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## Q2 2019 overview of creditors sector

At the end of the second quarter there were 49 creditors in the market and eight credit intermediaries. Of those, 12 creditors were operating with an exemption as they were part of the same consolidation group as a credit institution.

Key indicators	Q1 2019	Change	Q2 2019
Stock of consumer loans	1 070 million euros	?	1 084 billion euros
Number of contracts	517 141	?	471 174
Net interest income	32.3 million euros	?	21,9 million euros

The portfolio of outstanding consumer loans of creditors increased by 1.3% in the second quarter of 2019, or 14 million euros, to 1.08 billion euros; it grew by 5.2%, or 48 million euros, in the second quarter of 2018.

The market share of creditors associated with credit institutions increased over the quarter to 82% of the stock of the loan portfolio of the sector, or 891 million euros. The largest market share among creditors associated with credit institutions was held by Swedbank Liising with 26%, followed by Luminor Liising with 20% and SEB Liising with 20%. The remaining 18% of the market was held by creditors operating with an authorisation. The largest market share among these was held by IPF Digital Estonia with 3% of the market, and Placet Group with 2%.

The average annual percentage rates (APR) are very different at creditors associated with banks and at creditors operating with an authorisation. The APR on consumer loans, which means leases, other credit and hire purchase taken together, was 9% at creditors associated with banks in both the first and second quarters, while at creditors operating with an authorisation the APR increased from 44% to 47%. The APR rose because of an increase in the volume of expensive loans. Loans classed as other monetary credit, which are in essence unsecured small loans, grew substantially more in the second quarter, as 68 million euros of them were issued rather than the 55 million euros issued in each of the two previous quarters, with the growth occurring at several of the larger creditors. The APR on consumer loans issued by banks remained on average at 19%.

The quality of the loan portfolio, which Finantsinspeksioon monitors through loan write-offs and loans overdue more than 30 days, is also very different at creditors associated with credit institutions and at creditors operating under an authorisation. Creditors operating under an authorisation wrote off 1.9 million euros of loans in the second quarter, or 1% of their loan portfolio. Creditors associated with credit institutions wrote off some 340,000 euros at the same time, or 0.04% of their loan portfolio.

Other creditors operating under an authorisation had 13.6 million euros of overdue loans, or 7.1% of their portfolio, while creditors associated with credit institutions had only 1.4 million euros of overdue

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loans, or 0.2% of their portfolio. This means that though the loan portfolio of creditors operating under an authorisation is one quarter the size of that of creditors associated with banks, the share of bad loans in it is much higher at 8.1% than the 0.24% in the portfolio of creditors associated with banks. As well as making consumer loans to private individuals, creditors also issue loans to businesses. The value of business loans reached 2.3 billion euros, having been 2.2 billion a year earlier. The biggest loan portfolios to businesses are held by companies associated with credit institutions, as Luminor Liising has 27% of the business loans of the sector, SEB Liising has 26% and Swedbank Liising has 25%. The creditors operating under an authorisation that had the largest amount of loans to businesses were Hüpoteeklaen and ALG Liisingu Aktsiaselts, each of which had 1.4% of the loans to businesses made by the sector.

## **Main development trends and risks**

- The biggest risk to the operations of creditors is still the ability of companies to meet requirements for responsible lending. As responsibility for meeting the requirements for responsible lending lies with the managers of the creditor, one risk is in the structural design of the creditor as an organisation. The second risk point in meeting the requirements for responsible lending is the obligation for creditors to check the information submitted by consumers. This means that one risk point for creditors is how available, comprehensive and accurate information on the consumer is.

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