



ESTONIAN FINANCIAL MARKET as at 30.06.2014

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

Contents

| | |
|---|----|
| 1. General developments in financial services | 3 |
| 2. Distribution of private clients by service | 5 |
| 3. Life insurance | 6 |
| 3.1. Life insurance brokers | 10 |
| 4. Non-life insurance..... | 12 |
| 4.1. Non-life insurance brokers | 14 |
| 5. Investment and pension funds..... | 17 |
| 6. Portfolio management service..... | 22 |
| 7. Payment services | 26 |
| 8. Loans..... | 27 |
| 9. Deposits..... | 31 |



General developments in financial services

The Estonian financial services market **grew** in the first half of 2014 once again: the positive dynamics on the global financial markets contributed to the **growth in volumes in all financial sectors. The quickest growth could be seen in the funds sector (11%, i.e. 270 million euros)**. Pension funds remained the chief contributor to the growth in funds. Nonetheless, growth was also evident in equity funds and real estate funds in the first half of the year.

The **total volume of clients' deposits grew** by 2.4% (i.e. 324 million euros) in the first half of 2014, supported mainly by the growth in demand deposits and overnight deposits (with 624 million euros added). At the same time, the volume of term deposits decreased by 289 million euros. As at the end of June 2014, the clients' deposits totalled **14.0 billion euros**.

The **total volume of loan portfolios** of banks **grew** by 1.5% (i.e. 218 million euros) in the first half of 2014. As at the end of June 2014, the total loan portfolio of banks stood at **14.7 billion euros**.

On the investment front, growth was evident in all investment products. The volume of insurance premiums received on the basis of unit-linked life insurance contracts grew by

24% during the half-year, with the total volume of pension funds growing by 12% and the total volume of investment funds registered in Estonia (excluding pension funds) growing by another 7%. Investments in foreign funds¹ grew by 5% and the total volume of individual portfolios by 2%.

Thus, the **total volume of assets placed in capital-growth financial services** – including unit-linked life insurance products, investments funds, pension funds, individual portfolios, term and savings deposits and investment and other deposits – has **increased**, compared to the end of 2013, amounting to **9.125 billion euros** (as at the end of 2013, 9.070 billion euros) by the end of June 2014.

The volume of insurance premiums in **life insurance grew by 16%** in the first half of 2014, amounting to **41 million euros**. The volume of insurance premiums received in **non-life insurance grew by 10%** in the first half of 2014, amounting to **131 million euros**.

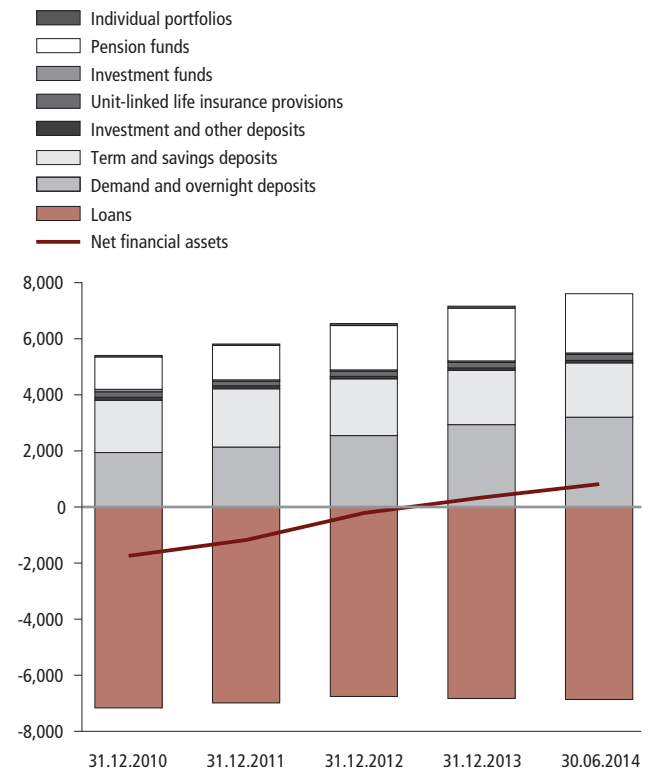
The volume of investment and banking services provided by Estonian financial institutions, including data on Estonian-resident individuals, are shown in the following table (in millions of EUR, as at 30.06.2014):

| Service | Total, in millions of EUR | Of which Estonian-resident individuals | |
|--|------------------------------|--|------------------------------|
| | | Millions of euros | Percentage of total services |
| Investment funds | 655 | 58 | 9% |
| Pension funds | 2,103 | 2,103 | 100% |
| Foreign funds offered in Estonia | 825 | 87 | 11% |
| Provisions of unit-linked life insurance allocations | 215 | 215 | 100% |
| Individual portfolios | 987 | 83 | 8% |
| Loans | 14,653 | 6,872 | 47% |
| Demand and overnight deposits | 9,643 | 3,207 | 33% |
| Term and savings deposits | 4,208 | 1,929 | 46% |
| Investment and other deposits | 132 | 91 | 69% |

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

Due to the continual growth in the volume of financial assets, the financial assets of Estonian-resident individuals exceeded their liabilities in the first half of 2014. As at the end of June 2014, the total volume of financial assets of Estonian-resident individuals amounted to 7.7 billion euros, with the loan balance totalling 6.9 billion euros. Thus, the net financial assets of Estonian-resident individuals grew from 0.3 billion euros to 0.8 billion euros during the half-year.

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



2

Distribution of private clients by service

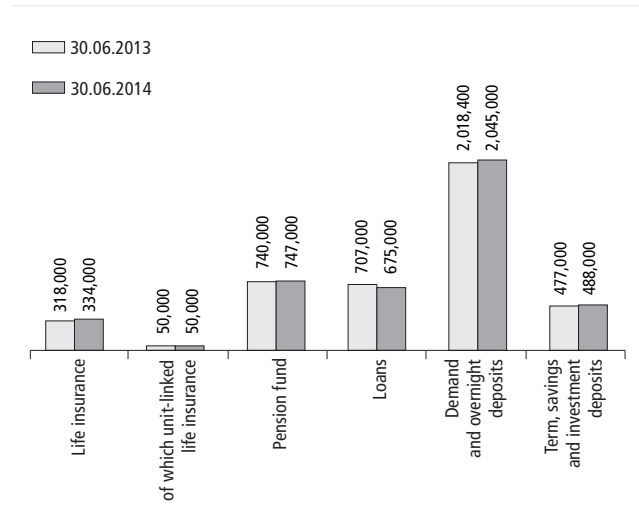
By number of contracts, the most frequently used service in Estonia is the demand deposit (current account). As at the end of June 2014, individuals held a total of **2,045 thousand current accounts**² (with many individuals holding more than one current account).

The second most frequently used financial service among individuals is **pension funds**. The number of individuals who have entered into a contract with pension funds grew from 740 thousand to **747 thousand**.

In the first half of 2014, the **number of loan agreements**³ entered into with individuals fell from 707 thousand to **675 thousand**, year on year.

The number of term deposit, savings deposit and investment deposit agreements rose from 477 thousand to 488 thousand. In life insurance, the number of contracts rose from 318 thousand to 334 thousand, with the number of unit-linked life insurance contracts standing at 50 thousand.

Number of individuals' contracts by financial service



² Only current accounts with balances were considered.

³ Important note: the analysis does not take into account the possibility that certain individuals may have entered into more than one contract.

3

Life insurance

a. Service

In the first half of 2014, life insurance companies in Estonia collected 41.2 million euros in insurance premiums⁴ (first half of 2013: 35.5 million euros). The volume of insurance premiums grew by 16%, year on year.

The increase in insurance premiums can mainly be attributed to unit-linked life insurance, with payments growing from 14.6 million euros to 18.1 million euros, year on year.

Unit-linked life insurance thus remained the life insurance product with the greatest volume, contributing 44% (first half of 2013: 41%).

Unit-linked life insurance was followed by endowment insurance, with premiums totalling 8.3 million euros (first half of 2013: 8.7 million euros). The volume of annuity payments amounted to 8.0 million euros (first half of 2013: 6.1 million euros). A total of 6.8 million euros (first half of 2013: 6.0 million euros) was received from other life insurance product contracts.

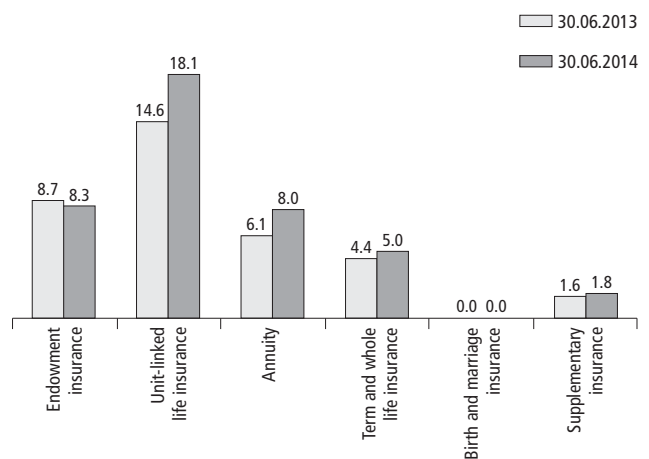
Overall market

| | | |
|----------------------|--------------------------------|-----|
| distribution: | Swedbank Life Insurance | 37% |
| | SEB Elu- ja Pensionikindlustus | 23% |
| | Compensa Life Vienna Insurance | 18% |

Clients: 333,921 valid contracts

Service volume: Insurance premiums received in the first half of 2014: a total of 41.2 million euros

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



⁴ The data do not include insurance premiums collected from outside Estonia.

b. Consumers

As at the end of June 2014, a total of 333,921 life insurance contracts had been signed with life insurance companies operating in Estonia, including **204,175 primary life insurance contracts**⁵ (as at the end of June 2013: 317,726 contracts, including 199,990 primary life insurance contracts).

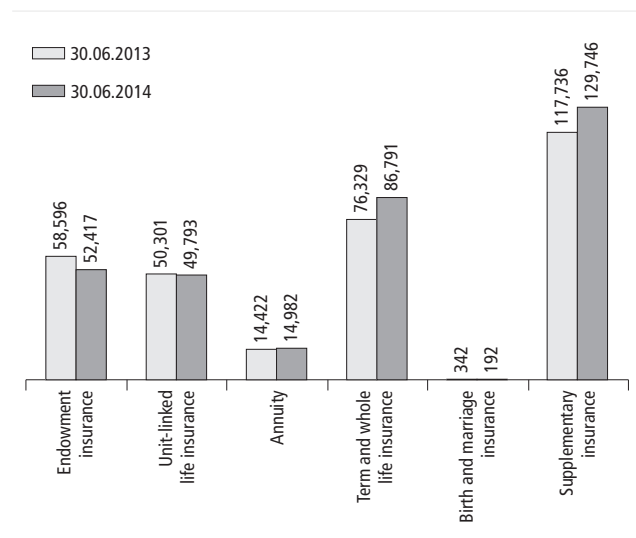
This growth can mainly be attributed to the rise in term and whole life insurance and supplementary insurance. The number of valid contracts in term and whole life insurance grew from 76,329 to 86,791 (i.e. by 10,462 contracts). Thus, **in terms of the number of contracts, term and whole life insurance remained the most popular type of life insurance as at the end of June 2014**. As at the end of the first half-year, a total of 129,746 (as at the end of June 2013: 117,736) supplementary insurance contracts had been signed.

The total number of valid contracts in annuity rose from 14,982 to 14,422.

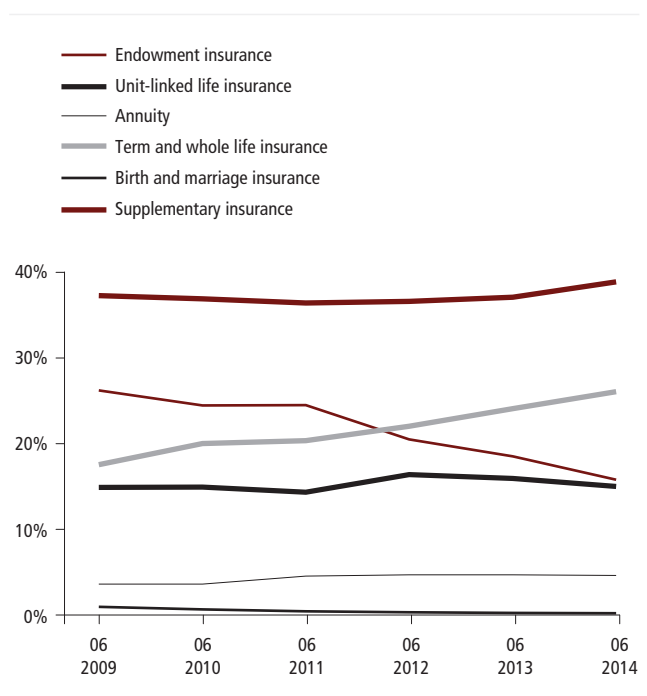
Similarly to previous periods, endowment insurance continued to drop, with the number of valid contracts falling by 6,179, compared to the same period a year ago, amounting to 52,417 as at the end of June 2014. **In a period of five years, the share of valid endowment insurance contracts has dropped from 26% to 16%, changing places with term and whole life insurance, the share of which grew from 17% to 26%, respectively.**

The number of valid contracts in unit-linked life insurance decreased by 508, with 49,793 contracts valid as at the end of June 2014.

Number of valid life insurance contracts concluded in Estonia



Insurance contracts, broken down by types of insurance



⁵ The data include only life insurance contracts concluded in Estonia.

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

The average contribution paid into annuities increased from 425 euros to 537 euros, year on year.

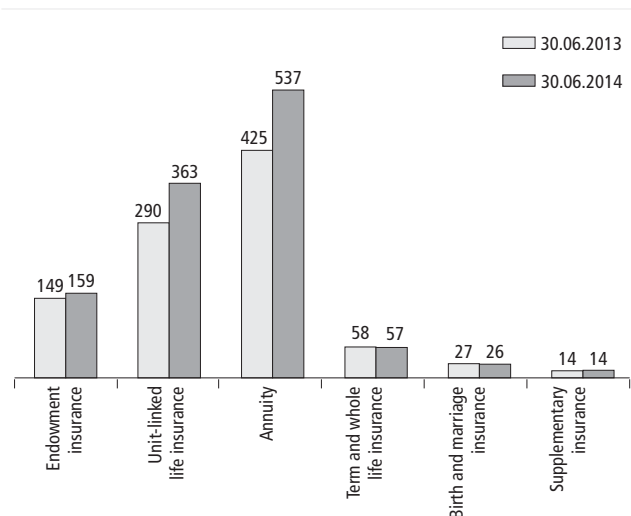
The average contribution paid into unit-linked life insurance grew from 290 euros to 363 euros during the year.

c. Service providers

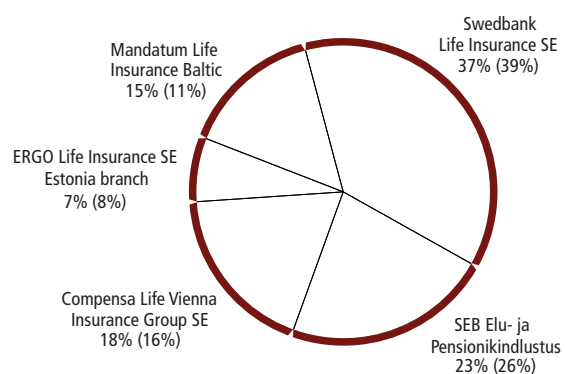
The top three life insurance providers – Swedbank Life Insurance, SEB Elu- ja Pensionikindlustus and Compensa Life Vienna Insurance Group – received 78% of all insurance premiums in the first half of 2014 (first half of 2013: 82% of all insurance premiums).

A significant growth could be seen in the volume of insurance premiums collected by Mandatum Life Insurance Baltic in the first half of 2014 (62%), with the market share thus growing from 11% to 15%. The increase in the volume of insurance premiums can mainly be attributed to unit-linked life insurance. Compensa Life Vienna Insurance Group increased its market share from 16% to 18% (at the expense of annuity, mostly). The market share of SEB Elu- ja Pensionikindlustus and Swedbank Life Insurance fell from 26% to 23% and from 39% to 37%, respectively.

Average amount of insurance premiums contributed towards contracts (in EUR)

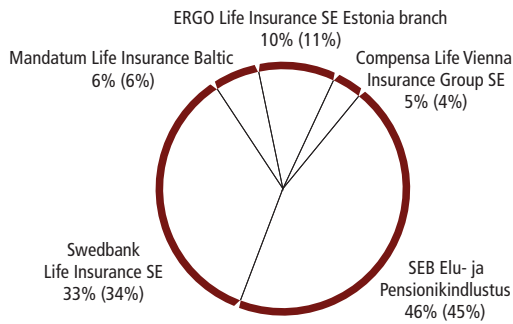


Market shares of life insurance companies based on insurance premiums received in the first half of 2014 (data on first half of 2013 in brackets)



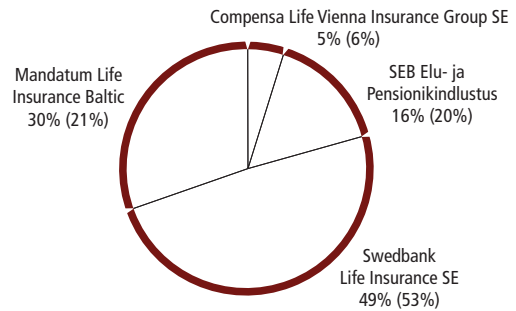
The figures below provide an overview of the **market distribution** of life insurance companies by types of insurance. The biggest changes occurred in unit-linked life insurance.

Market distribution: endowment insurance as at 30.06.2014
(in brackets 30.06.2013)



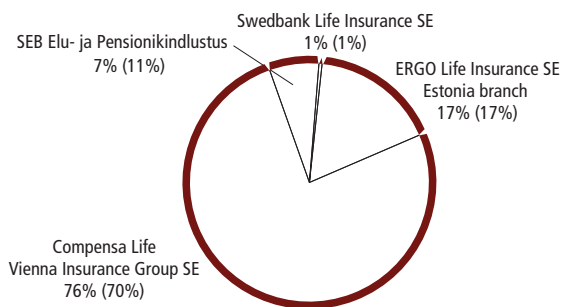
Due to the decrease in the popularity of **endowment insurance**, the volume of insurance premiums received in endowment insurance dropped in almost all life insurance companies, year on year. The only exception was Compensa Life Vienna Insurance Group, where the volume of insurance premiums grew by 5%, albeit this had no significant impact on market shares. SEB Elu- ja Pensionikindlustus was the largest provider of endowment insurance services in Estonia as at the end of June 2014, with a market share of 46%.

Market distribution: unit-linked life insurance



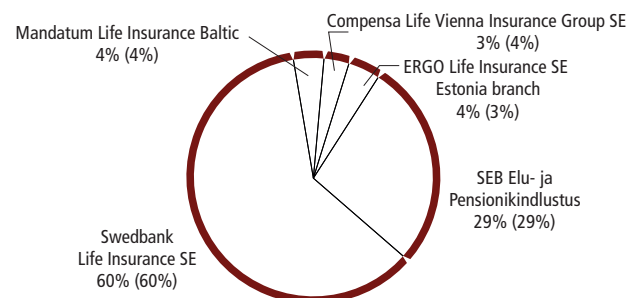
As regards **unit-linked life insurance**, the inflow of insurance premiums showed significant growth in **Mandatum Life Insurance Baltic** (75%), with the corresponding **market share** of the insurance companies thus growing from 21% to 30%. The market shares of other insurance companies thus contracted. Regardless of the growth in the volume of insurance premiums, the market share of Swedbank Life Insurance decreased from 53% to 49%. The market share of SEB Elu- ja Pensionikindlustus dropped from 20% to 16%.

Market distribution: annuity



Compensa Life Vienna Insurance Group remains the predominant provider of **annuity** service in Estonia. Indeed, a bulk of the increase in insurance premiums from annuity in the first half of 2014 can be attributed to Compensa Life Vienna Insurance Group, with the market share of Compensa Life Vienna Insurance Group showing a further growth: from 70% to 76%. ERGO Life Insurance SE Estonia branch ranked second, with a market share of 17%. The market share of SEB Elu- ja Pensionikindlustus dropped from 11% to 7%.

Market distribution: term and whole life insurance



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

3.1. Life insurance brokers

a. Service

According to the data available to the Financial Supervision Authority, **insurance brokers in life insurance registered in Estonia** collected **insurance premiums** in the total amount of 213 thousand euros in the first half of 2014. The volume of insurance premiums intermediated fell by 20%, year on year. This decrease can mainly be attributed to other types of insurance (with risk life insurance serving as the greatest contributor), where the volume of insurance premiums intermediated fell by 40%.

Volumes were the largest in other types of life insurance contracts, followed by accident and sickness insurance: the volume of insurance premiums received through brokers in the first half of 2014 amounted to 101 thousand euros. Risk life insurance was the greatest contributor.

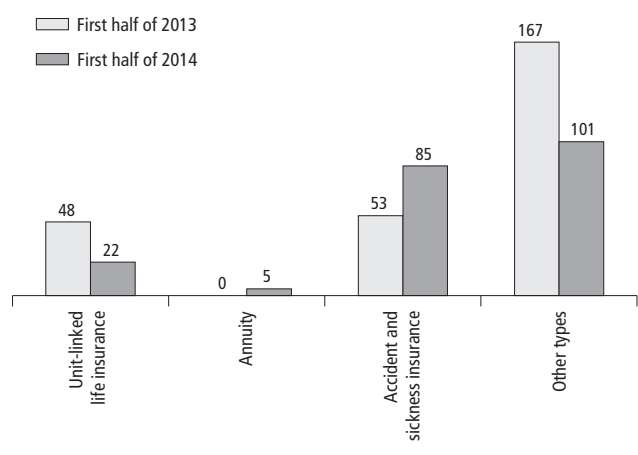
The volume of insurance premiums under accident and sickness insurance amounted to 85 thousand euros, and the volume of insurance premiums under unit-linked insurance to 22 thousand euros.

Life insurance brokers in Estonia **mainly intermediate the contracts of European Economic Area countries**: these make up 45% of the insurance premiums and 52% of the total number of contracts.

Overall market

| | | |
|------------------------|--|-----|
| distribution: | KindlustusEst Kindlustusmaakler | 38% |
| | UADBB Aon Baltic Estonia branch | 14% |
| | Vagner Kindlustusmaakler | 11% |
| Clients: | 258 valid contracts | |
| Service volume: | Insurance premiums intermediated in the first half of 2014: 213 thousand euros | |

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



b. Consumers

In the first half of 2014, a total of 258 life insurance contracts were entered into via insurance brokers operating in Estonia (first half of 2013: 234 contracts).

The number of valid life insurance contracts entered into through insurance brokers in the first half of 2014 was divided as follows (the number of contracts concluded in the first half of 2013 in brackets):

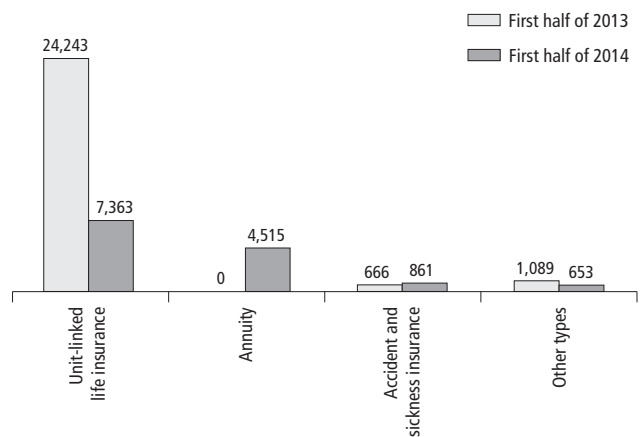
- unit-linked life insurance – 3 contracts (2)
- annuity – 1 contracts (0)
- accident and sickness insurance – 99 contracts (79)
- other types – 155 contracts (153)

The average volume of contracts entered into through insurance brokers was the highest in unit-linked life insurance: 7,363 euros. Annuity ranked second, with an average volume of 4,515 euros. Contributions to accident and sickness insurance contracts entered into through insurance brokers amounted to an average of 861 euros, and contributions to other life insurance contracts to an average of 653 euros.

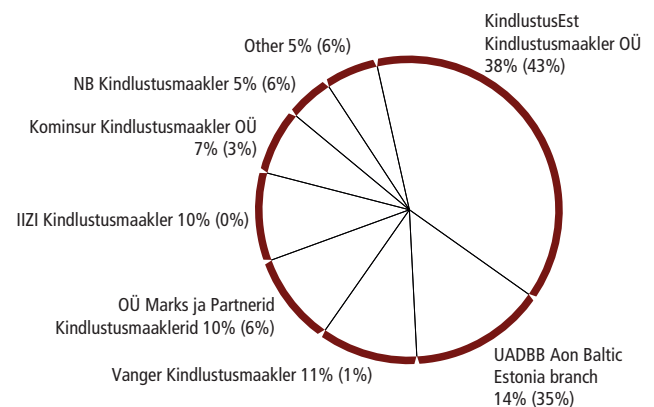
c. Service providers

In the first half of 2014, ten insurance brokers intermediated life insurance contracts, while the predominant market share of these belonged to KindlustusEst Kindlustusmaakler OÜ (38%). UADBB Aon Baltic Estonia branch ranked second, with a market share of 14%. Vagner Kindlustusmaakler OÜ concluded 11% and IIZI Kindlustusmaakler AS and OÜ Marks ja Partnerid Kindlustusmaaklerid each concluded 10% of life insurance contracts intermediated through insurance brokers.

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



Market shares of insurance brokers based on life insurance premiums in the first half of 2014 (first half of 2013 in brackets)



4

Non-life insurance⁶

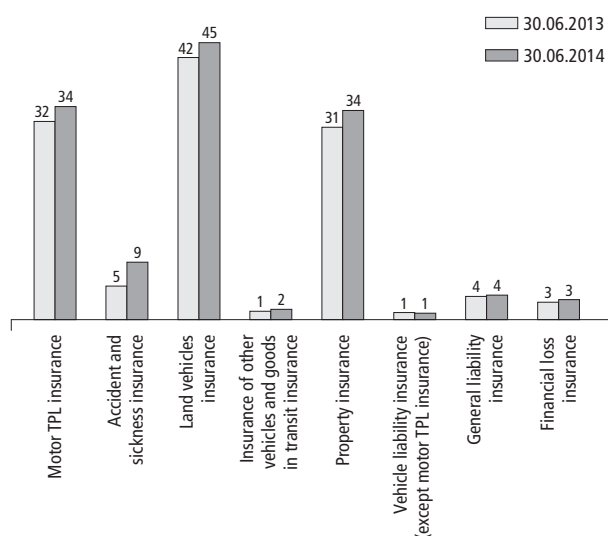
a. Service

In the first half of 2014, licenced non-life insurance companies and branches of foreign non-life insurance companies operating in Estonia received insurance premiums in the total amount of **131 million euros** (first half of 2013: 119 million euros), including 32 million euros, i.e. 24% of all insurance premiums collected, by the branches of foreign insurance companies operating in Estonia (first half of 2013: 27 million euros or 23% of all insurance premiums collected).

The collection of insurance premiums grew in all types of insurance in the first half of 2014. The most notable growth was evident in accident and sickness insurance, with the volume of insurance premiums growing by 72%, i.e. from 5 million euros to 9 million euros, year on year.

Land vehicles insurance (i.e. own damage insurance) continued as the type of insurance accounting for the greatest volume, with the volume of insurance premiums collected growing from 42 million euros to 45 million euros. Land vehicles insurance was followed by motor TPL insurance and property insurance – each with an insurance premiums volume of 34 million euros. Unlike the previous periods, insurance premiums

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



Overall market

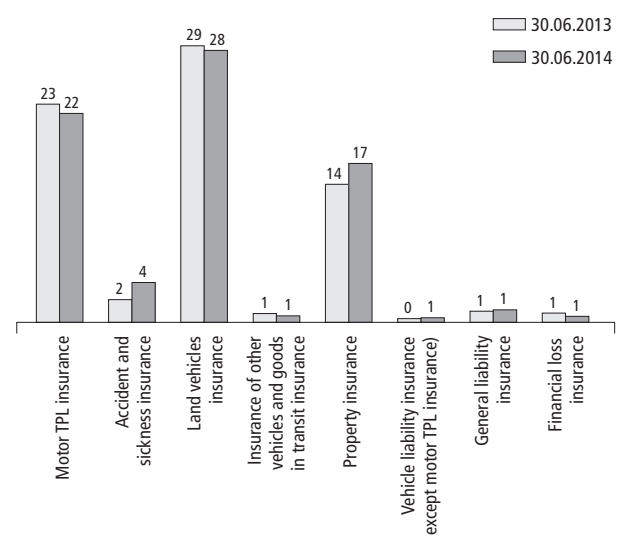
| | | |
|------------------------|--|-----|
| distribution: | IF P&C Insurance | 26% |
| | ERGO Kindlustus | 15% |
| | Swedbank P& C Insurance | 14% |
| Clients: | Data not available | |
| Service volume: | Insurance premiums received in the first half of 2014: 131 million euros | |

collected in property insurance equalled the insurance premiums collected in motor TPL insurance for the first time.

In the first half of 2014, a total of 73 million euros was paid out in indemnities (first half of 2013: 71 million euros). **Compared to the same period a year ago, paid-out indemnities increased the most in property insurance (from 14 million euros to 17 million euros) and accident and sickness insurance (from 2 million euros to 4 million euros).**

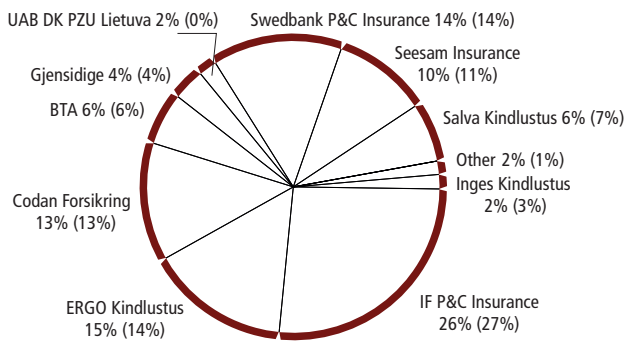
Indemnities in land vehicles insurance dropped from 29 million euros to 28 million euros and indemnities in motor TPL insurance from 23 million euros to 22 million euros.

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

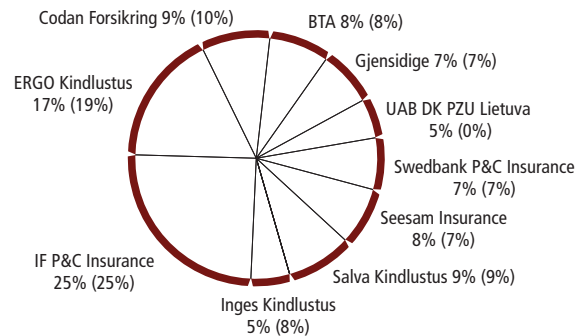


⁶ The data on non-life insurance include only the contracts concluded in Estonia. The data do not include insurance contracts entered into in foreign branches of Estonian insurance companies.

Market shares of non-life insurance companies, based on insurance premiums received in the first half of 2014 (first half of 2013 in brackets)



Market distribution: motor TPL insurance as at 30.06.2014 (30.06.2013 in brackets)



b. Service providers

As at the end of June 2014, IF P&C Insurance had the largest market share on the non-life insurance market, with 26%. ERGO Insurance held 15% of the market and Swedbank P&C Insurance 14%.

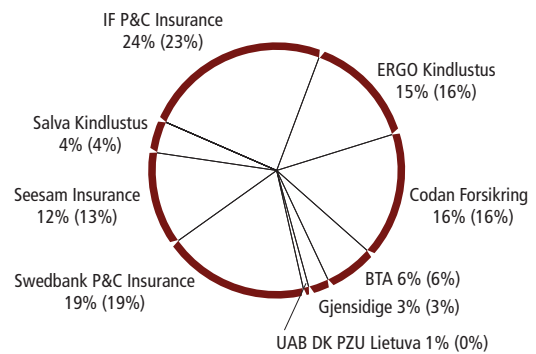
Codan Forsikring A/S Estonia branch, which is operating under the RSA trademark, held 13% of the non-life insurance market. As at the end of June, UAB DK "PZU Lietuva" Estonia branch, which entered the Estonian market at the end of 2012 and wishes to purchase the insurance portfolio of Codan Forsikring, held 2% of the market. A bulk of the insurance portfolio of UAB DK "PZU Lietuva" Estonia branch consists of motor TPL insurance.

The total market share of branches of foreign insurers amounted to 24%.

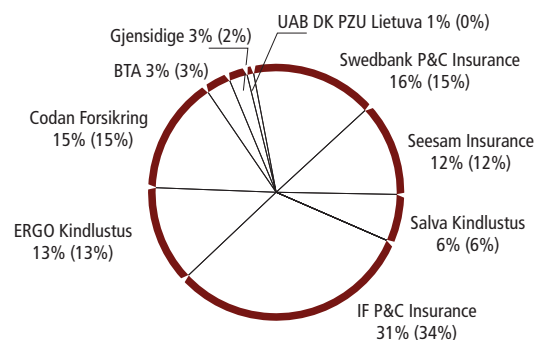
The following figures show the distribution of the market between Estonian insurance companies and Estonian branches of foreign insurers by three largest non-life insurance products.

The largest market share in the motor TPL, land vehicles and property insurance was still held by If P&C Insurance – 25%, 24% and 31%, respectively. UAB DK "PZU Lietuva" Estonia branch, which entered the market recently, increased its market share to 5% in motor TPL insurance and 1% in land vehicles and property insurance. The market share of Codan Forsikring A/S Estonia branch, which has shown a quick growth thus far, remained more or less unchanged in all of the above insurance categories: 9% in motor TPL insurance, 16% in land vehicles insurance and 15% in property insurance.

Market distribution: land vehicles insurance



Market distribution: property insurance



4.I. Non-life insurance brokers

a. Service

According to the data available to the Financial Supervision Authority, **insurance brokers in non-life insurance registered in Estonia** collected **insurance premiums** in the total amount of 71 million euros in the first half of 2014⁷ (first half of 2013: 64 million euros).

Similarly to non-life insurance companies, the **largest types of insurance** by volume of intermediated insurance premiums in the first half of 2014 were **land vehicles insurance** (with 23 million euros of intermediated insurance premiums), **motor TPL insurance** (with 17 million euros) and **property insurance** (with 13 million euros).

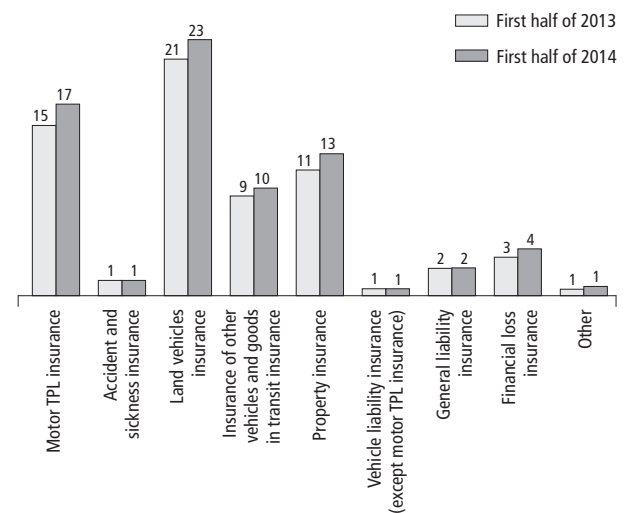
Estonian non-life insurance brokers intermediate contracts both from Estonian and foreign insurance companies. In the first half of 2014, the volume of insurance premiums under contracts with **insurers of the European Economic Area countries** intermediated by Estonian brokers made up 21% of all premiums received through brokers and 1% of contracts entered into through them.

The total volume of insurance premiums under contracts with insurers of the European Economic Area countries amounted to 15.0 million euros in the first half of 2014, of which the bulk was received in the insurance of other vehicles and goods in transit insurance (8.5 million euros), financial loss insurance (4.0 million euros) and property insurance (1.1 million euros).

Overall market

| | | |
|------------------------|---|-----|
| distribution: | IIZI Kindlustusmaakler | 19% |
| | Marsh Kindlustusmaakler | 12% |
| | Vandeni Kindlustusmaaklerid | 10% |
| | Insurance broker services | 10% |
| Clients: | 356,516 valid contracts | |
| Service volume: | Insurance premiums received in the first half of 2014: 71 million euros | |

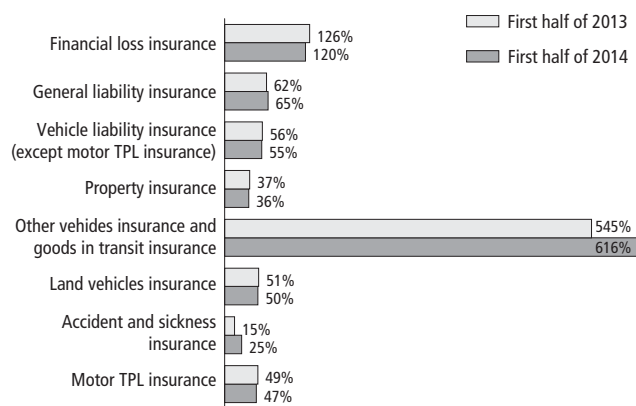
Insurance premiums received through insurance brokers, by type of non-life insurance (in millions of EUR)



⁷ In addition to insurers' contracts, foreign reinsurers' contracts were intermediated in Estonia. The volume of their insurance premiums amounted to 2.8 million euros in the first half of 2014. This overview does not include them.

Comparison of the data on non-life insurance companies with the data on non-life insurance brokers reveals that, in the first half of 2014, **foreign insurers** were used more for **other vehicles** (aircraft and ships) insurance and **goods in transit** insurance. In these types of non-life insurance, the volume of insurance premiums intermediated through foreign insurers surpassed the volume of insurance premiums of Estonian insurers by 5.4 times.

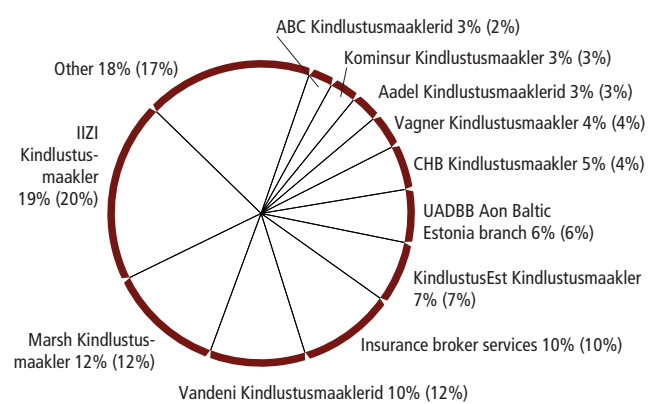
Ratio of insurance premiums intermediated through brokers to insurance premiums of Estonian non-life insurance companies (%)



b. Service providers

Non-life insurance contracts were offered by 37 insurance brokers in the first half of 2014, with the greatest market share held by IIZI Kindlustusmaakler (19%). IIZI Kindlustusmaakler was followed by Marsh Kindlustusmaakler (market share of 12%) and Vandeni Kindlustusmaaklerid and Insurance Broker Services (each with a market share of 10%). The market share of non-life insurance brokers remained more or less unchanged, compared to last year.

Market shares of insurance brokers, based on non-life insurance premiums in the first half of 2014 (first half of 2013 in brackets)



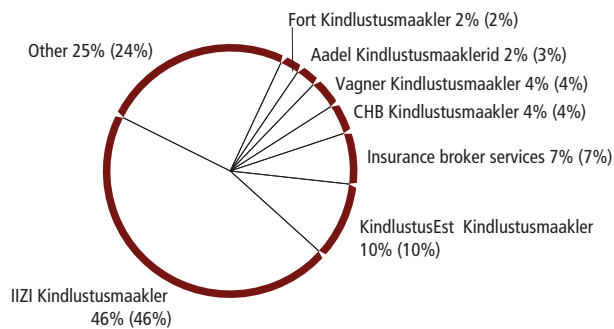
In **motor TPL insurance**, the biggest market share was held by IIZI Kindlustusmaakler (46%), followed by KindlustusEST Kindlustusmaakler with a market share of 10% and Insurance broker services with a market share of 7%.

In **land vehicles insurance**, the biggest market share was held by Insurance Broker Services (23%) as at the end of June 2014, followed by IIZI Kindlustusmaakler with a market share of 17% and KindlustusEST Kindlustusmaakler with a market share of 8%.

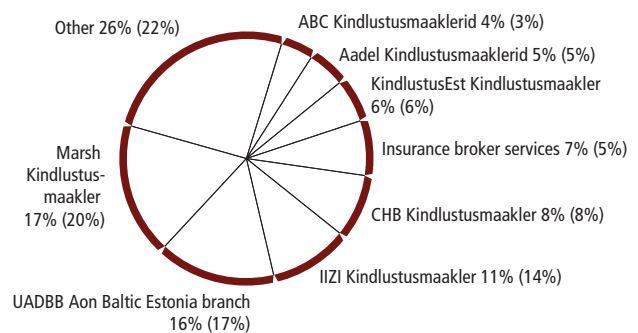
In **property insurance**, Marsh Kindlustusmaakler held the biggest market share (17%), followed by UADBB Aon Baltic Estonia branch with a market share of 16% and IIZI Kindlustusmaakler with a market share of 11%.

The first half-year saw changes in **travel insurance**, which forms a part of the accident and sickness insurance indicated above. The market shares of the market leaders IIZI Kindlustusmaakler and KindlustusEST Kindlustusmaakler grew significantly – from 26% to 29% and from 8% to 12%, respectively. At the same time, the market share of UADBB Aon Baltic Estonia branch dropped from 15% to 7%.

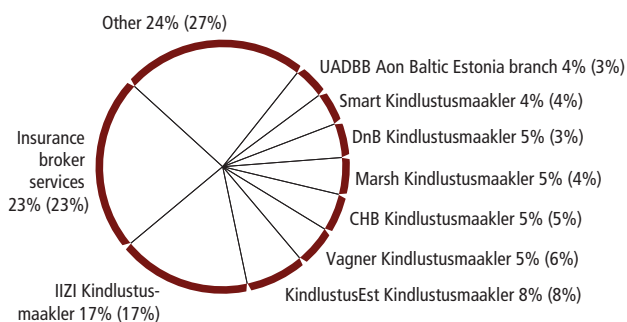
Market shares of insurance brokers in motor TPL insurance as at 30.06.2014 (30.06.2013 in brackets)



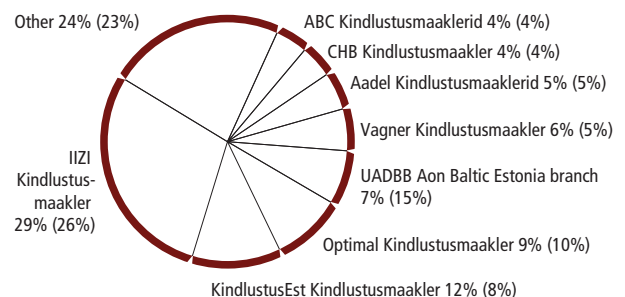
Market shares of insurance brokers in property insurance



Market shares of insurance brokers in land vehicles insurance



Market shares of insurance brokers in travel insurance



5

Investment and pension funds⁸

a. Service

The asset volume of investment funds, including pension funds, showed a remarkable growth in the first half of 2014, compared to the last five years, growing by 270 million euros or 11% in the half-year and amounting to 2.8 billion euros by the end of June 2014⁹.

The quick growth in the fund sector continued to be supported by mandatory pension funds, with the asset volume of mandatory pension funds showing an extraordinary growth.

In the first half of 2014, the asset volume of mandatory pension funds grew by 221 million euros (i.e. by 12%), reaching 1.992 billion euros by the end of June 2014. (The last major growth in these volumes occurred in the second half of 2012, with the volume of mandatory pension funds growing by 194 million euros). The asset volume of voluntary pension funds grew by 6 million euros – from 105 million euros to 111 million euros.

The asset volume of equity funds¹⁰ grew by 7% or 28 million euros. At the end of June 2014, the volume of equity funds stood at 406 million euros.

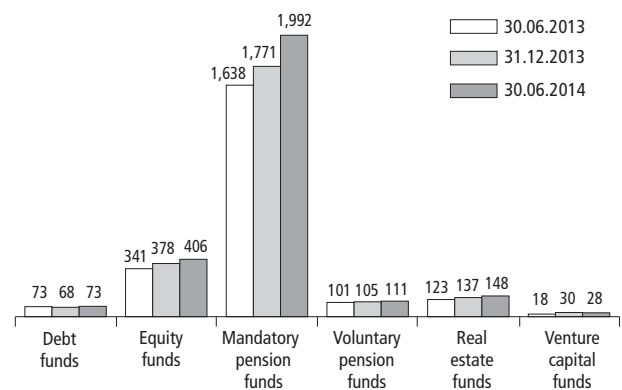
The asset volume of real estate funds grew from 137 million euros to 148 million euros (i.e. by 8%) in the first half-year. The asset volume of debt funds grew from 68 million euros to 73 million euros (i.e. by 8%) in the first half of 2014.

With a share of 72%, mandatory pension funds remain the largest type of funds in the overall structure of the fund sector. Equity funds still rank second, with a share of 15%. The rest of the funds – debt funds, voluntary pension funds and real estate funds – each held 3-5% of the total asset volume of funds. Venture capital funds held a share of 1%.

Overall market

| | | |
|------------------------|--|-----|
| distribution: | Swedbank Investeerimisfondid | 38% |
| | SEB Varahaldus | 19% |
| | LHV Varahaldus | 17% |
| Clients: | 763,257 valid contracts | |
| Service volume: | Total volume of funds: 2.8 billion euros | |

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



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

⁹ Market value.

¹⁰ Local equity funds also include funds and mixed funds.

b. Consumers

The number of unit holders¹¹ fell by 7,245 in Estonian funds in the first half of 2014. Decrease in unit holder numbers was evident in nearly all types of funds, being particularly notable in mandatory pension funds and equity funds (5,855 and 884 unit holders, respectively).

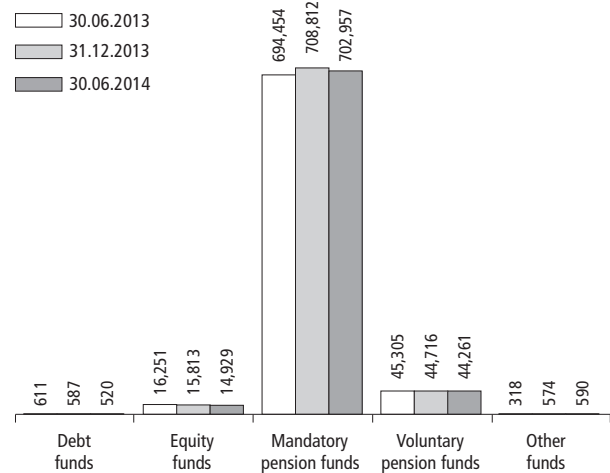
The decrease in the number of unit holders in these funds was spread evenly over the year. Whilst equity funds tend to show an exit trend, mandatory pension funds showed a redistribution of unit holders between management companies: from major to minor management companies.

Nevertheless, it should be kept in mind that many individuals take the opportunity to save up for their pension through more than one mandatory pension fund, and thus the actual number of those who have joined the second pillar of the pension scheme is lower than the number of unit holders. **Unlike the number of unit holders, the number of those who have jointed mandatory pension funds increased by 6,788, amounting to 656,972 by the end of June 2014.**

To sum up, the largest type of fund in terms of client as at 30 June 2014 was the mandatory pension fund with 702,957 individuals, followed by:

- voluntary pension funds with a total of 44,261 unit holders;
- equity funds with a total of 14,929 unit holders;
- debt funds with a total of 520 unit holders;
- other funds (real estate and venture capital funds) with a total of 590 unit holders.

Number of fund unit holders



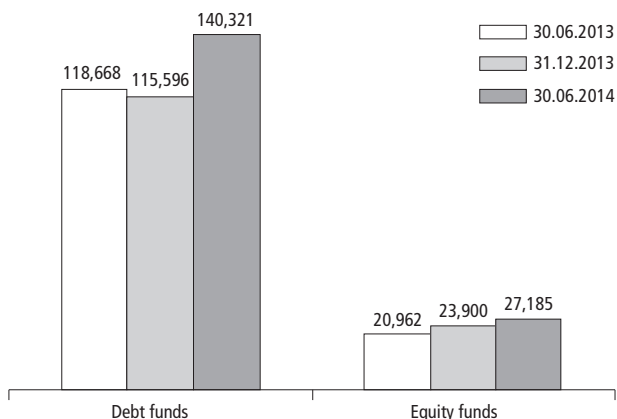
As at the end of June 2014, the **biggest investments per client¹²** had been made in real estate funds (480,326 euros). This is due to the fact that it is mainly the wealthy individuals and professional investors who invest in such funds.

The average market value of investments increased in all types of funds in the first half of 2014, predominantly in debt funds.

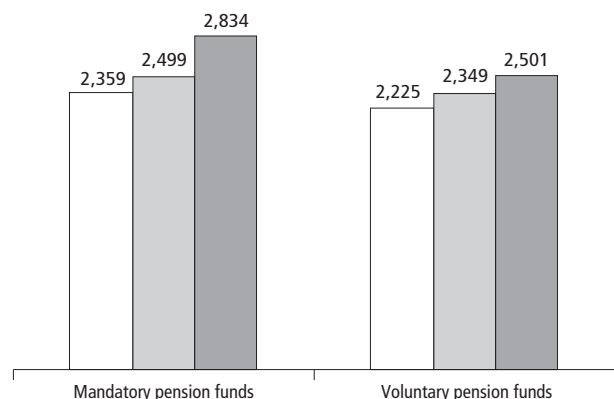
Average investments per client by different types of funds as of the end of June 2014:

- debt funds: 140,321 euros;
- equity funds: 27,185 euros;
- mandatory pension funds: 2,834 euros;
- voluntary pension funds: 2,501 euros.

Market value of investments per unit holder (in EUR)



Market value of investments per unit holder (in EUR)



¹¹ Also included non-resident unit holders.

¹² Investments per client are an illustrative statistic that indicates the approximate size of an investment (e.g. in the case of pension funds, new subscribers bring the average investment downward).

c. Service providers

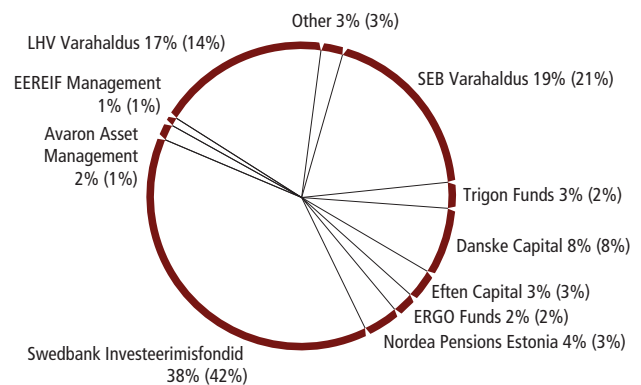
In terms of distribution of fund assets¹³, migration from larger to smaller management companies was evident. This process was relatively balanced both in the second half of 2013 and in the first half of 2014.

The market share of LHV Varahaldus grew from 14% to 17%, year on year. At the same time, the market share of Swedbank Investeerimisfondid and SEB Varahaldus dropped from 42% to 38% and from 21% to 19%, respectively.

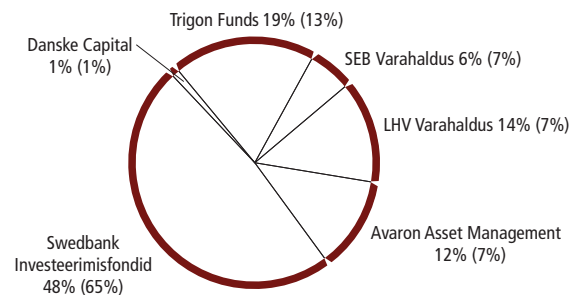
Major changes occurred in the **equity funds** market: the volumes of equity funds managed by Trigon Funds, LHV Varahaldus and Avaron Asset Management showed a significant growth, triggering an increase in their market shares. The market share of Trigon Funds rose from 13% to 19%, the market share of LHV Varahaldus from 7% to 14%, and the market share of Avaron Asset Management from 7% to 12%. At the same time, the market share of Swedbank Investeerimisfondid dropped from 65% to 48% (this can mainly be attributed to the decrease in the assets of Swedbank Russian Equity Fund in the first half of 2014).

The **debt funds**¹⁴ market remained relatively stable. Avaron Asset Management increased its market share from 9% to 14%. The market share of SEB Varahaldus fell from 86% to 82%. The market share of Danske Capital declined from 5% to 4%.

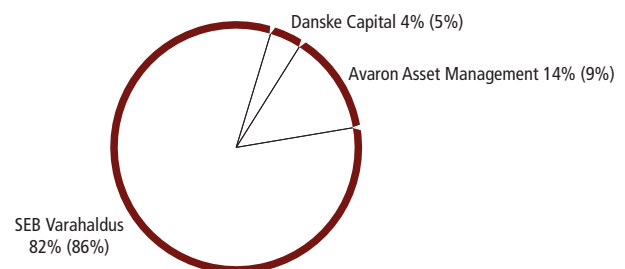
Market distribution: all funds as at 30.06.2014 (30.06.2013 in brackets)



Market distribution: equity funds



Market distribution: debt funds



¹³ On the basis of market value.

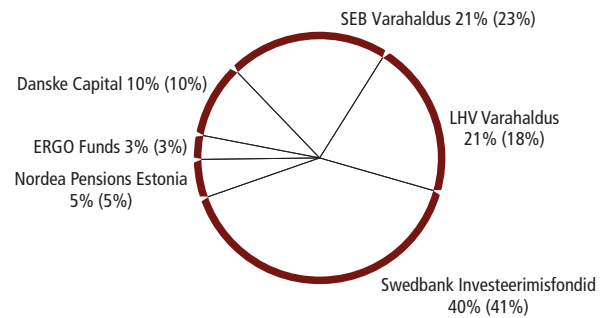
¹⁴ Money market funds and interest funds.

The largest share of the **pension funds** market was still held by Swedbank Investeerimisfondid. Nonetheless, a decrease in the market share is evident. Money in **mandatory pension funds** continued to migrate from larger management companies to LHV Varahaldus in the second half of 2013 and especially in the first half of 2014. The market share of Swedbank Investeerimisfondid fell from 41% to 40% and the market share of SEB Varahaldus from 23% to 21%. At the same time, the market share of LHV Varahaldus grew from 18% to 21%.

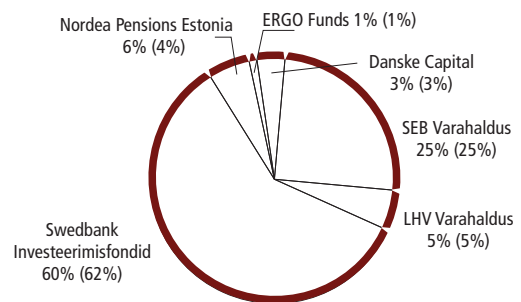
The market of **voluntary pension funds** showed signs of recovery after a long period of time. Even though as at the end of June 2014, more than a half of the voluntary pension fund market was still held by Swedbank Investeerimisfondid, the market share dropped from 62% to 60%. At the same time, Nordea Pensions Estonia increased its market share from 4% to 6%.

As regards **other funds**, EFTEN Capital had the biggest market share (49%). SmartCap had a market share of 14%. These were followed by Northern Horizon Capital (formerly known as BPTAM Estonia) with a market share of 13% and EEREIF Management with a market share of 12%.

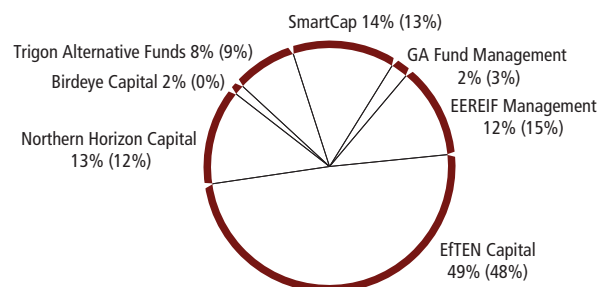
Market distribution: mandatory pension funds as at 30.06.2014
(30.06.2013 in brackets)



Market distribution: voluntary pension funds



Market distribution: other funds



As non-residents make up a significant part of the clients of Estonian investment funds, it is important that Estonian-resident clients be distinguished from non-residents in order to draw conclusions about the Estonian fund market. As at the end of June 2014, the share of **Estonian residents** made up **45%** of the asset volumes of investment funds registered in Estonia (as at the end of June 2013: 51%).

Of the money invested in **Estonian equity funds**, **Estonian-resident clients** held **34%** and **non-resident clients** **66%**.

The fund management company most preferred by **Estonian-resident clients** was Swedbank Investeerimisfondid, which managed 61% of the assets placed in equity funds by Estonian residents. SEB Varahaldus managed 17% of the money invested in equity funds by Estonian residents.

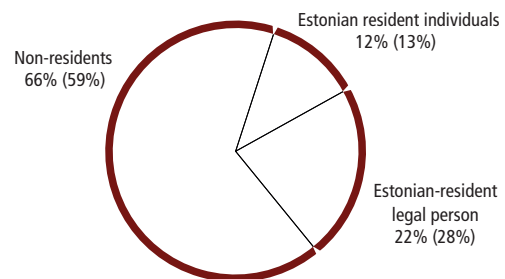
Of the money invested in **Estonian debt funds**, **Estonian-resident clients** held **66%** and **non-resident clients** **34%**.

As at the end of June 2014, the greatest share of the market of Estonian-resident clients belonged to SEB Varahaldus, who managed 85% of all assets invested in debt funds by residents. Avaron Asset Management held 14% of the assets invested in debt funds by residents. Swedbank Investeerimisfondid did not manage any debt funds.

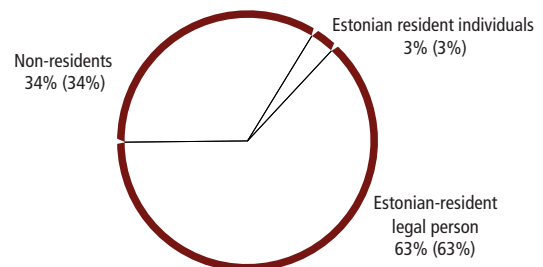
Of the money invested in **other funds**, **Estonian-resident clients** held **63%** and **non-resident clients** **37%** as at the end of June 2014. The greatest share of the market of Estonian residents belonged to Eften Capital, who managed 52% of all assets invested in other funds.

SmartCap held 22% and EEREIF Management 14% of the assets invested in other funds.

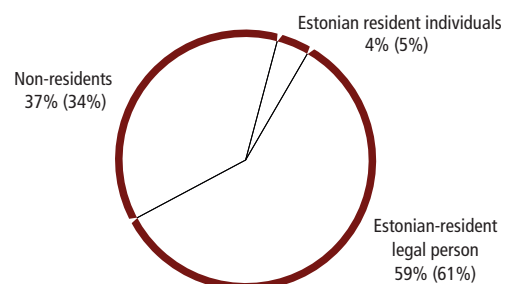
Structure of clients of equity funds as at 30.06.2014
(30.06.2013 in brackets)



Structure of clients of debt funds



Structure of clients of other funds



6

Portfolio management service¹⁵

a. Service

Portfolio management services are offered by management companies, banks and investment firms. The total portfolio volume has remained quite stable in recent years, at around 1.0 billion euros.

The greatest change in the first half of 2014 occurred within Swedbank Group, where the asset volume managed by the management company decreased by 112 million euros, with the volume of portfolios managed by the bank increasing by 77 million euros.

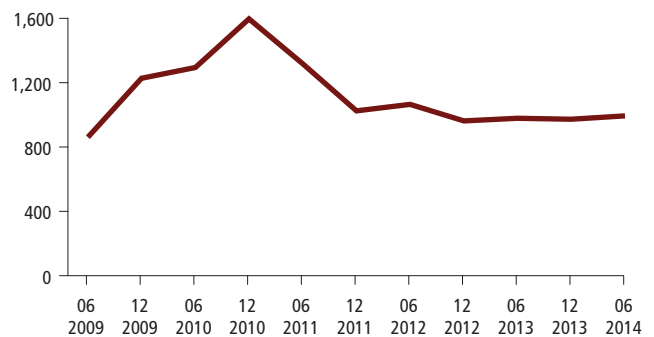
As a result, the volume of client portfolios managed by the management companies dropped from 621 million euros to 552 million euros, or from 64% to 56% of the market. The volume of client portfolios managed by banks grew from 330 million euros to 417 million euros in the first half of 2014, with the volume of client portfolios managed by investment firms standing at 18 million euros.

Overall, the total volume of securities portfolios of clients as at the end of June 2014 amounted to 987 million euros (as at the end of 2013: 965 million euros).

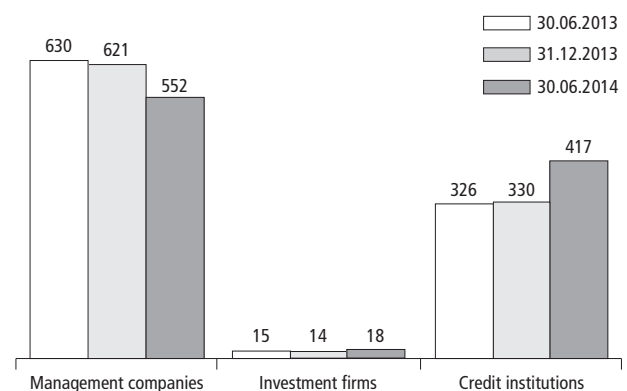
Overall market

| | | |
|------------------------|---|-----|
| distribution: | Trigon Funds | 33% |
| | Swedbank | 30% |
| | SEB | 17% |
| Clients: | Data not available | |
| Service volume: | Total volume of portfolios: 987 million | |

Dynamics of total volume of individual portfolios (in millions of EUR)



Volumes of portfolios (in millions of EUR)



¹⁵ Data on management of portfolios cover all of the subjects that offer the said service in Estonia and that might serve both Estonian and foreign clients. In this context, the management service also includes portfolio management with advising.

b. Service users

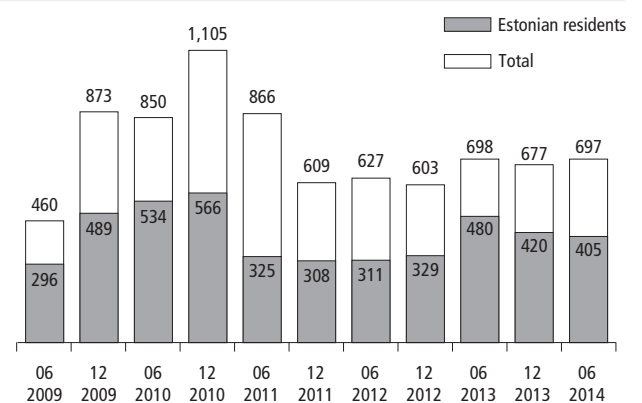
As at the end of June 2014, more than half of the total volume of client portfolios was held by **Estonian residents** – approximately 64% of the total volume of client portfolios, i.e. 630 million euros, of which, in turn, 405 million euros were held by financial institutions, 142 million euros by companies and 83 million euros by individuals¹⁶.

By client type, financial institutions constituted the largest group of clients, with the volume of portfolios amounting to 697 million euros as at the end of June 2014. With the first half-year the portfolio volume of financial institutions grew by 3%, i.e. 20 million euros.

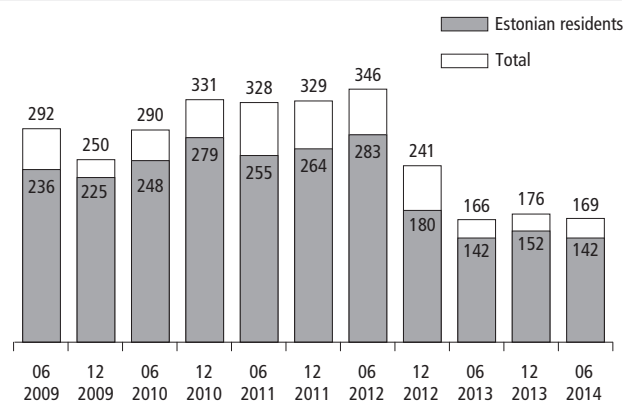
The portfolio volume of companies amounted to 169 million euros as at the end of June 2014 (as at the end of 2013: 176 million euros). The portfolio volume of resident companies contracted by 10 million euros in the first half-year – from 152 million euros to 142 million euros.

The portfolio volume of individuals rose from 112 million euros to 121 million euros in the half-year, with the portfolio volume of resident individuals showing no changes and amounting to 83 million euros.

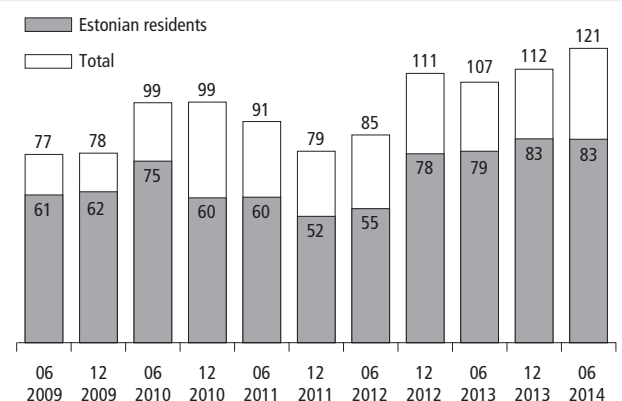
Volumes of portfolios by residence: financial institutions (in millions of EUR)



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



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



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

c. Service providers

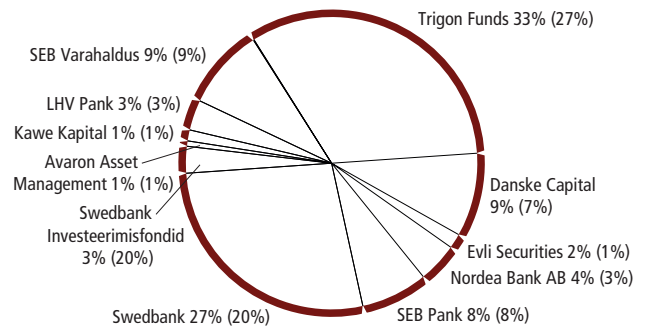
As at the end of June 2014, the largest market share (33%) in the management of client portfolios belonged to Trigon Funds (27% in the first half of 2013). Swedbank Group companies held 30% (first half of 2013: 40%) and SEB Group companies 17% (first half of 2013: also 17%) of the total volume of all portfolios.

By management companies, the greatest volume of consolidated client portfolio was held by Trigon Funds, growing from 41% to 59% during the year. SEB Varahaldus and Danske Capital each held 16% of the market of management companies. The market share of Swedbank Investeerimisfondid decreased from 31% to 5% during the year.

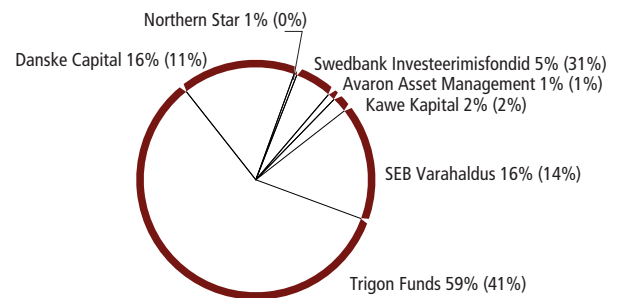
By banks, the largest total volume of portfolios belonged to Swedbank (65%) and SEB Pank (17%). The market share of Nordea Pank Finland Plc Estonia branch was 10% and the market share of LHV Pank 8%.

As at the end of June 2014, only two investment firms offered the portfolio management service – Evli Securities and Cresco Väärtpaberite AS. A majority of the portfolio volume of clients was held by Evli Securities (89%). Trigon Wealth Management was terminated in 2013.

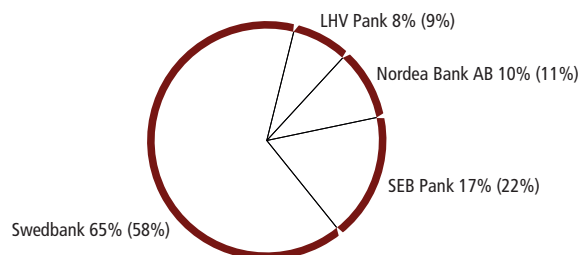
Market distribution of portfolios of clients by service provider as at 30.06.2014 (30.06.2013 in brackets)



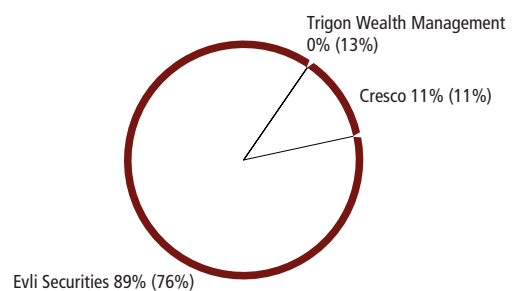
Market distribution: management companies



Market distribution: credit institutions



Market distribution: investment firms



d. Structure of portfolios by instrument

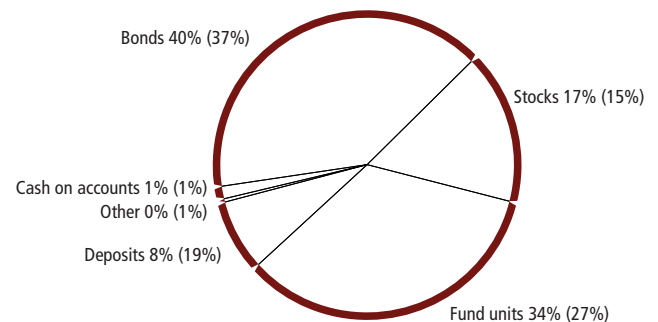
Year on year, the share of investments in consolidated client portfolios increased by the end of June 2014 against the decrease in liquidity-ensuring non-investment funds on accounts and deposits. The so-called direct investments in securities increased from 52% to 57% during the year, with investments in bonds amounting to 40% and investments in equities to 17%.

Investments in units of other funds¹⁷ (the so-called indirect investments) grew as well, making up 34% of the consolidated portfolio as at the end of June 2014. The share of deposits decreased from 19% to 8% of the consolidated portfolio volume. Cash on accounts made up 1% of the consolidated portfolio volume.

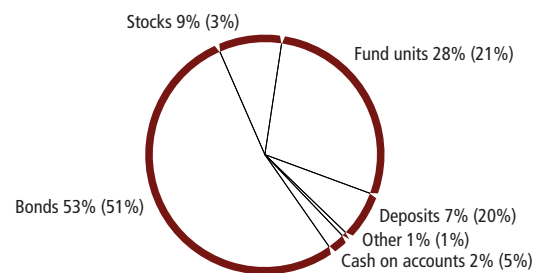
At the same time, great differences in instrument selection can be seen across service providers.

Management companies preferred bonds (53%), while investment firms preferred units of other funds (79%).

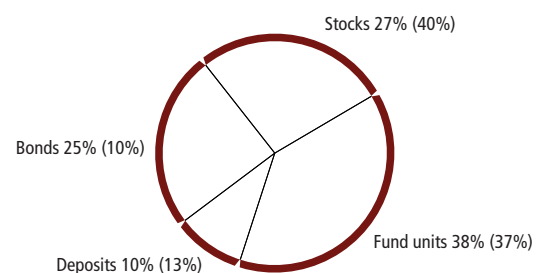
Structure of portfolios by instruments as at 30.06.2014
(30.06.2013 in brackets)



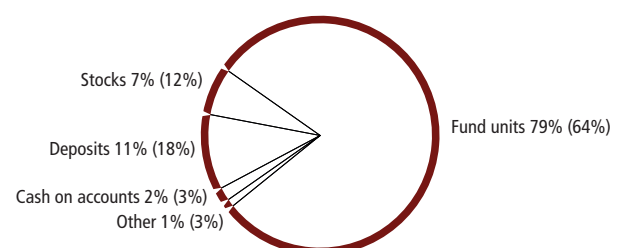
Structure of portfolios managed by management companies



Structure of portfolios managed by credit institutions



Structure of portfolios managed by investment firms



¹⁷ Contains different types of funds.

7

Payment services

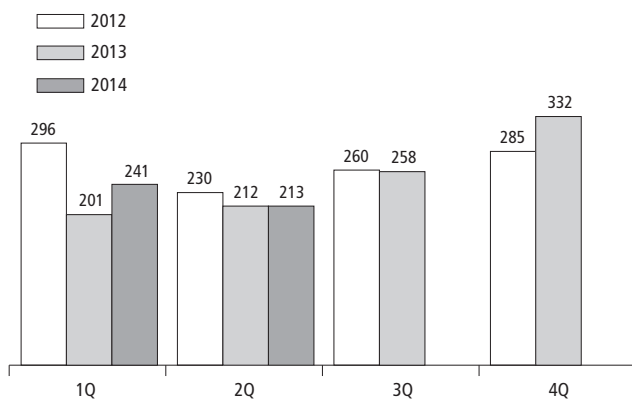
As at the end of June 2014, there were a total of 10 paying institutions operating in Estonia (including four under a derogation authorisation). A total of 6 paying institutions actually mediated payments in the first half-year.

The volume of payments intermediated by Estonian paying institutions grew by 10% year on year, with the number of payments growing by 69%.

In the first half of 2014, the total volume of payments mediated by Estonian paying institutions amounted to 454 million euros (first half of 2013: 413 million euros). A total of 735,001 payments were made during the half-year (first half of 2013: 435,849 payments).

The average payment amount was 617 euros (first half of 2013: 948 euros).

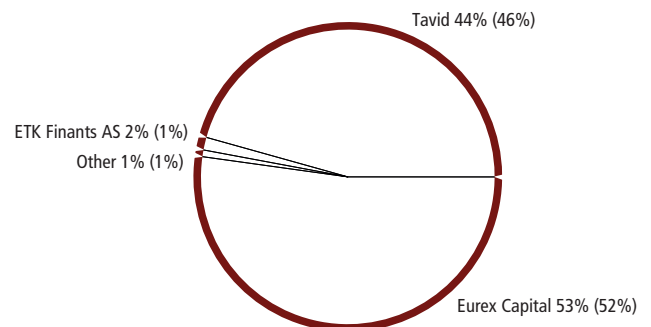
Turnover of transactions intermediated by paying institutions by quarter (in millions of EUR)



| | | |
|-----------------------------|---------------------|-------------------|
| Market distribution: | Eurex Capital | 53% |
| | Tavid | 44% |
| Clients: | NA | |
| Service volume: | Volume of payments: | |
| | | 454 million euros |

The market of payment services was divided between two paying institutions: Eurex Capital and Tavid. The share of Eurex Capital in the total volume of payments stood at 53% and the share of Tavid at 44% in the first half of 2014.

Market shares of paying institutions by turnover intermediated in the first half of 2014 (first half of 2013 in brackets)



8

Loans¹⁸

a. Service

In the first half of 2014, the volume of the banks' loan portfolio in Estonia increased by 1.5% (i.e. 218 million euros) and reached 14.65 billion euros by the end of June 2014, of which loans to companies¹⁹ made up 44% and loans to individuals.²⁰

The volume of loans to individuals increased by 28 million euros in the first half-year. Loans to companies increased by 128 million euros. Loans to financial institutions increased by 86 million euros and loans to government by 24 million euros.

Overall, as at the end of June 2014, a total of 6.9 billion euros had been issued in loans to individuals and 6.5 billion euros in loans to companies. Loans to financial institutions²¹ made up 739 million euros and loans to government²² 487 million euros.

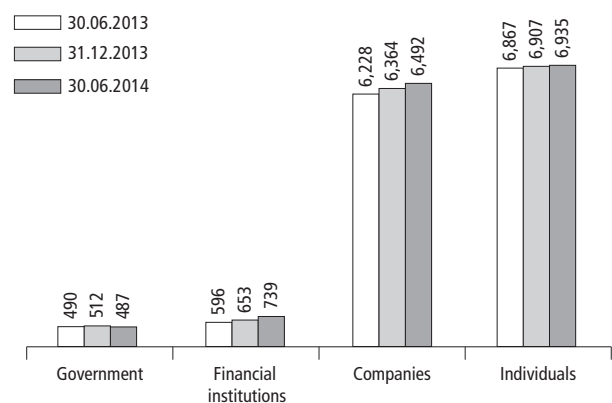
Of the loans issued to individuals in the first half of 2014, the volume of residential loans increased the most (by 47 million euros), amounting to 5.93 billion euros as at the end of June.

The volume of student loans continued to decline – by 13 million euro in the first half-year – amounting to 161 million euros as at the end of June.

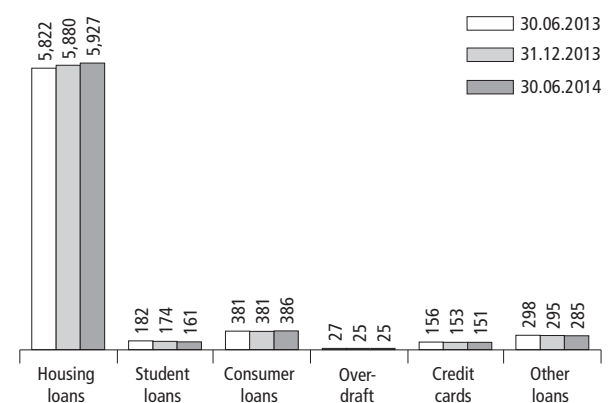
The volume of consumer loans increased by 5 million euros in the first half-year, amounting to 386 million euros as at the end of June.

| | | |
|-------------------------------|--|-----|
| Market distribution: | Swedbank | 39% |
| | SEB Pank | 24% |
| | Nordea Bank AB Estonia Branch | 19% |
| Clients (individuals): | 674,787 valid contracts | |
| Service volume: | Volume of the consolidated loan portfolio: 14.65 billion euros | |

Balance of loans (in millions of EUR)



Volume of loans to individuals (in millions of EUR)



¹⁸ Data on loans include loans issued by Estonian credit institutions.

¹⁹ State or local government company or other company.

²⁰ Individual, non-profit association.

²¹ Insurance institution and pension fund; other financial institution.

²² Central government, local government, state social insurance fund; other non-budgetary fund.

b. Consumers

The average loan burden of **individuals** showed no changes in the first half of 2014. Mention should only be made of consumer loans, where the average loan balance increased by 50 euros during the half-year. In other categories of loans, the average loan balance has remained virtually unchanged:

Average balance of loans to individuals, EUR

| | 30.06.2013 | 31.12.2013 | 30.06.2014 |
|----------------|------------|------------|------------|
| Housing loans | 36,824 | 36,739 | 36,741 |
| Student loans | 2,192 | 2,206 | 2,209 |
| Consumer loans | 2,787 | 2,893 | 2,943 |
| Overdraft | 283 | 285 | 278 |
| Credit cards | 742 | 751 | 753 |
| Other loans | 13,871 | 14,044 | 13,911 |

The average balance of housing loans increased in the first half of 2014 – from 36,739 euros at the beginning of the year to 36,741 euros at the end of June. The average balance of student loans increased from 2,206 euros to 2,209 euros. The average balance of consumer loans increased from 2,893 euros to 2,943 euros. The average balance of overdraft decreased from 285 euros to 278 euros. The average balance of credit cards increased from 751 euros to 753 euros. The average balance of other loans²³ increased from 14,044 euros to 13,911 euros. The high balance of other loans results, first and foremost, from the amount of loans drawn for business purposes.

The number of loan agreements decreased in nearly all loan categories in the first half of 2014. Housing loans and overdraft constituted an exception.

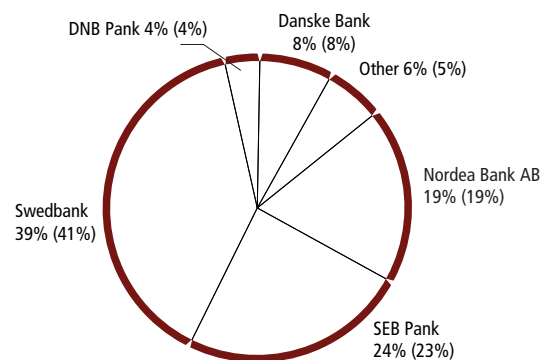
As at the end of June 2014, the **number of housing loan agreements entered into with individuals was the highest in the last five years, amounting to 161,323 (31.12.2013: 160,045)**. The respective figure was **72,794 (78,708)** for student loans, **131,231 (131,641)** for consumer loans, **88,682 (95 351)** for overdraft, **200,236 (203,799)** for credit cards and **20,521 (20,974)** for other types of loans.

c. Service providers

The Estonian loan market was stable in the first half of 2014, and divided largely between four major banks, which controlled 90% of the overall loan market. Swedbank holds the largest market share – 39% of the entire consolidated loan portfolio. Swedbank is followed by SEB Pank with 24%, Nordea Bank Finland Plc Estonia branch with 19% and Danske Bank Estonia branch with 8%.

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

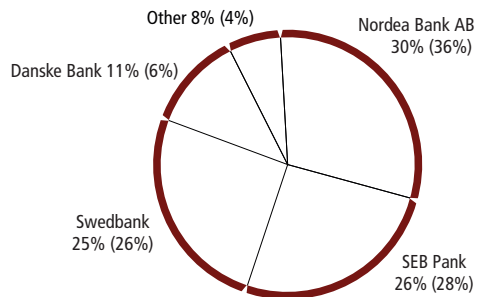
Market distribution: loans as at 30.06.2014 (30.06.2013 in brackets)



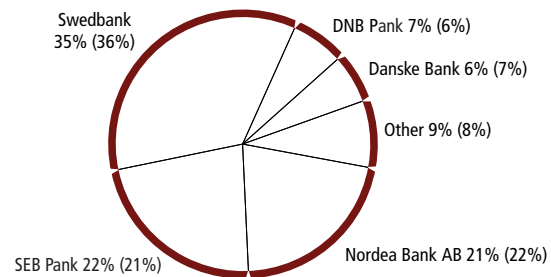
²³ Other loans issued to individuals and non-profit associations include loans for buying securities, starting a business or expanding a business.

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

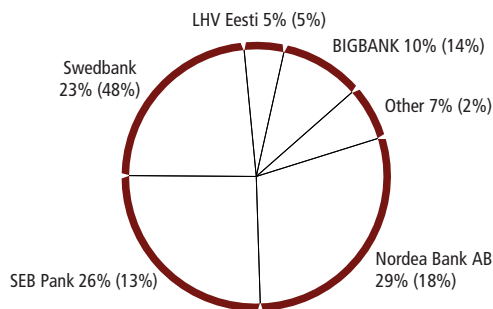
Market distribution: government loans as at 30.06.2014
(30.06.2013 in brackets)



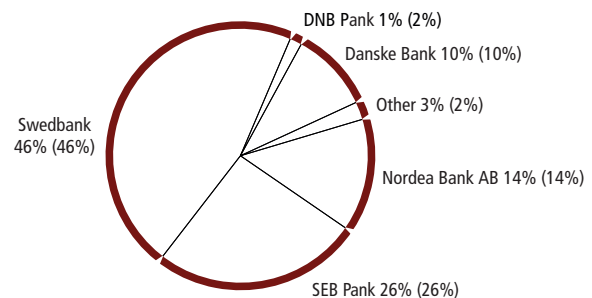
Market distribution: loans to companies



Market distribution: loans to financial institutions



Market distribution: loans to individuals



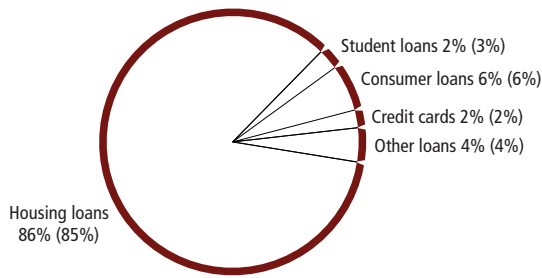
On the **government loan market**, the market share of Nordea Bank Finland Plc Estonia branch has decreased, and that of Danske Bank Estonia branch increased. The largest share of the government loan market (30%) was still held by Nordea Bank Finland Plc Estonia branch. SEB Pank controlled 26% of the government loans, followed by Swedbank with its 25% market share.

The market of loans to financial institutions has remained highly volatile in recent years. In the first half of 2014 business volumes continued to increase in Nordea Bank Finland Plc Estonia branch and SEB Pank, with the respective market shares growing from 18% to 29% and from 13% to 26%. At the same time, the market share of Swedbank plummeted from 48% to 23%.

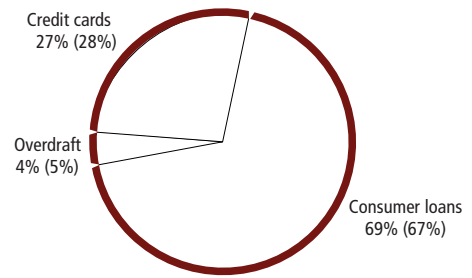
The largest share of **loans to companies** was issued by Swedbank (35%), SEB Pank (22%) and Nordea Bank Finland Estonia branch (21%).

The largest share of loan balances belonging to **individuals** has also accumulated to Swedbank (46%) and SEB Pank (26%). The distribution of the market for loans to individuals has historically been the most stable.

Distribution of loans to individuals as at 30.06.2014 (30.06.2013 in brackets)



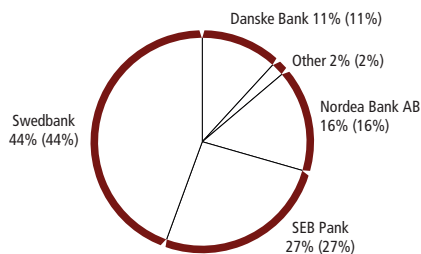
Loans related to everyday consumption



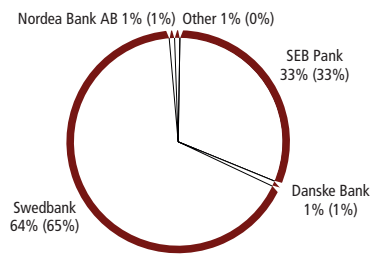
The main change in the division of different types of loans issued to individuals in the first half of 2014 was the increase in the share of housing loans and decrease in the share of student loans. The predominant share of loans issued to individuals is formed by housing loans – a total of 86% or 5.93 billion euros. Loans connected to everyday spending (consumer loans, the used portions of credit cards, overdraft) amount to a total of 0.6 billion euros.

The market for loans to individuals is highly concentrated, with nearly a half held by Swedbank as at the end of June 2014, and the rest mainly divided between SEB Pank, Danske Bank Estonia branch and Nordea Bank Finland Plc Estonia branch.

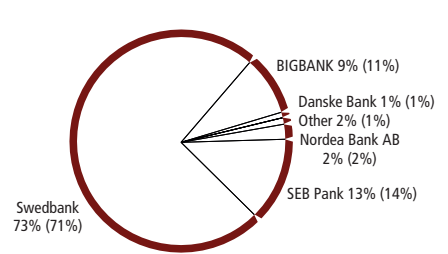
Market distribution: housing loans to individuals



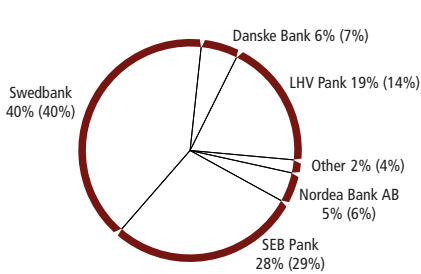
Market distribution: student loans to individuals



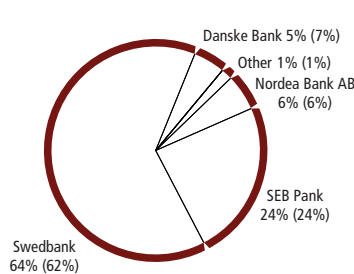
Market distribution: consumer loans to individuals



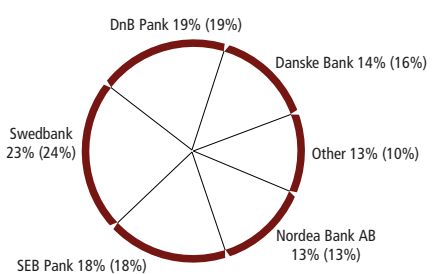
Market distribution: overdraft to individuals



Market distribution: credit cards to individuals



Market distribution: other loans to individuals



9

Deposits²⁴

a. Service

The **volume of deposits** held with Estonian banks grew by 2.4% in the first half of 2014 (i.e. by 324 million euros), amounting to 14.0 billion euros by the end of June 2014. Demand deposits and overnight deposits made up 9.6 billion euros, while term deposits and savings deposits made up 4.2 billion euros, and investment deposits and other deposits 0.1 billion euros. Thus, only 30% of the deposits have a fixed term – a trend especially evident in the first half of 2014. The share of demand deposits and overnight deposits increased from 66% to 69%, while the share of term deposits and savings deposits decreased from 33% to 30% of all deposits.

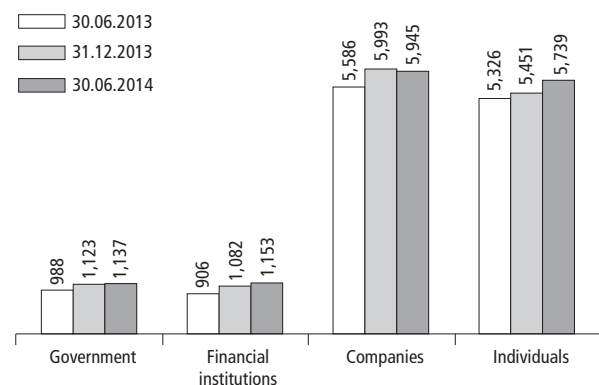
The greatest share of deposits was made up of companies²⁵ deposits, which accounted for 43% of all deposits, with a total volume of 5.9 billion euros. As much as 83% of companies' deposits were demand and overnight deposits, totalling 4.9 billion euros; 17% were term and savings deposits worth 1.0 billion euros.

Individuals²⁶ held 41% of the deposits, worth 5.7 billion euros, of which demand and overnight deposits made up 3.5 billion euros, term and savings deposits 2.1 billion euros and investment and other deposits 0.1 billion euros.

Deposits of financial institutions²⁷ and government deposits each accounted for 8% of the total deposits with a total value of 1.1 billion euros.

| | | |
|-----------------------------|---|-----|
| Market distribution: | Swedbank | 43% |
| | SEB Pank | 21% |
| | Danske Bank Estonia branch | 13% |
| Clients: | 2,802,622 valid contracts | |
| Service volume: | Total volume of deposits: 14.0 billion euros | |

Volume of deposits (in millions of EUR)



²⁴ Data on deposits cover all amounts deposited in credit institutions operating in Estonia and Estonian branches of foreign credit institutions, i.e. deposits of both Estonian residents and non-residents. The data do not include the deposits opened in foreign branches of Estonian credit institutions.

²⁵ State or local government companies or other companies.

²⁶ Individuals, non-profit associations.

²⁷ Insurers and pension funds, other financial institutions.

b. Service providers

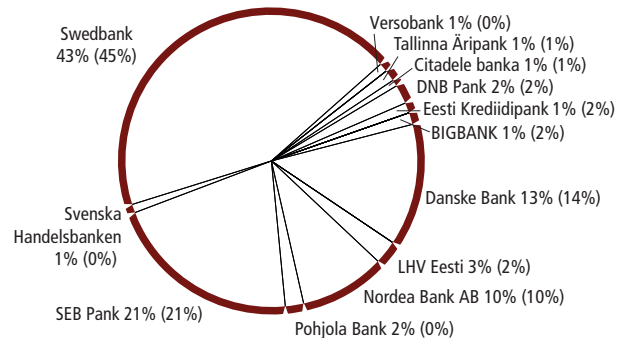
The Estonian deposit market remained relatively stable in the first half of 2014, divided mainly between four largest banks. As at the end of June 2014, the largest market share belonged to Swedbank (43% of the entire deposits market), while in terms of volume, Swedbank held the position as the market leader in all primary client categories.

SEB Pank held 21% of the deposits market, Danske Bank Estonia branch 13% and Nordea Bank Finland Plc Estonia branch 10%.

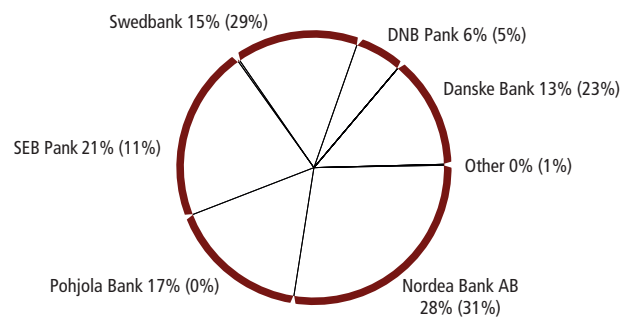
In **government deposits**, the amounts deposited in **SEB Pank** raised its market share from 11% to 21%. At the same time, the market share of Swedbank contracted from 29% to 15%. A majority (28%) of government deposits was controlled by **Nordea Bank Finland Estonia Branch**. SEB Pank had a market share of 21% and Pohjola Bank plc Estonia branch a market share of 17%.

Changes in **deposits of financial institutions** were smaller than expected. Despite the growth in volume, the market share of Swedbank dropped from 49% to 47%. At the same time, the market shares of Pohjola Bank plc Estonia branch and LHV Eesti increased from 0% to 4%, and from 1% to 3%, respectively. Swedbank continued to hold the largest share of the market (47%).

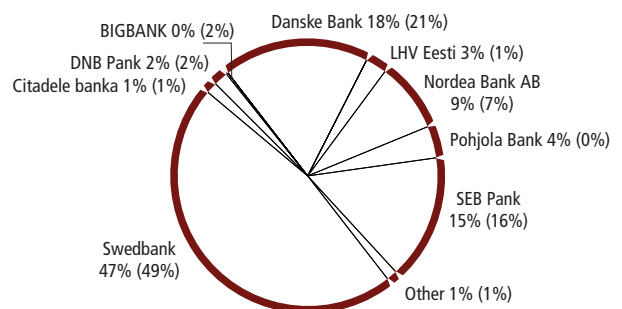
Market distribution: deposits as at 30.06.2014 (30.06.2013 in brackets)



Market distribution: government deposits

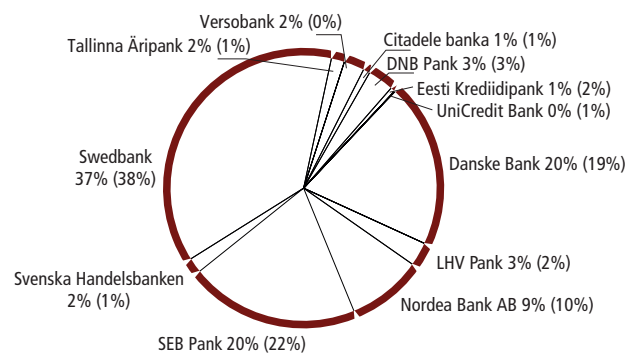


Market distribution: deposits of financial institutions



Deposits of companies grew above all in Danske Bank Estonia branch and Versobank, which was also reflected in the increase in their market share. The market share of Versobank grew from 0% to 2% and the market share of Danske Bank Estonia branch from 19% to 20%. Swedbank continued to hold the largest share of the market (37%).

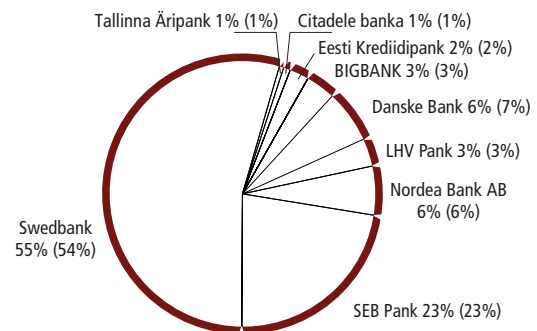
Market distribution: deposits of companies as at 30.06.2014
(30.06.2013 in brackets)



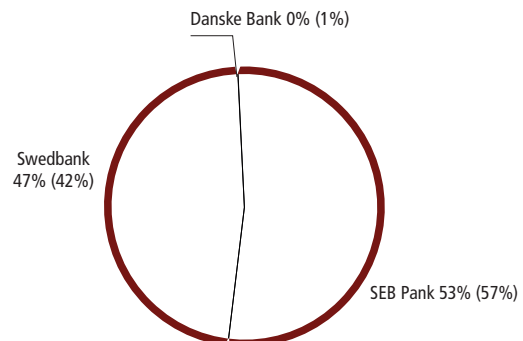
Investment deposits were offered by SEB Pank and Swedbank in the first half of 2014. At the end of 2013, Danske Bank Estonia branch terminated the provision of such types of deposits. The total volume of investment deposits of individuals amounted to 92 million euros as at the end of June 2014 (31.12.2013: 92 million euros). The largest market share was held by SEB Pank (53%). 47% of the volume of investment deposits of individuals can be attributed to Swedbank.

Similarly to previous periods, the **deposit market for individuals** remained stable, with the market shares fluctuation no more than within one percentage point. Over a half (55%) of the deposit market for individuals was held by Swedbank. SEB Pank had a market share of 23%, Danske Bank Estonia branch a market share of 6% and Nordea Bank Finland Estonia branch a market share of 6%.

Market distribution: deposits of individuals



Market distribution: investment deposits of individuals



c. Service users

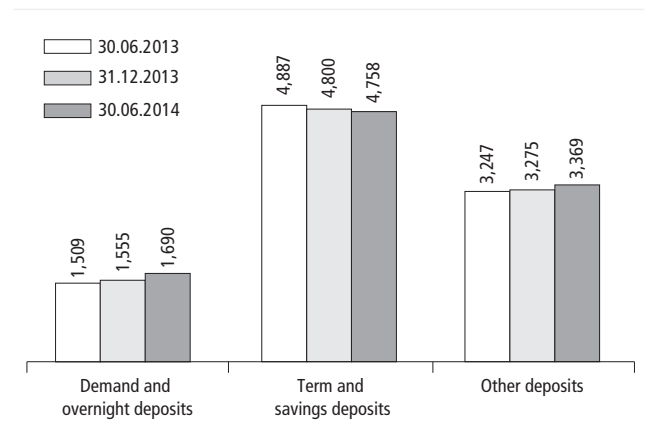
The number of deposits increased in the first half of 2014. The number of demand and overnight deposits increased by 18,000, the number of term and savings deposits by 2,000, and the number of other deposits by 1,000.

The number of valid deposit agreements²⁸ as at 30 June 2014:

- total demand and overnight deposits 2,303,000 agreements
of which individuals 2,044,000 agreements
- total term and savings deposits 470,000 agreements
of which individuals 460,000 agreements
- total investment and other deposits 30,000 agreements
of which individuals 29,000 agreements

As at the end of June 2014, the average size of demand and overnight deposits amounted to **1,690 euros** (as of the end of 2013: 1,555 euros), the average size of term and savings deposits to 4,758 euros (4,800 euros) and the average size of investment and other deposits to 3,369 euros (3,275 euros).

Average amount of individuals' deposits (in EUR)



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