


FINANCIAL STABILITY REVIEW 2024

Christian Glebe, Presentation for Universität Würzburg, 27 January
2025



Outline

1. Where is the German financial system coming from?
2. Where do we stand now?
3. Where are we going?

Topics: Credit activity, residential and commercial real estate, macropru implications



**How has the German financial system
fared up to this point?**

During the period of low interest rates, vulnerabilities built up in the German financial system.



Underestimation of credit risk



Overvaluation of assets and credit collateral



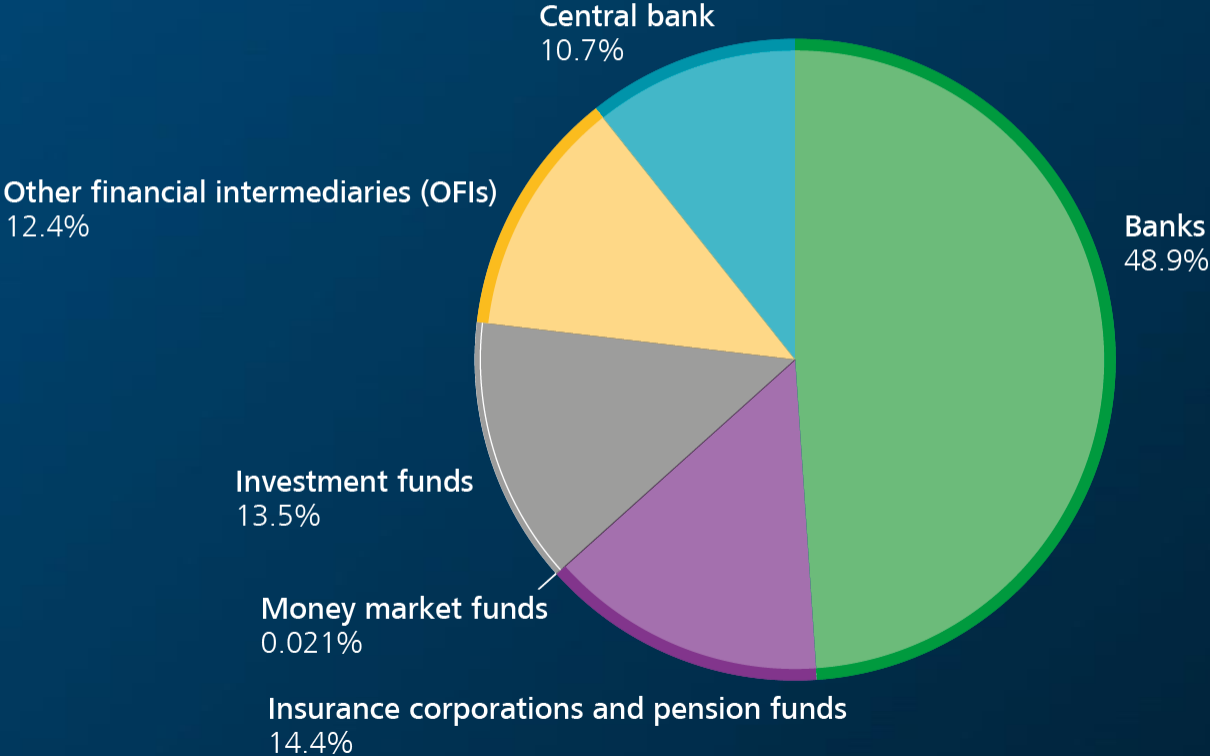
Interest rate risk

How is the German financial system currently faring?

Structural change in the financial system has seen non-bank financial intermediaries become more significant.

Structure of the German financial system

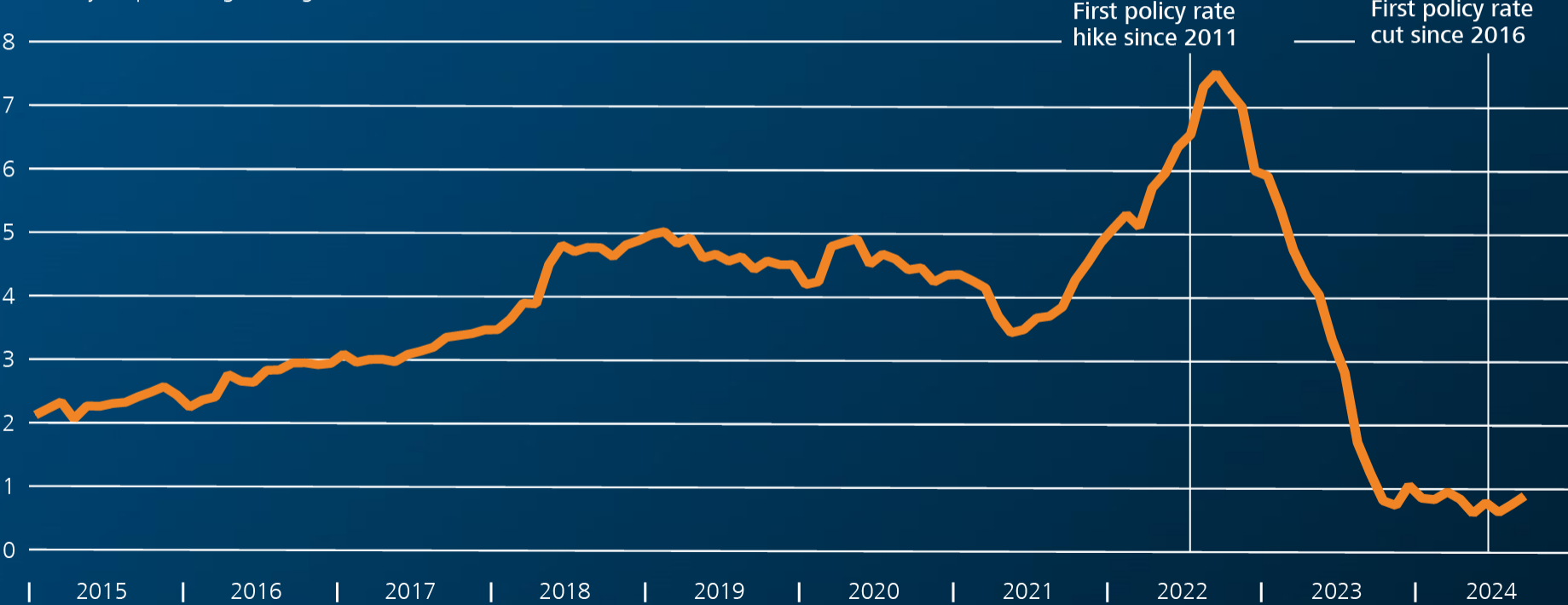
Shares of financial assets, as of Q2 2024



Banks' lending is stabilising at a low level.

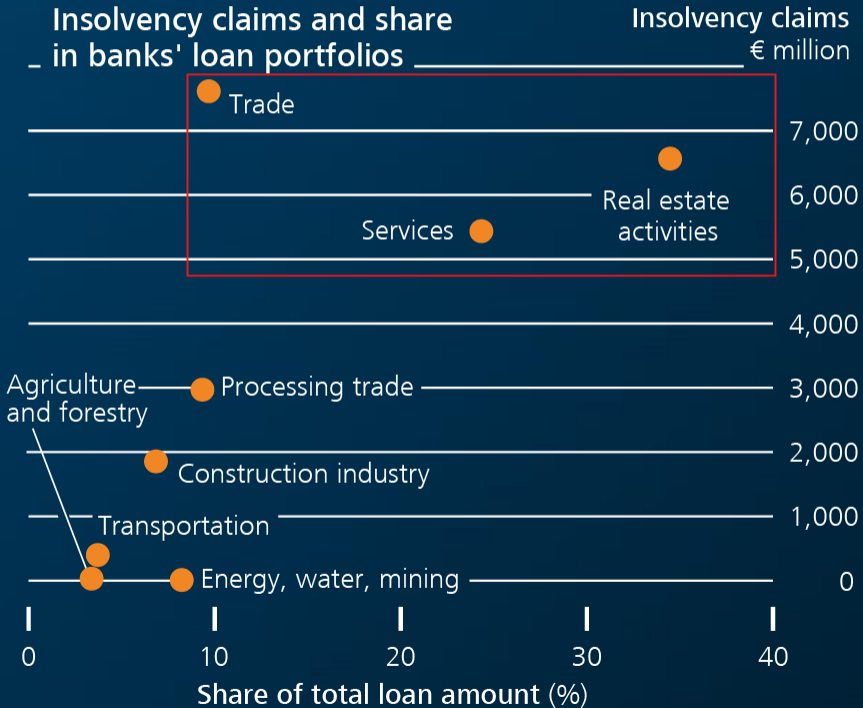
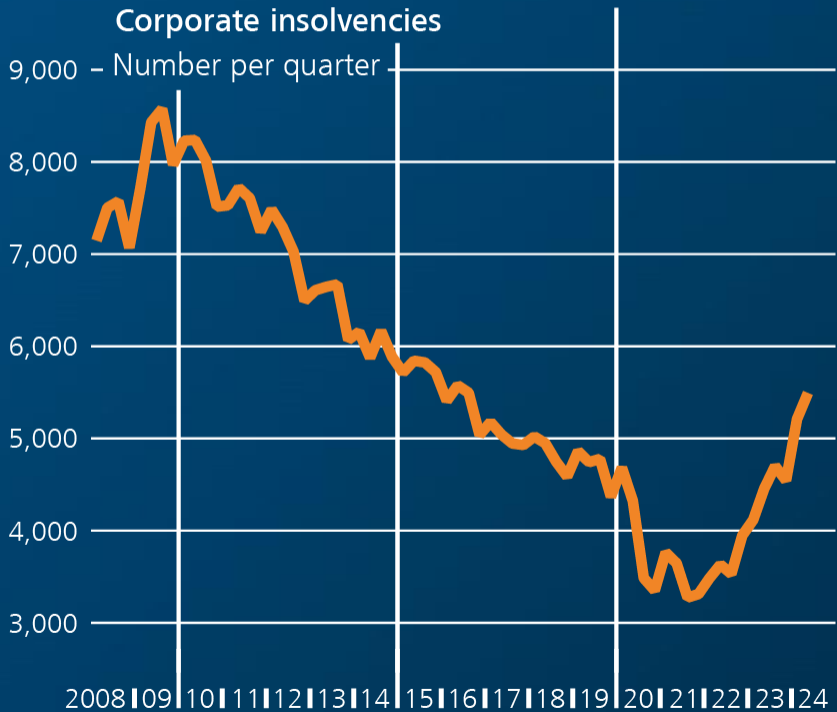
German banks' lending to the domestic private non-financial sector

Year-on-year percentage change



Corporate insolvencies have risen significantly, but from a low level. Insolvency claims have climbed considerably.

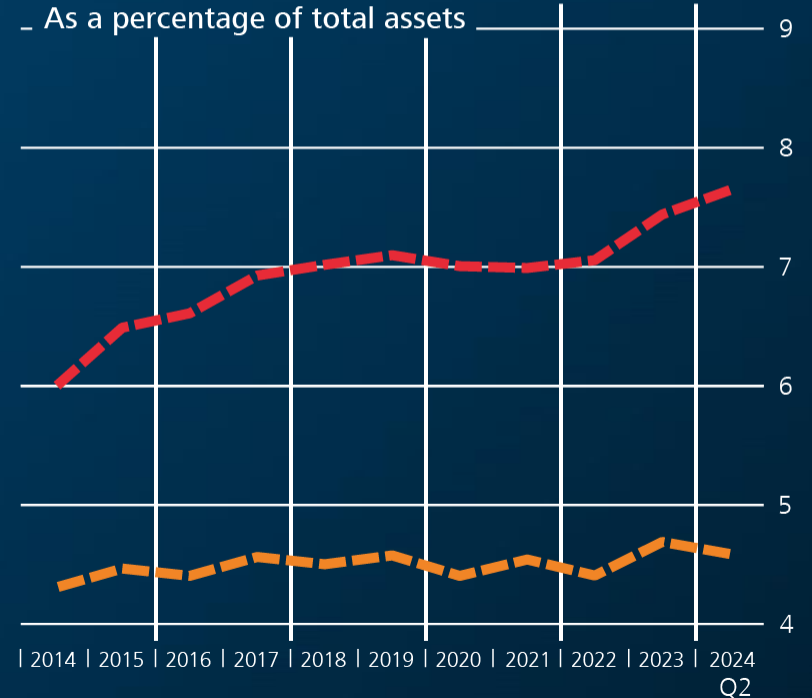
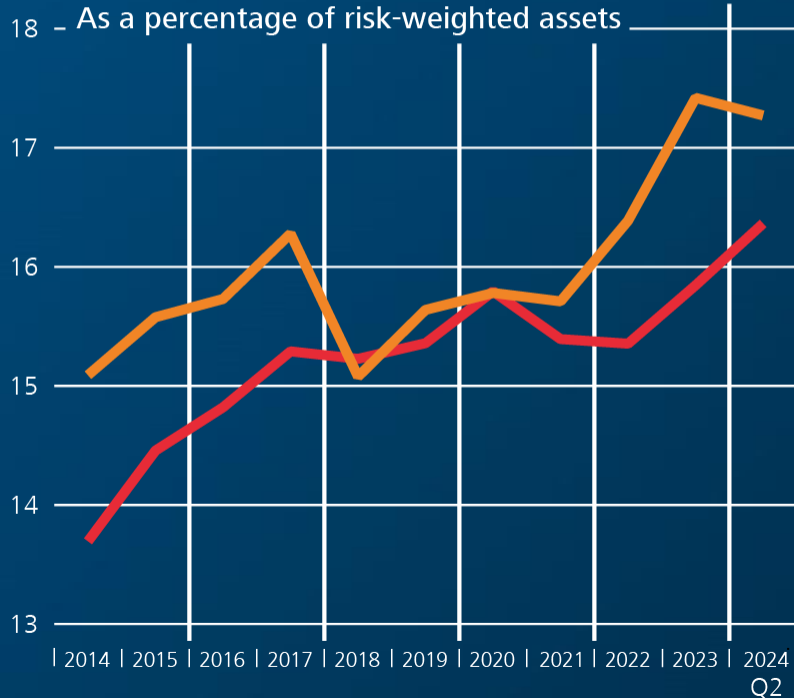
Corporate insolvencies in Germany



Banks' capitalisation has improved steadily over recent years.

German banks' CET1 capital

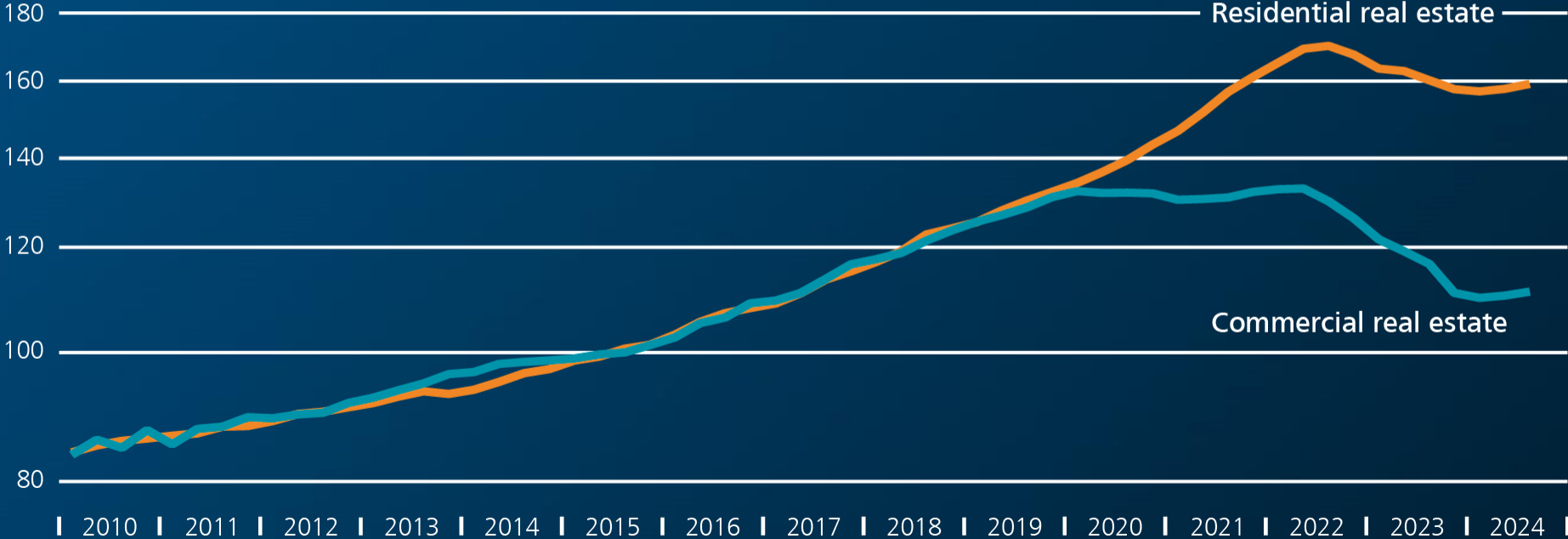
— Large, systemically important institutions — Savings banks and credit cooperatives



Residential real estate prices have risen for the first time in two years and commercial real estate prices are not declining any further.

Real estate prices in Germany

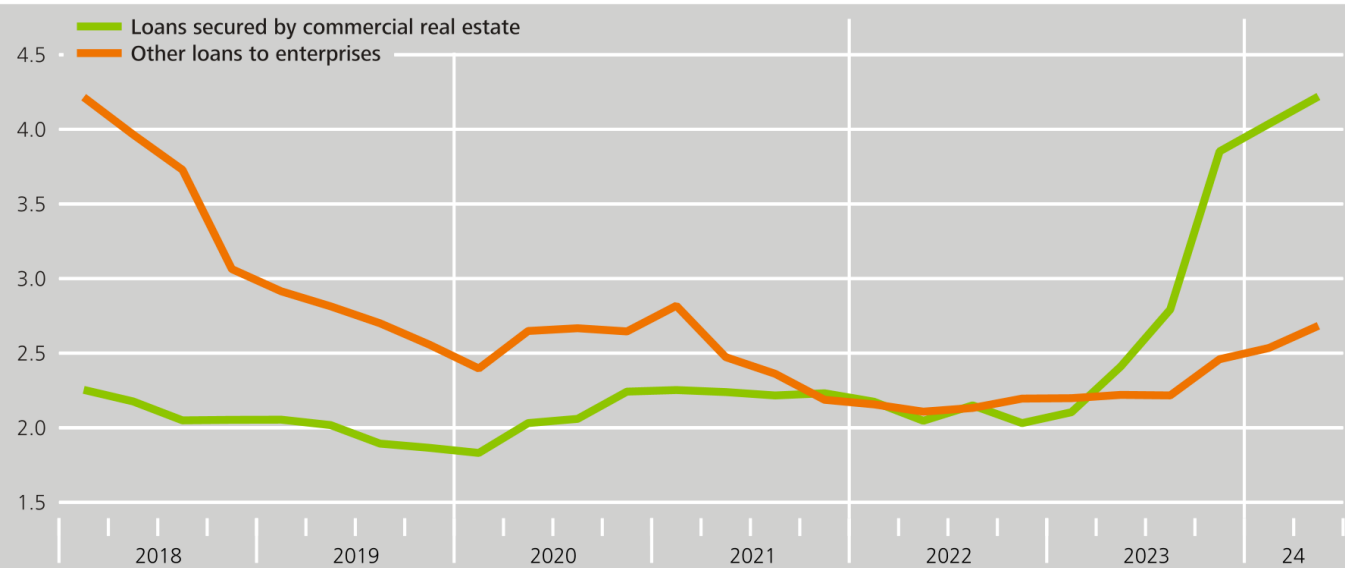
2015 = 100



Loans secured by CRE largely contribute to non-performing loans

Non-performing loans from German banks to non-financial corporations

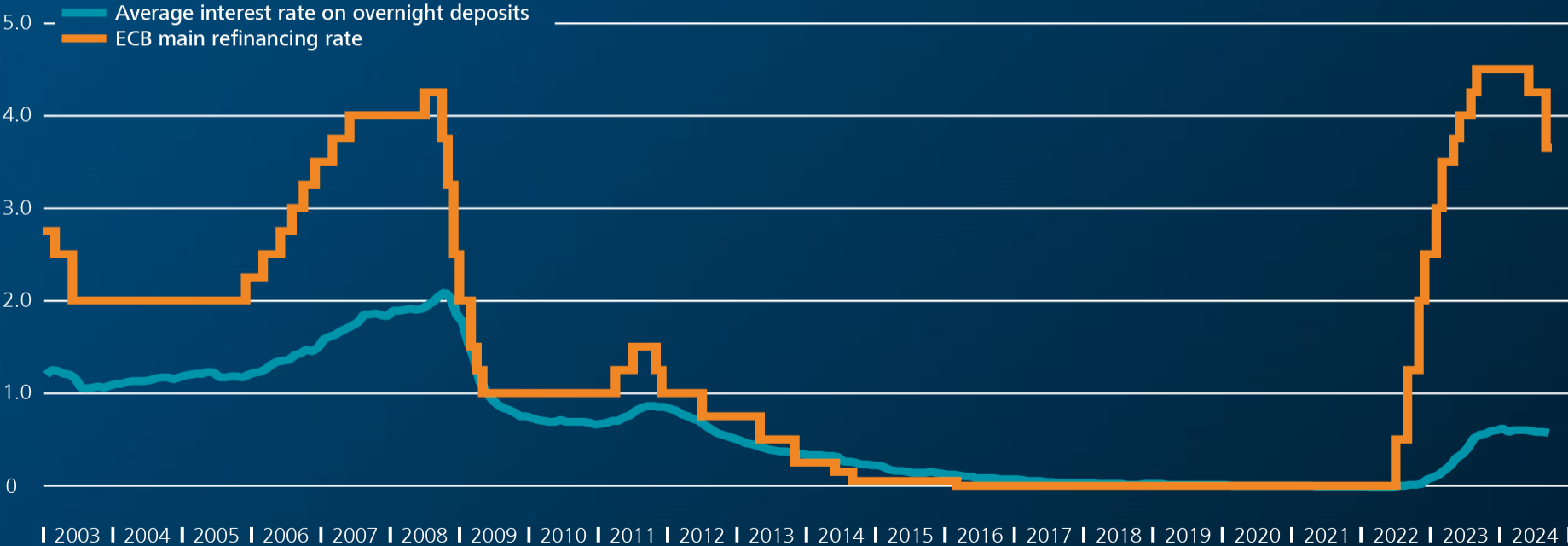
As a percentage of the given credit volume, as at Q2 2024



Interest rates on overnight deposits were not raised as sharply as would have been expected based on past trends.

Interest rates in Germany

%



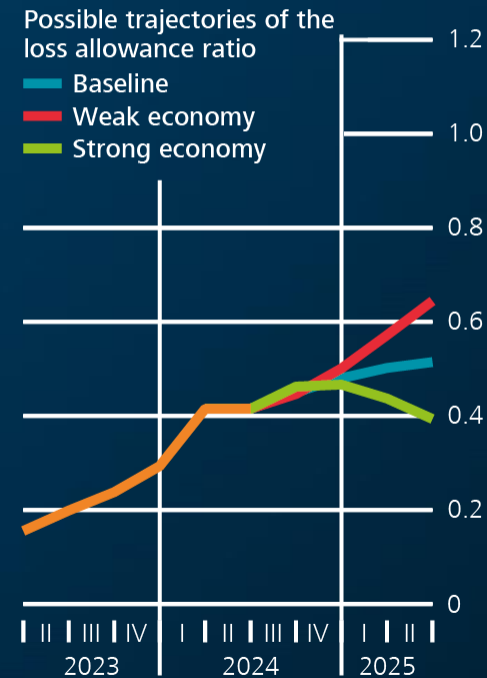
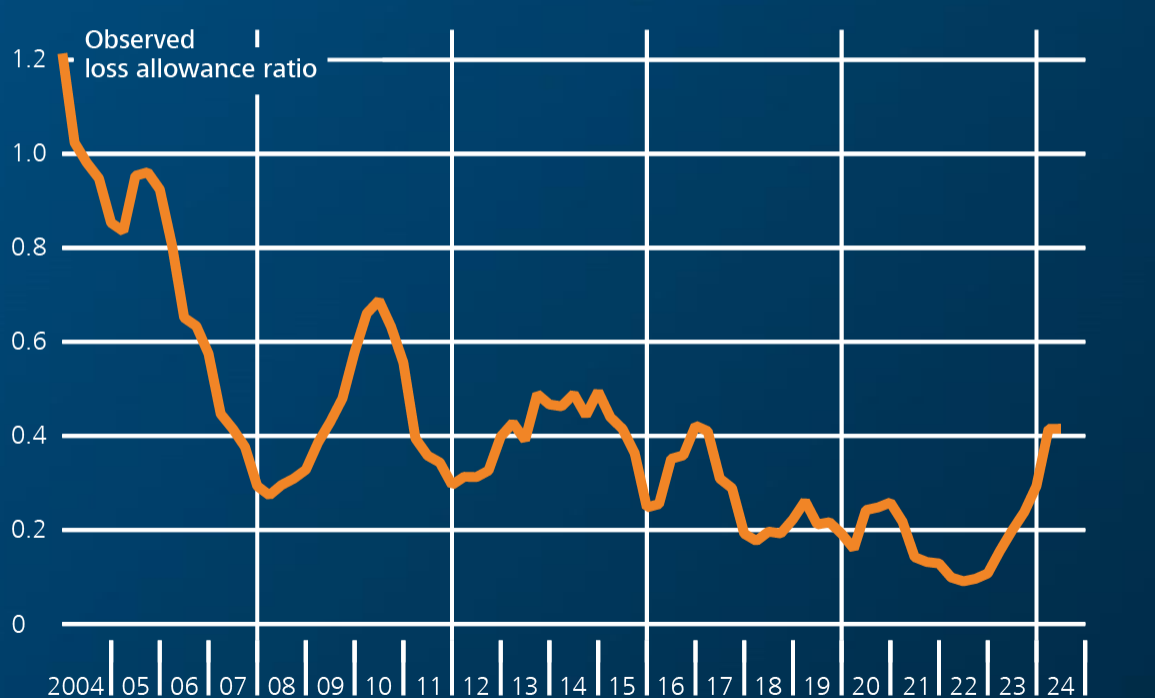
How will the German financial system fare in the future?



Banks have made significantly higher loan loss allowances. Ratios could increase further if economic activity were to weaken.

Loss allowance ratio in the German banking system

%



Implications for macroprudential policy



The **vulnerabilities** that built up during the protracted period of low interest rates are steadily **diminishing**, though only gradually. The financial system **weathered** the phase of exceptionally **strong rises in interest rates well** overall. The **package of macroprudential measures remains appropriate**.

Further focal points and additional analyses in the report:

Climate risks,

Geopolitical tensions and financial stability,

Impact of a digital euro on the banking system,

Structure of the German and Italian government bond markets.

Highly recommended reading for dark winter evenings!



<https://www.bundesbank.de/en/tasks/financial-and-monetary-system/financial-stability-review>



Christian Glebe

Deutsche Bundesbank

christian.glebe@bundesbank.de

Tel.: +49 69 9566-37073

27 January 2025

