

Estonian financial services market at 30 June 2018

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

The volume of most financial services increased in the first half of 2018 and the volume of consumer loans and deposits grew at an even faster pace than before.

The total balance of deposits increased by 4%, or 680 million euros in the first half of 2018. The only drivers behind the growth were demand and overnight deposits. At the same time, the balance of term and savings deposits increased by 13 million euros. As at the end of June, the volume of deposits totalled 17.8 billion euros.

The consolidated balance of the banks' loan portfolios increased by 2%, or 397 million euros in the first half year. As at the end of June, the volume of the banks' total loan portfolio amounted to 18.5 billion euros. At the same time, the consolidated balance of creditors' loan portfolio increased by 10%, or 87 million euros, amounting to 0.95 billion euros.

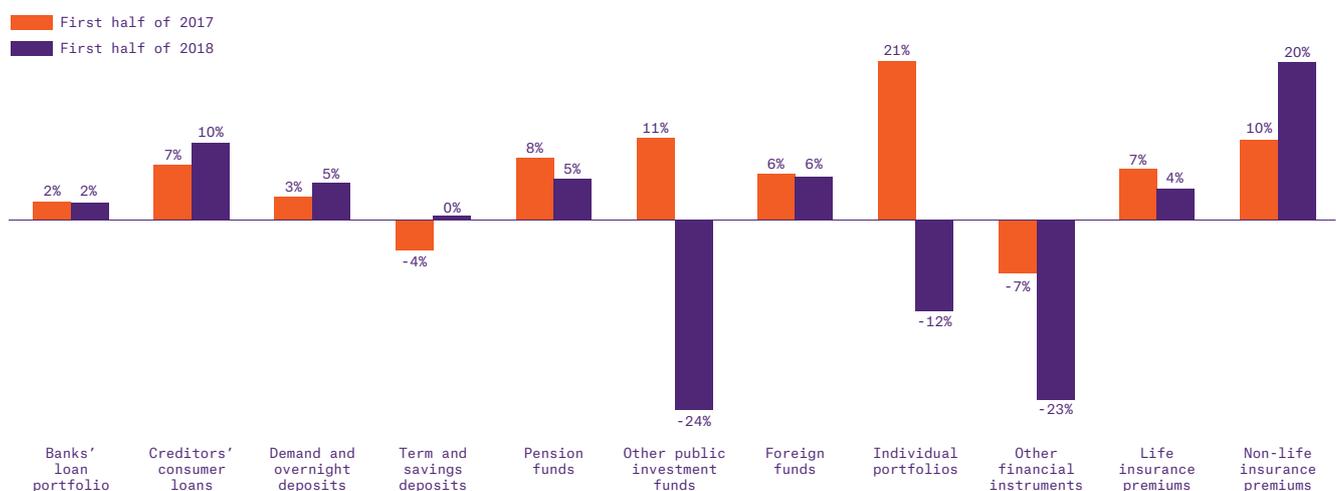
The volumes of investment services only increased in the funds segment. In addition to the growth of pension fund volumes (5%), the volume of assets of public real estate funds

made an upsurge in the first half year (19%). Growth was also observed in investments made in foreign funds¹, which increased by 6% over the year. However, the total volume of individual portfolios decreased by 12% and other investments in financial instruments by 23%.

Overall, the volume of assets placed in savings and investments oriented financial services – incl. investment and pension funds, individual portfolios, other financial instruments, term and savings deposits, and investment and other deposits – decreased by 3% in the first half of 2018 to 9.7 billion euros by the end of June (at the end of 2017, 10 billion euros). Funds held in current accounts increased by 5% over the half year, amounting to 14.9 billion euros by the end of June. Thus, the total volume of assets placed in financial services reached 24.6 billion euros in Estonia.

The volume of insurance premiums in life insurance increased by 4% and amounted to 45 million euros. The volume of insurance premiums received in non-life insurance increased by 20% and totalled 198 million euros.

Change in the volume of main financial services over the half year



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.

Volume of investment and banking services provided by Estonian financial institutions
as at the end of June 2018 (EUR mln)

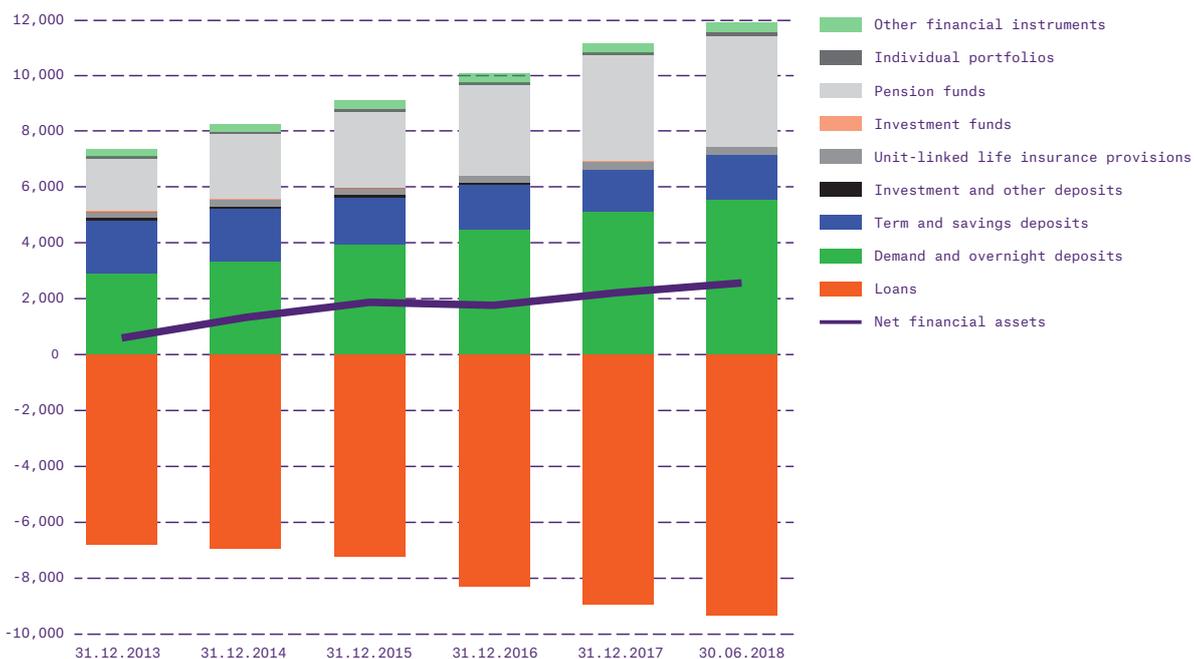
Service	Volume	incl. to Estonian resident private persons	
		Volume	share in total service
Public investment funds	432	-	-
Pension funds	4,000	4,000	100%
Foreign funds offered in Estonia	637	101	16%
Unit-linked life insurance provisions	255	255	100%
Individual portfolios	557	96	17%
Bank loans	18,510	8,368	45%
Creditor loans	954	-	-
Demand and overnight deposits	14,920	5,585	37%
Term and savings deposits	2,799	1,587	57%
Investment and other deposits	43	13	30%
Other financial instruments	995	358	36%

In the first half of 2018, financial assets of Estonian resident private persons exceeded their liabilities: the volume of the financial assets was 11.9 billion euros, while the balance of the financial liabilities was 9.3 billion euros at the end of June. The growth of the financial assets of Estonian resident private persons also exceeded that of their financial liabilities:

the financial assets grew by 6% in total, whereas the loans by 4% in total.

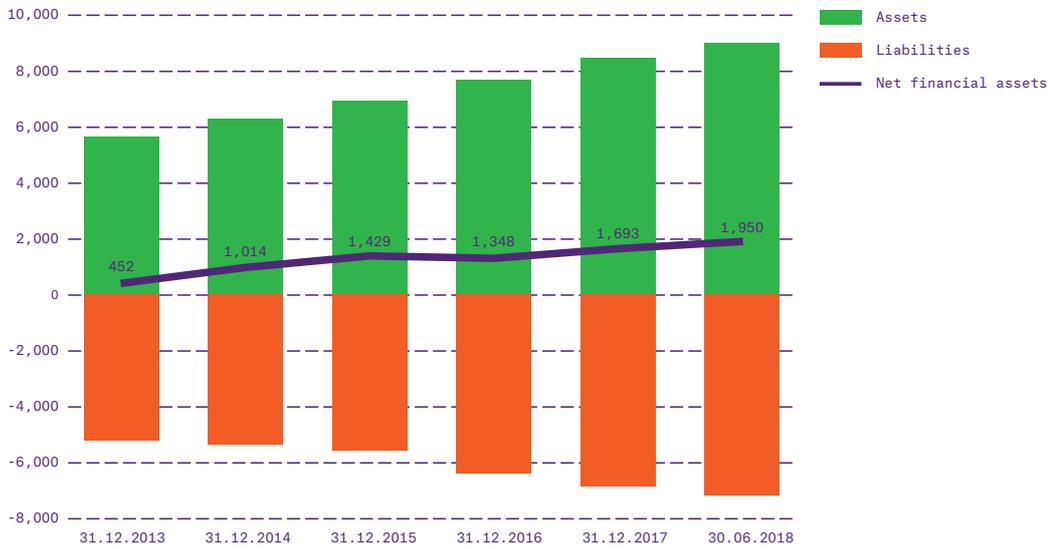
Thus, at the end of June, the net financial assets of Estonian resident private persons amounted to 2.6 billion euros, increasing by approximately 0.3 billion euros over the half year.

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



As at the end of June, the average volume of assets of an Estonian resident private person was 9,016 euros and the balance of loans 7,063 euros. Hence, the average value of the net financial assets of a private person was 1,950 euros (1,693 euros at the end of 2017).

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



2. Deposits²

Market division:

Swedbank	47%
SEB Pank	23%
Luminor Bank	10%

Customers:

2,563,084 effective contracts

Service volume:

total volume of deposits 17.8 billion euros

BALANCE OF DEPOSITS

The balance of deposits in Estonian banks increased by 4%, or 680 million euros in the first half of 2018, amounting to 17.8 billion euros by the end of June (in the first half of 2017, the growth was 1.5%, or 248 million euros). The growth rate of deposits increased primarily due to a growth in corporate deposits.

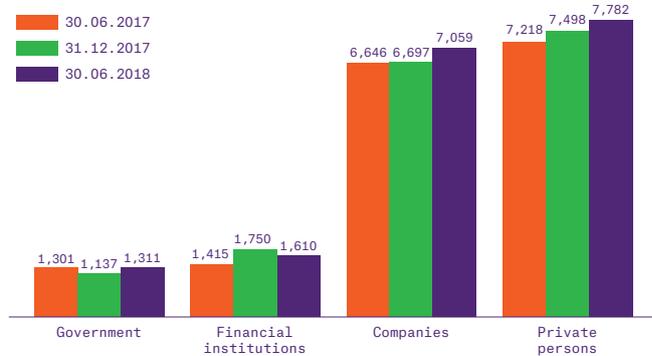
As in earlier periods, the growth was only recorded for demand and overnight deposits in the first half of 2018. Their balance increased by 684 million euros over the half year and amounted to 14.9 billion euros at the end of June. The balance of term and savings deposits did not change during the half year and totalled 2.8 billion euros at the end of June. Accordingly, only 16% of deposits were placed for a fixed term. Other deposits, including investment deposits, totalled 43 million euros.

The balance of deposits of private persons³ exceeded the balance of corporate deposits, amounting to 7.8 billion euros and seven 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 5.8 billion euros in total, or 75% of all deposits belonging to private persons. The remaining 25% comprised term and savings deposits.

40% of the balance of deposits belonged to companies⁴. Most of these corporate deposits, i.e. 91%, were demand and overnight deposits, totalling 6.4 billion euros; the remaining 9% were term and savings deposits.

At the end of June 2018, the balance of deposits of financial institutions⁵ and of the government was 1.6 billion euros and 1.3 billion euros, respectively.

Balance of deposits (EUR mln)



2 The data includes deposits held with all credit institutions operating in Estonia and 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.

3 Also includes non-profit associations.

4 Also includes state or local government companies.

5 Also includes insurance undertakings and pension funds.

MARKET DIVISION OF BANK DEPOSITS

In the first half of 2018 the balance of deposits in Estonian banks grew mostly on account of Swedbank, whose market share increased from 46% to 47% over the year. Swedbank was followed by SEB Pank with a market share of 23%. The market share of Luminor Bank⁶, established as a result of the merger of Nordea and DNB Pank, decreased from 13% to 10%. However, the market share of LHV Pank increased from 6% to 9%.

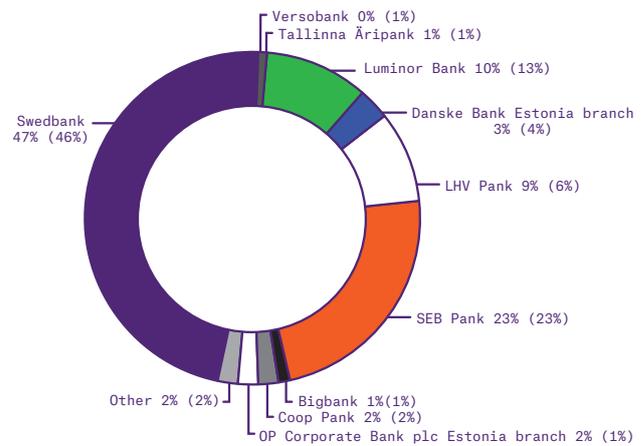
The government deposit market saw the greatest change in the market shares of Swedbank and Luminor Bank. The amounts deposited with Swedbank grew over the year, which increased its market share from 20% to 31%. Swedbank was followed by SEB Pank (30%). Government funds deposited with Luminor Bank have decreased over the year, reducing its market share from 33% to 18%.

As regards the deposits of financial institutions, the greatest market share was held by LHV Pank (35%), followed by Swedbank (31%) and SEB Pank (21%).

The largest changes in the market division of corporate deposits concerned Svenska Handelsbanken Estonian Branch and SEB Pank, whose market shares increased from 0% to 2% and from 20% to 22% over the year, respectively. The largest market share was still held by Swedbank (45%), followed by SEB Pank (22%) and Luminor Bank (12%).

The market for private person deposits continued to be stable. More than one half of the market (55%) belonged to

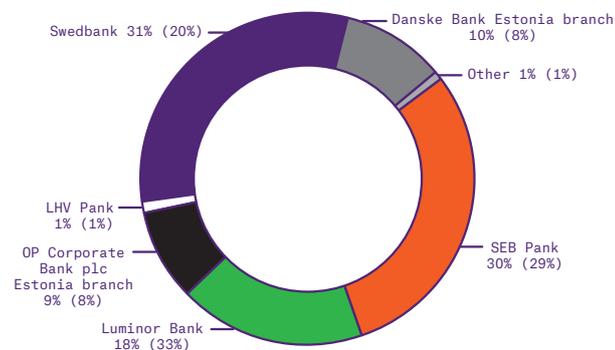
Market division of deposits as at the end of June 2018 (end of June 2017 in brackets)



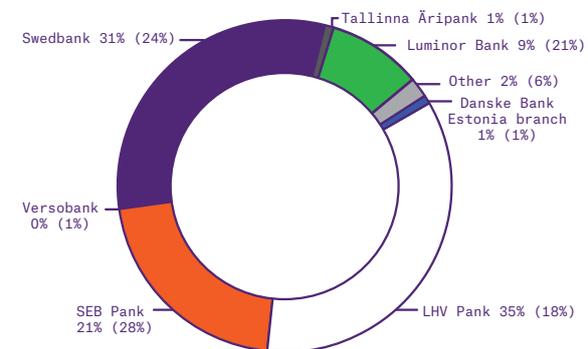
Swedbank, followed by SEB Pank (23%) and Luminor Bank (7%).

Deposits of private persons considerably increased in Inbank, i.e. by nearly 75% over the half year, as a result of which the market share of Inbank grew from 1% to 2%.

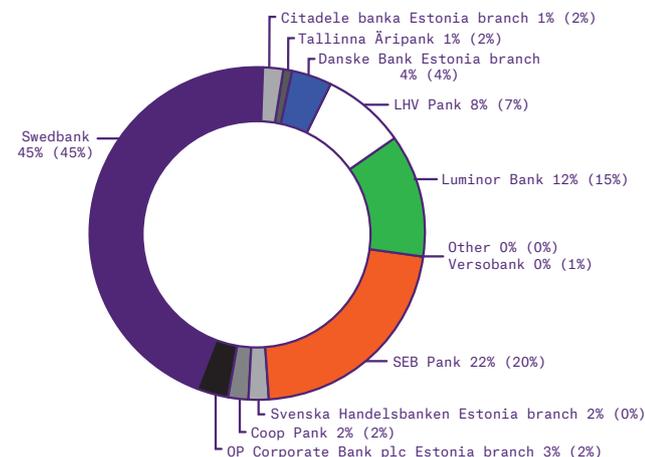
Market division of government deposits as at the end of June 2018 (end of June 2017 in brackets)



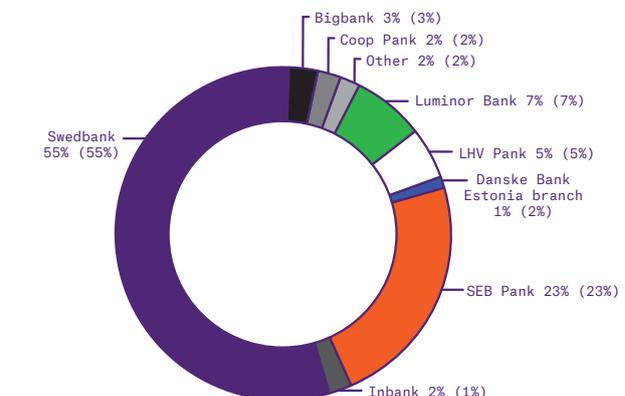
Market division of deposits of financial institutions as at the end of June 2018 (end of June 2017 in brackets)



Market division of corporate deposits as at the end of June 2018 (end of June 2017 in brackets)



Market division of private person deposits as at the end of June 2018 (end of June 2017 in brackets)



6 Luminor Bank was established as a result of the merger of Nordea and DNB Pank in the second half of 2017.

Term deposits of private persons have recently moved more to smaller banks that provide higher deposit interest rates. For example, the market share of Inbank in term deposits of private persons has increased from 0% to 7% and the market

share of Bigbank from 8% to 12% over the last three years. At the same time, the market share of Swedbank has decreased from 47% to 41%.

Division of term deposits of private persons between banks

	30.06.2015	30.06.2018
Swedbank	47%	41%
SEB Pank	15%	16%
Bigbank	8%	12%
Luminor Bank*	12%	10%
Inbank	0%	7%
Coop Pank*	4%	7%
LHV Pank	5%	3%
Tallinna Äripank	1%	2%
Citadele banka Estonia branch	1%	2%
Danske Bank Estonia branch	5%	1%
Versobank	1%	-
Total	100%	100%

Note: *In the case of Luminor Bank and Coop Pank, the data of their predecessors has been used in the 30.06.2015 column.

Change in market shares of term deposits of private persons (2018 vs 2015)



2. Deposits

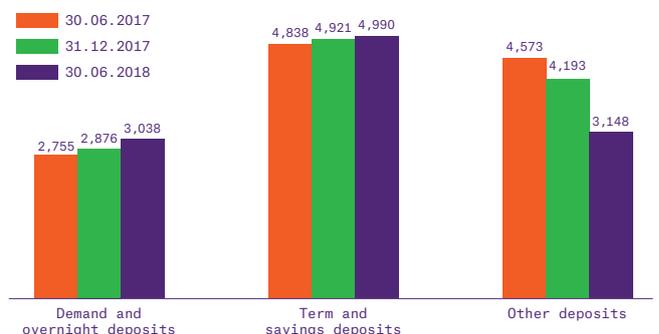
NUMBER AND SIZE OF DEPOSITS

The number of deposit contracts decreased in the first half of 2018: in the event of demand and overnight deposits by about 7,300, in the event of term and savings deposits by 4,600 and in the event of other deposits by 4,100.

Average balance of deposits of private persons (EUR)

The number of effective deposit contracts⁷ as at the end of June 2018:

- Demand and overnight deposits 2,161,000
incl. private person deposits 1,916,000
- Term and savings deposits 396,000
incl. private person deposits 390,000
- Investment and other deposits 6,300
incl. private person deposits 5,000



The average amount of demand and overnight deposits of private persons at the end of June 2018 was 3,038 euros (2,876 euros at the end of 2017), that of term and savings deposits was 4,990 euros (4,921 euros at the end of 2017) and that of investment and other deposits 3,148 euros (4,193 euros at the end of 2017).

7 Deposits with a monetary balance.

3. Investment and pension funds⁸

Market division:

Swedbank Investeerimisfondid	42%
LHV Varahaldus	26%
SEB Varahaldus	17%

Total number of unit holders:

792,441 effective contracts

Service volume:

total volume of funds 4.4 billion euros

VOLUME OF ASSETS OF FUNDS⁹

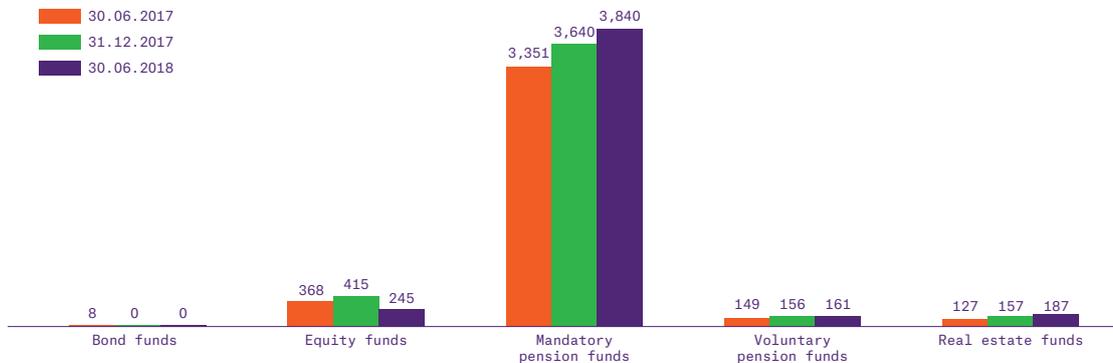
The volume of assets of public investment funds¹⁰, including pension funds, totalled 4.4 billion euros at the end of June 2018, having increased by 1%, or 64 million euros, over the half year. The volume of assets grew by 311 million euros in the first half of the last year.

The volume of assets of equity funds¹¹ decreased by 170 million euros over the half year and amounted to 245 million euros at the end of June this year. The decrease in the volume was significantly affected by the transfer of Trigon Uus Euroopa Fond, the equity fund managed by AS Trigon Asset Management, to Luxembourg.

The decrease of the volume of assets of equity funds was compensated by the continuing growth of the volume of assets of mandatory pension funds. The volume of assets of mandatory pension funds increased by 200 million euros, amounting to 3.8 billion euros at the end of June. At the same time, the volume of assets of public real estate funds grew by 30 million euros and amounted to 187 million euros.

The largest fund type continued to be mandatory pension funds, which made up 87% of the volume of the public fund sector assets. Equity funds ranked second (6%) and public real estate funds ranked third (4%). Voluntary pension funds held 3% of the total volume of the assets of public funds.

Market value of public fund investments (EUR mln)



⁸ The investment fund data includes all customers of public investment funds registered in Estonia, including foreign customers.

⁹ The volume of assets is shown in the market value.

¹⁰ 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.

¹¹ Local equity funds also include funds of funds and mixed funds

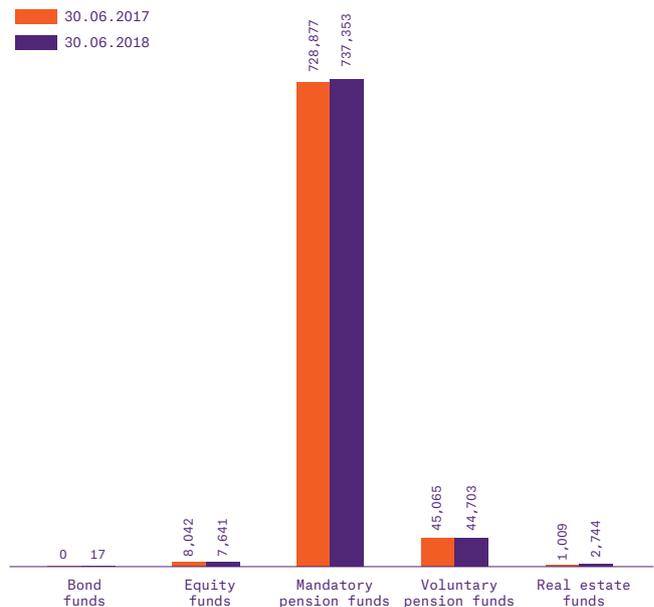
UNIT HOLDERS OF FUNDS

The number of contracts with unit holders¹² in Estonian public funds increased by 9,431 over the year, reaching 792,441 by the end of June¹³. This concerned mandatory pension funds and real estate funds, where the number of contracts increased by 8,476 and 1,735, respectively.

In other types of funds, however, the number of unit holders has decreased, the respective figures being 401 for equity funds and 362 for voluntary pension funds. There are no more bond funds in Estonia.

Consequently, the largest fund type among public funds by the number of contracts was mandatory pension funds (737,353 contracts), followed by voluntary pension funds (44,703), equity funds (7,641) and public real estate funds (2,744).

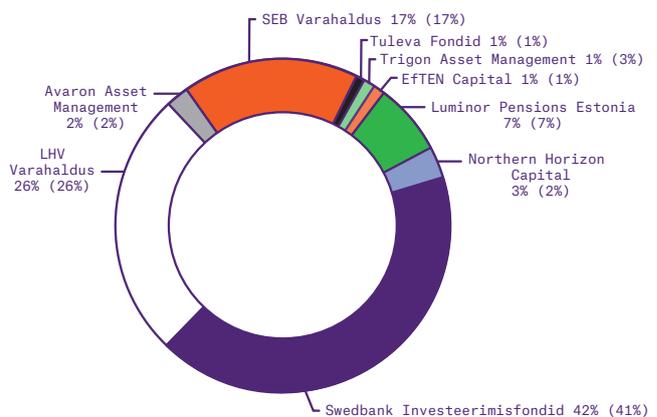
Number of contracts with unit holders in public funds



FUND MANAGEMENT COMPANIES¹⁴

The market share of Trigon Asset Management decreased the most on the market of fund services, i.e. from 3% to 1% over the year. The share of Swedbank Investeerimisfondid holding the largest market share grew even more, i.e. from 41% to 42%. 26% of the market for public funds belonged to LHV Varahaldus and 17% to SEB Varahaldus.

Market division of fund services as at the end of June 2018 (end of June 2017 in brackets)



- 12 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.
- 13 The number of unit holders also includes non-residents.
- 14 The market shares of fund management companies have been calculated on the basis of the assets of public investment funds registered in Estonia.

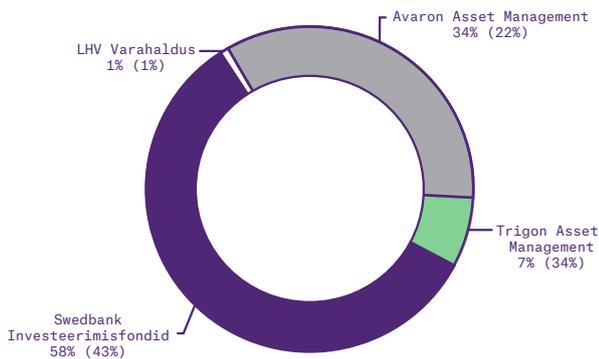
The first half year saw a redistribution on the equity funds market caused by the fact the Trigon Uus Euroopa Fond left the Estonian market. As a result, the market share of Trigon Asset Management decreased from 34% to 7% in comparison with the period the year before. At the same time, Swedbank Investeerimisfondid and Avaron Asset Management increased their market shares from 43% to 58% and from 22% to 34%, respectively. Thus, Swedbank Investeerimisfondid again became the largest fund management company.

The market division of mandatory pension funds has not changed. The largest market share continues to be held by Swedbank Investeerimisfondid (42%). At the end of June, 30% of the total assets of pension funds belonged to LHV Varahaldus and 19% to SEB Varahaldus.

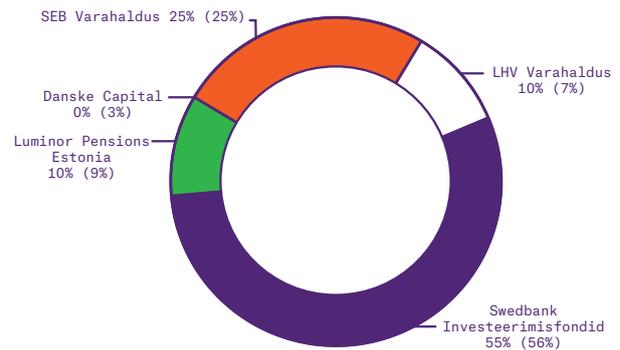
In the market of voluntary pension funds, the largest market share (55%) as at the end of June was held by Swedbank Investeerimisfondid, followed by SEB Varahaldus (25%).

There were only two fund management companies active on the market of public real estate funds – Northern Horizon Capital (75%) and EFTEN Capital (25%).

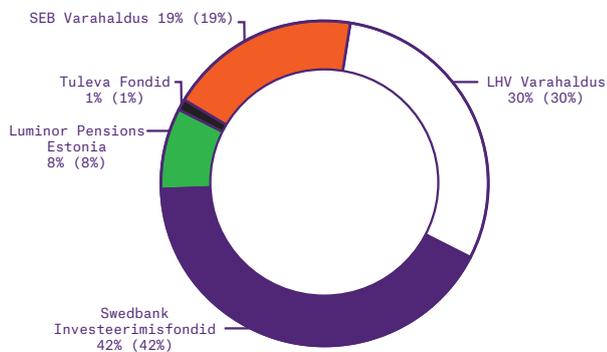
Market division of equity funds as at the end of June 2018 (end of June 2017 in brackets)



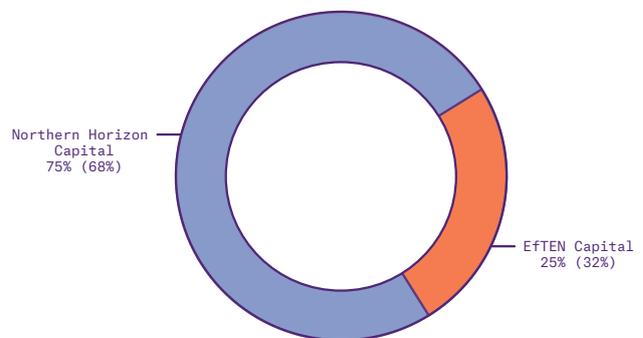
Market division of voluntary pension funds as at the end of June 2018 (end of June 2017 in brackets)



Market division of mandatory pension funds as at the end of June 2018 (end of June 2017 in brackets)



Market division of public real estate funds as at the end of June 2018 (end of June 2017 in brackets)



4. Second pillar pension payments

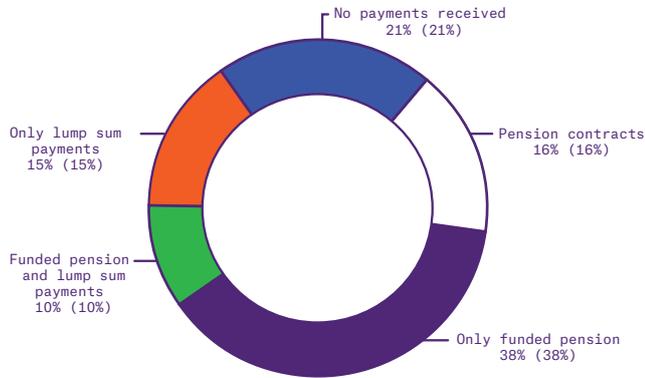
According to the Estonian Central Securities Depository, as at the end of June 2018, there were 38,681 people entitled to second pillar pension payments, which is 3,857 people more than the year before. Of these people, 37% were men and 63% were women. The division of second pillar pension payments has remained stable.

At the end of June, the share of people who had signed pension contracts¹⁵ was approximately 16% of those entitled to payments. Of those entitled to second pillar pension

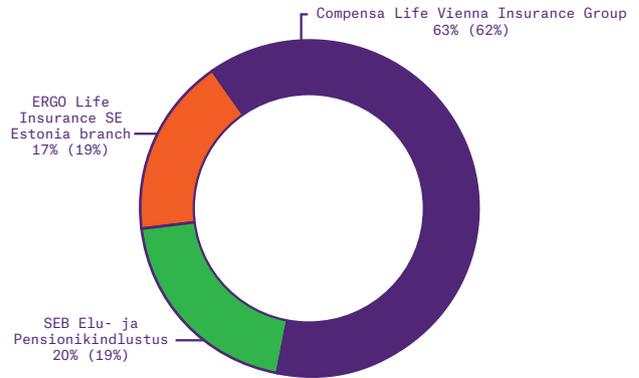
payments, 38% received only funded pension¹⁶ payments as at the end of June. Payments through funds and lump sum payments¹⁷ were received by 10% and only lump sum payments by 15% of those entitled to payments. The remaining 21% of the people entitled to second pillar pension payments had not requested it.

Of life insurance undertakings, the largest market share on 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 as at the end of June 2018 (end of June 2017 in brackets)



Market division of insurance undertakings by number of second pension pillar contracts as at the end of June 2018 (end of June 2017 in brackets)



¹⁵ A pension contract is an insurance contract entered into between a unit holder and a life insurance undertaking, based on which the insurance undertaking shall make pension payments until the death of the person who concluded the contract.

¹⁶ 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.

¹⁷ Lump sum payments are payments withdrawn all at once from the pension fund.

5. Management of securities portfolios¹⁸

Market division:

Swedbank grupp	63%
SEB Bank	11%
LHV Pank	11%

Service volume:

total volume of portfolios 557 million euros

VOLUME OF PORTFOLIOS

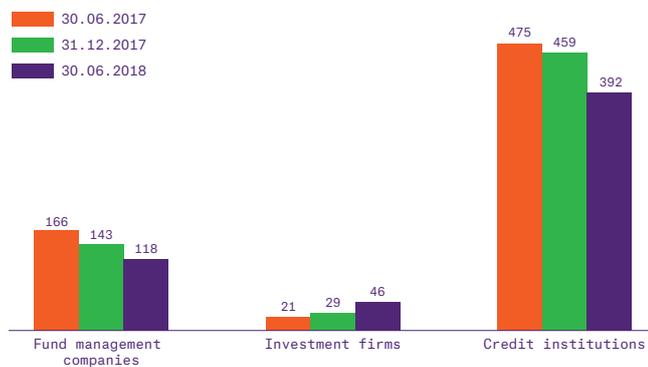
Portfolio management services are provided by fund management companies, banks and investment firms. In the first half of 2018, the total volume of portfolios decreased by 12% and amounted to 557 million euros (662 million euros the year before).

The volume of portfolios managed by banks decreased from 459 million euros to 392 million euros and the volume of customer portfolios managed by fund management companies decreased from 143 million euros to 118 million euros. However, the volume of portfolios managed by investment firms increased from 29 million euros to 46 million euros. The main driver behind the growth was the fact that AS Kawe Kapital was recognised under the category of investment firms. The company, which had previously operated on the basis of the authorisation of the fund management company, obtained the authorisation of an investment firm in spring.

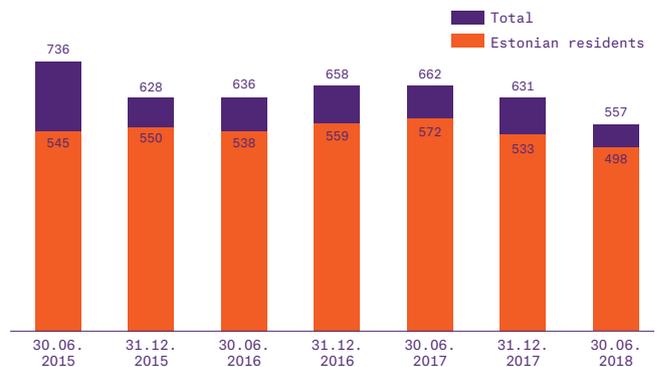
CUSTOMERS OF PORTFOLIO MANAGEMENT SERVICES

At the end of June, the majority share of combined customer portfolios belonged to Estonian residents: approximately 90%, i.e. 498 million euros (572 million euros the year before) of the total volume. Of this amount, 282 million euros belonged to financial institutions, 118 million euros to companies, 96 million euros to private persons¹⁹ and three million euros to the government.

Portfolio volumes (EUR mln)



Total volume of individual portfolios by residence (EUR mln)



¹⁸ 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.

¹⁹ 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. Government also means national social assistance funds.

PORTFOLIO MANAGERS

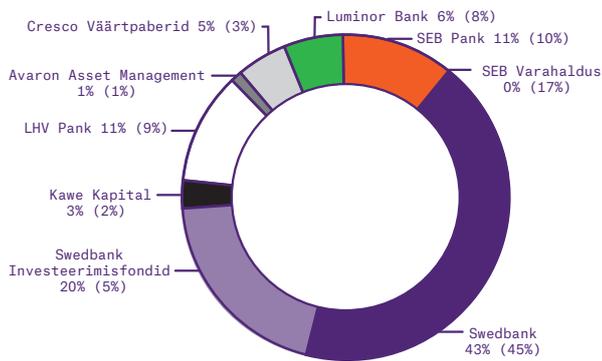
Compared to the period the year before, the portfolio management market saw significant changes in the second half of 2017 when SEB Varahaldus exited the business of institutional portfolio management and Swedbank Investeerimisfondid increased its business volumes.

At the end of June 2018, the largest share in the market of portfolio management (43%) belonged to Swedbank Group companies. The market share of SEB Pank and LHV Pank was 11%.

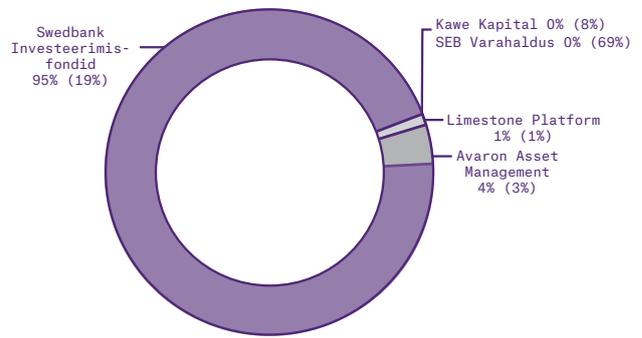
As regards fund management companies, the largest portfolio management volume belonged to Swedbank Investeerimisfondid whose market share grew from 19% to 95% year-on-year by the end of June. Avaron Asset Management held 4% and Limestone Platform 1% of the market of fund management companies.

The largest portfolio among banks is managed by Swedbank, which held 61% of the market at the end of June. Swedbank was followed by LHV Pank and SEB Pank, both of them with 15% of the market.

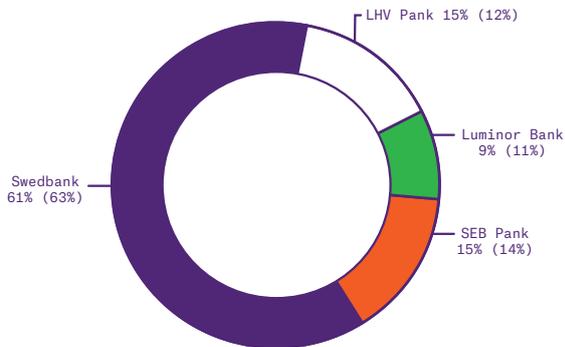
Market division of portfolio management by service providers as at the end of June 2018 (end of June 2017 in brackets)



Market division of portfolio management by fund management companies as at the end of June 2018 (end of June 2017 in brackets)



Market division of portfolio management by credit institutions as at the end of June 2018 (end of June 2017 in brackets)



6. Life insurance

Market division:

Swedbank Life Insurance SE	41%
SEB Elu- ja Pensionikindlustus	26%
Compensa Life Vienna Insurance Group SE	19%

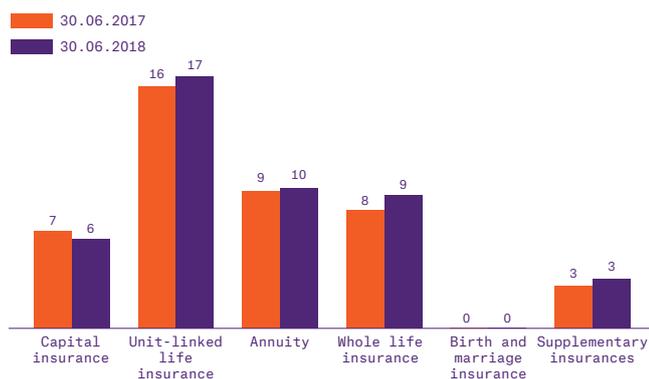
Service volume:

in the first half of 2018, the collected insurance premiums amounted to 45 million euros

INSURANCE PREMIUMS

In the first half of 2018, life insurance undertakings in Estonia collected 45 million euros in insurance premiums²⁰. The amount of collected insurance premiums was 43 million euros during the same period the year before, which means that the volume of insurance premiums has increased by 4% year-on-year.

Insurance premiums by type of life insurance (EUR mln)



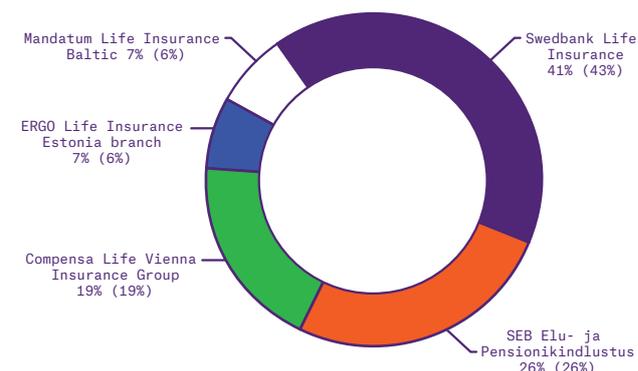
The growth in insurance premiums was mainly due to whole life insurance premiums, the volume of which increased from eight million euros to nine million euros over the year. The volumes of unit-linked life insurance and annuity premiums also increased, i.e. from 16 million euros to 17 million euros and from nine million euros to ten million euros, respectively. The volume of capital insurance premiums decreased from seven million euros to six million euros.

The product with the largest volume is still unit-linked life insurance, accounting for 38% of all life insurance products in the first half of 2018 (also 38% during the same period the year before). This was followed by annuities, whose share was 21% at the end of June (22% the year before). Whole life insurance with a share of 20% has risen to the third place (18% the year before). Capital insurance accounted for 13% of all life insurance products (15% 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 86% of all insurance premiums in the first half of 2018 (88% the year before).

Market division of life insurance undertakings by collected insurance premiums in the first half of 2018 (the first half of 2017 in brackets)



In the first half of the year, growth was the largest in the volume of insurance premiums collected by ERGO Life Insurance Estonia branch, leading to an increase in its market share from 6% to 7%. The increase in the volume of insurance premiums was supported by annuity premiums.

The market share of Swedbank Life Insurance SE decreased from 43% to 41%. The market shares of SEB Elu- ja Pensionikindlustus and Compensa Life Vienna Insurance Group SE remained at 26% and 19%, respectively.

²⁰ The information does not include insurance premiums collected outside of Estonia.

The volume of capital insurance premiums has continued to decrease 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 June was SEB Elu- ja Pensionikindlustus with a market share of 50%.

The amount of collected unit-linked life insurance premiums increased in almost all life insurance undertakings, except in Swedbank Life Insurance SE. 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 SEB Elu- ja Pensionikindlustus and Mandatum Life Insurance Baltic SE, leading to an increase in their market shares from 16% to 19% and from 13% to 15%, respectively.

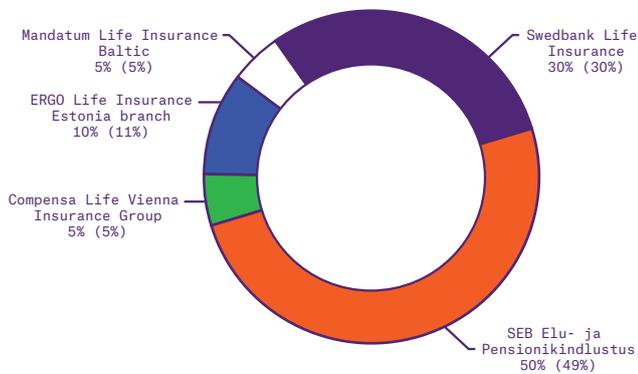
Swedbank Life Insurance SE continues to be the market leader although its market share decreased from 62% to 56%.

In the first half year, ERGO Life Insurance Estonia branch collected significantly more annuity premiums, which led to an increase in its market share from 9% to 15%. However, the market share of SEB Elu- ja Pensionikindlustus decreased from 24% to 19%.

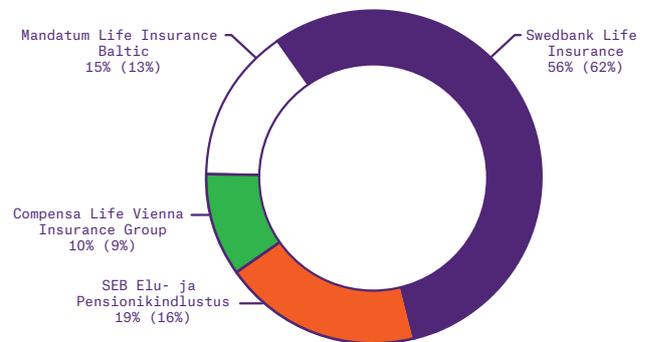
The largest annuity service provider in Estonia continued to be Compensa Life Vienna Insurance Group SE, holding 66% of the market as at the end of June.

The market shares of whole life insurance providers have not changed over the year. The largest part of the market is covered by Swedbank Life Insurance SE with 64%, followed by SEB Elu- ja Pensionikindlustus with 26%.

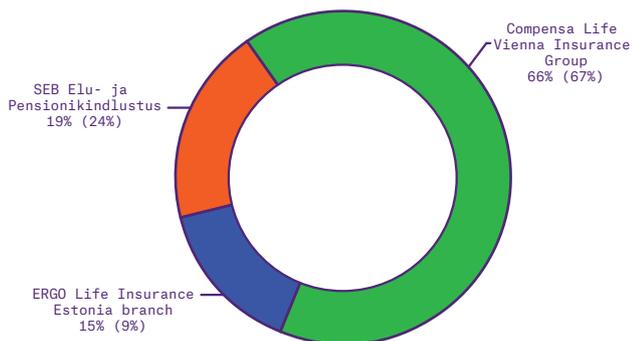
Market division of capital insurance as at the end of June 2018 (end of June 2017 in brackets)



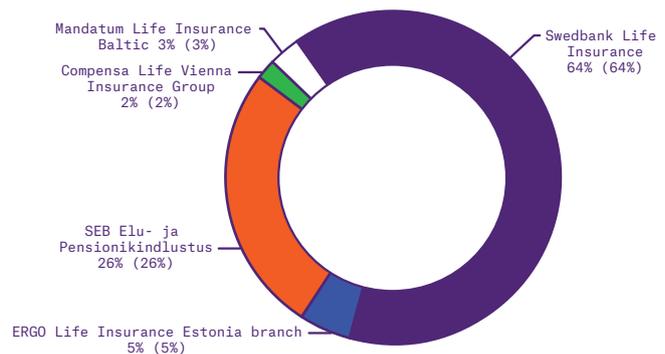
Market division of unit-linked life insurance as at the end of June 2018 (end of June 2017 in brackets)



Market division of annuities as at the end of June 2018 (end of June 2017 in brackets)



Market division of whole life insurance as at the end of June 2018 (end of June 2017 in brackets)



6.1. Life insurance brokers

Market division:

KindlustusEst Kindlustusmaakler	36%
IIZI Kindlustusmaakler	20%
BALTO LINK, UADBB Estonia branch	18%

Customers:

399 brokered contracts

Service volume:

in the first half of 2018, brokered insurance premiums amounted to 348,000 euros

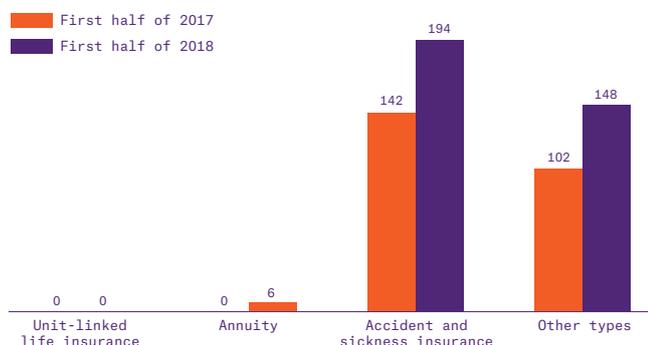
BROKERED INSURANCE PREMIUMS

According to the data received by Finantsinspektsioon, insurance brokers registered in Estonia brokered insurance premiums in life insurance for a total amount of 348,000 euros in the first half of 2018. Although the volume of brokered insurance premiums increased even by 43% over the year, the volume of life insurance premiums collected via brokers is still very low – less than 1% of life insurance premiums of Estonian insurance undertakings.

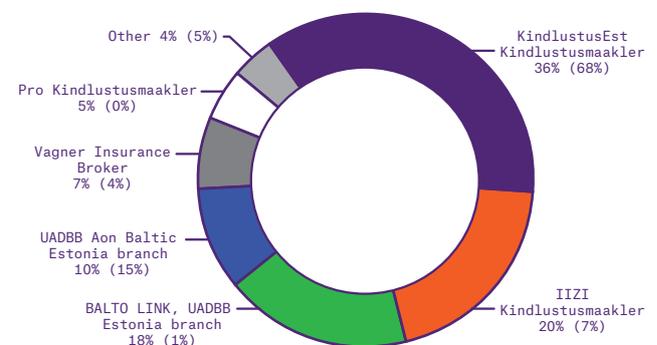
INSURANCE BROKERS

In the first half of 2018, there were ten insurance brokers intermediating life insurance contracts. The largest market share (36%) was still held by KindlustusEst Kindlustusmaakler, followed by IIZI Kindlustusmaakler (20%) and BALTO LINK, UADBB Estonian branch (18%).

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



Market division of insurance brokers by life insurance premiums in the first half of 2018 (the first half of 2017 in brackets)



Insurance brokers mainly intermediated accident and sickness insurance contracts and other life insurance contracts in the amount of 194,000 and 148,000 euros, respectively. The most popular type of other life insurance contracts was term life insurance.

Annuity premiums were also brokered for the first time since 2014, the respective amount being 6,000 euros. Premiums of unit-linked life insurance contracts were not brokered at all.

Estonian life insurance brokers also largely intermediate insurance contracts for insurance providers in the countries of the European Economic Area. In the first half year, the latter accounted for 46% of insurance premiums (71% the year before) and 59% of the number of contracts (61% the year before).

7. Non-life insurance²¹

Market division:

IF P&C Insurance AS	26%
Swedbank P&C Insurance	16%
„Lietuvos draudimas“ Estonia branch	15%

Customers:

no information available

Service volume:

in the first half of 2018, the collected insurance premiums amounted to 198 million euros

INSURANCE PREMIUMS

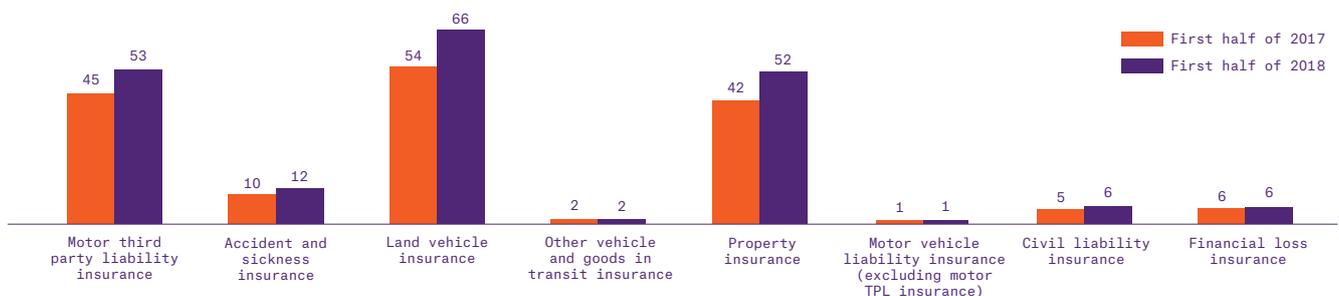
In the first half of 2018, non-life insurance undertakings and the branches of foreign non-life insurance undertakings operating in Estonia received a total of 198 million euros in insurance premiums (165 million euros the year before). The branches of foreign insurance undertakings in Estonia received 26%, or 52 million euros of all the insurance premiums. Of the premiums collected by non-life insurance undertakings, 34%, or 68 million euros were collected via insurance brokers (41%, or 67 million euros the year before).

The volume of insurance premiums of all types of non-life insurance has increased over the year. The biggest growth (12 million euros) was recorded for land vehicle insurance. The volume of property insurance premiums has increased by ten million euros and the volume of motor third party liability insurance premiums by eight million euros.

Land vehicle insurance, i.e. optional motor vehicle insurance, is still the largest type of insurance with insurance premiums amounting to 66 million euros in the first half of the year. This was followed by motor third party liability insurance and property insurance with the volumes of premiums amounting to 53 million euros and 52 million euros, respectively.

In the first half of the year, 99 million euros were paid out as indemnities, which is 12 million euros more than the year before. The amount of indemnities paid out increased the most – from 34 million euros to 38 million euros – in land vehicle insurance. Thus, the largest amount of indemnities was paid out in land vehicle insurance.

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



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



²¹ 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 the data of Statistics Estonia.

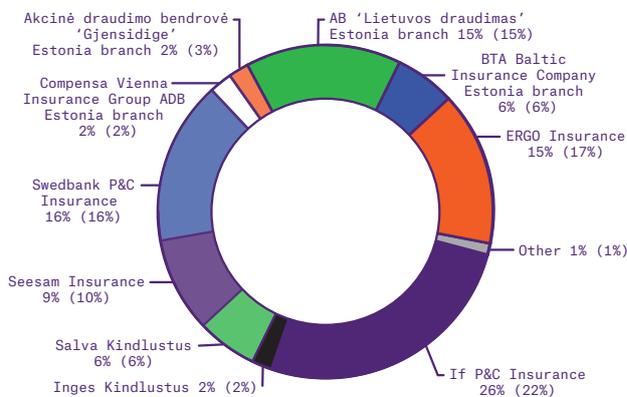
INSURANCE PROVIDERS

In the first half of 2018, the volume of insurance premiums increased the most in If P&C Insurance²², which was reflected in an increase of its market share from 22% to 26%. Based on collected insurance premiums, If P&C Insurance continues to be the market leader among non-life insurance undertakings.

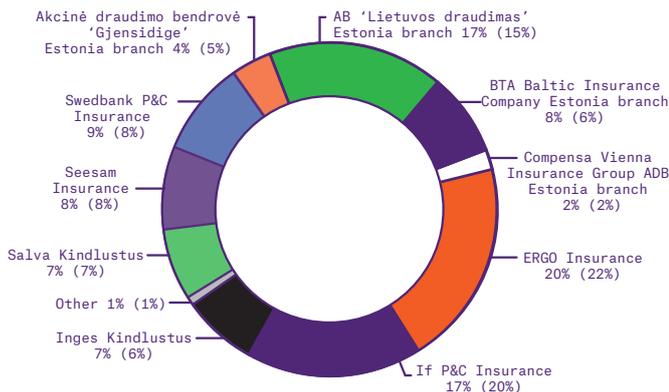
If P&C Insurance also holds the largest market share in land vehicle and property insurance and the insurance undertaking increased its market share of these types of insurance even more.

ERGO Insurance SE is the market leader in motor third party liability insurance with 20%, followed by If P&C Insurance (17%) and AB Lietuvos draudimas Estonia branch (17%).

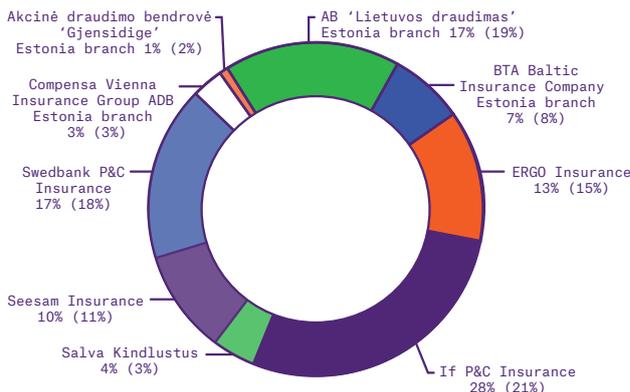
Market division of non-life insurance undertakings by insurance premiums collected in the first half of 2018 (the first half of 2017 in brackets)



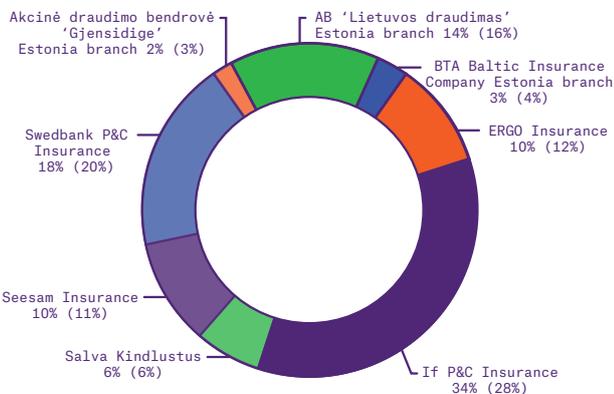
Market division of motor third party liability insurance as at the end of June 2018 (end of June 2017 in brackets)



Market division of land vehicle insurance as at the end of June 2018 (end of June 2017 in brackets)



Market division of property insurance as at the end of June 2018 (end of June 2017 in brackets)



²² In 2018, If P&C Insurance changed the recognition of insurance premiums in its reporting, which led to a single positive effect on the revenue from insurance premiums in Q1. The volumes of insurance premiums of If P&C Insurance and other insurance undertakings for this period are based on different calculation methods due to the change and, thus, cannot be compared. To ensure the comparability of statistical data, from 1 January 2019 other insurance undertaking will also adopt the same method of recognition of insurance premiums as that applied by If P&C Insurance.

7.1. Non-life insurance brokers

Market division:

IIZI Kindlustusmaakler	31%
Marsh Kindlustusmaakler	12%
Vandeni Kindlustusmaaklerid	8%

Customers:

413,906 brokered contracts

Service volume:

in the first half of 2018, brokered insurance premiums amounted to 92 million euros

BROKERED INSURANCE PREMIUMS

According to data received by Finantsinspektsioon, in the first half of 2018, the premiums of non-life insurance contracts intermediated by insurance brokers registered in Estonia totalled 92 million euros,²³ which is four million euros more than in the previous year.

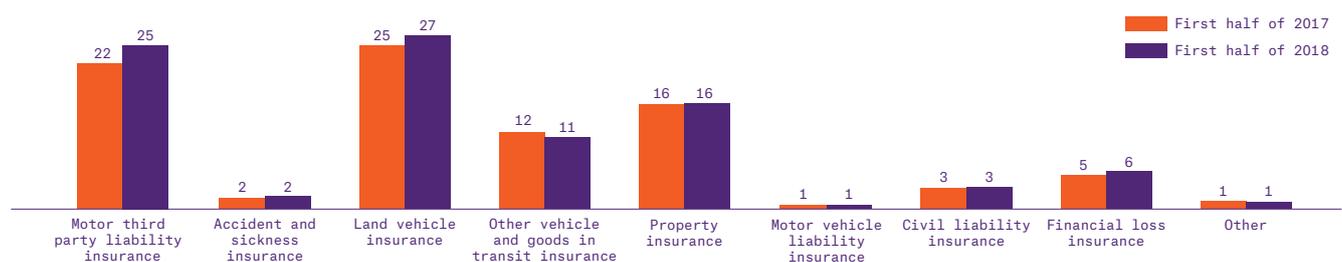
As the premiums received by non-life insurance undertakings show, based on the volume of insurance premiums intermediated by brokers, the largest type of insurance was land vehicle insurance, where the amount of brokered insurance premiums was 27 million euros in the first half of the year. The other popular classes of insurance were motor third party liability insurance (25 million euros) and property insurance (16 million euros).

Estonian insurance brokers intermediate contracts for both Estonian and foreign insurance undertakings. In the first half of the year, 74%, or 68 million euros of all brokered insurance premiums were contracts intermediated by Estonian insurance undertakings, and 26%, or 24 million euros were contracts intermediated by foreign insurance undertakings.

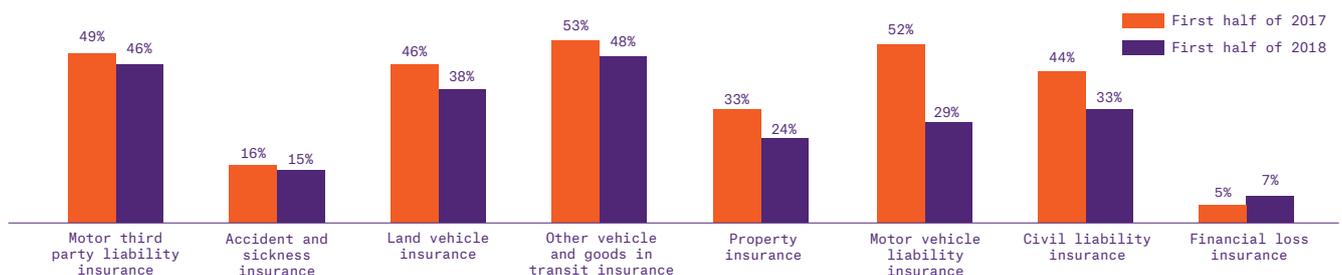
The biggest share of contracts of foreign insurance undertakings is in other vehicle and goods in transit insurance (ten million euros), followed by financial loss insurance (five million euros) and property insurance (four million euros).

In the first half year, 34% of the non-life insurance premiums collected by Estonian insurance undertakings were intermediated via brokers (41% the year before). Although brokers intermediate a significant part of insurance premiums of Estonian insurance undertakings for most types of non-life insurance, the importance of brokers has started to decrease on the market. In comparison with the period the year before, the share of insurance premiums intermediated via brokers has dropped the most in motor vehicle liability insurance and civil liability insurance, i.e. from 52% to 29% and from 44% to 33%, respectively. Their share was higher in insurance for other vehicles (air and water crafts) and goods in transit (48%) and in motor third party liability insurance (46%).

Insurance premiums received via insurance brokers by types of non-life insurance (EUR mln)



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



²³ 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 4 million euros in the first half of 2018.

INSURANCE BROKERS

In the first half of 2018, non-life insurance contracts were intermediated by 40 insurance brokers. The largest market share belonged to IIZI Kindlustusmaakler (31%), followed by Marsh Kindlustusmaakler (12%) and Vandeni Kindlustusmaaklerid (8%).

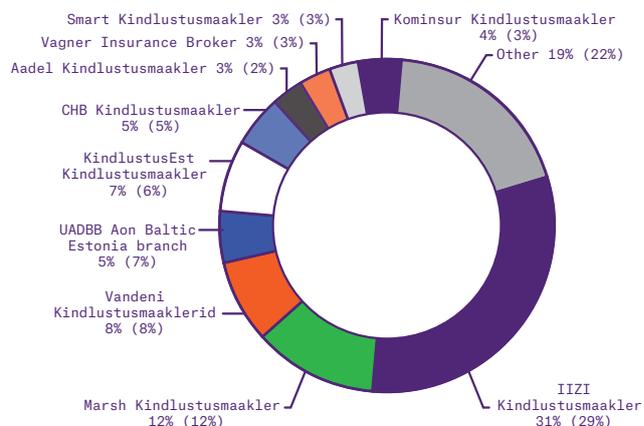
The largest market share in motor third party liability insurance belonged to IIZI Kindlustusmaakler (54%) at the end of June, followed by KindlustusEst Kindlustusmaakler (10%) and CHB Kindlustusmaakler (4%).

In land vehicle insurance, the largest market share was held by IIZI Kindlustusmaakler (41%), followed by KindlustusEst Kindlustusmaakler (8%) and Smart Kindlustusmaakler (7%).

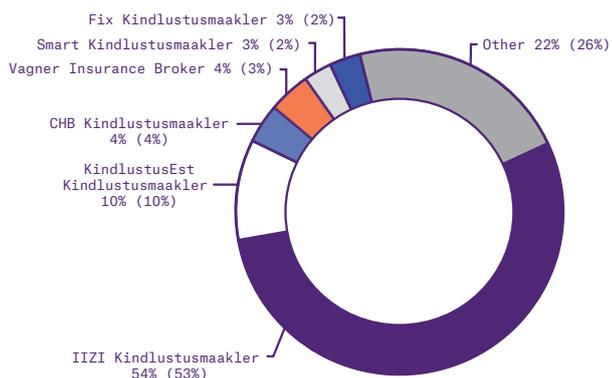
In property insurance, the market leader was Marsh Kindlustusmaakler (19%), followed by IIZI Kindlustusmaakler (18%) and UADBB Aon Baltic Estonia branch (14%).

In travel insurance, the largest market share belonged again to IIZI Kindlustusmaakler (45%), followed by KindlustusEst Kindlustusmaakler (10%) and UADBB Aon Baltic Estonia branch (5%).

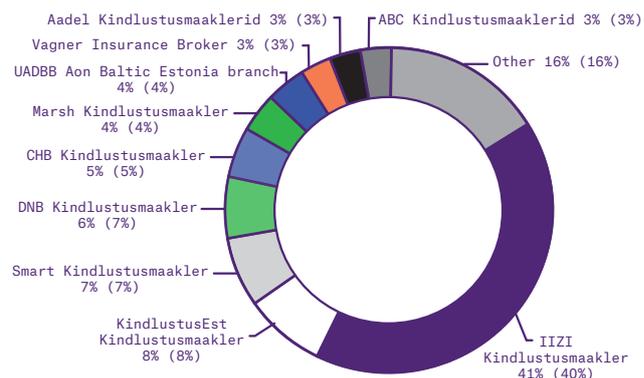
Market division of insurance brokers by non-life insurance premiums in the first half of 2018 (the first half of 2017 in brackets)



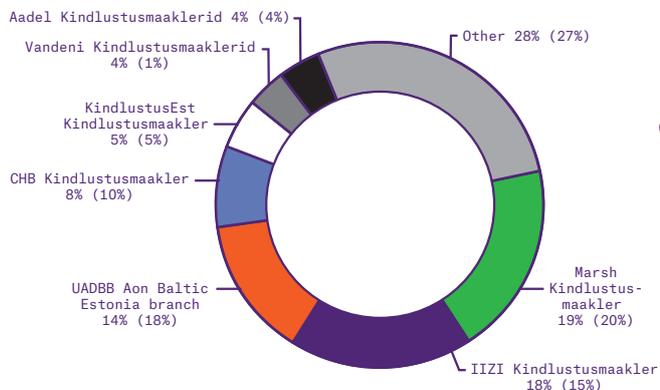
Market division of insurance brokers in motor third party liability insurance as at the end of June 2018 (end of June 2017 in brackets)



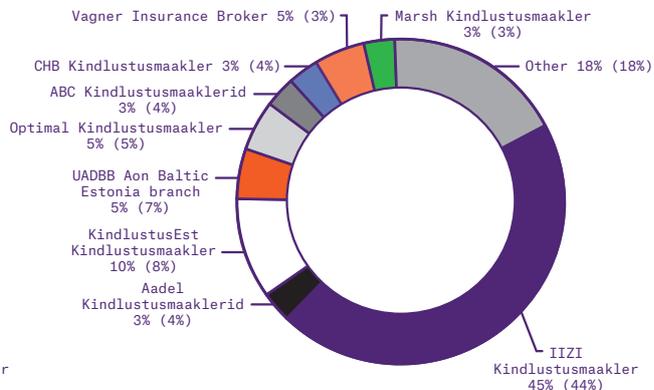
Market division of insurance brokers in land vehicle insurance as at the end of June 2018 (end of June 2017 in brackets)



Market division of insurance brokers in property insurance as at the end of June 2018 (end of June 2017 in brackets)



Market division of insurance brokers in travel insurance as at the end of June 2018 (end of June 2017 in brackets)



7.1. Non-life insurance brokers

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 ten insurance brokers out of 40.

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

Broker	Market share	
	First half of 2018	First half of 2017
IIZI Kindlustusmaakler AS	62%	61%
KindlustusEst Kindlustusmaakler OÜ	10%	10%
Vagner Insurance Broker AS	3%	3%
CHB Kindlustusmaakler OÜ	3%	3%
AS Smart Kindlustusmaakler	2%	2%
Aadel Kindlustusmaaklerid OÜ	2%	2%
Fix Kindlustusmaakler OÜ	2%	2%
NB Kindlustusmaakler OÜ	2%	2%
Optimal Kindlustusmaakler OÜ	2%	2%
OÜ ABC Kindlustusmaaklerid	1%	2%

8. Loans issued by credit institutions²⁴

Market division:

Swedbank	41%
SEB Pank	26%
Luminor Bank	16%

Private customers:

738,078 effective contracts

Service volume:

consolidated loan portfolio balance 18.5 billion euros

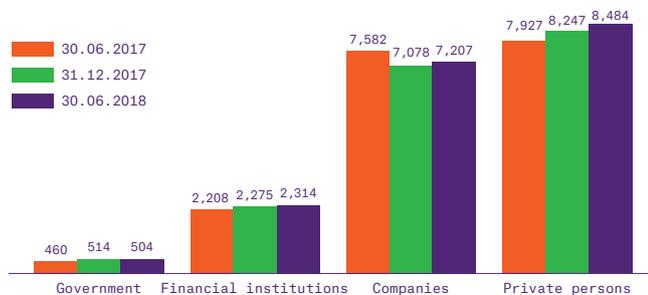
LOAN PORTFOLIO

The balance of loans issued by credit institutions increased by 2.2%, or 397 million euros in the first half of 2018, amounting to 18.5 billion euros by the end of June. (In the first half of 2017, the growth was 2.4%, or 421 million euros.) Loans to companies²⁵ made up 39% and loans to private persons²⁶ 46% of the total portfolio. The loan growth was mostly supported by loans to private persons.

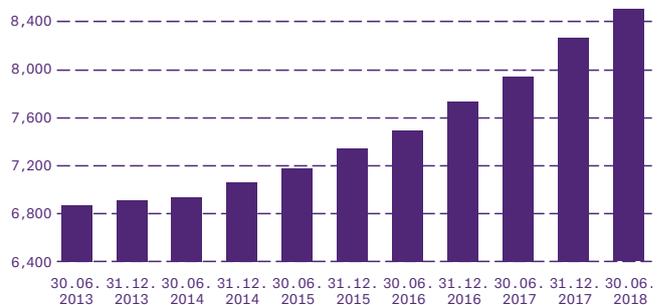
In the first half of the year, the balance of loans to private persons increased by 238 million euros, to companies by 129 million euros and to financial institutions by 40 million euros. However, the balance of loans issued to the government decreased by ten million euros. As at the end of June,

the loans issued to private persons amounted to 8.5 billion euros and to companies to 7.2 billion euros. Loans to financial institutions²⁷ accounted for 2.3 billion euros and to the government²⁸ for 0.5 billion euros. As regards loans issued to private persons, the largest growth in the first half of the year, i.e. 215 million euros, was recorded for housing loans, the balance of which reached 7.3 billion euros by the end of June and exceeded the balance of loans to companies. The balance of consumer loans increased by 29 million euros and reached 556 million euros by the end of June. The volume of student loans, however, decreased over the first half year by ten million euros to 86 million euros by the end of June.

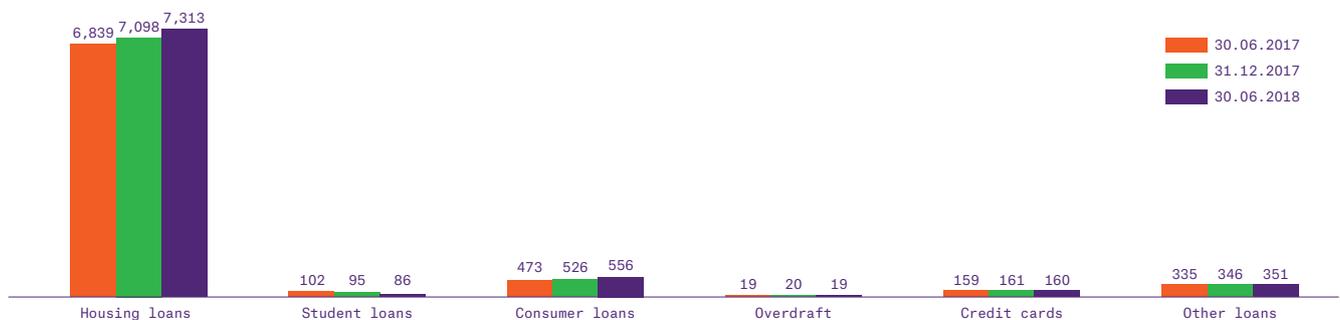
Balance of loans (EUR mln)



Balance of loans issued to private persons (EUR mln)



Balance of loans to private persons (EUR mln)



²⁴ Loans issued by credit institutions in Estonia.

²⁵ Also includes state or local government companies.

²⁶ Also includes non-profit associations.

²⁷ Also includes insurance undertakings and pension funds.

²⁸ The government comprises the central government, local government, national social security fund and other non-budgetary funds.

AVERAGE DEBT BURDEN OF PRIVATE PERSONS

In the first half of the year, the main contributor to the debt burden of private persons was housing loans. The average balance of housing loans increased by 662 euros over the half year, reaching 41,190 euros by the end of June. It was followed by vehicle lease with an average balance of 9,871 euros, which increased by 475 euros over the half year.

The average balance of other loans²⁹ increased from 14,334 euros to 14,469 euros. The reason for the large average balance of other loans is the fact that these loans are taken also to finance business operations.

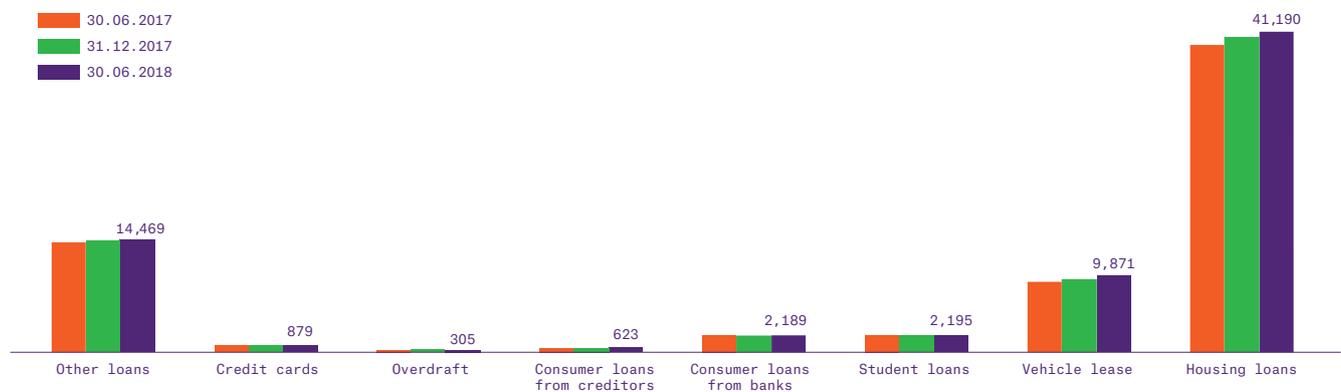
The change in the average balance was smaller in other loan types. The average balance of overdraft was the only one that decreased (from 336 euros to 305 euros).

Consumer loans raised from banks (2,189 euros on an average) significantly exceed the consumer loans raised from creditors (623 euros on an average). The average credit card loan balance was 879 euros at the end of June.

The number of loan contracts entered into with private persons increased by 7,013 over the half year. The largest increase was recorded for consumer loans, where the number of contracts grew by 11,206 (in total 253,837 contracts).

The number of housing loan contracts entered into with private persons reached an all-time high at the end of June: 177,549 (175,149 at the end of 2017). The number of student loan contracts was 39,044 (43,742 at the end of 2017), overdraft contracts 61,143 (60,005 at the end of 2017), credit card contracts 182,250 (185,407 at the end of 2017) and other loan contracts 24,255 (24,131 at the end of 2017).

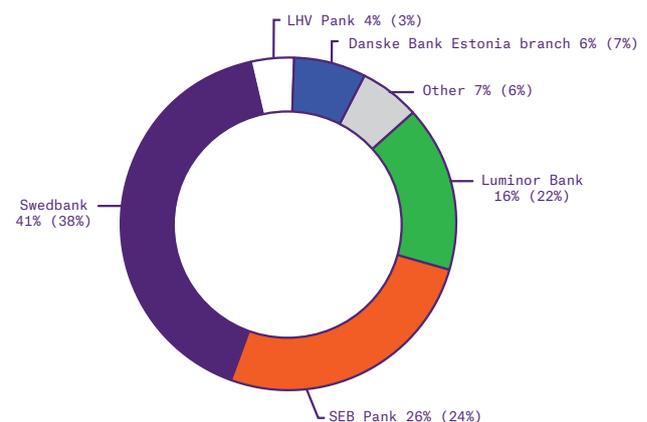
Average balance of loans of private persons (EUR)



MARKET DIVISION OF BANK LOANS

In the first half of 2018, the Estonian loan market was mainly divided between three large credit institutions, which together held 83% of the loan market. The largest market share, or 41% of the total loan portfolio belonged to Swedbank, followed by SEB Pank (26%), Luminor Bank (16%) and Danske Bank Estonia branch (6%).

Market division of bank loans as at the end of June 2018 (end of June 2017 in brackets)



29 Private persons and non-profit associations take other loans for various reasons, including to purchase securities and start or expand their business activities.

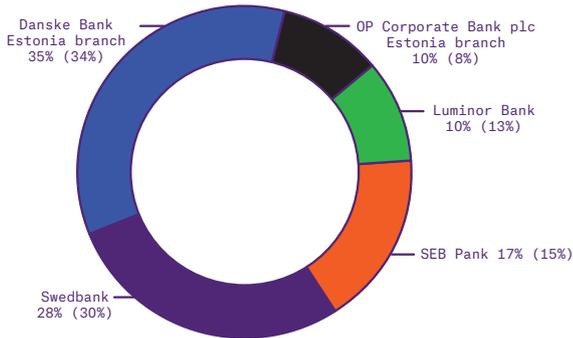
At the end of June, the largest volume of loans to the government was granted by Danske Bank Estonia branch, whose market share increased from 34% to 35% over the year. It was followed by Swedbank (28%) and SEB Pank (17%).

The largest part of the loans to financial institutions has again been granted by Swedbank (34%). SEB Pank held 28% and Luminor Bank 25% of loans to financial institutions.

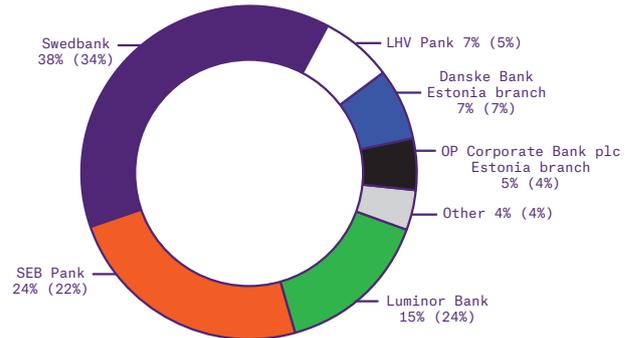
There have also been some changes in the segment of corporate loans. Swedbank, which has the largest market share, has increased it even more over the year – from 34% to 38%. The market share of SEB Pank also grew from 22% to 24%, whereas that of Luminor Bank has decreased from 24% to 15%.

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 June.

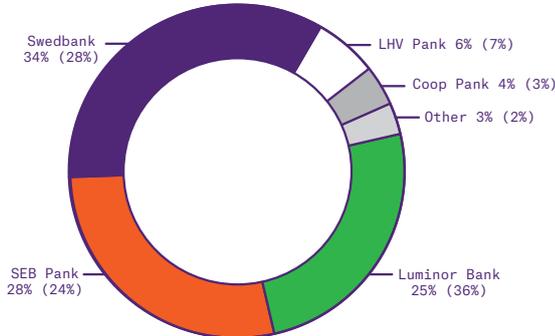
Market division of government loans as at the end of June 2018 (end of June 2017 in brackets)



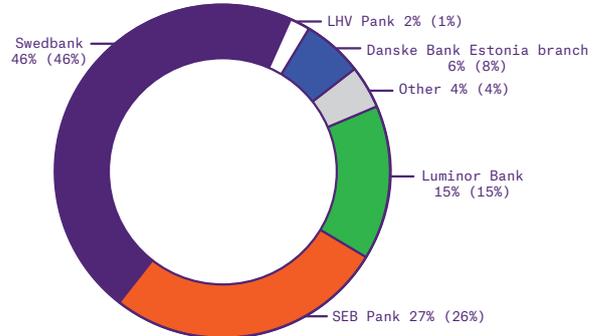
Market division of corporate loans as at the end of June 2018 (end of June 2017 in brackets)



Market division of loans to financial institutions as at the end of June 2018 (end of June 2017 in brackets)



Market division of private person loans as at the end of June 2018 (end of June 2017 in brackets)



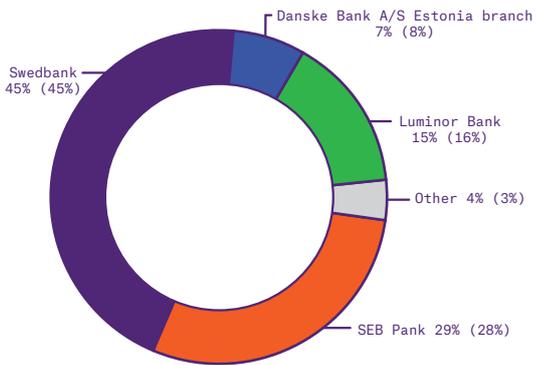
In terms of loan types, the division of loans issued to private persons has not changed. The largest part of loans issued to private persons are housing loans, which made up 86% of the total loan balance at the end of June.

In terms of consumer loans, the greatest change is the rapid growth of the market share of TF Bank Estonia branch (from 0% to 8%) that entered the market in 2017.

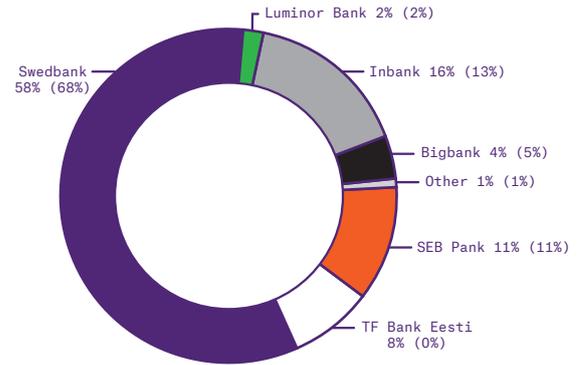
The market share of Inbank also increased significantly over the year – from 13% to 16%. At the same time, the share of Swedbank, the market leader, decreased from 68% to 58%.

As regards the credit cards market, at the end of June the largest market share was held by Swedbank (71%), followed by SEB Pank (19%).

Market division of private person housing loans as at the end of June 2018 (end of June 2017 in brackets)



Market division of private person consumer loans as at the end of June 2018 (end of June 2017 in brackets)



9. Loans issued by creditors

Market division:

Swedbank Liising	25%
Luminor Liising AS (former business name AS Nordea Finance Estonia)	22%
SEB Liising	20%

Private customers:

493,349 effective contracts

Service volume:

consolidated loan portfolio balance 954 million euros

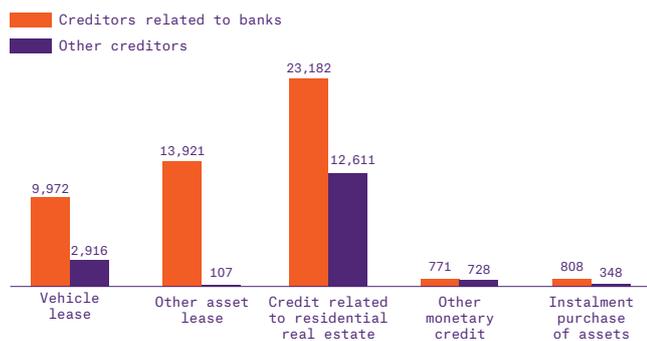
As at the end of June 2018, there were 52 companies that held a creditor authorisation. In addition, there were a dozen of creditors related to banks and eight credit intermediaries on the market.

The balance of the loan portfolio of creditors holding an authorisation or operating on the basis of exemption increased by 10% in the first half year, reaching 954 million euros by the end of June. The biggest share of the increase in the loan balance was provided by companies related to banks, which also held 80% of the market of creditors. The remaining 20% of the market was covered by creditors not related to banks. Among them, the largest market shares belonged to IPF Digital Estonia (3%) and Koduliising (3%).

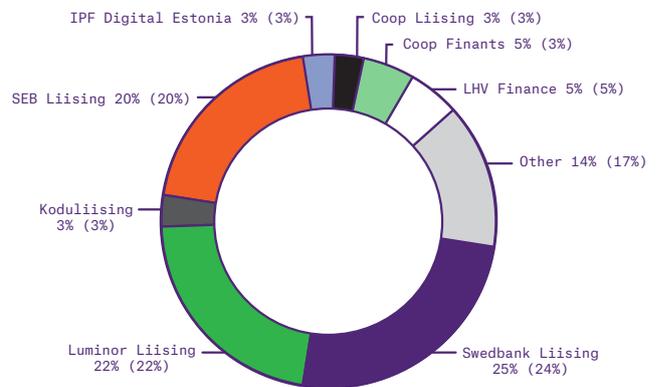
Operating mostly as leasing companies, creditors related to banks differ from other creditors by the structure of their loan portfolios and credit conditions.

The average value of a loan contract varies to a great extent by the type of credit contract. As at the end of June, the largest average loan balance was recorded for residential real estate loans, standing at 23,182 euros for creditors related to banks and 12,611 euros for other creditors. The average balance of a vehicle lease contract was 9,972 euros for creditors related to banks and 2,916 euros for other creditors. The average balance of contracts of other monetary credit related to everyday settlements and instalment purchase of assets was 771 euros and 808 euros, respectively, for creditors related to banks, and 728 euros and 348 euros, respectively, for other creditors.

Average balance of loan contracts as at the end of June 2018 (EUR)

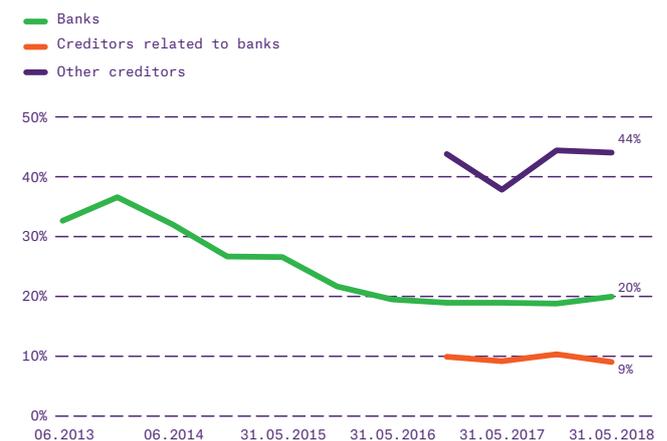


Market division of all creditors by the balance of loan portfolio as at the end of June 2018 (end of June 2017 in brackets)



The average annual percentage rate of charge for consumer loans differed significantly between creditors related to banks and other creditors. At the end of June, the average annual percentage rate of charge for consumer loans (including leasing, other monetary credit and instalment purchase) was 9% for creditors related to banks but 44% for other creditors. The average annual percentage rate of charge of banks was 20%.

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.

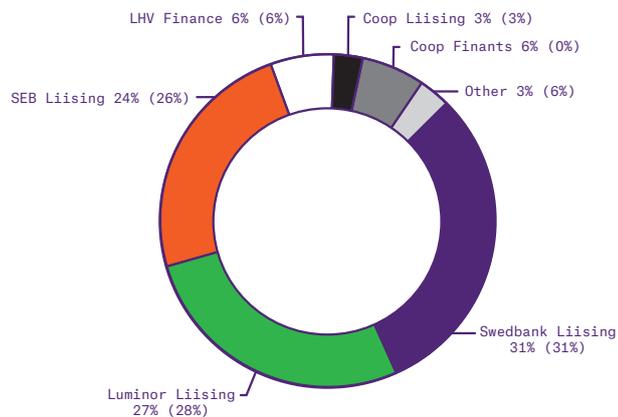
The balance of loan portfolios of creditors related to banks was 768 million euros at the end of June, increasing by 79 million euros over the half year.

The main change in the loan portfolio of creditors related to banks in the first half of the year was an increase in the balance

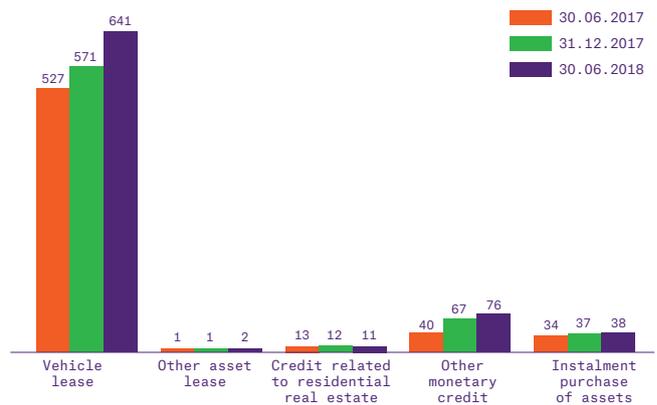
of vehicle lease from 571 million euros to 641 million euros. Indeed, vehicle lease made up the largest part (83%) of the creditors' loan portfolio.

Although the balance of the loan portfolio of creditors related to banks increased over the half year, the number of their contracts remained almost the same – the growth was only 0.1%. The reason for this was the decrease in the number of consumer loan contracts (types "Instalment purchase of assets" and "Other monetary credit"). The number of contracts was 210,825 at the end of June.

Market division of creditors related to banks by the balance of loan portfolio as at the end of June 2018 (end of June 2017 in brackets)



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



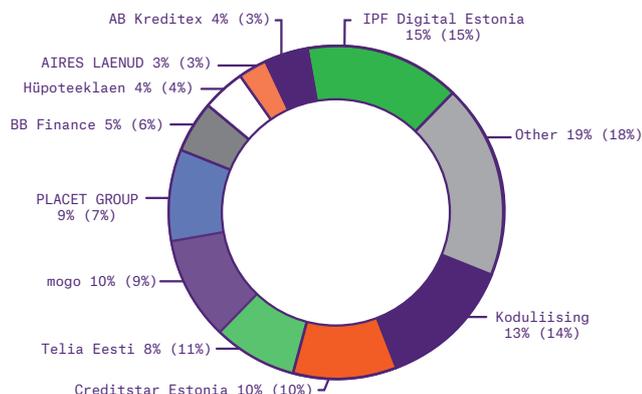
OTHER CREDITORS

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 June, 82% of the balance of the loan portfolio belonged to ten creditors out of 52. The largest market share belonged to IPF Digital Estonia (15% of the loan portfolio of other creditors), followed by Koduliising (13%), Creditstar Estonia (10%) and mogo (10%).

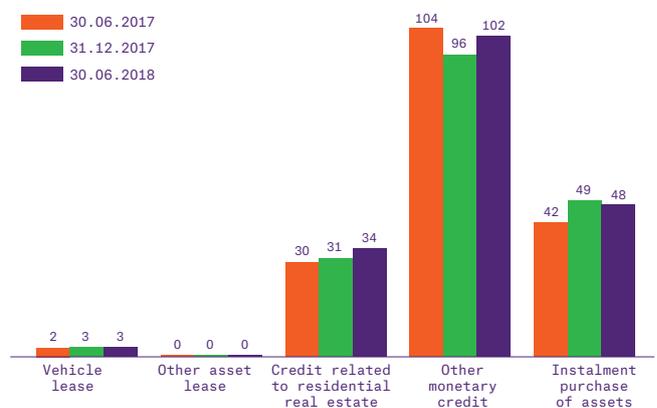
The balance of the loan portfolio of other creditors was 187 million euros, increasing by eight million euros over the half year. The largest part of the loan portfolio (102 million euros) of other creditors had been issued as other monetary credit, which in its essence is a small loan without a collateral.

The number of contracts decreased by 1% in the first half of the year, amounting to 282,524 at the end of June.

Market division of other creditors by the balance of loan portfolio as at the end of June 2018 (end of June 2017 in brackets)



Balance of loans of other creditors (EUR mln)



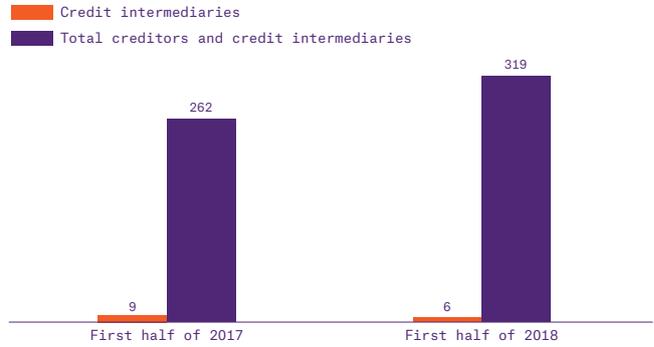
9.1. Credit intermediaries

In addition to the consumer credit providers, credit intermediaries also operate on the market. While some years ago creditors were the main actors on the consumer credit market, currently the number of applications for authorisations of credit intermediaries has considerably grown. Eight credit intermediaries with the corresponding authorisation operated on the market as at the end of June 2018 and four of them were active. The turnover of the four credit intermediaries totalled 6.3 million euros at the end of June.

Omaraha OÜ held the largest market share among credit intermediaries (82%) at the end of June. It was followed by Ühisraha OÜ (14%).

The total of 10,129 consumer credit contracts were intermediated. The largest share of the contracts was intermediated by Omaraha OÜ.

Turnover of creditors and credit intermediaries (EUR mln)



10. Payment services

Market division:

GFC Good Finance	55%
TavexWise	30%
Coop Finants	11%

Service volume:

total volume of payments 287 million euros

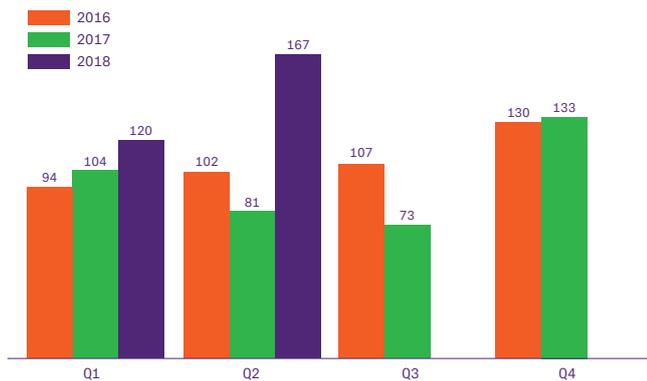
In the first half year, based on the volume of payments, the market share of GFC Good Finance Company made an upsurge from 7% to 55%. At the same time, the market share of Aktsiaselts Talveaed decreased from 23% to 3% and that of TavexWise from 50% to 30%.

Based on the number of payments, the largest market share was still held by Coop Finants (former ETK Finants), which intermediated 95% of all payments.

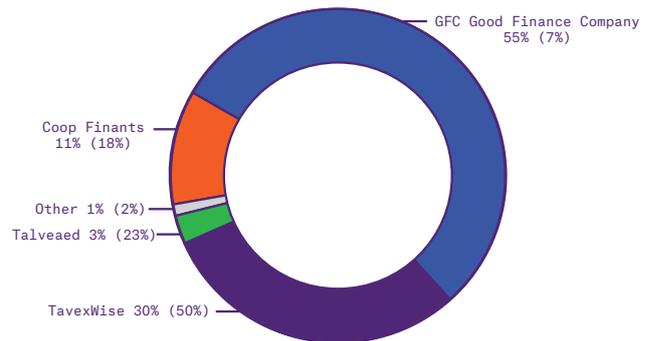
In the first half of 2018, there were 13 payment institutions operating in Estonia, three of which on the basis of an exemption authorisation³⁰.

The volume of payments intermediated by Estonian payment institutions grew by 56% in the first half year, while the number of payments increased by 8%. The volume of intermediated payments was 287 million euros (184 million euros the year before) and the number of payments totalled 2,057,155 (1,897,623 payments the year before).

Turnover of transactions intermediated by payment institutions (EUR mln)



Market division of payment institutions as at the end of June 2018 (end of June 2017 in brackets)



³⁰ 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.