

Estonian financial services market as at 31 December 2017

The overview discusses services provided in Estonia by companies under the supervision of Finantsinspektsioon.



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1. General development of the financial market

In 2017, the trends on the Estonian financial services market were similar to those in the previous year: the volume of most financial services increased and the growth of services used for financing consumption continued to be strong.

The total balance of deposits increased by 4.5%, or 741 million euros in 2017. The only drivers behind the growth were demand and overnight deposits, which increased by 1,337 million euros. At the same time, the balance of term and savings deposits dropped by 563 million euros. As at the end of 2017, the volume of deposits totalled 17.1 billion euros.

The consolidated balance of the banks' loan portfolios increased by 2%, or 360 million euros in 2017. As at the end of the year, the volume of the banks' total loan portfolio amounted to 18.1 billion euros. At the same time, the consolidated balance of creditors' loan portfolio increased by 15%, or 110 million euros, amounting to 0.8 billion euros.

The volumes of investment services have increased only in the funds segment. In addition to the 17% higher pension fund volumes, the volume of assets of equity funds

made an upsurge of 23% in 2017. Growth was also observed in investments made in foreign funds,¹ which increased by 20% over the year. However, the total volume of individual portfolios decreased by 4% and other investments in financial instruments decreased by 8%.

Overall, the volume of assets placed in savings and investments oriented financial services – including investment and pension funds, individual portfolios, other financial instruments, term and savings deposits, and investment and other deposits – remained virtually unchanged in 2017, growing by 0.6% over the year and reaching 10 billion euros by the end of the year (at the end of 2016, 9.9 billion euros²). Funds held in current accounts increased by 10% over the year, amounting to 14.2 billion euros by the end of the year. Thus the total volume of assets placed in financial services reached 24.2 billion euros in Estonia.

The volume of insurance premiums in life insurance increased by 7% and amounted to 91 million euros. The volume of insurance premiums received in non-life insurance increased by 11% and totalled 336 million euros.

The volume of investment and banking services provided by Estonian financial institutions as at the end of 2017 (EUR mln)

Service	Volume	incl. to Estonian resident private persons	
		volume	share in total service
Public investment funds	573	-	-
Pension funds	3,800	3,800	100%
Foreign funds offered in Estonia	604	100	17%
Unit-linked life insurance provisions	262	262	100%
Individual portfolios	631	92	15%
Bank loans	18,131	8,134	45%
Creditor loans	851	851	100%
Demand and overnight deposits	14,228	5,185	36%
Term and savings deposits	2,786	1,486	53%
Investment and other deposits	60	34	57%
Other financial instruments	1,288	358	28%

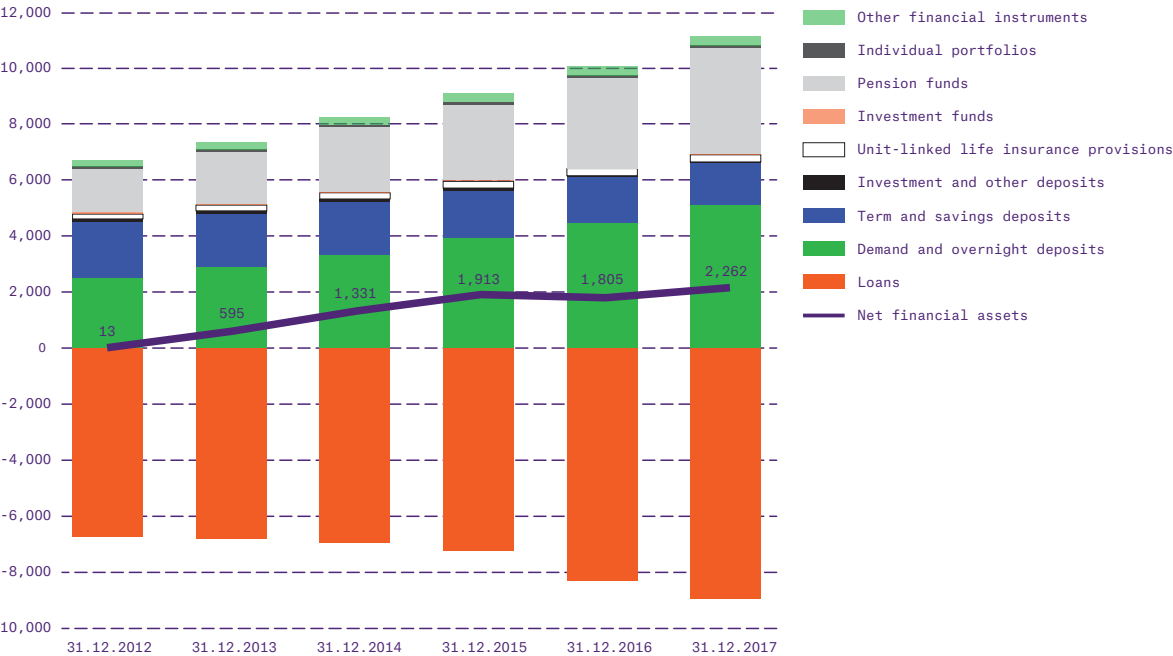
1 To avoid duplication of data, the investments of Estonian insurance undertakings and investment and pension funds have been deducted from investments made in foreign investment funds.

2 The volume of closed-ended investment funds has been deducted from the figure for 2016, as starting from 2017 these funds are not reflected in the reporting.

At the end of 2017, financial assets of Estonian resident private persons exceeded their liabilities: the volume of the financial assets was 11.2 billion euros, while the balance of the financial liabilities was 9 billion euros.

The growth of the financial assets of Estonian resident private persons exceeded that of their financial liabilities: the financial assets grew by 11% in total, whereas the loans by 8% in total. Thus at the end of the year, the net financial assets of Estonian resident private persons amounted to 2.3 billion euros, increasing by approximately 0.5 billion euros over the year.

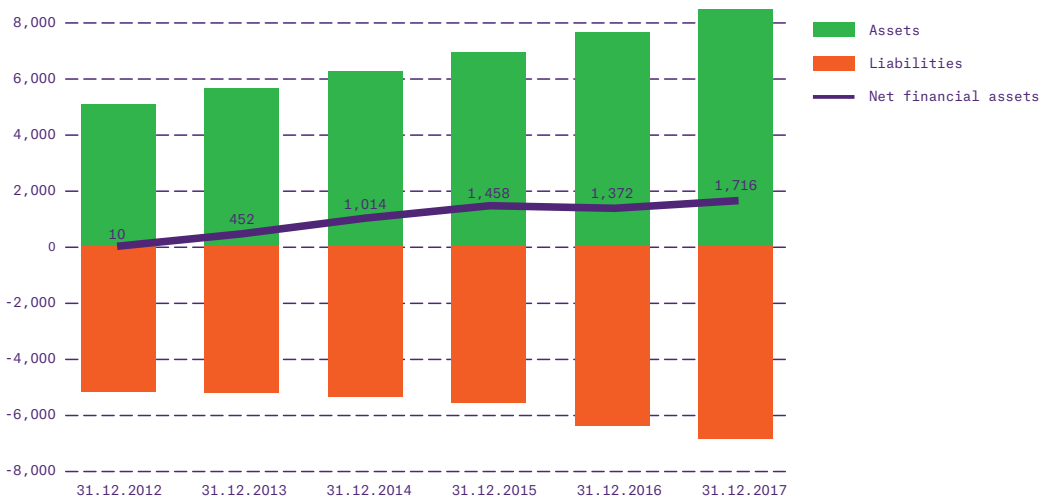
Financial assets and liabilities of Estonian resident private persons (EUR mln)



As at the end of 2017, the average volume of assets of an Estonian resident private person was 8,529 euros and the balance of loans 6,813 euros. Hence, the average value of

the net financial assets of a private person was 1,716 euros (1,372 euros at the end of 2016).

Average net financial assets of Estonian resident private persons (EUR)

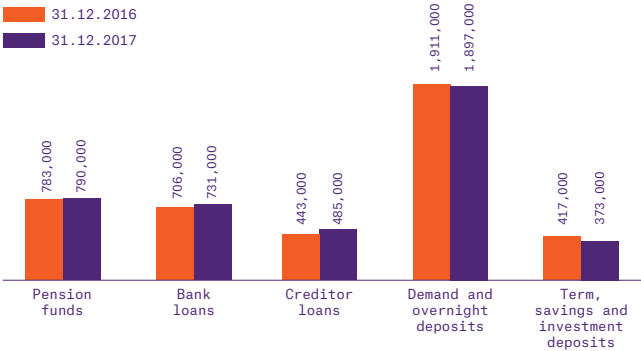


2. Division of private customers by services

Based on the number of contracts known to Finantsinspektion,³ the most popular service in Estonia is the demand deposit, i.e. the current account. As at the end of 2017, private persons had 1.9 million current accounts⁴ (many private persons have several current accounts). However, the number of private current accounts has decreased in recent years: six years ago, i.e. in 2011, there were 2.5 million current accounts.

By the number of contracts, the second most popular financial product of private persons is loans. As at the end of 2017, there were 1.2 million loan contracts⁵ entered into with private persons. By the number of contracts, the third most popular financial product is pension funds with 790,000 contracts.

Number of contracts of private persons by financial services



3 As the requirements of the European Union have changed, the number of contracts in the insurance segment is not shown here.
4 Current accounts with a positive balance opened in credit institutions.
5 Loan contracts entered into with banks and other creditors. Some persons may have entered into several loan contracts.

3. Deposits⁶

Market division:

Swedbank	47%
SEB Pank	22%
Luminor Bank	10%

Customers:

2,579,053 effective contracts

Service volume:

total volume of deposits 17.1 billion euros

BALANCE OF DEPOSITS

The balance of deposits in Estonian banks increased by 4.5%, or 741 million euros in 2017, amounting to 17.1 billion euros by the end of December (in 2016, the growth was 5.1%, or 798 million euros).

The growth rate of deposits decreased in 2017 due to a decline in corporate deposits by 223 million euros. Deposits of other customer groups increased over the year.

In 2017, growth was only recorded for demand and overnight deposits: their balance increased by 1.3 billion euros over the year (in 2016, the growth was 855 million euros). At the same time, the balance of term and savings deposits dropped by 563 million euros (in 2016, their balance decreased by 37 million euros). Overall, by the end of the last year, the balance of demand and overnight deposits declined to 14.2 billion euros and the balance of term and savings deposits was 2.8 billion euros. Accordingly, only 16% of deposits had been placed for a fixed term (21% at the end of 2016). Other deposits, including investment deposits, totalled 60 million euros.

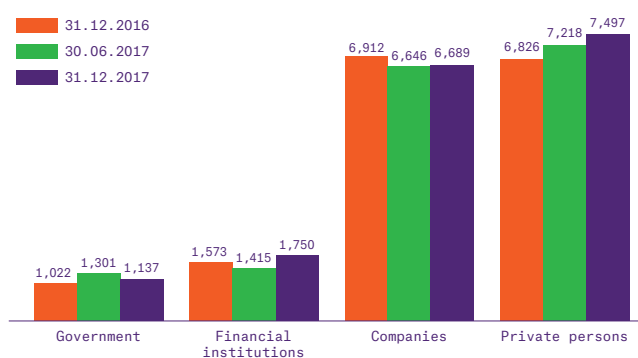
In 2017, for the first time since 2004, the balance of deposits belonging to private persons⁷ exceeded the balance of corporate⁸ deposits, amounting to 7.5 billion euros and 6.7 billion euros, respectively. Private persons held 44% of the total balance of deposits, a major part of which were demand and overnight deposits, amounting to 5.5 billion euros in total, or 74% of all deposits belonging to private persons.

Of the balance of deposits, 39% belonged to companies (42% at the end of 2016). Most of these corporate deposits, i.e. 92% were demand and overnight deposits, totalling 6.2 billion euros; the remaining 8% were term and savings deposits. The decrease in the balance of corporate deposits in 2017 resulted from an outflow of non-resident deposits (by 278 million euros).

At the end of 2017, the balance of deposits of financial institutions⁹ and of the government was 1.8 billion euros and 1.1 billion euros, respectively.

The share of deposits of non-residents decreased from 12% to 11% in 2017. As regards the share of non-resident corporate deposits, there was a decline from 18% to 8%.

Balance of deposits (EUR mln)



⁶ The data includes deposits placed with all credit institutions operating in Estonia and in Estonian branches of foreign credit institutions, i.e. deposits of both Estonian residents and non-residents. The data does not include deposits opened in foreign branches of Estonian credit institutions.

⁷ Also includes non-profit associations.

⁸ Also includes state or local government companies.

⁹ Also includes insurance undertakings and pension funds.

MARKET DIVISION OF BANK DEPOSITS

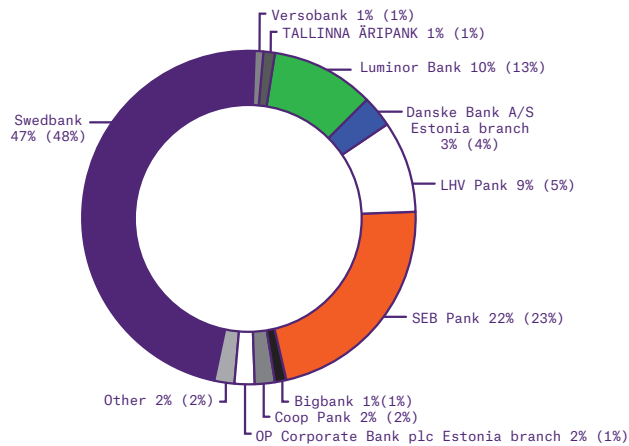
In 2017, the balance of deposits grew mostly on account of LHV Pank, whose market share increased from 5% to 9%. The balance of deposits of Luminor Bank, established as a result of the merger of Nordea and DNB Pank, decreased and so did its market share from 13% to 10%. The balance of deposits of Coop Pank, the successor of Krediidipank, increased over the year but its market share remained the same at 2%. Swedbank continues to be the market leader with 47%.

The government deposit market was more active than usual in 2017. The amounts deposited with Danske Bank A/S Estonia branch and OP Corporate Bank plc Estonia branch grew over the year, which increased their market shares from 3% to 11% and from 10% to 16%, respectively. However, government funds deposited with the newly established Luminor Bank have decreased, reducing its market share from 33% to 18%. The largest part of government deposits, or 27% of the balance of deposits is in SEB Pank, followed by Swedbank with 25% and Luminor Bank with 18%.

As regards the deposits of financial institutions, the amounts deposited with LHV Pank have grown considerably, increasing its market share from 7% to 38%. LHV Pank was followed by Swedbank, whose market share decreased from 39% to 26% over the year. The third largest market share (18%) belonged to SEB Pank.

The largest changes in the market division of corporate deposits concerned LHV Pank and Luminor Bank. The market share of LHV Pank increased from 5% to 8% over the year,

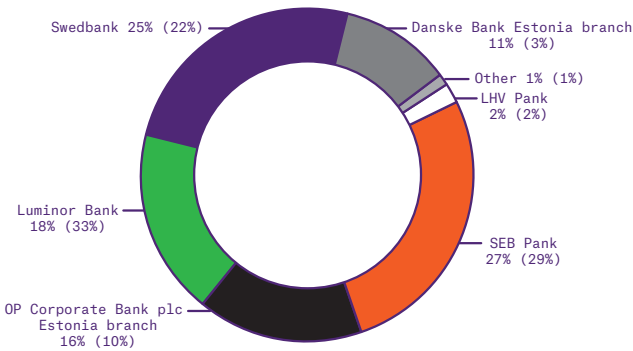
Market division of deposits at the end of 2017 (end of 2016 in brackets)



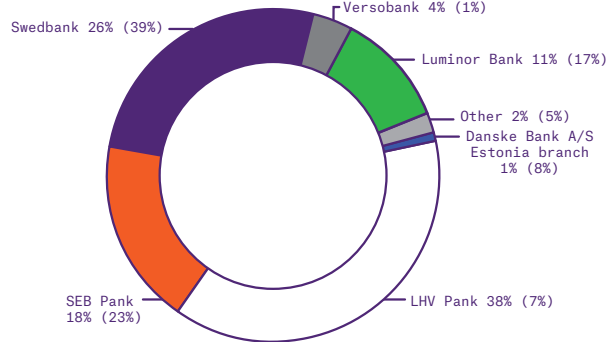
while the market share of Luminor Bank decreased from 14% to 11%. The largest market share was still held by Swedbank (46%), followed by SEB Pank (21%) and Luminor Bank (11%).

The market for private person deposits continued to be stable. More than one half of the market (55%) belonged to Swedbank, followed by SEB Pank (23%) and Luminor Bank (7%).

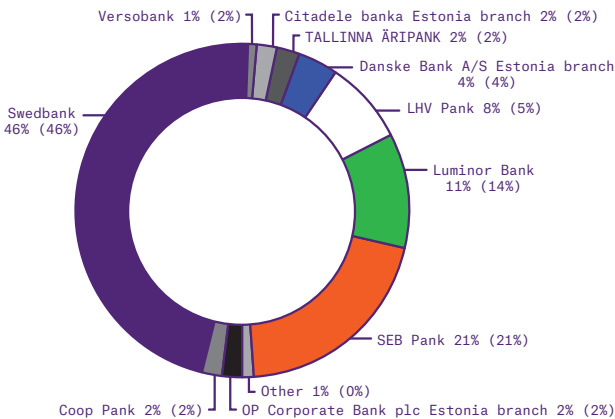
Market division of government deposits at the end of 2017 (end of 2016 in brackets)



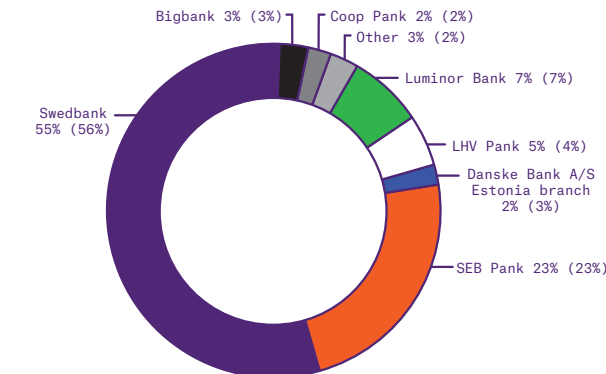
Market division of deposits of financial institutions at the end of 2017 (end of 2016 in brackets)



Market division of corporate deposits at the end of 2017 (end of 2016 in brackets)



Market division of private person deposits at the end of 2017 (end of 2016 in brackets)



NUMBER AND SIZE OF DEPOSITS

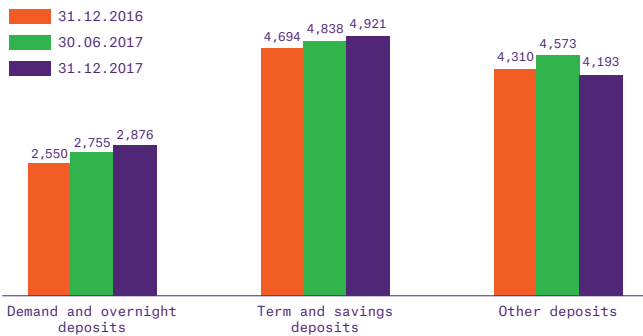
In 2017, the number of demand and overnight deposits increased by approximately 4,000. At the same time, the number of all other fixed-term deposits decreased: the number of term and savings deposits decreased by approximately 12,000 and the number of other deposits by 8,000.

The number of effective deposit contracts¹⁰ as at the end of 2017:

• Demand and overnight deposits	2,168,000
incl. private person deposits	1,919,000
• Term and savings deposits	401,000
incl. private person deposits	394,000
• Investment and other deposits	10,000
incl. private person deposits	9,000

The average amount of demand and overnight deposits of private persons at the end of 2017 was 2,876 euros (2,550 euros at the end of 2016), that of term and savings deposits was 4,921 euros (4,694 euros at the end of 2016) and that of investment and other deposits 4,193 euros (4,310 euros at the end of 2016).

Average balance of deposits of private persons (EUR)



¹⁰ Deposits with a positive balance.

4. Investment and pension funds¹¹

Market division:

Swedbank Investeerimisfondid	40%
LHV Varahaldus	25%
SEB Varahaldus	17%

Total number of unit holders:

800,192 effective contracts

Service volume:

total volume of funds 4.4 billion euros

VOLUME OF ASSETS OF FUNDS

The volume of assets of public investment funds¹², including pension funds, totalled 4.4 billion euros at the end of 2017, having increased by 679 million euros, or 18%,¹³ over the year.

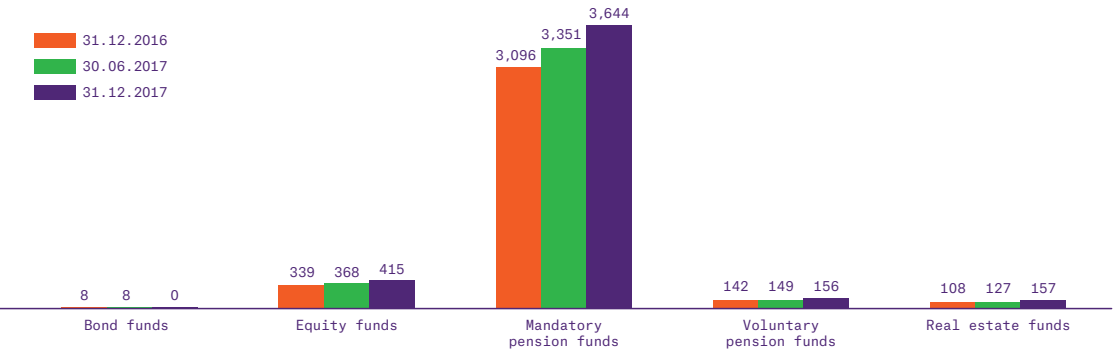
The growth in the fund sector continued to be driven by mandatory pension funds, whose volume of assets increased by 548 million euros, or 18%, amounting to 3.6 billion euros by the end of the year.

In terms of growth, the mandatory pension funds were followed by equity funds.¹⁴ The volume of their assets increased by 77 million euros, or 23%, reaching 415 million

euros by the end of the year. At the same time, the volume of assets of public real estate funds grew by 14 million euros, or 10%, and amounted to 157 million euros. Currently, there are no bond funds managed in Estonia, as investors' interest has waned due to low interest rates.

The largest fund type continues to be mandatory pension funds, which made up 83% of the volume of the fund sector assets. They were followed by equity funds, whose share was 10%. Voluntary pension funds and public real estate funds each held 3.5% of the total volume of the assets of public funds.

Market value of public fund investments (EUR mln)



11 The investment fund data includes all customers of public investment funds registered in Estonia, including foreign customers.

12 Public investment funds include undertakings for collective investment in transferable securities (UCITS), alternative funds and pension funds. The scope of financial supervision and related reporting obligations applied to fund management companies which have declared themselves small fund managers under the Investment Funds Act, which entered into force at the beginning of 2017, is limited and therefore they are not included in this overview.

13 The volume of assets is shown in the market value. For comparability of the data, the volume of assets of non-public funds has been deducted from the 2016 data.

14 Local equity funds also include funds of funds and mixed funds.

UNIT HOLDERS OF FUNDS

In 2017, the number of contracts with unit holders¹⁵ in Estonian public funds increased by 6,367, reaching 800,192 by the end of December.¹⁶

This concerned mandatory and voluntary pension funds and real estate funds, where the number of contracts increased by 6,367, 524 and 1,984, respectively. The increased number of contracts with unit holders in mandatory pension funds is mainly related to the new pension funds managed by Tuleva Fondid AS. As regards real estate funds, the increased number of contracts with unit holders is also related to growth in the number of funds.

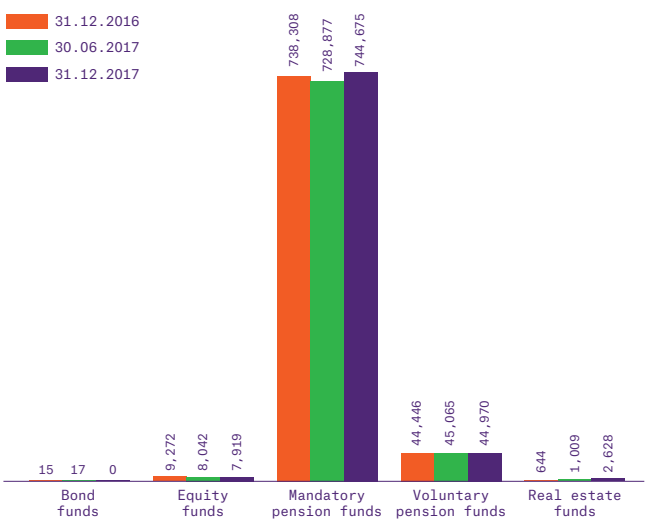
In other types of funds, however, the number of unit holders has decreased. A decrease in the number of contracts with unit holders in equity funds by 1,353 is related to liquidation of several funds in 2017. There are no more bond funds in Estonia.

Consequently, the largest fund type among public funds by the number of contracts is mandatory pension funds (744,675 contracts), followed by voluntary pension funds (44,970), equity funds (7,919) and public real estate funds (2,628).

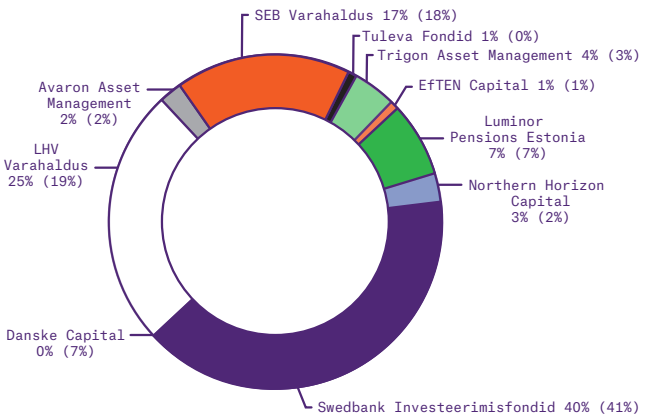
FUND MANAGEMENT COMPANIES

The biggest impact on the market of fund services in 2017 came from the acquisition of Danske Capital by LHV Varahaldus. As a result, the market share of LHV Varahaldus increased to 25%, thereby becoming the second largest after Swedbank by the volume of managed assets (40%). Seventeen percent of the market for public funds belonged to SEB Varahaldus.

Number of contracts with unit holders in public funds



Market division of fund services at the end of 2017 (end of 2016 in brackets)



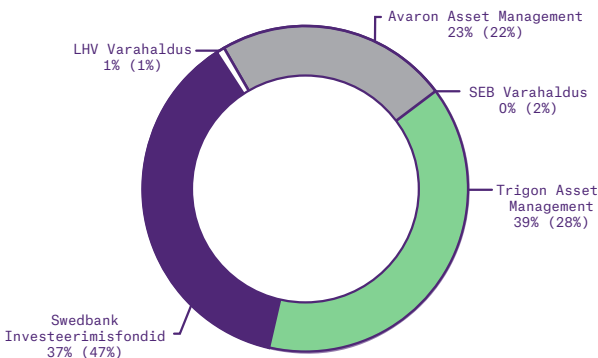
4. Investment and pension funds

15 It is important to note that many persons make investments through several investment or pension funds and hence the actual number of persons investing through funds is smaller than the number of contracts.
16 The number of unit holders also includes non-residents.

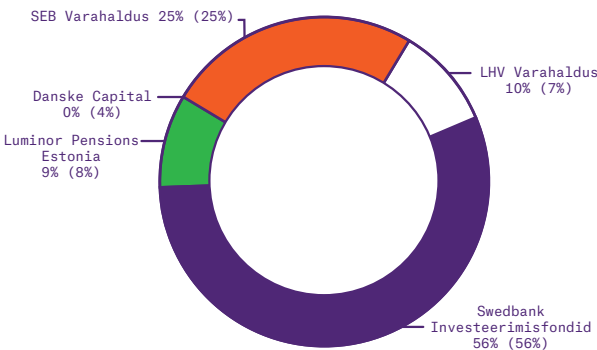
In the equity funds market, the volume of the funds managed by Trigon Asset Management has increased considerably over the year and it has become the largest fund management company with a market share of 39%. At the end of 2017, the market share of Swedbank Investeerimisfondid was 37%. It was followed by Avaron Asset Management with a market share of 23%. SEB Varahaldus, however, liquidated all of its funds. The biggest change in the market of mandatory pension funds was an increase in the market share of LHV Varahaldus to 30%, which resulted from its merger with Danske Capital. Thus, LHV Varahaldus has become the second largest fund management company for pension funds in Estonia.

The largest market share continues to be held by Swedbank Investeerimisfondid (42%). Tuleva Fondid, which entered the market in 2017, had 1% of the total assets of pension funds as at the end of December. 19% of the market belonged to SEB Varahaldus and 8% to Luminor Pensions Estonia. In the market of voluntary pension funds, the largest market share (56%) as at the end of 2017 was held by Swedbank Investeerimisfondid, followed by SEB Varahaldus (25%). There were only two fund management companies active in the market of public real estate funds – Northern Horizon Capital (70%) and EFTEN Capital (30%).

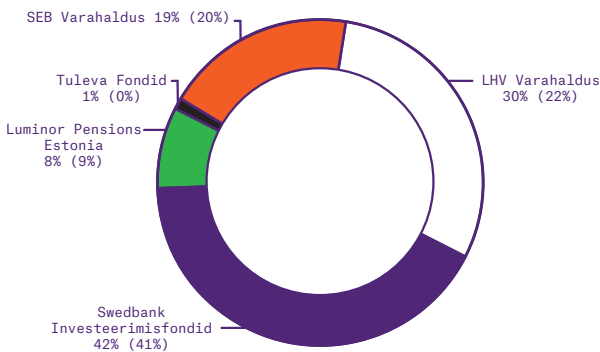
Market division of equity funds at the end of 2017 (end of 2016 in brackets)



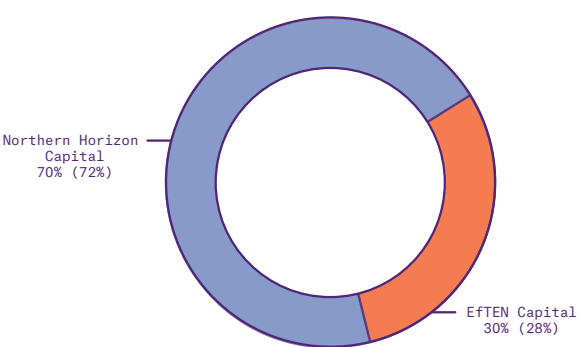
Market division of voluntary pension funds at the end of 2017 (end of 2016 in brackets)



Market division of mandatory pension funds at the end of 2017 (end of 2016 in brackets)



Market division of public real estate funds at the end of 2017 (end of 2016 in brackets)



5. Second pillar pension payments

According to the Estonian Central Register of Securities, as at the end of 2017, there were 37,373 people entitled to second pillar pension payments, which is 5,101 people more than the year before. Of these people, 37%, or 13,836 were men and 63%, or 23,537 were women.

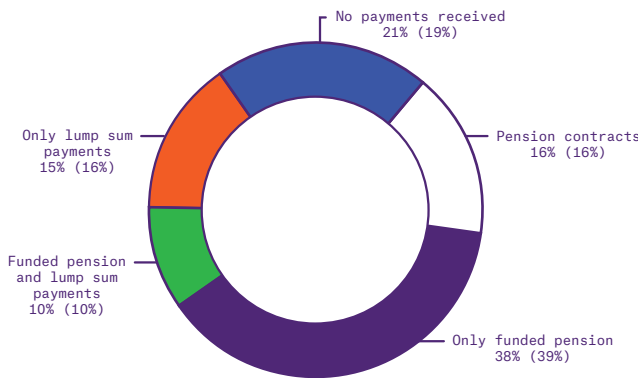
The division of second pillar pension payments has remained relatively stable, varying 1-2% across different types of payment.

At the end of the year, the share of people who had signed pension contracts¹⁷ made up 16% of those entitled

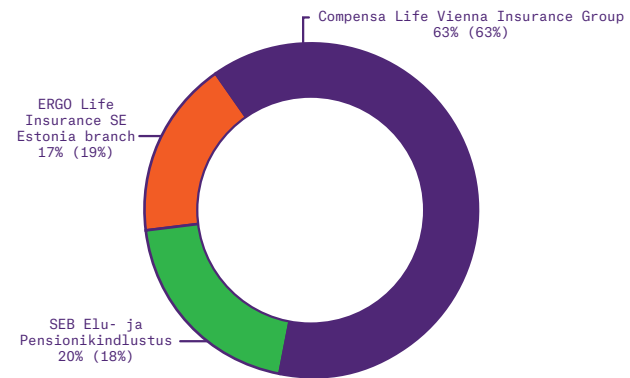
to payments. Of those entitled to second pillar pension payments, 38% only received funded pension¹⁸ payments. Payments through funds and lump sum payments¹⁹ were received by 10% and only lump sum payments by 15% of those entitled to payments. The remaining 21% of the people entitled to second pillar pension payments had not requested it.

Of life insurance undertakings, the largest market share in the second pension pillar market belonged to Compensa Life Vienna Insurance Group (63%).

Division of old-age pensioners who have joined the second pension pillar by type of payment at the end of 2017 (end of 2016 in brackets)



Market division of insurance undertakings by number of second pension pillar contracts at the end of 2017 (end of 2016 in brackets)



17 A pension contract is an insurance contract entered into between a unit holder and a life insurance undertaking, under which the insurance undertaking is obliged to make pension payments until the death of the person who entered into the contract.

18 Funded pension is a scheme agreed between a unit holder and the management company of a pension fund, under which regular payments from the pension fund are made to the unit holder during a specified time.

19 Lump sum payments are payments which are withdrawn all at once from a pension fund.

6. Management of securities portfolios²⁰

Market division:

Swedbank grupp	67%
SEB Bank grupp	10%
LHV Pank	16%

Service volume:

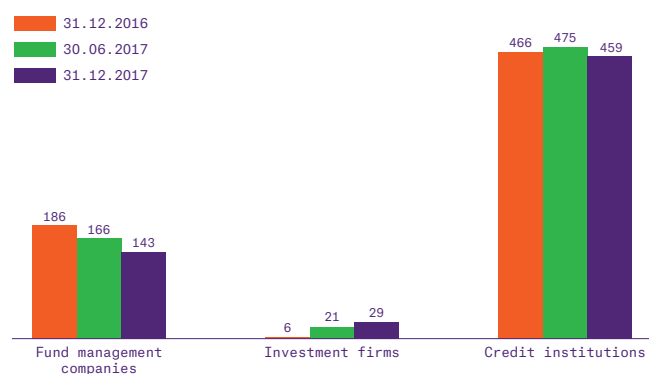
Total volume of portfolios 631 million euros

VOLUME OF PORTFOLIOS

Portfolio management services are provided by fund management companies, banks and investment firms. In 2017, the total volume of portfolios decreased by 4% and amounted to 631 million euros (658 million euros at the end of 2016).

The volume of portfolios managed by fund management companies decreased in 2017 from 186 million euros to 143 million euros. The volume of customer portfolios managed by banks decreased from 466 million euros to 459 million euros and that of investment firms increased from 6 million euros to 29 million euros.

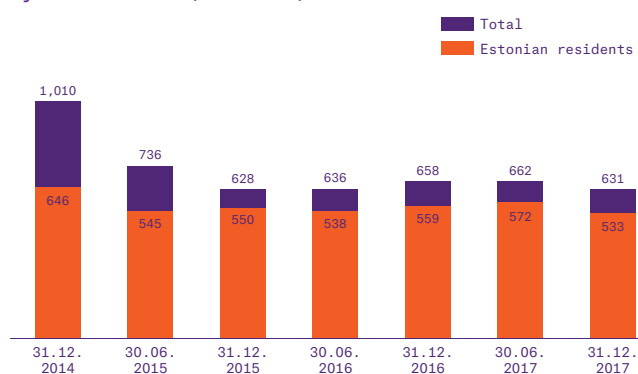
Portfolio volumes (EUR mln)



CUSTOMERS OF PORTFOLIO MANAGEMENT SERVICES

At the end of 2017, the majority share of combined customer portfolios belonged to Estonian residents: approximately 84%, i.e. 533 million euros (at the end of 2016, 559 million euros) of the total volume. Of this amount, 305 million euros belonged to financial institutions, 133 million euros to companies, 92 million euros to private persons and 3 million euros to the government.²¹

Total volume of individual portfolios by residence (EUR mln)



²⁰ The data for portfolio management includes all market participants in Estonia providing this service, incl. advisory services. Their customers may be from Estonia or foreign countries.

²¹ Financial institutions include insurance undertakings, pension funds, credit institutions and other financial institutions. Companies also include state or local government companies. Private persons also include non-profit associations. The government also includes national social assistance funds.

PORTFOLIO MANAGERS

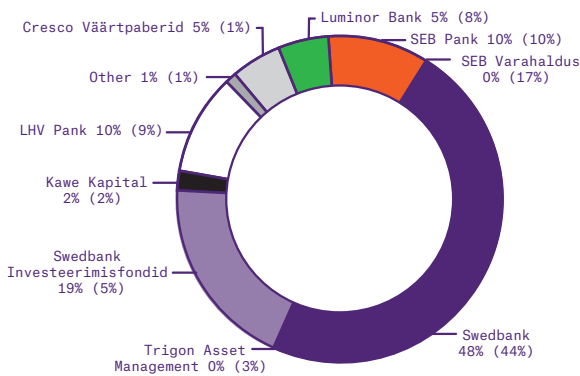
The year 2017 saw significant changes in the portfolio management market due to the exit of SEB Varahaldus and Trigon Asset Management from portfolio management services. SEB Varahaldus exited the business of institutional portfolio management, while Trigon Asset Management stopped offering the services of securities portfolio management completely.

At the end of 2017, the largest market share in portfolio management – 67% – belonged to the companies under Swedbank Group. The market share of the companies under

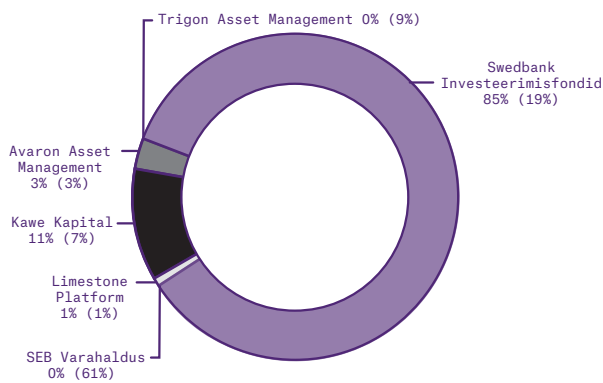
SEB Pank Grupp and LHV Pank was 10%. As regards fund management companies, the largest market share by managed portfolio volume belonged to Swedbank Investeeringimisfondid (85%), followed by Kawe Kapital (11%) and Avaron Asset Management (3%).

The largest portfolio among banks is managed by Swedbank, which held 66% of the market at the end of the year. Swedbank was followed by LHV Pank (14%), SEB Pank (13%) and Luminor Bank (7%).

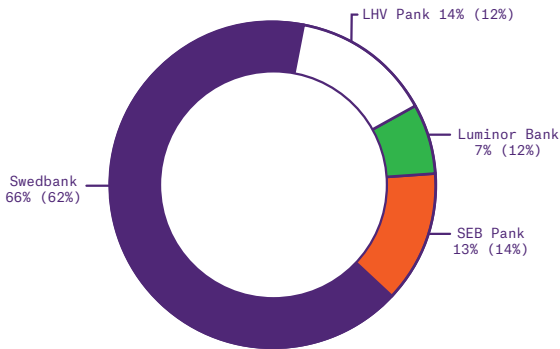
Market division of portfolio management by service providers at the end of 2017 (end of 2016 in brackets)



Market division of portfolio management by fund management companies at the end of 2017 (end of 2016 in brackets)



Market division of portfolio management by credit institutions at the end of 2017 (end of 2016 in brackets)



7. Life insurance²²

Market division:

Swedbank Life Insurance SE	41%
SEB Elu- ja Pensionikindlustus	25%
Compensa Life Vienna Insurance Group SE	21%

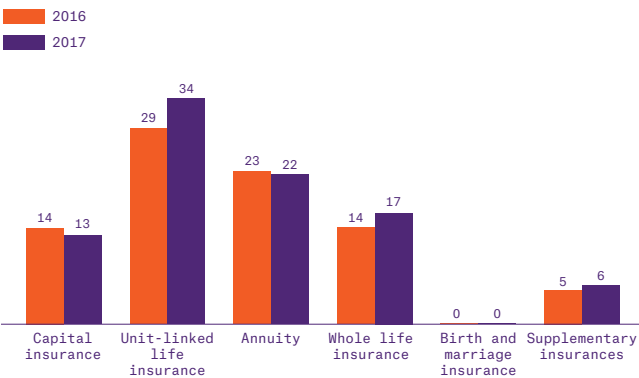
Service volume:

In 2017, the collected insurance premiums amounted to 91 million euros

INSURANCE PREMIUMS

In 2017, life insurance undertakings in Estonia collected 91 million euros in insurance premiums.²³ In the year before, the amount of collected insurance premiums was 86 million euros, which means that the volume of insurance premiums has increased by 6.5% year-on-year.

Insurance premiums by type of life insurance (EUR mln)



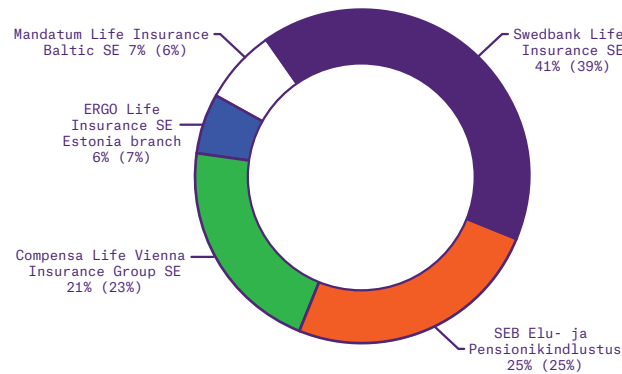
The growth in insurance premiums was mainly due to unit-linked life insurance premiums, the volume of which increased from 29 million euros to 34 million euros over the year. The volume of whole life insurance premiums also increased from 14 million euros to 17 million euros. However, the volume of annuity premiums dropped from 23 million euros to 22 million euros. The volume of capital insurance premiums decreased from 14 million euros to 13 million euros.

The product with the largest volume is still unit-linked life insurance, accounting for 37% of all life insurance products in 2017 (34% in 2016). This was followed by annuity, whose share was 24% at the end of 2017 (26% the year before). Whole life insurance with a share of 18% has risen to third place (17% the year before). Capital insurance accounted for 14% of all life insurance products (17% the year before).

INSURANCE PROVIDERS

Based on insurance premiums, the three largest life insurance undertakings – Swedbank Life Insurance SE, SEB Elu- ja Pensionikindlustus, and Compensa Life Vienna Insurance Group SE – collected 87% of all insurance premiums in 2017 (unchanged from 2016).

Market division of life insurance undertakings by collected insurance premiums in 2017 (2016 in brackets)



In 2017, growth was largest in the volume of insurance premiums collected by Swedbank Life Insurance SE, leading to an increase in its market share from 39% to 41%. The increase in the volume of insurance premiums was mainly driven by unit-linked life insurance premiums. The market share of SEB Elu- ja Pensionikindlustus remained at 25%, while that of Compensa Life Vienna Insurance Group SE decreased from 23% to 21%.

22 After the Solvency II supervisory framework entered into force in 2016, reports submitted to Finantsinspektsioon have changed considerably. The overview of life insurance has therefore been prepared using the data of Statistics Estonia.

23 The data does not include insurance premiums collected outside of Estonia.

The volume of capital insurance premiums has decreased in all life insurance undertakings over the year. However, the market shares of insurance undertakings have not changed considerably. The largest capital insurance service provider in Estonia as at the end of 2017 was SEB Elu- ja Pensionikindlustus with a market share of 49%.

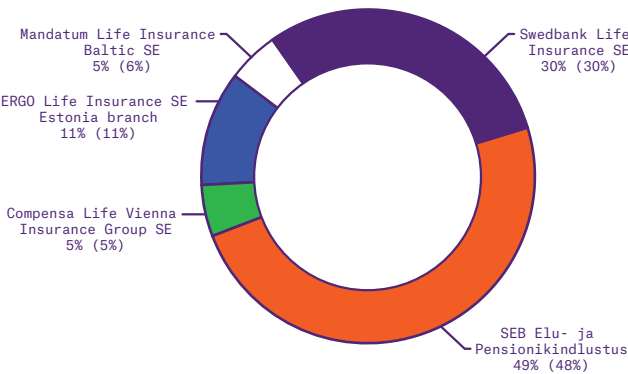
For the first time over the last three years, the amount of collected unit-linked insurance premiums increased in all life insurance undertakings. As the growth in the volume of insurance premiums differed across undertakings, it led to changes in the market division. The largest growth of premiums was recorded for Mandatum Life Insurance Baltic SE and Compensa Life Vienna Insurance Group SE, leading

to an increase in their market shares from 13% to 15% and from 7% to 9%, respectively. Swedbank Life Insurance SE continues to be the market leader although its market share decreased from 61% to 59%.

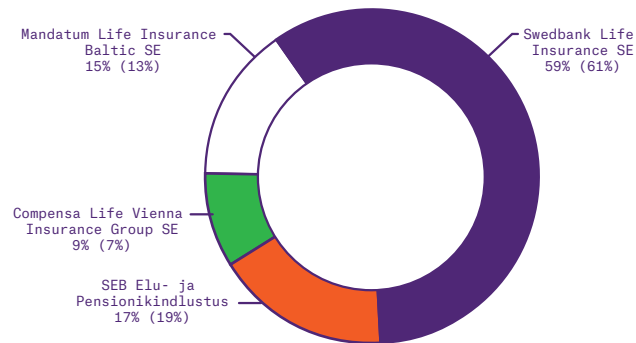
In 2017, SEB Elu- ja Pensionikindlustus collected significantly more annuity premiums, which led to an increase in its market share from 16% to 23%. The market share of Compensa Life Vienna Insurance Group SE decreased from 72% to 68%.

The market shares of whole life insurance providers have changed only slightly. The largest part of the market is covered by Swedbank Life Insurance SE with 64%, followed by SEB Elu- ja Pensionikindlustus with 26%.

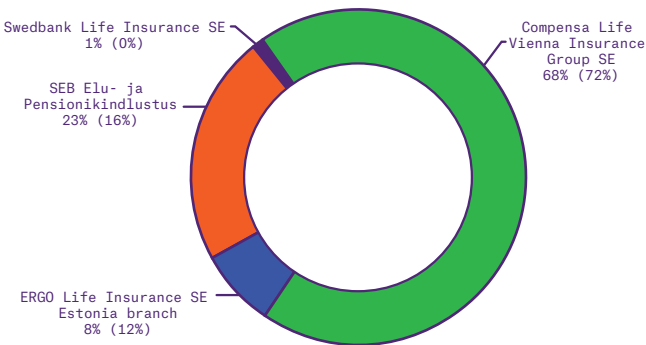
Market division of capital insurance at the end of 2017 (end of 2016 in brackets)



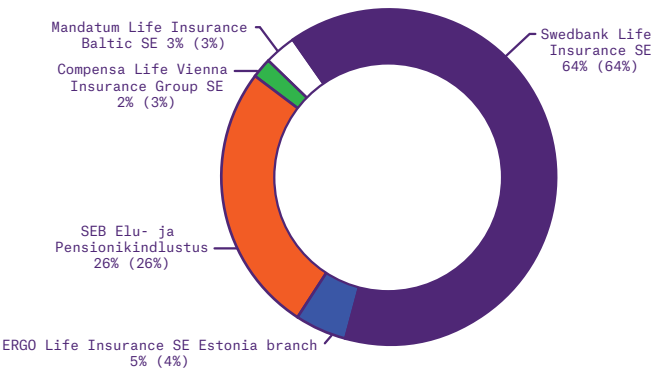
Market division of unit-linked life insurance at the end of 2017 (end of 2016 in brackets)



Market division of annuity at the end of 2017 (end of 2016 in brackets)



Market division of whole life insurance at the end of 2017 (end of 2016 in brackets)



7.1. Life insurance brokers

Market division:

KindlustusEst Kindlustusmaakler	62%
IIZI Kindlustusmaakler	15%
UADBB Aon Baltic Estonia branch	10%

Customers:

689 brokered contracts

Service volume:

In 2017, brokered insurance premiums amounted to 478,000 euros

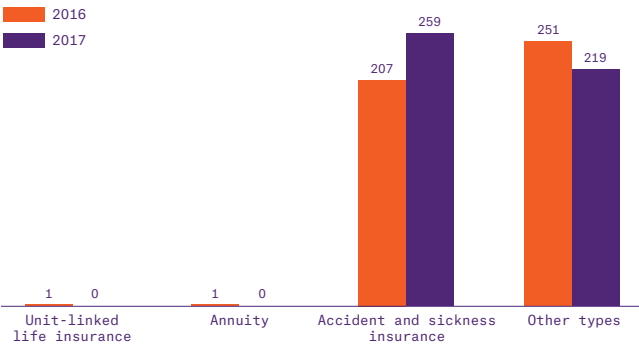
BROKERED INSURANCE PREMIUMS

According to the data received by Finantsinspeksioon, insurance brokers registered in Estonia brokered insurance premiums in life insurance for a total amount of 478,000 euros in 2017. The volume of brokered insurance premiums increased by 4% over the year. The increase was mainly driven by accident and sickness insurance (annual growth 25%). At the same time, the number of brokered insurance contracts has decreased from 810 to 689 over the year.

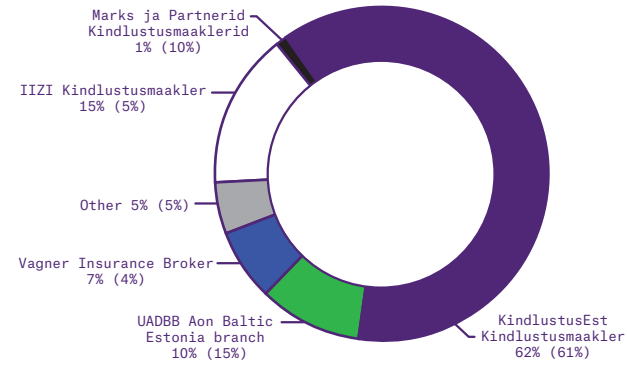
INSURANCE BROKERS

In 2017, there were ten insurance brokers intermediating life insurance contracts. The largest market share (62%) was still held by KindlustusEst Kindlustusmaakler, followed by IIZI Kindlustusmaakler (15%) and UADBB Aon Baltic Estonia branch (10%).

Insurance premiums intermediated by insurance brokers by type of life insurance (EUR thousands)



Market division of insurance brokers by life insurance premiums in 2017 (2016 in brackets)



Insurance brokers mainly intermediated accident and sickness insurance contracts and other life insurance contracts in the amount of 259,000 and 219,000 euros, respectively. The most popular type of other life insurance contracts was still unit-linked life insurance. Premiums of unit-linked life insurance contracts and annuity were not brokered at all in 2017.

Estonian life insurance brokers largely intermediate insurance contracts for insurance providers in the countries of the European Economic Area. In 2017, the latter accounted for 71% of insurance premiums (66% in 2016) and 63% of the number of contracts (47% in 2016).

8. Non-life insurance²⁴

Market division:

IF P&C Insurance	21%
ERGO Insurance SE	17%
Swedbank P&C Insurance	16%
„Lietuvos draudimas“ Estonia branch	16%

Customers:

no information available

Service volume:

In 2017, the collected insurance premiums amounted to 336 million euros

INSURANCE PREMIUMS

In 2017, non-life insurance undertakings and the branches of foreign non-life insurance undertakings operating in Estonia received in total 336 million euros in insurance premiums (302 million euros the year before). The branches of foreign insurance undertakings in Estonia received 89 million euros, or 27% of these premiums (76 million euros, or 25% the year before). Of the premiums collected by non-life insurance undertakings, 134 million euros, or 40% were collected via insurance brokers (115 million euros, or 38% the year before).

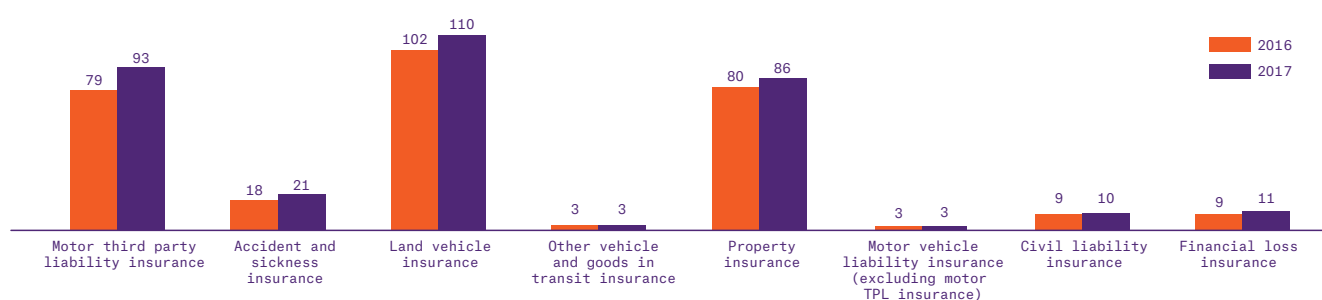
The volume of insurance premiums of all types of non-life insurance has increased over the year. The biggest growth (14 million euros) was recorded for motor third party liability insurance. The volume of land vehicle insurance has

increased by 8 million euros and the volume of property insurance payments by 6 million euros.

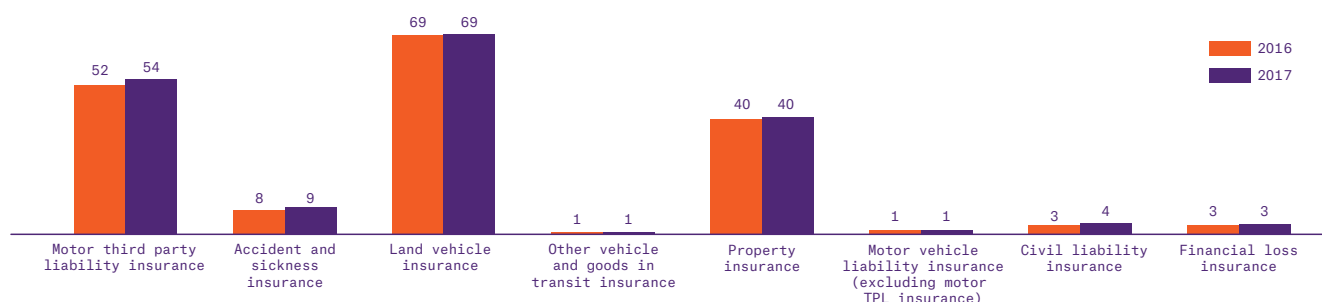
Land vehicle insurance, i.e. optional motor vehicle insurance, is still the largest type of insurance with insurance premiums amounting to 110 million euros in 2017. This was followed by motor third party liability insurance and property insurance with the volumes of premiums amounting to 93 million euros and 86 million euros, respectively.

In the first half of 2017, 181 million euros were paid out as indemnities (4 million euros more than the year before). The amount of indemnities paid out increased the most – from 52 million euros to 54 million euros – in motor third party liability insurance. The largest amount of indemnities (69 million euros), however, was paid out in land vehicle insurance.

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



Indemnities paid out by type of non-life insurance (EUR mln)



²⁴ The data for non-life insurance only includes contracts entered into in Estonia and does not include insurance contracts entered into by foreign branches of Estonian insurance undertakings. After the Solvency II supervisory framework entered into force in 2016, reports submitted to Finantsinspeksioon have changed considerably. The overview of non-life insurance has therefore been prepared using Statistics Estonia data.

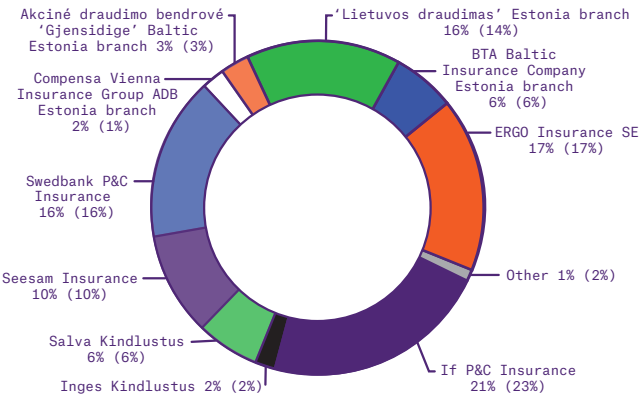
INSURANCE PROVIDERS

In 2017, the volume of insurance premiums increased the most in Lietuvos draudimas Estonia branch, which was reflected in an increase of its market share from 14% to 16%.

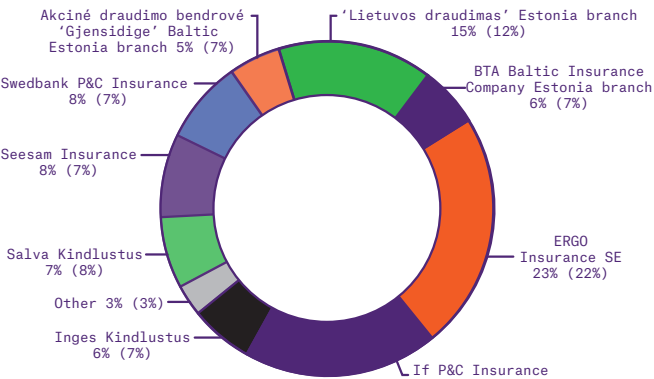
At the same time, the market share of If P&C Insurance decreased from 23% to 21%. Based on collected insurance premiums, If P&C Insurance is still the market leader among non-life insurance undertakings.

In 2017, the market share of If P&C Insurance decreased both in motor third party liability insurance and land vehicle insurance. At the same time, the market share of Lietuvos draudimas Estonia branch has increased in these types of insurance. ERGO Insurance SE has become the market leader in motor third party liability insurance with 23%, followed by If P&C Insurance with 19%. If P&C Insurance still holds the largest market share in land vehicle and property insurance, with 20% and 28% of the entire market, respectively.

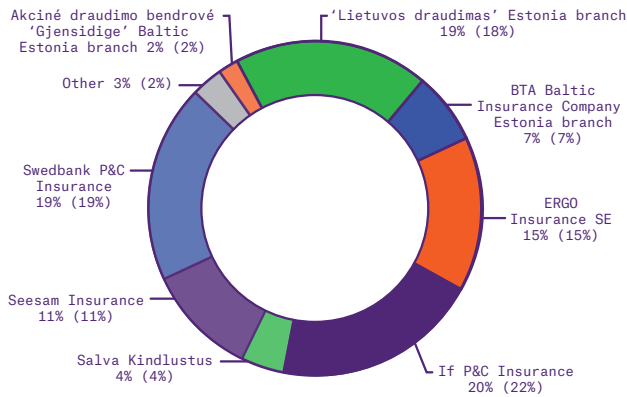
Market division of non-life insurance undertakings by insurance premiums collected in 2017 (2016 in brackets)



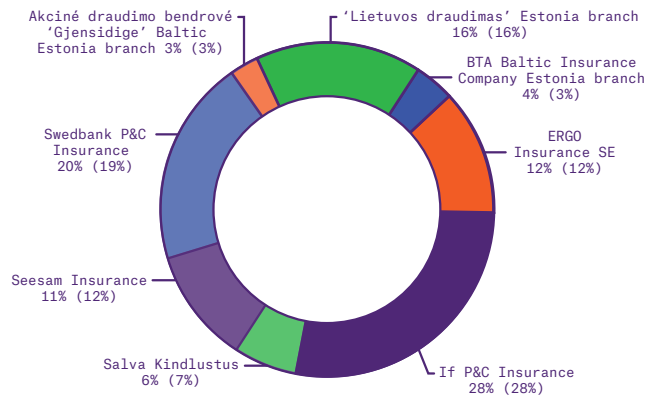
Market division of motor third party liability insurance at the end of 2017 (end of 2016 in brackets)



Market division of land vehicle insurance at the end of 2017 (end of 2016 in brackets)



Market division of property insurance at the end of 2017 (end of 2016 in brackets)



8.1. Non-life insurance brokers

Market division:

IIZI Kindlustusmaakler	31%
Marsh Kindlustusmaakler	14%
KindlustusEST Kindlustusmaakler	7%

Customers:

826,955 brokered contracts

Service volume:

In 2017, brokered insurance premiums amounted to 170 million euros

BROKERED INSURANCE PREMIUMS

According to data received by Finantsinspektsioon, in 2017, the amount of non-life insurance contracts intermediated by insurance brokers registered in Estonia totalled 170 million euros,²⁵ which is 22 million more than in the previous year.

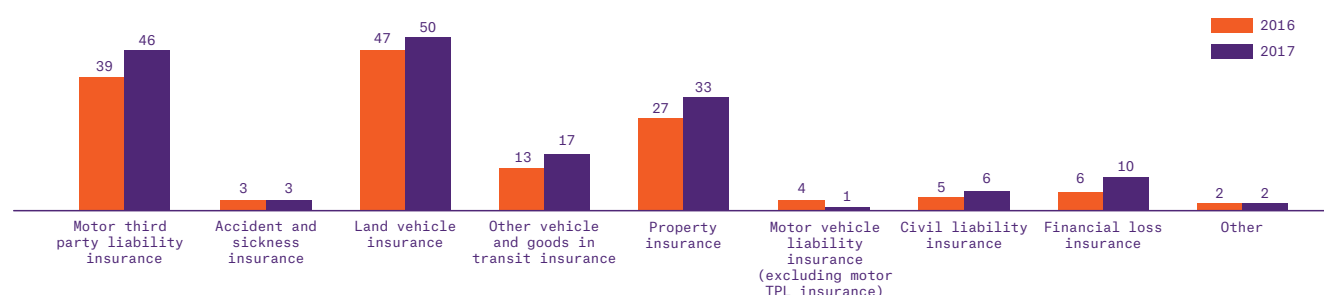
The premiums received by non-life insurance undertakings show that based on the volume of insurance premiums intermediated by brokers, the largest type of insurance was land vehicle insurance, where the amount of brokered insurance premiums was 50 million euros. This was followed by motor third party liability insurance (46 million euros) and property insurance (33 million euros).

Estonian insurance brokers intermediate contracts of both Estonian and foreign insurance undertakings. Of all brokered insurance premiums in 2017, 134 million euros, or 79% of all brokered premiums, were contracts intermediated by Estonian insurance undertakings, and

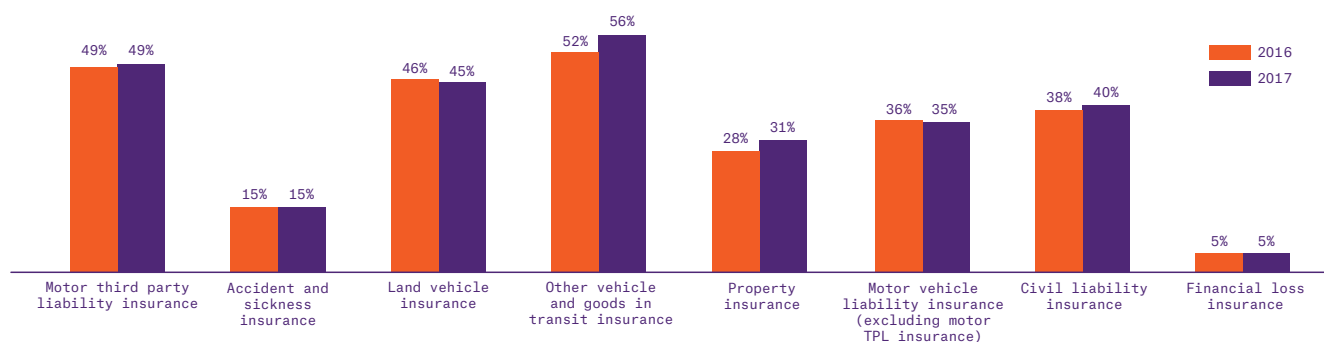
36 million, or 21%, were contracts intermediated by foreign insurance undertakings. The biggest share of contracts of foreign insurance undertakings is in other vehicle and goods in transit insurance (15 million euros), followed by financial loss insurance (9 million euros) and property insurance (6 million euros).

In 2017, 40% of the non-life insurance premiums collected by Estonian insurance undertakings were intermediated via brokers. Brokers intermediate a significant part of insurance premiums of Estonian insurance undertakings for most types of non-life insurance, but primarily those which are related to vehicles. In 2017, 56% of insurance premiums for other vehicles (air and water crafts) and goods in transit were intermediated by brokers. In motor third party liability insurance, the share of brokers was 49%, and in land vehicle insurance 45%.

Insurance premiums collected via insurance brokers by type of non-life insurance (EUR mln)



Share of insurance premiums of insurance undertakings operating in Estonia intermediated via brokers



²⁵ In addition to contracts of insurance undertakings, brokers also intermediated contracts of foreign reinsurance undertakings, which are not covered in this overview. The volume of these insurance premiums was 11.7 million euros in 2017.

INSURANCE BROKERS

In 2017, non-life insurance contracts were intermediated by 41 insurance brokers. The largest market share belonged to IIZI Kindlustusmaakler with 31%, followed by Marsh Kindlustusmaakler with 14% and KindlustusEst Kindlustusmaakler with 7%.

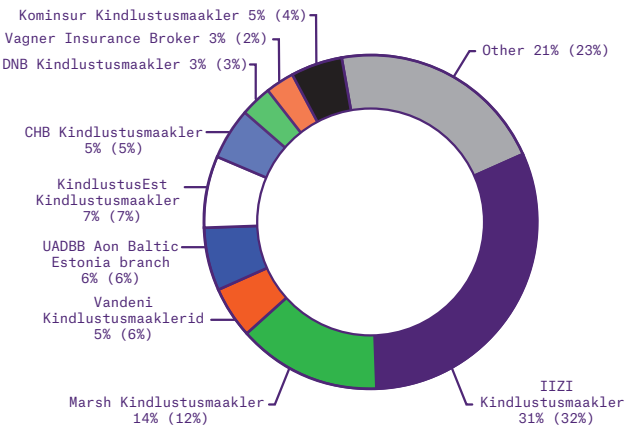
The largest market share in motor third party liability insurance at the end of the year belonged to IIZI Kindlustusmaakler (53%), followed by KindlustusEst Kindlustusmaakler (10%) and CHB Kindlustusmaakler (4%).

In land vehicle insurance, the largest market share was held by IIZI Kindlustusmaakler (40%), followed by KindlustusEst Kindlustusmaakler (8%) and DNB Kindlustusmaakler (7%).

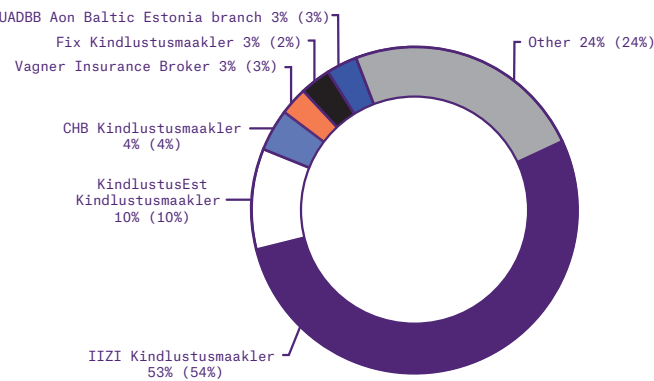
In property insurance, the market leader was Marsh Kindlustusmaakler with 28%, followed by IIZI Kindlustusmaakler with 14% and UADBB Aon Baltic Estonia branch with 12%.

In travel insurance, the largest market share belonged again to IIZI Kindlustusmaakler (46%), followed by KindlustusEst Kindlustusmaakler (9%) and UADBB Aon Baltic Estonia branch (5%).

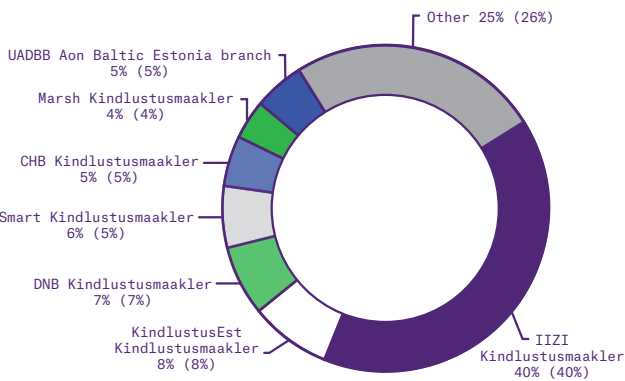
Market division of insurance brokers by non-life insurance premiums in 2017 (2016 in brackets)



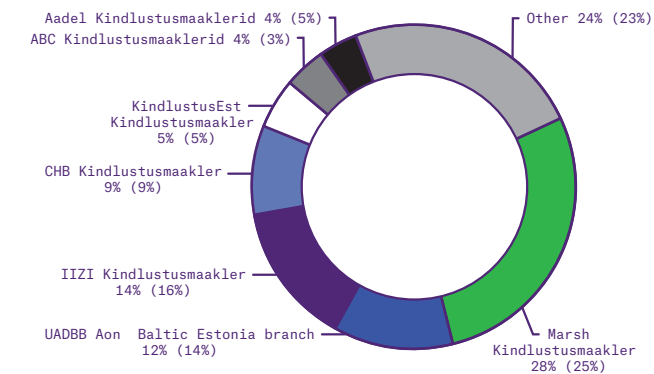
Market division of insurance brokers in motor third party liability insurance at the end of 2017 (end of 2016 in brackets)



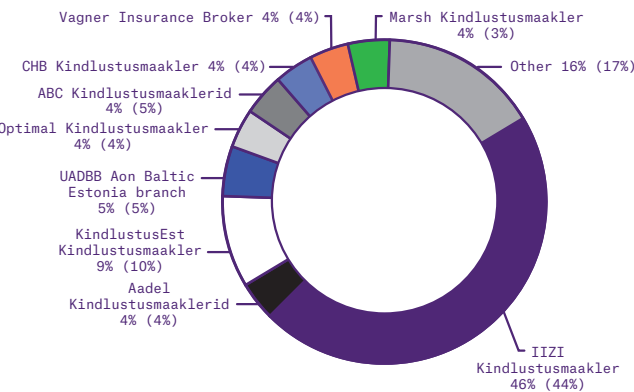
Market division of insurance brokers in land vehicle insurance at the end of 2017 (end of 2016 in brackets)



Market division of insurance brokers in property insurance at the end of 2017 (end of 2016 in brackets)



Market division of insurance brokers in travel insurance at the end of 2017 (end of 2016 in brackets)



In the segment of non-life insurance brokers, a major part of the market was divided between less than a half of all brokers in terms of the number of brokered contracts.

As shown in the table below, 89% of intermediated contracts had been entered into by 24% of insurance brokers, i.e. by ten brokers out of 41.

Market shares of largest non-life insurance brokers by number of intermediated contracts

Broker	Market share	
	2017	2016
IIZI Kindlustusmaakler AS	61%	61%
KindlustusEst Kindlustusmaakler OÜ	10%	10%
Vagner Insurance Broker AS	3%	3%
CHB Kindlustusmaakler OÜ	3%	3%
Fix Kindlustusmaakler OÜ	2%	1%
Aadel Kindlustusmaaklerid OÜ	2%	2%
AS Smart Kindlustusmaakler	2%	2%
OÜ DnB Kindlustusmaakler	2%	2%
NB Kindlustusmaakler OÜ	2%	2%
Optimal Kindlustusmaakler OÜ	2%	2%

9. Loans issued by credit institutions²⁶

Market division:

Swedbank	40%
SEB Pank	25%
Luminor Bank	17%

Private customers:

731,065 effective contracts

Service volume:

Consolidated loan portfolio volume 18.1 billion euros

LOAN PORTFOLIO

The balance of loans issued by credit institutions continued to grow in 2017. The balance of the Estonian loan portfolio of credit institutions increased over the year by 2%, or 360 million euros (in 2016, the balance of the loan portfolio increased by 8.9%, or 1,458 million euros). This extraordinary slowdown in growth reflects one-off adjustments in the consolidation group of some market participants. The balance of the loan portfolio reached 18.1 billion euros by the end of the year. Loans to companies²⁷ made up 39% and loans to private persons²⁸ 45% of the total portfolio. Hence, the loan growth was mostly supported by loans to private persons.

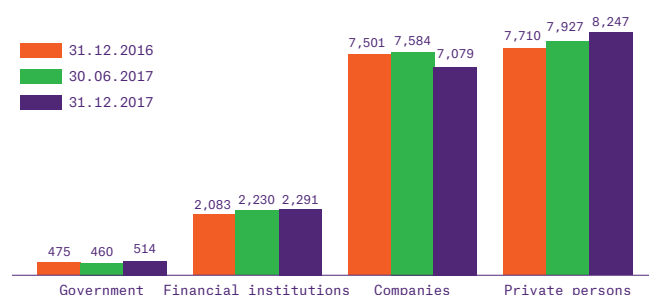
In 2017, the balance of loans to private persons increased by 536 million euros, to financial institutions by 208 million euros, and to the government by 38 million euros.

However, the balance of loans issued to companies decreased by 422 million euros.

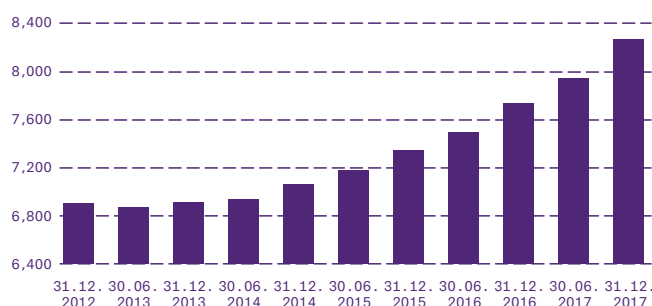
As at the end of 2017, the loans issued to private persons amounted to 8.2 billion euros and to companies to 7.1 billion euros. Loans to financial institutions²⁹ accounted for 2.3 billion euros and to the government³⁰ for 514 million euros.

As regards loans issued to private persons, the largest growth in 2017 was recorded for housing loans, the balance of which grew by 447 million euros, reaching 7.1 billion euros by the end of the year. The balance of consumer loans also increased significantly – by 74 million euros – and reached 526 million euros by the end of the year. The volume of student loans, however, decreased over the year by 17 million euros to 95 million euros.

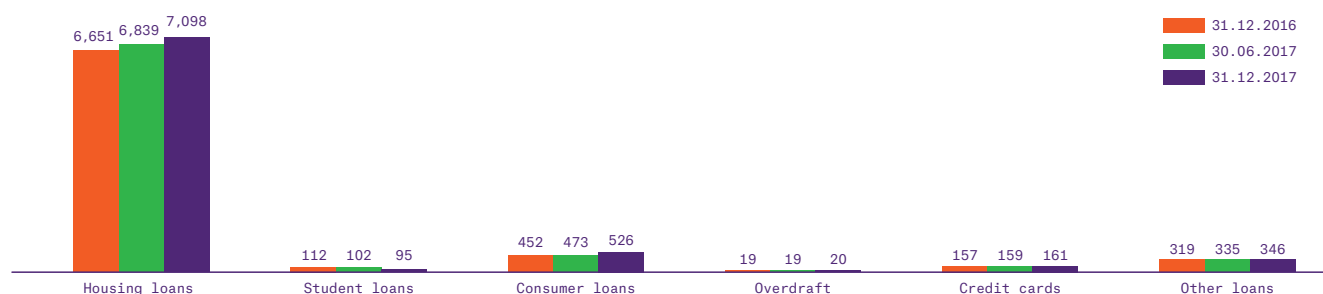
Balance of loans (EUR mln)



Balance of loans issued to private persons (EUR mln)



Balance of loans of private persons (EUR mln)



²⁶ Loans issued by credit institutions in Estonia.

²⁷ Also includes state or local government companies.

²⁸ Also includes non-profit associations.

²⁹ Also includes insurance undertakings and pension funds.

³⁰ The government comprises the central government, local government, national social security fund and other non-budgetary funds.

LOANS GRANTED TO PRIVATE PERSONS

In 2017, the main contributor to the debt burden of private persons were housing loans. The average balance of housing loans increased by 1,445 euros over the year, reaching 40,528 euros. These were followed by student loans (average 2,180 euros) and consumer loans (average 2,169 euros).

The reason for the large average balance (14,334 euros) of other loans³¹ is the fact that these loans are also taken for financing business operations.

The number of loan contracts entered into with private persons has increased by more than 25,000 over the year. The largest increase was recorded for consumer loans, where the number of contracts grew by more than 37,000 (in total 242,631 contracts). The number of housing loan contracts entered into with private persons reached an all-time high at the end of 2017, to 175,149 (170,175 at the end of 2016). The number of student loan contracts was 43,742 (51,249 at the end of 2016), overdraft contracts 60,005 (66,652 at the end of 2016), credit card contracts 185,407 (190,110 at the end of 2016) and other loan contracts 24,131 (22,657 at the end of 2016).

MARKET DIVISION OF BANK LOANS

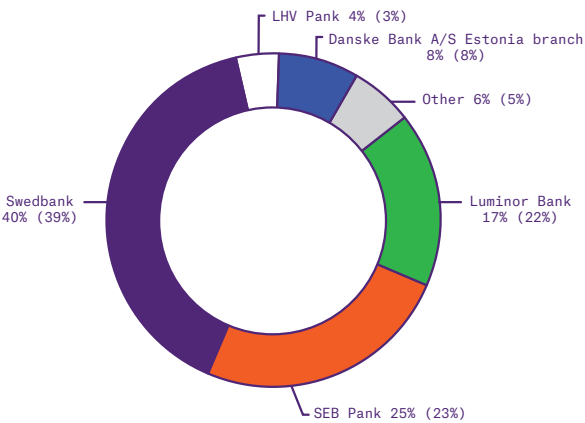
In 2017, the Estonian loan market was mainly divided between three large credit institutions, which together held 82% of the loan market. The largest market share, or 42%, of the total loan portfolio belonged to Swedbank, followed by SEB Pank (25%) and Luminor Bank (17%). Danske Bank Estonia branch held 8% of the market.

The remaining 18% of the market was divided between 11 banks, with the largest market share (4%) belonging to LHV Pank.

The average balance of loans of private persons (EUR)

	31.12.2016	30.06.2017	31.12.2017
Housing loans	39,083	39,498	40,528
Student loans	2,192	2,203	2,180
Consumer loans	2,203	2,210	2,169
Overdraft	288	280	336
Credit cards	828	839	866
Other loans	14,083	14,139	14,334

Market division of bank loans at the end of 2017 (end of 2016 in brackets)



31 Private persons and non-profit associations take other loans for various reasons, including for purchasing securities and starting or expanding their business activities.

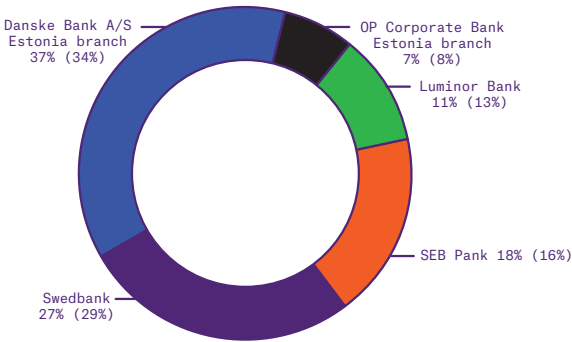
In 2017, the largest volume of loans to the government was granted by Danske Bank A/S Estonia branch, whose market share has increased from 34% to 37% over the year. It was followed by Swedbank with 27% and SEB Pank with 18%.

The largest part of the loans to financial institutions, however, has been granted by Luminor Bank (32%), followed by Swedbank (29%) and SEB Pank (26%).

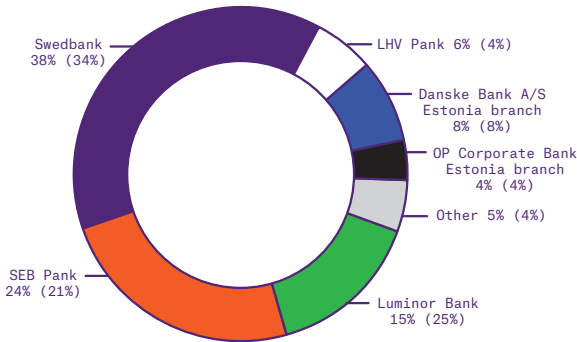
There have also been some changes in the segment of corporate loans. Swedbank, which has the largest market share, has increased it even more – from 34% to 38%. The market share of SEB Pank has also grown, from 21% to 24%, whereas that of the newly established Luminor Bank has decreased from 25% to 15%.

The largest part of the balance of private person loans is still concentrated in Swedbank (46%) and SEB Pank (27%). The market share of Luminor Bank was 15% at the end of the year.

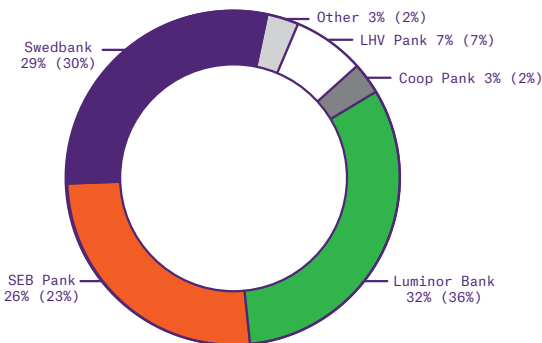
Market division of government loans at the end of 2017 (end of 2016 in brackets)



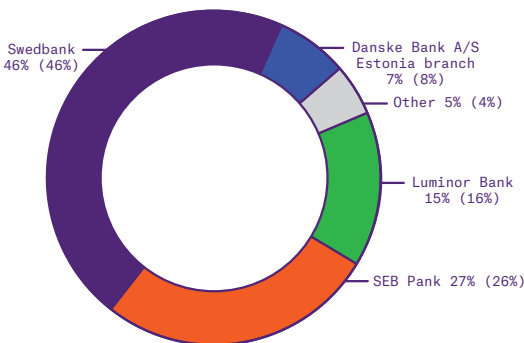
Market division of corporate loans at the end of 2017 (end of 2016 in brackets)



Market division of loans to financial institutions at the end of 2017 (end of 2016 in brackets)



Market division of private person loans at the end of 2017 (end of 2016 in brackets)



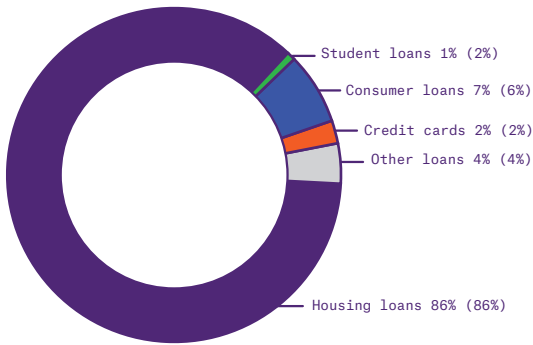
The largest part of loans issued to private persons are housing loans, which at the end of 2017 made up 86% of the total loan balance.

Among loans related to everyday expenses (consumer loans, credit card limits, overdraft), the share of consumer loans continued to increase, reaching from 72% to 74%. By the end of 2017, the amount of loans issued for everyday consumption totalled 0.7 billion euros. The market of loans to private persons is highly concentrated: at the end of 2017, approximately one half of the market belonged to Swedbank

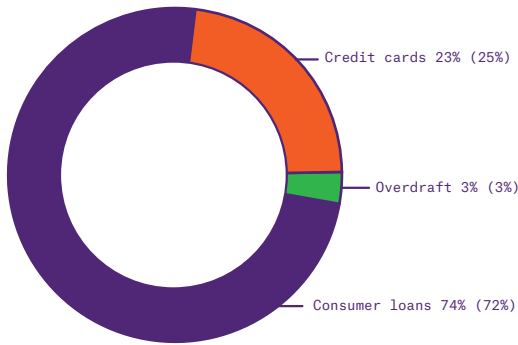
and the remainder was mainly divided between SEB Pank and Luminor Bank.

As regards consumer loans, the market share of Inbank increased significantly in 2017 – from 10% to 15%. Based on the balance of consumer loans, Inbank’s market share ranked second after Swedbank, whose market share is 61%. They were followed by SEB Pank with 11%. The TF Bank Estonia branch entered the consumer loans market and actively increased its market share to 7% by the end of the year.

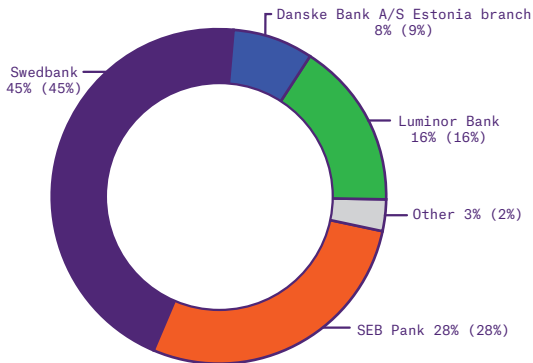
Distribution of private person loans at the end of 2017 (end of 2016 in brackets)



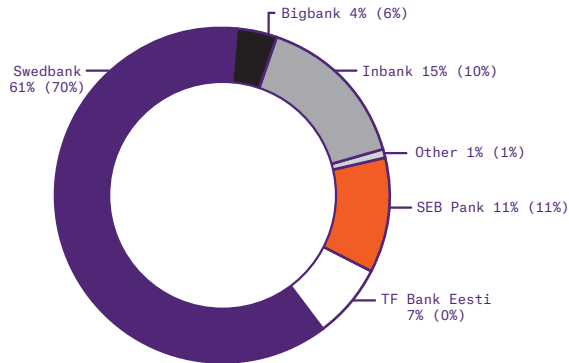
Distribution of loans related to everyday consumption at the end of 2017 (end of 2016 in brackets)



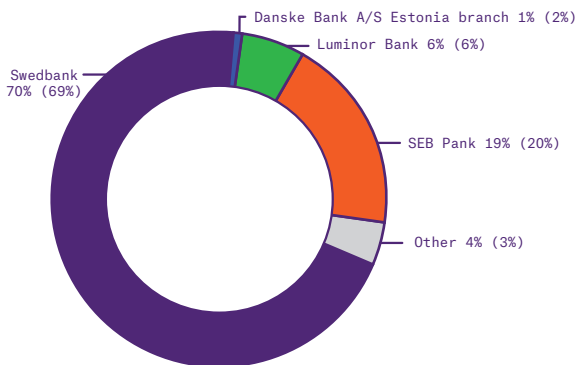
Market division of private person housing loans at the end of 2017 (end of 2016 in brackets)



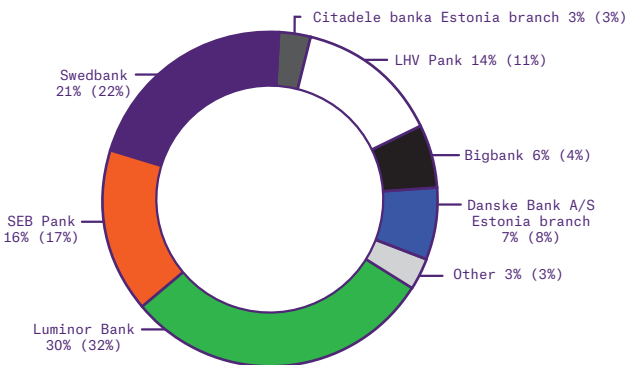
Market division of private person consumer loans at the end of 2017 (end of 2016 in brackets)



Market division of private person credit cards at the end of 2017 (end of 2016 in brackets)



Market division of other private person loans at the end of 2017 (end of 2016 in brackets)



10. Loans issued by creditors

Market division:

Swedbank Liising	24%
Luminor Liising AS	
(former business name AS Nordea Finance Estonia)	21%
SEB Liising	20%

Private customers:

497,182 effective contracts

Service volume:

Consolidated loan portfolio volume 867 million euros

As at the end of 2017, there were 53 companies which held a creditor authorisation. In addition, there were 12 creditors related to banks and seven credit intermediaries on the market.

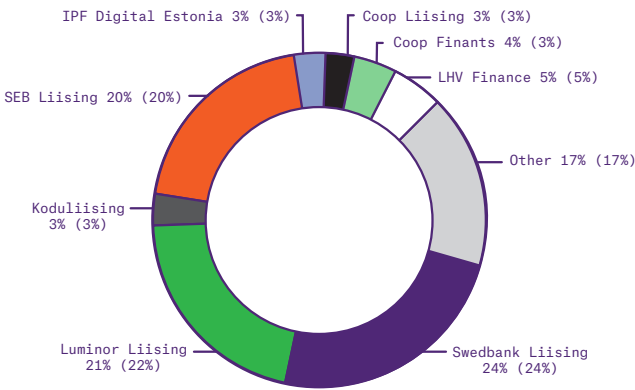
The balance of the loan portfolio of creditors holding an authorisation or operating on the basis of exemption increased by 17% in 2017, reaching 867 million euros by the end of the year (741 million euros at the end of 2016). The biggest share of it, i.e. 79%, had been issued by companies related to banks. The remaining 21% of the market was covered by creditors not related to banks. Among them, the largest market shares belonged to IPF Digital Estonia and Koduliising, both holding 3%.

Operating mostly as leasing companies, creditors related to banks differ from other creditors by the structure of their loan portfolios and credit conditions.

The average value of a loan contract varies to a great extent by the type of credit contract. As at the end of 2017, the largest average loan balance was recorded for residential real estate loans, standing at 23,340 euros for creditors related to banks and 12,781 euros for other creditors. The average balance of a vehicle lease contract was 9,497 euros for creditors related to banks and 2,781 euros for other creditors. The average balance of contracts of other monetary credit related to everyday settlements and instalment purchase of assets was 758 euros and 677 euros, respectively, for creditors related to banks, and 677 euros and 352 euros, respectively, for other creditors.

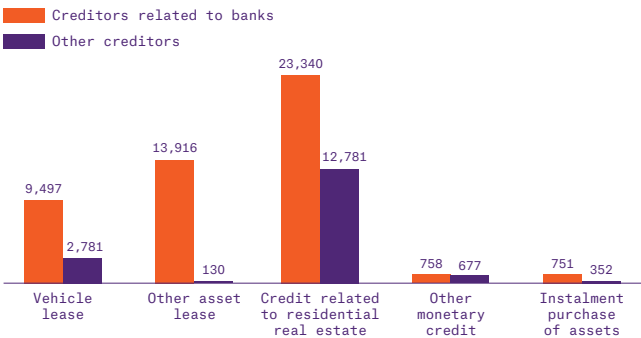
The average annual percentage rate of charge for consumer loans differed significantly between creditors related to banks and other creditors. At the end of last year,

Market division of all creditors by the balance of loan portfolio at the end of 2017 (end of 2016 in brackets)

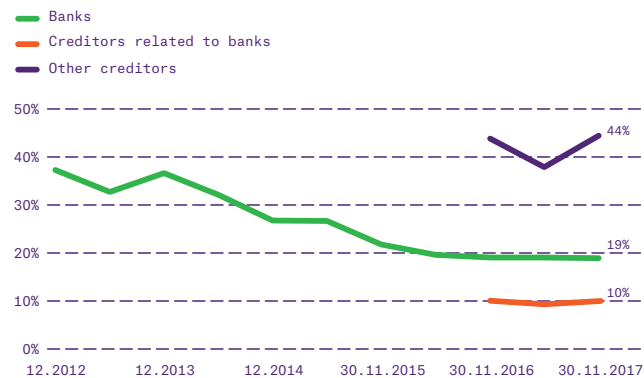


the average annual percentage rate of charge for consumer loans (including leasing, other monetary credit and instalment purchase) was 10% for creditors related to banks but 44% for other creditors. Banks' average annual percentage rate of charge for consumer loans was 19%. In the second half of the year, the basis of operation of Coop Finants changed and it was moved from the category of other credit institutions to that of creditors operating on the basis of exemption. This was reflected in a change in the credit institution's average annual percentage rate of charge for consumer loans in the second half of 2017.

Average balance of loan contracts at the end of 2017 (EUR)



Annual percentage rate of charge for consumer loans



CREDITORS RELATED TO BANKS

In the second half of 2017, Coop Finants was moved to the category of creditors operating on the basis of exemption. Being a significant creditor by both its loan balance and number of contracts, this change in the status of Coop Finants affected the aggregate figures of both categories of creditors.

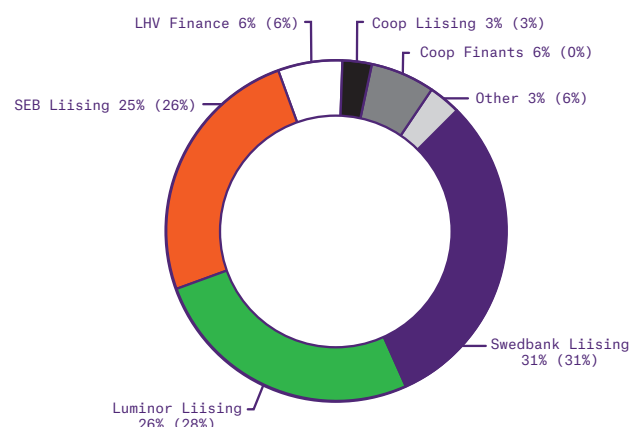
The balance of loan portfolios of creditors related to banks was 689 million euros at the end of 2017 (575 million euros at the end of 2016). The main change in the loan portfolio of creditors related to banks in 2017 was an increase in the balance of vehicle lease from 456 million euros to 571 million

euros. Indeed, vehicle lease made up the largest part (83%) of the creditors' loan portfolio.

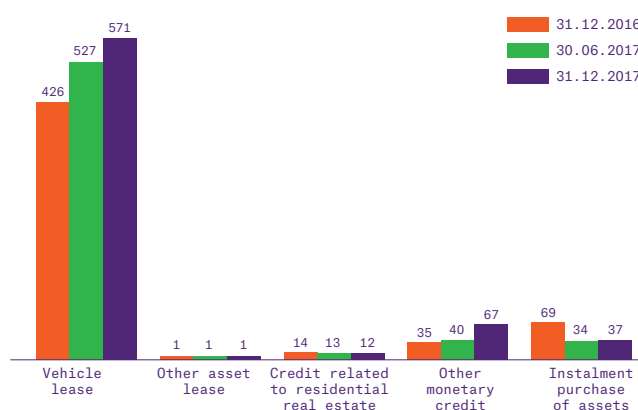
The number of contracts increased by 60% over the year, reaching 198,616 at the end of December. The main driver behind the growth was that Coop Finants was moved to the category of creditors related to banks.

The instalment purchase balance of creditors related to banks decreased over the year from 69 million euros to 37 million euros, primarily due to an accounting-related change in the reporting of one company.

Market division of creditors related to banks by the balance of loan portfolio at the end of 2017 (end of 2016 in brackets)



Balance of loans of creditors related to banks (EUR mln)



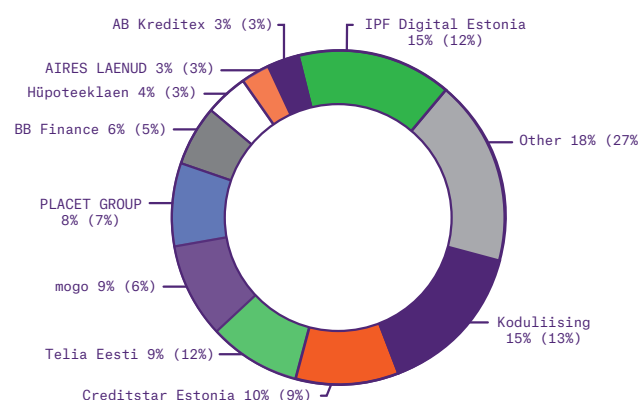
OTHER CREDITORS

In the segment of other creditors, a major part of the market was divided between less than a half of all creditors. At the end of the year, 82% of the balance of the loan portfolio belonged to ten creditors out of 51. The largest market shares belonged to IPF Digital Estonia and Koduliising, both of which held 15% of the loan portfolio of other creditors, followed by Creditstar Estonia with 10%, Telia Eesti with 9% and mogo with 9%.

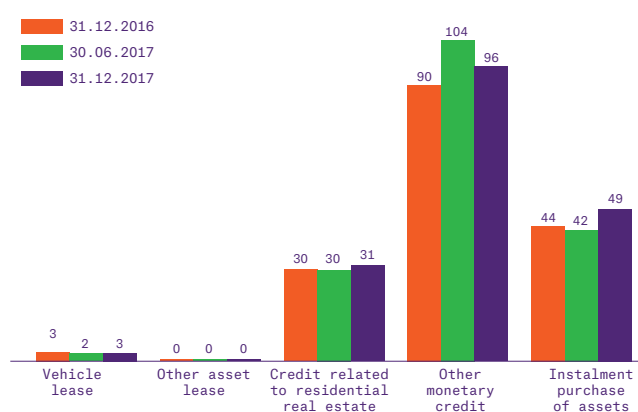
The balance of the loan portfolio of other creditors was 179 million euros (166 million euros at the end of 2016). The largest part of the loan portfolio (96 million euros) of other creditors had been issued as other monetary credit, which in its essence is a small loan without a collateral.

The number of contracts decreased by 10% in 2017, amounting to 286,640 at the end of December. In fact the number of loan contracts of other creditors increased over the year, but the figure was lower as the contracts of Coop Finants were reflected under creditors related to banks.

Market division of other creditors by the balance of loan portfolio at the end of 2017 (end of 2016 in brackets)



Balance of loans of other creditors (EUR mln)



11. Payment services

Market division:	
TavexWise	43%
GFC Good Finance	20%
Coop Finants	16%

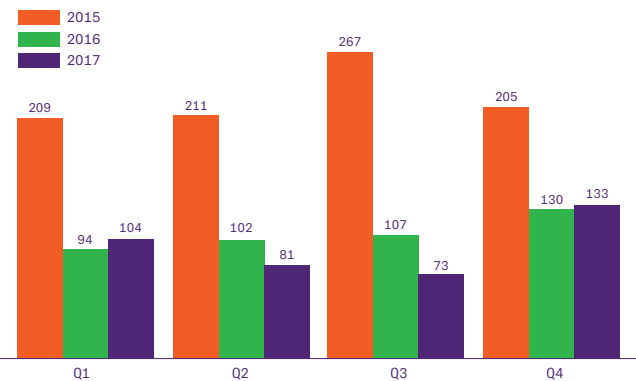
Service volume:
Total volume of payments 390 million euros

In 2017, there were 13 payment institutions operating in Estonia, four of which on the basis of an exemption authorisation.³² The volume of payments intermediated by Estonian payment institutions decreased by 10% in 2017, while the number of payments increased by 17%. The volume of intermediated payments was 390 million euros (433 million euros in 2016) and the number of payments totalled 3,935,065 (3,372,050 payments in 2016). In 2017, based on the volume

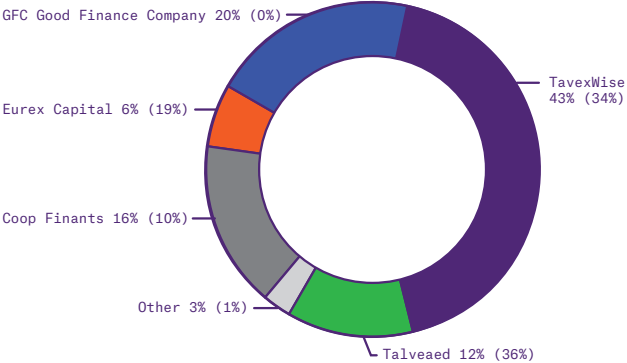
of payments, the market share of GFC Good Finance Company made an upsurge from 0% to 20%. At the same time, the market share of Talveaed decreased from 36% to 12%. The largest market share is held by TavexWise with 43%.

Based on the number of payments, the largest market share was still held by Coop Finants (former ETK Finants), which intermediated 96% of all payments.

Turnover of transactions intermediated by payment institutions (EUR mln)



Market division of payment institutions at the end of 2017 (end of 2016 in brackets)



32 An exemption authorisation is based on the exemptions applied to e-money service providers, as set out in section 12 of the Payment Institutions and E-money Institutions Act.