

Estonian financial services market as at 30 June 2016

The overview discusses services provided in Estonia
by companies belonging under the supervision of the
Financial Supervision Authority



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1. General developments of the financial services market

The development trends on the Estonian financial services market were diverse in the first half of 2016. The growth of voluntary long-term financial services designed for saving and investing was modest, whereas the volume of services to finance consumption¹ grew strongly.

The combined volume of deposits increased 3% or by 458 million euros in the first half of 2016. This growth was driven by demand and overnight deposits (805 million euros were added), primarily because of low interest rates. However, the volume of fixed-term deposits diminished by 331 million euros. The total volume of deposits was 16 billion euros at the end of June 2016.

The combined volume of loan portfolios² of banks increased 3% or by 0.6 billion euros³ in the first half of 2016. As at the end of June, the volume of the combined loan portfolio of banks was 17.3 billion euros. A new service added to this overview is loans issued by creditors, the volume of which was 0.7 billion euros⁴ as at the end of June.

The growth of volumes in investment services has decelerated. An exception is pension funds, whose combined

volume of assets increased in the first half-year 9%, whereas, in contrast, other investment funds registered in Estonia increased 3%. At the same time, investments into foreign funds⁵ decreased 2% in the half-year and so did other investments into financial instruments, showing a decrease of 5%. The combined volume of individual portfolios did not change much, growing only 1%. All in all, the volume of assets invested into financial services designed for saving and investing, including investment funds, pensions funds, individual portfolios, other financial instruments, fixed-term and savings deposits, and investment and other deposits, decreased 4%, reaching by the end of June 9.3 billion euros (9.7 billion euros⁶ at the end of 2015). At the same time, the funds held in current accounts increased 7% in the half-year, amounting to 12.8 billion euros at the end of June.

The volume of insurance premiums in life insurance decreased 4% in the first half-year of 2016 and amounted to 41 million euros. Meanwhile, the volume of insurance premiums received in non-life insurance increased 9% and amounted to 149 million euros.

The volume of investing and banking services rendered by Estonian financial institutions as at the end of June 2016 (in millions euros)

Service	Volume	Including to Estonian resident individuals	
			share in total services
Investment funds	621	-	-
Pension funds	2,994	2,994	100%
Foreign funds offered in Estonia	518	99	19%
Unit-linked life insurance provisions	227	227	100%
Individual portfolios	636	90	14%
Banking loans	17,286	7,387	43%
Creditor loans	682	682	100%
Demand and overnight deposits	12,841	4,296	33%
Fixed-term and savings deposits	3,055	1,680	55%
Investment and other deposits	96	69	72%
Other financial instruments	1,386	312	23%

1 According to Statistics Estonia, private consumption grew 3.4% in the first half-year of 2016 and was the main driver of the economic growth.

2 The data on loans includes loans issued by credit institutions in Estonia.

3 The total volume of loans issued by credit institutions actually increased 6%, but it included an intra-group loan of one market participant (ca 0.4 billion euros).

4 From 21 March 2016, the Financial Supervision Authority exercises supervision over creditors and credit intermediaries and their data has been added to this overview.

5 To avoid presenting the same data multiple times, the investments into foreign investment funds do not include investments made by Estonian insurance companies, and investment and pension funds.

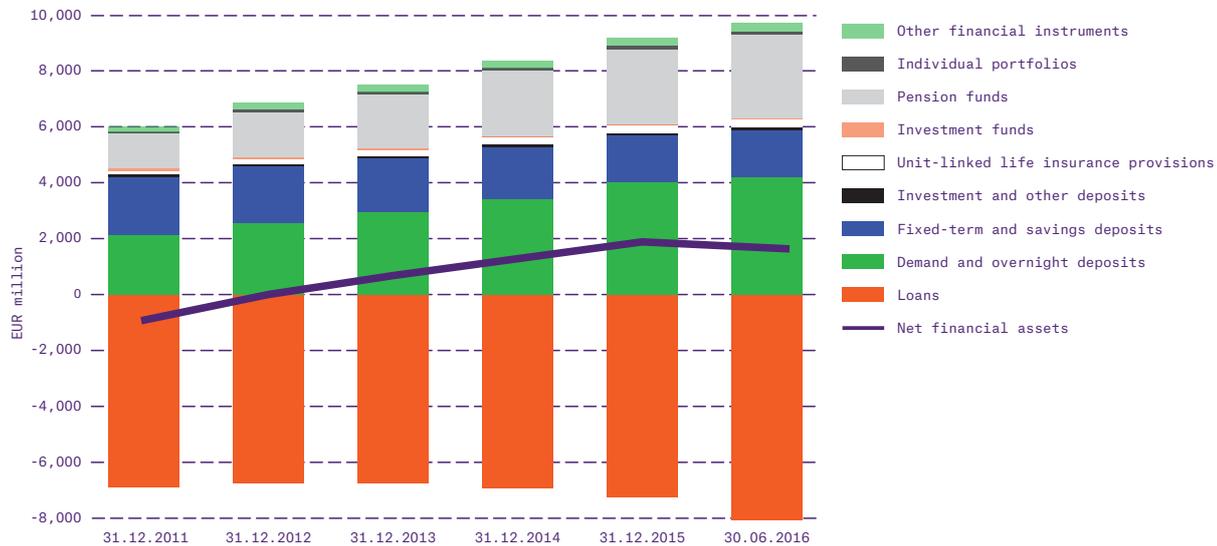
6 The financial assets also contain the securities held in the securities accounts of Estonian credit institutions.

From 2016, the Financial Supervision Authority has access to the reports of creditors, and therefore the data concerning loans issued by creditors has been added to this overview.

In the first half-year of 2016, the financial assets of Estonian resident individuals exceeded their liabilities: the volume of financial assets was 9.7 billion euros as at the end of June, while the balance of financial liabilities amounted

to 8.1 billion euros. Consequently, the net financial assets of Estonian resident individuals amounted to 1.6 billion euros. The net financial assets decreased compared to the end of 2015, mainly because liabilities now include loans issued by creditors. Without these loans, the balance of financial liabilities would have been 7.4 billion euros and the net financial assets 2.3 billion euros.

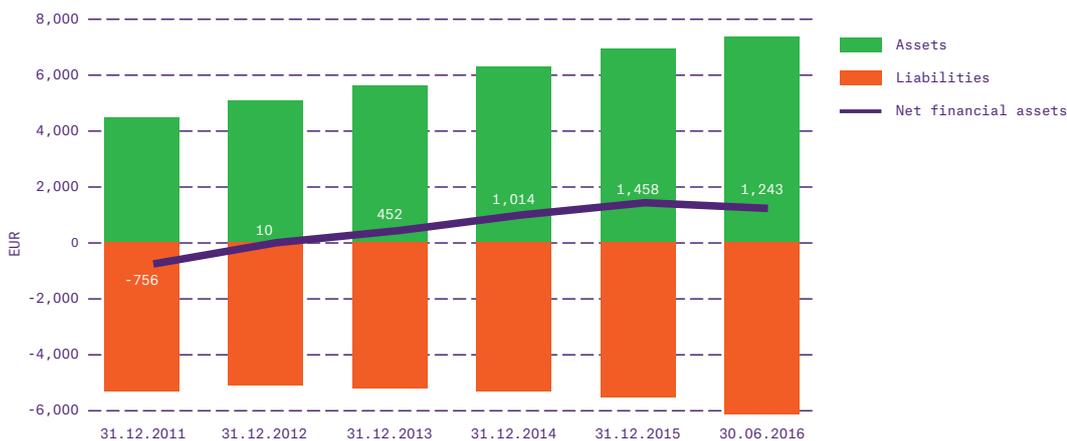
Financial assets and liabilities of Estonian resident individuals



The average volume of assets of an Estonian resident individual was 7,375 euros and the balance of loans was 6,132 euros as at the end of June of 2016. The average net financial assets

was thus 1,243 euros (1,458 euros as at the end of 2015). Without the loans issued by the creditors, the average net financial assets would have increased to 1,762 euros in the first half-year.

Average net financial assets of Estonian resident individuals

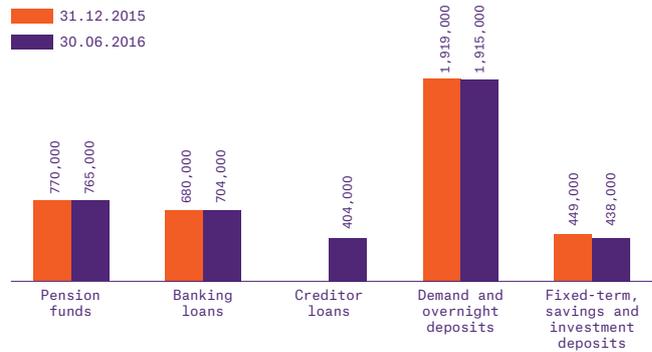


2. Division of private customers⁷ by products

Based on the number of contracts known to the Financial Supervision Authority⁸, demand deposit (current account) is the most popular financial service in Estonia. As at the end of June 2016, private persons had 1,915 million current accounts⁹ (many individuals have several current accounts). However, the number of current accounts has been decreasing in recent years: for example, five years ago, or at the end of June 2011, there were 2,484 million current accounts.

Loans are the second most popular financial product. As at the end of June 2016, the number of loan contracts made with private persons was 1,108 million¹⁰. The number of persons that had made a contract with pension funds decreased from 770,000 to 765,000 in the first half of the year. At the same time, the number of fixed-term, savings and investment deposit contracts decreased from 449,000 to 438,000.

Number of contracts made by private persons by financial service



7 A customer means a person that holds one contract.

8 As the requirements of the European Union have changed, the number of contracts in insurance is not shown.

9 Current accounts opened in credit institutions that have a positive monetary balance.

10 Loan contracts made with banks and other creditors. Some persons may have entered into several loan contracts.

3. Life insurance¹¹

Market breakdown:

Swedbank Life Insurance SE	39%
SEB Elu- ja Pensionikindlustus	26%
Compensa Life Vienna Insurance Group SE	24%

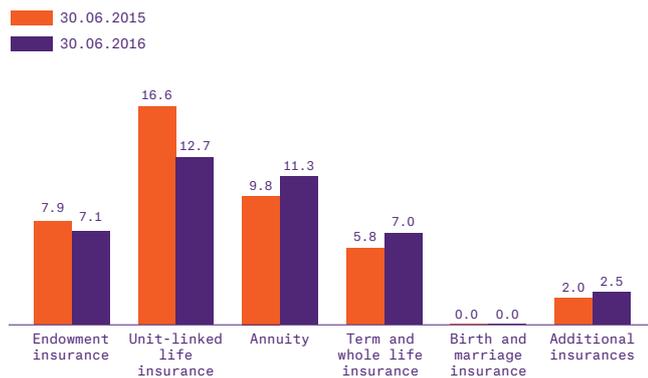
Service volume:

Total of 40.5 million euros of insurance premiums received in the first half of 2016

INSURANCE PREMIUMS

In the first half of 2016, insurance companies in Estonia collected insurance premiums in the amount of 40.5 million euros¹². In the first half of the previous year, 42 million euros in insurance premiums were collected; consequently, the volume of insurance premiums has decreased 3.6% year-on-year.

Premiums by life insurance class (EUR million)



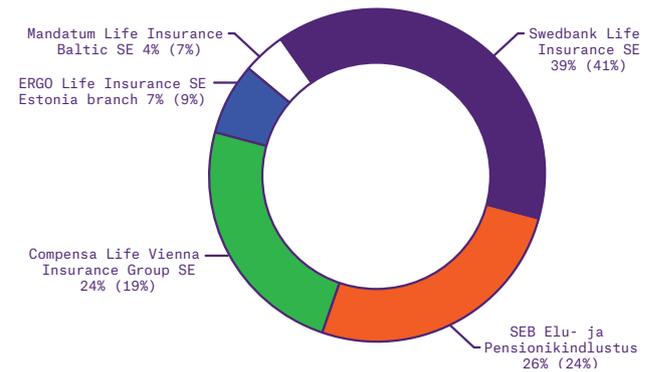
Life insurance premiums decreased mainly due to unit-linked life insurance contracts, which volume of insurance premiums declined by 3.9 million euros compared to the first half of the previous year. The volume of endowment premiums decreased by 0.7 million euros. In contrast, the volume of annuity and term and whole life insurance premiums grew by 1.5 million and 1.1 million euros, respectively.

The product with the largest volume is still unit-linked life insurance that accounted for 31% of life insurance products in the first half of 2016 (39% in the first half of 2015). The second most popular life insurance product is annuity, whose share was 28% at the end of June 2016 (23% in the year before). The growth in annuity premiums is primarily caused by the growth in the volume of pillar II pension contracts¹³. The share of endowment insurance was 18% of all life insurance products (19% in the year before).

INSURERS

In the first half of 2016, the three largest life insurance companies – Swedbank Life Insurance SE, SEB Elu- ja Pensionikindlustus and Compensa Life Vienna Insurance Group SE – received 89% of all insurance premiums (84% the year before).

Market breakdown of life insurance companies by premiums received in the first half-year of 2016 (first half-year of 2015 in brackets)



The volume of insurance premiums collected by Compensa Life Vienna Insurance Group SE increased (21%) in the first half of 2016, which resulted in a growth of its market share from 19% to 24%. The volume of insurance premiums increased on account of annuity premiums. The market share of SEB Elu- ja Pensionikindlustus grew from 24% to 26% also on account of annuity premiums. The market share of Swedbank Life Insurance SE decreased from 41% to 39%.

¹¹ In 2016, Solvatus II supervision framework came into force, which is the reason why reports submitted to the Financial Supervision Authority have changed considerably. The life insurance review has thus been prepared using the data of Statistics Estonia.

¹² The data do not include insurance premiums collected outside of Estonia.

¹³ More detailed data on the pillar II payments of funded pension have been added to section 6.

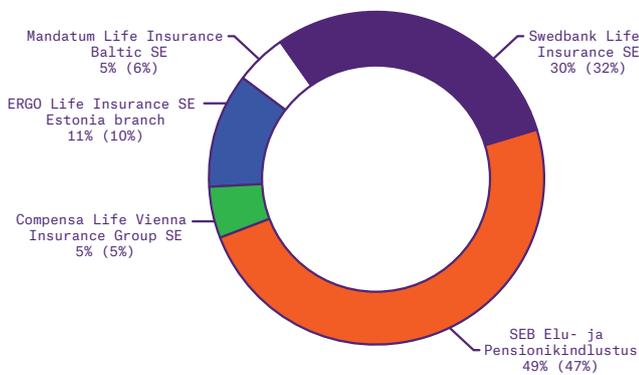
The volume of endowment insurance premiums decreased year-on-year in all life insurance companies. The market shares of insurance companies did not change much, though. The largest endowment insurance service provider in Estonia as at the end of June 2016 was SEB Elu- ja Pensionikindlustus with its market share of 49%.

The collection of unit-linked life insurance premiums decreased in almost all life insurance companies, except for Compensa Life Vienna Insurance Group SE. The collection of insurance premiums dropped most in Mandatum Life Insurance Baltic SE (49%) in the first half of the year, which resulted in a decrease in its market share from 14% to 9%. The market shares of other life insurance companies have increased. The market leader is still Swedbank Life Insurance SE and although the volume of premiums has decreased, its market share has grown from 61% to 63%.

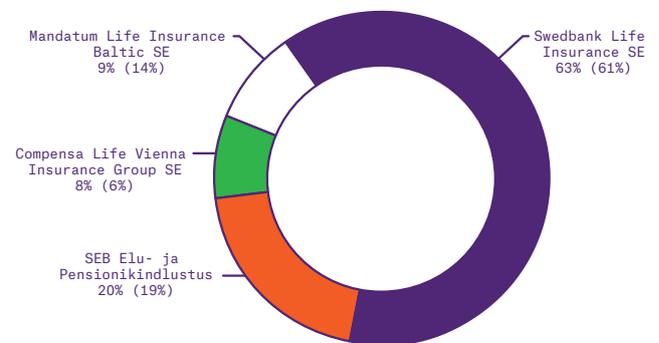
In the first half of 2016, the collection of annuity premiums increased in all life insurance companies with the largest growth in SEB Elu- ja Pensionikindlustus, where the volume of premiums surged by 162%. This has led to an increase in their market share from 8% to 18%. The biggest annuity service provider in Estonia is still Compensa Life Vienna Insurance Group SE, whose market share was 70% as at the end of June. The market share of ERGO Life Insurance SE Estonia branch decreased from 27% to 10%.

The market shares of term and whole life insurance providers have changed quite little. The largest market was covered by Swedbank Life Insurance SE with 63%, followed by SEB Elu- ja Pensionikindlustus with 26%.

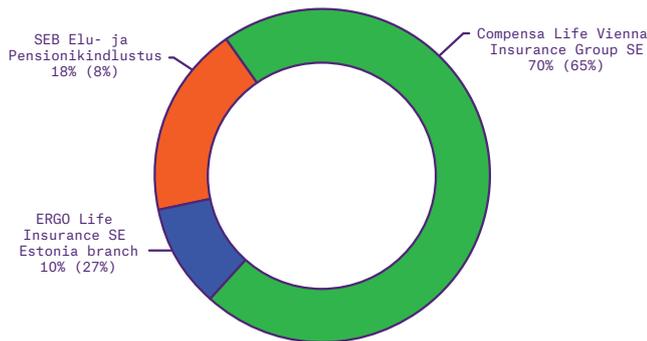
Market breakdown of endowment insurance at the end of June 2016 (end of June 2015 in brackets)



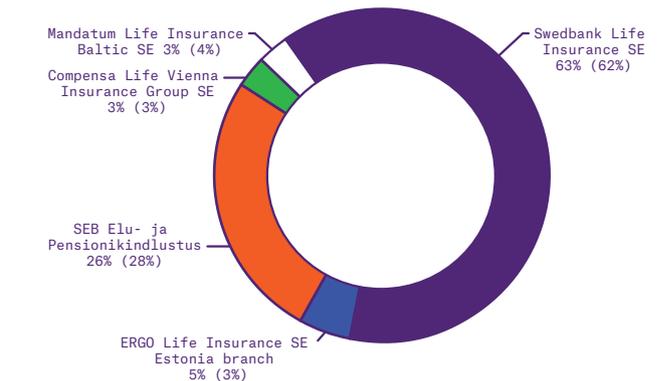
Market breakdown of unit-linked life insurance at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of annuity at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of term and whole life insurance at the end of June 2016 (end of June 2015 in brackets)



3.1. Life insurance brokers

Market breakdown:

KindlustusEst Kindlustusmaakler	56%
UADBB Aon Baltic Estonia branch	21%
Marks ja Partnerid Kindlustusmaaklerid	11%

Customers:

362 brokered contracts

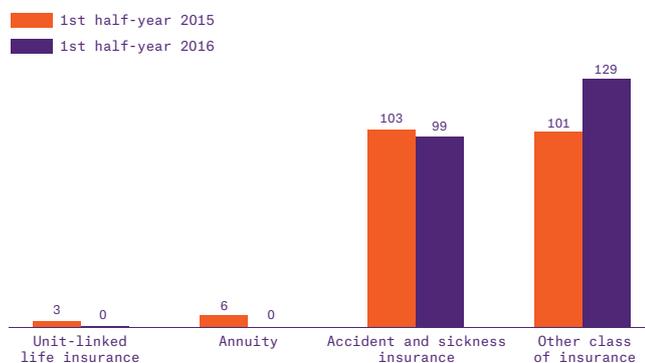
Service volume:

228,000 euros worth of insurance premiums were brokered in the first half of 2016

INSURANCE PREMIUMS BROKERED

According to the data received by the Financial Supervision Authority, insurance brokers registered in Estonia brokered insurance premiums in life insurance for the total amount of 228,000 euros in the first half of 2016. The volume of brokered insurance premiums increased 7% over the year. The volume of premiums has grown on account of other classes of insurance, mostly sickness and unit-linked life insurance. The collection of premiums under other life insurance contracts has decreased.

Insurance premiums brokered by insurance brokers by life insurance class (thousand EUR)



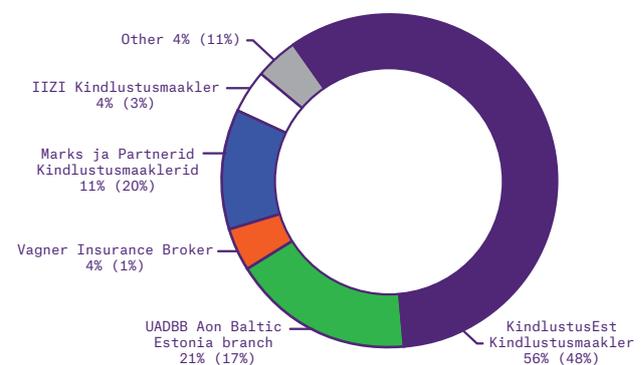
In the first half of 2016, the most brokered contracts by brokers were accident and sickness insurance contracts in life insurance and other life insurance contracts, 99,000 and 129,000 euros, respectively. The most popular type of other life insurance contracts is unit-linked life insurance. The volume of insurance premiums under unit-linked insurance contracts was lower than one thousand euros and annuity insurance premiums were not brokered at all.

Estonian life insurance brokers largely broker insurance contracts of insurance companies of the European Economic Area countries, which account for 63% of insurance premiums (57% the year before) and 51% of the number of contracts (49% the year before) in the first half of 2016.

INSURANCE BROKERS

In the first half of 2016, 10 insurance brokers, one more than the year before, intermediated life insurance contracts. KindlustusEst Kindlustusmaakler still holds the largest market share (56%), followed by UADBB Aon Baltic Estonia branch (21%) and Marks ja Partnerid Kindlustusmaaklerid (11%).

Market breakdown of insurance brokers by life insurance premiums in the first half-year of 2016 (first half-year of 2015 in brackets)



4. Non-life insurance¹⁴

Market breakdown:

IF P&C Insurance	24%
ERGO Insurance SE	17%
Swedbank P&C Insurance	15%

Customers:

information not available

Service volume:

Total of 149 million euros of insurance premiums received in the first half of 2016

INSURANCE PREMIUMS

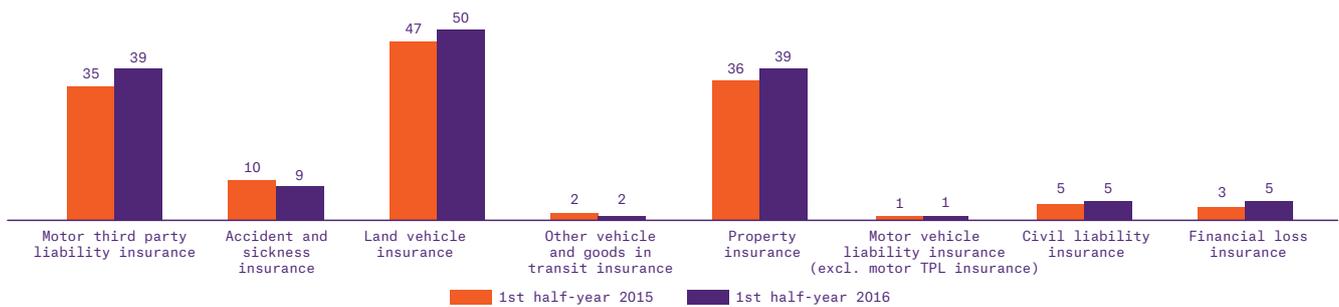
In the first half of 2016, non-life insurance companies and branches of foreign non-insurance companies operating in Estonia received insurance premiums in total 149 million euros (137 million euros the year before), including 35 million euros or 24% of all collected insurance premiums by the branches of foreign insurance companies in Estonia (31 million euros or 22% the year before). Of insurance premiums collected by non-life insurance companies, 78 million euros (or 52% of all premiums) were collected via insurance brokers (51% the year before).

The volume of premiums has increased in almost all non-life insurance classes. The biggest growth occurred in motor third party liability insurance and property insurance, showing an increase in the first half-year compared to the year before 4 million and 3 million euros, respectively.

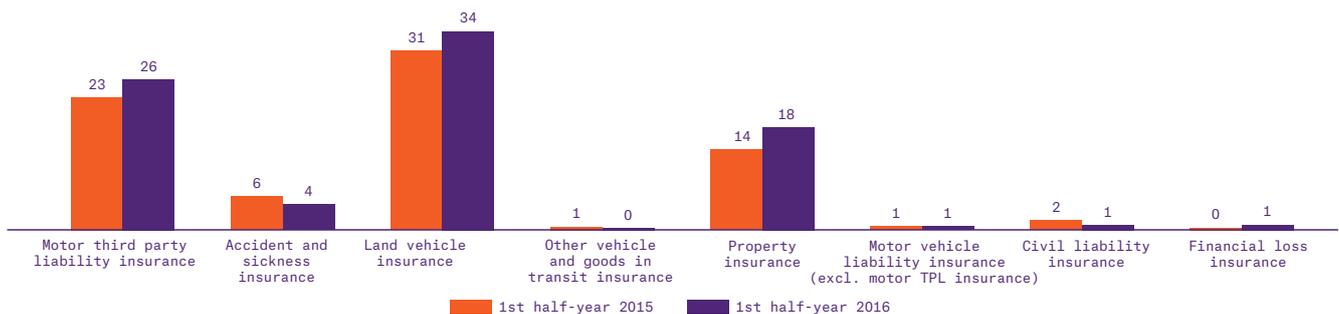
Land vehicle insurance, i.e. comprehensive insurance, remained the largest insurance class with insurance premiums amounting to 50 million euros in the first half-year. The volume of both property insurance and motor third party liability insurance premiums was 39 million euros.

86 million euros was paid out as indemnities in the first half of 2016, which is 10 million euros more than the year before. The amount of indemnities paid out increased most in property insurance (a growth from 14 million to 18 million euros) and land vehicle and motor third party liability insurance (respectively from 31 million euros to 34 million euros and from 23 million euros to 26 million euros). The amounts of indemnities decreased in accident and sickness insurance from 6 million euros to 4 million euros.

Insurance premiums by non-life insurance class (EUR million)



Indemnities paid out by non-life insurance class (EUR million)



¹⁴ The data on non-life insurance include only contracts made in Estonia and do not include insurance contracts made by foreign branches of Estonian insurance companies.

INSURERS

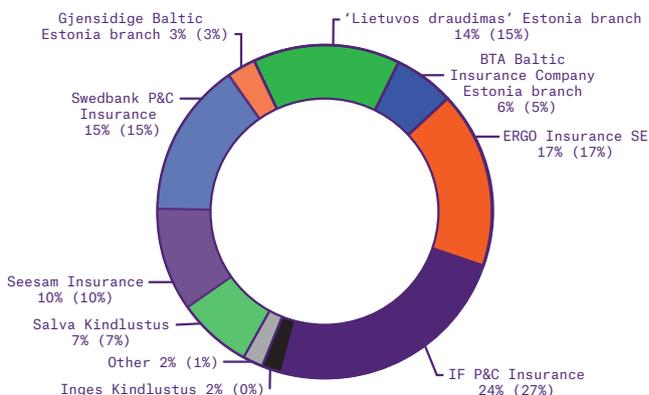
In the first half of 2016, the biggest change in the market shares of insurers occurred in the market share of IF P&C Insurance, which decreased compared to the year before from 27% to 24%. However, the market share of Inges Kindlustus increased from almost zero to 2%.

The market leader of non-life insurers by collected insurance premiums is IF P&C Insurance with its market share of 24%. ERGO Insurance SE has 17%, Swedbank P&C Insurance has 15% and 'Lietuvos draudimas' Estonia branch has 14% of the market.

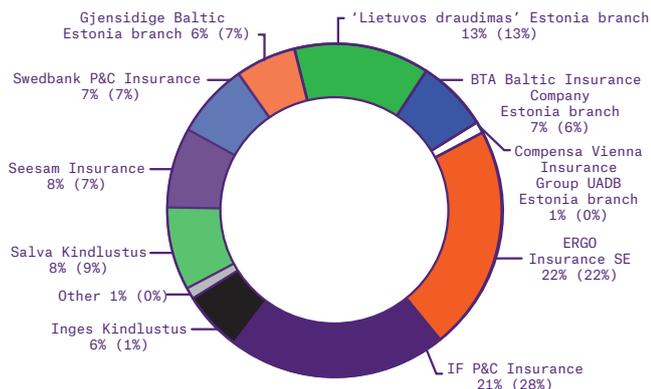
The total market share of the branches of foreign insurance companies was altogether 24% as at the end of June.

The market share of If P&C Insurance decreased in the first half of 2016 in all larger insurance classes: motor third party liability, land vehicle and property insurance. Consequently, ERGO Insurance SE has become the market leader in motor third party liability insurance with 22%, followed by If P&C Insurance with 21%. If P&C Insurance still holds the largest market share in land vehicle and property insurance classes, respectively 24% and 28% of the entire market.

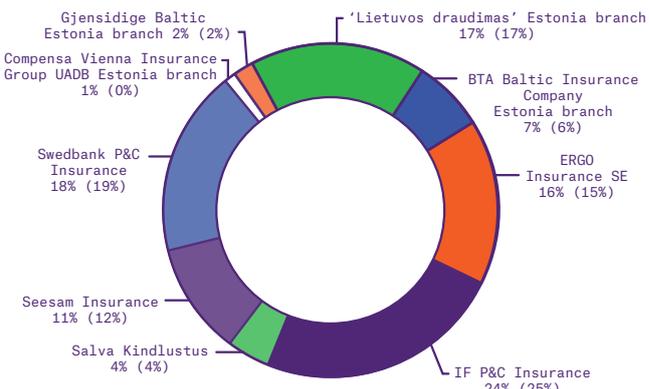
Market breakdown of non-life insurance companies by premiums received in the first half-year of 2016 (first half-year of 2015 in brackets)



Market breakdown of motor third party liability insurance as at the end of June 2016 (end of June 2015 in brackets)

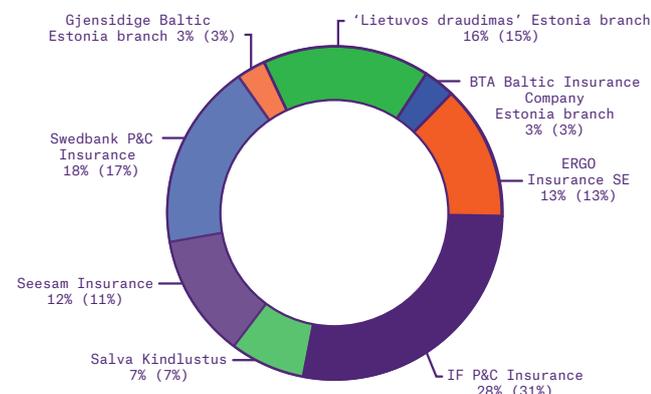


Market breakdown of land vehicle insurance as at the end of June 2016 (end of June 2015 in brackets)



4. Non-life insurance

Market breakdown of property insurance as at the end of June 2016 (end of June 2015 in brackets)



4.1. Non-life insurance brokers

Market breakdown:

IIZI Kindlustusmaakler	29%
Marsh Kindlustusmaakler	12%
Vandeni Kindlustusmaaklerid	11%

Customers:

409,414 brokered contracts

Service volume:

78 million euros of insurance premiums received in the first half of 2016

INSURANCE PREMIUMS BROKERED

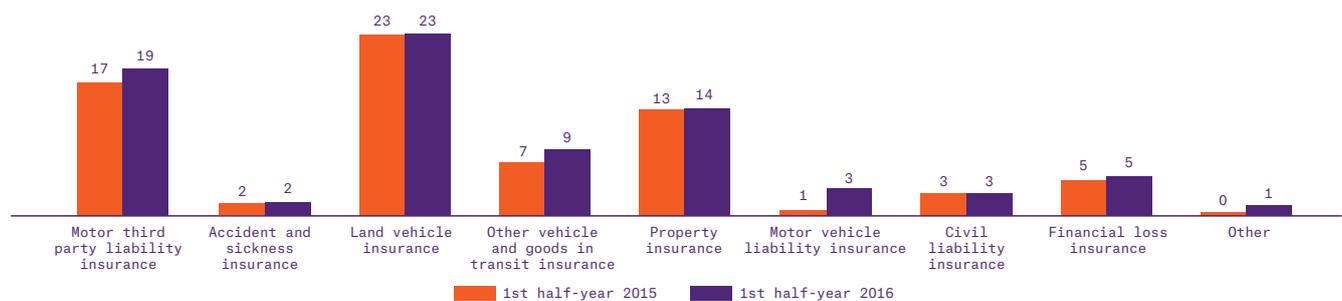
According to the data received by the Financial Supervision Authority, insurance brokers registered in Estonia brokered insurance contracts in non-life insurance for the total amount of 78 million euros¹⁵ or by 8 million euros more compared to the previous year in the first half of 2016.

A similar pattern of collection of insurance premiums by insurance companies was present in the volume of insurance premiums brokered; the largest brokered insurance class was land vehicle insurance, where insurance premiums in the amount of 23 million euros were brokered in the first half-year. However, unlike in case of non-life insurance companies, the second popular class was motor third party liability insurance (19 million euros), followed by property insurance (14 million euros).

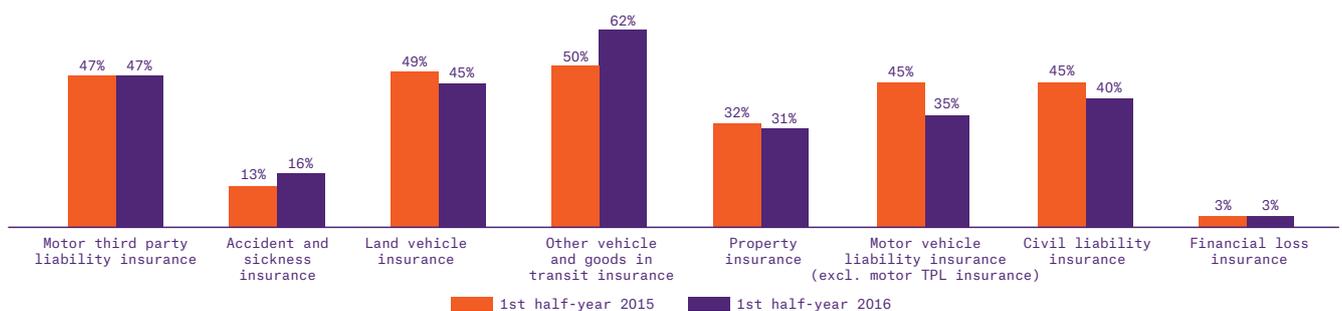
Estonian insurance brokers broker contracts of both Estonian and foreign insurance companies. In the first half of 2016, a total of 58 million euros or 75% of all insurance premiums were brokered by Estonian insurance companies and 19 million euros or 25% were brokered by foreign insurance companies. The biggest share of contracts of foreign insurance companies was other vehicle and goods in transit insurance (8 million euros), followed by financial loss insurance (5 million euros) and property insurance (2 million euros).

In terms of several non-life insurance classes, brokers are used to broker almost half of insurance premiums, e.g. 50% of all premiums in other vehicle and goods in transit insurance and 49% of all premiums in land vehicle insurance.

Insurance premiums received via insurance brokers by non-life insurance class (EUR million)



The share of non-life insurance premiums received via brokers



¹⁵ In addition to the contracts of insurers, the contracts of foreign re-insurers were also brokered, which volume this overview does not include. The volume of these insurance premiums was 2 million euros in the first half of 2016.

INSURANCE BROKERS

In the first half of 2016, non-life insurance contracts were brokered by 40 insurance brokers, of which IIZI Kindlustusmaakler¹⁶ held the largest market share (29%). It was followed by Marsh Kindlustusmaakler (12%) and Vandeni Kindlustusmaaklerid (11%).

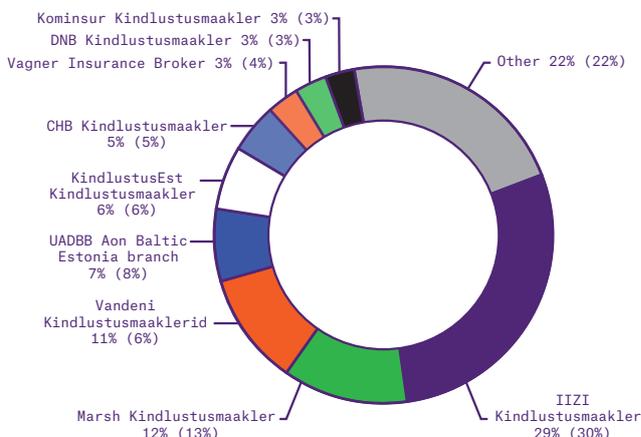
In motor third party liability insurance, the largest market share, which was 53% as at the end of June 2016, belonged to IIZI Kindlustusmaakler, followed by Kindlustus-Est Kindlustusmaakler with 10% and CHB Kindlustusmaakler with 4%.

In land vehicle insurance, the largest market share was held by IIZI Kindlustusmaakler (39%), followed by Kindlustus-Est Kindlustusmaakler with a market share of 8% and OÜ DNB Kindlustusmaakler with a market share of 7%.

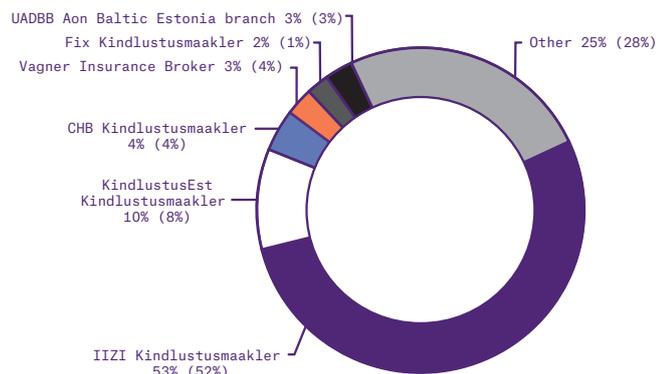
In property insurance, the leader of the market is UADBB Aon Baltic Estonia branch with its market share of 20%, followed by Marsh Kindlustusmaakler (19%) and IIZI Kindlustusmaakler (17%).

In travel insurance, the largest market share belongs to IIZI Kindlustusmaakler (42%), followed by Kindlustus-Est Kindlustusmaakler (9%) and UADBB Aon Baltic Estonia branch (7%).

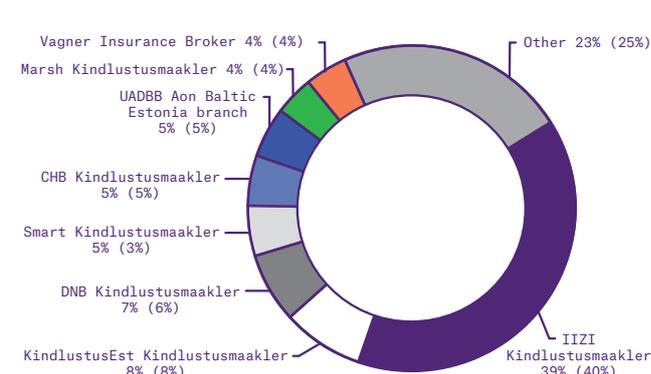
Market breakdown of insurance brokers by non-life insurance premiums in the first half-year of 2016 (first half-year of 2015 in brackets)



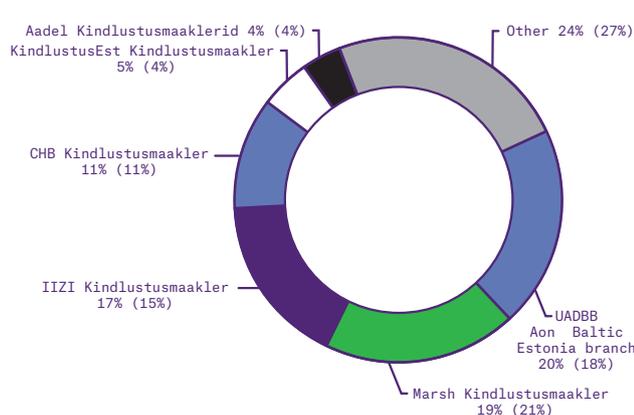
Market breakdown of insurance brokers in motor third party liability insurance as at the end of June 2016 (end of June 2015 in brackets)



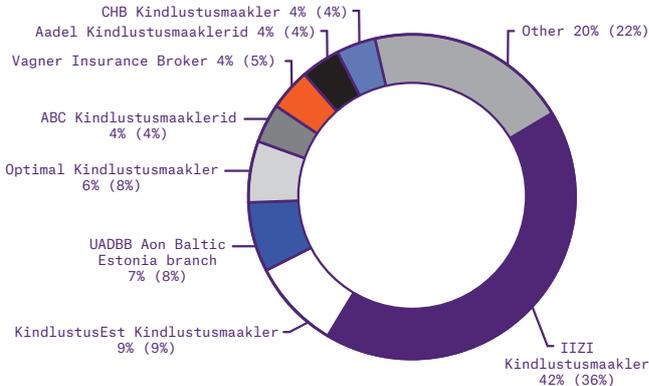
Market breakdown of insurance brokers in land vehicle insurance as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of insurance brokers in property insurance as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of insurance brokers in travel insurance as at the end of June 2016 (end of June 2015 in brackets)



16 Combines market shares of IIZI Kindlustusmaakler Aktsiaselts and Insurance broker services OÜ in 2015.

In respect to non-life insurance brokers, the majority of the market is divided between fewer than half of all operating brokers in terms of the number of brokered insurance contracts

and commissions received. The table below shows that 89% of brokered contracts have been made by 30% of insurance brokers, i.e. 12 brokers out of 40.

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

Broker	Market share	
	1st half-year 2015	1st half-year 2016
IIZI Kindlustusmaakler	56%	59%
KindlustusEst Kindlustusmaakler	10%	10%
Vagner Insurance Broker	3%	3%
CHB Kindlustusmaakler	3%	3%
NB Kindlustusmaakler	2%	2%
Balti Kindlustusmaakler	1%	2%
Aadel Kindlustusmaaklerid	2%	2%
Smart Kindlustusmaakler	2%	2%
DNB Kindlustusmaakler	2%	2%
BCP Kindlustusmaakler	2%	2%
ABC Kindlustusmaaklerid	2%	2%
Optimal Kindlustusmaakler	2%	2%

5. Investment and pension funds¹⁷

Market breakdown:

Swedbank Investeerimisfondid	39%
LHV Varahaldus	18%
SEB Varahaldus	17%

Total number of unit holders:

776,706 effective contracts

Service volume:

Total volume of funds 3.6 billion euros

VOLUME OF ASSETS OF FUNDS

The volume of assets of investment funds, including pension funds, was 3.6 billion euros as at the end of June 2016, showing a growth by 270 million euros or 8% in the first half-year¹⁸. The volume of assets had grown by 289 million euros in the first half of the previous year.

The growth in the fund sector continued to be driven by mandatory pension funds. In the first half of 2016, the volume of their assets increased by 251 million euros or 10%, reaching 2.863 billion euros by the end of June. At the same time, the volume of assets of voluntary pension funds increased by 3 million euros from 128 million euros to 131 million euros.

In terms of growth, the mandatory pension funds are followed by property funds: the volume of their assets increased by 58 million euros or 26% in the first half of 2016, reaching 281 million euros at the end of June. The volume of assets of property funds has already exceeded the volume of

assets of voluntary pension funds and is almost equal to the volume of equity funds. The growth of the volume of property funds has been supported by added new investors as well as the increased value of portfolios.

The volume of assets of equity funds¹⁹ has remained almost the same, growing by 1 million euros in the first half of the year, reaching 300 million euros by the end of June. Meanwhile, the volume of assets of bond funds decreased from 44 million euros to 9 million euros because the interest of investors has waned due to low interest rates.

Mandatory pension funds remained overwhelmingly the biggest fund type with a share of 79% of all assets in the fund sector. The second popular fund type is equity funds with a share of 8%, followed by property funds with a share of almost 8%. Venture capital funds held 1% and voluntary pension funds 4% of the aggregate volume of the assets of funds.

Market value of fund investments (EUR million)



¹⁷ The data on investment funds include all customers of investment funds registered in Estonia, including foreign funds.

¹⁸ The volume of assets has been shown in market value.

¹⁹ Local equity funds include also funds of funds and mixed funds

UNIT HOLDERS OF FUNDS

In the first half of 2016, the number of unit holders decreased by 6,111, totalling by the end of June 776,706²⁰. The number of unit holders of most fund types has decreased, mostly in mandatory pension funds:²¹ by 5,068 in the first half-year, declining to 720,637 by the end of June. At the same time, the number of unit holders of voluntary pension funds decreased by 373.

The number of unit holders of equity funds has decreased by 506 and the number of bond funds by 191. The number of unit holders has grown only in other fund types (property and venture capital funds) by 27.

In summary, the largest fund type as at the end of June 2016 in terms of customer base was mandatory pension funds with 720,637 unit holders, followed by voluntary pension funds with 44,058, equity funds with 11,496, property and venture capital funds with 321 and bond funds with 194 unit holders.

The biggest investment per unit holder²² as at the end of June 2016 was in property funds (910,285 euros), because mostly wealthier private persons and professional investors invest into these funds. Property funds were followed by bond funds (44,505 euros) and equity funds (26,090 euros). Average investments per one customer were 3,973 euros in mandatory pension funds and 2,963 euros in voluntary pension funds.

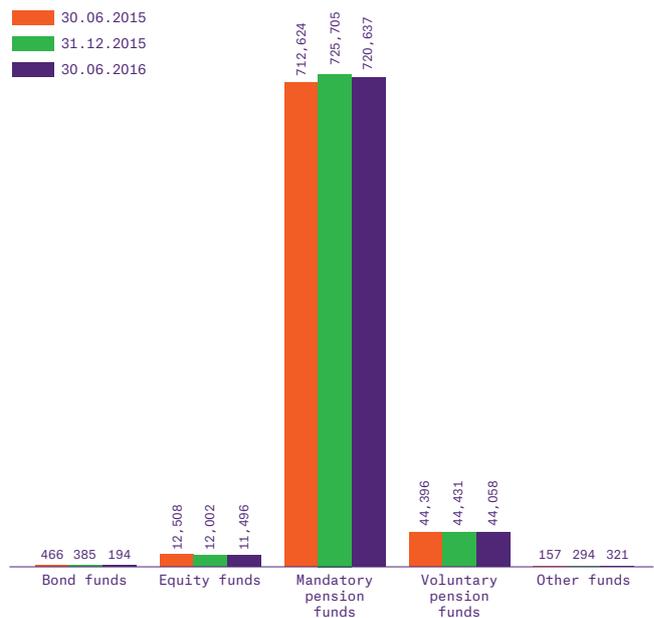
MANAGEMENT COMPANIES

In the first half of 2016, two participants on the fund service market grew their market shares: LHV Varahaldus from 16% to 18% and EFTEN Capital from 4% to 5% compared to the previous year.

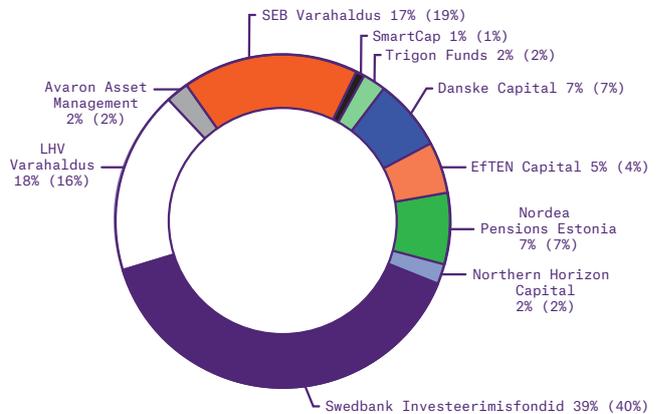
The market shares of both SEB Varahaldus and Swedbank Investeerimisfondid have decreased, from 19% to 17% and from 40% to 39%, respectively. As at the end of June, the volume of assets managed by LHV Varahaldus exceeded that of SEB Varahaldus for the first time.

The largest market share, which is 39%, is still held by Swedbank Investeerimisfondid.

Number of unit holders of funds



Market breakdown of fund services as at the end of June 2016 (end of June 2015 in brackets)



20 The number of unit holders includes also non-resident unit holders.

21 The unit holders may have savings in different pension funds, assets were distributed between a smaller number of pension funds in the first half-year.

22 Investments per one unit holder show only approximate volume of investments, e.g. if new customers join pension funds the average size of investment decreases.

In the equity funds market, in the first half-year, the market share of Avaron Asset Management increased from 17% to 21% and the market share of Swedbank Investeerimisfondid decreased from 56% to 52%.

The distribution in the market of bond funds²³ changed significantly in the first half of 2016 because SEB Varahaldus and Danske Capital liquidated their funds. As a result, the market share of Avaron Asset Management increased from 12% to 93%.

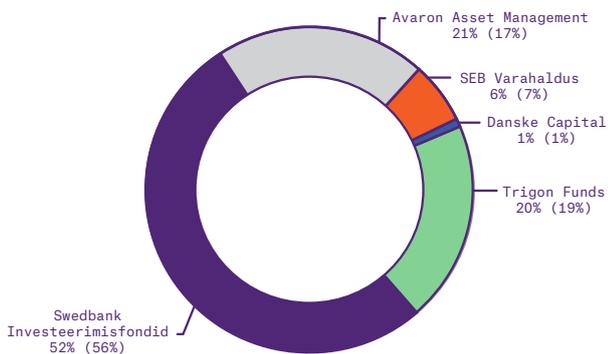
The market share of LHV Varahaldus increased in the mandatory pension funds market in the first half-year from 20% to 22%. The market share of Swedbank Investeerimisfondid has also grown from 41% to 42%. The market shares

of the rest pension funds management companies have decreased: SEB Varahaldus from 21% to 20%, Danske Capital from 9% to 8% and Nordea Pensions Estonia from 9% to 8%.

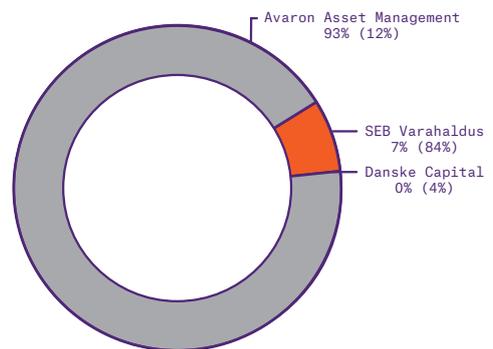
On the market of voluntary pension funds, the market share of LHV Varahaldus increased from 5% to 6% and the market share of Nordea Pensions Estonia from 7% to 8% in the first half-year. The market share of Swedbank Investeerimisfondid decreased at the same time from 59% to 57%.

The largest increase of the market share among other funds in the first half-year was in the market share of Northern Horizon Capital, which manages property funds, from 19% to 22%, and the market share of EFTEN Capital from 59% to 61%.

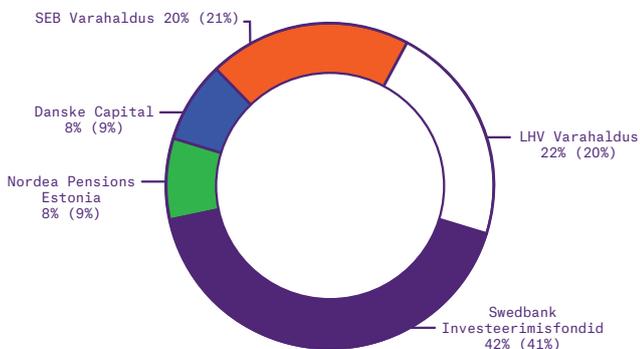
Market breakdown of equity funds as at the end of June 2016 (end of June 2015 in brackets)



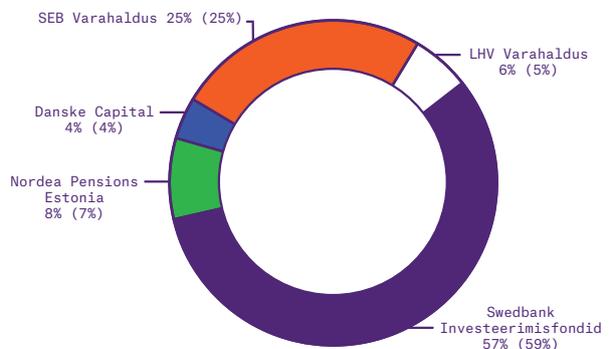
Market breakdown of bond funds as at the end of June 2016 (end of June 2015 in brackets)



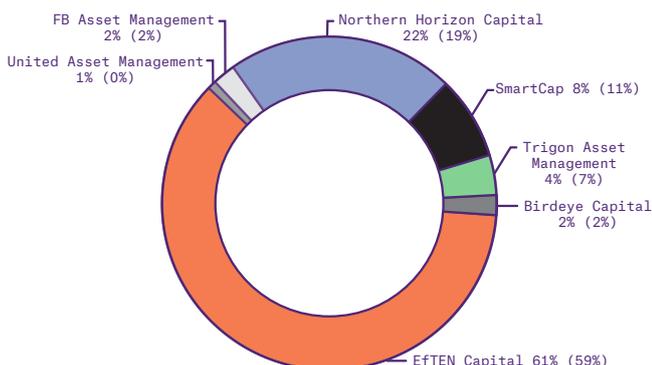
Market breakdown of mandatory pension funds as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of voluntary pension funds as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of other funds as at the end of June 2016 (end of June 2015 in brackets)



23 Bond funds include money market and interest funds.

6. Second pillar payments of funded pension

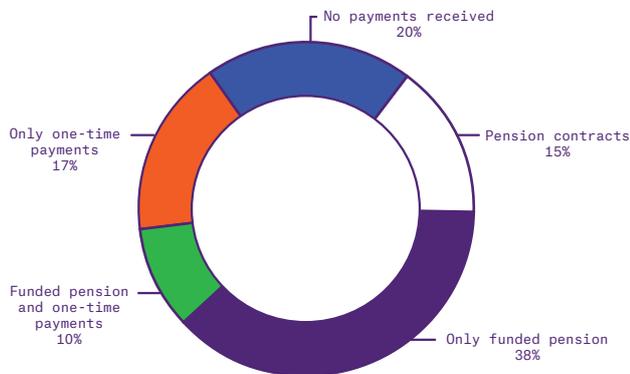
According to the Estonian Central Register of Securities, as at the end of June 2016, 30,139 people were entitled to II pillar payments of funded pension, which is by 3,330 more than the year before. Of these people, 38% or 11,392 were men and 62% or 18,747 were women.

Only funded pension²⁴ payments were received by 38% of the receivers of II pillar payments as at the end of June 2016. 10% of receivers received payments via funds and

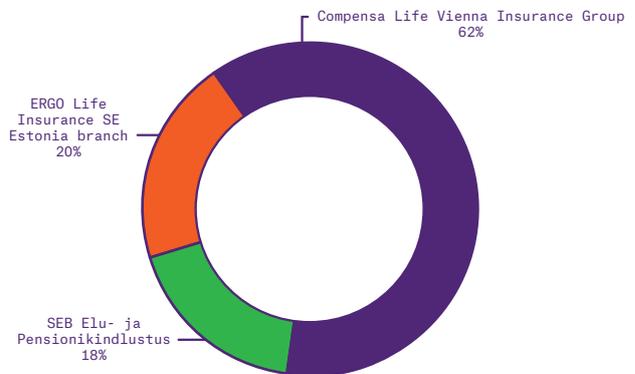
one-time payments²⁵ and 17% of payment receivers received only one-time payments. 15% of all receivers received payments under a pension contract²⁶. The remaining 20% of people that were entitled to II pillar pension payments had not applied to initiate payments.

Of life insurance companies, the largest market share on the market of II pillar of funded pensions, which is 62%, belonged to Compensa Life Vienna Insurance Group.

Breakdown of old-age pensioners that have joined the second pension pillar by type of payment at the end of June 2016



Market breakdown of insurers by number of second pension pillar contracts as at the end of June 2016



24 Funded pension is a scheme agreed between a unit holder and the manager of the pension fund based on which regular payments from the pension fund are made to the unit holder during an agreed time.

25 One-time payments are payments withdrawn all at once from the pension fund.

26 A pension contract is an insurance contract made between a unit holder and a life-insurance company based on which the insurance company makes pension payments until the death of the person that has made the contract.

7. Portfolio management service²⁷

Market breakdown:

Swedbank group	50%
SEB Bank group	28%
Nordea Bank AB Estonia branch	8%
LHV Pank	8%

Service volume:

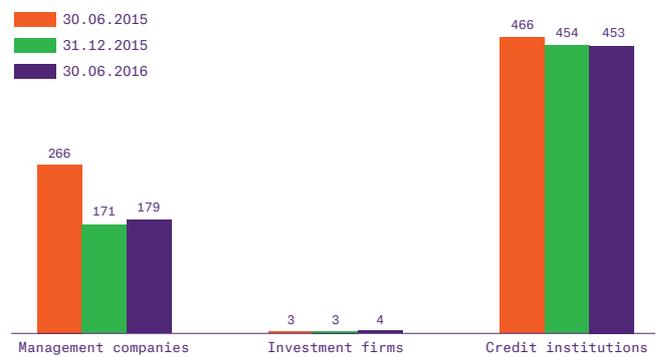
Total volume of portfolios 636 million euros

VOLUME OF PORTFOLIOS

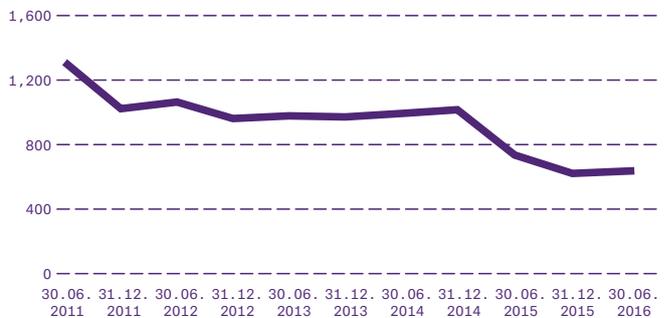
The portfolio management service is provided by management companies, banks and investment firms. The combined volume of portfolios did not change much in the first half-year, growing slightly from 628 million euros at the end of 2015 to 636 million euros at the end of June.

The volume of portfolios managed by management companies increased in the first half of 2016 from 171 million euros to 179 million euros. At the same time, the volume of customer portfolios managed by banks decreased marginally from 454 million euros to 453 million euros. The volume of portfolios managed by investment firms grew from 3 million euros to 4 million euros.

Portfolio volumes (EUR million)



Combined volume of individual portfolios (EUR million)



7. Portfolio management service

²⁷ The data on portfolio management include all subjects of financial supervision that provide this service in Estonia, including consultation. Their customers may be from Estonia or foreign countries.

CUSTOMERS OF PORTFOLIO MANAGEMENT SERVICE

As at the end of June 2016, major share of the combined customer portfolio belonged to Estonian residents: almost 85% of the total volume of customer portfolio or 538 million euros (550 million euros as at the end of 2015). Of this amount, 343 million euros belonged to financial institutions, 104 million euros to companies, 90 million euros to private persons and 1 million euros to the government²⁸.

The largest customer group was financial institutions, whose volume of portfolios amounted to 344 million euros at the end of June 2016. The volume of portfolios of financial institutions increased 1% or by 4 million euros.

The volume of portfolios of companies was 136 million euros as at the end of June 2016 (151 million euros as at the end of 2015). The volume of portfolios of resident companies decreased from 117 million euros to 104 million euros over six months.

The volume of portfolios of private persons increased from 131 million euros to 138 million euros in the first half-year, including resident private persons from 89 million euros to 90 million euros.

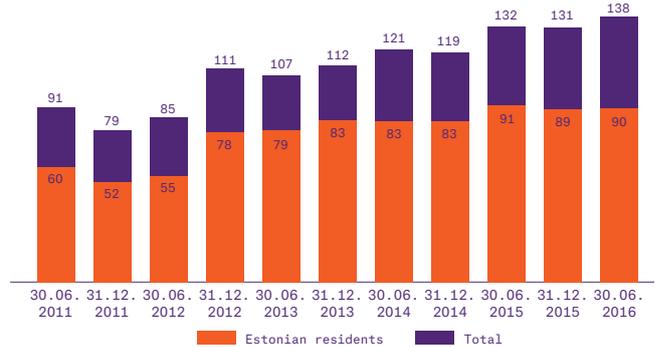
Portfolio volumes of financial institutions (EUR million)



Portfolio volumes of companies (EUR million)



Portfolio volumes of private persons (EUR million)



²⁸ Financial institutions include insurance companies, pension funds, credit institutions and other financial institutions. Companies are also state or local authority companies. Private persons are private persons and non-profit associations. Government means also national social welfare.

PORTFOLIO MANAGEMENT SERVICE PROVIDERS

Danske Capital ceased offering the portfolio management service, which resulted in a statistical distribution of its market share (13%) between other service providers. The volume of assets managed by other market participants did not change very much.

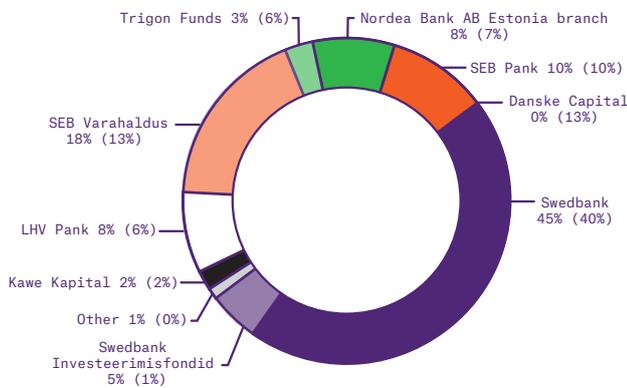
The largest market share in customer portfolio management belonged to Swedbank group companies as at the end of June 2016 and it increased from 41% to 50% over a year. At the same time, the market share of SEB Bank group companies increased from 23% to 28%. They were followed by Nordea Bank AB Estonia branch and LHV Pank with both holding 8% of the market.

The largest combined portfolio of customers by management companies belonged to SEB Varahaldus whose market share at the end of June grew from 37% to 64% over the year. Swedbank Investeeringifondid covered 16% and Trigon Funds 9% of the management companies market.

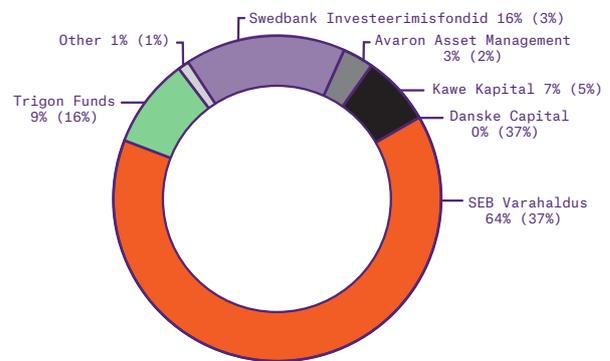
The biggest combined portfolios managed by banks belonged to Swedbank that had 64% of the market at the end of June. It is followed by SEB Pank (14%), Nordea Bank AB Estonia branch (11%) and LHV Pank (11%).

As at the end of June 2016, only two investment firms – Cresco Väärtpaperid and KIT Finance Europe – offered portfolio management service.

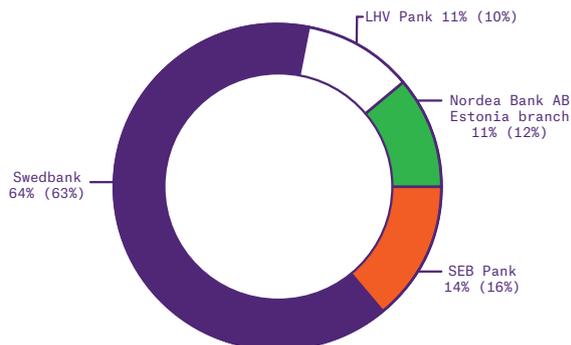
Market breakdown of portfolio management by service providers as at the end of June 2016 (end of June 2015 in brackets)



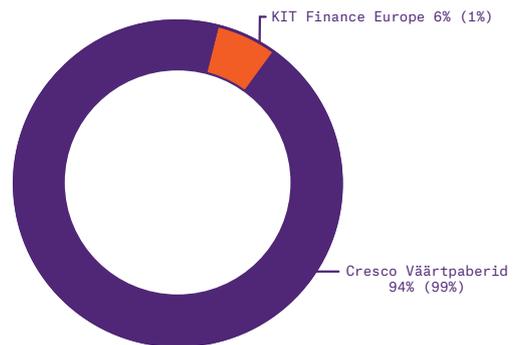
Market breakdown of portfolio management by management companies as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of portfolio management by credit institutions as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of portfolio management by investment firms as at the end of June 2016 (end of June 2015 in brackets)



8. Payment services

Market breakdown:

TavexWise	45%
Eurex Capital	30%

Service volume:

Volume of payments 207 million euros

As at the end of 2016, there were 12 payment service providers, including five that operate under special permits²⁹. In the first half-year, seven payment service providers intermediated payments.

The volume of payments intermediated by Estonian payment service providers decreased year-on-year 51%, while the number of payments increased 33%. The indicators of transactions of payment service providers are very volatile. Moreover, one participant had exited the market.

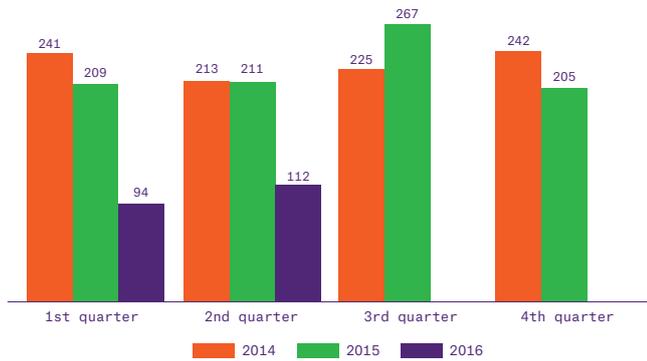
In the first half of 2016, Estonian payment service providers intermediated payments in the volume of 207 million euros (420 million euros the year before). Altogether,

1,568,050 payments were made in the first half-year (1,175,440 payments the year before).

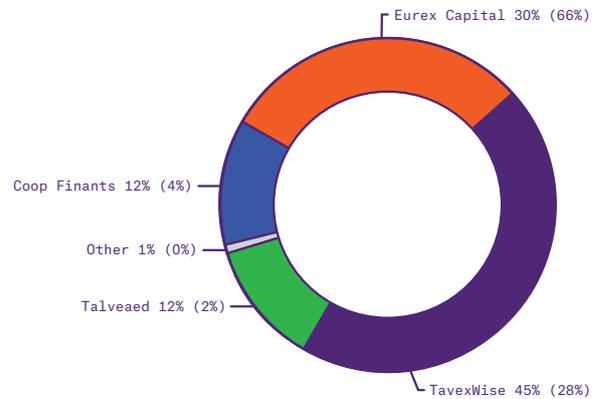
The market share in payment service changed significantly in the beginning of 2016: the market share of TavexWise, a service provider that had recently entered the market, increased by volume from 28% to 45% over the year. At the same time, the market share of Eurex Capital decreased from 66% to 30%. The market share held by Coop Finants (former ETK Finants) increased from 4% to 12%.

The largest market share by amount of payments still belonged to Coop Finants, which intermediated 97% of all payments.

Turnover of transactions intermediated by payment service providers (EUR million)



Market breakdown of payment service providers by turnover of intermediated transactions in the first half-year of 2016 (first half-year of 2015 in brackets)



29 The exceptions made to the providers of e-money services are specified in Section 12 of the Payment Institutions and E-money Institutions Act.

9. Loans issued by credit institutions³⁰

Market breakdown:

Swedbank	39%
SEB Pank	23%
Nordea Bank AB Estonia branch	19%

Private customers:

703,976 effective contracts

Service volume:

Volume of combined loan portfolio 17.3 billion euros

LOAN PORTFOLIO

The stock of loans issued by credit institutions continued to grow in the first half of 2016. The stock of Estonian loan portfolio of credit institutions increased in half-year 3% or 0.6 billion euros, reaching 17.3 billion euros³¹ by the end of June. Loans to companies³² amounted to 42% and loans to private persons³³ amounted to 43% of the total portfolio.

The biggest growth in the volume of loans was caused by loans issued to financial institutions, their stock of loans increased by 584 million euros in the first half-year. Loans issued to companies increased by 265 million euros and loans issued to private persons increased by 149 million euros. At the same time, the stock of loans issued to the government decreased by 25 million euros.

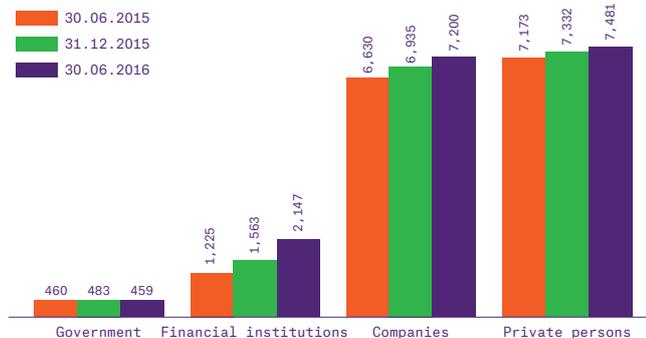
As at the end of June 2016, the stock of loans given to private persons was 7.5 billion euros and to companies 7.2 billion euros. Loans to financial institutions³⁴ constituted 2.1 billion euros and loans to the government³⁵ 459 million euros.

In the first half of 2016, the biggest growth in the stock of loans issued to private persons was home loans (by 122 million euros), reaching 6.4 billion euros by the end of June.

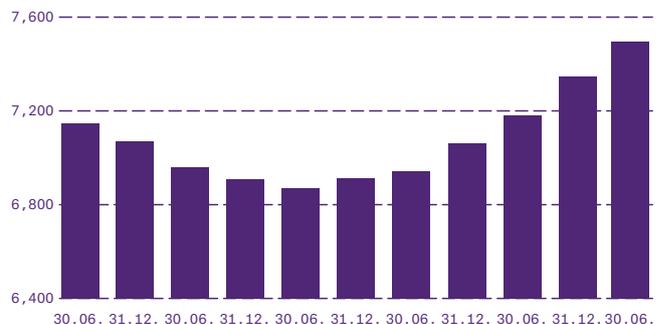
The stock of loans intended for consumption increased substantially – by 22 million euros over six months and amounted to 438 million euros at the end of June.

The stock of student loans continued to decline – by 11 million euros in the first half-year, amounting to 120 million euros by the end of June.

Loan stock (EUR million)



Stock of loans issued to private persons (EUR million)



30 Loans that credit institutions have issued in Estonia.

31 The total volume of loans issued by credit institutions increased actually 6%, but it included an intra-group loan of one market participant (ca 0.4 billion euros).

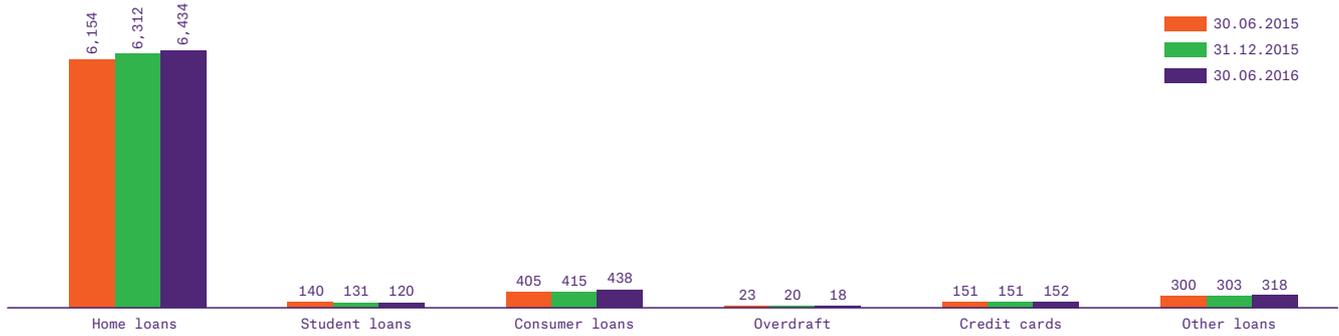
32 State or local authority companies included.

33 Non-profit associations also included.

34 Insurers and pension funds also included.

35 Central government include central government, local governments, national social insurance fund and other non-budgetary fund.

Stock of private persons loans (EUR million)



LOANS ISSUED TO PRIVATE PERSONS

The loans that influenced most the loan burden of private persons in the first half of 2016 were home loans and consumer loans. The average stock of home loans increased by 407 euros, whereas the average of consumer loans decreased by 166 euros. The change in the average loan stock was smaller in other loan types.

The average stock of home loans increased from 37,892 euros to 38,299 euros in the first half of the year. At the same time, the average stock of student loans increased from 2,219 euros to 2,227 euros. The average stock of consumer loans decreased from 2,425 euros to 2,259 euros as did overdraft from 282 euros to 250 euros. The average balance of credit cards decreased a bit less, from 794 euros to 791 euros. The average stock of other loans³⁶ increased from 13,624 euros to 14,261 euros. The average stock of other loans is so high because these loans are also taken out to finance business activities.

The number of agreements of all loan types has increased, except for student loans. The number of home loan agreements made by private persons was highest ever at the end of June 2016: 168,001 (166,577 at the end of 2015). The number of student loan agreements was 54,049 (59,182 at the end of 2015), consumer loan agreements 193,660 (171,160 at the end of 2015), overdraft agreements 73,320 (70,786 at the end of 2015), credit card agreements 192,648 (190,174 at the end of 2015) and other loan agreements was 22,298 (22,211 at the end of 2015).

Average stock of loans issued to private persons (EUR)

	30.06.2015	31.12.2015	30.06.2016
Home loans	37,386	37,892	38,299
Student loans	2,227	2,219	2,227
Consumer loans	2,369	2,425	2,259
Overdraft	277	282	250
Credit cards	779	794	791
Other loans	13,260	13,624	14,261

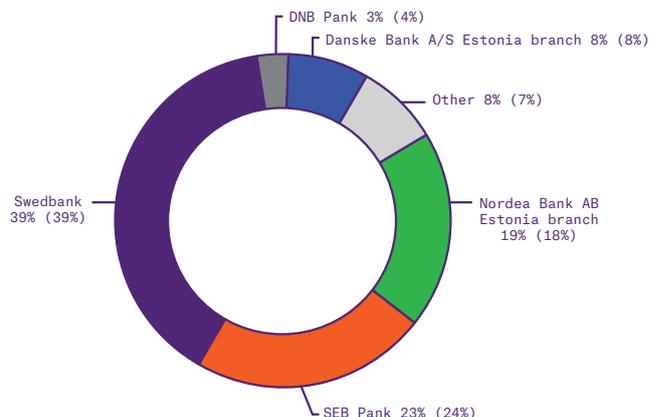
9. Loans issued by credit institutions

MARKET BREAKDOWN OF BANKING LOANS

In the first half of 2016, Estonian loan market was still divided mainly between four larger credit institutions that covered together 89% of the loan market. The largest market share belonged to Swedbank (39% of the total loan portfolio), followed by SEB Pank (23%). The loan balance of Nordea Bank AB Estonia branch has increased, which caused also its market share to increase from 18% to 19%. Danske Bank A/S Estonia branch covers 8% of the loan market.

The remaining 11% of the market was divided between 12 banks, of which the largest market share, i.e. 3%, is held by DNB Pank.

Market breakdown of banking loans as at the end of June 2016 (end of June 2015 in brackets)



36 Other loans given to private persons and non-profit associations are intended, among other things, for acquisition of securities, and for setting up and expansion of the activities of companies.

The market shares of government loans have changed somewhat. The stock of loans issued to the government has increased in Danske Bank A/S Estonia branch and decreased in SEB Pank and Nordea Bank AB Estonia branch. This has also influenced their market share. As at the end of June 2016, the largest amount of loans has been given to the government by Danske Bank A/S Estonia branch, whose market share grew from 23% to 32% over the year. The market shares of Nordea Bank AB Estonia branch and SEB Pank decreased from 17% to 13% and from 21% to 17%, respectively. At the end of June, Swedbank had 30% of the loans issued to the government.

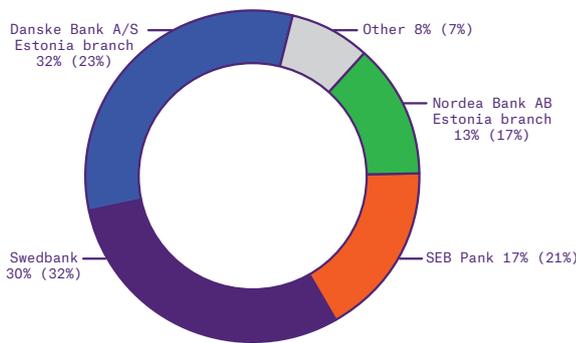
Over the year, the loan market of financial institutions was also redistributed. The stock of loans of both Nordea Bank AB Estonia branch and Swedbank had increased, which

resulted in a growth of their market shares from 25% to 36% and from 25% to 30%, respectively.

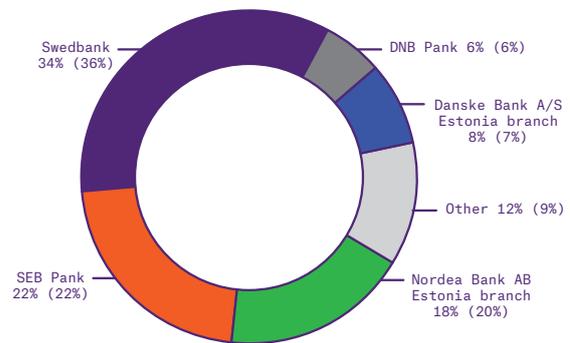
The stock of corporate loans has increased most in OP Corporate Bank plc Estonia branch (former Pohjola Bank plc Estonia branch), Danske Bank Estonia branch and Swedbank. As a result, the market share of OP Corporate Bank plc Estonia branch grew from 2% to 4% and the market share of Danske Bank Estonia branch from 7% to 8%. Although the balance of corporate loans issued by Swedbank has grown, the growth has remained slower compared to other banks, which has resulted in a decrease of the market share of Swedbank from 36% to 34%.

The largest shares of private person loan stock were still concentrated in Swedbank (46%) and SEB Pank (26%).

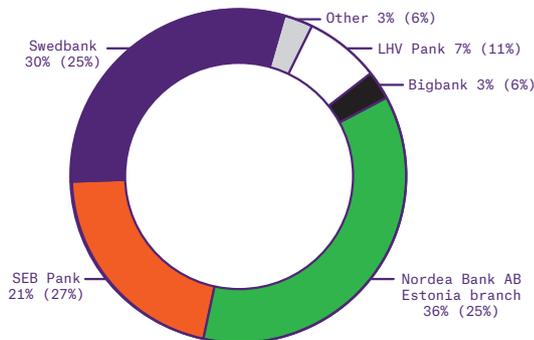
Market breakdown of government loans as at the end of June 2016 (end of June 2015 in brackets)



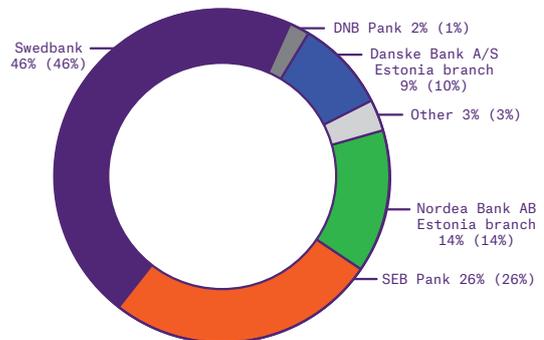
Market breakdown of corporate loans as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of financial institutions loans as at the end of June 2016 (end of June 2015 in brackets)



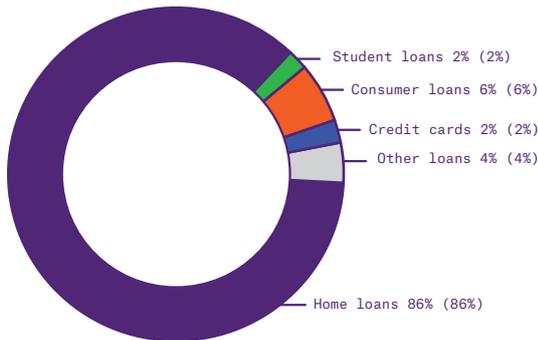
Market breakdown of private person loans as at the end of June 2016 (end of June 2015 in brackets)



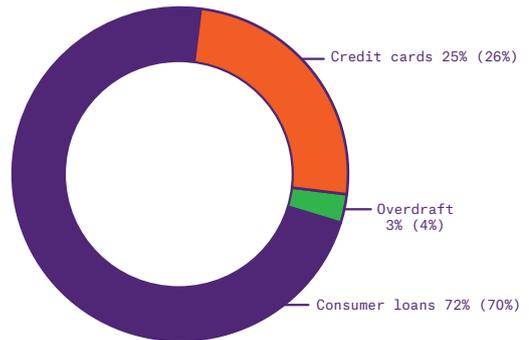
The division of private person loans has been quite stable. Most of the loans issued to private persons are home loans: as at the end of June 2016, 86% of the total loan stock or 6.4 billion euros. Within the loans related to daily spending (consumer loans, credit card limits, overdraft), the share of consumer loans has increased from 70% to 72%. Loans related to common consumption had been issued 0.6 billion euros as at the end of June 2016.

The loan market of private persons is very concentrated: almost half of the market belonged to Swedbank, the remaining market is divided mainly between SEB Pank, Danske Bank A/S Estonia branch and Nordea Bank AB Estonia branch as at the end of June 2016.

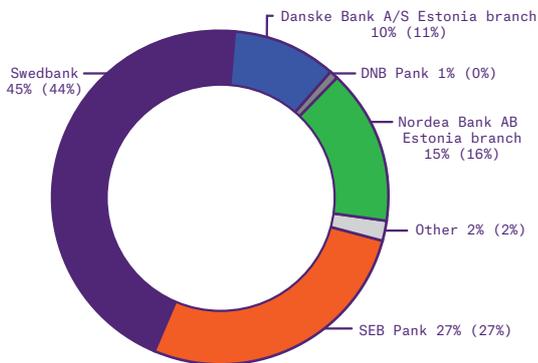
Distribution of private person loans as at the end of June 2016 (end of June 2015 in brackets)



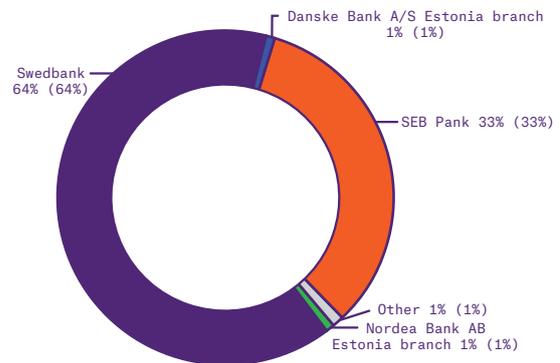
Distribution of loans related to everyday consumption as at the end of June 2016 (end of June 2015 in brackets)



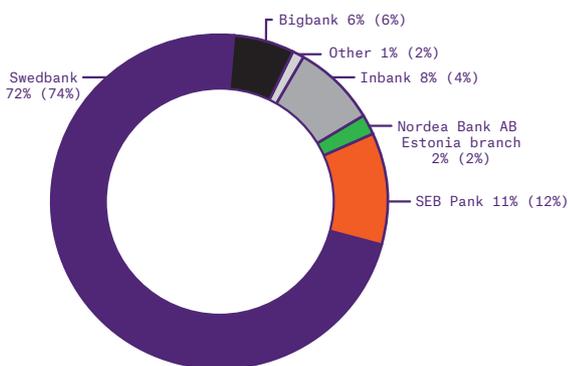
Market breakdown of private person home loans as at the end of June 2016 (end of June 2015 in brackets)



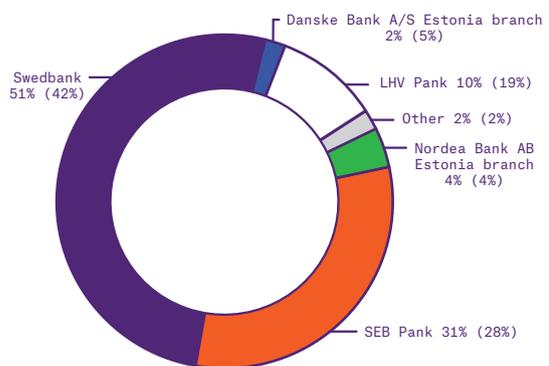
Market breakdown of private person student loans as at the end of June 2016 (end of June 2015 in brackets)



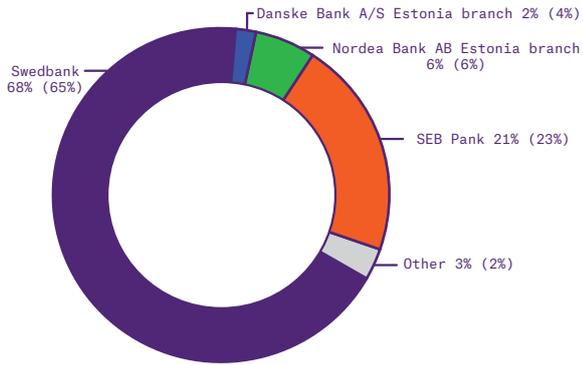
Market breakdown of private person consumer loans as at the end of June 2016 (end of June 2015 in brackets)



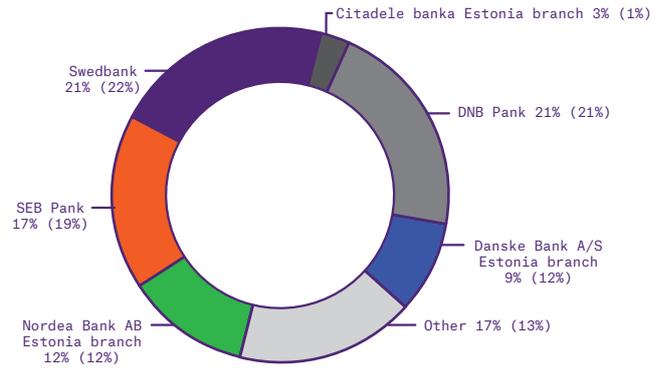
Market breakdown of private person overdraft as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of private person credit cards as at the end of June 2016
(end of June 2015 in brackets)



Market breakdown of other private person loans as at the end of June 2016
(end of June 2015 in brackets)



10. Loans issued by creditors

Market breakdown:

Swedbank Liising	25%
Nordea Finance Estonia	22%
SEB Liising	20%

Private customers:

403,549 effective contracts

Service volume:

Combined loan portfolios 682 million euros

As at the end of June 2016, 39 companies had authorisation to operate as a creditor. In addition, there were 11 companies related to credit institutions. At that time applications of another 16 companies were being reviewed. The creditors that have the largest loan portfolios have already received their authorisations.

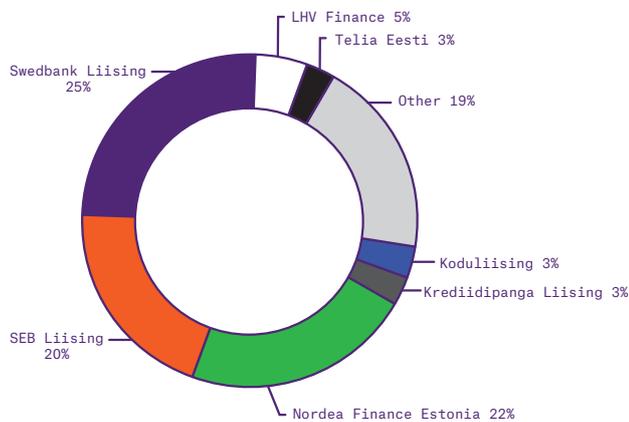
As at the end of June 2016, the volume of the loan portfolio of creditors that have authorisation to operate as a creditor and that do business under an exception was 682 million euros. The largest share or 79% of loans were issued by companies related to credit institutions and 72% by subsidiaries of large banks, such as Swedbank Liising, Nordea Finance

Estonia, SEB Liising and LHV Finance. The remaining market or 21% has been covered by creditors that are not related to credit institutions. Among these creditors, the largest market share is held by Telia Eesti (3%), followed by Koduliising and Coop Finants.

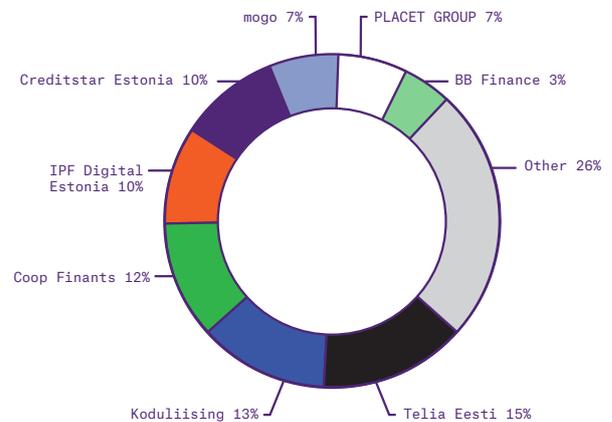
The creditors that hold authorisation had made 403,549 contracts as at the end of June 2016, of which 28% were made by companies related to credit institutions.

At the end of June 2016, the average value of a loan contract was 4,817 euros for companies related to credit institutions and 491 euros for other creditors.

Market breakdown of creditors by stock of loan portfolio as at the end of June 2016



Market breakdown of creditors not related to credit institutions by stock of loan portfolio as at the end of June 2016



11. Deposits³⁷

Market breakdown:

Swedbank	48%
SEB Pank	23%
Nordea Bank AB Estonia branch	10%

Customers:

2,615,473 effective contracts

Service volume:

Total volume of deposits 16 billion euros

BALANCE OF DEPOSITS

The balance of deposits in Estonian banks increased 2.9% or by 458 million euros in the first half of 2016. Demand and overnight deposits amounted to 12.8 billion euros, fixed-term and savings deposits amounted to 3.1 billion euros and other deposits (including investment deposits) 0.1 billion euros. Consequently, only 19% of deposits were fixed-term deposits. As the interest rates are still low, the share of demand and overnight deposits increased from 77% to 80% over the year. At the same time, the share of fixed-term and savings deposits decreased from 22% to 19%.

The majority of deposits were made by companies³⁸ – 6.6 billion euros or 42% of the balance of all deposits. Majority of deposits made by companies or 90% were demand and overnight deposits with the volume of 6 billion

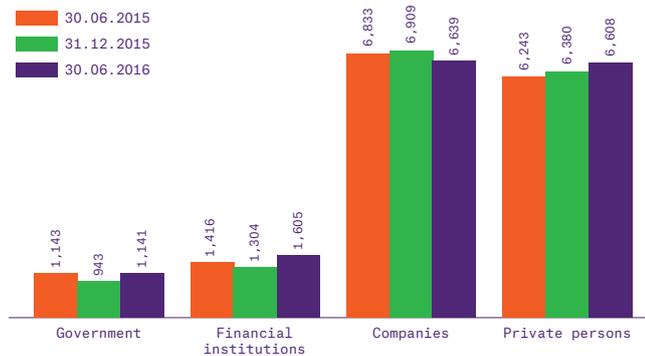
euros, while the remaining 10% were fixed-term and savings deposits.

Private persons³⁹ held 41% of the deposit balance, which amounted also to 6.6 billion euros, of which demand and overnight deposits in the amount of 4.6 billion euros accounted for the majority of the total volume of private person deposits (70%). The share of fixed-term and savings deposits was 29%, altogether 1.9 billion euros, and the amount of investment and other deposits was 0.1 billion euros.

The deposits of financial institutions⁴⁰ and the government were respectively 1.6 billion euros and 1.1 billion euros at the end of June 2016.

The share of deposits belonging to non-residents had reduced from 19% to 15% over the year.

Deposit volumes (EUR million)



37 The data include deposits that are in all Estonian credit institutions and in foreign Estonian branches, i.e. deposits of both Estonian residents and non-residents. The data does not include deposits that have been opened in foreign branches of Estonian credit institutions.

38 State or local government corporates included.

39 Non-profit associations also included.

40 Insurers and pension funds also included.

MARKET BREAKDOWN OF BANK DEPOSITS

The balance of deposits grew mostly on account of Swedbank and SEB Pank in the first half of 2016, which resulted in an increase of their market shares from 45% to 48% and from 21% to 23%, respectively. Swedbank held its leading position in most customer groups.

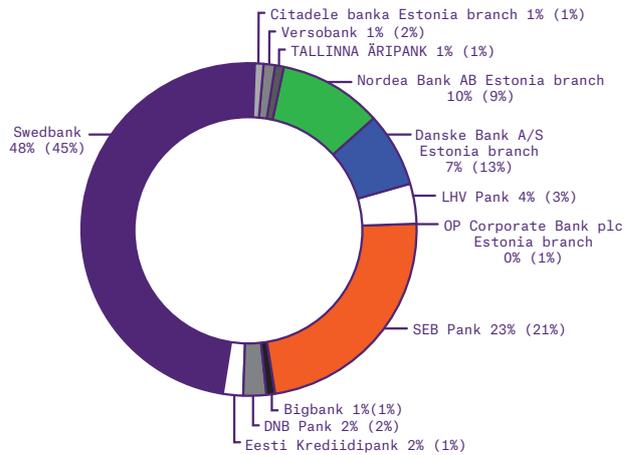
The market share of Nordea Bank AB Estonia branch has grown from 9% to 10%. However, the market share of Danske Bank A/S Estonia branch has decreased from 13% to 7%.

Majority of the government deposits were held in SEB Pank (31% of deposits), followed by Nordea Bank AB Estonia branch (20%) and Swedbank (19%).

As regards deposits of financial institutions, the amounts deposited in SEB Pank have grown, which caused its market share to increase from 13% to 26%. The biggest market share still belonged to Swedbank, although it has decreased over the year from 52% to 43%.

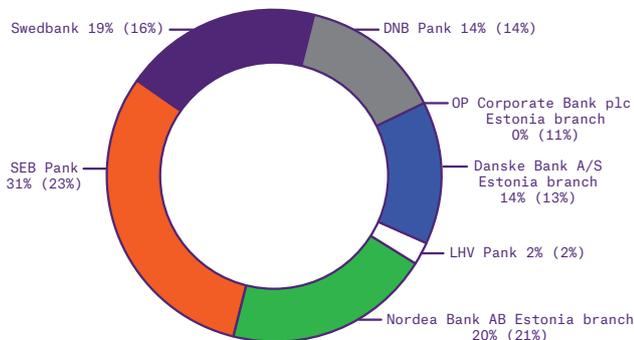
A redistribution in the market of deposits of companies continued in the first half of 2016. Several banks have increased their market share: Nordea Bank AB Estonia branch from 9% to 11% and LHV Pank from 3% to 5%. The biggest growth in the deposits of companies was in Swedbank, which resulted in an increased market share from 41% to 46%. The biggest reduction in the deposits of companies occurred in the first half of year in Danske Bank A/S Estonia branch, which was a reflection of the bank's renewed business strategy. Consequently, its market share declined from 18% to 8% over the year.

Market breakdown of deposits as at the end of June 2016 (end of June 2015 in brackets)

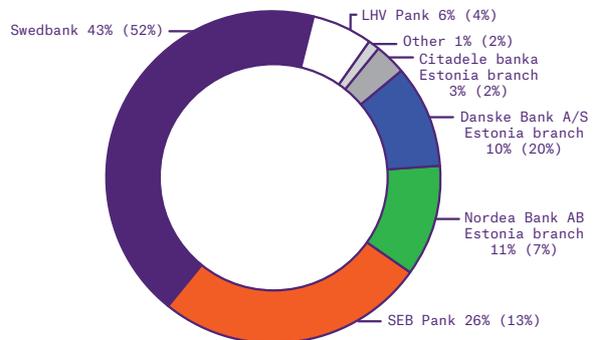


Private person deposits increased most in Swedbank and its market share increased from 54% to 55%. Danske Bank A/S Estonia branch market share has decreased from 6% to 4%. The market share of SEB Pank has been unchanged, remaining at 23%.

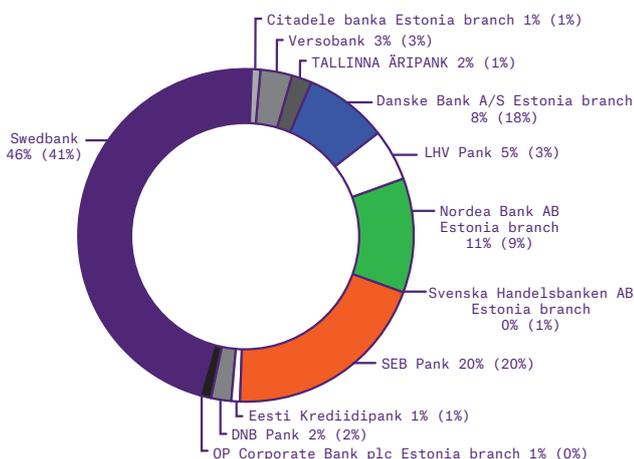
Market breakdown of government deposits as at the end of June 2016 (end of June 2015 in brackets)



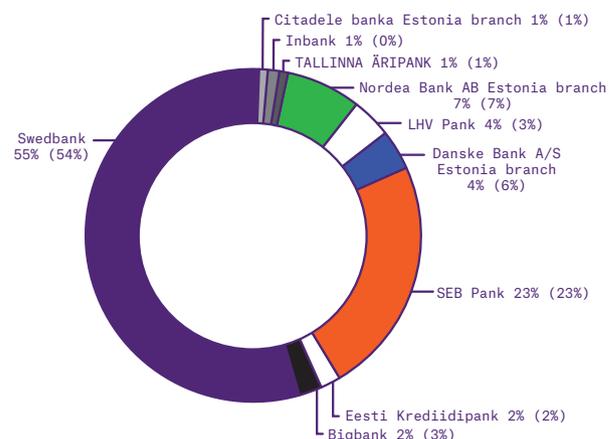
Market breakdown of financial institution deposits as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of company deposits as at the end of June 2016 (end of June 2015 in brackets)



Market breakdown of private person deposits as at the end of June 2016 (end of June 2015 in brackets)



NUMBER AND SIZE OF DEPOSITS

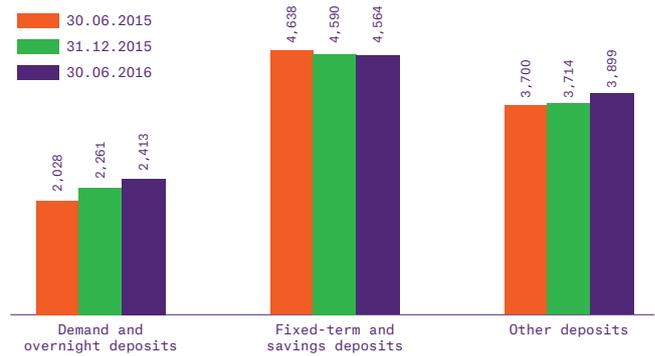
The number of deposit agreements decreased in the first half of 2016: demand and overnight deposits by ca 1,800, fixed-term and savings deposits by 8,600 and other deposits by 3,000.

The number of effective deposit agreements⁴¹ as at 30 June 2016:

• demand and overnight deposits, including private persons	2,169,000
• fixed-term and savings deposits including private persons	1,915,000
• investment and other deposits, including private persons	426,000
	418,000
	21,000
	20,000

The average amount of demand and overnight deposits of private persons at the end of June 2016 was 2,413 euros (2,261 euros at the end of 2015), fixed-term and savings deposits was 4,564 euros (4,590 euros at the end of 2015) and investment and other deposits was 3,899 euros (3,714 euros at the end of 2015).

Average stock of private person deposits (EUR)



41 Deposits with monetary balances.