



## **ESTONIAN FINANCIAL MARKET as at 30.06.2011**

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

## I. Volumes of financial services

Estonian financial services market experienced a small growth in the first half of 2011.

In comparison with 2010, the total deposit volume grew by 2.3%, including the volume of demand and overnight deposits that grew by 12.1%. The volume of term and savings deposits dropped by 8.0%. The total volume of customers' deposits reached the level of 10.6 billion EUR at the end of June 2011.

The total volume of banks' loan portfolios fell by 5.2% in comparison with June 2010. The total loan portfolio volume of banks was 14.46 billion EUR at the end of June 2011.

Also the investment area experienced a small growth. Still, the volume of unit-linked life insurance dropped dramatically: the premium volume of unit-linked life insurance contracts decreased by 31% in comparison with the previous period. At the same time, the total asset volume of funds registered in Estonia (including pension funds) increased by 7%, amounting to 1.8 billion EUR. Investments made into foreign funds grew

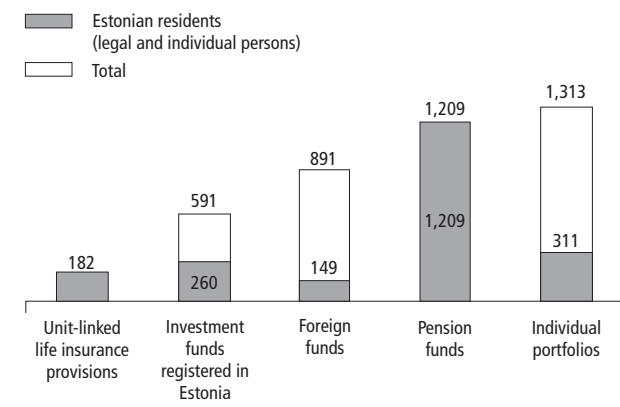
by 17%, amounting to 0.9 billion EUR. The total volume of individual portfolios grew by 2%, amounting to 1.3 billion EUR.

In general, the volume of assets invested into savings-oriented financial services – including unit-linked life insurance products, investment funds, pension funds, individual portfolios, term and savings deposits and investment deposits – increased in comparison with June 2010 and amounted to 8,836 billion EUR (8,500 billion EUR at the end of June 2010).

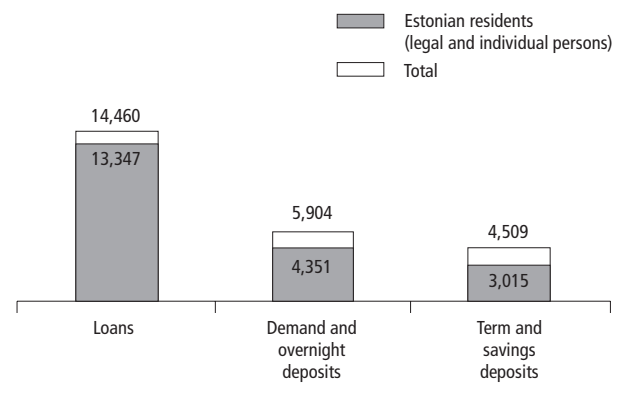
The volume of life insurance premiums (excluding unit-linked life insurance) grew by 5% in comparison with the first half of 2010. Nevertheless, the 31% drop in the volume of unit-linked life insurance brought along the ultimate decrease of 14% in the life insurance sector as a whole. As far as non-life insurance business is concerned, the volume of insurance premiums fell by 3% in comparison with June 2010.

Volumes of financial services provided by Estonian financial institutions:

**Volumes of investment services, 30.6.2011 (in millions of EUR)**



**Volumes of banking services, 30.6.2011 (in millions of EUR)**



The volume of investment and banking services provided by Estonian financial institutions, including the data on Estonian resident individuals, is shown in the following table (as at 30.6.2011, in millions of EUR):

Service	Total, in millions of EUR	Incl. Estonian resident individuals	
		In million of EUR	Share of the total service
Investment funds	591	72	12%
Pension funds	1,209	1,209	100%
Foreign funds provided in Estonia	891	57	6%
Provisions of unit-linked life insurance	182	182	100%
Individual portfolios	1,313	59	4%
Loans	14,460	7,063	49%
Demand and overnight deposits	5,904	2,117	36%
Term and savings deposits	4,509	1,969	44%
Investment and other deposits	142	102	72%

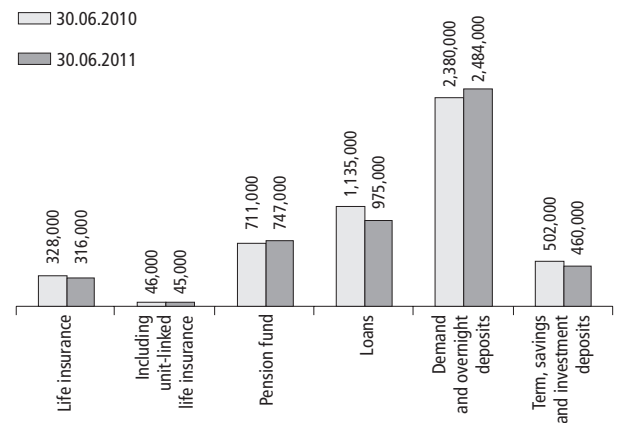
## 2. Private customers by services

Based on the number of contracts, demand deposit (current account) is the most frequently used deposit type in Estonia. Individuals owned in total **2,484,000 current accounts**<sup>1</sup> as at 30 June 2011 (a lot of individuals own several current accounts).

The second most frequently used financial service is the **loan**. Individuals had concluded **975,000 loan agreements**<sup>2</sup> as at 30 June 2011.

The number of persons who had joined a pension fund increased from 711,000 to 747,000 in a year. The number of term, savings and investment deposit contracts decreased from 502,000 to 460,000. In life insurance, including unit-linked life insurance, the number of contracts decreased from 328,000 to 316,000 and from 46,000 to 45,000, respectively.

Number of contracts concluded with individuals



1 This number includes only funded accounts.

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

### 3. Life insurance

Life insurers collected **insurance premiums** within the amount of **34.8 million EUR<sup>3</sup>** in Estonia in the first half of 2011 (40.2 million EUR in the first half of 2010). **The volume of insurance premiums dropped by almost 13%** in comparison with June 2010. **This drop was primarily driven by the decrease of 31% in unit-linked life insurance premiums.**

Despite of this decrease in the premium volume, unit-linked life insurance with the insurance premium volume of 14.0 million EUR (20.5 million EUR in the first half of 2010) and the share of 40% (51% in the first half of 2010) remained the life insurance product with the largest volume of premiums.

Unit-linked life insurance was followed by the endowment insurance with the volume of premiums of 11.6 million EUR (12.1 million EUR in the first half of 2010) and annuities with the volume of premiums of 4.1 million EUR (2.6 million EUR in the first half of 2010).

Other life insurance products collected premiums within the amount of 9.0 million EUR (7.7 million EUR in 2010).

#### a. Consumers

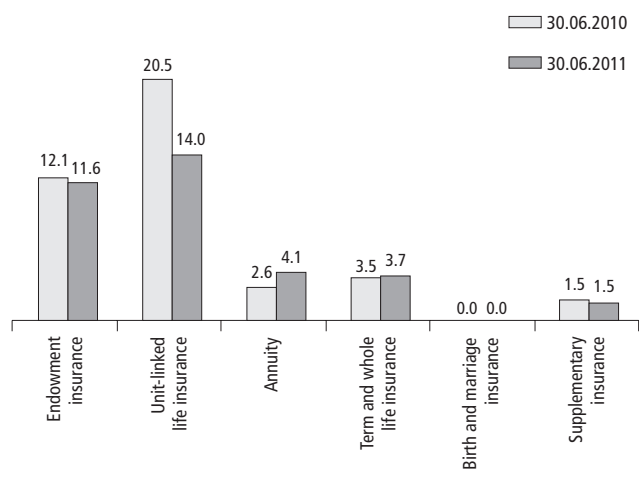
Life insurers operating in Estonia had concluded **201,283 main contracts<sup>4</sup>** by the end of June 2011 (208,221 main contracts at the end of June 2010). The number of concluded contracts dropped in almost all life insurance classes, except for term and whole life insurance.

The biggest drop was experienced in the endowment insurance where the number of valid contracts decreased by more than 6,500 contracts in comparison with the previous period.

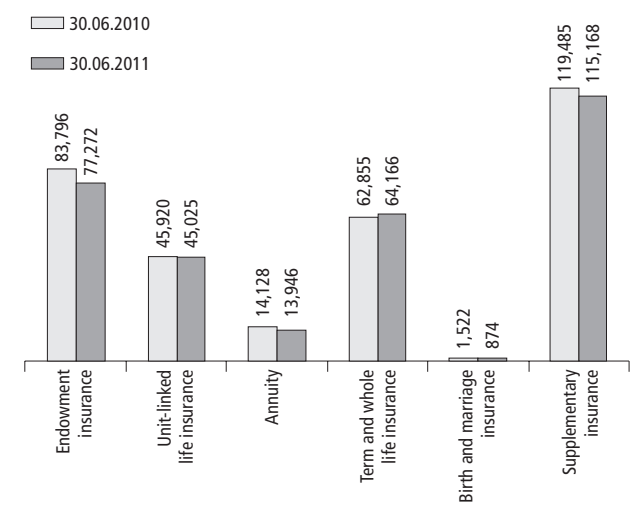
The number of valid contracts in term and whole life insurance increased from 62,855 to 64,166.

<b>General market structure:</b>	Swedbank Life Insurance	37%
	SEB Elu- ja Pensionikindlustus	25%
	Mandatum Life Insurance Baltic	21%
<b>Customers:</b>	316,451 contracts in force	
<b>Volume of services:</b>	in total 34.8 million EUR of collected insurance premiums in the first half of 2011	

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



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



3 Excluding insurance premiums collected outside Estonia.

4 Including only life insurance contracts concluded in Estonia.

Endowment insurance remained the biggest main insurance class by the number of contracts with 77,272 valid contracts (83,796 contracts at the end of June 2010). The number of supplementary insurance contracts amounted to 115,168 by 30 June 2011 (119,485 contracts at the end of June 2010).

**As for the contract volume**, the volume of premiums was the biggest in unit-linked life insurance where 312 EUR per contract was collected as an average. Still, the amount of premium payment decreased significantly in comparison with the previous period: in the first half of 2010 the average amount of premium per contract was 445 EUR.

Annuities experienced a rapid growth and the average contribution per contract increased from 183 EUR to 294 EUR in comparison with the previous period.

The average contribution to endowment insurance increased from 144 EUR to 150 EUR.

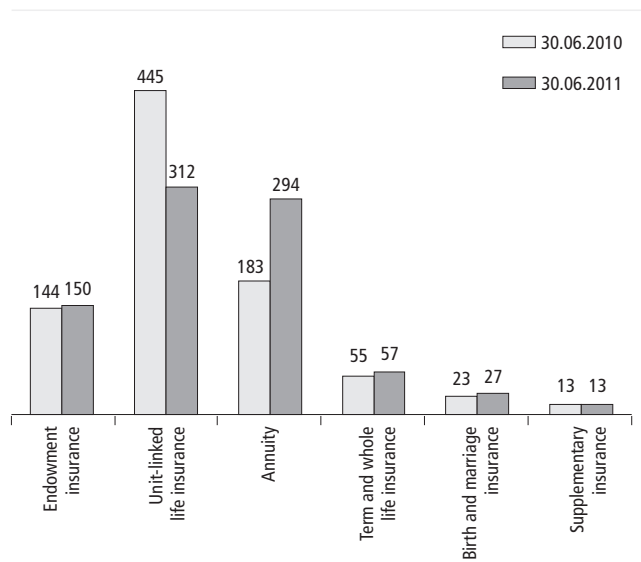
**b. Service providers**

Leading three life insurers –Swedbank Life Insurance, Mandatum Life Insurance Baltic and SEB Elu- ja Pensionikindlustus – collected 82% of insurance premiums in the first half of 2011 (88% of insurance premiums in the first half of 2010).

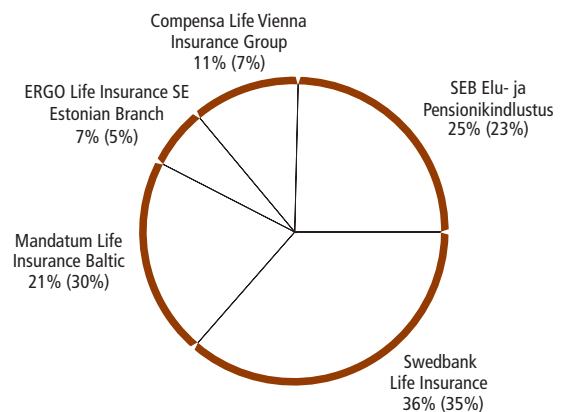
In comparison with the previous period, the volume of insurance premiums decreased in almost all life insurance companies, except for Compensa Life Vienna Insurance Group and ERGO Life Insurance SE Estonian Branch. Compensa Life Vienna Insurance Group collected 37% more of insurance premiums in the first half of 2011 than in the first half of 2010, and therefore its market share escalated from 7% to 11%.

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

**Average annual insurance premium per contract (in EUR)**



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



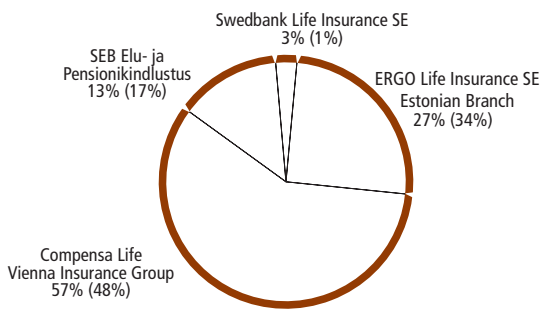
As to **annuities**, the collection of insurance premiums increased in almost all insurance companies. Insurance premiums collected by Compensa Life Vienna Insurance almost doubled, and thus the respective market share of Compensa Life Vienna Insurance increased from 48% to 61%. The market share of ERGO Life Insurance SE Estonian Branch decreased from 34% to 22%.

In **term and whole life insurance** market, the shares of insurers experienced no major change. The market share of Swedbank Life Insurance decreased from 63% to 61%. At the same time the market share of SEB Elu- ja Pensionikindlustus increased from 23% to 25%.

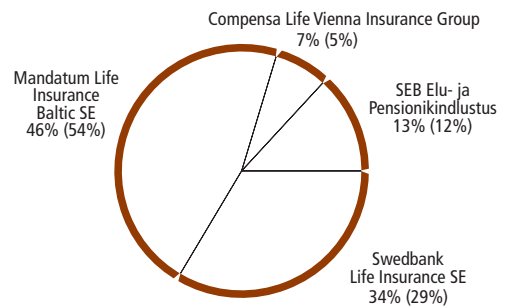
In **unit-linked life insurance** market the collection of insurance premiums dropped significantly in all life insurance companies. Mandatum Life Insurance Baltic experienced the biggest drop – its market share in unit-linked life insurance decreased from 54% to 46%. The market share of Swedbank Life Insurance escalated from 29% to 34% and the market share of SEB Elu- ja Pensionikindlustus increased from 12% to 13%.

Volumes of **endowment insurance** were characterized by stability. Although the volume of insurance premiums decreased in all life insurance companies, they managed to maintain their market shares.

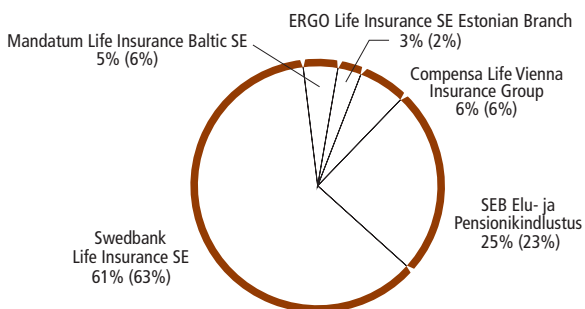
**Market structure: annuity as at 30.6.2011 (30.6.2010 in brackets)**



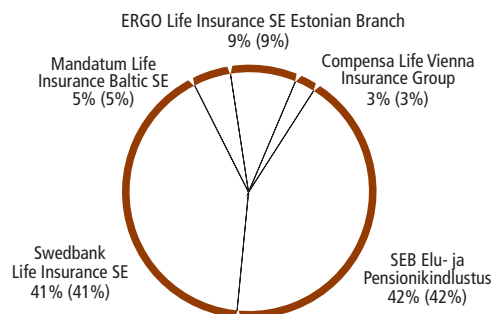
**Market structure: unit-linked life insurance**



**Market structure: term and whole life insurance**



**Market structure: endowment insurance**



## 4. Non-life insurance<sup>5</sup>

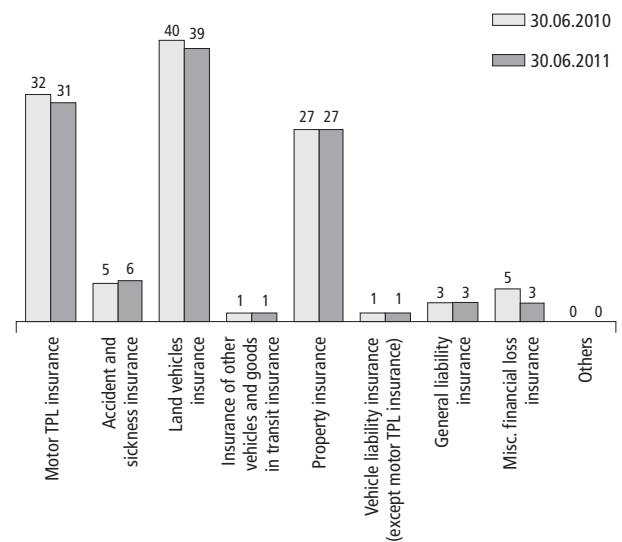
In the first half of 2011, the amount of insurance premiums collected by non-life insurers was almost equal to that collected a year ago. In the first half of 2011, non-life insurers authorized in Estonia and branches of foreign non-life insurers collected **insurance premiums** within the amount of **110 million EUR** (113 million EUR in the first half of 2010). Estonian branches of foreign insurers collected 16.5 million EUR, i.e. 15% of total insurance premiums (17.8 million EUR or 15% of total insurance premiums in the first half of 2010). **The collection of insurance premiums in various insurance classes experienced no major changes.** The biggest change occurred in the miscellaneous financial loss insurance where the amount of collected insurance premiums dropped from 5 million EUR to 3 million EUR in a year.

The **land vehicles insurance (KASKO)** captured as previously the largest market share – 35% (39 million EUR of insurance premiums), and the market share of mandatory **motor TPL insurance** was 28% (31 million EUR of insurance premiums). They were followed by property insurance with the share of 25% and the volume of insurance premiums of 27 million EUR.

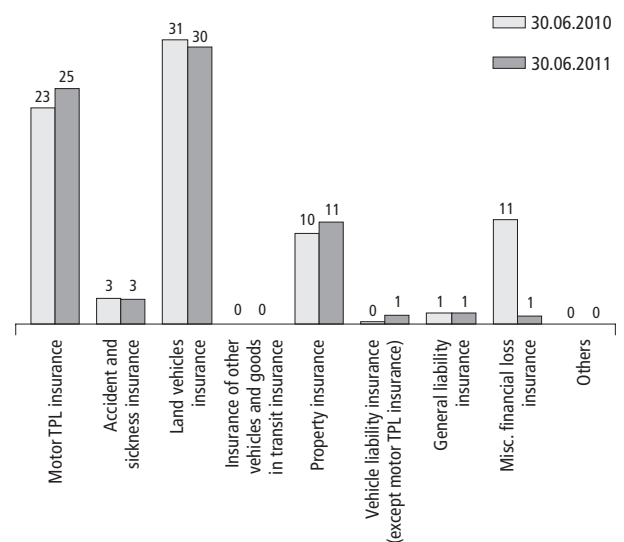
71 million EUR were paid out as indemnities in the first half of 2011 (80 million EUR in the first half of 2010). **The amount of paid indemnities dropped the most in the miscellaneous financial loss insurance: from 11 million EUR to 1 million EUR.** Indemnities dropped also in land vehicles insurance. Still, the motor TPL insurance and property insurance saw the growth in indemnities.

<b>General market structure:</b>	IF P&C Insurance	30%
	ERGO Kindlustus	18%
	Swedbank Varakindlustus	14%
<b>Customers:</b>	n/a	
<b>Volume of services:</b>	110 million EUR of collected insurance premiums in the first half of 2011	

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



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



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

The highest ratio of paid claims to insurance premiums was in the motor TPL insurance where the respective percentage increased from 73% to 82% as compared with the previous period.

The ratio of paid claims to insurance premiums was 77% in land vehicles insurance (KASKO) and 68% in the vehicle liability insurance.

The ratio of paid claims to insurance premiums decreased dramatically in the miscellaneous financial loss insurance: from 247% to 34%.

a. Service providers

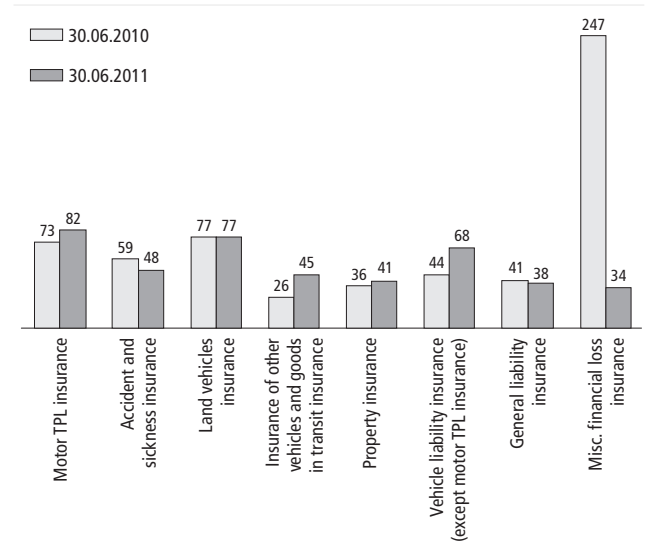
Market structure

In the first half of 2011, the amount of collected insurance premiums increased only in 3 insurance companies: in Codan Forsikring A/S Estonian Branch by 2.5 million EUR, in If P&C Insurance AS by 2.3 million EUR and in Inges Kindlustus by 0.9 million EUR. This trend was reflected also in the increase of their market shares.

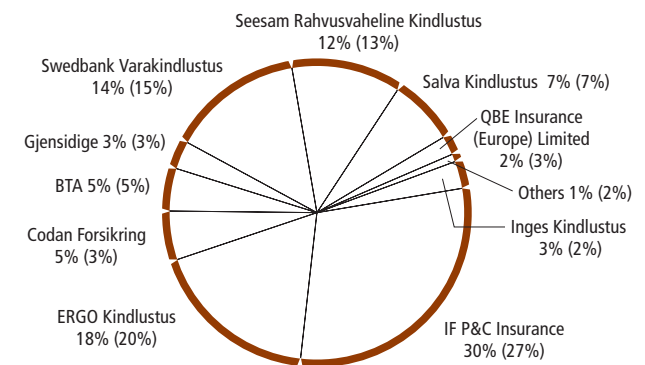
At the end of June 2011, the IF P&C Insurance captured the biggest share of the non-life insurance market (30%). The market share of ERGO Kindlustus was 18%, and Swedbank Varakindlustus's share was 14%.

The aggregate market share of branches of foreign insurers was 16%. Codan Forsikring A/S Estonian Branch captured the biggest share (5%) among the branches, having increased its market share from 3% to 5% as compared with the previous period.

Paid claims to insurance premiums (per cent)



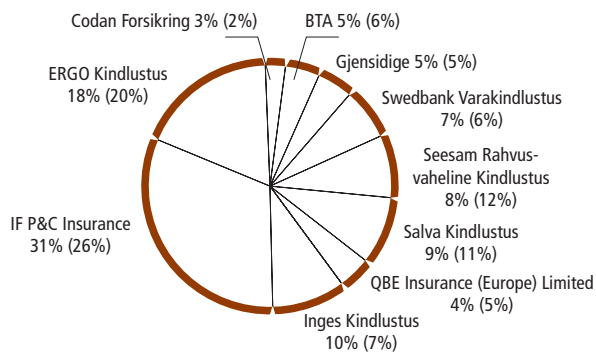
Structure of non-life insurance market in the first half of 2011, based on collected premiums (data of the first half of 2010 in brackets)



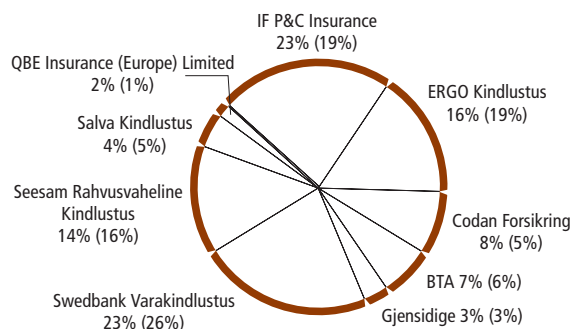
The following Figures show the market structure of Estonian insurers and Estonian branches of foreign insurers by three major non-life insurance products.

IF P&C Insurance captured as previously the biggest share in the motor TPL insurance (31%), land vehicles insurance (23%) and property insurance (38%). Codan Forsikring A/S Estonian Branch that became increasingly active in the Estonian market increased its market share in land vehicles insurance (from 5% to 8%) and property insurance (from 2% to 6%).

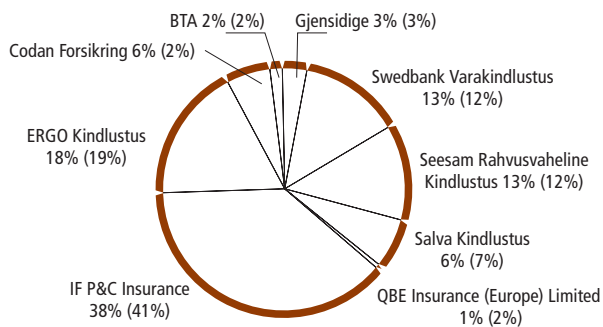
**Market structure: motor TPL insurance as at 30.6.2011 (30.6.2010 in brackets)**



**Market structure: land vehicles insurance**



**Market structure: property insurance**



## 5 • Investment and pension funds<sup>6</sup>

The asset volume of investment funds, including pensions funds, grew by 3% (44 million EUR) in the first half of 2011, reaching to the level of 1.8 billion EUR at the end of June 2011<sup>7</sup>.

Similarly to previous periods, the growth in the volume of the funds' sector was primarily driven by mandatory pension funds: 48 million EUR of the sector's total growth of 44 million EUR was provided by mandatory pension funds.

The asset volume of mandatory pension funds grew by 4.5% in the first half of 2011, increasing from 1.071 billion EUR to 1.119 billion EUR. The asset volume of voluntary pension funds remained practically the same as in the previous period, decreasing only by 0.2% and amounting to 90 million EUR.

The asset volume of equity funds decreased from 453 million EUR at the beginning of the year to 437 million EUR at the end of June 2011, the decrease being 3.5%.

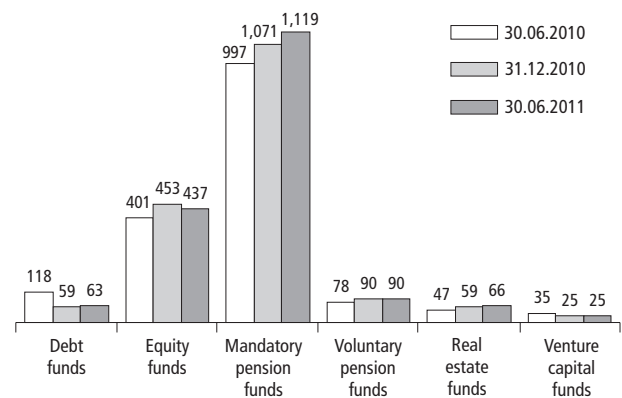
The asset volume of real estate funds grew from 59 million EUR to 66 million EUR in the first half of 2011, the growth being 11.6%.

The asset volume of debt funds increased from 59 million EUR to 63 million EUR in the first half of 2011 (i.e. by 7.9%).

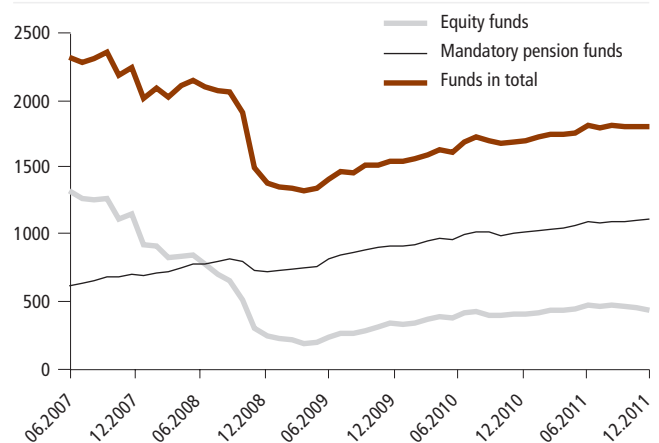
Mandatory pension funds with the share of 60% continued to hold the leading position in the market (61% at the end of 2010). The second place was captured by equity funds with the share of 24% (26% at the end of 2010). Debt funds accounted for 4% of the total asset volume of funds (3% at the end of 2010).

<b>General market structure:</b>	Swedbank Investeerimisfondid	45%
	SEB Varahaldus	23%
	Danske Capital	8%
<b>Customers:</b>	770,889 contracts in force	
<b>Volume of services:</b>	volume of funds totalled 1.8 billion EUR	

Volumes of funds (in millions of EUR)



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



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

7 Market value.

### a. Consumers<sup>8</sup>

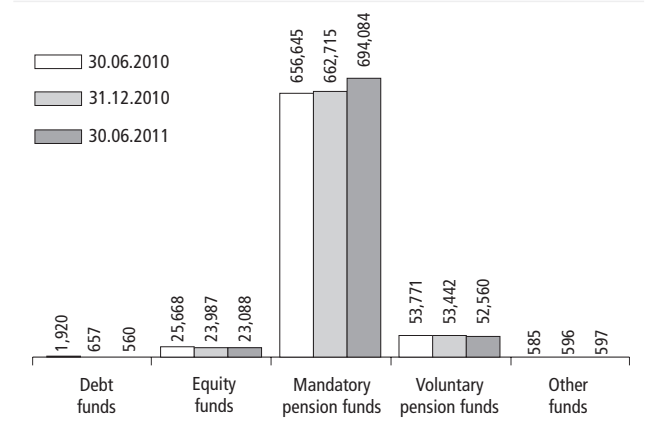
In the first half of 2011, the total number of unit holders of investment funds<sup>9</sup> increased, primarily at the expense of mandatory pension funds. According to the Financial Supervision Authority, the number of unit holders of mandatory pension funds grew by 31,369 persons and reached to the level of 694,084 persons at the end of June. Still, we have to notice that many persons take advantage of the possibility to accumulate the pension through several mandatory pension funds and that the actual number of persons who have joined the II Pillar is thus smaller than the number of unit holders (approximately 606,300 persons at the end of October 2010).

The number of persons who invest in other funds has decreased. The number of unit holders of equity funds dropped by approximately 899 persons, the number of unit holders of debt funds decreased by 97 persons and the number of unit holders of voluntary pension funds diminished by 882 persons.

In general, mandatory pension funds with 694,084 unit holders formed the major fund type according to the customer base. They were followed by:

- Voluntary pension funds with 52,560 unit holders;
- Equity funds with 23,088 unit holders;
- Debt funds with 560 unit holders;
- Other funds (real estate and venture capital funds) with 597 unit holders.

Number of unit holders of investment and pension funds

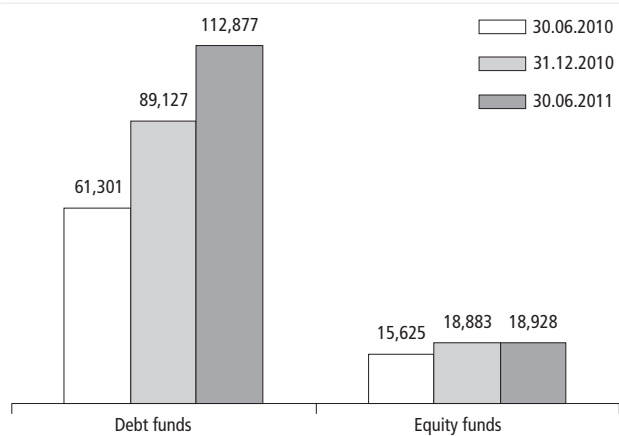


<sup>8</sup> All conclusions made on the customer base of funds are drawn from the number of unit holders. A person may own units of several funds.

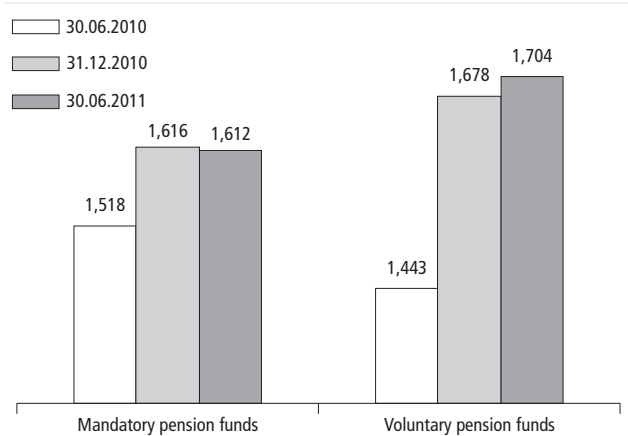
The number of unit holders shows thus the activity of people in making investments through different funds rather than the number of persons who invest into funds.

<sup>9</sup> Includes also non-resident unit holders.

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



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



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

As at 30 June 2011, average investments per customer were as follows:

- Debt funds 112,877 EUR;
- Equity funds 18,928 EUR;
- Mandatory pension funds 1,612 EUR;
- Voluntary pension funds 1,704 EUR.

Investments into other funds (real estate and venture capital funds) totalled 152,084 EUR as an average per a unit holder, which was a lot more than in case of other funds. Both real estate and venture capital funds are more risky and they are mostly the investment target of wealthier individuals and professional investors.

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

**b. Service providers**

The division of funds' assets between different fund management companies was relatively stable. In the first half of 2011, the biggest changes took place in the market share of the market leader – Swedbank Investeerimisfondid – that decreased from 48% to 45%, and in the market share of LHV Varahaldus that increased from 4% to 7%.

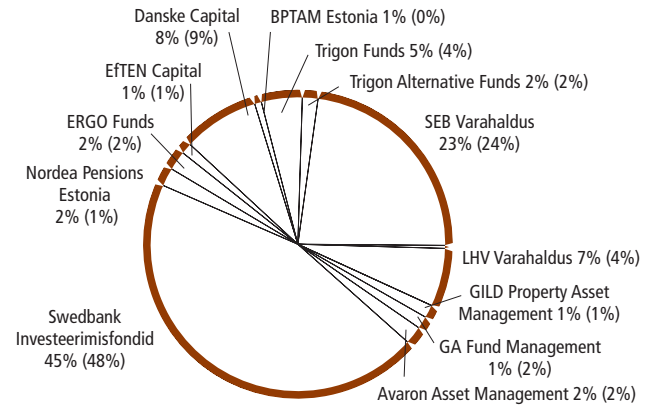
SEB Varahaldus captured 23% of the funds' market at the end of June 2011. Its market share decreased from 24% to 23% in a year. The market share of Danske Capital decreased from 9% to 8% in a year.

The biggest change in the market structure of **equity funds** that occurred in the first half of 2011 was related to the market share of Trigon Funds – it grew from 17% at the end of June 2010 to 19% at the end of June 2011. The market share of Swedbank Investeerimisfondid decreased at the same time from 59% to 57%; nevertheless, it continued to lead the equity funds' market. SEB Varahaldus captured the third place in the market with the share of 9%.

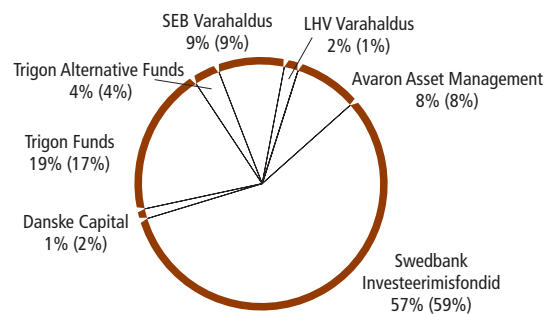
The liquidation of **debt funds**<sup>11</sup> in 2010 brought along major changes. Due to the liquidation of debt funds of the Swedbank Investeerimisfondid, its market share dropped from 26% at the end of June 2010 to zero at the end of June 2011. The market share of Danske Capital decreased from 10% to 5% due to the liquidation of Danske Invest Likviidsusfond.

The market share of SEB Varahaldus increased from 64% to 93% in a year. Redgate Asset Management captured the market share of 2% at the end of June 2011 due to the market entry of Redgate Intressifond.

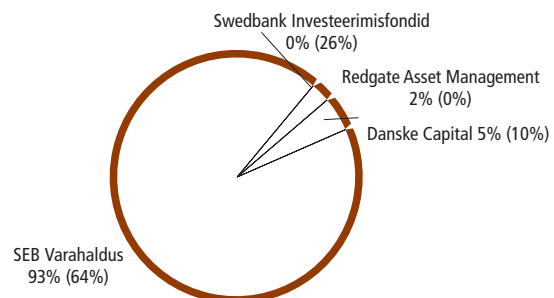
**Market structure: all funds as at 30.6.2011 (30.6.2010 in brackets)**



**Market structure: equity funds**



**Market structure: debt funds**



Swedbank Investeerimisfondid continued to be the leading fund management company in the **pension funds**’ market. Still, there occurred some changes in the market structure of **mandatory pension funds**: market shares of major players dropped – the market share of Swedbank Investeerimisfondid decreased from 48% to 45%, the market share of SEB Varahaldus decreased from 27% to 26% and the market share of Danske Capital decreased from 13% to 12%.

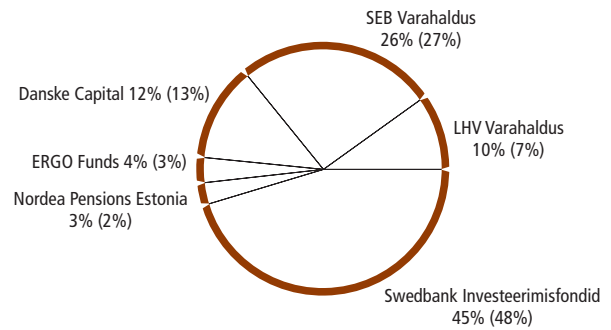
Market shares of smaller fund managers increased at the same time – the market share of LHV Varahaldus grew from 7% to 10%, the market share of ERGO Funds grew from 3% to 4% and the market share of Nordea Pensions Estonia grew from 2% to 3%.

In case of **voluntary pension funds**, the market share of Swedbank Investeerimisfondid decreased from 64% to 63%, but it still captured 2/3 of the voluntary pension funds’ market.

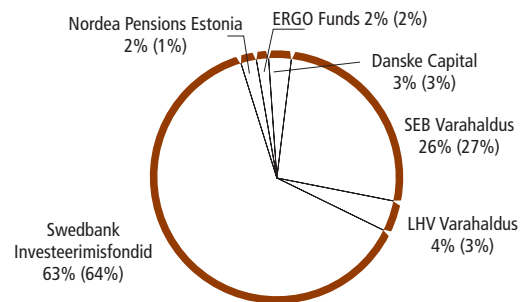
As far as **other funds** were concerned, GA Fund Management and GILD Property Asset Management captured the biggest market shares of 27% and 24%, respectively. EfTEN Capital followed them with the market share of 22%. BPTAM Estonia AS who entered the market at the end of 2010 captured the market share of 12%.

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

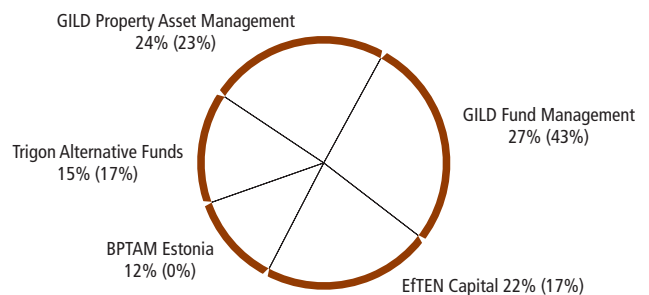
**Market structure: mandatory pension funds**



**Market structure: voluntary pension funds**



**Market structure: other funds**



The structure of customers of **equity funds** remained mostly the same as a year ago. **Non-residents with 57%** held the lead position by volume (58% at the end of June 2010).

16% of 437 million EUR that were invested into **equity funds** belonged to Estonian resident individuals. Estonian **resident individuals** preferred the Swedbank Investeerimisfondid to other fund management companies of equity funds. It managed 56% of assets invested into equity funds by Estonian resident individuals. SEB Varahaldus managed 33% of assets invested into equity funds by Estonian resident individuals.

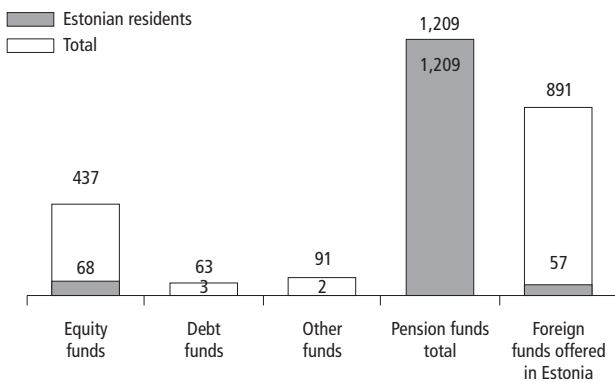
Estonian resident individuals owned only 4% of 63 million EUR that was invested into **debt funds**. As far as Estonian resident individuals were concerned, SEB Varahaldus that managed 65% of assets invested into debt funds captured the biggest market share. Danske Capital managed 35% of assets invested into debt funds. Swedbank Investeerimisfondid managed no debt funds any more.

Estonian resident individuals owned only 2% of 91 million EUR that was invested into **other funds**. AS EEREIF Management that managed 56% of assets invested into other funds captured the biggest market share in Estonian resident individuals' market.

Preferences of Estonian resident individuals in terms of funds:

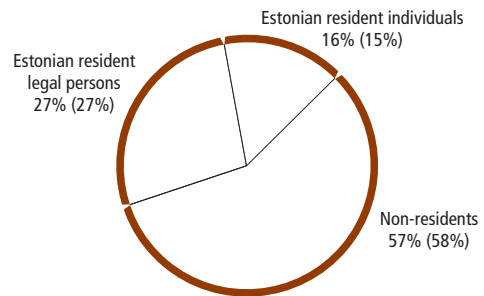
**Funds invested by Estonian resident individuals, 30.6.2011**

(in millions of EUR)



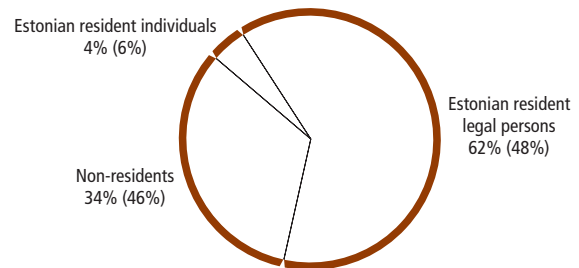
**Customer structure of equity funds, 30.6.2011**

(30.6.2010 in brackets)



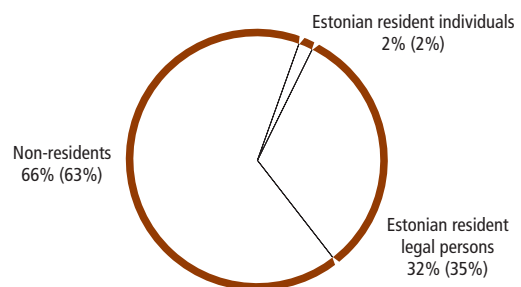
**Customer structure of debt funds, 30.6.2011**

(30.6.2010 in brackets)



**Customer structure of other funds, 30.6.2011**

(30.6.2010 in brackets)



## 6. Individual portfolios<sup>12</sup>

### a. Service

Investment firms, fund managers and banks provide the management service of individual portfolios.

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

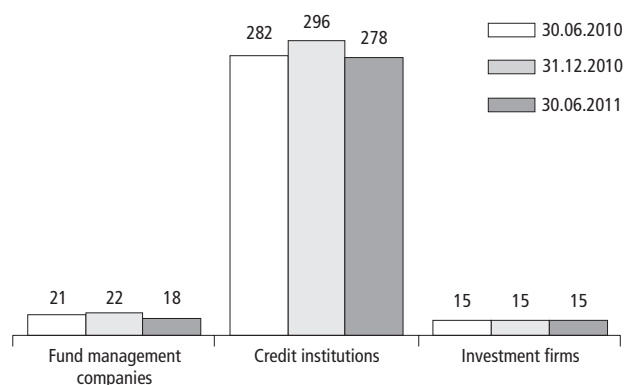
The volume of individual portfolios of **Estonian resident companies and individuals** totalled 311 million EUR at the end of June 2011 (318 million EUR at the end of June 2010).

The total volume of individual portfolios of companies and individuals dropped by 18% in a year.

89% of funds included in individual portfolios of Estonian resident companies and individuals are held in credit institutions: credit institutions managed individual portfolios within the amount of almost 278 million EUR at the end of June 2011.

The volume of individual portfolios of resident customers that were managed by fund management companies totalled 15 million EUR.

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

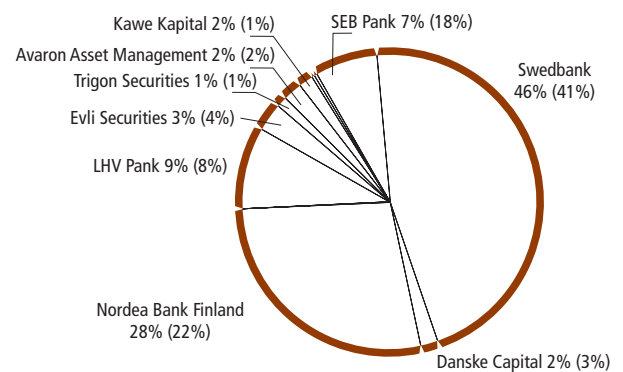


<b>General market structure:</b>	Swedbank	46%
	Nordea Pank Finland	28%
	LHV Pank	9%
<b>Customers:</b>	n/a	
<b>Volume of</b>	portfolio volume of Estonian resident companies and individuals totalled 311 million EUR	

### b. Service providers

Swedbank captured the biggest market share of 46% in the management of individual portfolios of Estonian resident companies and individuals. Its market share increased from 41% to 46% in a year. Nordea Bank Finland Estonian Branch captured the market share of 28% and LHV Pank 9%. The market share of SEB Pank decreased from 18% to 7% in a year.

#### Market structure of individual portfolios of Estonian resident companies and individuals by service providers, 30.6.2011 (30.6.2010 in brackets)



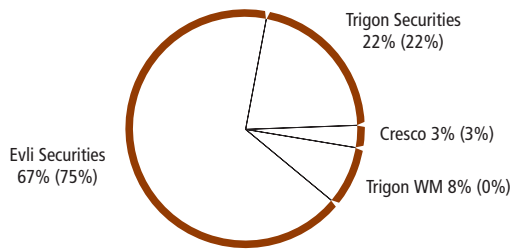
12 Data on the management of individual portfolios includes all entities, which provide such a service in Estonia and whose customer base may include both Estonian and foreign clients.

Swedbank owned the largest aggregate portfolio of individual portfolios among credit institutions (51%). Nordea Bank Finland Estonian Branch captured 31% and LHV Pank captured 10% of the market. The market share of SEB Pank dropped from 20% to 8% in a year.

As far as investment firms are concerned, Evli Securities owned as before the majority of the volume of individual portfolios (67%).

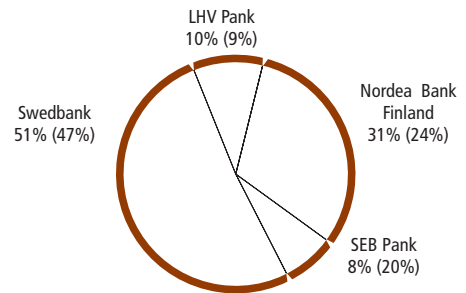
As for the fund management companies, Danske Capital owned the biggest aggregate portfolio of individual portfolios (37%). Avaron Asset Management captured 35% of the fund managers' market.

**Market structure by investment firms**

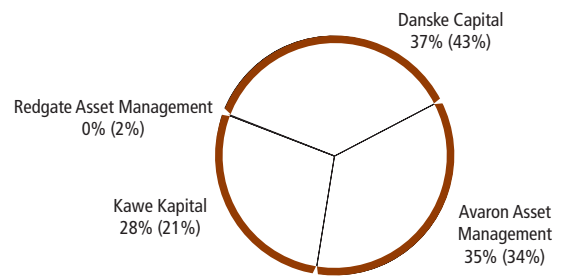


**Market structure by credit institutions as at 30.6.2011**

(30.6.2010 in brackets)



**Market structure by fund management companies**

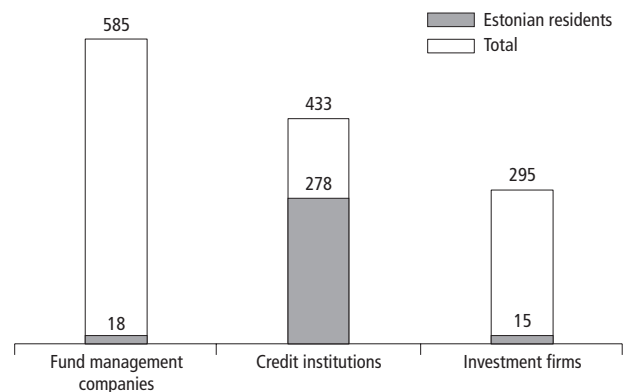


**c. Service users**

Pursuant to the data of the Financial Supervision Authority, individual portfolios of Estonian resident companies and individuals accounted for 24% of the total volume of individual portfolios at the end of June 2011. Credit institutions captured the largest amounts (278 million EUR).

Individual portfolios of Estonian resident credit institutions, financial institutions and government accounted for 27%, individual portfolios of non-resident credit institutions and financial institutions accounted for 41%, and individual portfolios of non-resident companies and individuals accounted for 8% of the total volume of individual portfolios.

**Share of Estonian resident companies and individuals in managed individual portfolios, 30.6.2011 (in millions of EUR)**



## 7. Loans<sup>13</sup>

In the first half of 2011, the volume of banks' loan portfolios dropped by 3.1% (455 million EUR) to the level of 14.46 billion EUR at the end of June 2011; loans to companies<sup>14</sup> accounted for 44% thereof and loans to individuals<sup>15</sup> 49%.

The volume of loans granted to companies decreased the most – by 255 million EUR. Loans granted to individuals decreased by 200 million EUR and loans granted to the government decreased by 7 million EUR. Loans to financial institutions increased by 8 million EUR.

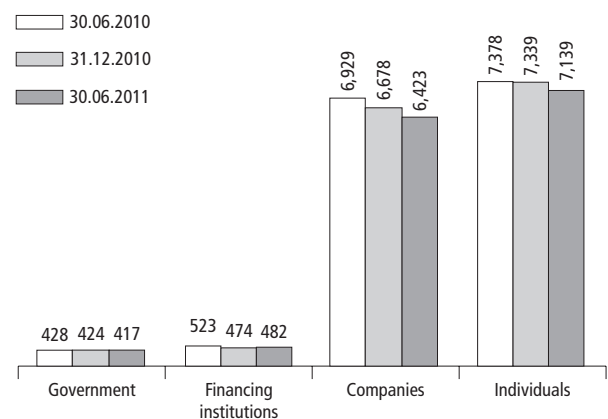
In general, individuals had received loans within the amount of 7.1 billion EUR and companies within the amount of 6.4 billion EUR by the end of June 2011. Loans granted to financial institutions<sup>16</sup> totalled 482 million EUR and loans granted to the government<sup>17</sup> totalled 417 million EUR.

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

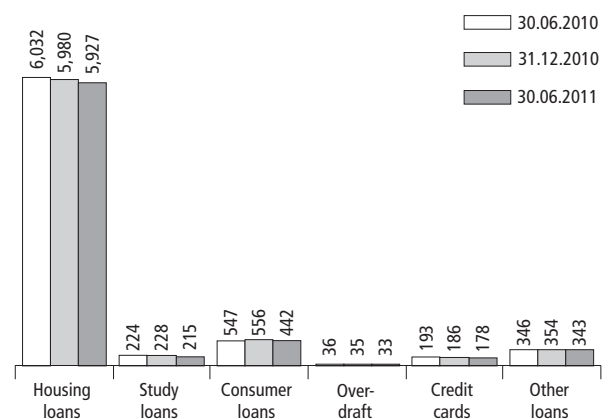
Housing loans within the amount of 5.93 billion EUR formed the biggest share of loans granted to individuals. The volume of housing loans dropped the most in the first half of 2011: by 53 million EUR.

<b>General market structure:</b>	Swedbank	41%
	SEB Pank	23%
	Nordea Bank Finland Estonian Branch	17%
<b>Customers (individuals):</b>	974,627 contracts in force	
<b>Volume of services:</b>	loan portfolio volume totalled 14.46 billion EUR	

Volume of loans (in millions of EUR)



Volume of loans to individuals (in millions of EUR)



<sup>13</sup> Data on loans include loans granted in Estonia.

<sup>14</sup> State or municipal company, other company.

<sup>15</sup> Individual, non-profit association.

<sup>16</sup> Insurance company and pension fund, other financial institution.

<sup>17</sup> Central government, local authority, national social security fund, other extra-budgetary fund.

### a. Consumers

Average loan balance of individuals:

Average loan balance of individuals (in EUR)			
	30.06.2010	31.12.2010	30.06.2011
Housing loans	38,225	37,866	37,606
Study loans	2,052	2,120	2,110
Consumer loans	2,560	2,260	2,828
Overdraft	227	248	249
Credit cards	464	461	456
Other loans	7,525	8,175	10,327

In the first half of 2011, the average balance of housing loans decreased from 37,866 EUR at the beginning of 2011 to 37,606 EUR at the end of June 2011. The average balance of consumer loans increased from 2,260 EUR to 2,828 EUR. The average balance of overdraft increased from 248 EUR to 249 EUR. The average balance of credit card amounts decreased from 461 EUR to 456 EUR. The average balance of study loans decreased from 2,120 EUR to 2,110 EUR. The average balance of other loans<sup>18</sup> increased from 8,175 EUR to 10,327 EUR. The high average balance of other loans is primarily due to the amount of loans taken for the purpose of business; the balance of such loans totalled 30,810 EUR as an average.

The number of loan contracts decreased in all classes of loan in the first half of 2011.

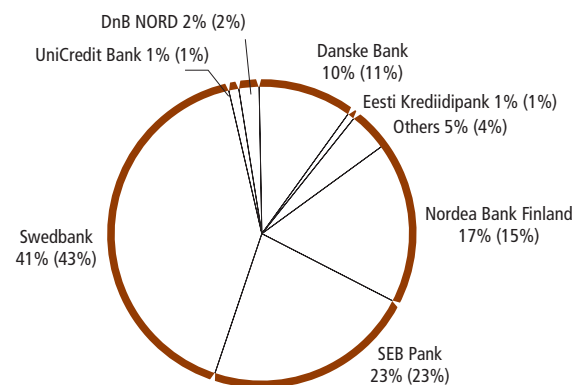
At the end of June 2011, the number of housing loan contracts concluded with individuals totalled **157,606 (157,922 as at 31.12.2010)**, the number of study loan contracts totalled **101,839 (107,389)**, the number of consumer loans totalled **156,355 (246,128<sup>19</sup>)**, the number of overdraft contracts totalled **134,079 (142,521)**, the number of credit card contracts totalled **391,531 (403,771)** and the number of other loan contracts totalled **33,217 (43,266)**.

### b. Service providers

Loan market is divided mostly between four major banks that capture in total 91% of the loan market. Swedbank accounts for the biggest share – 41% of the aggregate loan portfolio. It is followed by SEB Pank with 23%, Nordea Bank Finland Estonian Branch with 17% and Danske Bank Estonian Branch with 10%.

The rest (10%) of the market is divided between 14 market participants. DnBNord captures the biggest market share (2%) among these market participants.

Market structure: loans as at 30.6.2011 (30.6.2010 in brackets)

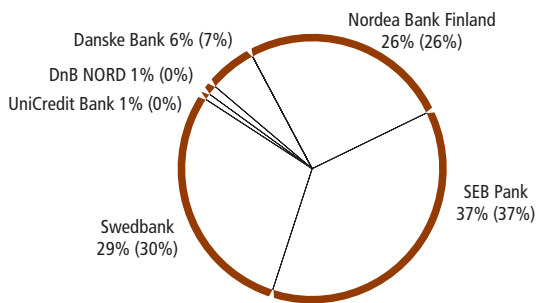


<sup>18</sup> Other loans granted to individuals and non-profit associations include loans taken for the purchase of securities and for the start-up and expansion of a company.

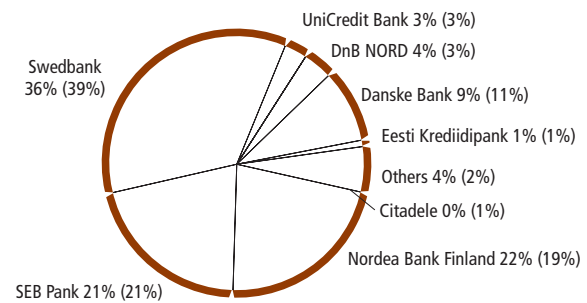
<sup>19</sup> Data until 31.12.2010 include the undistinguishable number of consumer loans granted by foreign branches.

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

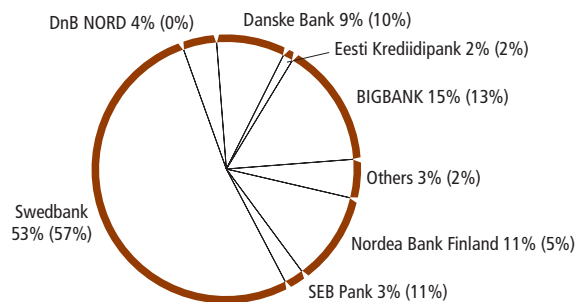
**Market structure: loans to the government, 30.6.2011 (30.6.2010 in brackets)**



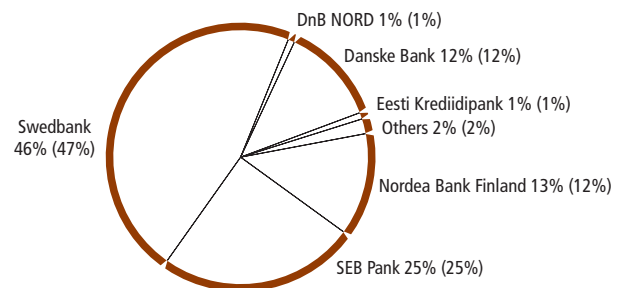
**Market structure: loans to companies**



**Market structure: loans to financial institutions**



**Market structure: loans to individuals**



There has been no major change in the market of loans granted to the government as compared with the previous period. SEB Pank captured 37%, Swedbank 29% and Nordea Bank Finland Estonian Branch 26% of the market of loans granted to the government. As at the end of June 2011, UniCredit Bank Estonian Branch and Bank DnB NORD Estonian Branch had entered the market of loans granted to the government, both having the market share of 1%.

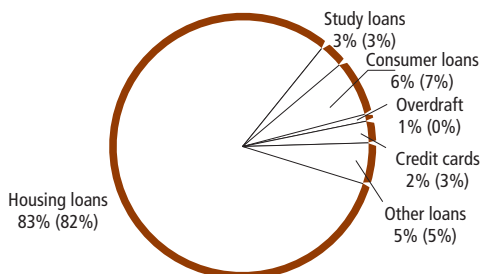
The major part of the market of loans granted to financial institutions (53%) belongs to the Swedbank. Still, the market share of Swedbank decreased considerably in comparison with the end of June 2010. The market share of SEB Pank also decreased

in a year: from 11% to 3%. At the same time, the market share of Nordea Bank Finland Estonian Branch grew from 5% to 11% as compared with June 2010. The market share of Bank DnB NORD Estonian Branch increased from zero to 4%.

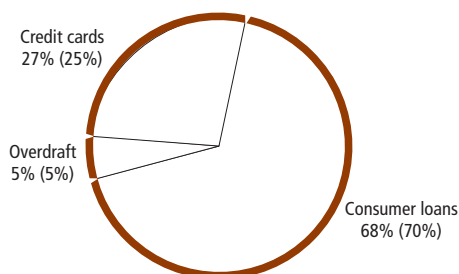
Most of the loans to companies were granted by Swedbank (36%), SEB Pank (21%) and Nordea Bank Finland Estonian Branch (22%).

The majority of loan balances of individuals were also held in Swedbank (46%) and SEB Pank (25%). Market structure of loans granted to individuals has been the most stable throughout the years.

**Division of loans granted to individuals, 30.6.2011 (30.6.2010 in brackets)**



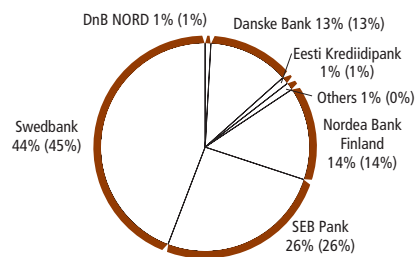
**Loans related to day-to-day consumption**



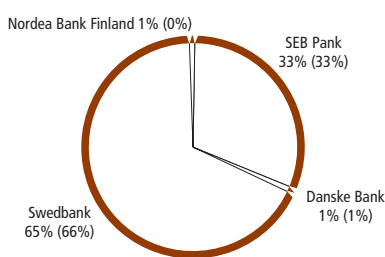
The division of different types of loans granted to individuals experienced no substantial changes in the last year. Housing loans form the majority of loans granted to individuals – 83% (5.9 billion EUR). Loans related to day-to-day consumption (consumer loans, credit card loans, overdraft) totalled 0.7 billion EUR.

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

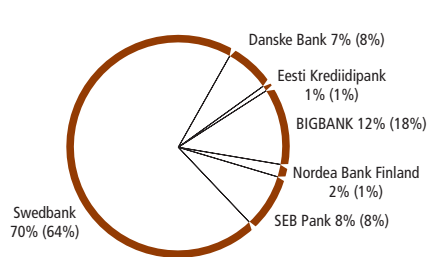
**Market structure: housing loans to individuals**



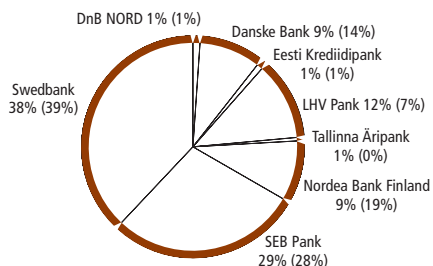
**Market structure: study loans to individuals**



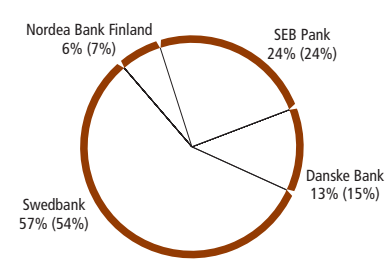
**Market structure: consumer loans to individuals**



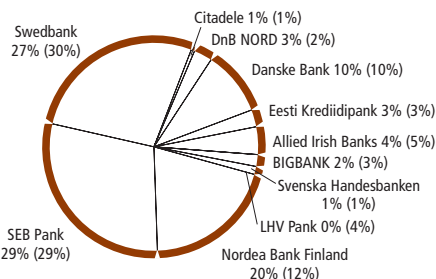
**Market structure: overdraft for individuals**



**Market structure: credit cards of individuals**



**Market structure: other loans to individuals**



## 8. Depositing<sup>20</sup>

The **volume of deposits** in Estonian banks grew by 0.3% in the first half of 2011 (33 million EUR) reaching to the level of 10.6 billion EUR in the end of June 2011. Demand and overnight deposits totalled 5.9 million EUR, term and savings deposits 4.5 million EUR and investment and other deposits 0.1 million EUR thereof. The share of demand and overnight deposits decreased from 57% to 56% in the first half-year, and the share of term and savings deposits increased correspondingly from 42% to 43% of the total deposit volume.

Deposits of companies<sup>21</sup> formed the biggest share with 45% of the total deposit volume and total amount of 4.7 billion EUR.

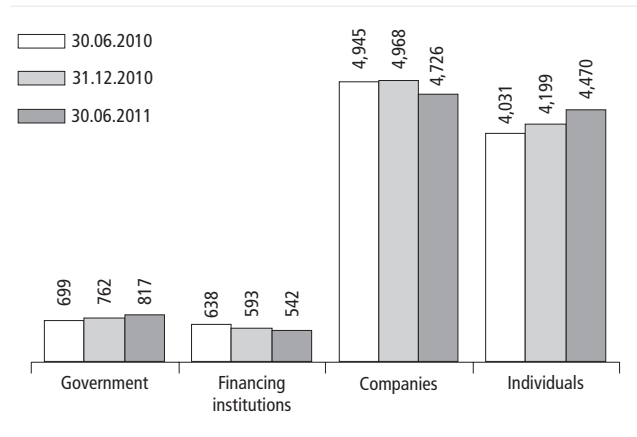
Individuals<sup>22</sup> owned 42% of deposits within the amount of 4.5 billion EUR. Demand and overnight deposits totalled 2.2 billion EUR, term and savings deposits 2.1 billion EUR and investment and other deposits 0.1 billion EUR thereof.

Deposits of the government accounted for 8% of the total deposit volume and totalled 0.8 billion EUR.

Deposits of financial institutions<sup>23</sup> accounted for 5% of the total deposit volume and totalled 0.5 billion EUR.

<b>General market structure:</b>	Swedbank	46%
	SEB Pank	21%
	Danske Bank Finland	
	Estonian Branch	16%
<b>Customers:</b>	3,234,388 contracts in force	
<b>Volume of services:</b>	deposit volume totalled 10.6 billion EUR	

Volume of deposits (in millions of EUR)



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

21 State or municipal companies, other companies.

22 Individuals, non-profit associations.

23 Insurance companies and pension funds, other financial institutions.

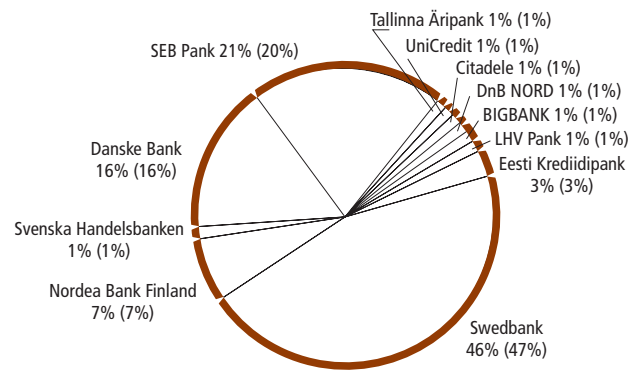
a. Service providers

Estonian deposit market is primarily divided between four major banks: Swedbank captured 46% of the deposit market at the end of June 2011, SEB Pank captured 21%, Danske Bank Estonian Branch captured 16% and Nordea Bank Finland Estonian Branch captured 7% of the total deposit market. Although the majority of amounts were deposited in Swedbank at the end of June 2011, its market share has dropped in all customer groups. Concurrently, the market share of Danske Bank Estonian Branch has experienced a significant growth as far as deposits of the government and financial institutions are concerned.

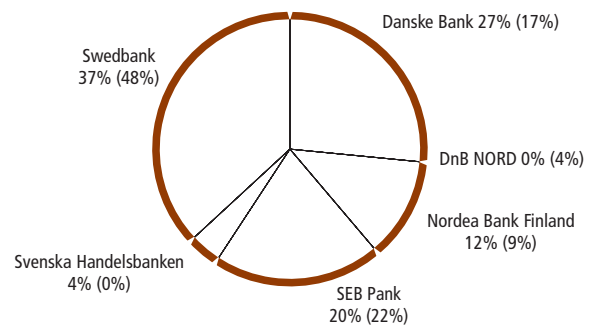
Swedbank captured the biggest share in the market of **government deposits**; still, its market share decreased from 48% to 37% as compared with June 2010. The market share of Danske Bank Estonian Branch increased from 17% to 27% in the end of June 2011, the market share of SEB Pank decreased from 22% to 20% and the market share of Nordea Bank Finland Estonian Branch increased from 9% to 12%.

Danske Bank Estonian Branch captured the biggest share in the market of **deposits of financial institutions**. It increased its market share from 28% to 40% in a year. The market share of Swedbank decreased from 38% to 34%, the market share of SEB Pank decreased from 22% to 17% and the market share of Nordea Bank Finland Estonian branch decreased from 5% to 4%.

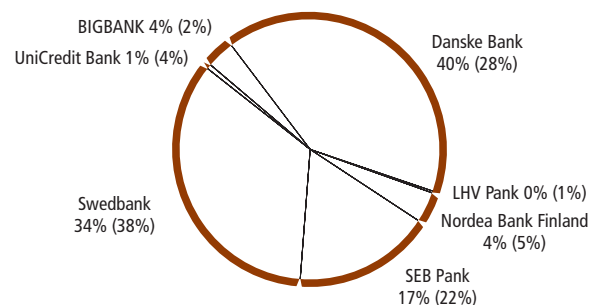
Market structure: deposits as at 30.6.2011 (30.6.2010 in brackets)



Market structure: deposits of government



Market structure: deposits of financial institutions



Similarly to previous years, the **market of deposits of companies** was characterized by stability – market shares fluctuated mostly within the range of 1 percent point. Swedbank continued to capture the biggest market share; still, its market share decreased from 42% to 41% in a year. The market share of SEB Pank increased from 17% to 20% and the market share of Danske Bank Estonian Branch decreased from 21% to 20%.

The **market of deposits of individuals** was also characterized by stability. More than half of the market belonged to Swedbank (55%). The market share of SEB Pank was 23% and the market share of Danske Bank Estonian Branch was 7%.

#### b. Service users

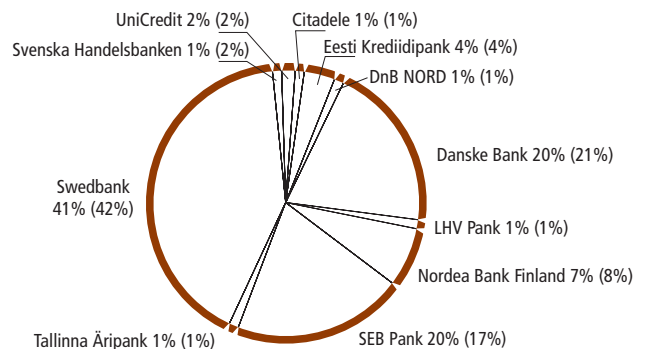
The number of deposit contracts increased in comparison with 2010 in all customer groups.

The number of deposit contracts in force<sup>24</sup> as at 30.6.2011:

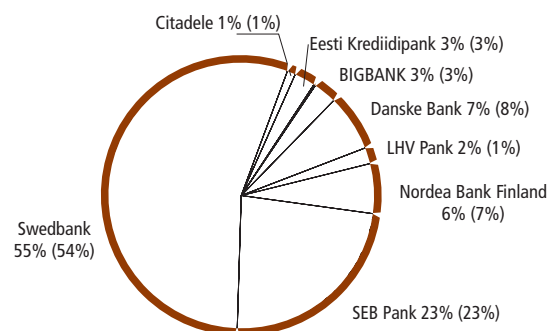
- Total demand and overnight deposits, 2,725,000 contracts
- including individuals 2,484,000 contracts
- Total term and savings deposits, 472,000 contracts
- including individuals 460,000 contracts
- Total investment and other deposits, 37,000 contracts
- including individuals 36,000 contracts

The average amount of a demand or overnight deposit of an individual was **905 EUR** at the end of June 2011 (786 EUR at the end of June 2010). The average amount of a term or saving deposit was **4,608 EUR** (4,404 EUR) and the average amount of an investment or other deposit was **2,879 EUR** (3,087 EUR).

#### Market structure: deposits of companies



#### Market structure: deposits of individuals



24 Includes only funded accounts.