
Q2 2018 overview of creditors sector

The number of creditors and credit intermediaries operating on the Estonian market as at the end of Q2 2018 was 52 and eight, respectively. The number of creditors belonging to the same consolidation groups as banks, i.e. operating on the basis of exceptions, on the market was 12.

The balance of the loan portfolio of creditors increased by 5.2% or 47 million euros in Q2 2018, reaching 954 million euros. The majority of the increase, 39 million euros, came from vehicle leases.

Key indicators	Q1 2018	Change	Q2 2018
Balance of loan portfolio	907 mln €	?	954 mln €
Number of contracts	501 086	?	493 349
Net interest income	28,8 mln €	?	25,4 mln €

Eighty percent, i.e. 768 million euros, of the balance of the loan portfolio of creditors belonged to companies related to credit institutions. The biggest market shares among them belonged to Swedbank Liising AS (25%), Nordea Finance Estonia AS (22%) and AS SEB Liising (20%). In the end of 2017, Coop Finants AS took over the loan portfolio of Krediidipank Finants AS, which is why the market share of Coop Finants AS increased from 3% to 5% y.o.y.

The remaining 20% of the market is covered by authorised creditors not related to credit institutions. The biggest market share among them still belongs to IPF Digital Estonia OÜ and Koduliising AS (both 3%) and Creditstar Estonia AS (2%).

The quality of the loan portfolios (based on the share of overdue loans) of creditors related to credit institutions and other authorised creditors is very different. The quality of the loan portfolios of creditors not related to banks is worse than the quality of the consumer loan portfolios of creditors operating on the basis of exceptions in almost all types o

In terms of creditors related to banks, the quality is the lowest in the case of lease of other assets – the share of loans overdue for more than 90 days is 1.9%. In the case of authorised creditors, this was other financial credit (basically unsecured small loan) – 11.4% of the portfolio. Other financial credit is also their most common product with a 54% share of the total portfolio.

Twenty-nine of all authorised creditors issued unsecured small loans in 2018 (type 'other financial credit'); some of the loans were overdue in the case of 20 creditors among them, and the share of loans overdue for more than 90 days was 30% in the case of 11 of them.

Main developments and risks

-
- The quality of the loan portfolio of creditors differs considerably and depends on the type of consumer credit. The quality of loans that are unsecured and without a specific purpose (so-called instant loans) is considerably worse than the relevant indicators in other consumer loan segments (mortgage loan, leasing).
 - The average annual percentage rate of consumer loans of creditors related to banks differs considerably from that of other creditors – the average annual percentage rate for consumer loans (leasing, other financial credit and hire purchase in total) was 9% for creditors related to banks and 44% for other creditors. The average annual percentage rate for bank charges was 20%.
 - The most significant risk in the creditor sector is the capability of companies to comply with the requirements of responsible lending. As the managers of creditors are responsible for compliance with the requirements of responsible lending, the structure of a creditor as an organisation is a risk. The second significant risk is the creditor's desire and capacity to comply with the requirements of responsible lending and verify the data submitted by the consumer.
 - The tendency whereby some creditors want to have their authorisation annulled has recently been noticeable. There may be several reasons behind this, e.g. the tough competition on the market, the strict requirements arising from law and finding a new line of activity.

[Quarterly reviews of the creditors sector](#)