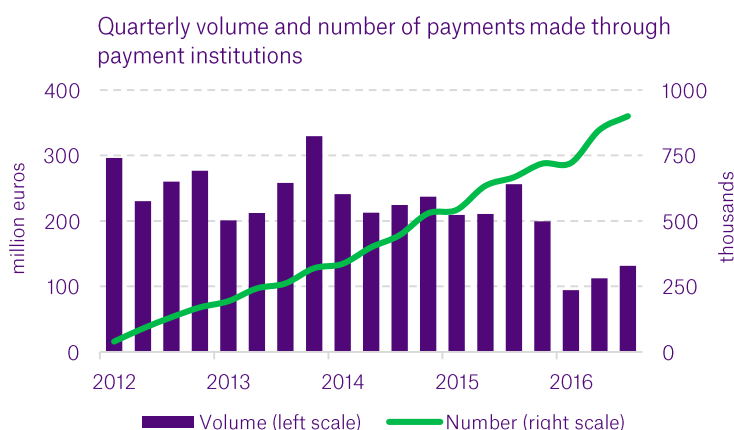


## Overview of the payment institutions' sector in the 3rd quarter of 2016

- Volume of payments
- Number of payments
- Profit/loss
- Return on equity

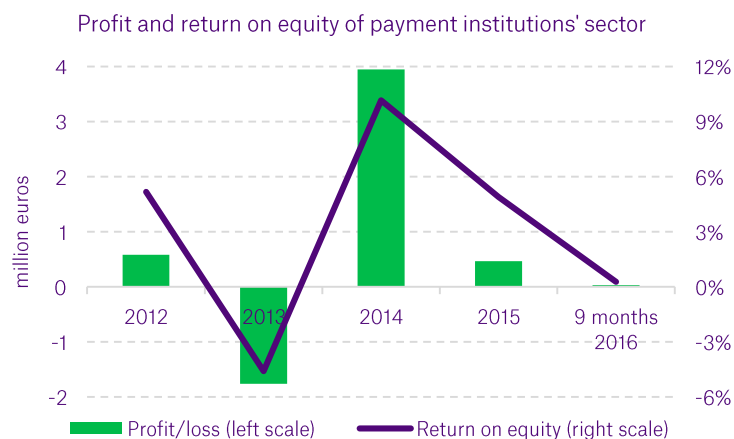
Q2 2016	Q3 2016
112	↑ 132 million euros
847	↑ 900 thousand
99.2	↓ 88.3 thousand euros
-0.5%	↑ 0.3%

The volume of payments made through the payment institutions operating in Estonia was 132 million euros in Q3 2016, 17% bigger than in Q2. In annual comparison, the quarterly volume of payments has been around half as small throughout 2016. However, the number of payments is continuously growing: there were 900 thousand payments made in Q3, which was 6% more than in Q2 and 35% more than a year before. The average sum of a payment was 146 euros, 10% larger than in Q2.



The capitalisation of the payment institutions' sector is good: the requirement on own funds is met with a level five times as high as required.

The payment institutions earned a profit of 88.3 thousand euros in Q3 2016. Since the sector registered a loss in the first half-year, the total profit for the first three quarters of 2016 stood at 32.4 thousand euros. Revenue from payment services has steadily made up one fourth of the total revenues throughout 2016. The return on equity has risen to the positive side, from -0.5% in Q2 to 0.3% in Q3.



## Main developments and risks

- In Q3 2016, the Financial Supervision Authority was processing the application for authorisation from TransferFast OÜ, who had since operated under an exemption provided in the law. The company received the new authorisation in the fourth quarter. Now there are a total of eight payment institutions operating in the Estonian market with a full authorisation.
- The volume of payments is yet not large enough under the current business models to guarantee a sufficient profitability of the sector. To reach profitability, payment institutions may be forced to change their business models.

## Finantsinspektsioon

- The biggest risk in the payment institutions sector is money laundering. According to the Money Laundering and Terrorist Financing Prevention Act, payment institutions must identify who their clients are and what is the main business activity of these clients. This sets a risk profile for the clients. The prevention of money laundering is more and more important for payment institutions, because some of them have clients whose profile for money laundering risk is higher than usual. Payment institutions thus pay heightened attention to clients whose activity is connected to complicated and unusual transactions with large volumes. Fulfilling this due diligence helps to prevent the Estonian financial system and economic space to be used for money laundering and terrorist financing, as a result defending the trustworthiness of the Estonian financial sector.