

Estonian financial services market as at 30 June 2017

This review discusses the services provided in Estonia
by companies that come under the supervision of the
Financial Supervision Authority



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1. General development of the financial market

The trends in the Estonian financial services market in the first half of 2017 were similar to those seen in previous periods, as most of the financial services increased in volume and the services used for financing consumption continued to grow strongly.

The total stock of deposits increased by 1.5%, or 248 million euros, in the first half of 2017. This growth was driven by the addition of 390 million euros in demand and overnight deposits, mainly because of low interest rates. At the same time the stock of term and savings deposits dropped by 133 million euros. As at the end of June 2017, a total of 16.6 billion euros was held in deposits.

The consolidated balance of the loan portfolios of the banks increased by 2.4%, or 425 million euros, in the first half of the year and it stood at 18.2 billion euros as at the end of June. Meanwhile, the consolidated balance of creditors increased by 7.1%, or 53 million euros, to 0.8 billion euros.

Investment service volumes have increased, especially in the fund segment. Pension fund volumes were up 8%, while

the value of public real estate funds increased by 17% in the first six months of the year, and investments in foreign funds¹ increased by 6%. The aggregate volume of individual portfolios increased by 20%, while other investments in financial instruments decreased by 7%.

The overall volume of assets placed in financial services targeted at savings and investing, including investment and pension funds, individual portfolios, other financial instruments, term and savings deposits, and investment and other deposits, grew by 2% to 10.2 billion euros by the end of June 2017 from 9.9 billion euros at the end of 2016². The funds held in current accounts increased by 3% in six months to 13.3 billion euros at the end of June.

The volume of insurance premiums in life insurance increased by 7% to 43 million euros, while those in non-life insurance were up 11% at 165 million euros.

The Financial Supervision Authority has access to the reports of creditors from 2016, and so data on the loans they issue has also been added to this review.

The volume of investment and banking services provided by Estonian financial institutions as at the end of June 2017 (million euros)

Service	Volume	of which, to Estonian resident private individuals	
		Volume	Share in total services
Public investment funds	503	-	-
Pension funds	3500	3500	100%
Foreign funds offered in Estonia	535	105	20%
Unit-linked life insurance provisions	253	253	100%
Individual portfolios	793	96	12%
Bank loans	18,196	7823	43%
Creditor loans	794	794	100%
Demand and overnight deposits	13,281	4927	37%
Term and savings deposits	3216	1579	49%
Investment and other deposits	83	58	70%
Other financial instruments	1309	342	26%

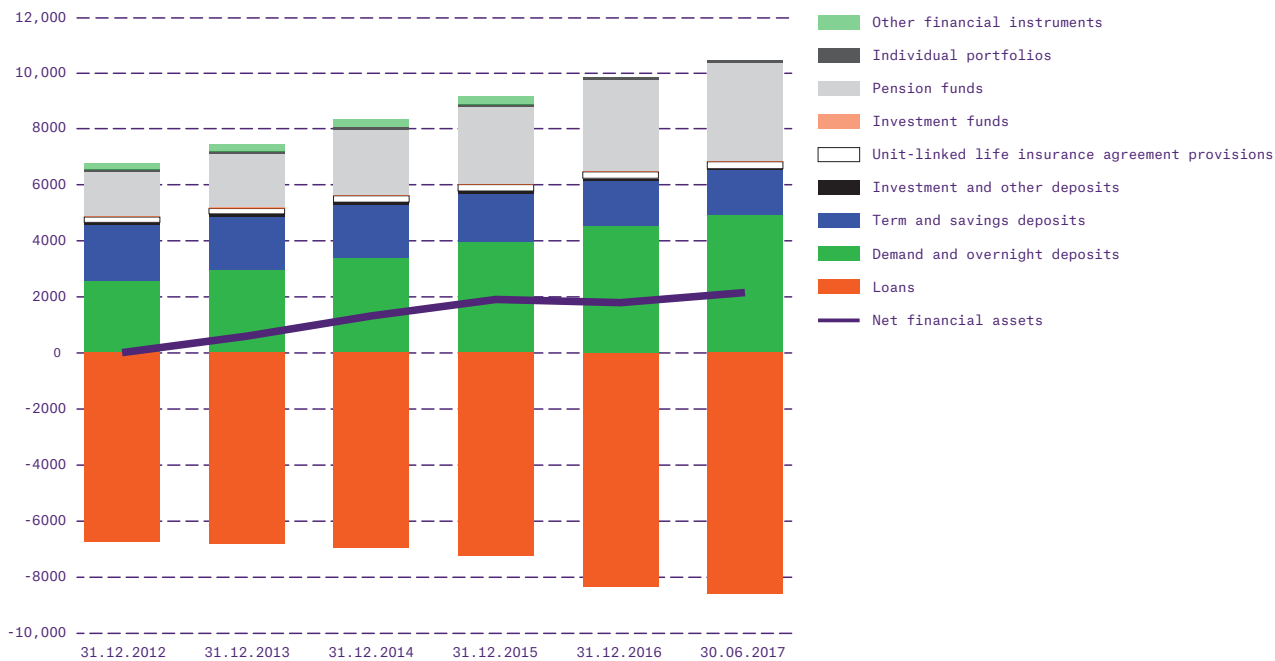
1 To avoid duplicating data, the investments of Estonian insurance companies and investment and pension funds have been deducted from investments in foreign investment funds.

2 The volume of closed-end type mutual funds has been deducted from the figure for 2016, as these are no longer shown in the reporting starting from 2017.

In the first half of 2017, the financial assets of Estonian resident individuals exceeded their liabilities. As at the end of June they held 10.8 billion euros in financial assets and had financial liabilities of 8.6 billion euros.

It is notable that financial assets increased faster than financial liabilities did, as consolidated financial assets grew by 6% and aggregated loans by 3%. Consequently, the net financial assets of Estonian resident individuals amounted to 2.2 billion euros at the end of June, having grown by nearly 0.4 billion euros in six months.

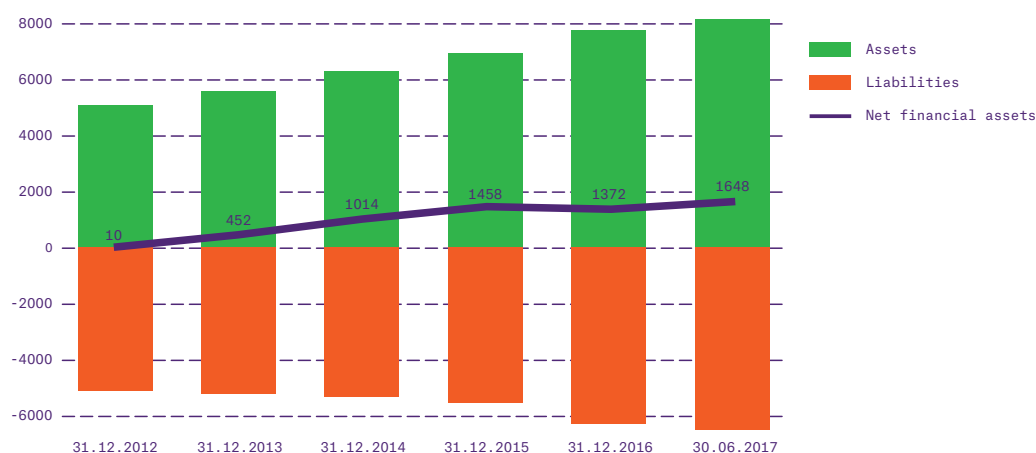
Financial assets and liabilities of Estonian resident individuals (million euros)



Each Estonian resident individual had assets on average of 8197 euros and loans of 6550 euros as at the end of June.

This made the average net financial assets of each private individual 1648 euros, up from 1372 euros at the end of 2016.

Average net financial assets of Estonian resident individuals (euros)

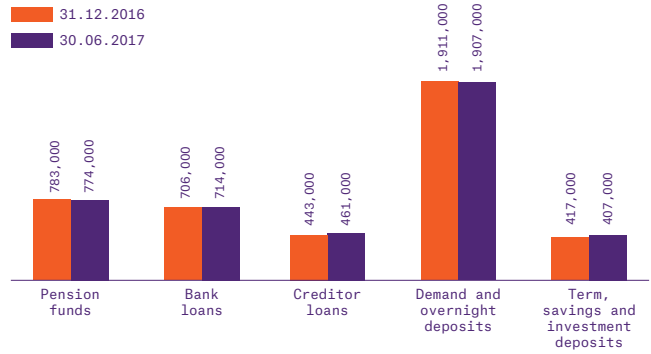


2. Division of private customers by services

The numbers of contracts known to the Financial Supervision Authority³ indicate that the most popular service in Estonia is the demand deposit, or a current account. There were 1.907 million current accounts⁴ held by private individuals at the end of June 2017, as many individuals have several current accounts. However, the number of private current accounts has been declining in recent years, as six years ago in 2011 there were 2.484 million current accounts.

Loans came second on the list of financial products of private individuals for the number of contracts as 1.175 million⁵ loan contracts had been signed with private individuals as at the end of June 2017. The third most numerous financial product is pension funds.

Number of contracts of private individuals by financial services



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

3. Deposits⁶

Market breakdown:

Swedbank	46%
SEB Pank	23%
Nordea Bank AB Estonian branch	12%

Customers:

2,575,585 effective contracts

Service volume:

consolidated deposit volume: 16.6 billion euros

BALANCE OF DEPOSITS

The stock of deposits with Estonian banks grew by 1.5%, or 248 million euros, in the first half of 2017 to stand at 16.6 billion euros by the end of June. The growth over the year to the end of June was 3.7%, or 588 million euros.

The growth was only in demand and overnight deposits, which reached a total of 13.2 billion euros. With interest rates still low, the stock of term and savings deposits decreased by 133 million euros to 3.3 billion euros. Other deposits, including investment deposits, totalled 0.1 billion euros. This meant that fixed-term deposits accounted for only 20% of the total.

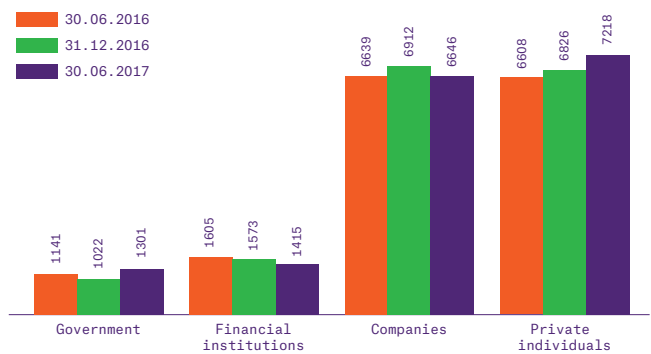
For the first time since 2004, the stock of private deposits⁷ exceeded that of corporate deposits⁸, as private individuals held 7.2 billion euros in deposits and companies held 6.6 billion. Private individuals held 44% of the total balance of deposits and most of them were demand and overnight deposits with a total value of 5.3 billion euros, accounting for 73% of all private deposits.

Businesses held 40% of the total balance of deposits. At 89%, a large majority of these corporate deposits were demand and overnight deposits, totalling 5.9 billion euros, and the remaining 11% were fixed-term and savings deposits. The stock of corporate deposits fell because of an outflow of non-resident deposits.

Financial institutions⁹ had 1.4 billion euros in deposits and the government had 1.3 billion euros at the end of June 2017.

The share of deposits of non-residents decreased further in the first half-year from 12% to 11%.

Stock of deposits (million euros)



6 The data cover the deposits of all credit institutions operating in Estonia and the Estonian branches of foreign banks, taking in the deposits of both Estonian residents and non-residents. The data do not include deposits with foreign branches of Estonian credit institutions.
 7 Includes non-profit associations.
 8 Includes state or local government companies.
 9 Includes insurers and pension funds.

MARKET BREAKDOWN OF BANK DEPOSITS

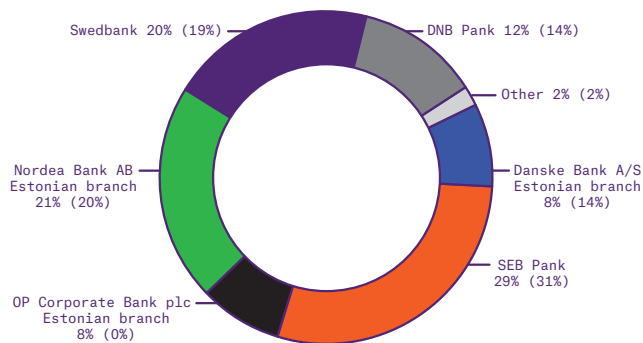
The increase in the stock of deposits at Estonian banks in the first half of 2017 was driven to a large extent by LHV Pank and the Estonian branch of Nordea Bank AB, and this boosted the market share of LHV from 4% to 6% and that of Nordea from 10% to 12%. Swedbank continued to lead the market with 46% despite losing deposit volume.

A majority of the market for government deposits was held by SEB Pank, which had 29% of the stock of deposits, followed by the Estonian branch of Nordea Bank AB with 21% and Swedbank with 20%. The biggest change was in the market share of the Estonian branch of OP Corporate Bank plc, which increased over the year from 0% to 8%.

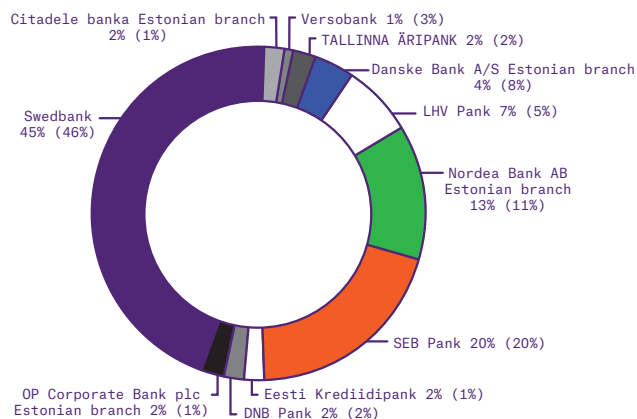
There was a bigger shift in the market for the deposits of financial institutions, as the amounts deposited with LHV Pank and the Estonian branch of Nordea Bank AB Estonia grew over the year, increasing the market share of LHV from 6% to 18% and that of Nordea from 11% to 21%. At the same time, the market share of Swedbank dropped from 43% to 24% and SEB Pank became the leader in this customer segment with a market share of 28%.

There was notable volatility in the corporate deposit market and this was reflected in fluctuations of 1–2% in the market shares of the banks. Over the year, the market share of the Estonian branch of Danske Bank A/S declined the most, from 8% to 4%, while the market share of the Estonian branch of Nordea Bank AB increased the most, from 11% to 13%, followed by that of LHV Pank, from 5% to 7%. The largest market share was still held by Swedbank with 45%.

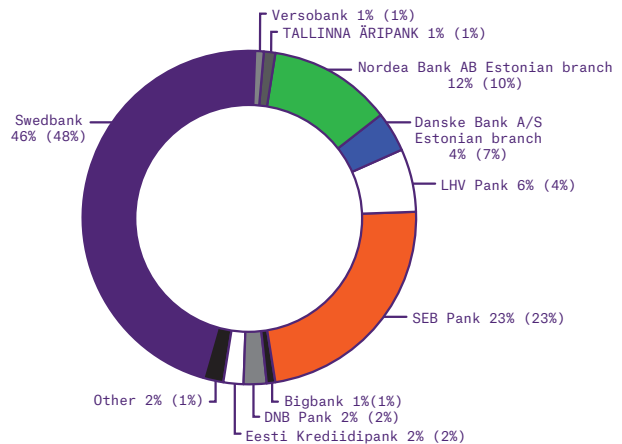
Market breakdown of government deposits as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of corporate deposits as at the end of June 2017 (end of June 2016 in brackets)

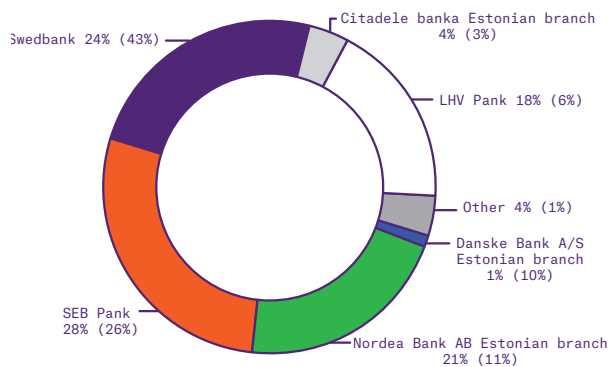


Market breakdown of deposits as at the end of June 2017 (end of June 2016 in brackets)

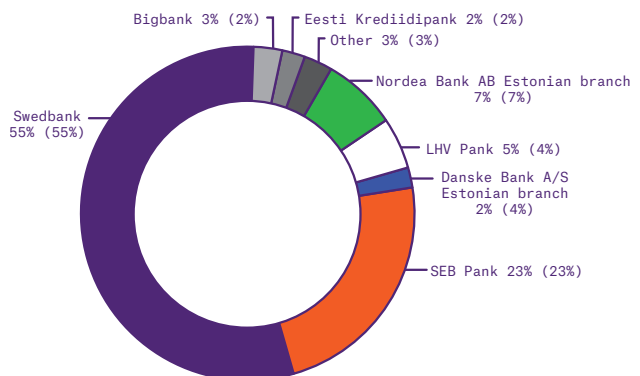


The stock of private deposits increased the most at Swedbank, but this had no impact on the bank's market share of 55%. The market share of the Estonian branch of Danske Bank A/S decreased from 4% to 2%, while the market share of LHV Pank increased from 4% to 5% and that of Bigbank grew from 2% to 3%.

Market breakdown of financial institution deposits as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of private deposits as at the end of June 2017 (end of June 2016 in brackets)



NUMBER AND SIZE OF DEPOSITS

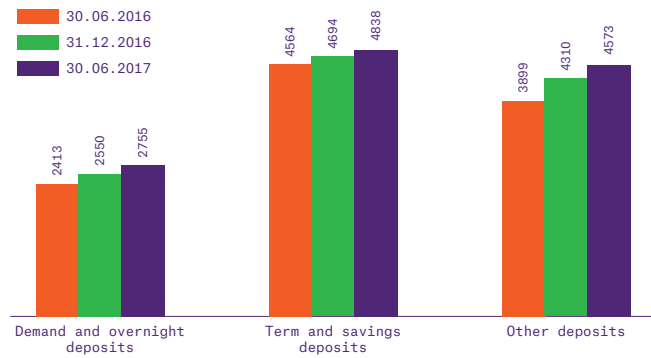
The number of deposit agreements fell in the first half of 2017, with some 3200 fewer demand and overnight deposits, 6900 fewer term and savings deposits, and 3500 fewer other deposits.

The number of effective deposit agreements¹⁰ as at the end of June 2017 were:

- demand and overnight deposits 2,161,000
of which held by private individuals 1,907,000
- term and savings deposits 400,000
of which held by private individuals 393,000
- investment and other deposits 15,000
of which held by private individuals 14,000

The average amount in the demand and overnight deposits of private individuals as at the end of June 2017 was 2755 euros, up from 2550 euros at the end of 2016, while term and savings deposits were 4838 euros, from 4694 euros at the end of 2016, and investment and other deposits stood at 4573 euros, from 4310 euros at the end of 2016.

Average balance of deposits of private individuals (euros)



10 Deposits with monetary balance.

4. Investment and pension funds¹¹

Market breakdown:

Swedbank Investeerimisfondid	41%
LHV Varahaldus	26%
SEB Varahaldus	17%

Total number of unit-holders:

783,010 effective contracts

Service volume:

total volume of funds: 4.0 billion euros

VOLUME OF ASSETS HELD BY FUNDS

The assets of public investment funds¹², including pension funds, totalled 4 billion euros in volume at the end of June 2017, having increased by 311 million euros, or 8%, over the first half of the year¹³.

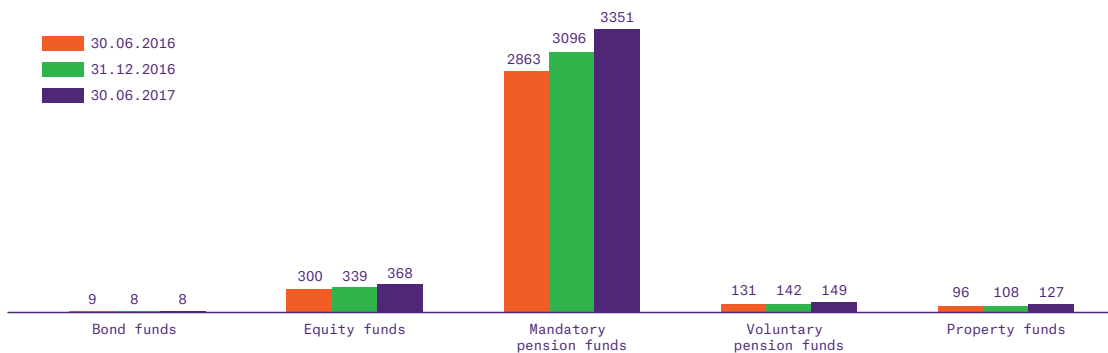
The growth in the fund sector continued to be driven by mandatory pension funds as their assets increased by 255 million euros, or 8%, to 3.4 billion euros in the first half of the year to the end of June.

In terms of growth, the mandatory pension funds were followed by equity funds¹⁴, which saw their assets increase

by 30 million euros, or 9%, to 368 million euros by the end of June. Meanwhile, the assets of public property funds increased by 19 million euros, or 17%, to 127 million euros. The volume of assets of bond funds remained at 8 million euros as investors again showed little interest because of low interest rates.

Mandatory pension funds remained the biggest fund type with 84% of the total volume of assets in the fund sector. In second place came stock funds with 9%, and in third were voluntary pension funds with 4%. Property funds held 3% and bond funds 0.2% of the total volume of assets of public funds.

Market value of public fund investments (million euros)



11 The data for investment funds cover all the clients of public investment funds registered in Estonia, including clients from foreign countries.
 12 Public investment funds include UCITS, alternative funds and pension funds. The Investment Funds Act that entered into force at the beginning of this year limits the extent of the supervision and the accompanying reporting obligation for management companies that call themselves small fund managers, and so they are not covered in this review.
 13 Asset volume is shown by market value. For the purposes of comparing data, the volumes of non-public funds have been deducted from the data for 2016.
 14 Local equity funds also include funds of funds and mixed funds.

UNIT HOLDERS OF FUNDS

The number of unit holders in Estonian public funds fell by 9738 in the first half of 2017 to 783,010 by the end of June¹⁵. There were falls of 9431 in mandatory pension funds and of 1230 in equity funds. In both cases the fall was due to a drop in the number of funds, which reduced the number of unit holders.

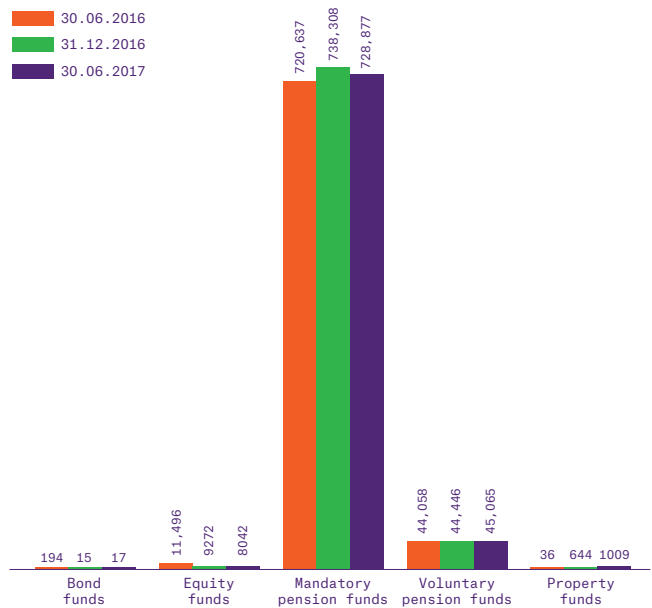
In other types of funds, however, the number of unit holders increased. The biggest growth was of 619 in voluntary pension funds, which is the biggest growth in the past eight years. The number of unit holders in public property funds increased by 302.

The largest type of fund by number of customers among public funds was mandatory pension funds with 728,877 unit holders, followed by voluntary pension funds with 45,065, equity funds with 8042, and property funds with 1009.

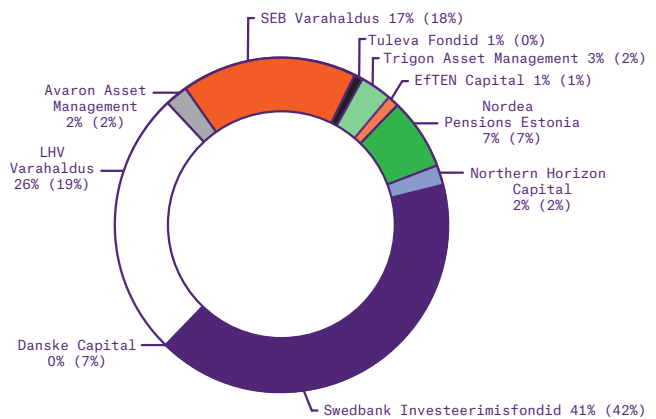
MANAGEMENT COMPANIES

The biggest impact on the market for fund services at the beginning of 2017 came from the acquisition of Danske Capital by LHV Varahaldus. This increased the market share of LHV Varahaldus to 26%, making it the second largest by volume of funds under management after Swedbank, which has 41%. SEB Varahaldus had 17% of the market for funds.

Number of unit holders of public funds



Market breakdown of fund services as at the end of June 2017 (end of June 2016 in brackets)



15 The number of unit holders includes non-residents.

Swedbank Investeerimisfondid had the largest share of the equity funds market at the end of June 2017 with 43%. It was followed by Trigon Asset Management with 34% and AVARON Asset Management with 22%. SEB Varahaldus, meanwhile, liquidated all the funds of funds it managed. As at the end of June 2017, there was only one bond fund¹⁶ left in the market, which was owned by Avaron Asset Management.

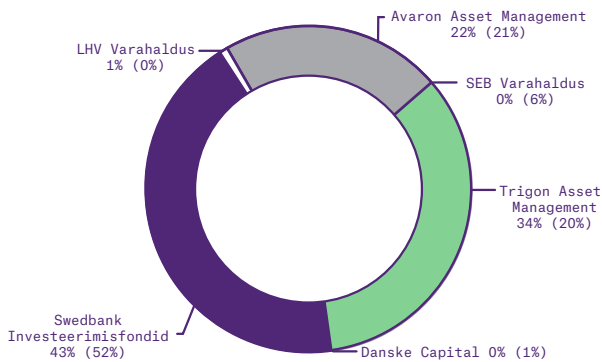
The biggest change in the market for mandatory pension funds was the increase in the market share of LHV Varahaldus to 30% following its merger with Danske Capital. This left LHV Varahaldus as the second largest management company

for pension funds in Estonia. Swedbank Investeerimisfondid still holds the largest market share with 42%. Tuleva Fondid, which is a newcomer in the market, held 1% of the total assets of pension funds at the end of June. SEB Varahaldus held 19% of assets and Nordea Pensions Estonia 8%.

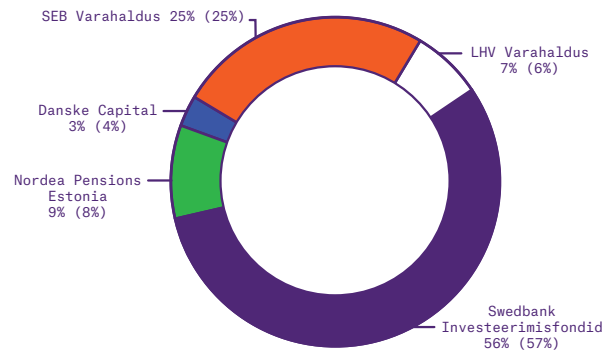
The largest market share in the market for voluntary pension funds was the 56% held by Swedbank Investeerimisfondid, followed by the 25% of SEB Varahaldus.

In the market for public real estate funds, there were only two management companies, with Northern Horizon Capital holding market share of 68% and EFTEN Capital holding 32%.

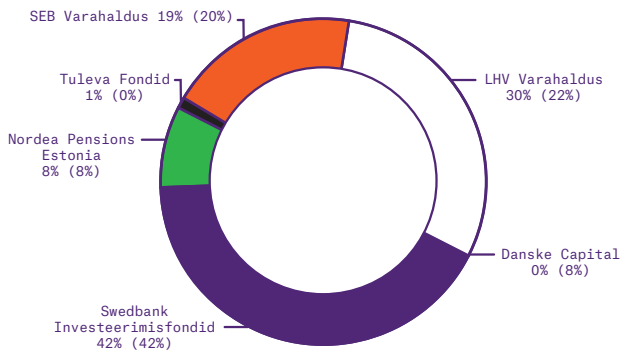
Market breakdown of equity funds as at the end of June 2017 (end of June 2016 in brackets)



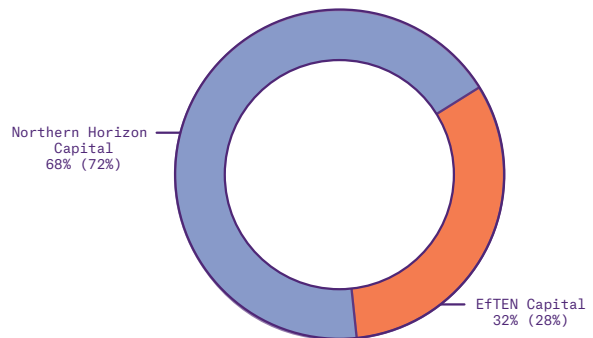
Market breakdown of voluntary pension funds as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of mandatory pension funds as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of public real estate funds as at the end of June 2017 (end of June 2016 in brackets)



16 Bond funds include money market and interest funds.

5. Payments from the second pension pillar

The Estonian Central Register of Securities showed there were 34,824 people entitled to payments from second pillar pensions as at the end of June 2017, which was 4685 more than the year before. Of these people, 37% or 12,946 were men and 63% or 21,878 were women.

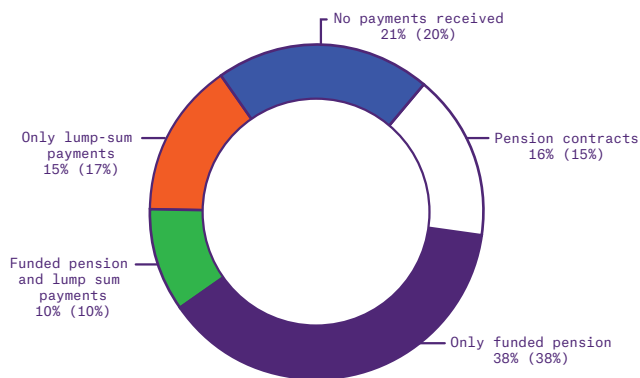
The distribution of the payments from second pillar pensions remains quite stable, varying by 1-2%.

At the end of June, the share of those entitled to the second pillar payments who had signed pension agreements¹⁷

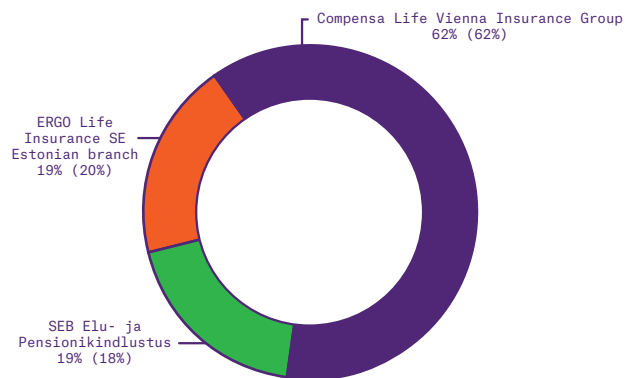
remained at 16%. At the same point, 38% of those entitled to the second pillar payments received only funded pension¹⁸ payments, while 10% received payments through funds and lump sum payments¹⁹ and 15% received only lump sum payments. The remaining 21% who were entitled to payments from second pillar pensions had not applied for them.

The life insurance company with the largest market share in the second pension pillar market, with 62%, is Compensa Life Vienna Insurance Group.

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



Market breakdown of insurers by number of second pension pillar contracts as at the end of June 2017 (end of June 2016 in brackets)



17 A pension contract is an insurance contract entered into between a unit holder and a life insurance company, under which the insurance company makes pension payments until the death of the person who signed the contract.

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

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

6. Portfolio management²⁰

Market breakdown:

Swedbank grupp	42%
SEB Bank grupp	22%
Trigon Asset Management	16%

Service volume:

Total volume of portfolios: 793 million euros

VOLUME OF PORTFOLIOS

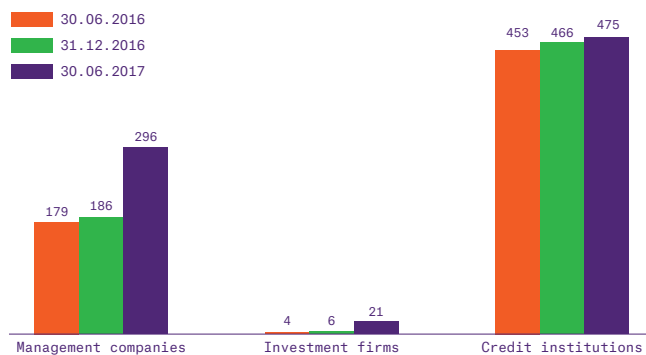
Portfolio management services are provided by management companies, banks and investment firms. The combined volume of portfolios increased by 20% in the first half of the year to 793 million euros from 658 million euros at the end of 2016.

The portfolios managed by management companies increased in size in the first half of 2017 from 186 million euros to 296 million euros. The customer portfolios managed by banks increased from 466 million euros to 475 million euros and those of investment firms from 6 million euros to 21 million.

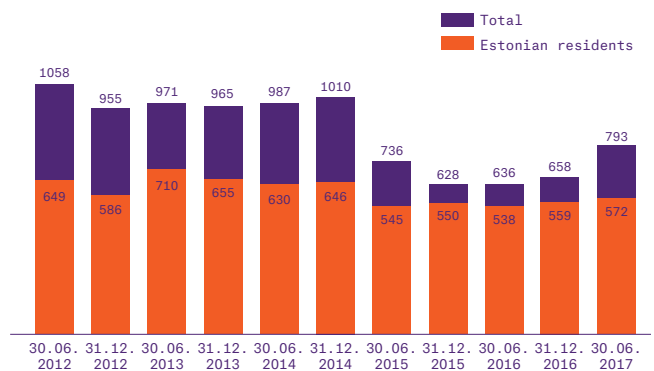
CUSTOMERS OF THE PORTFOLIO MANAGEMENT SERVICE

At the end of June 2017, the majority of the consolidated customer portfolio was from Estonian residents, who had some 72% of the total, at 572 million euros, up from 559 million euros at the end of 2016. Of this, 337 million euros came from financial institutions, 136 million euros from companies, 96 million euros from private individuals²¹, and 3 million from the government.

Portfolio volumes (million euros)



Combined volume of individual portfolios by residence (million euros)



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

²¹ Financial institutions include insurance providers, pension funds, credit institutions and other financial institutions. Companies also include state or local government companies. Private individuals also include non-profit associations. Government also includes state social funds.

PORTFOLIO MANAGERS

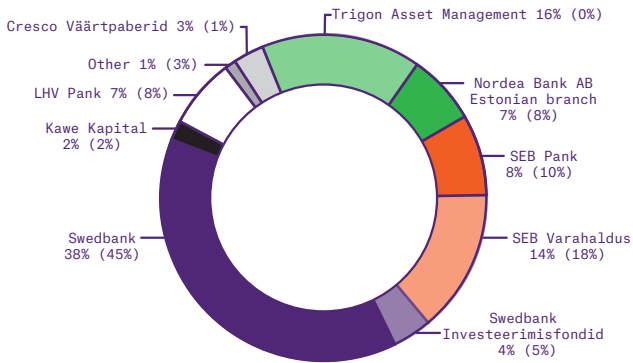
At the end of June 2017, the largest share of the market for portfolio management was held by companies in the Swedbank Group, which had 42%. The market share of SEB Pank Group companies was 22%. They were followed by Trigon Asset Management with a market share of 16%.

Among management companies, the largest market share by managed portfolio volume was that of Trigon Asset

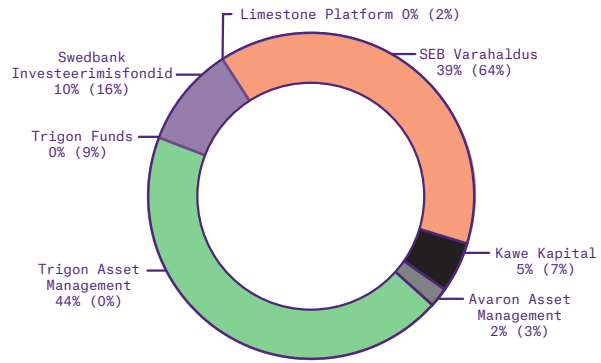
Management with 44%, followed by SEB Varahaldus with 39% and Swedbank Investeeringimisfondid with 10%.

The biggest portfolio of the banks is the one managed by Swedbank, which held 63% of the market at the end of June. It was followed by SEB Pank with 14%, LHV Pank with 12%, and the Estonian branch of Nordea Bank AB Estonia with 11%.

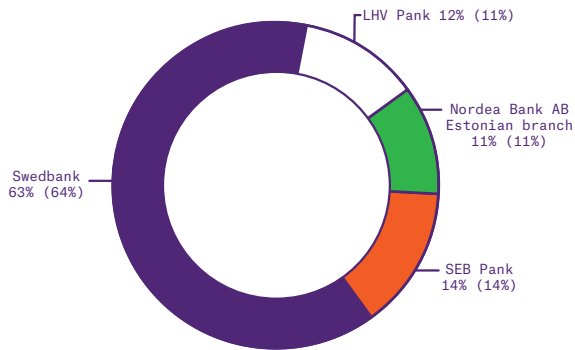
Market breakdown of portfolio management by service providers as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of portfolio management by management companies as at the end of June 2017 (end of June 2016 in brackets)



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



7. Life insurance²²

Market breakdown:

Swedbank Life Insurance SE	43%
SEB Elu- ja Pensionikindlustus	26%
Compensa Life Vienna Insurance Group SE	19%

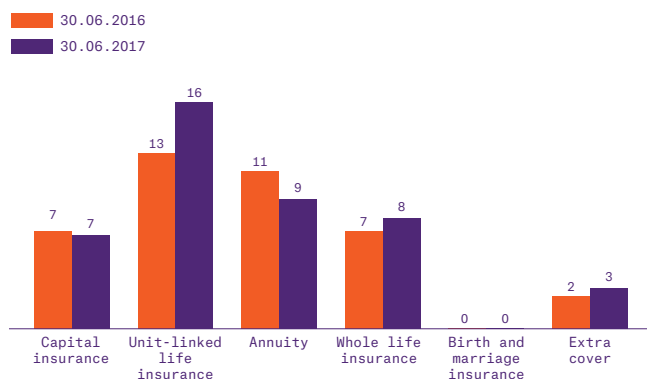
Service volume:

In the first half of 2017, 43.2 million euros in insurance premiums were collected

INSURANCE PREMIUMS

In the first half of 2017, the life insurance companies in Estonia collected 43.2 million euros in insurance premiums²³. In the first half of the previous year, 40.5 million euros in insurance premiums were collected, meaning that the amount collected in insurance premiums increased by 6.6% over the year.

Premiums by types of life insurance (million euros)



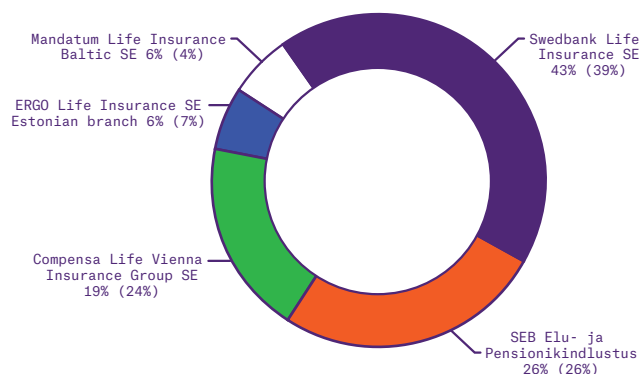
Most of the growth in insurance premiums originated from unit-linked life insurance premiums, which increased in volume from 13 million to 16 million euros. Additionally, the volume of whole life premiums increased from 7 million euros to 8 million. However, the volume of annuity premiums fell from 11 million euros to 9 million. The volume of capital insurance was 7 million euros.

The product with the largest volume is still unit-linked life insurance, which accounted for 38% of all life insurance products in the first half of 2017, up from 31% in the first half of 2016. The second most popular life insurance product is the annuity, which accounted for 22% at the end of June, down from 28% a year before. Whole life premiums moved into third with a share increasing to 19% from 17% a year before, while capital insurance accounts slipped back to 15% of all life insurance products from 18% a year before.

INSURERS

The three largest life insurance undertakings for insurance premiums are Swedbank Life Insurance SE, SEB Elu- ja Pensionikindlustus, and Compensa Life Vienna Insurance Group SE, and between them they received 88% of all insurance premiums in the first half of 2017, having taken 89% the year before.

Market breakdown of life insurance undertakings by premiums received in the first half of 2017 (the first half of 2016 in brackets)



In the first six months of 2017, the volume of insurance premiums collected by Swedbank Life Insurance SE continued to grow, expanding by 19%, which boosted its market share from 39% to 43%. The growth in insurance premiums was driven by life insurance premiums. The market share of AS SEB Elu- ja Pensionikindlustus remained at 26%, but the market share of Compensa Life Vienna Insurance Group SE dropped from 24% to 19%.

²² In 2016, the Solvency II supervisory framework entered into force, after which the reporting submitted to the Financial Supervision Authority changed considerably. For this reason, data from Statistics Estonia have been used for the review of life insurance.

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

Capital premiums decreased in volume over the year at all life insurance companies. The market shares of the insurers have not changed very much however. The largest capital insurance service provider in Estonia at the end of June was SEB Elu- ja Pensionikindlustus with a market share of 49%.

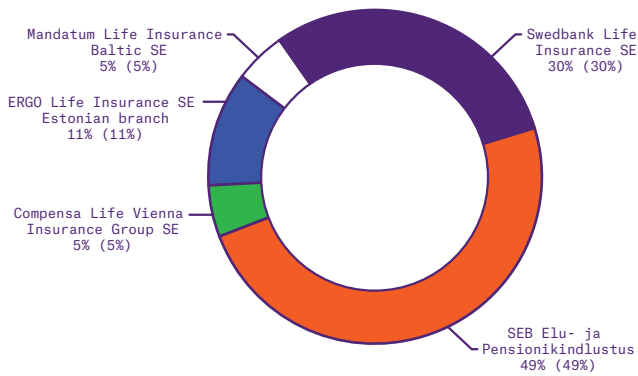
For the first time in the past three years, the collection of unit-linked life insurance premiums increased at all life insurers. Since the volume of premiums grew at different rates at different companies, the market breakdown also changed. The fastest growth was of 85% and was witnessed by the life insurance company Mandatum Life Insurance Baltic SE, and

this increased its market share from 9% to 13%. The market leader is still Swedbank Life Insurance SE, although its market share decreased from 63% to 62%.

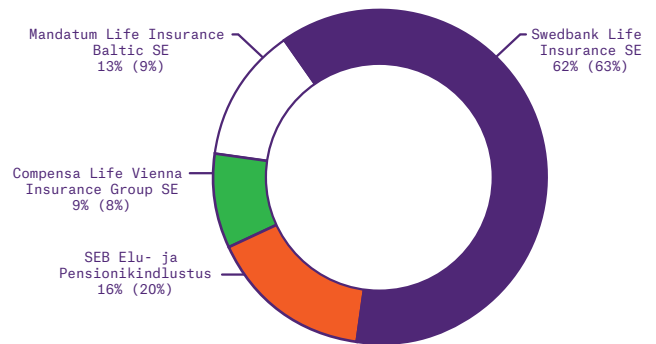
In the first half of 2017, the collection of annuity premiums only increased at SEB Elu- ja Pensionikindlustus, which boosted its market share from 18% to 23%. The market share of Compensa Life Vienna Insurance Group SE dropped from 72% to 68%.

The market shares of whole life insurance providers changed relatively little. The largest part of the market is taken by Swedbank Life Insurance SE, which has 64%, followed by SEB Elu- ja Pensionikindlustus with 26%.

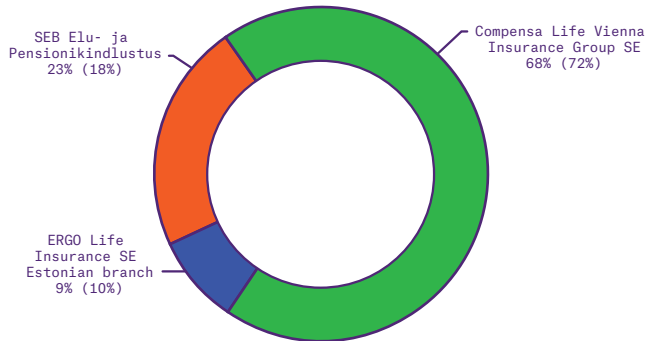
Market breakdown of capital insurance as at the end of June 2017 (end of June 2016 in brackets)



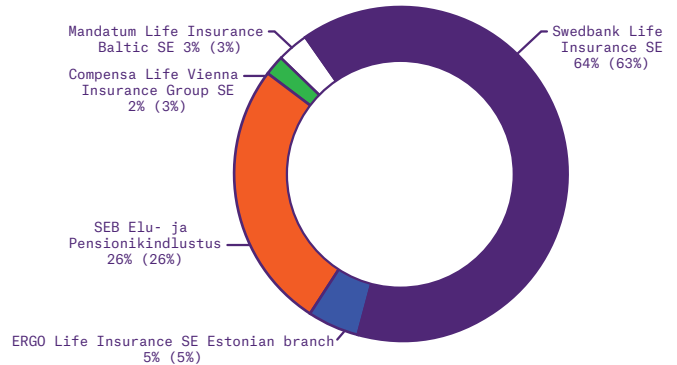
Market breakdown of unit-linked life insurance as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of annuities as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of whole life insurance as at the end of June 2017 (end of June 2016 in brackets)



7.1. Life insurance brokers

Market breakdown:

KindlustusEst Kindlustusmaakler	68%
UADBB Aon Baltic Estonian branch	15%
IIZI Kindlustusmaakler	6%

Customers:

346 brokered contracts

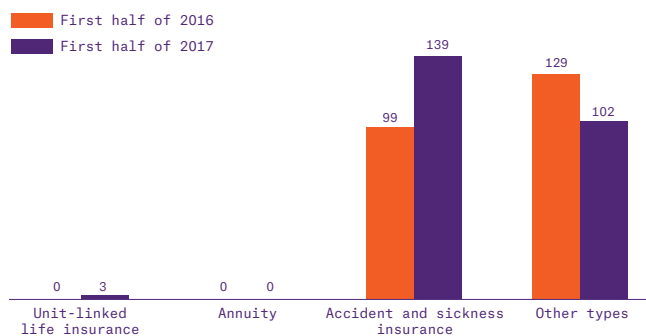
Service volume:

In the first half of 2017, 244,000 million euros in insurance premiums were brokered

BROKERED INSURANCE PREMIUMS

Data received by the Financial Supervision Authority show insurance brokers registered in Estonia brokered 244,000 euros of life insurance premiums in the first half of 2017. Over the year, the volume of insurance premiums brokered increased by 7%. The increase in premiums came mainly from accident and sickness contracts, where there was annual growth of 41%.

Insurance premiums brokered by insurance brokers by type of life insurance (thousand euros)



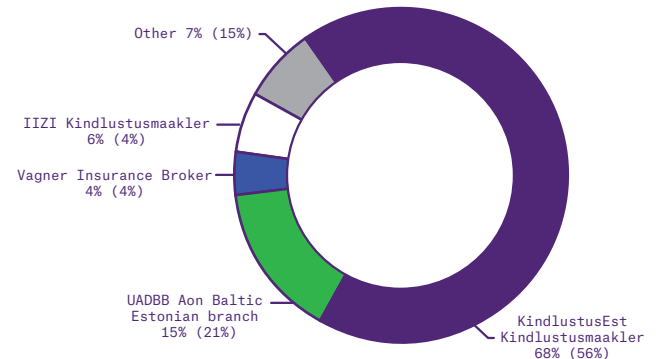
The insurance brokers mainly mediated accident and sickness contracts, for a total of 139,000 euros, and other life insurance contracts, for 102,000 euros. The most popular type among other life insurance contracts was still unit-linked life insurance. There were 3,000 euros of insurance premiums for unit-linked life insurance contracts and no annuity insurance premiums were brokered in the first half-year.

Estonian life insurance brokers largely mediate insurance contracts for insurance providers from countries of the European Economic Area, which accounted for 71% of insurance premiums in the first half-year, up from 63% a year before, and 61% of the number of contracts, down from 51% in 2016.

INSURANCE BROKERS

In the first half of 2017, life insurance contracts were brokered by nine insurance brokers. KindlustusEst Kindlustusmaakler still held the biggest market share with 68%, followed by UADBB Aon Baltic Estonian branch with 15% and IIZI Kindlustusmaakler with 6%.

Market breakdown of insurance brokers by life insurance premiums in the first half of 2017 (the first half of 2016 in brackets)



8. Non-life insurance²⁴

Market breakdown:

IF P&C Insurance	22%
ERGO Insurance SE	17%
Swedbank P&C Insurance	16%

Customers:

No info

Service volume:

In the first half of 2017, 165 million euros in insurance premiums were collected

INSURANCE PREMIUMS

In the first half of 2017, non-life insurance companies and branches of foreign non-life insurance companies operating in Estonia received insurance premiums totalling 165 million euros, up from 149 million euros in 2016. The Estonian branches of foreign insurance companies received 44 million euros of this, which is 26% of all insurance premiums, up from 36 million euros, or 24%, a year before. Insurance brokers collected 65 million euros, or 39%, of all the insurance premiums of non-life insurance companies, having collected 60 million euros, or 40%, a year before.

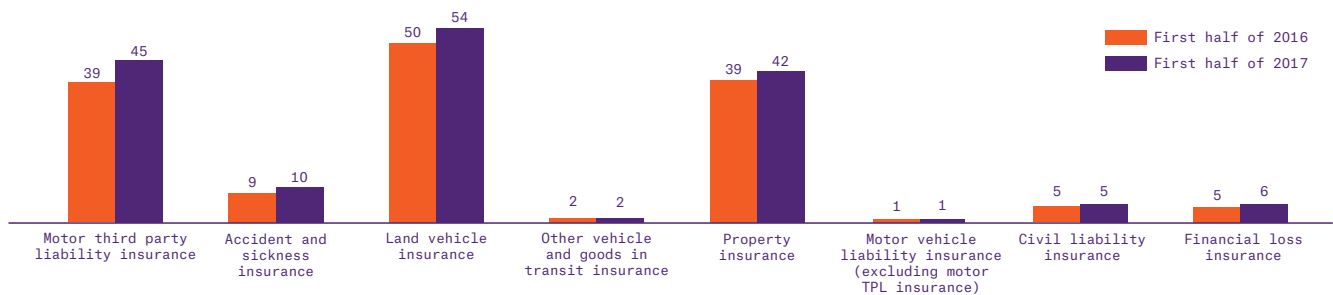
The volume of insurance premiums of all non-life insurance types has increased over the year. Motor TPL insurance increased the most in volume, gaining 6 million euros, while

land vehicle insurance increased by 4 million euros, and property insurance premiums by 3 million euros.

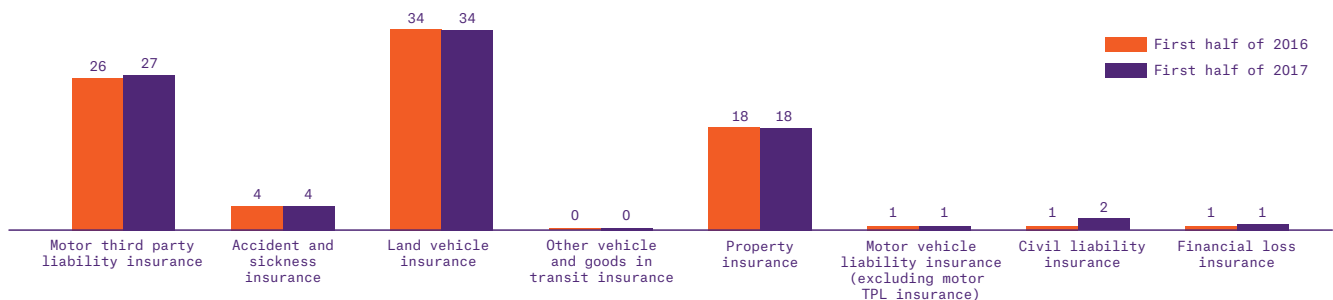
Land vehicle insurance, or comprehensive insurance, still remained the largest insurance class with insurance premiums of 54 million euros in the first half-year. This was followed by motor TPL insurance with 45 million euros of premiums and property insurance with 42 million euros.

In the first half of 2017, 87 million euros was paid out as indemnities, which was one million euros more than a year before. The amount of indemnities paid increased the most in motor TPL insurance, rising from 26 million euros to 27 million euros. However, the largest total of indemnities was the 34 million euros paid out in land vehicle insurance.

Insurance premiums by type of non-life insurance (million euros)



Indemnities paid out by types of non-life insurance (million euros)



²⁴ The data of non-life insurance only include contracts signed in Estonia and do not include contracts signed by the foreign branches of Estonian insurers. In 2016, the Solvency II supervision framework entered into force, and this has led to considerable changes in the reports submitted to the Financial Supervision Authority. For this reason data from Statistics Estonia have been used for non-life insurance.

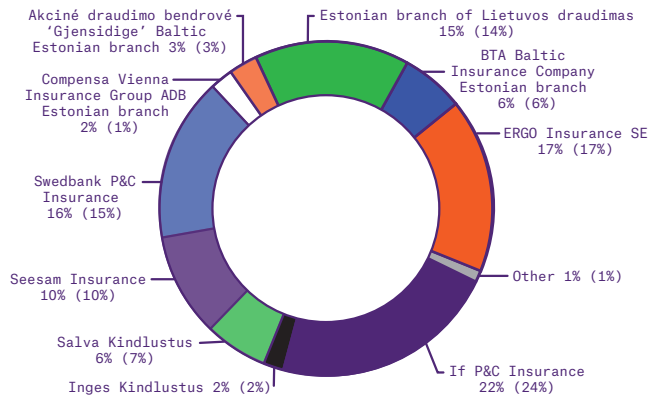
INSURERS

All insurers saw an increase in the volume of insurance premiums in the first half of 2017. The biggest growth was at the Estonian branch of Lietuvos draudimas and at Swedbank P&C Insurance, which was reflected in the growth of their market share.

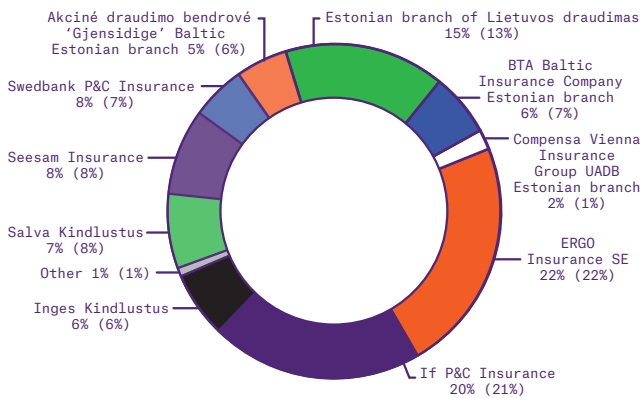
Meanwhile the market share of IF P&C insurance decreased from 24% to 22%. IF P&C Insurance is still the market leader among non-life insurance providers for insurance premiums collected.

In the first half of the year, the market share of IF P&C insurance declined in both motor TPL insurance and land vehicle insurance. At the same time, the market share of the Estonian branch of Lietuvos draudimas increased in those insurance classes. The new market leader in motor TPL insurance, however, is ERGO Insurance SE, which has 22%, followed by IF P&C Insurance with 20%. IF P&C Insurance still has the largest market share in land vehicle insurance with 21% and in property insurance with 28%.

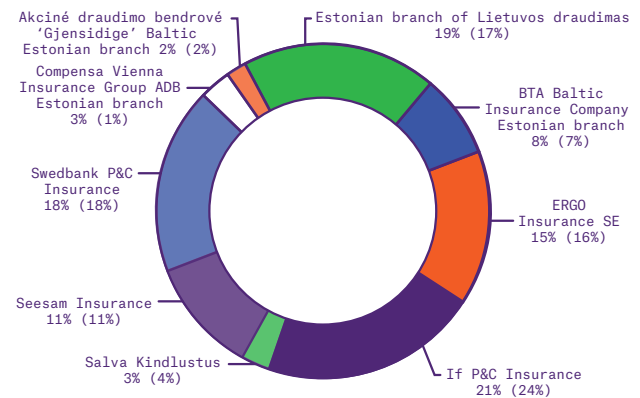
Market breakdown of non-life insurance companies by premiums received in the first half of 2017 (the first half of 2016 in brackets)



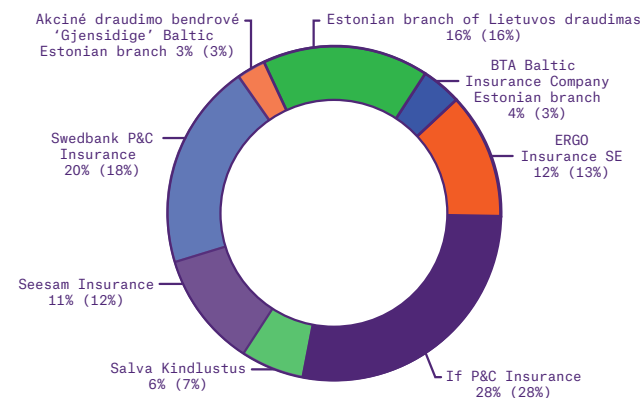
Market breakdown of motor third party liability insurance as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of land vehicle insurance as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of property insurance as at the end of June 2017 (end of June 2016 in brackets)



8.1. Non-life insurance brokers

Market breakdown:

IIZI Kindlustusmaakler	30%
Marsh Kindlustusmaakler	13%
Vandeni Kindlustusmaaklerid	9%

Customers:

414,170 brokered contracts

Service volume:

In the first half of 2017, 86 million euros in insurance premiums were brokered

BROKERED INSURANCE PREMIUMS

Data received by the Financial Supervision Authority show that insurance brokers registered in Estonian brokered a total of 86 million euros in insurance premiums in non-life insurance in the first half of 2017²⁵, which was 7 million more than a year before.

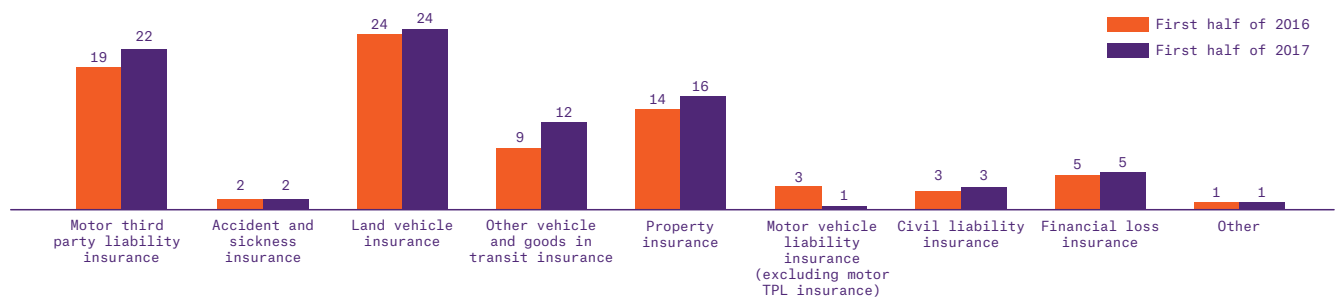
Payments collected by non-life insurance companies show land vehicle insurance was the largest insurance class by volume of mediated insurance premiums, as 24 million euros in insurance premiums was brokered in the first half of the year. The second and most popular insurance class was motor TPL insurance with 22 million euros, followed by property insurance in third with 16 million euros.

Estonian insurance brokers mediate contracts from both Estonian and foreign insurance companies. Of the insurance

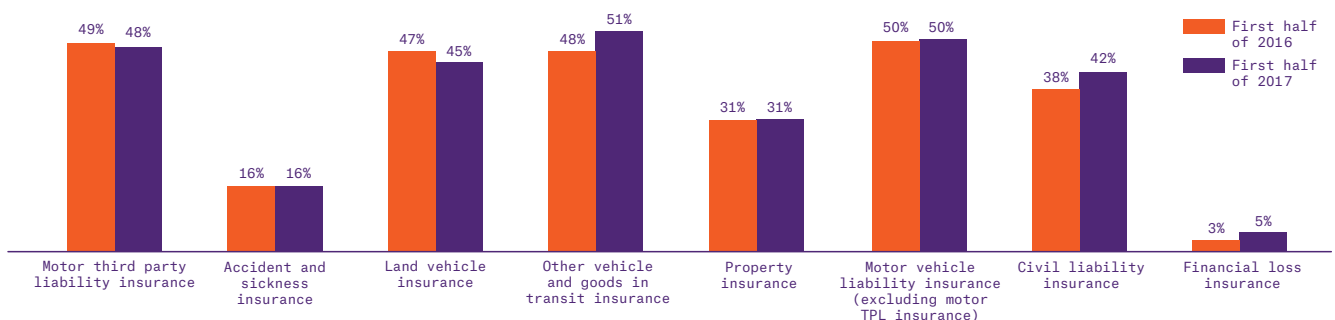
premiums mediated in the first half of 2017, 65 million euros or 76% were of Estonian insurance companies and 21 million or 24% were of foreign insurers. The largest part of the contracts of foreign insurers are for other vehicle and goods in transit insurance at 11 million euros, followed by civil liability insurance at 5 million euros and property insurance at 2 million euros.

Brokers brokered around half of the insurance premiums of Estonian insurance firms for most insurance classes. This insurance primarily covers vehicles. In the first half of 2017, 51% of premiums for other vehicle (air and watercraft) insurance and goods in transit insurance were brokered by brokers, as were 48% of premiums for motor TPL insurance and 45% of those for land vehicle insurance.

Insurance premiums received through insurance brokers by type of non-life insurance (million euros)



Insurance premiums of insurance companies operating in Estonia, mediated by insurance brokers



²⁵ Contracts of foreign re-insurers were also brokered in addition to the contracts of insurers, but these are not covered by this review. The volume of these insurance premiums in the first half of 2017 was 5.7 million euros.

INSURANCE BROKERS

In the first half of 2017, 41 insurance brokers brokered non-life insurance contracts and IIZI Kindlustusmaakler had the largest market share with 30%. This was followed by Marsh Kindlustusmaakler with 13% and Vandeni Kindlustusmaaklerid with 9%.

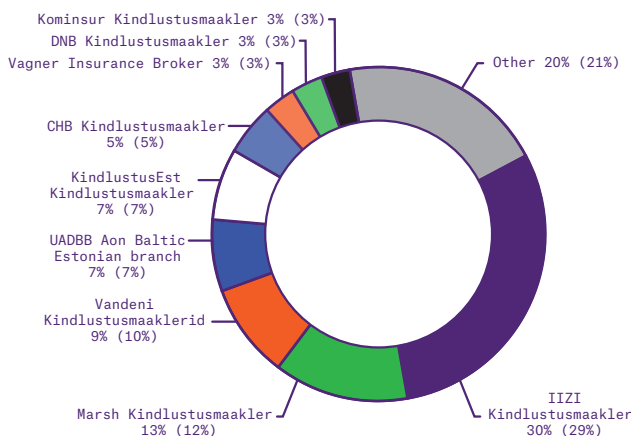
At the end of June, IIZI Kindlustusmaakler had the biggest market share for motor TPL insurance with 54%, followed by KindlustusEst Kindlustusmaakler with 10% and CHB Kindlustusmaakler with 4%.

IIZI Kindlustusmaakler also had the biggest market share in land vehicle insurance with 41%, followed by KindlustusEst Kindlustusmaakler with 8% and DNB Kindlustusmaakler with 7%.

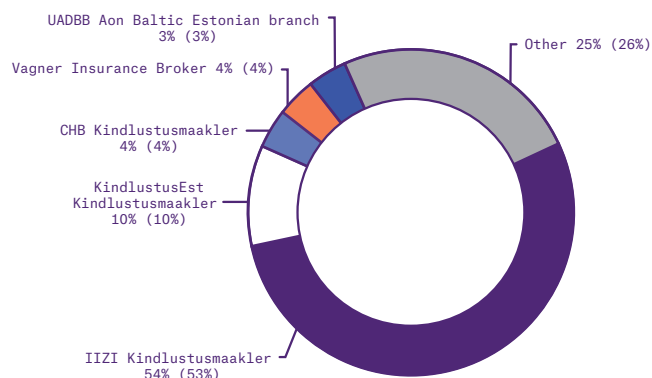
Marsh Kindlustusmaakler remained the market leader in property insurance with 21% of the market, followed by UADBB Aon Baltic Estonian branch with 19% and IIZI Kindlustusmaakler with 16%.

The biggest market share in travel insurance was the 46% of IIZI Kindlustusmaakler, followed by the 8% of KindlustusEst Kindlustusmaakler and the 7% of DNB Kindlustusmaakler.

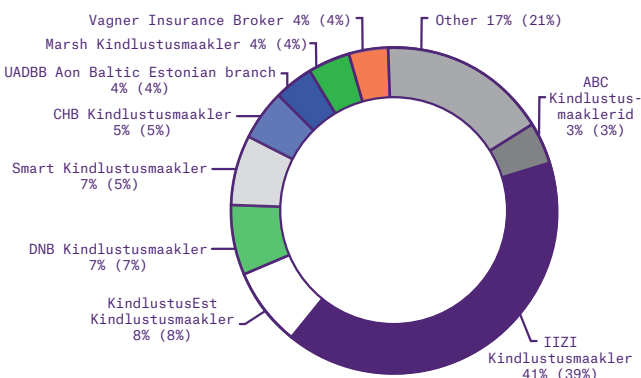
Market breakdown of insurance brokers by non-life insurance premiums in the first half of 2017 (the first half of 2016 in brackets)



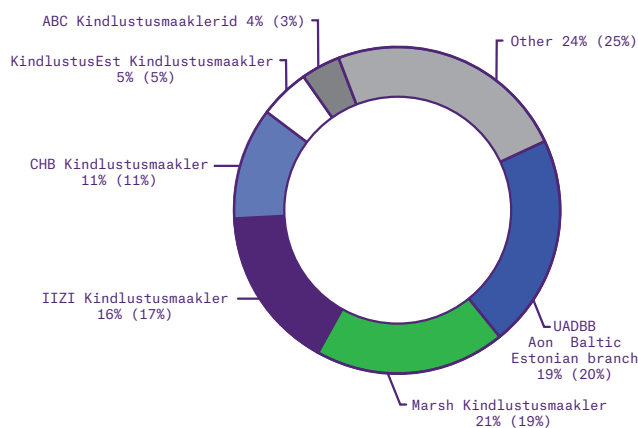
Market breakdown of insurance brokers in motor TPL insurance in the first half of 2017 (the first half of 2016 in brackets)



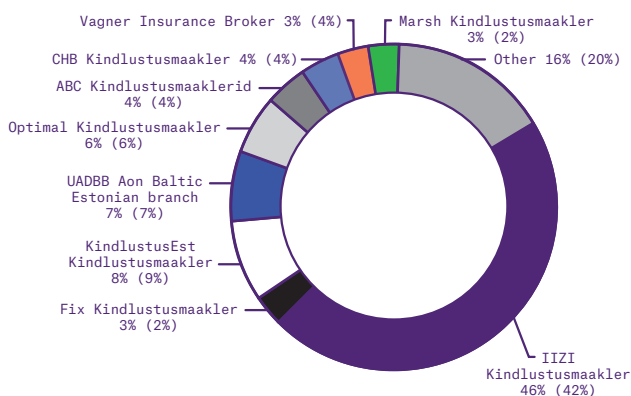
Market breakdown of insurance brokers in land vehicle insurance in the first half of 2017 (the first half of 2016 in brackets)



Market breakdown of insurance brokers in property insurance in the first half of 2017 (the first half of 2016 in brackets)



Market breakdown of insurance brokers in travel insurance in the first half of 2017 (the first half of 2016 in brackets)



The majority of the non-life insurance market for brokers was shared by fewer than half of all brokers in terms of the number of contracts brokered.

The table below shows that 89% of all contracts brokered were signed by 10 of the 41 insurance brokers, or 24%.

Market shares of major non-life insurance brokers by number of contracts

Broker	Market share	
	First half of 2017	First half of 2016
IIZI Kindlustusmaakler AS	62%	59%
KindlustusEst Kindlustusmaakler OÜ	10%	10%
Vagner Insurance Broker AS	3%	3%
CHB Kindlustusmaakler OÜ	3%	3%
AS Smart Kindlustusmaakler	2%	2%
Fix Kindlustusmaakler OÜ	2%	1%
OÜ DNB Kindlustusmaakler	2%	2%
NB Kindlustusmaakler OÜ	2%	2%
Optimal Kindlustusmaakler OÜ	2%	2%
OÜ ABC Kindlustusmaaklerid	2%	2%

9. Loans issued by credit institutions²⁶

Market breakdown:

Swedbank	38%
SEB Pank	24%
Nordea Bank AB Estonian branch	19%

Private customers:

713,614 effective contracts

Service volume:

Consolidated loan portfolio volume: 18.2 billion euros

LOAN PORTFOLIO

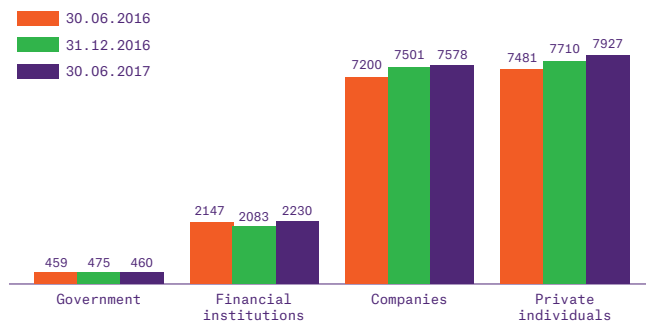
The stock of loans issued by credit institutions continued to grow in the first half of 2017, though more slowly than in previous periods. The Estonian loan portfolio of credit institutions increased by 2.4%, or 425 million euros, in the first half of the year to 18.2 billion euros by the end of June, putting it up 5.3%, or 909 million euros, on a year earlier. Loans to companies²⁷ accounted for 42% of the total portfolio and loans to private individuals²⁸ for 43%. The biggest part of the growth in loans came from private individuals.

The stock of loans to private individuals increased by 217 million euros in the first half of the year, while the stock of loans to financial institutions grew by 147 million euros and that of loans to companies by 77 million euros. The stock of

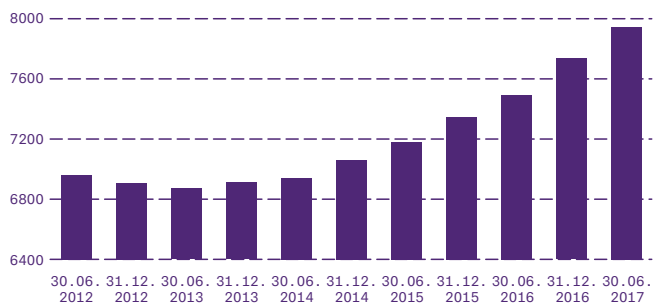
loans to the general government shrank by 15 million euros however.

As at the end of June 2017, 7.9 billion euros had been issued in loans to private individuals and 7.6 billion euros to companies. There were 2.2 billion euros in loans to financial institutions²⁹ and 460 million euros in loans to the general government³⁰. The largest increase in the stock of loans to private individuals in the first half of the year was in housing loans, which increased by 188 million euros to 6.8 billion euros by the end of June. The balance of consumer loans increased by a substantial 21 million euros to 473 million euros by the end of June. The volume of student loans, however, decreased by 10 million euros to 102 million euros in the first half of the year.

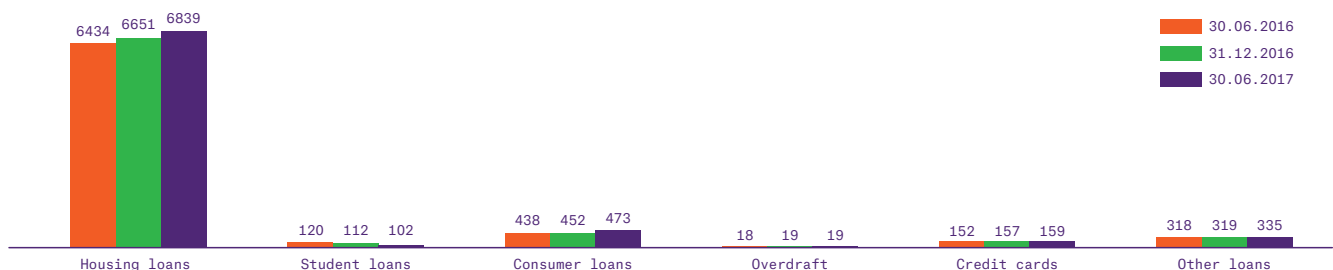
Balance of loans (million euros)



Balance of loans issued to private individuals (million euros)



Stock of loans to private individuals (million euros)



26 Loans issued by credit institutions in Estonia.

27 Includes state or local government companies.

28 Includes non-profit associations.

29 Includes insurers and pension funds.

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

LOANS TO PRIVATE INDIVIDUALS

The loan burden of private individuals in the first half of 2017 was affected most by housing loans and consumer loans. The average outstanding balance of housing loans increased by 415 euros and that of consumer loans by 7 euros. The change in the average outstanding loan balance was smaller in other loan types.

The average outstanding balance of housing loans increased from 39,083 euros to 39,498 euros in the first half of the year. At the same time, the balance of student loans increased from 2192 euros to 2203 euros. The outstanding balance of the average consumer loan increased from 2203 euros to 2210 euros and that of credit cards from 828 euros to 839 euros. The balance of the average overdraft fell from 288 euros to 280 euros. The average outstanding balance of other loans³¹ increased from 14,083 euros to 14,139 euros.

The reason for the large average balance of other loans is that such loans are also taken to finance business operations.

Around 8000 additional loan contracts were signed with private individuals in the first half of the year. The main growth was in consumer loans, where there were some 9000 new contracts in the total of 214,031. The number of housing loan contracts with private individuals hit an all-time record 173,156 at the end of June 2017 up from 170,175 at the end of 2016. The number of student loan agreements fell from 51,249 at the end of 2016 to 46,414, while overdraft agreements were the same at 66,652 as at the end of 2016, credit card agreements fell to 189,670 from 190,110 at the end of 2016, and other loan agreements rose from 22,657 at the end of 2016 to 23,691.

MARKET BREAKDOWN OF BANK LOANS

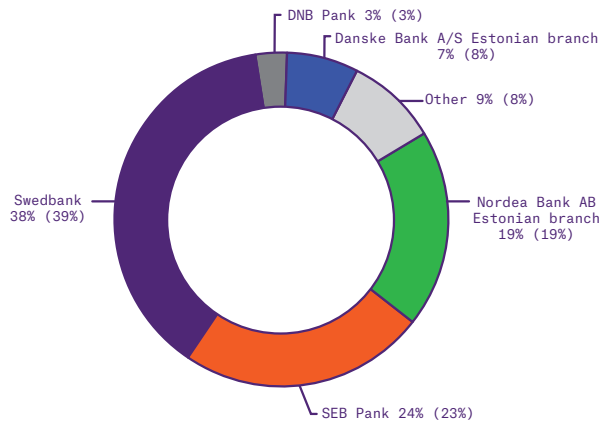
In the first half of 2017, the majority of the Estonian loan market was again divided between four major credit institutions, which between them held 88% of it. Swedbank had the largest market share with 38% of the total loan portfolio, followed by SEB Pank with 24%, the Estonian branch of Nordea Bank AB Estonia with 19%, and the Estonian branch of Danske Bank A/S with 7%.

The remaining 12% of the market was divided between 11 banks, of which LHV Pank had the largest market share with 3%.

Average outstanding balance of private loans (euros)

	30.06.2016	31.12.2016	30.06.2017
Housing loans	38,299	39,083	39,498
Student loans	2227	2192	2203
Consumer loans	2259	2203	2210
Overdraft	250	288	280
Credit cards	791	828	839
Other loans	14,261	14,083	14,139

Market breakdown of bank loans as at the end of June 2017 (end of June 2016 in brackets)



31 PrPrivate individuals and non-profit associations may take other loans to purchase securities or start and expand a business, among other reasons.

The shares of the market for loans to the general government have changed to some extent. The stock of loans issued to the general government by the Estonian branch of Danske Bank A/S continued to increase, while the stock issued by SEB Bank and the Estonian branch of Nordea Bank AB decreased. This then affected their market shares. As at the end of June 2017, the biggest lender to the general government was the Estonian branch of Danske Bank A/S, whose market share increased from 32% to 34% over the year. The market share of the Estonian branch of Nordea Bank AB Estonia was down from 13% to 10% and that of SEB Bank decreased from 17% to 15%. Swedbank had granted 30% of the loans issued to the general government by value at the end of June.

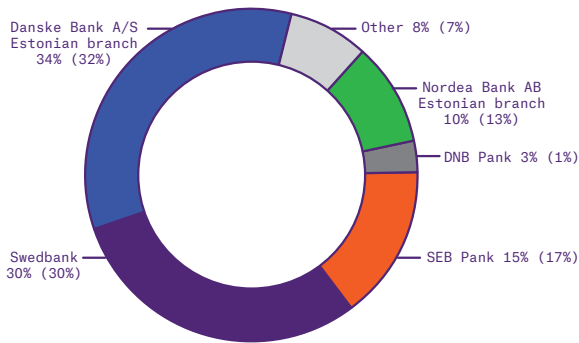
The market for loans to financial institutions also changed over the year. The market share of SEB Bank increased from 21% to 24%, while that of Swedbank

decreased from 30% to 28%. The largest share of the loans to financial institutions was the 36% made by the Estonian branch of Nordea Bank AB Estonia.

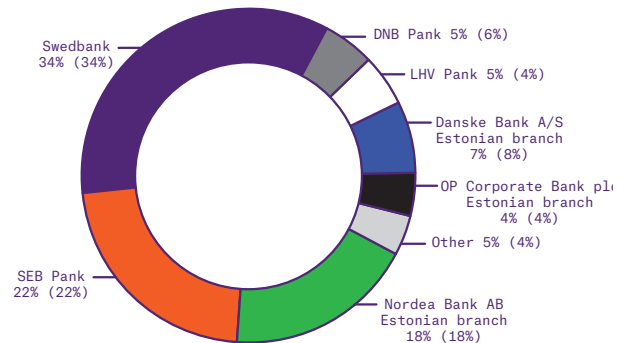
The market for corporate loans did not change very much. Over the year, the market share of LHV Pank grew from 4% to 5% while the market share of the Estonian branch of Danske Bank A/S decreased from 8% to 7% and that of DNB Pank went from 6% to 5%. The other banks retained their previous market share and Swedbank again had the largest market share with 34%.

The stock of private loans issued by the Estonian branch of Danske Bank A/S shrank in the first half of the year, with the result that its market share also fell from 9% to 8% from June 2016. Swedbank AS still had largest part of the stock of private loans at 46%, followed by AS SEB Bank with 26%.

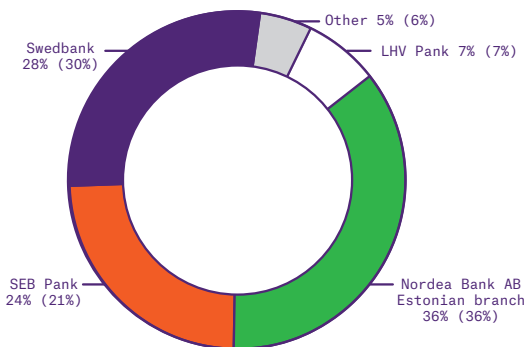
Market breakdown of general government loans as at the end of June 2017 (end of June 2016 in brackets)



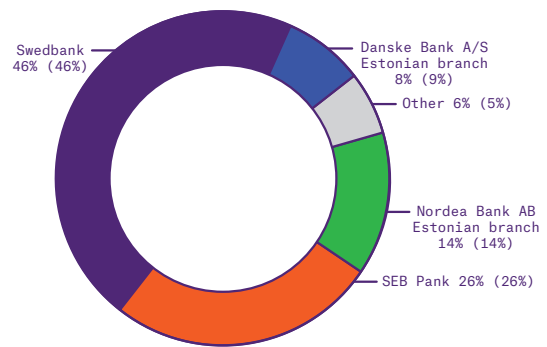
Market breakdown of corporate loans as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of loans to financial institutions as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of loans to private individuals as at the end of June 2017 (end of June 2016 in brackets)

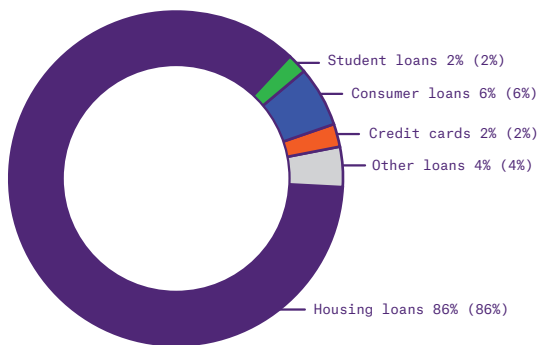


The division of loans issued to private individuals by loan types has not changed. Most of the loans granted to private individuals are housing loans, and they accounted for 86% of the total loan balance, or 6.8 billion euros, at the end of June 2017. Consumer loans continued to increase as a share of loans for everyday expenditures (consumer loans, credit card limits and overdrafts) however, rising from 72% to 73%. By the end of June 2017, 0.65 billion euros had been issued in loans for everyday consumption.

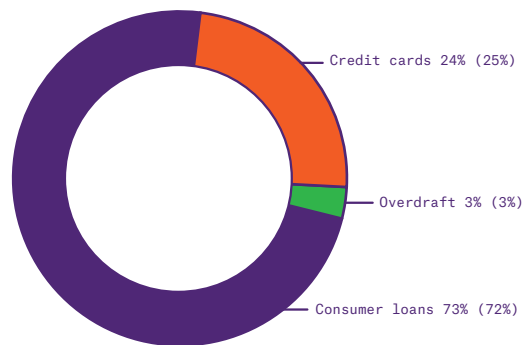
The loan market for private individuals is still very concentrated, and Swedbank had around half of the market at the end of June 2017, while the remainder was divided mainly between SEB Pank, the Estonian branch of Danske Bank A/S, and the Estonian branch of Nordea Bank AB Estonia.

The share of the market for consumer loans held by Inbank increased significantly in the first half of 2017 from 8% to 13%. Inbank has the third largest share of the stock of consumer loans, following the 68% of Swedbank and the 11% of SEB Pank.

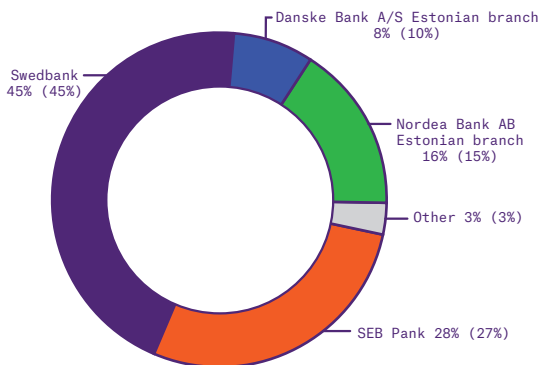
Distribution of private loans as at the end of June 2017 (end of June 2016 in brackets)



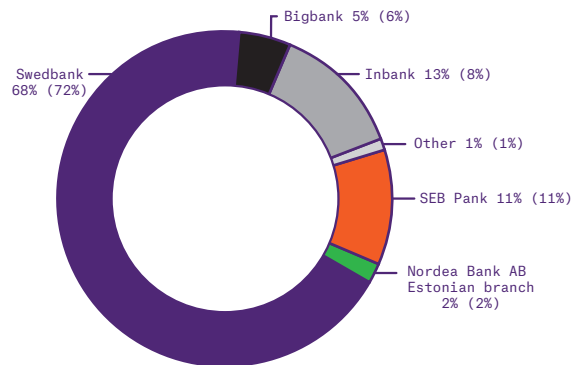
Distribution of loans for everyday consumption as at the end of June 2017 (end of June 2016 in brackets)



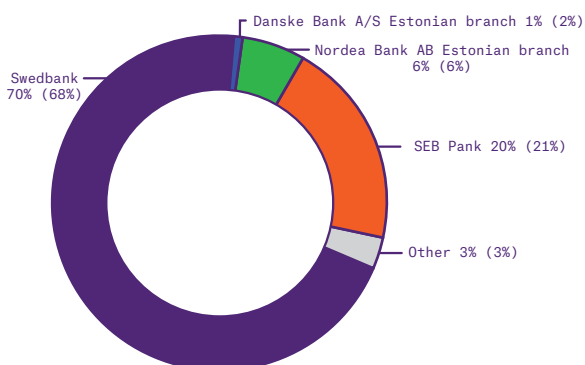
Market breakdown of private housing loans as at the end of June 2017 (end of June 2016 in brackets)



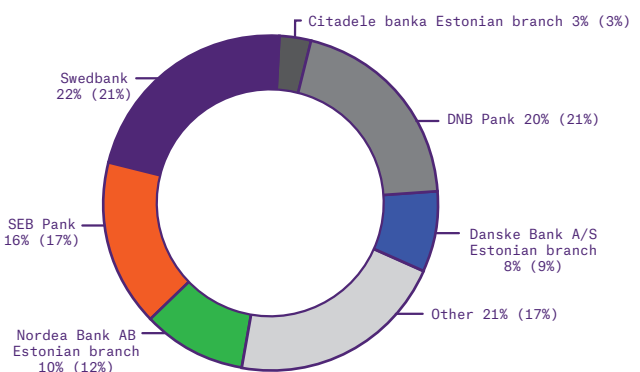
Market breakdown of private consumer loans as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of private credit cards as at the end of June 2017 (end of June 2016 in brackets)



Market breakdown of other private loans as at the end of June 2017 (end of June 2016 in brackets)



10. Loans issued by creditors

Market breakdown:

Swedbank Liising	24%
Nordea Finance Estonia	22%
SEB Liising	20%

Private customers:

461,378 effective contracts

Service volume:

Consolidated loan portfolio volume: 794 million euros

As at the end of June 2017, 54 companies held an activity licence as a creditor. There were a further dozen creditors related to banks and four credit intermediaries in the market.

The loan portfolio of creditors operating under an activity licence or with an exemption was 794 million euros as at the end of June, up from 741 million euros at the end of 2016. At 77% the majority of the portfolio was issued by companies related to banks, while the remaining 23% of the market was covered by creditors not related to banks. The largest market shares of such creditors were held by IPF Digital Estonia, Koduliising and Coop Finants, each of which had 3% of the market.

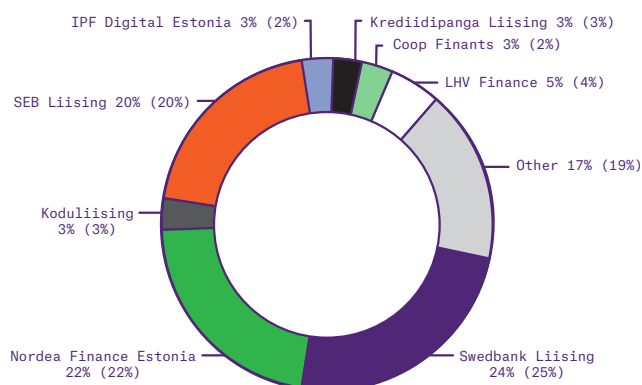
Operating mainly as lease companies, the creditors related to banks differ from other creditors in the structure of their loan portfolio and in their loan conditions.

The average values of different types of loan vary widely. Loans related to residential real estate had the biggest average outstanding loan balance at the end of June 2017 at an average of 22,807 euros per loan at creditors related to banks and 12,798 euros at other creditors. The average balance of car lease contracts was 9171 for creditors related to banks and 2386 euros for other creditors. The average balance of other monetary credit for everyday payments was 1890 euros at creditors related to banks and 523 euros at other creditors, and for hire purchase agreements for assets the respective average balances were 729 euros and 325 euros.

Average loan agreement balance as at the end of June 2017 (euros)

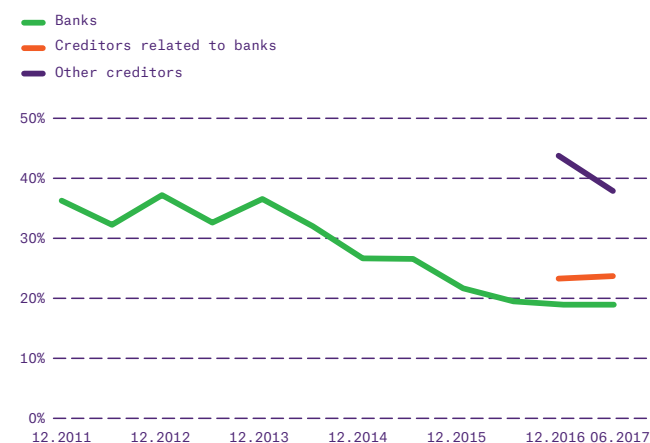


Market breakdown of creditors by the balance of the loan portfolio as at the end of June 2017 (end of June 2016 in brackets)



There were significant differences between the average annual percentage rate charged for consumer loans by creditors related to banks and that charged by other creditors. At the end of June this year, the average annual percentage rate on consumer loans from creditors related to banks was 24%, while the rate from other creditors was 38%. The average annual percentage rate charged by banks was 19%.

Annual percentage rate for consumer loans



CREDITORS RELATED TO BANKS

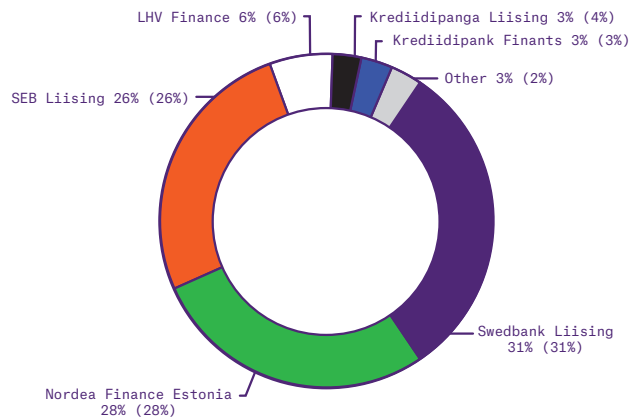
The balance of the loan portfolio of creditors related to banks was 615 million euros as at the end of June 2017, up from 575 million euros at the end of 2016.

The main change in the loan portfolio of creditors related to banks was the growth in car leases from 456 million euros to 527 million euros in the first half of the year. Car leases

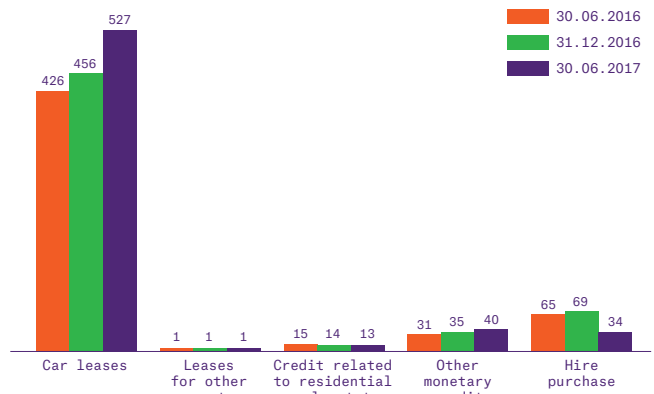
made up a dominant 86% of the portfolio of creditors related to banks.

The number of contracts increased by 2% in six months to 125,885 at the end of June. The balance of hire purchase fell from 69 million euros to 34 million, primarily because of an accounting change in the reporting of one company.

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



Balance of loans of creditors related to banks (million euros)



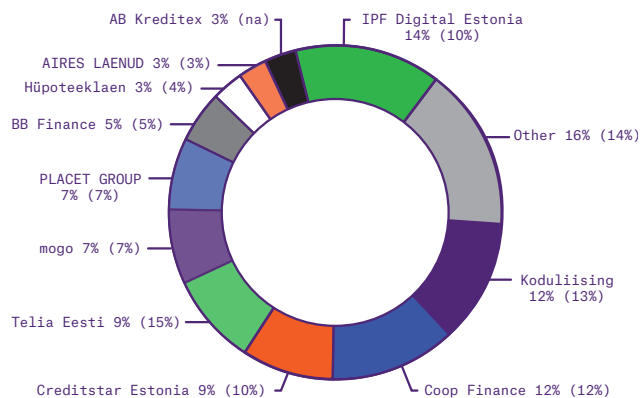
OTHER CREDITORS

Fewer than half of other creditors between them hold the majority of the market, as 84% of the balance of the loan portfolio was held by 11 creditors out of 54. The largest market share was that of IPF Digital Estonia, which had 14% of the loan portfolio of other creditors, followed by Koduliising with 12%, Coop Finants with 12%, Telia Eesti with 9%, and Creditstar Estonia with 9%.

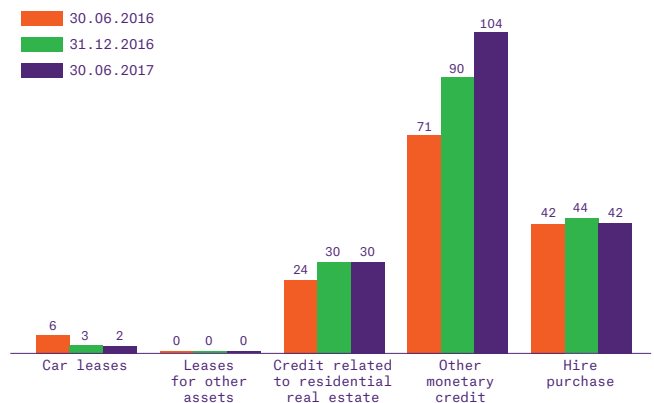
The balance of the loan portfolio of other creditors stood at 179 million euros, up from 166 million euros at the end of 2016. Most of the loan portfolio of other creditors was made up of 104 million euros in other monetary credit, which is essentially unsecured small loans.

The number of agreements increased by 5% in six months to 335,493 at the end of June.

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



Balance of loans of other creditors (million euros)



11. Payment services

Market breakdown:

TavexWise	38%
Talveaed	29%
Coop Finants	14%

Service volume:

Total volume of payments: 210 million euros

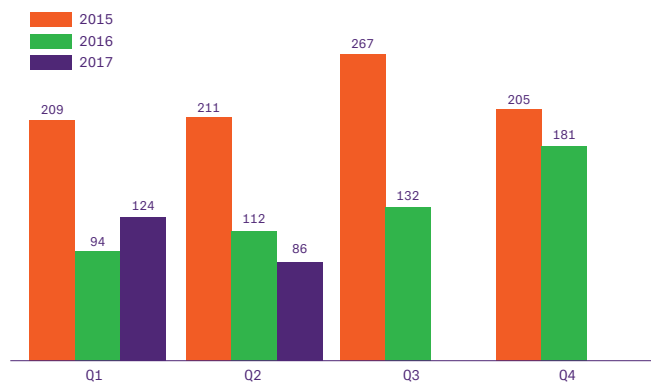
In the first half of 2017, there were 13 payment institutions operating in Estonia, of which five were operating under a special permit³². In reality, eight payment institutions mediated payments in the first half of 2017.

The total value of payments intermediated by Estonian payment institutions increased by 1.5% in the first half of this year, while the number of payments rose by 21%. Payments of 210 million euros were intermediated and 1,904,717 payments were made, up from 207 million euros and 1,568,050 payments the year before.

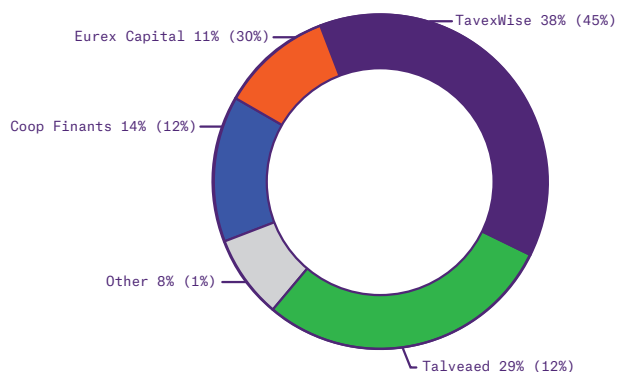
The market share of Talveaed grew strongly in the first half of the year from 12% to 29%, while the market share of Eurex Capital dropped from 30% to 11%. The largest market share is held by TavexWise with 38%.

The largest market share by number of payments, however, was still held by Coop Finants (formerly ETK Finants), which intermediated 95% of all payments.

Turnover of transactions intermediated by payment institutions (million euros)



Market breakdown of payment institutions by turnover of transactions intermediated in the first half of 2017 (the first half of 2016 in brackets)



32 The special permit is based on exemptions to section 12 of the Payment Institutions and E-money Institutions Act for providers of e-money services.