

FINANCIAL STABILITY REVIEW 2022

Press conference, 24 November 2022





The macro-financial environment has worsened substantially in 2022



Existing vulnerabilities in the German financial system remain high



Increased risks to financial stability require sufficient resilience

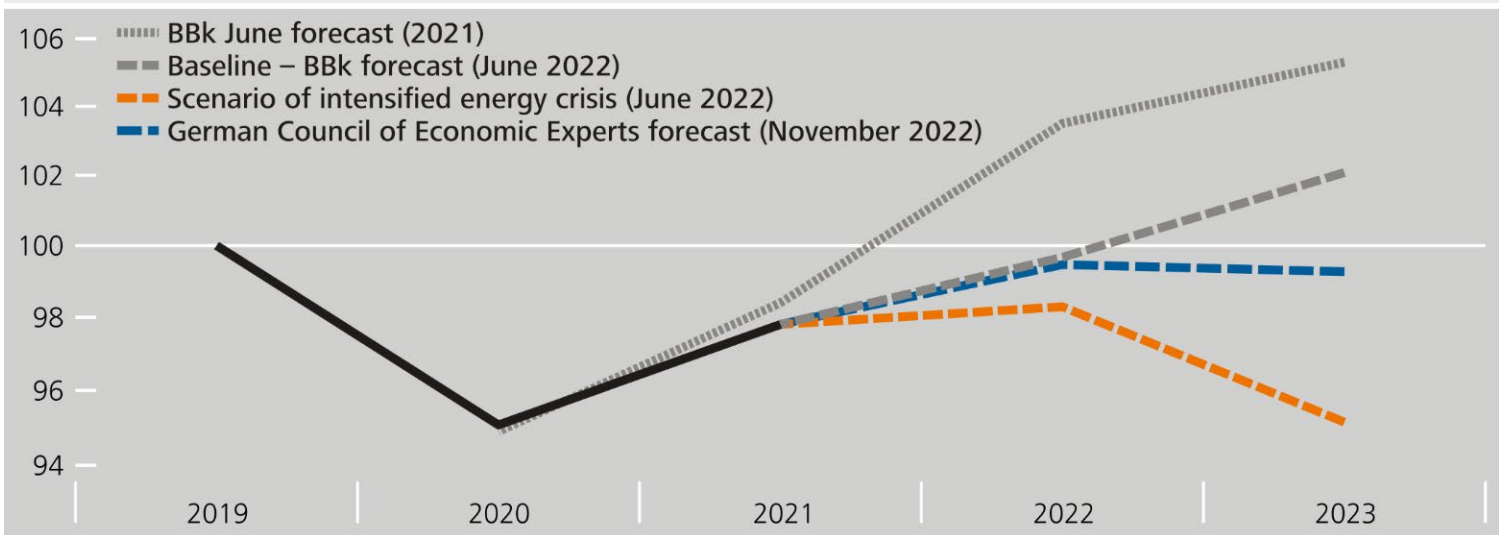


The macro-financial environment has worsened substantially in 2022

Economic activity has weakened considerably, and the risks are tilted significantly to the downside.

Real gross domestic product in Germany

2019=100, log scale, calendar adjusted



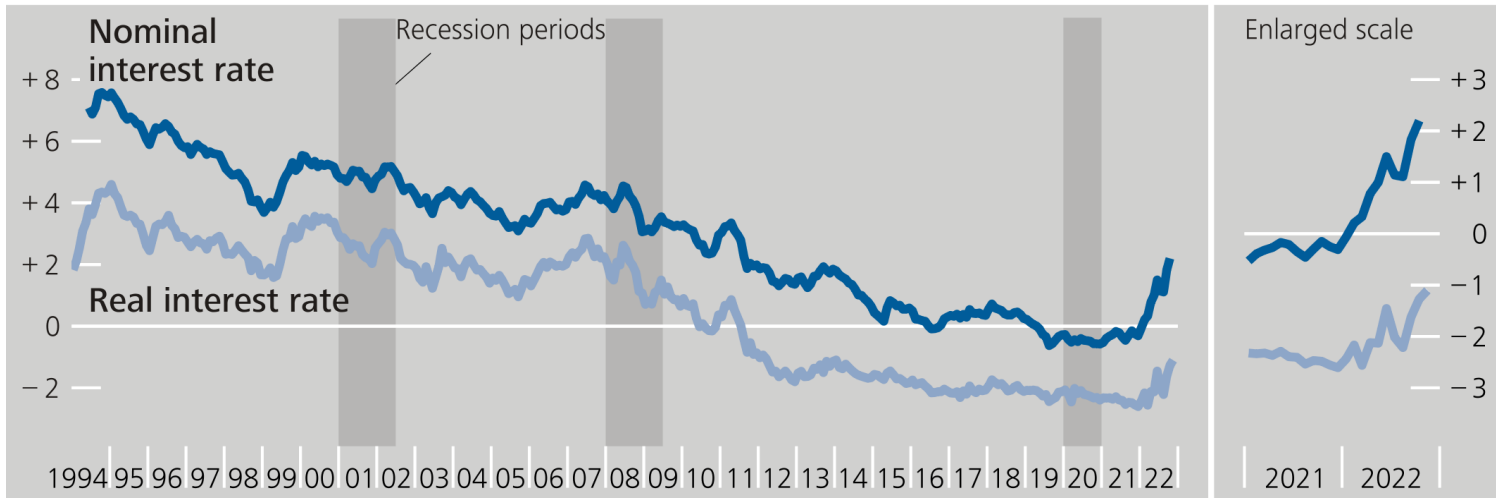
Sharp increases in gas and energy prices put a financial burden on businesses and households.



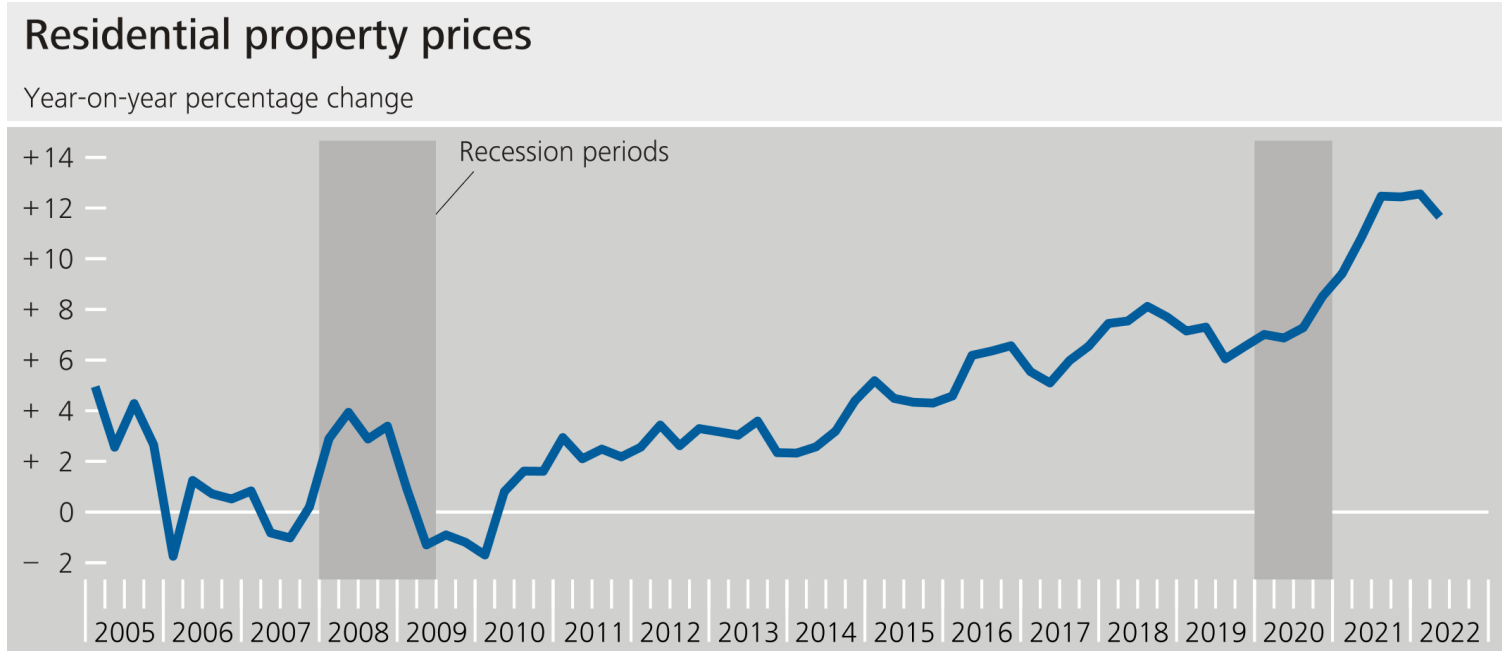
Nominal interest rates have risen, but real interest rates remain negative.

Nominal and real interest rates in Germany

% p.a.



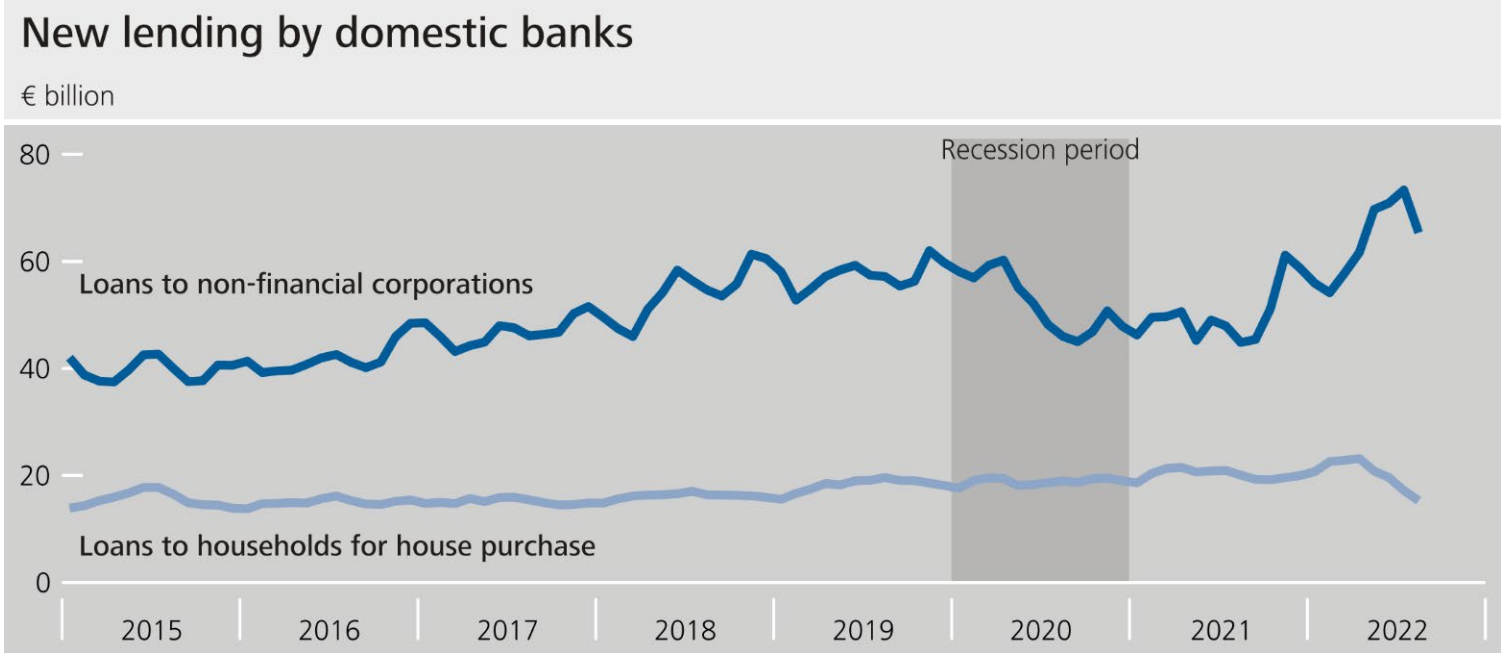
Residential property prices continue to rise, albeit at a slower pace.



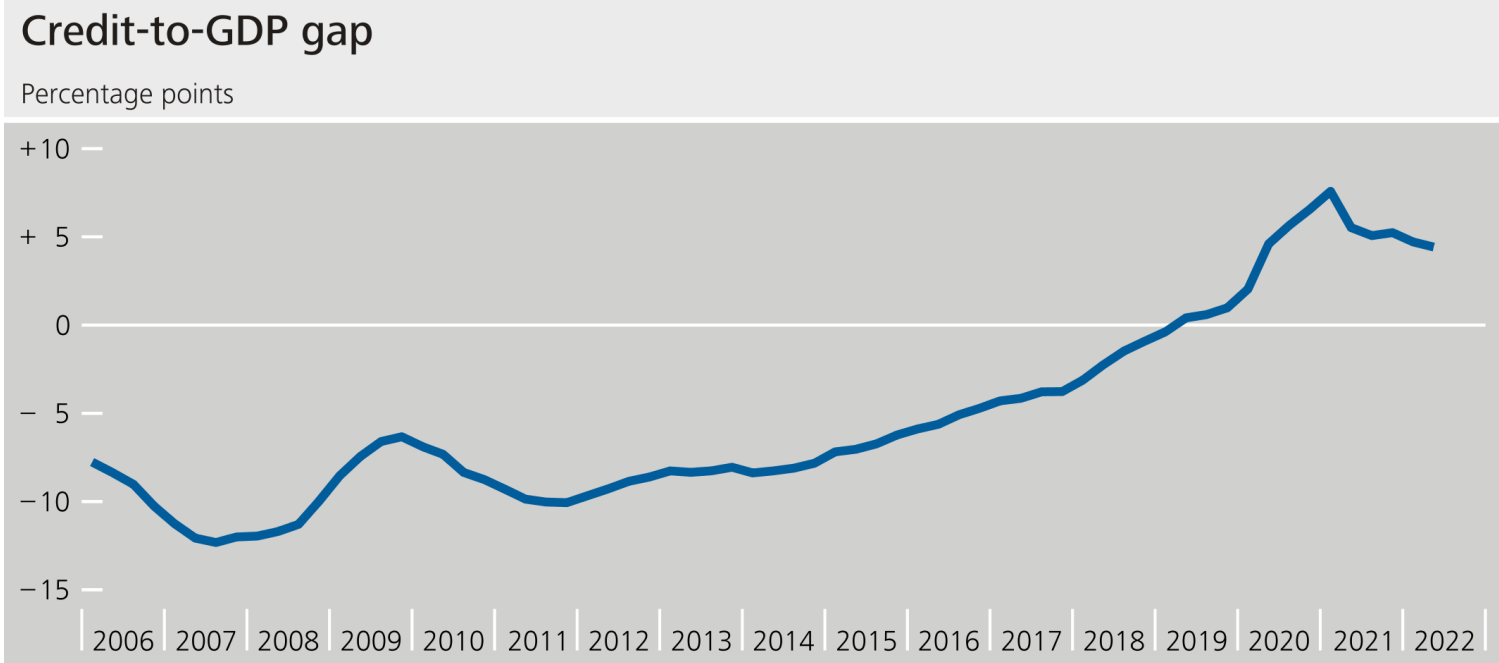


Existing vulnerabilities in the German financial system remain high

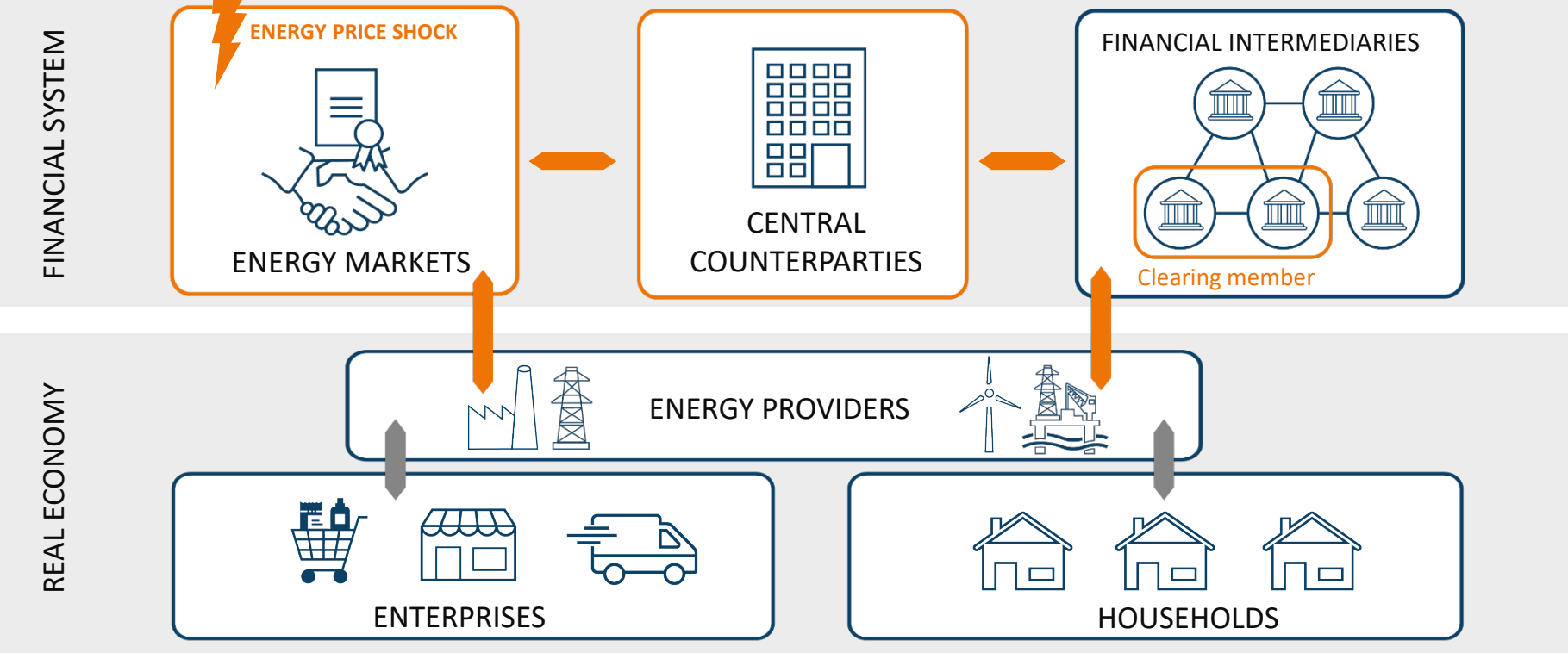
Lending to households and enterprises continues to grow, but momentum is slowing.



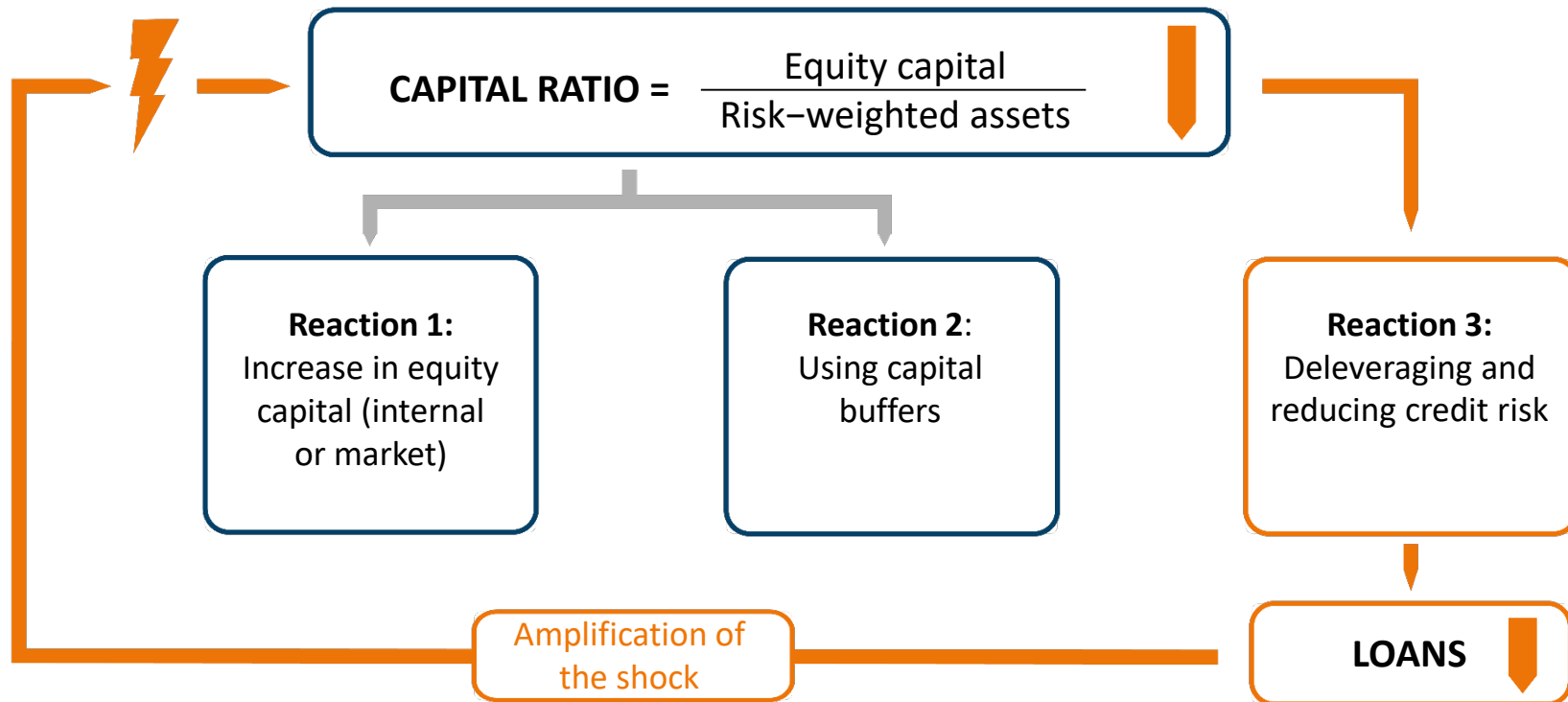
The upturn in the financial cycle is subsiding, yet vulnerabilities persist in the loan portfolios.



Tensions in the energy markets have put pressure on the real economy.



Reactions within the financial system can amplify a macroeconomic shock.



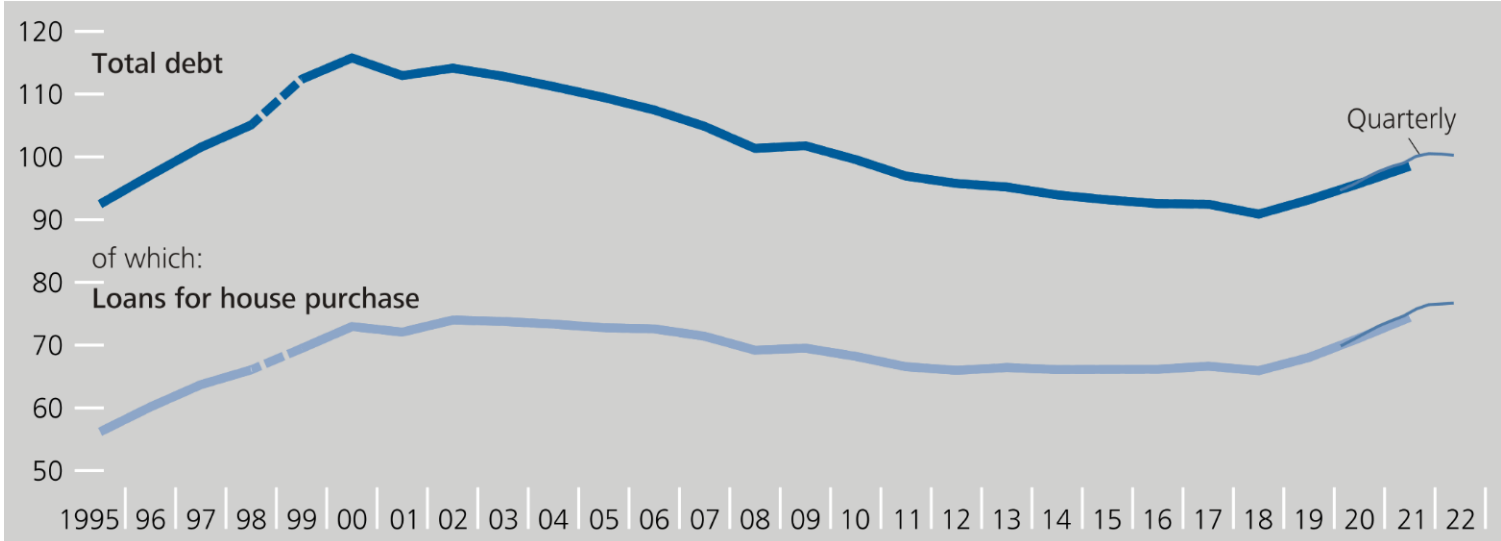


Increased risks to financial stability require
sufficient resilience

Households' debt levels have risen in recent years.

Household debt in Germany

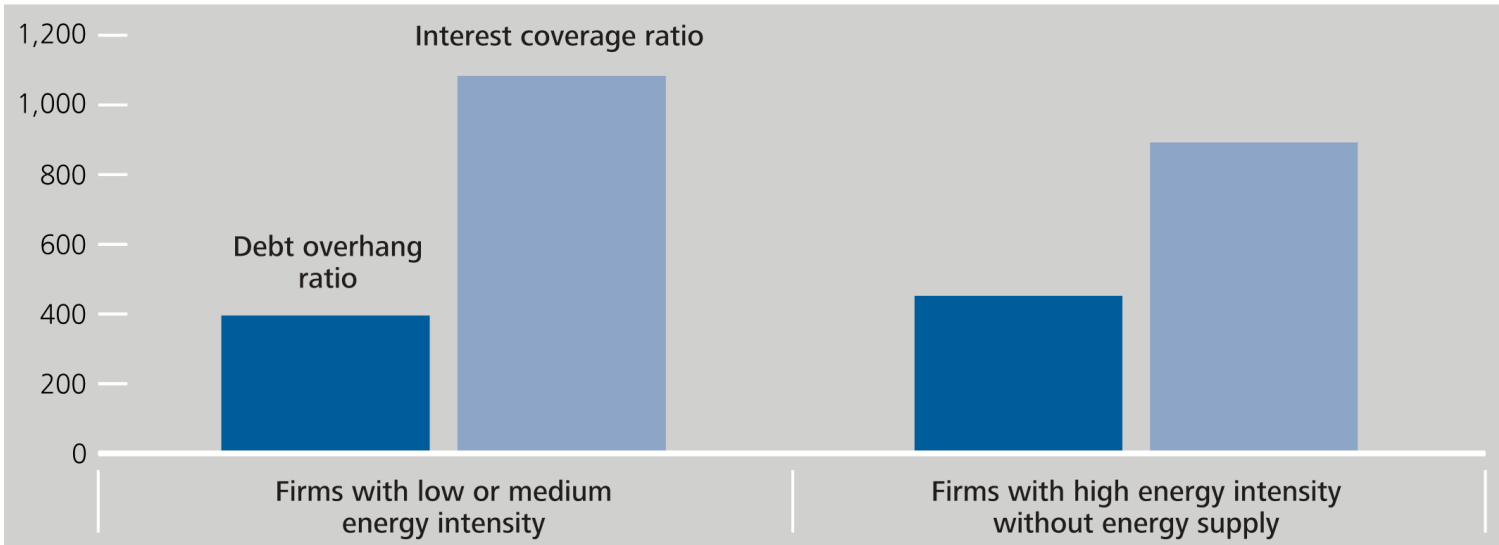
As a percentage of disposable income



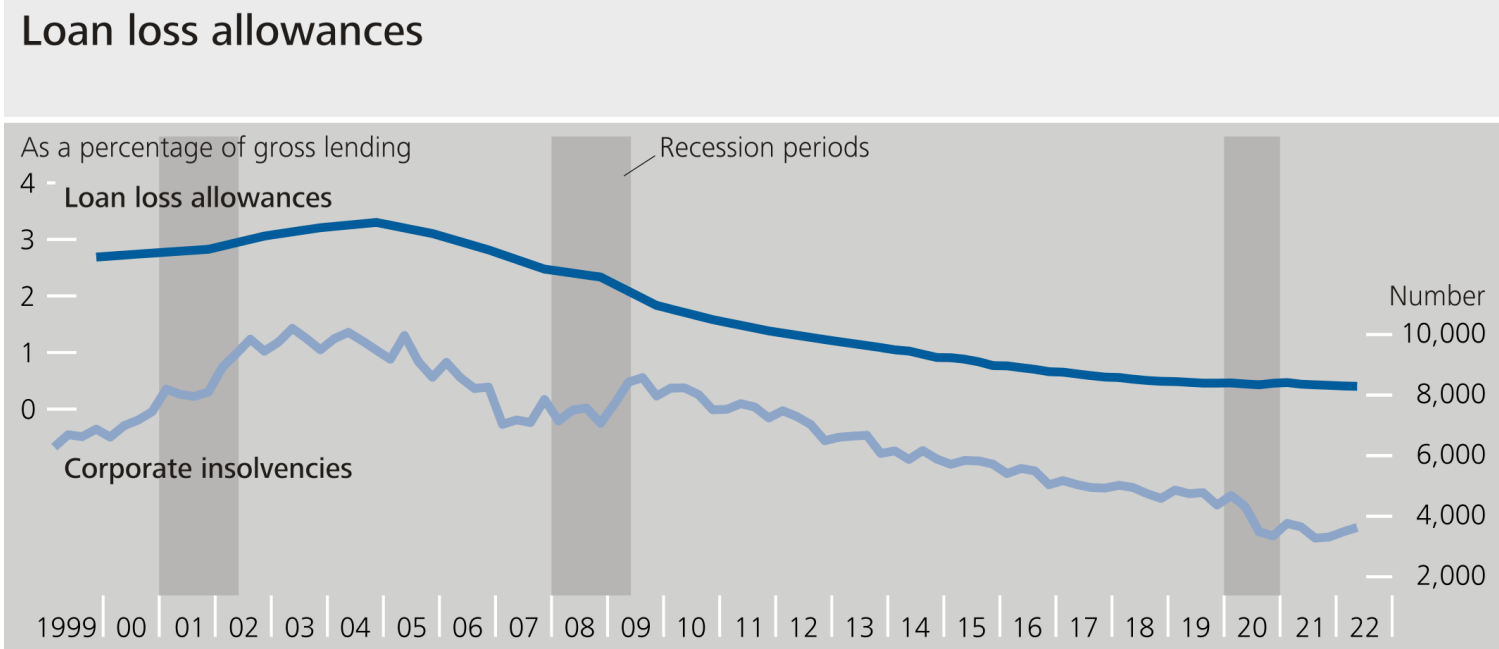
Enterprises' debt sustainability still looks to be fairly sound.

Financial metrics and energy intensity

Median, %



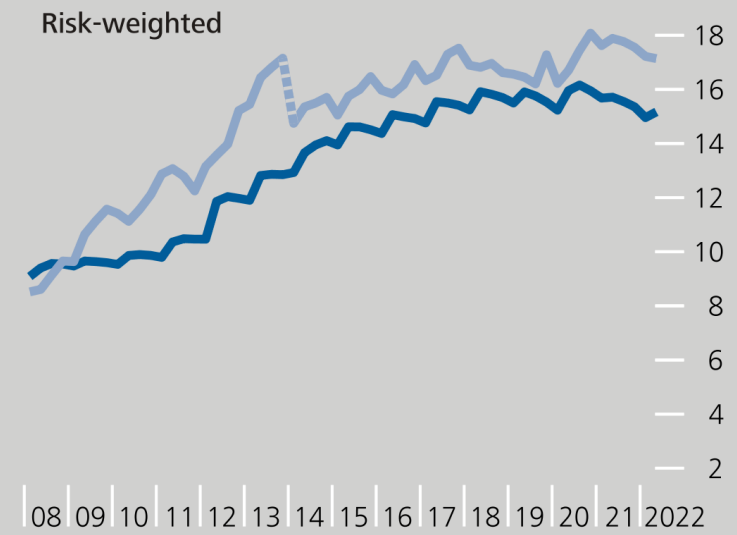
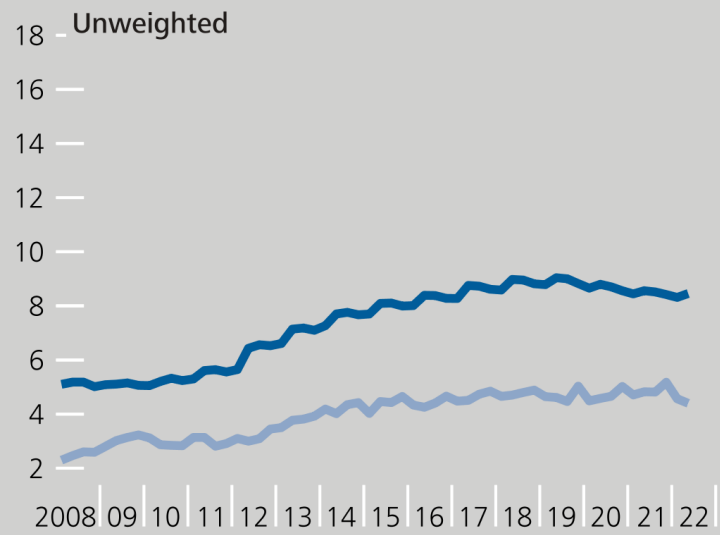
Banks continue to assess their credit risk as fairly low – in line with the decline in insolvencies in recent years.



Increased loans and write-downs on securities have slightly decreased banks' capital ratios.

Capital ratios

% — Savings banks and credit cooperatives — Large, systemically important institutions



The measures adopted by BaFin in January 2022 remain appropriate to strengthen the resilience of the German banking system.



Countercyclical capital buffer raised to 75 bp
→ **Protection against cyclical risks**



Sectoral systemic risk buffer raised to 2.0%
→ **Protection against risks in the residential real estate market**



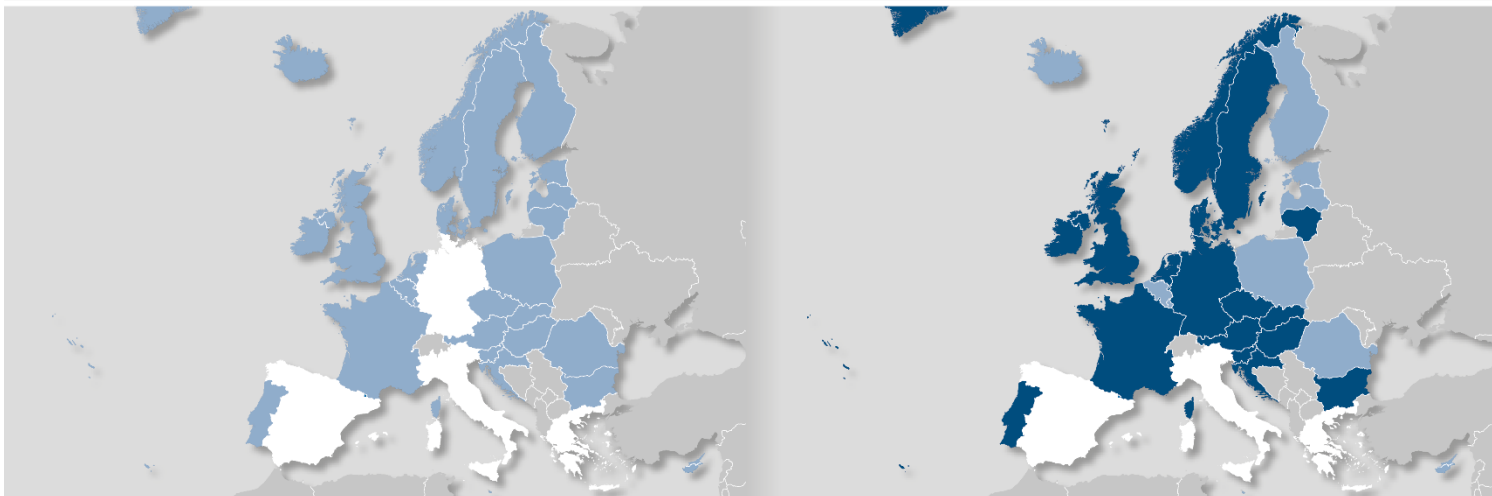
Supervisory communication on lending standards
→ **Prevention of excessive credit risk**

Heightened risks to financial stability have led to a tightening of macroprudential policy in Europe.

Macroprudential policy in Europe

2021

2022 (November)

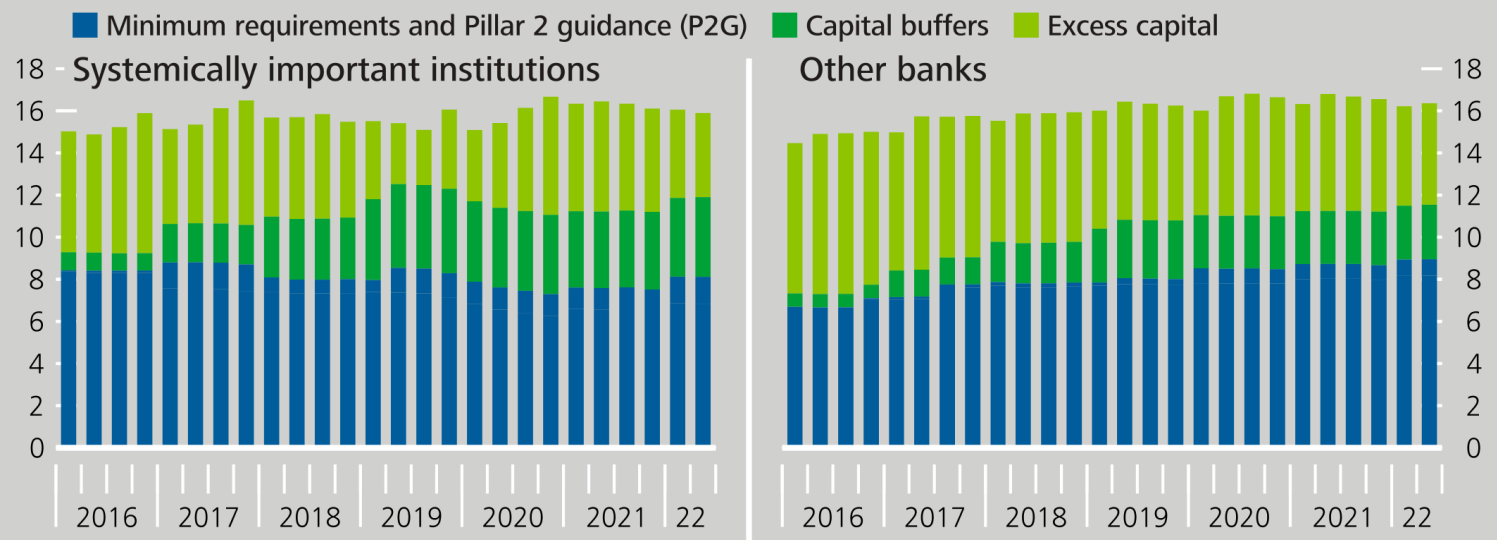


- Countercyclical capital buffer, systemic risk buffer or borrower-based measures active.
- Macroprudential policy tightened in 2022.

The German banking system has sufficient excess capital to meet the increased buffer requirements.

German banks' CET1 capital

As a percentage of risk-weighted assets





The current challenges call for a functioning and resilient financial system.

All actors should preserve and enhance the resilience of the financial system as a whole.



Supervisors can react promptly if systemic risks materialise or build up further.

Financial market participants should act prudently and exercise caution.



Experience should be used to improve regulation and expand the toolkit.

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