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## **ESTONIAN FINANCIAL MARKET as at** 31.12.2013

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 **grew** in 2013: **volumes grew in all financial service categories**. The **quickest growth could be seen in the funds sector (19%, i.e. 398 million euros)**, with the growth no longer relying solely on pension funds, but also on equity funds and real estate 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 clients' deposits grew** by 8% (i.e. 1 billion euros) in 2013, supported mainly by the growth in demand deposits and overnight deposits (with 982 million euros added). The volume of term deposits grew by 58 million euros. As at the end of 2013, the clients' deposits totalled **13.6 billion euros**.

The **total volume of loan portfolios** of banks grew by 2.2% (i.e. 309 million euros) in 2013. As at the end of 2013, the total loan portfolio of banks stood at **14.4 billion euros**.

**On the investment front, growth was evident in all investment products**. The volume of insurance premiums received

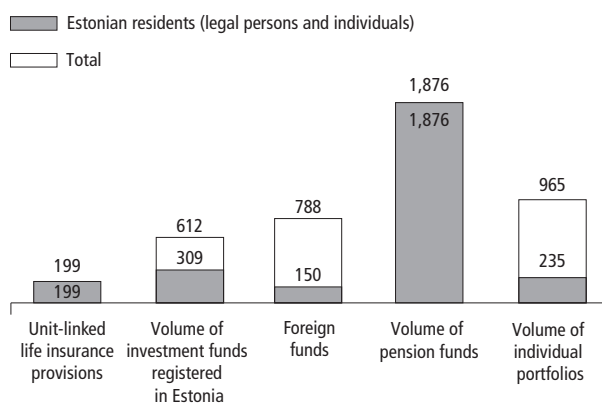
on the basis of unit-linked life insurance contracts grew by 11% during the year, with the total volume of pension funds growing by 19% and the total volume of investment funds registered in Estonia (excluding pension funds) growing by another 19%. Investments in foreign funds<sup>1</sup> grew by 2% and the total volume of individual portfolios by 1%.

Thus, the **total volume of assets placed in capital-growth financial services** – including unit-linked life insurance products, investments funds, pension funds, individual portfolios, term and savings deposits and investment and other deposits – has **increased**, compared to the end of 2012, amounting to **9.070 billion euros** (as at the end of 2012, 8.409 billion euros).

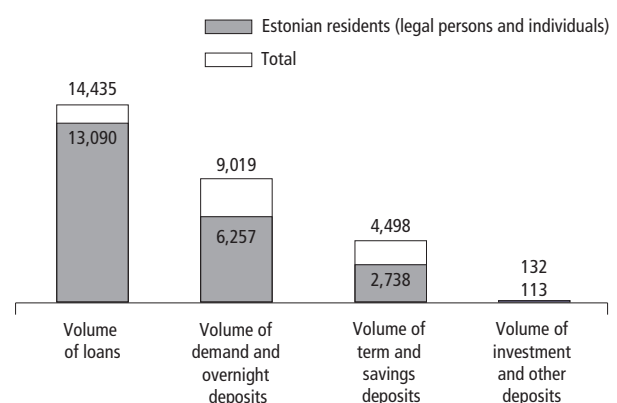
The volume of insurance premiums in **life insurance grew by 9%** in 2013, amounting to **74 million euros**. The volume of insurance premiums in **non-life insurance grew by 6%** in 2013, amounting to **246 million euros**.

Volume of financial services provided by Estonian financial institutions:

**Volumes of various investment services as at 31.12.2013 (in millions of EUR)**



**Volumes of various banking services as at 31.12.2013 (in millions of EUR)**



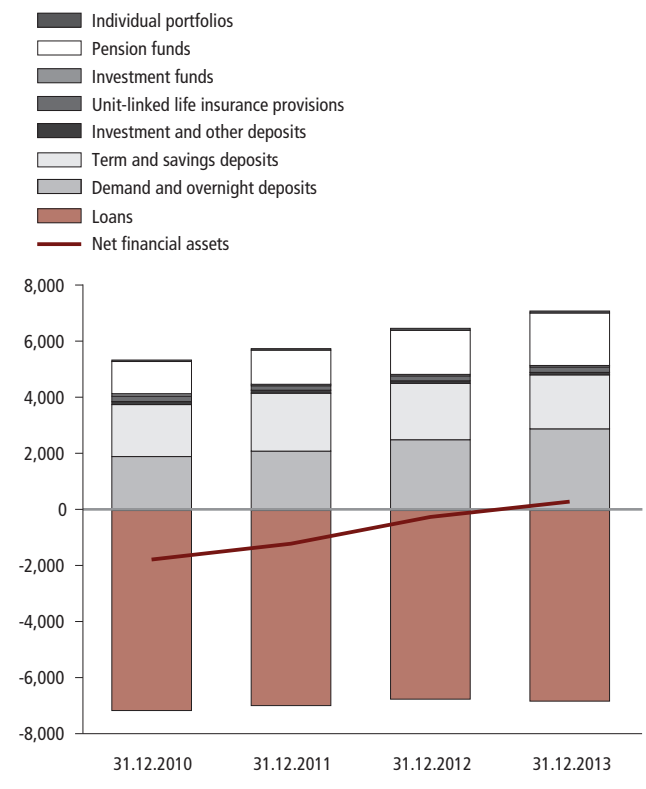
<sup>1</sup> In order to avoid duplication of data, the investments of Estonian insurance companies and pension funds in foreign investment funds have been deducted from investments.

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 at 31.12.2013):

Service	Total, in millions of EUR	Of which Estonian-resident individuals	
		Millions of euros	Percentage of total services
Investment funds	612	58	9%
Pension funds	1,876	1,876	100%
Foreign funds offered in Estonia	788	83	11%
Provisions of unit-linked life insurance allocations	199	199	100%
Individual portfolios	965	83	9%
Loans	14,435	6,839	47%
Demand and overnight deposits	9,019	2,935	33%
Term and savings deposits	4,498	1,930	43%
Investment and other deposits	132	91	69%

Due to the continual growth in the volume of financial assets, the financial assets of Estonian-resident individuals exceeded their liabilities in 2013. As at the end of 2013, the total volume of financial assets of Estonian-resident individuals amounted to 7.2 billion euros, with the loan balance totalling 6.8 billion euros. Thus, the net financial assets of Estonian-resident individuals grew from -0.2 billion euros to 0.3 billion euros during the year.

#### Financial assets and liabilities of Estonian resident individuals (in millions of EUR)



## 2

## Distribution of private clients by service

By number of contracts, the most frequently used service in Estonia is the demand deposit (current account).

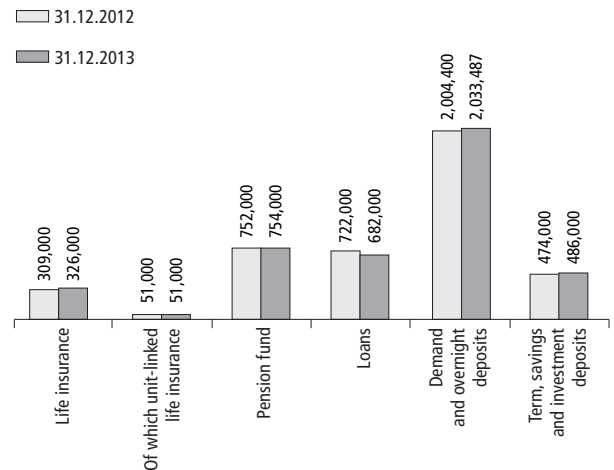
As at the end of 2013, individuals held **2,033 thousand current accounts**<sup>2</sup> (with many individuals holding more than one current account).

The second most frequently used financial services among individuals are **pension funds**. The number of individuals who have entered into a contract with pension funds grew from 752 thousand to **754 thousand**.

In 2013, the **number of loan agreements**<sup>3</sup> with individuals fell from 722 thousand to **682 thousand**.

The number of term deposit, savings deposit and investment deposit agreements rose from 474 thousand to 486 thousand. In life insurance, the number of contracts rose from 309 thousand to 326 thousand, with the number of unit-linked life insurance contracts standing at 51 thousand.

Number of individuals' contracts by financial service



<sup>2</sup> Only current accounts with balances were considered.

<sup>3</sup> 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 2013, life insurance companies in Estonia collected **74.2 million euros in insurance premiums**<sup>4</sup> (2012: 67.9 million euros). The **volume of insurance premiums grew by 9.2%**, year on year.

The increase in insurance premiums can mainly be attributed to annuity, with payments growing from 10.5 million euros to 13.8 million euros, year on year.

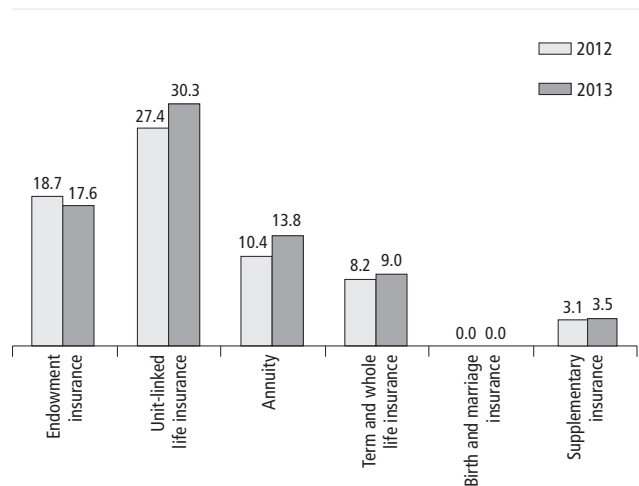
Unit-linked life insurance is still the life insurance product with the greatest volume, amounting to 30.3 million euros (2012: 27.4 million euros), with a proportion of 41% (2012: 40%).

Unit-linked life insurance was followed by endowment insurance, with premiums totalling 17.6 million euros (2012: 18.7 million euros).

A total of 12.5 million euros (2012: 11.3 million euros) was received from other life insurance product contracts.

<b>Overall market distribution:</b>	Swedbank Life Insurance	38%
	SEB Elu- ja Pensionikindlustus	26%
	Compensa Life Vienna Insurance	17%
<b>Clients:</b>	325,908 valid contracts	
<b>Service volume:</b>	Total volume of insurance premiums received in 2013: 74.2 million euros	

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



<sup>4</sup> The data do not include insurance premiums collected from outside Estonia.

## b. Consumers

In 2013, life insurance companies operating in Estonia concluded a total of 325,908 life insurance contracts, including **202,458 primary life insurance contracts**<sup>5</sup> (2012: 308,959 contracts, including 198,061 primary life insurance contracts). **After a fall of several years, the number of life insurance contracts rose in 2013.**

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 72,043 to 81,205 (i.e. by 9,162 contracts). Thus, **in terms of the number of contracts, term and whole life insurance remains the most popular type of life insurance.** As at the end of the year, a total of 123,450 (as at the end of 2012: 110,898) supplementary insurance contracts had been signed.

The total number of valid contracts in annuity rose from 13,958 to 14,228.

Similarly to previous periods, endowment insurance continued to drop, with the number of valid contracts falling by 4,861, compared to the same period a year ago, amounting to 56,179 as at the end of 2013.

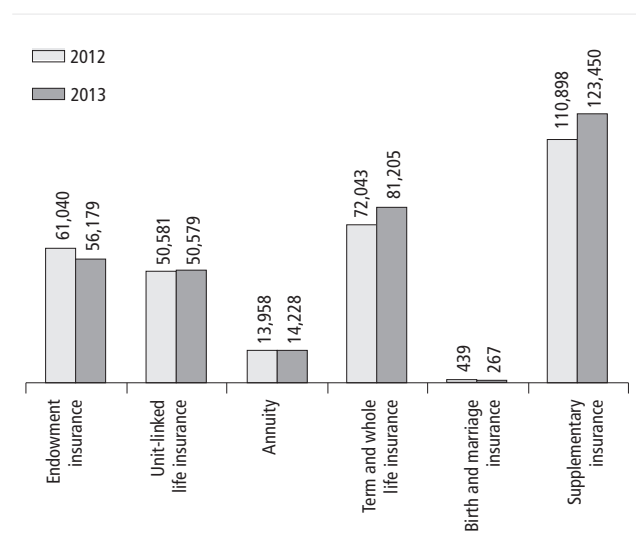
The number of valid contracts in unit-linked life insurance showed no changes, amounting to 50,579 as at the end of 2013.

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.

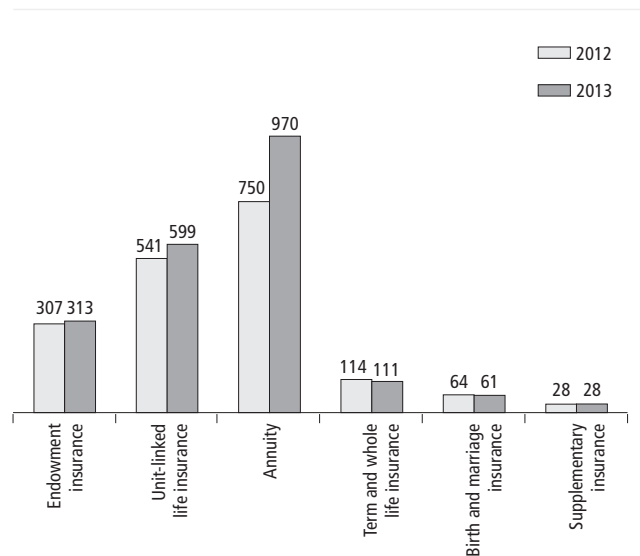
The average contribution paid into annuities increased from 750 euros to 970 euros, year on year.

The average contribution paid into unit-linked life insurance grew from 541 euros to 599 euros during the year.

**Number of current life insurance contracts concluded in Estonia**



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



<sup>5</sup> The data include only life insurance contracts concluded in Estonia.

**b. Service providers**

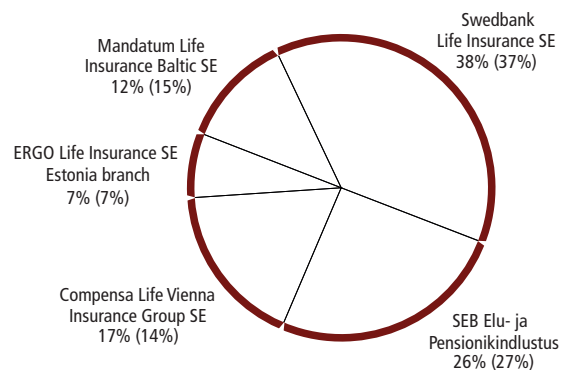
The top three life insurance providers – Swedbank Life Insurance, SEB Elu- ja Pensionikindlustus and Compensa Life Vienna Insurance Group – received 81% of all insurance premiums in 2013 (2012: 78% of all insurance premiums).

In 2013, Compensa Life Vienna Insurance Group increased its market share from 14% to 17% (at the expense of annuity, mostly). The market share of SEB Elu- ja Pensionikindlustus and Mandatum Life Insurance Baltic fell from 27% to 26% and from 15% to 12%, respectively.

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

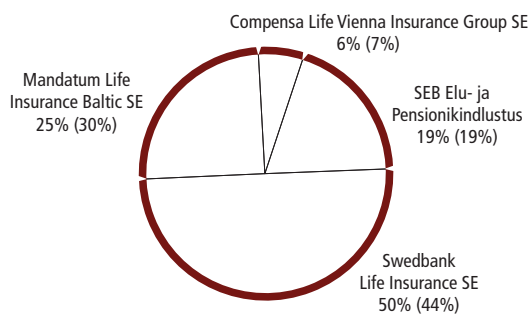
The inflow of **unit-linked life insurance** premiums grew only in Swedbank Life Insurance and SEB Elu- ja Pensionikindlustus. As a result, the market share of Swedbank Life Insurance grew from 44% to 50%. Despite growth in the volume of insurance premiums, the market share of SEB Elu- ja Pensionikindlustus remained unaffected (at 19%), with the market share of Mandatum Life Insurance Baltic contracting from 30% to 25%.

**Market shares of life insurance companies based on insurance premiums received in 2013 (data on 2012 in brackets)**

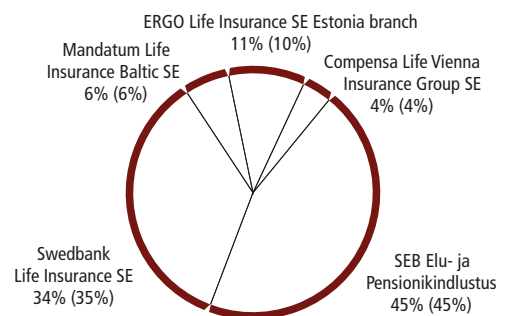


Due to the decrease in the popularity of **endowment insurance**, the volume of insurance premiums received in endowment insurance dropped in all life insurance companies, year on year. As this decrease was relatively even, it had no significant impact on market shares. SEB Elu- ja Pensionikindlustus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

**Market distribution: unit-linked life insurance as at 31.12.2013 (31.12.2012 in brackets)**



**Market distribution: endowment insurance**

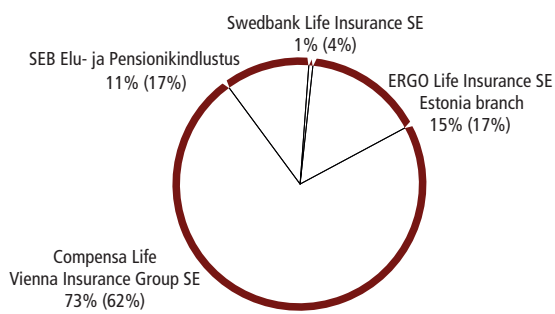




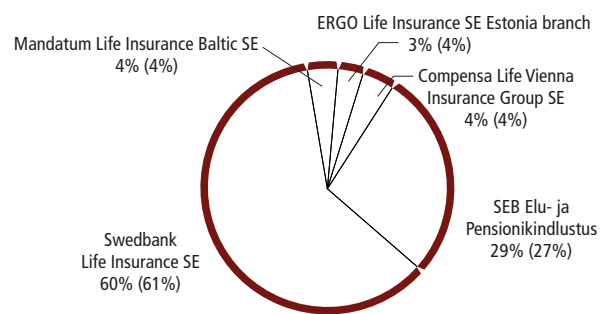
Compensa Life Vienna Insurance Group remains the predominant provider of **annuity** service in Estonia. Indeed, a bulk of the increase in insurance premiums from annuity in 2013 can be attributed to Compensa Life Vienna Insurance Group, with the market share of Compensa Life Vienna Insurance Group showing further growth: from 62% to 73%. ERGO Life Insurance SE Estonia branch ranked second, with a market share of 15%. The market share of SEB Elu- ja Pensionikindlustus dropped from 17% to 11%.

**In term and whole life insurance**, market shares showed little fluctuation. The market share of the market leader Swedbank Life Insurance fell from 61% to 60%. The market share of SEB Elu- ja Pensionikindlustus grew from 27% to 29%.

**Market distribution: annuity**



**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 449 thousand euros. The volume of insurance premiums intermediated fell by 50%, year on year. This decrease can mainly be attributed to unit-linked life insurance, where the volume of insurance premiums intermediated fell by 91%.

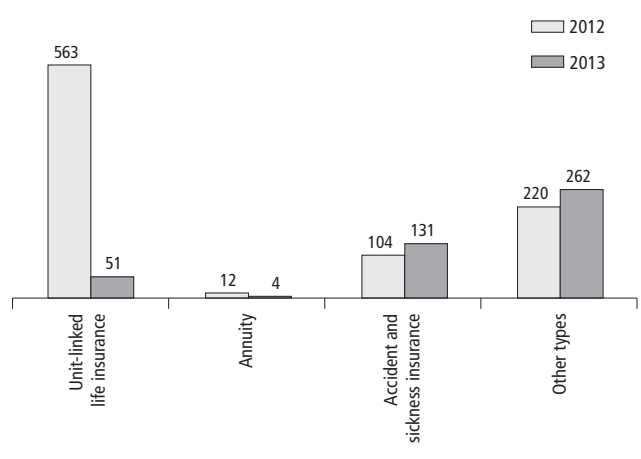
Volumes were the largest in other types of life insurance contracts, followed by accident and sickness insurance: the volume of insurance premiums received through brokers in 2013 amounted to 262 thousand euros. Risk life insurance was the greatest contributor.

The volume of insurance premiums under accident and sickness insurance amounted to 131 thousand euros, and the volume of insurance premiums under unit-linked insurance to 51 thousand euros.

Life insurance brokers in Estonia **mainly intermediate the contracts of European Economic Area countries**: these make up 49% of the insurance premiums and 48% of the total number of contracts.

<b>Overall market distribution:</b>	KindlustusEst Kindlustusmaakler	48%
	UADBB Aon Baltic Estonia branch	22%
<b>Clients:</b>	473 valid contracts	
<b>Service volume:</b>	Insurance premiums intermediated in 2013: 449 thousand euros	

**Insurance premiums received through insurance brokers, by type of life insurance (in thousands of EUR)**



### b. Consumers

In 2013, a total of 473 life insurance contracts were entered into via insurance brokers operating in Estonia (2012: 271 contracts).

The number of valid life insurance contracts entered into through insurance brokers in 2013 was divided as follows (the number of contracts concluded in 2012 in brackets):

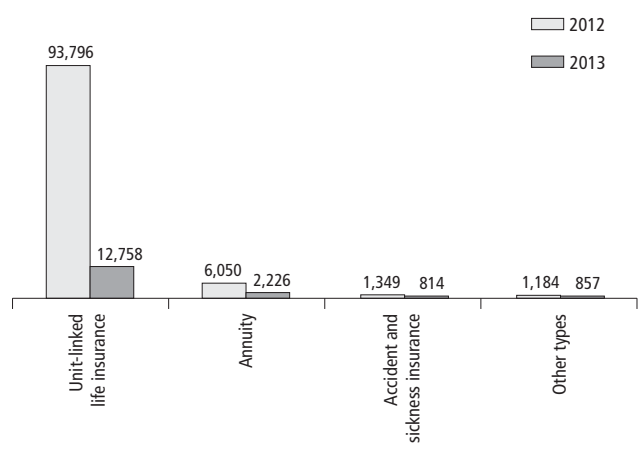
- unit-linked life insurance – 4 contracts (6)
- annuity – 2 contracts (2)
- accident and sickness insurance – 161 contracts (77)
- other types – 361 contracts (186)

The average volume of contracts entered into through insurance brokers fell in all insurance types in 2013. The average contract volume was the highest in unit-linked life insurance: 12,758 euros. Annuity ranked second, with an average volume of 2,226 euros. Contributions to other life insurance contracts entered into through insurance brokers amounted to an average of 857 euros, and contributions to accident and sickness insurance contracts to an average of 814 euros.

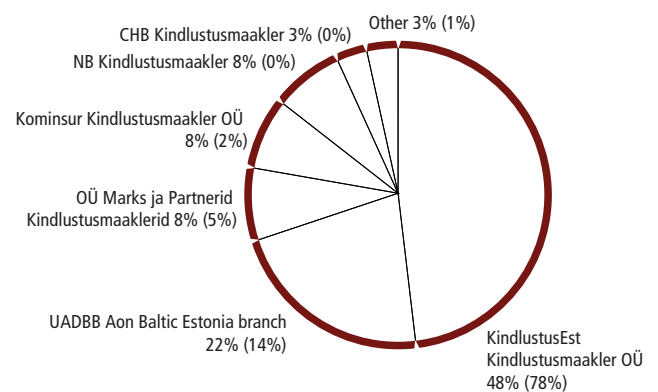
### c. Service providers

In 2013, ten insurance brokers offered life insurance contracts, while the predominant market share of these belonged to KindlustusEst Kindlustusmaakler OÜ (48%). UADBB Aon Baltic Estonia branch ranked second, with a market share of 22%. OÜ Marks ja Partnerid Kindlustusmaaklerid, Kominsur Kindlustusmaakler OÜ and NB Kindlustusmaakler OÜ each concluded 8% of life insurance contracts intermediated through insurance brokers.

**Average amount of insurance premium contributed towards contract (in EUR)**



**Market shares of insurance brokers based on life insurance premiums in 2013 (2012 in brackets)**



## 4

Non-life insurance<sup>6</sup>

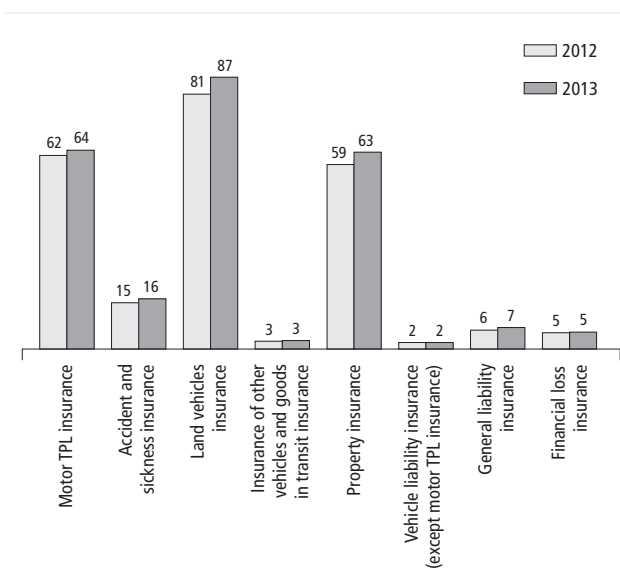
## a. Service

In 2013, licenced non-life insurance companies and branches of foreign non-life insurance companies operating in Estonia received insurance premiums in the total amount of **246 million euros** (2012: 231 million euros), including 55 million euros, i.e. 22% of all insurance premiums collected, by the branches of foreign insurance companies operating in Estonia (2012: 46 million euros or 20% of all insurance premiums collected).

**The collection of insurance premiums grew in all insurance types in 2013.** The most notable growth occurred in land vehicles insurance (i.e. **own damage insurance**), with the volume of insurance premiums growing from 81 million euros to 87 million euros, compared to last year. Land vehicles insurance continued as the type of insurance accounting for the greatest volume (35%).

The volume of compulsory **motor TPL insurance** premiums grew from 62 million euros to 64 million euros. **Property insurance** ranked second, with an insurance premium volume of 63 million euros.

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

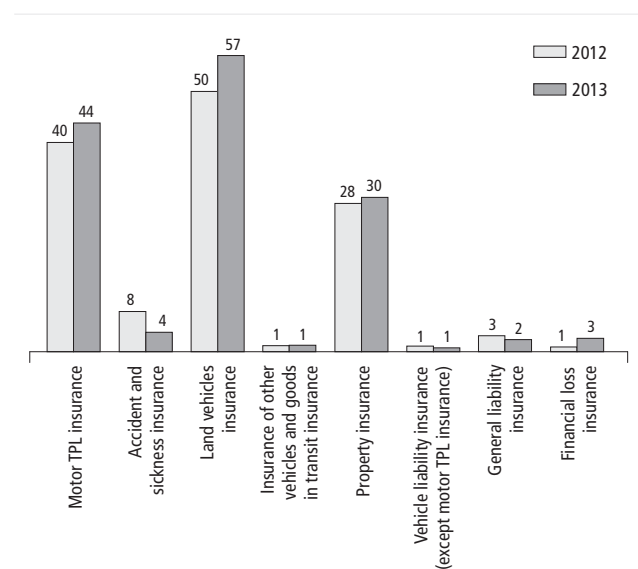


<b>Overall market distribution:</b>	IF P&C Insurance	26%
	ERGO Kindlustus	16%
	Swedbank P & C Insurance	14%
<b>Clients:</b>	Data not available	
<b>Service volume:</b>	Insurance premiums received in 2013:	246 million euros

In 2013, a total of 138 million euros was paid out in indemnities (2012: 131 million euros). **Compared to the same period a year ago, paid-out indemnities increased the most in land vehicles insurance (from 50 million euros to 57 million euros) and motor TPL insurance (from 40 million euros to 44 million euros).**

Indemnities in property insurance grew from 28 million euros to 30 million euros.

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



<sup>6</sup> 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 insurance companies.

The ratio of paid indemnities to insurance premiums was the highest in motor TPL insurance: 69% (2012: 65%). Land vehicle insurance ranked second, with the respective insurance ratio of 65%.

In property insurance, the ratio of paid indemnities to insurance premiums amounted to 47%.

The biggest drop could be seen in the ratio of indemnities to general liability insurance – from 50% to 34%.

### b. Service providers

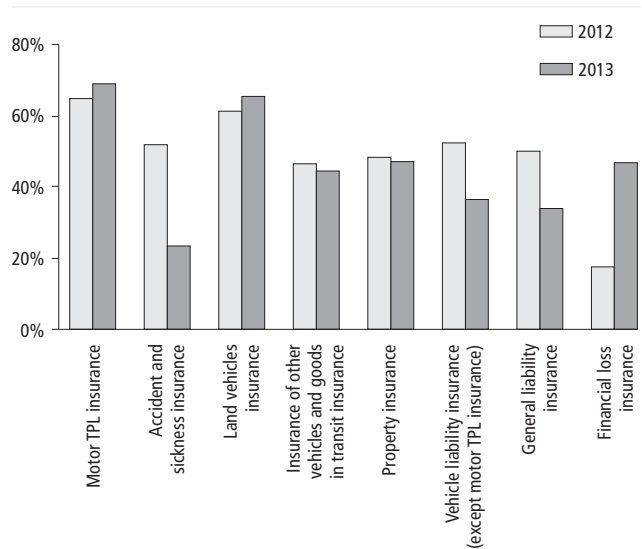
In 2013, the insurance premiums received by Codan Forsikring A/S Estonia branch, which is operating under the RSA trademark, continued to grow. As a result, the insurance company's market share rose from 11% to 13%.

By insurance premiums, Codan Forsikring A/S Estonia branch, which is operating under the RSA trademark, was among the top four non-life insurance companies operating in Estonia as at the end of 2013.

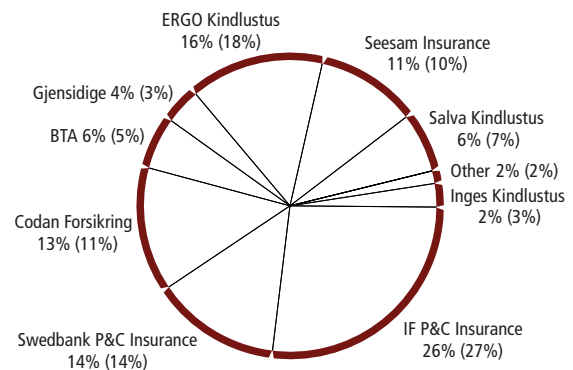
As at the end of 2013, IF P&C Insurance AS had the largest market share on the non-life insurance market, with 26%. ERGO Insurance held 16% of the market and Swedbank P&C Insurance AS 14%.

The total market share of branches of foreign insurers amounted to 22%.

Ratio of indemnities to premiums



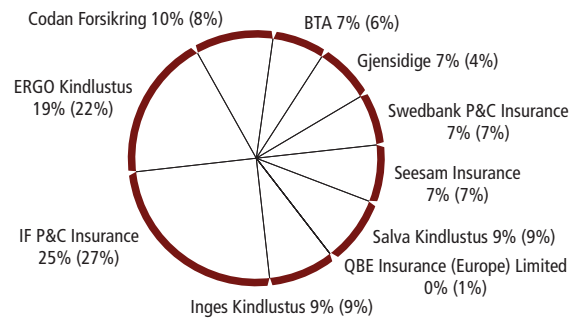
Market shares of non-life insurance companies, based on insurance premiums received in 2013 (2012 in brackets)



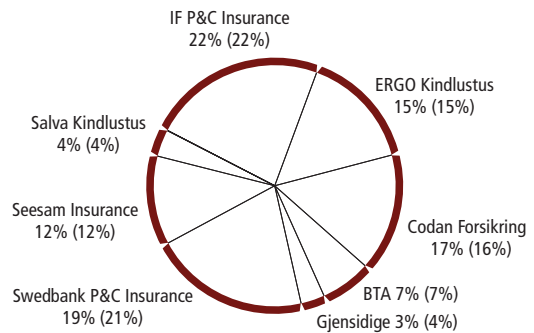
The following figures show the distribution of the market between Estonian insurance companies and Estonian branches of foreign insurers by three largest non-life insurance products.

The largest market share in the motor TPL, land vehicle and property insurance was still held by If P&C Insurance AS – 25%, 22% and 33%, respectively. Codan Forsikring A/S Estonia branch expanded its market share in all of the above insurance products: from 8% to 10% in **motor TPL insurance**, from 16% to 17% in **land vehicles insurance** and from 11% to 14% in **property insurance**.

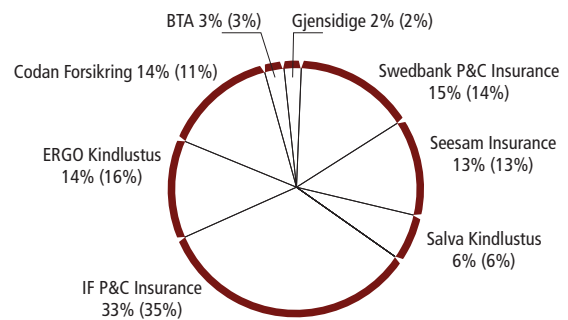
**Market distribution: motor TPL insurance as at 31.12.2013**  
(31.12.2012 in brackets)



**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 120 million euros in 2013<sup>7</sup>. (2012: 104 million euros).

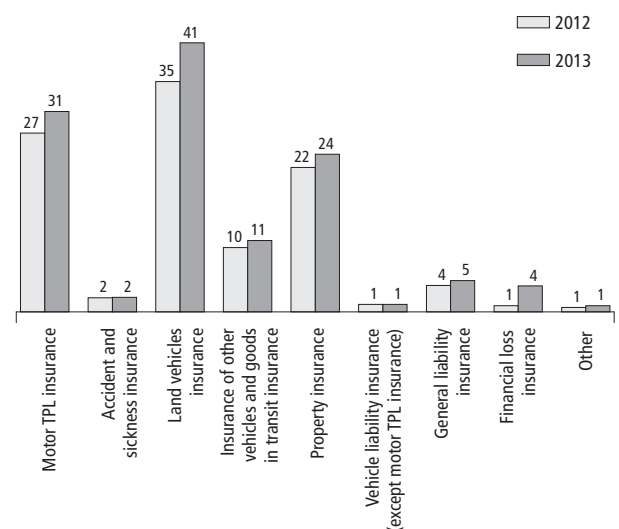
Similarly to non-life insurance companies, the **largest types of insurance** by volume of intermediated insurance premiums in 2013 were **land vehicles insurance** (with 41 million euros of intermediated insurance premiums), **motor TPL insurance** (with 31 million euros) and **property insurance** (with 24 million euros).

Estonian non-life insurance brokers intermediate contracts both from Estonian and foreign insurance companies. In 2013, the volume of insurance premiums under contracts with **insurers of the European Economic Area countries** intermediated by Estonian brokers made up 17% of all premiums received through brokers and 7% of contracts entered into through them.

The total volume of insurance premiums under contracts with insurers of the European Economic Area countries amounted to 20.7 million euros in 2013 (2012: 15.5 million euros), of which the bulk was received in the insurance of other vehicles and goods in transit insurance (9.6 million euros), property insurance (4.8 million euros) and financial loss insurance (3.7 million euros).

<b>Overall market distribution:</b>	IIZI Kindlustusmaakler	22%
	Marsh Kindlustusmaakler	13%
	Insurance broker services	11%
<b>Clients:</b>	736,857 valid contracts	
<b>Service volume:</b>	Insurance premiums received in 2013: 120 million euros	

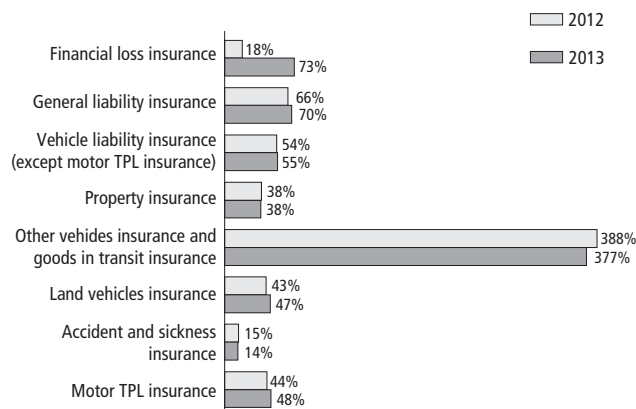
**Insurance premiums received through insurance brokers, by type of non-life insurance (in millions of EUR)**



<sup>7</sup> In addition to insurers' contracts, foreign reinsurers' contracts were intermediated in Estonia. The volume of their insurance premiums amounted to 7.4 million euros in 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 2013, **foreign insurers** were used more for **other vehicles** (aircraft and ships) insurance and **goods in transit** 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 3.8 times.

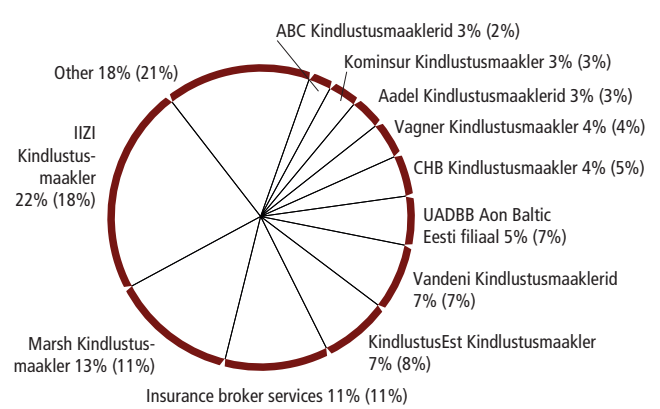
**Ratio of insurance premiums intermediated through brokers to insurance premiums of Estonian non-life insurance companies (%)**



**b. Service providers**

Non-life insurance contracts were offered by 34 insurance brokers in 2013, with the greatest market share held by IIZI Kindlustusmaakler AS (22%). IIZI Kindlustusmaakler AS was followed by Marsh Kindlustusmaakler AS (13%) and Insurance Broker Services OÜ (11%).

**Market shares of insurance brokers, based on non-life insurance premiums in 2013 (2012 in brackets)**





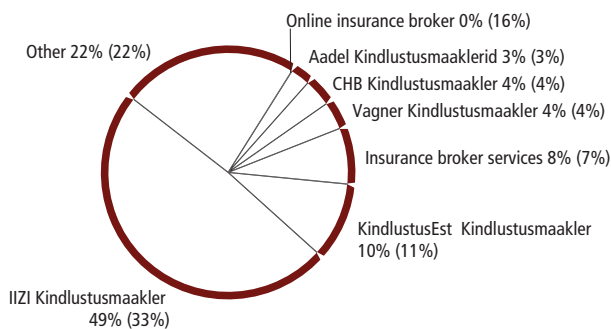
In **motor TPL insurance**, the biggest market share was held by IIZI Kindlustusmaakler AS (49%), followed by KindlustusEST Kindlustusmaakler OÜ with a market share of 10% and Insurance broker services OÜ with a market share of 8%.

In **land vehicles insurance**, the biggest market share was held by Insurance broker services (24%) as at the end of 2013, followed by IIZI Kindlustusmaakler with a market share of 19% and KindlustusEST Kindlustusmaakler with a market share of 8%.

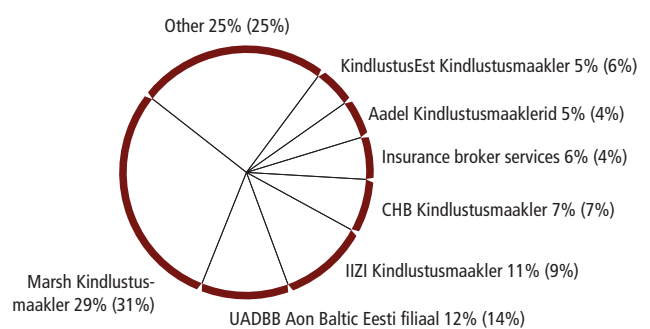
In **property insurance**, Marsh Kindlustusmaakler held the biggest market share (29%), followed by UADBB Aon Baltic Estonia branch with a market share of 12% and IIZI Kindlustusmaakler with a market share of 11%.

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 (18%), followed by UADBB Aon Baltic Estonia branch with a market share of 12% and Optimal Kindlustusmaakler OÜ with a market share of 8%.

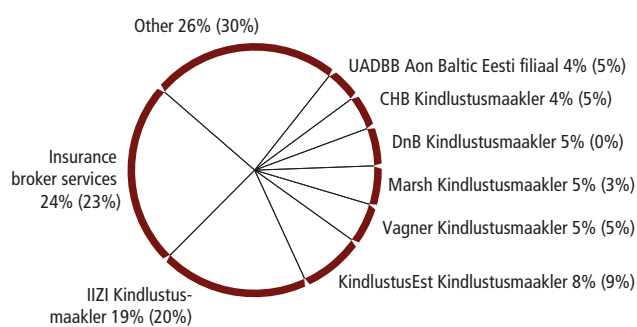
**Market shares of insurance brokers in motor TPL insurance as at 31.12.2013 (31.12.2012 in brackets)**



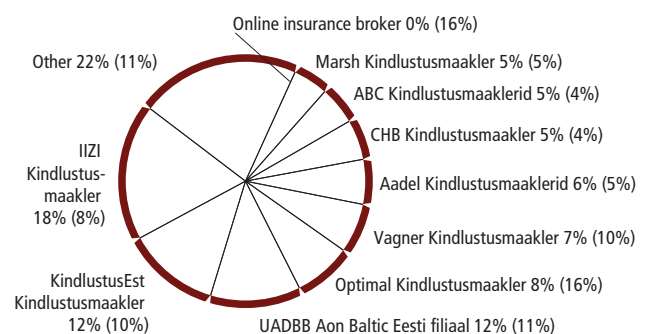
**Market shares of insurance brokers in property insurance**



**Market shares of insurance brokers in land vehicles insurance**



**Market shares of insurance brokers in travel insurance**



## 5

Investment and pension funds<sup>8</sup>

## a. Service

The asset volume of investment funds, including pension funds, grew by 19% in 2013, i.e. by 398 million euros – amounting to 2.5 billion euros<sup>9</sup> as at the end of 2013, which is the highest figure in recent years and which surpasses the pre-crisis level for the first time.

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

In 2013, the asset volume of mandatory pension funds grew by 291 million euros (i.e. by 20%), reaching 1.771 billion euros by the end of 2013. The volume of voluntary pension funds grew by 9 million euros – from 96 million euros to 105 million euros.

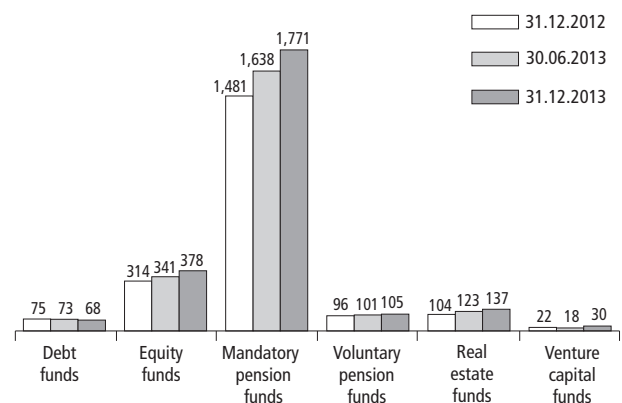
The growth in the asset volume of equity funds<sup>10</sup> was the highest in the last three years, amounting to 64 million euros or 20%. As at the end of 2013, the volume of equity funds stood at 378 million euros.

The asset volume of real estate funds grew from 104 million euros to 137 million euros in 2013 (i.e. by 32%), fuelled by the share issues of EfTEN Kinnisvarafond. The asset volume of debt funds dropped from 75 million euros to 68 million euros in 2013 (i.e. by 9%).

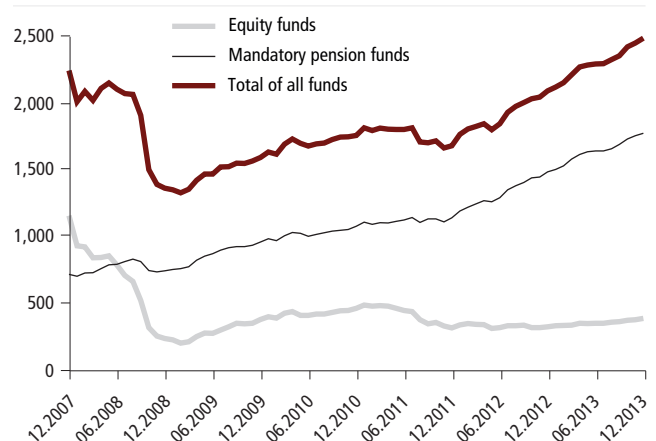
With a share of 71%, mandatory pension funds remain the largest type of funds in the overall structure of the fund sector. Equity funds still rank second, with a share of 15%. The rest of the funds – debt funds, voluntary pension funds and real estate funds – each held 3-5% of the total asset volume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

<b>Overall market distribution:</b>	Swedbank Investeerimisfondid	40%
	SEB Varahaldus	20%
	LHV Varahaldus	15%
<b>Clients:</b>	770,502 valid contracts	
<b>Service volume:</b>	Total volume of funds: 2.5 billion euros	

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



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



<sup>8</sup> The data on investment funds cover all clients of investment funds registered in Estonia, including clients from foreign countries.

<sup>9</sup> Market value.

<sup>10</sup> Local equity funds also include funds and mixed funds.

## b. Consumers

The number of unit holders<sup>11</sup> fell by 725 in Estonian funds in 2013. Decrease in unit holder numbers was evident in nearly all types of funds, being particularly notable in voluntary pension funds and equity funds (1,609 and 1,774 unit holders, respectively).

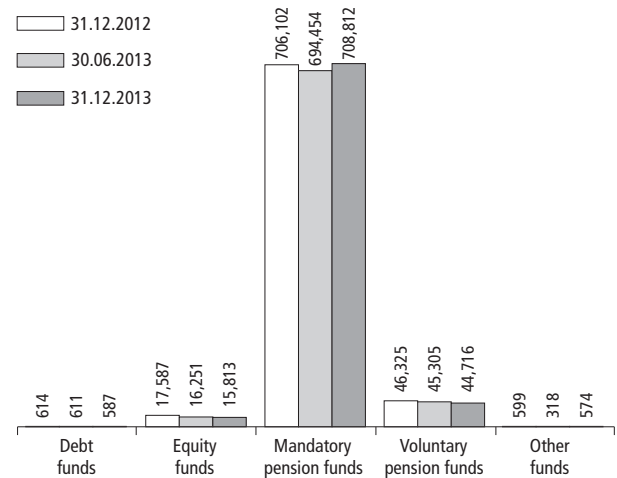
The decrease in the number of unit holders in these funds was spread evenly over the year. Whilst equity funds tend to show an exit trend, voluntary pension funds showed a redistribution of unit holders between management companies: from major to minor management companies.

Mandatory pension funds were the only type of funds which showed any growth in unit holders in 2013. The total number of unit holders in mandatory pension funds rose by 2,710. According to the data available to the Financial Supervision Authority, the number of unit holders in mandatory pension funds stood at 708,812 as at the end of 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 pension scheme is lower than the number of unit holders (as at the end of 2013, 650,184 people).

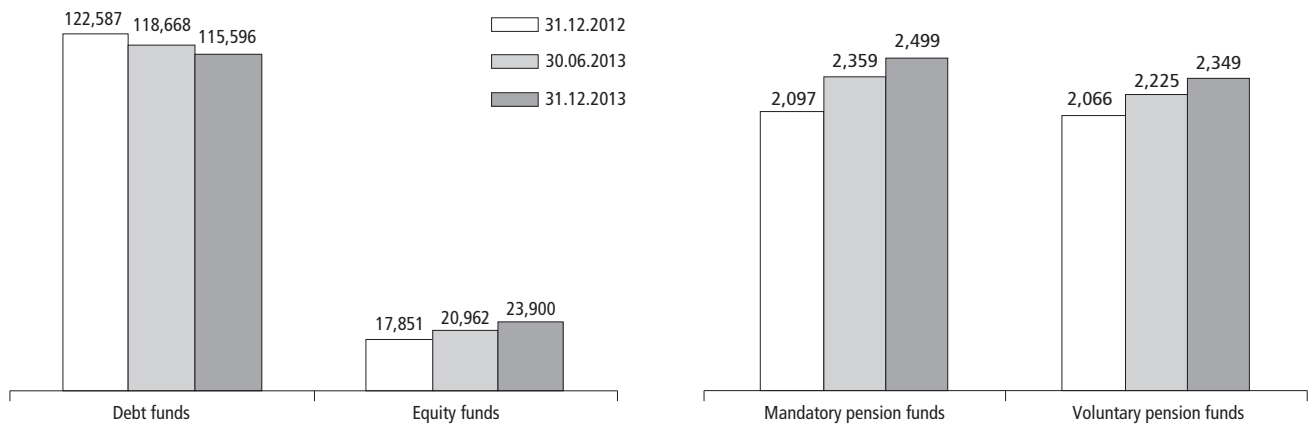
To sum up, the largest type of fund in terms of client as at 31 December 2013 was the mandatory pension fund with 708,812 individuals, followed by:

- voluntary pension funds with a total of 44,716 unit holders;
- equity funds with a total of 15,813 unit holders;
- debt funds with a total of 587 unit holders;
- other funds (real estate and venture capital funds) with a total of 574 unit holders.

Number of fund unit holders



<sup>11</sup> Also included non-resident unit holders.

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

As at the end of 2013, the **biggest investments per client**<sup>12</sup> had been made in real estate funds (467,934 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 2013 in nearly all types of funds (except for debt funds), predominantly in equity funds.

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

- debt funds: 115,596 euros;
- equity funds: 23,900 euros;
- mandatory pension funds: 2,499 euros;
- voluntary pension funds: 2,349 euros.

<sup>12</sup> 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

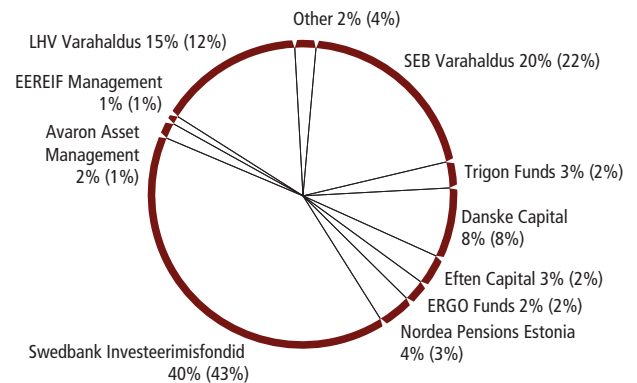
The greatest change in the distribution of fund assets<sup>13</sup>, compared to last year, was that the market share of LHV Varahaldus has increased from 12% to 15%.

As at the end of 2013, Swedbank Investeerimisfondid held 40% of the fund market, SEB Varahaldus 20% and Danske Capital 8% of the fund market.

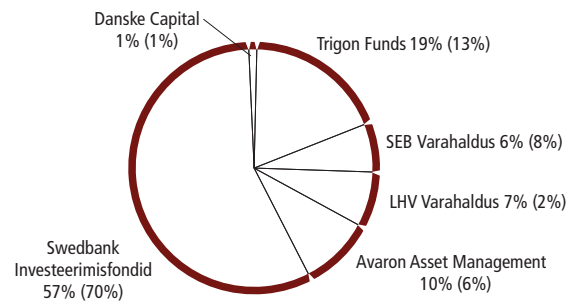
Major changes occurred in the **equity funds** market: the volumes of equity funds managed by Trigon Funds, LHV Varahaldus and Avaron Asset Management showed a significant growth, triggering an increase in their market shares. The market share of Trigon Funds rose from 13% to 19%, the market share of LHV Varahaldus from 2% to 7%, and the market share of Avaron Asset Management from 6% to 10%. The relatively small decline in the volume of equity funds managed by Swedbank Investment funds triggered a contraction of the market share from 70% to 57%.

The **debt funds**<sup>14</sup> market remained relatively stable. Avaron Asset Management, which recently launched its own interest fund, boosted its market share from 7% to 9%. The market share of Danske Capital rose from 4% to 5%. The market share of SEB Varahaldus fell from 89% to 86%.

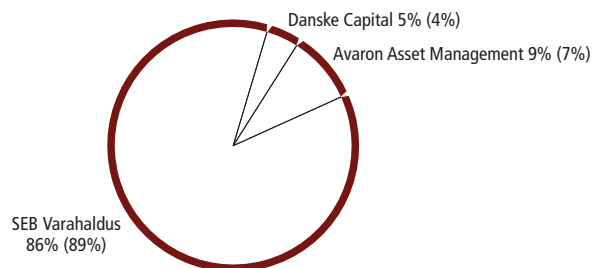
Market distribution: all funds as at 31.12.2013 (31.12.2013 in brackets)



Market distribution: equity funds



Market distribution: debt funds



<sup>13</sup> On the basis of market value.

<sup>14</sup> Money market funds and interest funds.

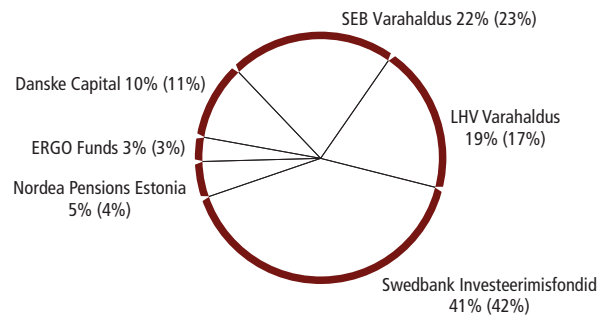
The largest share of the **pension funds** market was still held by Swedbank Investeerimisfondid. Nonetheless, a decrease in the market share is evident. Money in **mandatory pension funds** continued to migrate from larger management companies to LHV Varahaldus in 2013. The market share of Swedbank Investeerimisfondid fell from 42% to 41%, the market share of SEB Varahaldus from 23% to 22% and the market share of Danske Capital from 11% to 10%. At the same time, the market share of LHV Varahaldus grew from 17% to 19%.

The market of **voluntary pension funds** remained mostly stable. As at the end of 2013, two thirds of the voluntary pension funds market was still held by Swedbank Investeerimisfondid (with a market share of 60%).

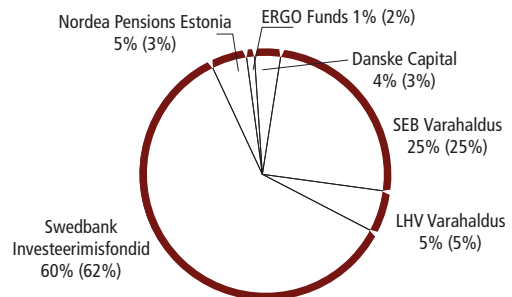
As regards **other funds**, EfTEN Capital had the biggest market share (49%). SmartCap had a market share of 15%. EEREIF Management (the former GILD Property Asset Management) followed with a market share of 14%.

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 at the end of 2013, the share of **Estonian residents** made up 51% of the asset volumes of investment funds registered in Estonia (as at the end of 2012: 53%).

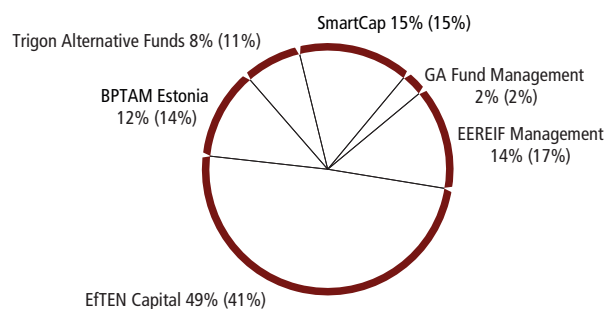
**Market distribution: mandatory pension funds as at 31.12.2013**  
(31.12.2013 in brackets)



**Market distribution: voluntary pension funds**



**Market distribution: other funds**



Of the money invested in **Estonian equity funds**, **Estonian-resident clients** held **39%** and **non-resident clients** **61%**.

The fund management company most preferred by **Estonian-resident clients** was Swedbank Investeerimisfondid, which managed 63% of the assets placed in equity funds by Estonian residents. SEB Varahaldus managed 17% of the money invested in equity funds by Estonian residents.

Of the money invested in **Estonian debt funds**, **Estonian-resident clients** held **69%** and **non-resident clients** **31%**.

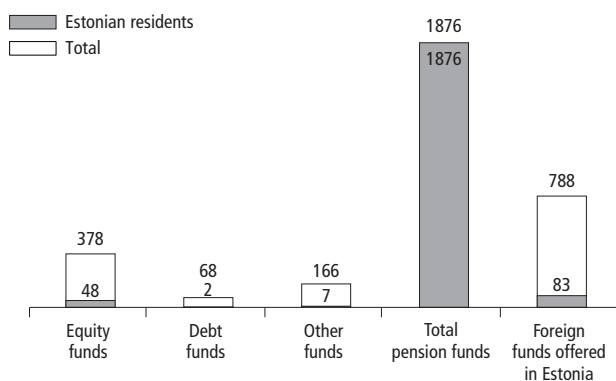
As at the end of 2013, the greatest share of the market of Estonian-resident clients belonged to SEB Varahaldus, who managed 86% of all assets invested in debt funds by residents. Avaron Asset Management held 12% of the assets invested in debt funds by residents. Swedbank Investeerimisfondid did not manage any debt funds.

Of the money invested in **other funds**, **Estonian-resident clients** held **70%** and **non-resident clients** **30%**. The greatest share of the market of Estonian residents belonged to Eften Capital, who managed 54% of all assets invested in other funds.

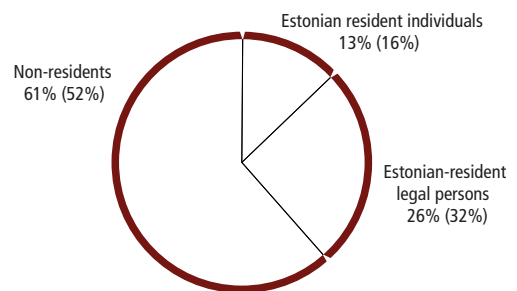
SmartCap, which was established in 2012, held 22% and EEREIF Management 16% of the assets invested in other funds.

The preferences of Estonian-resident individuals in selecting funds:

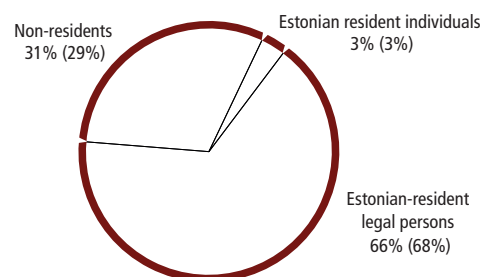
**Money placed in funds by Estonian-resident individuals as at 31.12.2013**  
(in millions of EUR)



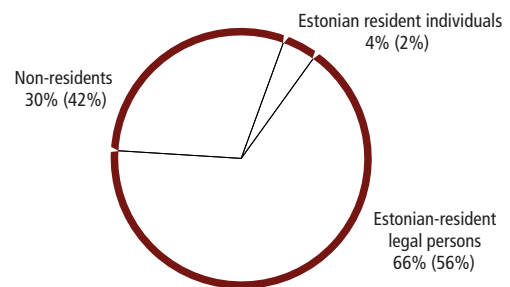
**Structure of clients of equity funds as at 31.12.2013**  
(31.12.2012 in brackets)



**Structure of clients of debt funds**



**Structure of clients of other funds**



## 6

Portfolio management service<sup>15</sup>

## a. Service

Portfolio management services are offered by management companies, banks and investment firms. The greatest volumes have accumulated to management companies, making up 64% of the market or 621 million euros. The volume of client portfolios managed by banks amounted to 330 million euros as at the end of 2013, and the volume of client portfolios managed by investment firms to 14 million euros.

Overall, the total volume of securities portfolios of clients as at the end of 2013 amounted to 965 million euros (2012: 955 million euros).

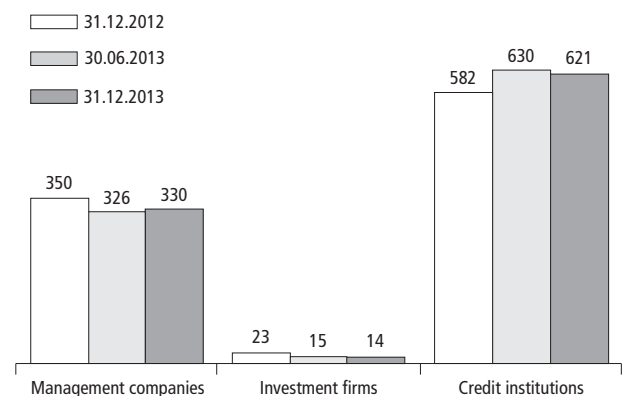
## b. Service users

As at the end of 2013, more than half of the total volume of client portfolios was held by **Estonian residents** – **approximately 68%** of the total volume of client portfolios, i.e. 655 million euros, of which, in turn, 420 million euros were held by financial institutions, 152 million euros by companies and 83 million euros by individuals<sup>16</sup>.

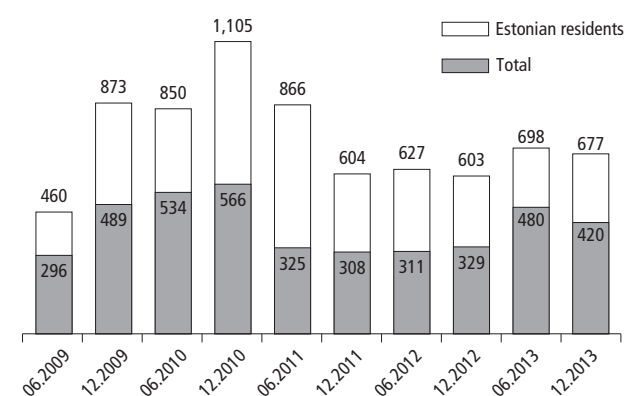
By **client type**, financial institutions constituted the largest group of clients, with the volume of portfolios amounting to 677 million euros as at the end of 2013. The increase in the volume of portfolios of financial institutions results from the changes in the client qualification methods, as a result of which some of the companies were classified under financial institutions in accordance with the requirements established by Statistics Estonia.

<b>Overall market distribution:</b>	Swedbank	35%
	Trigon Funds	30%
	SEB	17%
<b>Clients:</b>	Data not available	
<b>Service volume:</b>	Total volume of portfolios: 965 million euros	

Volumes of portfolios (in millions of EUR)



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



<sup>15</sup> 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.

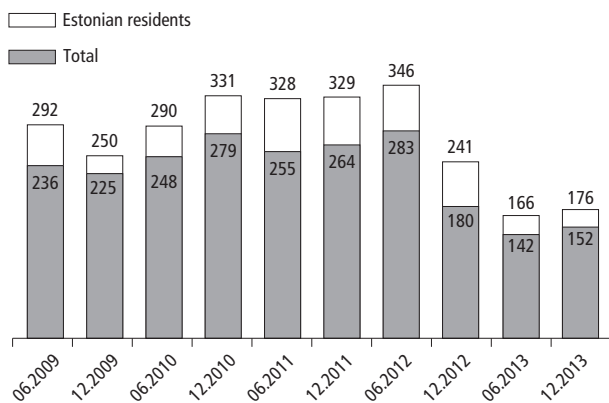
<sup>16</sup> Here and hereafter, financial institutions means insurers and pension funds, credit institutions and other financial institutions; companies means other business entities and business entities established by central or local government; and individuals means private persons and non-profit associations. Government means the government and state social assistance funds.



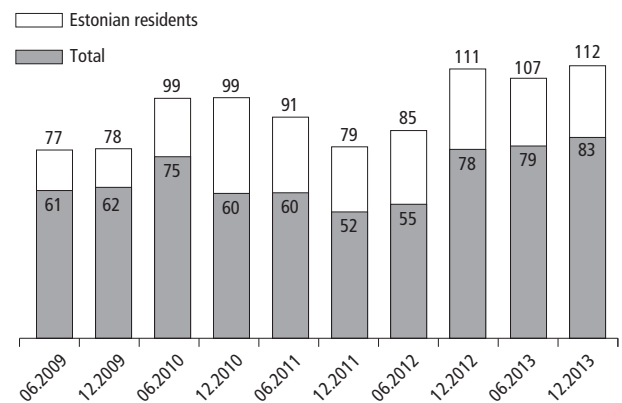
The portfolio volume of companies amounted to 176 million euros as at the end of 2013, dropping by nearly a fourth during the year (241 million euros as at the end of 2012). In addition to the aforementioned changes in client qualification methods, the portfolio volume of companies was also affected by the termination of contracts with certain major clients.

The portfolio volume of individuals rose from 111 million euros to 112 million euros, with the portfolio volume of resident individuals growing by 5 million euros, year on year – from 78 million euros to 83 million euros.

**Volume of portfolios by residence – companies (in millions of EUR)**



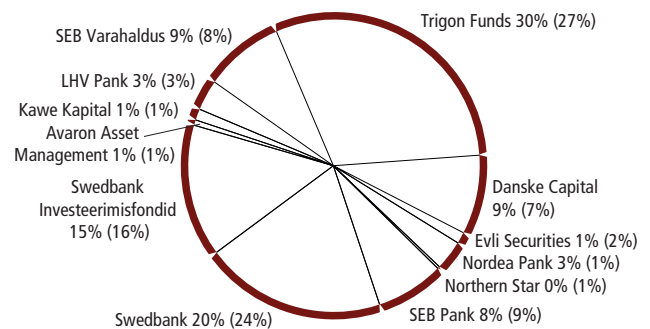
**Volume of portfolios by residence – individuals (in millions of EUR)**



### c. Service providers

The largest market share in management of client portfolios as at the end of 2013 still belonged to Swedbank Group companies, albeit the share contracted from 40% to 35%, year on year. Trigon Funds held 30% (2012: 27%) and SEB Group companies 17% (2012: also 17%) of the total volume of all portfolios.

**Market distribution of portfolios of clients by service provider as at 31.12.2013 (31.12.2012 in brackets)**

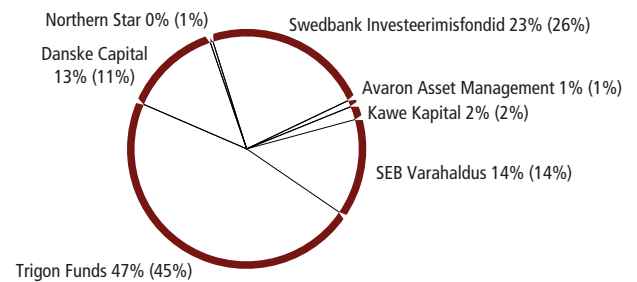


By management companies, the greatest volume of consolidated client portfolio was held by Trigon Funds, growing from 45% to 47% during the year. Swedbank Investeerimisfondid held 23% and SEB Varahaldus 14% of the market of management companies.

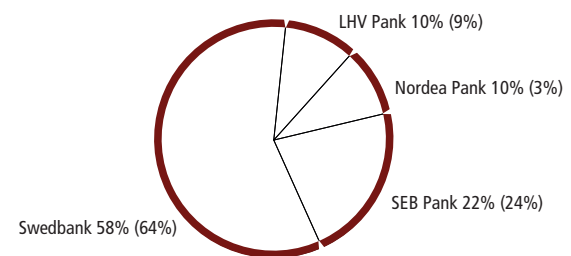
By banks, the largest total volume of portfolios belonged to Swedbank (58%) and SEB Pank (22%). The market share of Nordea Bank Finland Plc Estonia branch showed significant growth during the year: from 3% to 10%. The change was conditioned by the growth in business volumes. LHV Bank held 10% of the market.

As at the end of 2013, only two investment firms offered the portfolio management service – Evli Securities and Cresco Väärtpaberite AS. A majority of the portfolio volume of clients was held by Evli Securities (88%). Trigon Wealth Management was terminated in 2013.

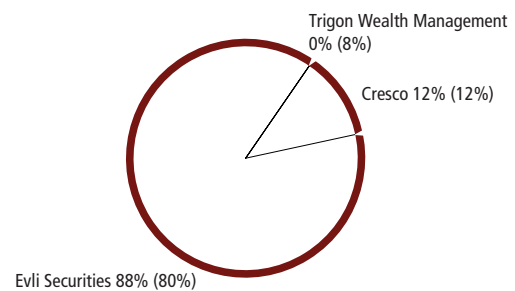
**Market distribution: management companies at 31.12.2013**  
(31.12.2012 in brackets)



**Market distribution: credit institutions**



**Market distribution: investment firms**



**d. Structure of portfolios by instrument**

The share of investments in consolidated client portfolios increased in 2013 against the decrease in liquidity-ensuring non-investment funds on accounts and deposits. The so-called direct investments in securities increased from 50% to 53% during the year, with investments in bonds amounting to 38% and investments in equities to 15%.

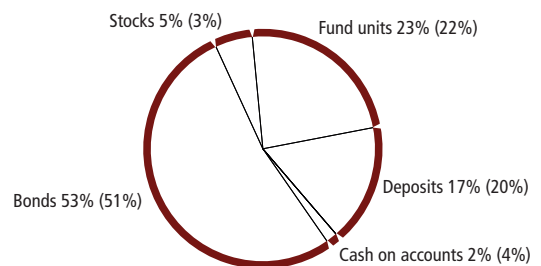
Investments in units of other funds<sup>17</sup> (the so-called indirect investments) grew as well, making up 32% of the consolidated portfolio as at the end of 2013.

The share of deposits decreased from 19% to 14% of the consolidated portfolio volume. Cash on accounts fell from 3% to 1%.

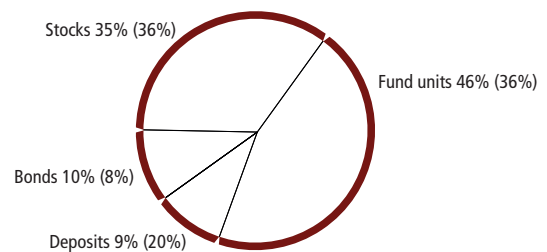
At the same time, great differences in instrument selection can be seen across service providers.

Management companies preferred bonds (53%), while credit institutions and investment firms preferred units of other funds (46% and 82%, respectively).

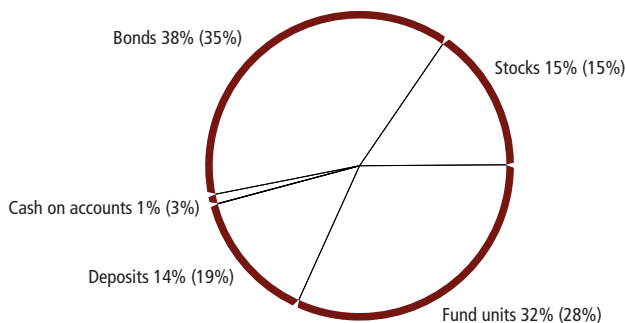
**Structure of portfolios managed by management companies as at 31.12.2013 (31.12.2012 in brackets)**



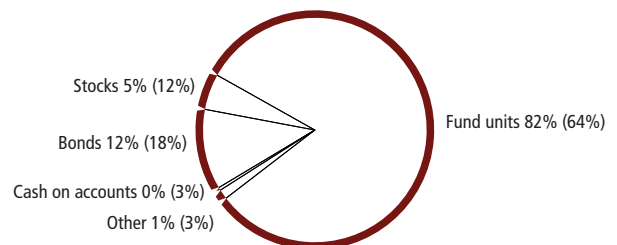
**Structure of portfolios managed by credit institutions**



**Structure of portfolios by instruments as at 31.12.2013 (31.12.2012 in brackets)**



**Structure of portfolios managed by investment firms**



<sup>17</sup> Contains different types of funds.

## 7

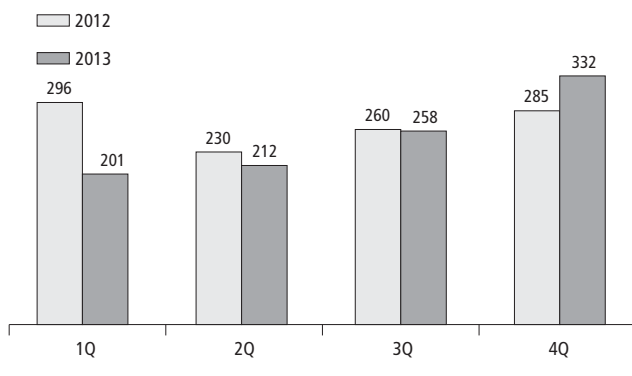
## Payment services

As at the end of 2013, there were a total of 10 paying institutions operating in Estonia (including four under a derogation authorisation). A total of 8 paying institutions actually mediated payments in 2013.

The volume of intermediated payments shrank, compared to last year. At the same time, the number of payments has shown a significant increase.

In 2013, the total volume of payments mediated by Estonian paying institutions amounted to 1.003 billion euros (2012: 1.072 billion euros). A total of 1,020,009 payments were made during the year (2012: 572,578 payments).

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

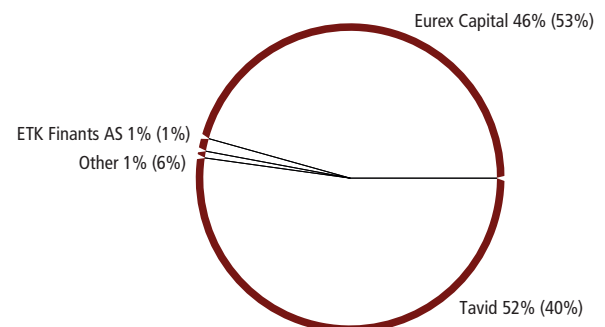


<b>Overall market</b>	Tavid	52%
<b>distribution:</b>	Eurex Capital	46%
<b>Clients (individuals):</b>	NA	
<b>Service volume:</b>	Volume of payments: 1.0 billion euros	

The average payment amount was 983 euros (2012: 1,872 euros).

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

#### Market shares of paying institutions by turnover intermediated in 2013 (2012 in brackets)



## 8

Loans<sup>18</sup>

## a. Service

After a fall of several years, the volume of the banks' loan portfolio grew, for the first time, by 2.2%, i.e. by 309 million euros, amounting to 14.44 billion euros as at the end of 2013, with loans to companies<sup>19</sup> making up 44% and loans to individuals<sup>20</sup> 48%.

The volume of loans to individuals remained virtually unchanged, growing by a mere 3 million euros during the year. Loans to companies increased by 89 million euros. Loans to financial institutions increased by 192 million euros and loans to government by 26 million euros.

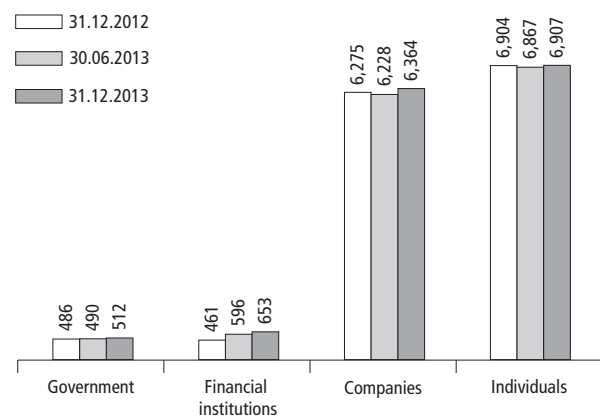
Overall, as at the end of 2013, a total of 6.9 billion euros had been issued in loans to individuals, and 6.4 billion euros in loans to companies. Loans to financial institutions<sup>21</sup> made up 653 million euros and loans to government<sup>22</sup> 512 million euros.

After a long-term decrease, the volume of residential loans to individuals increased in 2013. Nonetheless, as the volume of other types of loans decreased during the year, the volume of the loan portfolio of individuals remained virtually unchanged.

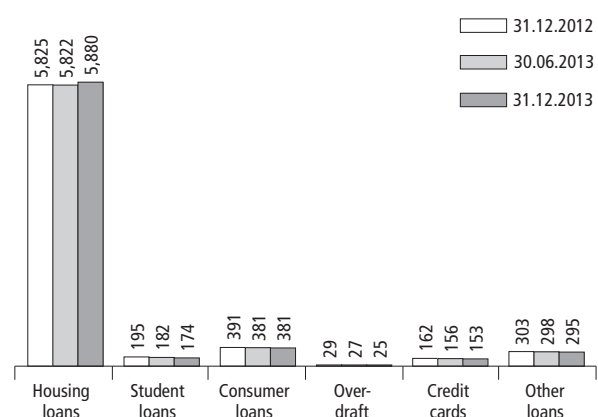
Similarly to previous periods, housing loans made up the greatest share of loans to individuals in 2013, amounting to a total of 5.88 billion euros. While in the first half of the year, the volume of housing loans continued to decrease, the housing loan portfolio started to grow in the second half of the year. Overall, the volume of housing loans grew by 55 million euros during the year.

<b>Overall market distribution:</b>	Swedbank	40%
	SEB Pank	24%
	Nordea Bank Finland Estonia branch	18%
<b>Clients (individuals):</b>	682,385 valid contracts	
<b>Service volume:</b>	Volume of the consolidated loan portfolio: 14.44 billion euros	

Balance of loans (in millions of EUR)



Volume of loans to individuals (in millions of EUR)



<sup>18</sup> Data on loans include loans issued by Estonian credit institutions.

<sup>19</sup> State or local government company or other company.

<sup>20</sup> Individual, non-profit association.

<sup>21</sup> Insurance institution and pension fund; other financial institution.

<sup>22</sup> Central government, local government, state social insurance fund; other non-budgetary fund.

## b. Consumers

With regard to the changes in the average loan burden of **individuals**, housing loans and consumer loans deserve mention in 2013. Similarly to previous periods, the average balance of housing loans continued to fall – this time, by 325 euros. The average balance of consumer loans grew by 106 euros. In other categories of loans, the average loan balance has remained virtually unchanged:

<b>Average balance of loans to individuals, EUR</b>			
	<b>31.12.2012</b>	<b>30.06.2013</b>	<b>31.12.2013</b>
Housing loans	37,064	36,824	36,739
Student loans	2,183	2,192	2,206
Consumer loans	2,788	2,787	2,893
Overdraft	300	283	285
Credit cards	746	742	751
Other loans	13,574	13,871	14,044

The average balance of housing loans decreased in 2013, from 37,064 euros at the beginning of the year to 36,739 euros at the end of the year. The average balance of student loans increased from 2,183 euros to 2,206 euros. The average balance of consumer loans increased from 2,788 euros to 2,893 euros. The average balance of overdraft decreased from 300 euros to 285 euros. The average balance of credit cards increased from 746 euros to 751 euros. The average balance of other loans<sup>23</sup> increased from 13,574 euros to 14,044 euros. The high balance of other loans results, first and foremost, from the amount of loans drawn for business purposes.

The number of loan agreements decreased in nearly all loan categories in 2013. Housing loans constituted an exception.

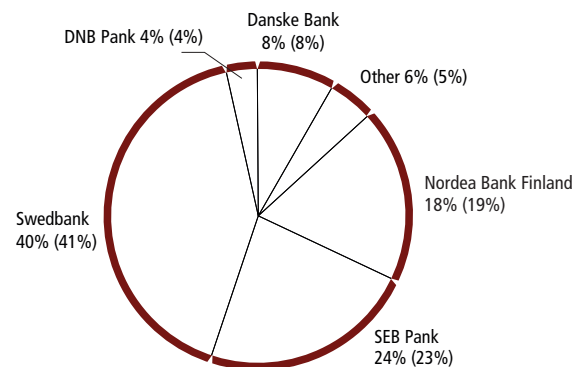
As at the end of 2013, a total of **160,045 (31.12.2013: 157,169) housing loans agreements had been concluded with individuals; the respective figure was 78,708 (89,163) for student loans, 131,641 (140,085) for consumer loans, 87,218 (95 351) for overdraft, 203,799 (217,883) for credit cards and 20,974 (22,311) for other types of loans.**

## c. Service providers

The Estonian loan market was stable in 2013, and divided largely between four major banks, which controlled 90% of the overall loan market. Swedbank holds the largest market share – 40% of the entire consolidated loan portfolio. Swedbank is followed by SEB Pank with 24%, Nordea Bank Finland Plc Estonia branch with 18% and Danske Bank Estonia branch with 8%.

The remaining 10% of the market is distributed between 11 market participants, with DNB Bank having the largest share, 4%.

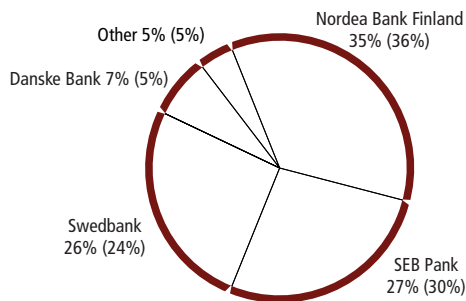
**Market distribution: loans as at 31.12.2013 (31.12.2012 in brackets)**



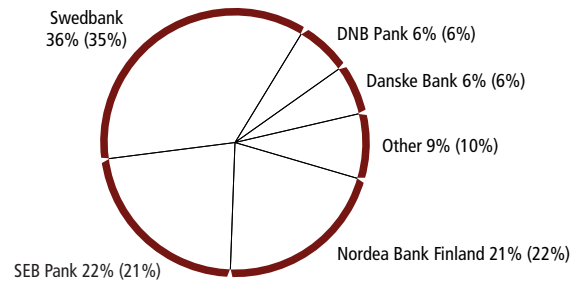
<sup>23</sup> Other loans issued to individuals and non-profit associations include loans for buying securities, starting a business or expanding a business.

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

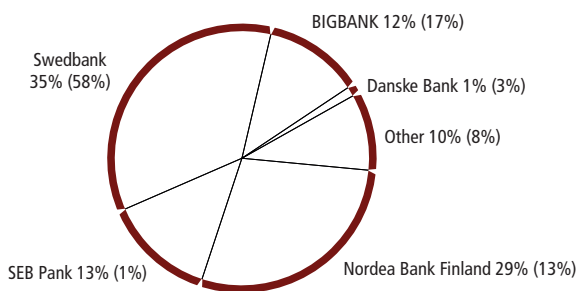
**Market distribution: government loans as at 31.12.2013**  
(31.12.2012 in brackets)



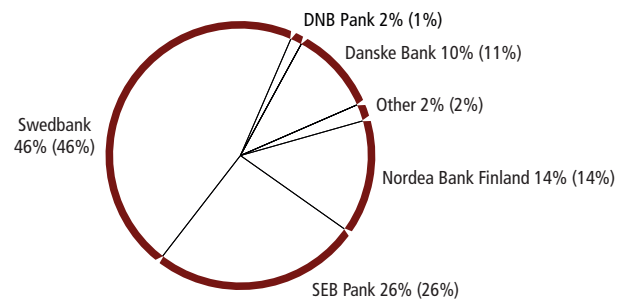
**Market distribution: loans to companies**



**Market distribution: loans to financial institutions**



**Market distribution: loans to individuals**



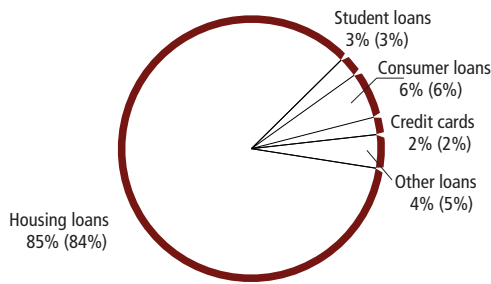
On the **government loan market**, the market share held by SEB Pank has decreased, and that of Swedbank and Danske Bank Estonia branch has increased. The largest share of the government loan market (35%) was held by Nordea Bank Finland Plc Estonia branch. SEB Pank controlled 27% of the government loans, followed by Swedbank with its 26% market share.

**The market of loans to financial institutions was especially volatile in 2013:** fuelled by the increase in business volumes, the market shares of Nordea Bank Finland Plc Estonia branch and SEB Pank grew from 13% to 29% and from 1% to 13%, respectively. At the same time, the market share of Swedbank plummeted from 58% to 35%. Nonetheless, Swedbank continued to hold to largest share of the market of loans to financial institutions.

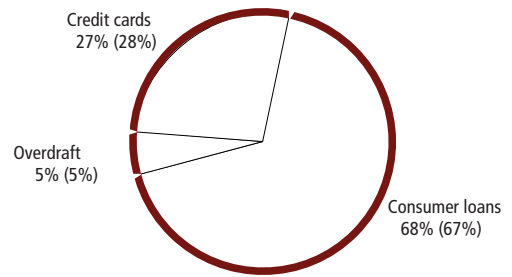
The largest share of **loans to companies** was issued by Swedbank (36%), SEB Pank (22%) and Nordea Bank Finland Estonia branch (21%).

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 at 31.12.2013 (31.12.2012 in brackets)**



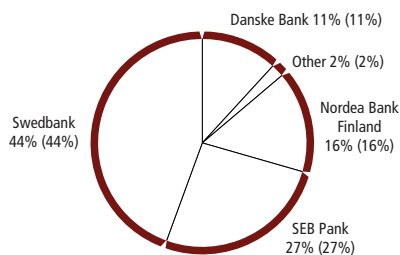
**Loans related to everyday consumption**



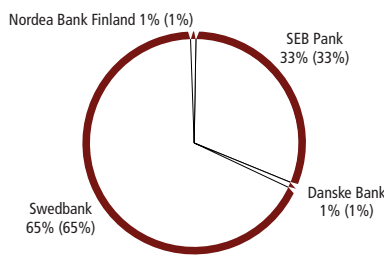
The distribution of the various types of loans issued to individuals did not change in 2013. The predominant share of loans issued to individuals is formed by housing loans – a total of 85% or 5.88 billion euros. Loans connected to everyday spending (consumer loans, the used portions of credit cards, 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 as at the end of 2013, and the rest mainly divided between SEB Pank, Danske Bank Estonia branch and Nordea Bank Finland Plc Estonia branch.

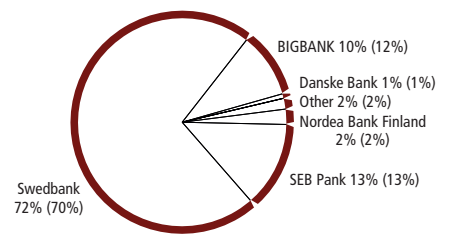
**Market distribution: housing loans to individuals**



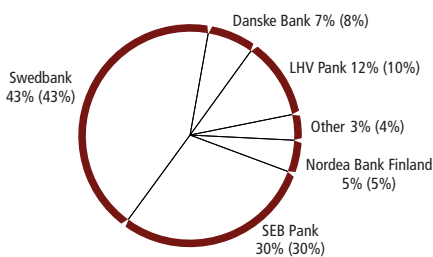
**Market distribution: student loans to individuals**



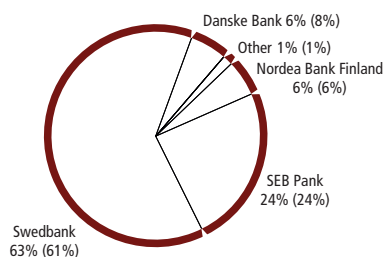
**Market distribution: consumer loans to individuals**



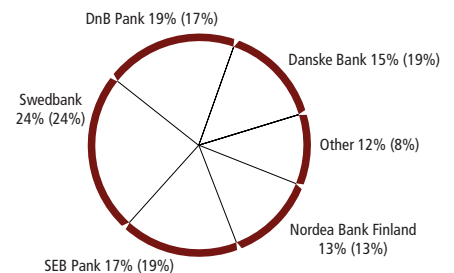
**Market distribution: overdraft to individuals**



**Market distribution: credit cards to individuals**



**Market distribution: other loans to individuals**





## 9

Deposits<sup>24</sup>

## a. Service

The **volume of deposits** held with Estonian banks grew by 8% in 2013 (i.e. by 1 billion euros), amounting to 13.6 billion euros as at the end of 2013. Demand deposits and overnight deposits made up 9.0 billion euros, while term deposits and savings deposits made up 4.5 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 2013. The share of demand deposits and overnight deposits increased from 64% to 66%, and the share of term deposits and savings deposits decreased from 35% to 33% of all deposits, respectively.

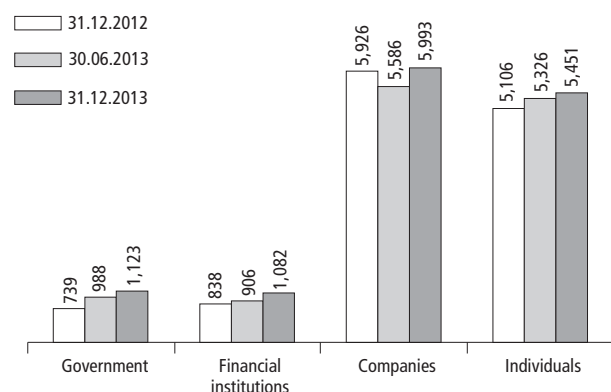
The greatest share of deposits was made up of companies'<sup>25</sup> deposits, which accounted for 44% of all deposits, with a total volume of 6 billion euros. As much as 78% of companies' deposits were demand and overnight deposits, totalling 4.7 billion euros; 22% were term and savings deposits worth 1.3 billion euros.

Individuals<sup>26</sup> held 40% of the deposits, worth 5.5 billion euros, of which demand and overnight deposits made up 3.2 billion euros, term and savings deposits 2.2 billion euros and investment and other deposits 0.1 billion euros.

Deposits of financial institutions<sup>27</sup> and government deposits each accounted for 8% of the total deposits with a total value of 1.1 billion euros.

<b>Overall market distribution:</b>	Swedbank	44%
	SEB Pank	20%
	Danske Bank Estonia branch	13%
<b>Clients:</b>	2,782,764 valid contracts	
<b>Service volume:</b>	Total volume of deposits: 13.6 billion euros	

Volume of deposits (in millions of EUR)



<sup>24</sup> 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.

<sup>25</sup> State or local government companies or other companies.

<sup>26</sup> Individuals, non-profit associations.

<sup>27</sup> Insurers and pension funds, other financial institutions.

**b. Service providers**

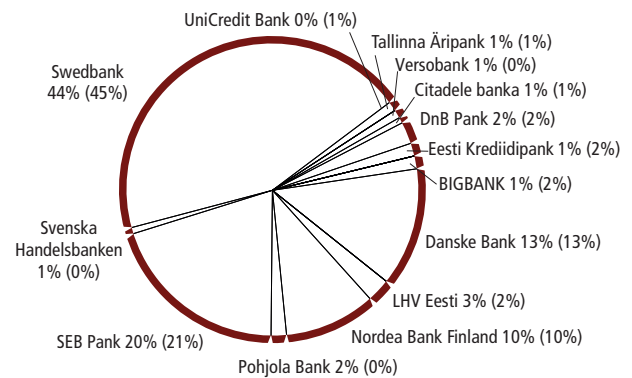
The Estonian deposit market remained relatively stable in 2013, divided mainly between four largest banks. The largest market share belonged to Swedbank (44% of the entire deposits market), while in terms of volume, Swedbank holds the position as the market leader in all primary client categories.

SEB Pank held 20% of the deposits market, Danske Bank Estonia branch 13% and Nordea Bank Finland Plc Estonia branch 10%.

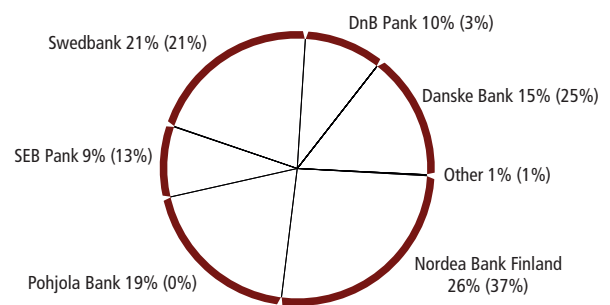
Major changes occurred with regard to **government deposits** in 2013. The amounts deposited with **Pohjola Bank plc Estonia branch increased its market share from 0% to 19%**. A significant growth could also be seen in the market share of DNB Bank: from 3% to 10%. Even though **Nordea Bank Finland Plc Estonia branch continued to hold a bulk of the government deposits**, its market share dropped from 37% to 26%. Swedbank had a market share of 21%, with the market share of Danske Bank Estonia branch dropping from 25% to 15%.

Changes in **deposits of financial institutions** were smaller than expected. Despite the growth in volume, the market share of SEB Pank dropped from 21% to 18%. At the same time, the market shares of Nordea Bank Finland Plc Estonia branch and LHV Eesti increased from 8% to 10%, and from 1% to 3%, respectively. Swedbank continued to hold the largest share of the market (44%).

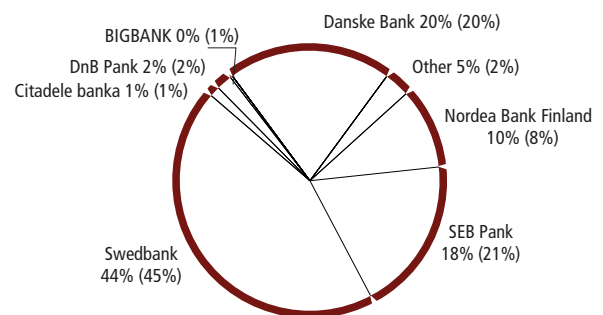
**Market distribution: deposits as at 31.12.2013 (31.12.2012 in brackets)**



**Market distribution: government deposits**



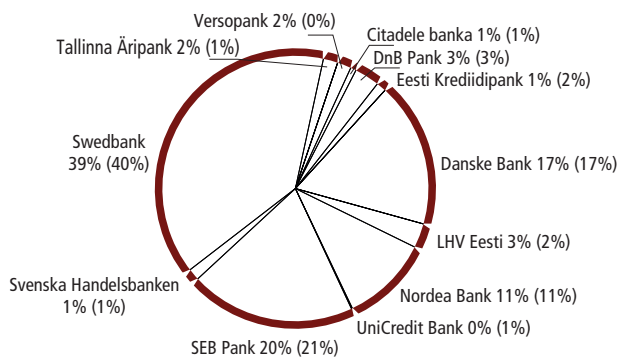
**Market distribution: deposits of financial institutions**



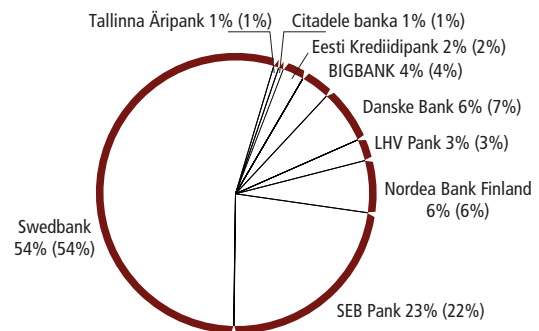
**Deposits of companies** grew the most in Versobank and LHV Bank. This was also reflected in the increase in their market share. The market share of Versobank grew from 0% to 2%, and the market share of LHV Bank from 2% to 3%. Nonetheless, the largest share of the market was still held by Swedbank (39%).

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 6% and Nordea Bank Finland Estonia branch a market share of 6%.

**Market distribution: deposits of companies as at 31.12.2013**  
(31.12.2012 in brackets)

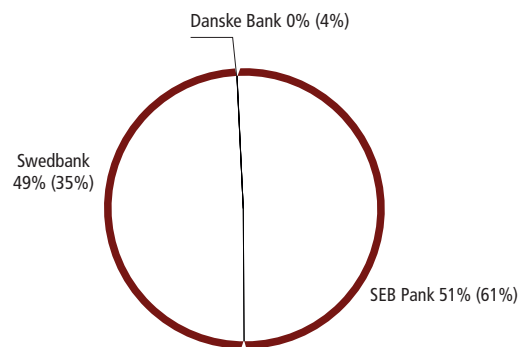


**Market distribution: deposits of individuals**



Investment deposits were offered by three banks in 2013. At the end of 2013, Danske Bank Estonia branch terminated the provision of such types of deposits. The investment deposit market was thus shared between SEB Pank and Swedbank. The total volume of investment deposits of individuals amounted to 92 million euros as at the end of 2013 (31.12.2012: 83 million euros). The largest market share was held by SEB Pank (51%). 49% of the volume of investment deposits of individuals can be attributed to Swedbank.

**Market distribution: investment deposits of individuals**



### c. Service users

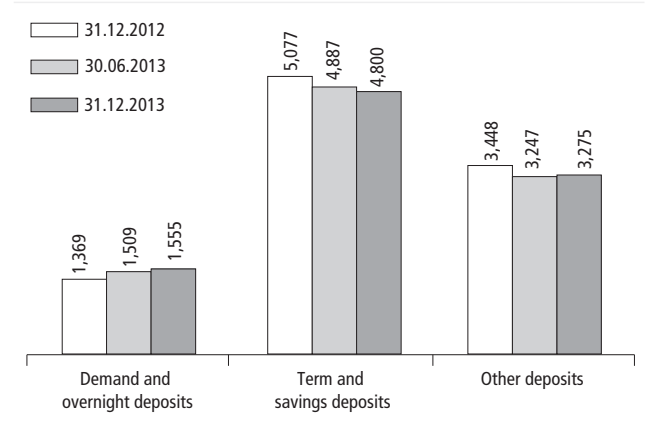
The number of deposits increased in 2013. The number of demand and overnight deposits increased by 44,000, the number of term and savings deposits by 10,000 and the number of other deposits by 2,000.

The number of valid deposit agreements<sup>28</sup> as at 31 December 2013:

- total demand and overnight deposits 2,285,000 agreements  
of which individuals 2,033,000 agreements
- total term and savings deposits 467,000 agreements  
of which individuals 457,000 agreements
- total investment and other deposits 31,000 agreements  
of which individuals 30,000 agreements

As at the end of 2013, the average size of demand and overnight deposits amounted to **1,555 euros** (as at the end of 2012: 1,369 euros), the average size of term and savings deposits to 4,800 euros (5,077 euros), and the average size of investment and other deposits to 3,275 euros (3,448 euros).

**Average amount of individuals' deposits (in EUR)**



<sup>28</sup> Only deposits with monetary balances were considered. Unlike the previous Financial Market Overviews, the number of deposit agreements as at 31 December 2013 as well as for previous periods has been calculated based on Appendix 2 ("Report on the balance of resources") of Eesti Pank Governor's Decree No 4, 25 May 2012, "Establishment of supplementary reports on credit institution's balance sheet".