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## Q1 2020 overview of payment institution sector

Payment institutions operating in Estonia mediated payments of 88.4 million euros in the first quarter of 2020. The volume of payments was 3.7% smaller than in the final quarter of 2019. The number of payments made in the first quarter was similar to that in the fourth quarter, as 2 million payments were made, which was 0.5% more. The average size of a payment transaction was 43.8 euros, up from 42.5 euros in the fourth quarter of 2019.

Key indicators	Q4 2019	Change	Q1 2020
Value of payments	85 mln €	?	88 mln €
Number of payments	2,0 mln	?	2,0 mln
Profit	1,5 mln €	?	1,8 mln €
Return on equity (annualised)	24%	?	27%
Equity coverage ratio	1414%	?	1948%

Cross-border payments provided 14% of all payments in the first quarter, having been 16% in the previous quarter. Card payments accounted for 33% of all payments, which was a little below the 35% in the previous quarter. The volume of money transfers accounted for 20% of all transactions, down from 23.6% in the previous quarter.

The average return on equity of the sector has increased, and it was 26.64% at the end of the first quarter of 2020, up from 23.88% in the fourth quarter of 2019 and 18.92% in the first quarter.

The payment institution sector is very well capitalised with equity at 19.5 times the required level.

## **Structure of the client assets of payment institutions**

The client assets of the payment institution sector on the balance sheet stood at 2.85 million euros at the end of the first quarter.

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Assets of non-financial companies provided 60.1% of this at the end of the first quarter, and assets of households 38.4%. These figures were reversed at the end of the fourth quarter of 2019, as corporate assets provided 40.7% and household assets 58.1%.

Both the total client assets of the sector and the volume of cross-border client assets were substantially lower than a year earlier following the departure of GFC Good Finance Company AS from the market. The authorisation for GFC Good Finance Company AS to operate as a payment institution was withdrawn by Finantsinspeksioon in 2019.

## **Main development trends and risks**

- The sector did not suffer any serious harm in the first quarter from the Covid-19 pandemic.
- Interest in gaining an authorisation to operate as a payment institution remains strong. Finantsinspeksioon has also received applications to provide cross-border services.

[Quarterly reviews of the payment services sector](#)