

# CONTENTS

FINANCIAL STABILITY ASSESSMENT .....	4
I FINANCIAL MARKETS .....	7
Global financial markets .....	7
Estonia's financial markets .....	9
The money market .....	9
Bond and stock markets .....	11
Investment funds .....	12
Market-based financing of banking groups .....	14
Financial strength of the groups of parent banks .....	14
Funding of parent banks .....	14
Background information. Developments in the Swedish real estate market .....	17
II REAL ECONOMY AND LOAN QUALITY .....	19
Credit portfolio of banks .....	19
Loan repayment ability of companies .....	20
Loan repayment ability of households .....	22
Background information. Real estate market .....	24
Quality of assets .....	26
III STRENGTH OF FINANCIAL INSTITUTIONS .....	29
Banks .....	29
Funding .....	29
Liquid assets and liquidity risk .....	29
Profitability .....	30
Capital adequacy .....	33
Background information. Forecast for and stress test of the banking sector .....	35
Background information. National guarantee schemes for securing the stability of the banking sector .....	38
Insurance companies .....	40
Life insurance .....	40
Non-life insurance .....	41
IV SYSTEMICALLY IMPORTANT PAYMENT AND SETTLEMENT SYSTEMS .....	43
Payment and settlement systems of Eesti Pank .....	43
Oversight assessment of payment and settlement systems .....	45