

Q2 2020 overview of investment firm sector

The volume of assets of investment firms increased by 6% in the second quarter to approach 100 million euros. Loans issued and investment in subsidiaries increased the most in the structure of assets of investment funds.

Despite the changes in the assets, the majority of the assets of the sector were still liquid assets. Deposits in banks and financing institutions were 42% of the assets, and another 14% were in investments in liquid bonds. The balance sheet of the investment firms remains liquid.

The reduction in the client assets of investment firms over several quarters ended in the second quarter. Client assets increased by 23% to 371 million euros.

Key indicators	Q1 2020	Change	Q2 2020
Value of client assets	301 million €	?	371 million €
Value of assets of investment firms	90 million €	?	96 million €
Profit/loss	14 million €	?	5 million €
Gross income	26 million €	?	20 million €
Return on equity (cumulative, annualised)	89.8%	?	57.9%
CET1 ratio, consolidated	35.89%	?	28.71%

There are five market participants in the investment firm sector, of which the largest are Admiral Markets and KIT Finance Europe.

The investment firm sector earned 5.2 million euros in net profit in the second quarter. This was notably less than the record profit of 14 million euros in the first quarter, but the result for the second quarter can still be considered strong. The return on equity for the preceding 12 months was 39%. All the investment firms ended the quarter in profit.

All investment firms met the Pillar 1 and Pillar 2 capital requirements in the second quarter. The average CET1 indicator for the sector fell from 35.8% to 28.7%.

The economic crisis caused by the coronavirus had a limited impact on investment firms. The sector earned a profit in the second quarter. The revenues of the sector were much higher than a year earlier because clients were more active. Companies in the sector are sufficiently capitalised and

liquid.

Main development trends and risks

- The revenue base and profitability of the sector are large and exceed last year's results considerably.
- The balance sheet of the investment firms remains liquid.
- The coronavirus crisis had a limited impact on the investment firm sector. All the market participants ended the second quarter in profit.
- Investment firms continue to hold large market risk positions. Trading in market exposures provides the largest part of the income of the sector, but it also causes volatility and risks that can materialise rapidly and that require an effective risk management system.
- The capitalisation of investment firms for the sector as a whole is satisfactory. Even though substantial risks have been taken, these risks are generally covered by capital. The capitalisation of some individual loss-making market participants is on the limit.

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