

CONTENTS

FINANCIAL STABILITY ASSESSMENT	4
I. FINANCIAL MARKETS	7
Global financial markets	7
Estonia's financial markets	9
Bond and stock markets	9
Investment funds.....	10
Market-based financing of banking groups.....	12
Financial strength of the groups of parent banks.....	12
Funding of parent banks.....	13
II. REAL ECONOMY AND LOAN QUALITY.....	15
Credit portfolio of banks	15
Loan repayment ability of companies	16
Loan repayment ability of households	19
Background information. Developments in the Estonian real estate market.....	22
Quality of assets	24
III. THE STRENGTH OF FINANCIAL INSTITUTIONS.....	26
Banks.....	26
Liquid assets and liquidity risk	26
Funding.....	27
Profitability	27
Capitalisation	30
Background information. Forecast for and stress test of the banking sector.....	31
Background information. The essence and implementation of the counter-cyclical capital buffer in Estonia	33
Background information. The impact of changes in Swedbank's legal structure on the aggregate balance sheet and capital of the Estonian banking sector	35
Insurance companies	36
IV. SYSTEMICALLY IMPORTANT SETTLEMENT SYSTEMS.....	40
Payment and settlement systems of Eesti Pank	40
Risks to the payment and settlement systems and the oversight assessment.....	40
Appendix. Oversight of payment and settlement systems	43