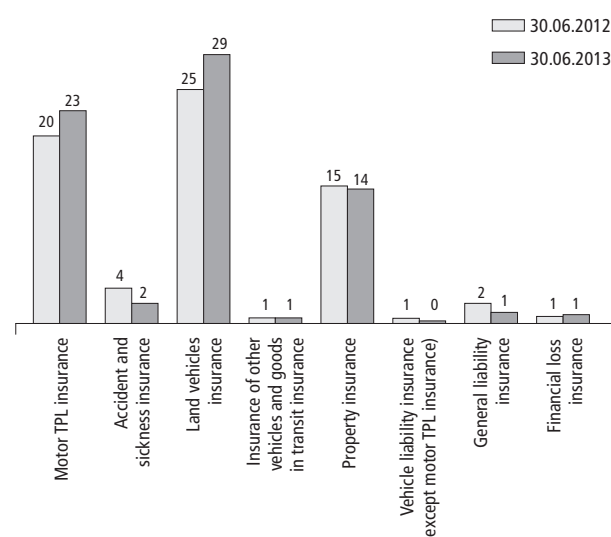


Overall market	IF P&C Insurance	27%
distribution:	ERGO Kindlustus	14%
	Swedbank P&C Insurance	14%
Clients:	Data not available	
Service volume:	Insurance premiums received in the first half-year of 2013: 119 million euros	

The volume of compulsory **motor TPL insurance** premiums remained unchanged since last year, amounting to 32 million euros. Motor TPL insurance was followed by **property insurance** with an insurance premiums volume of 31 million euros.

In the first half-year of 2013, a total of 71 million euros was paid out in indemnities (first half-year of 2012: 67 million euros). **Compared to the same period a year ago, paid-out indemnities increased the most in land vehicles insurance (from 25 million euros to 29 million euros) and in motor TPL insurance (from 20 million euros to 23 million euros).** At the same time, indemnities in property insurance dropped from 15 million euros to 14 million euros.

Indemnities paid by non-life insurance classes (in millions of EUR)



⁷ The data on non-life insurance include only the contracts concluded in Estonia.
The data do not include insurance contracts entered into in foreign branches of Estonian credit institutions.

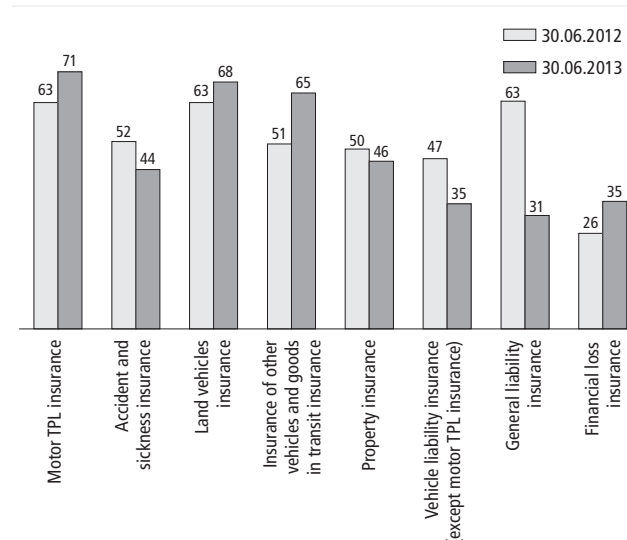
The ratio of paid indemnities to insurance premiums was the highest in motor TPL insurance: 71% (first half-year of 2012: 63%). Land vehicles insurance ranked second, with the respective ratio of 68%. In other vehicle and goods in transit insurance⁸, the ratio of paid indemnities to insurance premiums amounted to 65%. The biggest drop could be seen in the ratio of indemnities to general liability insurance – from 63% to 31%.

b. Service providers

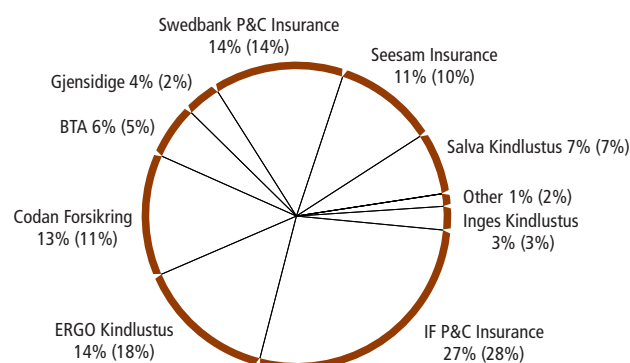
In the first half-year of 2013, the insurance premiums received by Codan Forsikring A/S Estonia branch, which is operating under the RSA trademark, continued to grow. As a result, the insurance company's market share rose from 11% to 13%. By insurance premiums, Codan Forsikring A/S Estonia branch, which is operating under the RSA trademark, is now among the top four non-life insurance companies operating in Estonia.

As of the end of June 2013, IF P&C Insurance AS had the largest market share on the non-life insurance market, with 27%. ERGO Insurance and Swedbank P&C Insurance AS each held 14% of the market.

Ratio of indemnities to premiums (%)



Market shares of non-life insurance companies based on insurance premiums received in the first half-year of 2013 (the first half-year of 2012 in brackets).



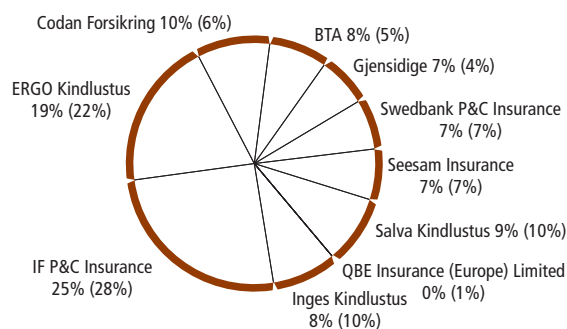
8 In addition to goods in transit insurance, this type of insurance includes ships insurance, aircraft insurance, liability for ships insurance and railway rolling stock insurance.

The total market share of branches of foreign insurers amounted to 23%. With a market share of 13%, Codan Forsikring A/S Estonia branch was the largest among them.

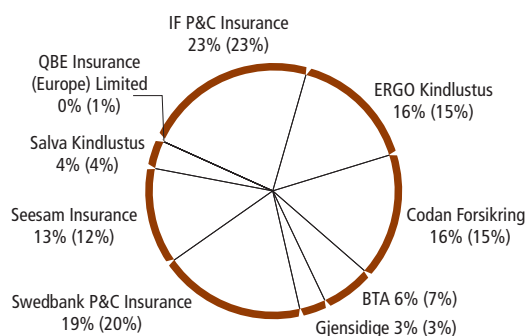
The following figures show the distribution of the market between Estonian insurance companies and Estonian branches of foreign insurers by three largest non-life insurance products.

The largest market share in the motor TPL, land vehicle and property insurance was still held by IF P&C Insurance AS – 25%, 23% and 34%, respectively. Codan Forsikring A/S Estonia branch expanded its market share in all of the above insurance products: from 6% to 10% in **motor TPL insurance**, from 15% to 16% in **land vehicles insurance** and from 11% to 15% in **property insurance**.

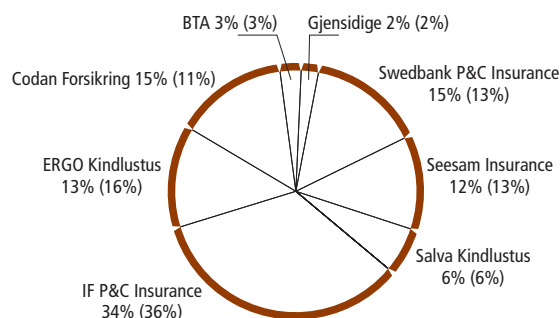
Market distribution: motor TPL insurance as of 30.06.2013
(30.06.2012 in brackets)



Market distribution: land vehicles insurance



Market distribution: property insurance



4.I. Non-life insurance brokers

a. Service

According to the data available to the Financial Supervision Authority, **insurance brokers in non-life insurance registered in Estonia** collected **insurance premiums** in the total amount of 64 million euros in the first half-year of 2013⁹.

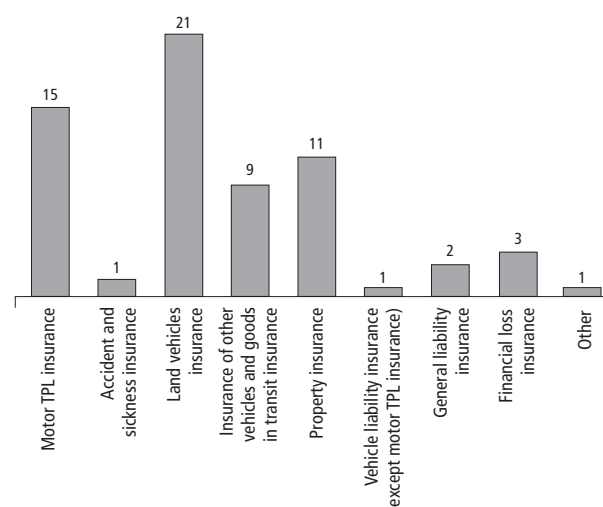
Similarly to non-life insurance companies, the **largest types of insurance** by volume of intermediated insurance premiums in the first half-year of 2013 **land vehicles insurance** (with 21 million euros of intermediated insurance premiums), **motor TPL insurance** (with 15 million euros) and **property insurance** (with 11 million euros).

Estonian non-life insurance brokers intermediate contracts both from Estonian and foreign insurance companies. In the first half-year of 2013, the volume of insurance premiums under contracts with **insurers of the European Economic Area countries** intermediated by Estonian brokers made up 21% of all premiums received through brokers and 1% of contracts entered into through them.

The total volume of insurance premiums under contracts with insurers of the European Economic Area countries amounted to 13.4 million euros in the first half-year of 2013, of which the bulk was received in the insurance of other vehicles and goods in transit insurance (8.0 million euros), financial loss insurance (3.3 million euros) and property insurance (1.0 million euros).

Overall market distribution:	IIZI Kindlustusmaakler	20%
	Marsh Kindlustusmaakler	12%
	Vandeni Kindlustusmaaklerid	12%
Clients:	336,068 valid contracts	
Service volume:	Insurance premiums received in the first half-year of 2013: 64 million euros	

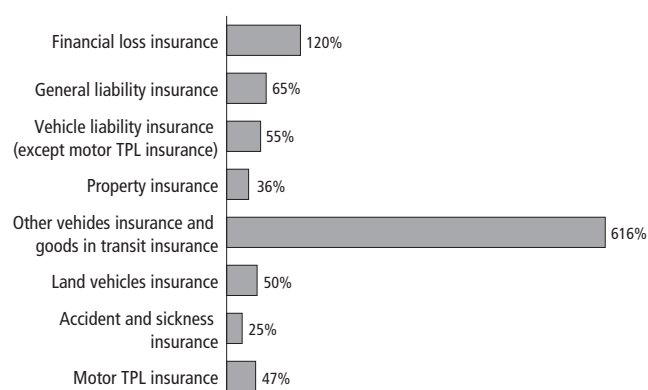
Insurance premiums received during the first half-year of 2013 through insurance brokers, by type of non-life insurance (in millions of EUR)



⁹ In addition to insurers' contracts, foreign reinsurers' contracts were intermediated in Estonia. The volume of their insurance premiums amounted to 1.6 million euros in the first half-year of 2013. This overview does not include them.

Comparison of the data on non-life insurance companies with the data on non-life insurance brokers reveals that, in the first half-year of 2013, **foreign insurers** were used more for **other vehicles** (aircraft and ships) insurance and **goods in transit** insurance as well as **financial loss** insurance. In these types of non-life insurance, the volume of insurance premiums intermediated through foreign insurers surpassed the volume of insurance premiums of Estonian insurers by 6.2 and 1.2 times, respectively.

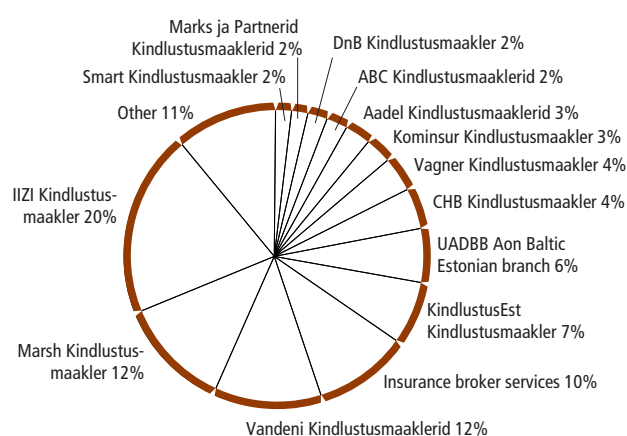
Ratio of insurance premiums intermediated through brokers to insurance premiums of Estonian non-life insurance companies (%)
First half-year of 2013



b. Service providers

Non-life insurance contracts were offered by 33 insurance brokers in the first half-year of 2013, with the greatest market share held by IIZI Kindlustusmaakler AS (20%). IIZI Kindlustusmaakler AS was followed by Marsh Kindlustusmaakler and Vandeni Kindlustusmaaklerid (both with a market share of 12%).

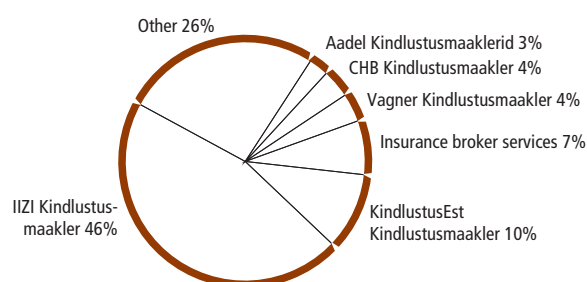
Market shares of insurance brokers based on non-life insurance premiums as of 30.06.2013



In **motor TPL insurance**, the biggest market share was held by IIZI Kindlustusmaakler (46%), followed by KindlustusEST Kindlustusmaakler with a market share of 10% and Insurance broker services with a market share of 7%.

In **land vehicles insurance**, the biggest market share was held by Insurance broker services in the first half-year of 2013 (23%), followed by IIZI Kindlustusmaakler with a market share of 17% and KindlustusEST Kindlustusmaakler with a market share of 8%.

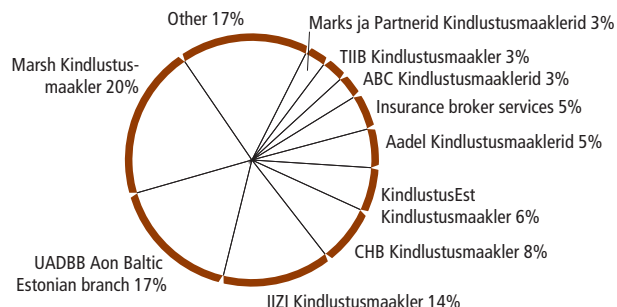
Market shares of insurance brokers in motor TPL insurance as of 30.06.2013



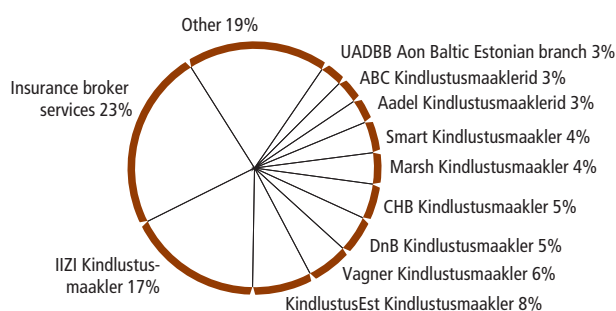
In **property insurance**, Marsh Kindlustusmaakler held the biggest market share (20%), followed by UADBB Aon Baltic Estonia branch with a market share of 17% and IIZI Kindlustusmaakler with a market share of 14%.

In **travel insurance** (forms a part of the accident and sickness insurance indicated above), the market was distributed more evenly. The greatest market share was held by IIZI Kindlustusmaakler (26%), followed by UADBB Aon Baltic Estonia branch with a market share of 15% and Optimal Kindlustusmaakler with a market share of 10%.

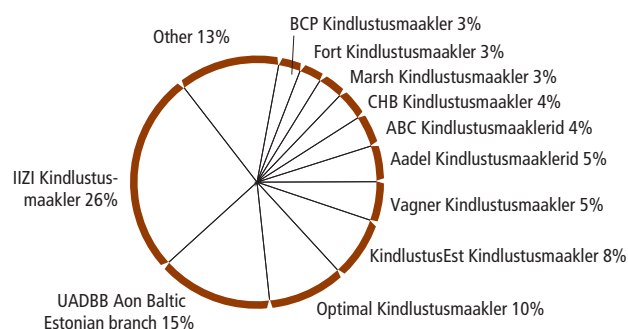
Market shares of insurance brokers in property insurance



Market shares of insurance brokers in land vehicles insurance



Market shares of insurance brokers in travel insurance



5. Investment and pension funds¹⁰

a. Service

The asset volume of investments funds, including pension funds, grew by 10% in the first half-year of 2013 – i.e. by 203 million euros, amounting to 2.29 billion euros¹¹, by the end of June 2013, which is the highest figure in recent years and which is beginning to approach the pre-crisis level.

Similarly to previous periods, the growth in the Estonian fund sector was supported by mandatory pension funds.

In the first half-year of 2013, the asset volume of mandatory pension funds grew by 158 million euros (i.e. by 11%), reaching 1,638 billion euros by the end of June 2013. The volume of voluntary pension funds grew by 5 million euros – from 96 million euros to 101 million euros.

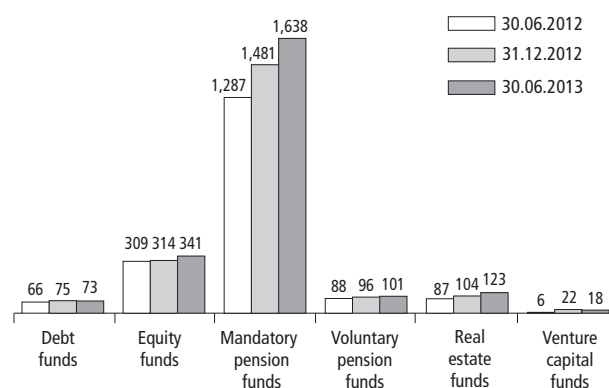
The growth in the asset volume of equity funds¹² was the highest in the last two years, amounting to 27 million euros or 9%. At the end of June 2013, the volume of equity funds stood at 341 million euros.

The asset volume of real estate funds grew from 104 million euros to 123 million euros (i.e. by 19%) in the half-year. The asset volume of debt funds dropped from 75 million euros to 73 million euros (i.e. by 4%) in the first half-year of 2013.

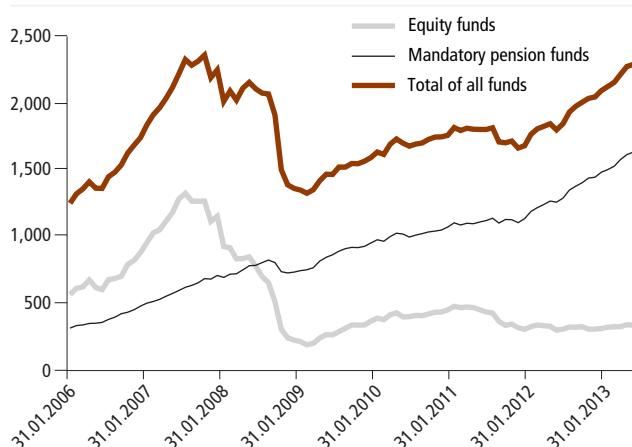
With a share of 71%, mandatory pension funds remain the largest type of funds in the overall structure of the fund sector. Equity funds still rank second, with a share of 15%. The rest of the funds – debt funds, voluntary pension funds and real estate funds – each held 3-5% of the total asset volume of funds. Venture capital funds held a share of 1%.

Overall market distribution:	Swedbank Investeeringimisfondid	42%
	SEB Varahaldus	21%
	LHV Varahaldus	14%
Clients:	756,939 valid contracts	
Service volume:	Total volume of funds: 2.29 billion euros	

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



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



¹⁰ The data on investment funds cover all clients of investment funds registered in Estonia, including clients from foreign countries.

¹¹ Market value.

¹² Local equity funds also include funds and mixed funds.

b. Consumers

The number of unit holders¹³ in Estonian funds fell by nearly 14 thousand people in the first half-year of 2013. The decrease in the number of unit holders was particularly notable in pension funds and equity funds.

Albeit the number of unit holders in mandatory pension funds has grown, compared to last year, this growth was evident in the second half-year of 2012. The first half-year of 2013, on the other hand, experienced a decrease in unit holders by 11,648 people. This was conditioned by the termination of contracts due to the beginning of disbursement of second-pillar pensions.

According to the data available to the Financial Supervision Authority, the number of unit holders in pension funds stood at 694,454 as of the end of June 2013. Nevertheless, it should be kept in mind that many individuals take the opportunity to save up for their pension through more than one mandatory pension fund, and thus the actual number of those who have joined the second pillar of the pensions scheme is lower than the number of unit holders (as of the end of June 2013, 642,272 people).

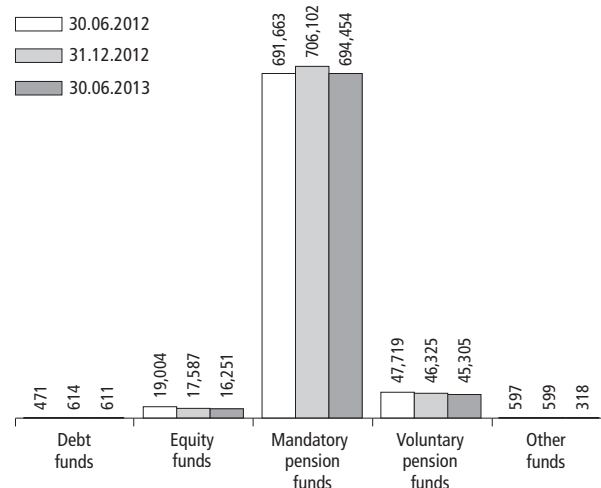
The number of unit holders in voluntary pension funds also fell by 1,020 within the half-year. This tendency has continued for four years in a row.

Despite good return, the outflow of unit holders in equity funds continued. The number of equity fund unit holders fell by 1,336 during the year.

To sum up, the largest type of fund in terms of client base as of 30 June 2013 was the mandatory pension fund with 694,454 individuals, followed by:

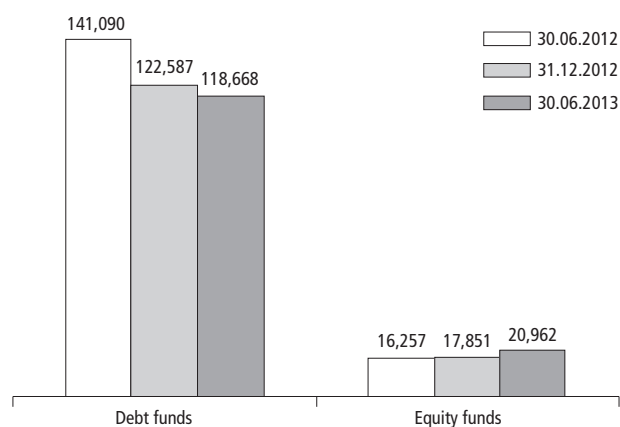
- voluntary pension funds with a total of 45,305 unit holders;
- equity funds with a total of 16,251 unit holders;
- debt funds with a total of 611 unit holders;
- other funds (real estate and venture capital funds) with a total of 318 unit holders.

Number of fund unit holders



¹³ Also includes non-resident unit holders.

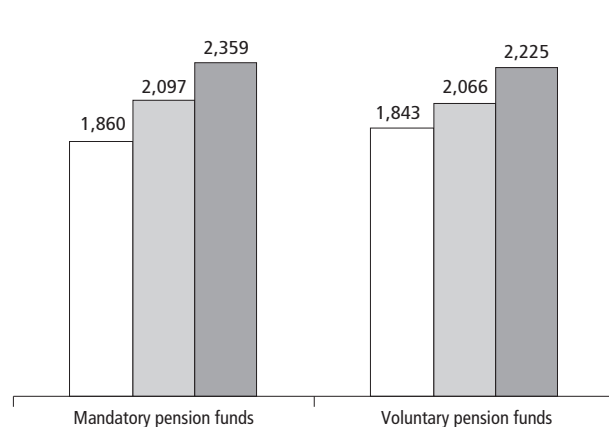
Market value of investments per unit holder (in EUR) (1)



The **biggest investments per client**¹⁴ have been made in real estate funds (387,857 euros). This is due to the fact that it is mainly the wealthy individuals and professional investors who invest in such funds.

The average market value of investments soared in the first half-year of 2013 both in mandatory and voluntary pension funds. The reason could be that smaller investors have been pulling out of the funds upon commencement of pension disbursement. Another reason is that the volume of pension fund assets is increasing.

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



Average investments per client by different types of funds as of the end of June 2013:

- debt funds: 118,668 euros;
- equity funds: 20,962 euros;
- mandatory pension funds: 2,359 euros;
- voluntary pension funds: 2,225 euros.

¹⁴ 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).

c. Service providers

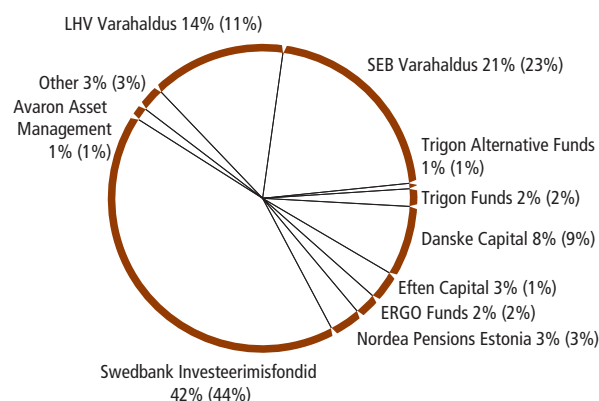
The greatest change in the distribution of fund assets¹⁵, compared to the same period a year ago, was that the market share of LHV Varahaldus has increased from 11% to 14%.

As of the end of June 2013, Swedbank Investeerimisfondid held 42%, SEB Varahaldus 21% and Danske Capital 8% of the fund market.

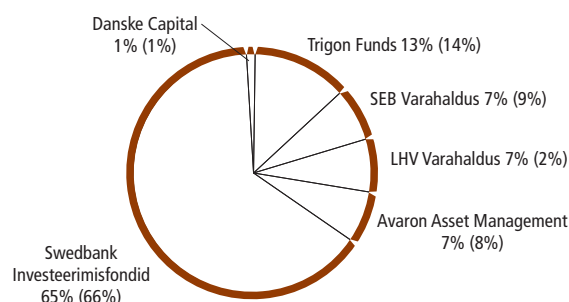
The greatest change in the market distribution of **equity funds** was the increase in the market share of LHV Varahaldus from 2% to 7%, while the market shares of other management companies shrank by 1-2%. Regardless of losing market share (a drop from 66% to 65%), Swedbank Investeerimisfondid maintains its position as the market leader. Trigon Funds ranks second, with a market share of 13% (as of the end of June 2012, 14%). SEB Varahaldus ranks third, with a market share of 7% (as of the end of June 2012, 9%).

The range of **debt fund providers**¹⁶ broadened at the end of 2012, with Avaron Asset Management launching a new interest fund. Debt funds are thus currently offered by three fund managers: SEB Varahaldus with a market share of 86%, Avaron Asset Management with a market share of 9% and Danske Capital with a market share of 5%.

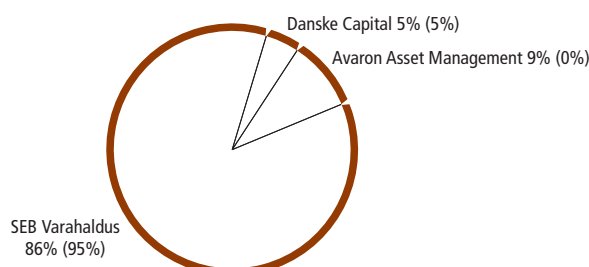
Market distribution: all funds as of 30.06.2013 (30.06.2012 in brackets)



Market distribution: equity funds



Market distribution: debt funds



¹⁵ On the basis of market value.

¹⁶ Money market funds and interest funds.

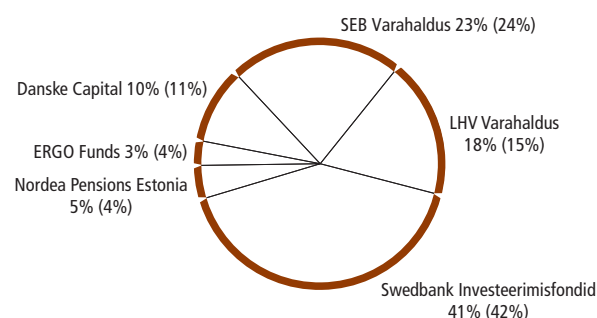
The largest share of the **pension funds** market was still held by Swedbank Investeerimisfondid. At the same time, money in **mandatory pension funds** continued to migrate from larger asset management companies to LHV Varahaldus. The market share of Swedbank Investeerimisfondid declined from 42% to 41%, while the market share of SEB Varahaldus fell from 24% to 23% and that of Danske Capital from 11% to 10%. At the same time, the market share of LHV Varahaldus grew from 15% to 18%, effectively making LHV Varahaldus the third-largest pension fund management company in Estonia.

The market of **voluntary pension funds** remained mostly stable. Two thirds of the voluntary pension funds market is still held by Swedbank Investeerimisfondid (with a market share of 62%).

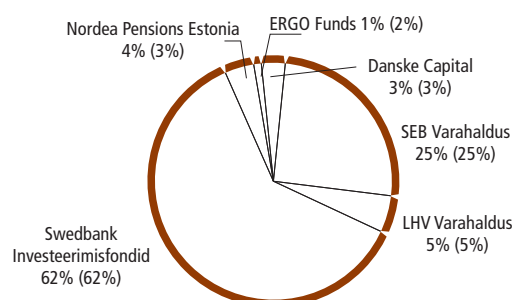
As regards **other funds**, EfTEN Capital had the biggest market share (50%), followed by AS EEREIF Management (the former GILD Property Asset Management), with 15% of the market. Launched in 2012, SmartCap has a market share of 13%.

As non-residents make up a significant part of the clients of Estonian investment funds, it is important that Estonian-resident clients be distinguished from non-residents in order to draw conclusions about the Estonian fund market. As of the end of June 2013, the **share of Estonian residents** made up **51%** of the asset volumes of investment funds registered in Estonia (as of the end of June 2012, 47%).

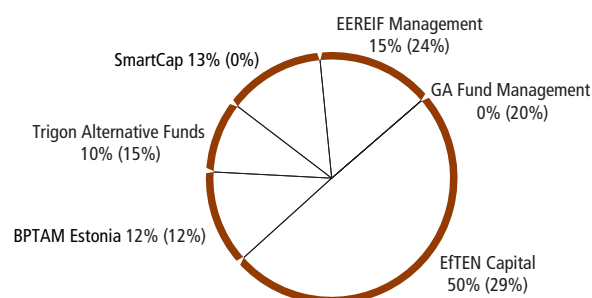
**Market distribution: mandatory pension funds as of 30.06.2013
(30.06.2012 in brackets)**



Market distribution: voluntary pension funds



Market distribution: other funds



Of the money invested in **Estonian equity funds**, **Estonian-resident clients** held 41% and **non-resident clients** 59%.

The fund management company most preferred by **Estonian-resident clients** was Swedbank Investeeringimisfondid, which managed 65% of the assets placed in equity funds by Estonian residents. SEB Varahaldus managed 16% of the money invested in equity funds by Estonian residents.

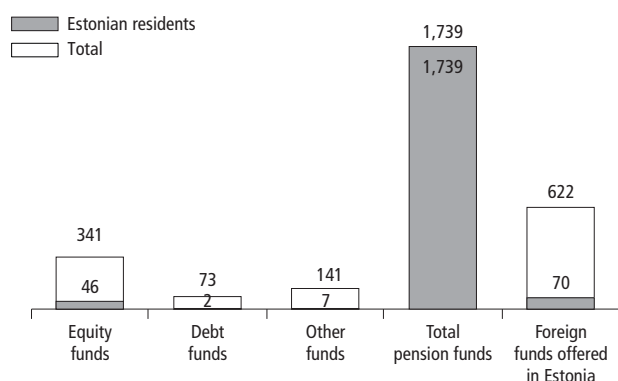
Of the money invested in **Estonian debt funds**, **Estonian-resident clients** held 66% and **non-resident clients** 34%. The greatest share of the market of Estonian-resident clients belonged to SEB Varahaldus, who managed 87% of all assets invested in debt funds by residents. Avaron Asset Management held 11% of the assets invested in debt funds by residents. Swedbank Investeeringimisfondid did not manage any debt funds.

Of the money invested in **other funds**, **Estonian-resident clients** held 66% and **non-resident clients** 34%. The greatest share of the market of Estonian residents belonged to Eften Capital, who managed 51% of all assets invested in other funds. SmartCap, which was established in 2012, held 20% and EEREIF Management 16% of the assets invested in other funds.

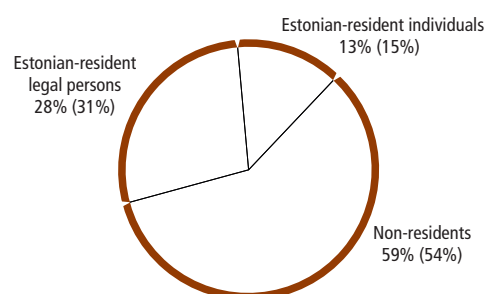
The preferences of Estonian-resident individuals in selecting funds:

Money placed in funds by Estonian-resident individuals as of 30.06.2013

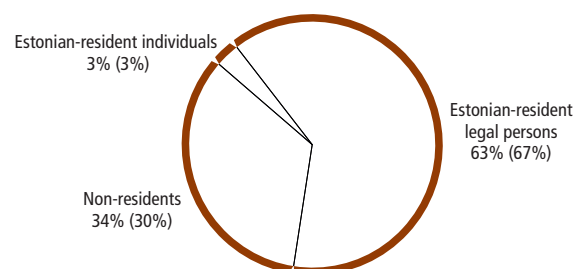
(in millions of EUR)



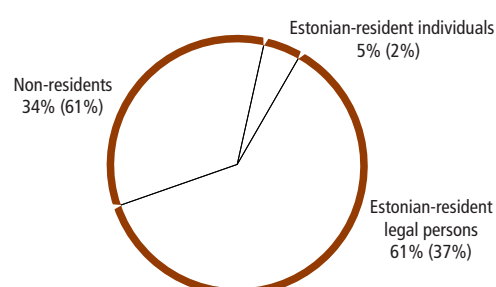
Structure of clients of equity funds as of 30.06.2013 (30.06.2012 in brackets)



Structure of clients of debt funds



Structure of clients of other fund



6. Portfolio management service¹⁷

a. Service

Portfolio management services are offered by management companies, banks and investment firms. The greatest volumes have accumulated to management companies, making up 65% of the market or 630 million euros. The volume of client portfolios managed by banks amounted to 326 million euros and the volume of client portfolios managed by investment firms to 15 million euros.

Overall, the total volume of securities portfolios of clients as of the end of June 2013 amounted to 971 million euros. Year-end amendments in reporting¹⁸ and some other changes in the reporting methods of market participants do not enable the total volume of management service to be accurately assessed as compared to previous periods.

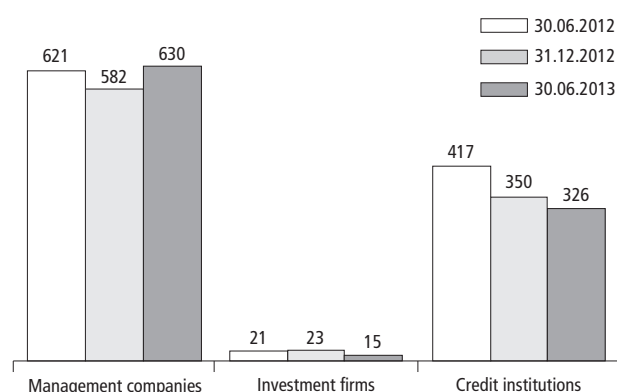
b. Service users

As of the end of June 2013, more than half of the total volume of client portfolios was held by Estonian residents – approximately 72% of the total volume of client portfolios, i.e. 701 million euros, of which 480 million euros was, in turn, held by financial institutions, 142 million euros by companies and 79 million euros by individuals¹⁹.

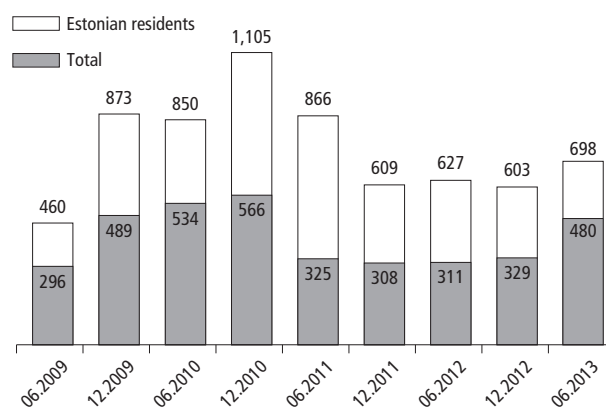
By client type, financial institutions constituted the largest group of clients, with the volume of portfolios amounting to 698 million euros as of the end of June 2013. The increase in the volume of portfolios of financial institutions results from the changes in the client qualification methods, as a result of which some of the companies were classified under financial institutions in accordance with the requirements established by Statistics Estonia.

Overall market distribution:	Swedbank	40%
	Trigon Funds	27%
	SEB	17%
Clients:	Data not available	
Service volume:	Total volume of portfolios:	971 million euros

Volumes of portfolios (in millions of EUR)



Volumes of portfolios by residence – financial institutions (in millions of EUR)



¹⁷ Data on management of portfolios cover all of the subjects that offer the said service in Estonia and that might serve both Estonian and foreign clients.

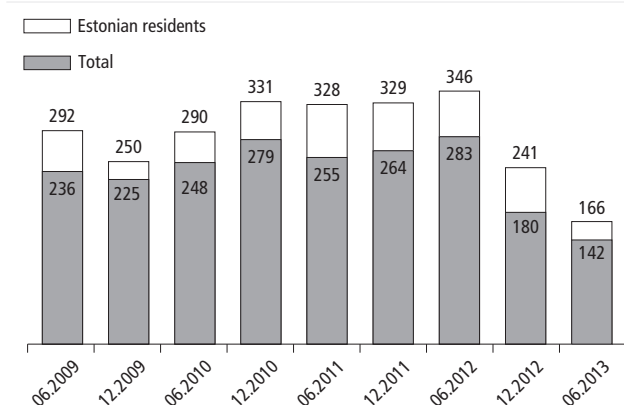
In this context, the management service also includes portfolio management with advising.

¹⁸ On 30 November 2012, the amendment of the Eesti Pank Governor's Decree No 16 "Establishment of off-balance-sheet reporting of credit institutions" entered into force.

¹⁹ Here and hereafter, financial institutions means insurers and pension funds, credit institutions and other financial institutions; companies means other business entities and business entities established by central or local government; and individuals means private persons and non-profit associations. Government means the government and state social assistance funds.

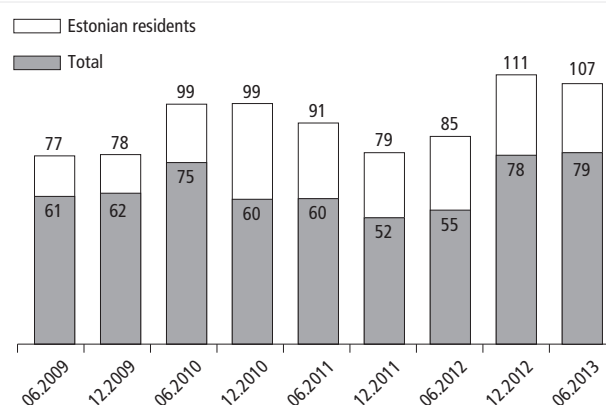
The portfolio volume of companies amounted to 166 million euros as of the end of June 2013, dropping by nearly a third in the half-year (241 million euros at the end of 2012). In addition to the aforementioned changes in client qualification methods, the portfolio volume of companies was also affected by the termination of contracts with certain major clients.

Volumes of portfolios by residence – companies (in millions of EUR)



The portfolio volume of individuals dropped from 111 million euros to 107 million euros in the half-year.

Volumes of portfolios by residence – individuals (in millions of EUR)

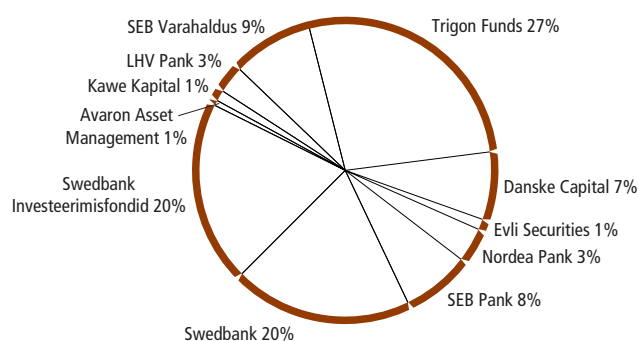


c. Service providers

The largest market share in management of client portfolios at the end of June 2013 belonged to Swedbank Group companies (40% in total). Trigon Funds held 27% and SEB Group companies 17% of the total volume of all portfolios.

Comparative data on previous periods is unavailable due to the methodological differences set out above.

Market distribution of portfolios of clients by service provider as of 30.06.2013

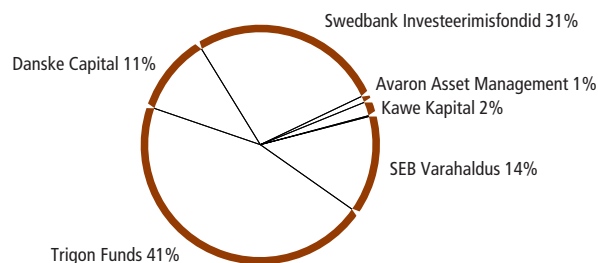


By management companies, the greatest volume of the consolidated client portfolio was held by Trigon Funds (41%). Swedbank Investeerimisfondid held 31% and SEB Varahaldus 14% of the market of management companies.

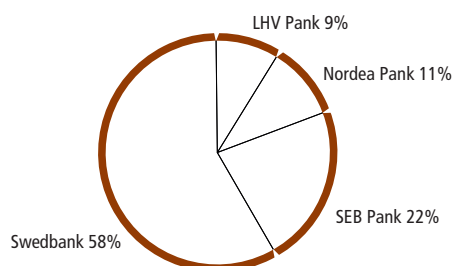
By banks, the largest total volume of portfolios belonged to Swedbank (58%) and SEB Pank (22%). Nordea Bank held 11% of the market.

By investment firms, a majority of the client portfolios was held by Evli Securities (76%).

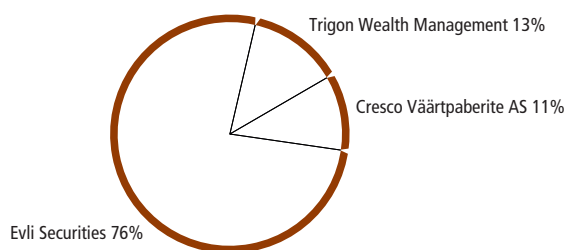
Market distribution: management companies as of 30.06.2013



Market distribution: credit institutions



Market distribution: investment firms

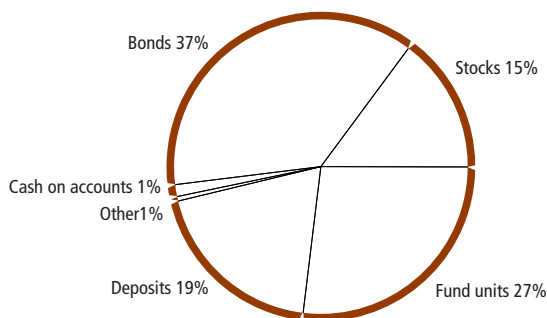


d. Structure of portfolios by instrument

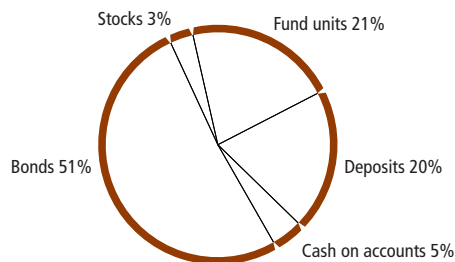
Direct investments in securities made up a majority of the investments in consolidated client portfolios (52%, all in all). As of 30 June 2013, investments in bonds contributed 37% and investments in stocks 15%. Investments in units of other funds (the so-called indirect investments) made up 27% of the consolidated portfolio. The share of deposits was high – 19% of the consolidated portfolio.

At the same time, great differences in instrument selection can be seen across service providers. Management companies prefer bonds (51%), while credit institutions prefer stocks (40%). In portfolios managed by investment firms, the units of other funds prevail (76%).

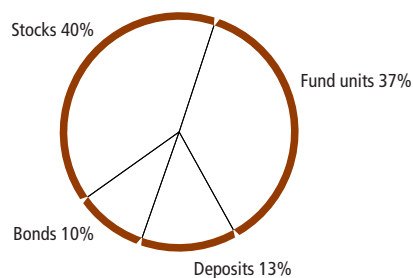
Structure of portfolios by instruments, as of 30.06.2013



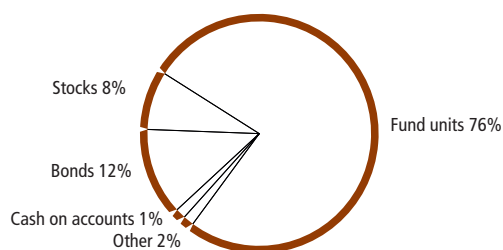
Structure of portfolios managed by management companies as of 30.06.2013



Structure of portfolios managed by credit institutions



Structure of portfolios managed by investment firms

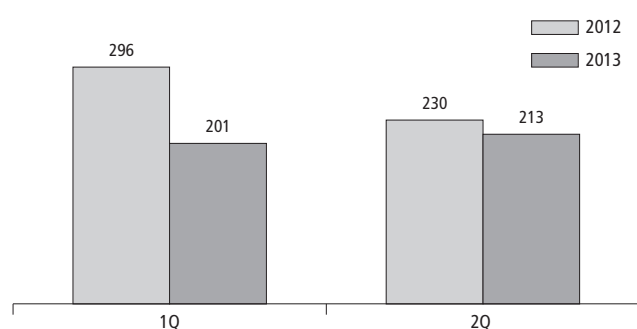


7. Payment services

As of the end of June 2013, there were a total of 9 paying institutions operating in Estonia (including three under a derogation authorisation). A total of 8 paying institutions actually mediated payments in the first half-year of 2013.

The volume of payments intermediated has shrunk, compared to last year. At the same time, the number of payments has shown a significant increase. In the first half-year of 2013, the total volume of payments mediated by Estonian paying institutions amounted to 413 million euros (first half-year of 2012: 526 million euros). A total of 436,800 payments were made during the half-year (first half-year of 2012: 128,391 payments).

Turnover of transactions intermediated by paying institutions by quarter (in millions of EUR)

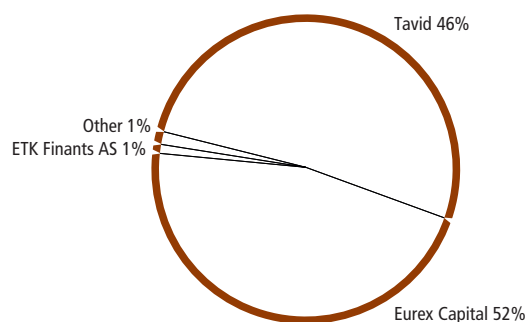


Overall market	Eurex Capital	52%
distribution:	Tavid	46%
Clients:	NA	
Service volume:	Volume of payments: 413 million euros	

The average payment amount was 947 euros (first half-year of 2012: 4,102 payments).

The market of payment services was divided between two paying institutions: Eurex Capital and Tavid. The share of Eurex Capital in the total volume of payments stood at 52% and the share of Tavid at 46% in the first half-year of 2013.

Market shares of paying institutions by turnover intermediated in the first half-year of 2013



8. Loans²⁰

a. Service

In the first half-year of 2013, the volume of the banks' loan portfolio in Estonia remained virtually unchanged, growing by 0.4% (i.e. 54 million euros) from the beginning of the year and reaching 14.18 billion euros by the end of June 2013, of which loans to companies²¹ made up 44% and loans to individuals²² 48%.

The volume of loans to individuals continued to decrease: by 37 million euros during the first half-year of 2013. Loans to companies decreased by 47 million euros. Loans to financial institutions, on the other hand, increased by 135 million euros and loans to governments by 4 million euros.

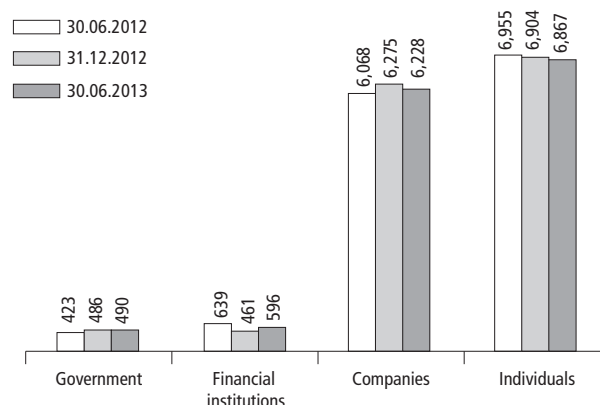
Overall, as of the end of June 2013, a total of 6.9 billion euros had been issued in loans to individuals and 6.2 billion euros in loans to companies. Loans to financial institutions²³ made up 596 million euros and loans to government²⁴ 490 million euros.

The volume of loans to individuals decreased in all types of loans in the first half-year of 2013.

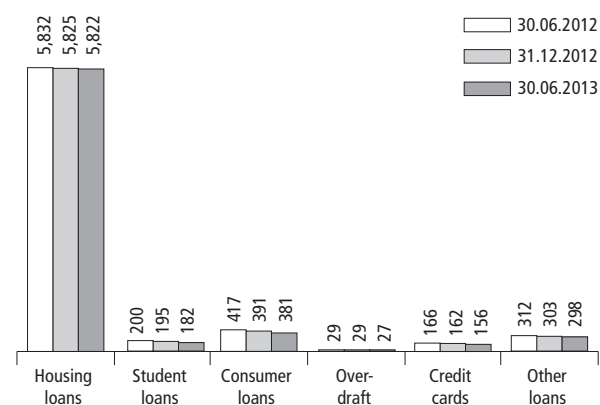
Housing loans continued to make up the greatest share of loans to individuals, amounting to 5.82 billion euros. The volume of housing loans fell by 3 million euros in the half-year. The volume of housing loans to individuals has continually decreased in recent years. It has fallen by 6% from 2009 – i.e. by 399 million euros.

Overall market distribution:	Swedbank	41%
	SEB Pank	23%
	Nordea Bank Finland	
	Estonia branch	19%
Clients (individuals):	707,021 valid contracts	
Service volume:	Volume of the consolidated loan portfolio: 14.18 billion euros	

Balance of loans (in millions of EUR)



Volume of loans to individuals (in millions of EUR)



²⁰ Data on loans include loans issued in Estonia.

²¹ State or local government company or other company.

²² Individual, non-profit association.

²³ Insurance institution and pension fund; other financial institution.

²⁴ Central government, local government, state social insurance fund; other non-budgetary fund.

b. Consumers

In the first half-year of 2013, the average balance of housing loans and other loans fell. In other categories of loans, the average loan balance has remained unchanged:

Average balance of loans to individuals, EUR

	30.06.2012	31.12.2012	30.06.2013
Housing loans	37,264	37,064	36,824
Student loans	2,147	2,183	2,192
Consumer loans	3,251	2,788	2,787
Overdraft	248	300	283
Credit cards	447	746	742
Other loans	17,695	13,574	13,871

The average balance of housing loans decreased in the first half-year of 2013 – from 37,064 euros at the beginning of the year to 36,824 euros at the end of June. The average balance of student loans increased from 2,183 euros to 2,192 euros. The average balance of consumer loans decreased from 2,788 euros to 2,787 euros. The average balance of overdraft decreased from 300 euros to 283 euros. The average balance of credit cards decreased from 746 euros to 742 euros. The average balance of other loans²⁵ increased from 13,574 euros to 13,871 euros. The high balance of other loans results, first and foremost, from the amount of loans drawn for business purposes.

The number of loans agreements decreased in nearly all loan categories in the first half-year of 2013. Housing loans and overdraft constituted an exception.

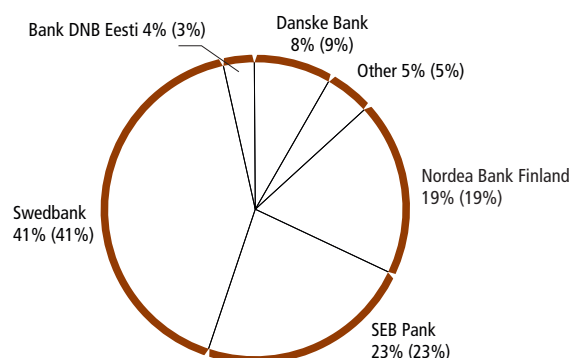
As of the end of June 2013, a total of 158,113 (31.12.2012: 157,169) housing loan agreements had been concluded with individuals; the respective figure was 82 828 (89 163) for student loans, 136,787 (140,085) for consumer loans, 97,253 (95,351) for overdraft, 210,543 (217,883) for credit card agreements and 21,497 (22,311) for other loan agreements.

c. Service providers

The Estonian loan market is stable, and has been divided largely between four major banks, which control 91% of the overall loan market. Swedbank holds the largest market share – 41% of the entire consolidated loan portfolio. Swedbank is followed by SEB Pank with 23%, Nordea Bank Finland Estonia branch with 19% and Danske Bank Estonia branch with 8%.

The remaining 9% of the market is distributed between 12 market participants, with DNB Bank having the largest share, 4%.

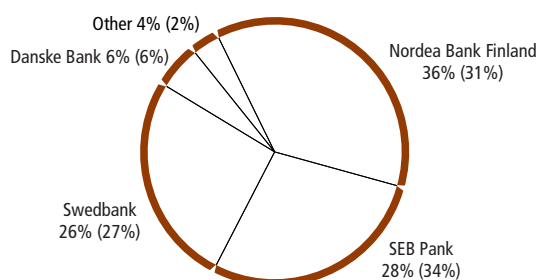
Market distribution: loans as of 30.06.2013 (30.06.2012 in brackets)



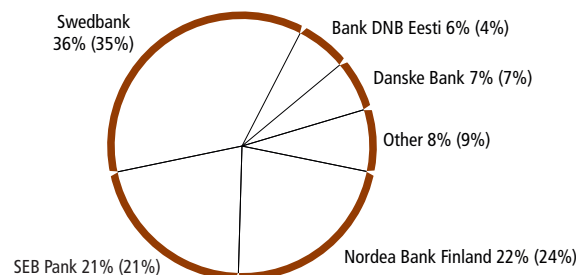
25 Other loans issued to individuals and non-profit associations include loans for buying securities, starting a business or expanding a business.

The following figures show how the various types of loans are distributed between banks operating in Estonia:

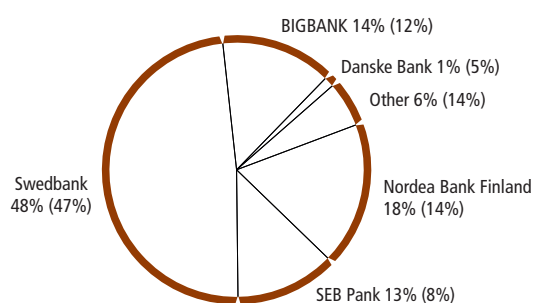
Market distribution: government loans as of 30.06.2013
(30.06.2012 in brackets)



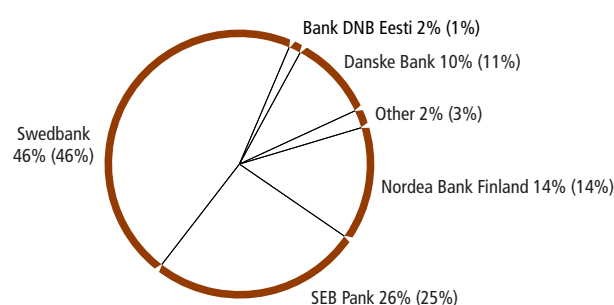
Market distribution: loans to companies



Market distribution: loans to financial institutions



Market distribution: loans to individuals

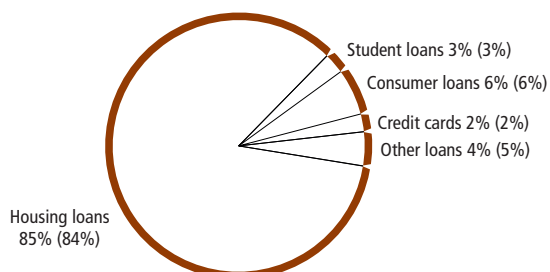
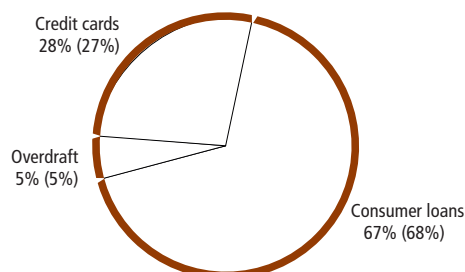


On the **government loan market**, the market share held by SEB Pank has decreased and that of Nordea Bank Finland Estonia branch has continued to increase. The largest share of the government loan market (36%) was held by Nordea Bank Finland Estonia branch. SEB Pank controlled 28% of the government loans, followed by Swedbank with its 26% market share.

The largest share of the market of loans to **financial institutions** (48%) was held by Swedbank. Nordea Bank Finland Estonia branch's market share grew from 14% to 18%, the market share of BIGBANK from 12% to 14% and the market share of SEB Pank from 8% to 13%. At the same time, the market share of Danske Bank dropped from 5% to 1%.

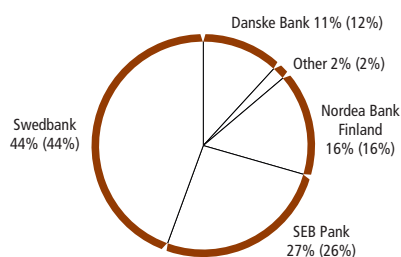
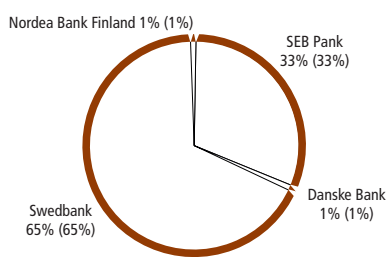
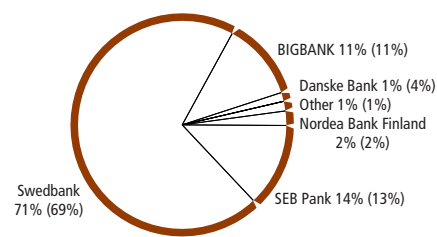
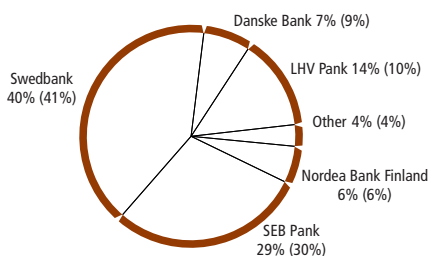
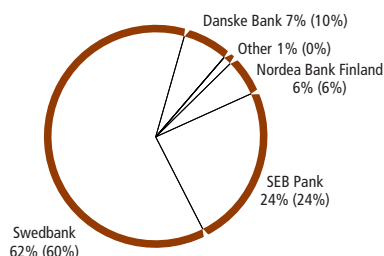
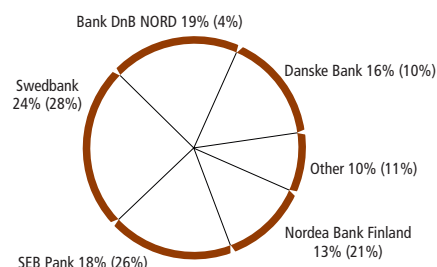
The largest share of **loans to companies** was issued by Swedbank (36%), Nordea Bank Finland Estonia branch (22%) and SEB Pank (21%).

The largest share of loan balances belonging to **individuals** has also accumulated to 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 (30.06.2012 in brackets)**Loans related to everyday consumption**

The distribution of the various types of loans issued to individuals did not change in the first half-year of 2013. The predominant share of loans issued to individuals is formed by housing loans – 85% or 5.8 billion euros. Loans connected to everyday spending (consumer loans, the used portions of credit cards, overdraft) amount to a total of 0.6 billion euros.

The market for loans to individuals is very concentrated, with nearly a half held by Swedbank and the rest mainly 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**

9. Deposits²⁶

The **volume of deposits** held with Estonian banks grew by 2% in the first half-year of 2013 (i.e. by 197 million euros), amounting to 12.8 billion euros by the end of June 2013. Demand deposits and overnight deposits made up 8.3 billion euros, while term deposits and savings deposits made up 4.3 billion euros, and investment deposits and other deposits 0.1 billion euros. Thus, only a third of the deposits have a fixed term – a trend especially evident in the first half-year of 2013. The share of demand deposits and overnight deposits increased from 64% to 65%, and the share of term deposits and savings deposits decreased from 35% to 34% of all deposits, respectively.

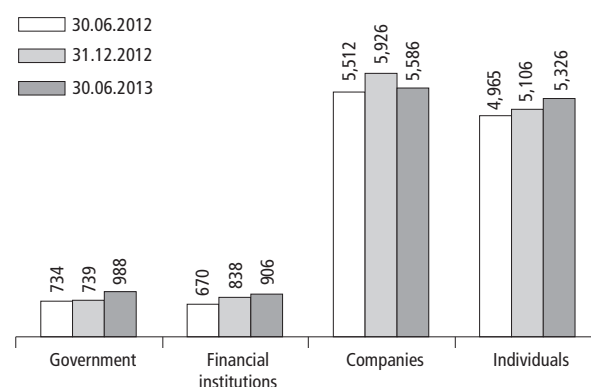
The greatest share of deposits was made up of companies'²⁷ deposits, which accounted for 44% of all deposits, with a total volume of 5.6 billion euros. As much as 77% of companies' deposits were demand and overnight deposits, totalling 4.3 billion euros; 22% were term and savings deposits worth 1.3 billion euros.

Individuals²⁸ held 42% of the deposits, worth 5.3 billion euros, of which demand and overnight deposits made up 3.0 billion euros, term and savings deposits 2.2 billion euros and investment and other deposits 0.1 billion euros.

Deposits of financial institutions²⁹ accounted for 7% of total deposits with a total value of 0.9 billion euros, and government deposits 8% with a total value of 1.0 billion euros.

Overall market	Swedbank	45%
distribution:	SEB Pank	21%
	Danske Bank Estonia branch	14%
Clients:	2,981,445 valid contracts	
Service volume:	Total volume of deposits: 12.8 billion euros	

Volumes of deposits (in millions of EUR)



²⁶ Data on deposits cover all amounts deposited in credit institutions operating in Estonia and Estonian branches of foreign credit institutions, i.e. deposits of both Estonian residents and non-residents. The data do not include the deposits opened in foreign branches of Estonian credit institutions.

²⁷ State or local government companies or other companies.

²⁸ Individuals, non-profit associations.

²⁹ Insurers and pension funds, other financial institutions.

b. Service providers

In the first half-year of 2013, several changes occurred on the Estonian deposits market, which had remained unchanged for quite a while.

Year over year, Danske Bank Estonia branch and Nordea Bank Finland Estonia branch gained market share at the expense of smaller market participants Eesti Krediitipank and UniCredit Bank (under liquidation).

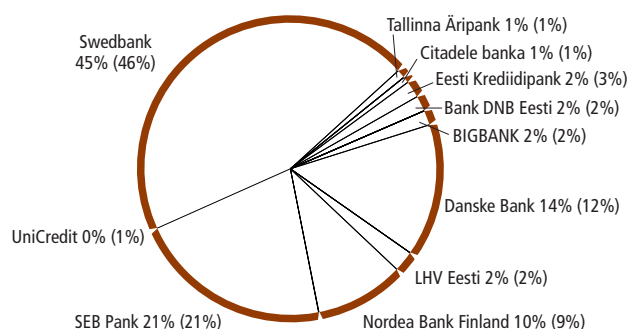
The market share of Danske Bank Estonia branch grew from 12% to 14%. The market share of Nordea Bank Finland Estonia branch grew from 9% to 10%.

The Estonian deposits market was still mainly divided between four larger banks. As of the end of June 2013, the largest market share belonged to Swedbank (45% of the entire deposits market), while in terms of volume, Swedbank holds the position as the market leader in all primary client categories. SEB Pank held 21% of the deposits market.

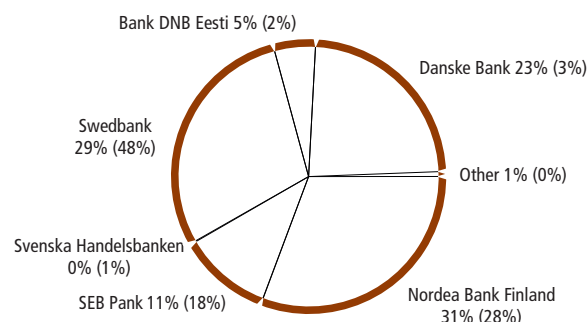
A majority (31%) of **government deposits** was controlled by **Nordea Bank Finland Estonia Branch**. Swedbank had a market share of 29% and Danske Bank Estonia branch a market share of 23%.

The biggest growth in the **deposits of financial institutions** was achieved by Swedbank, with the bank's market share increasing from 44% to 49%. Despite the growth in volume, the market share of Danske Bank Estonia branch fell from 25% to 21%, while the market share of SEB Pank dropped from 23% to 16% and the market share of Nordea Bank Finland Estonia branch rose from 3% to 7%.

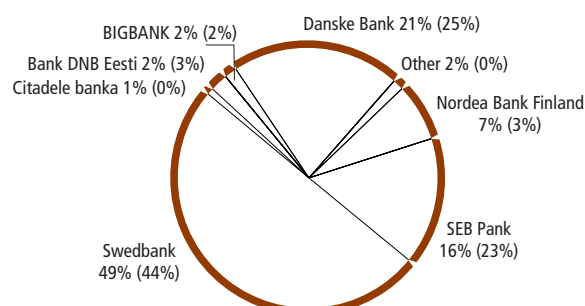
Market distribution: deposits as of 30.06.2013 (30.06.2012 in brackets)



Market distribution: government deposits

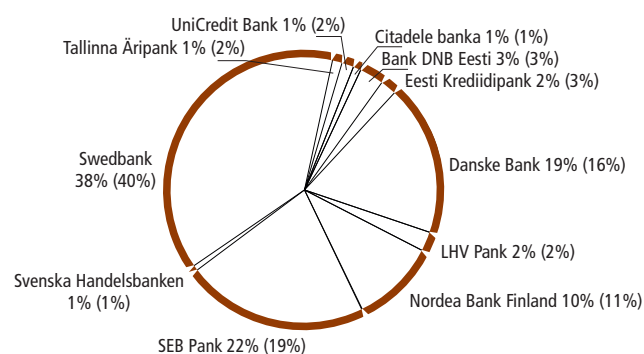


Market distribution: deposits of financial institutions



Deposits of companies grew above all in Danske Bank Estonia branch and SEB Pank, which was also reflected in the increase in their market share. The market share of SEB Pank grew from 19% to 22% and the market share of Danske Bank Estonia branch from 16% to 19%. Nonetheless, the largest share of the market was still held by Swedbank (38%).

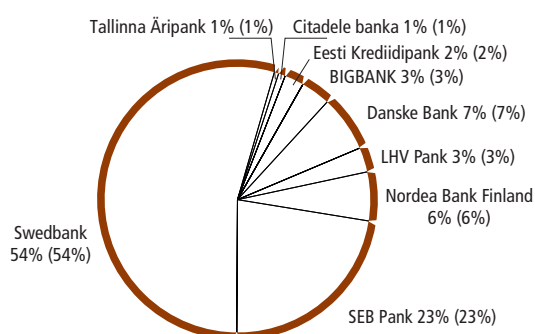
Market distribution: deposits of companies



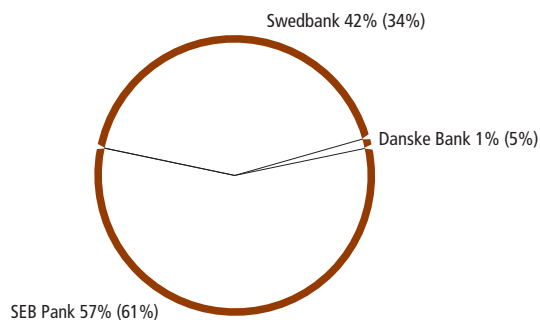
Investment deposits were offered by 3 banks in the first half-year of 2013. The total volume of investment deposits of individuals amounted to 93 million euros as of the end of June 2013 (30.06.2012: 87 million euros). The largest market share was held by SEB Pank (57%). 42% of the volume of investment deposits of individuals can be attributed to Swedbank.

Similarly to previous periods, the **deposit market for individuals** remained stable, with the market shares fluctuating no more than within one percentage point. Over a half (54%) of the deposit market for individuals was held by Swedbank. SEB Pank had a market share of 23%, Danske Bank Estonia branch a market share of 7% and Nordea Bank Finland Estonia branch a market share of 6%.

Market distribution: deposits of individuals



Market distribution: investment deposits of individuals



c. Service users

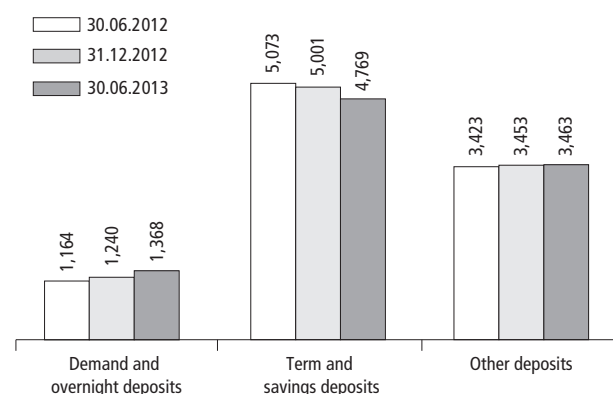
The number of deposits increased in the first half-year of 2013. The number of demand and overnight deposits increased by 28,000, the number of term and savings deposits by 4,000 and the number of other deposit by 1,000.

The number of valid deposit agreements³⁰ as of 30 June 2013:

- total demand and overnight deposits 2,483,000 agreements
of which individuals 2,226,000 agreements
- total term and savings deposits 468,000 agreements
of which individuals 458,000 agreements
- total investment and other deposits 30,000 agreements
of which individuals 29,000 agreements

As of the end of June 2013, the average size of demand and overnight deposits amounted to **1,368 euros** (as of the end of 2012: 1,240 euros³¹), the average size of term and savings deposits to 4,769 euros (5,001 euros) and the average size of investment and other deposits to 3,463 euros (3,453 euros).

Average amount of individuals' deposits (in EUR)



³⁰ Only deposits with monetary balances were considered.

³¹ The change in the average size of demand and overnight deposits of individuals, compared to the previous market overview, stems from a restatement made by one of the market participants.