


# FINANCIAL STABILITY REVIEW 2023

Press conference, 23 November 2023





The effects of the rise in interest rates have not yet fully materialised.

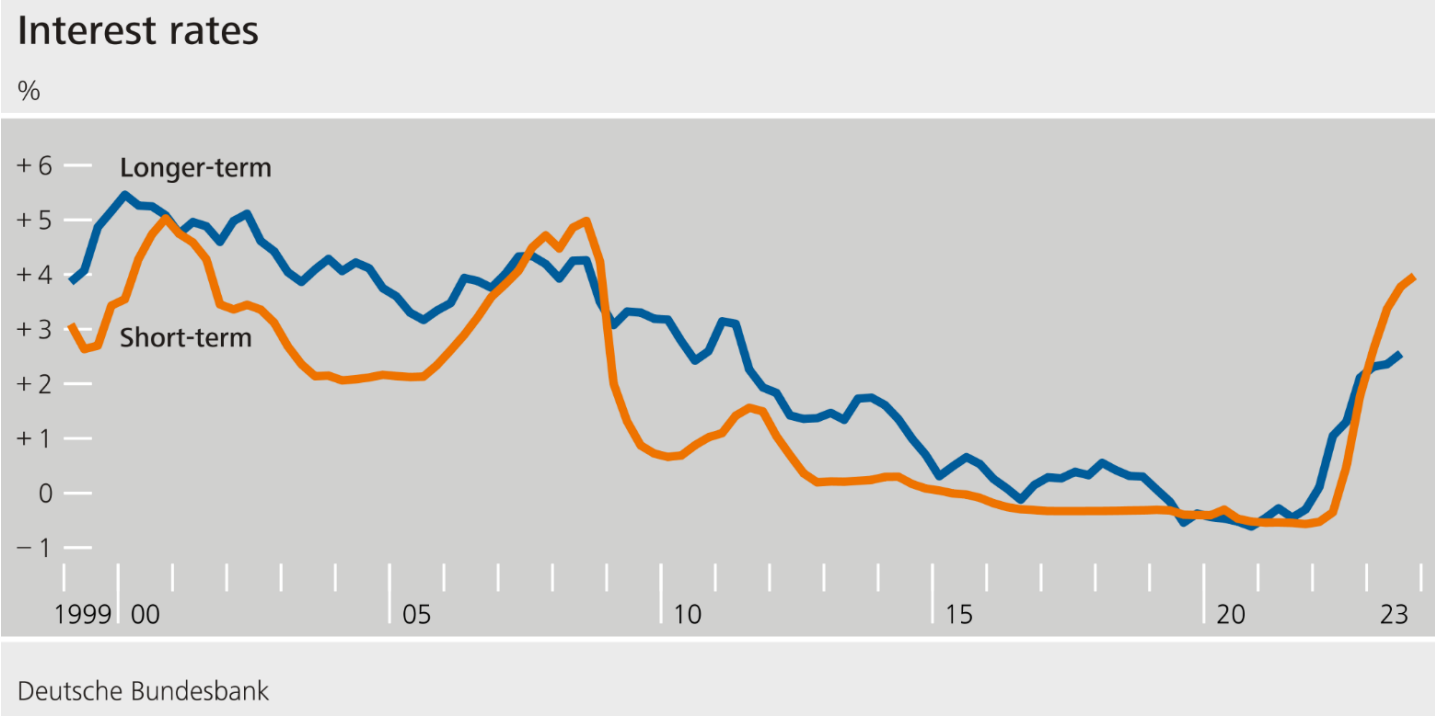


Structural change is placing demands on the financial system as well.



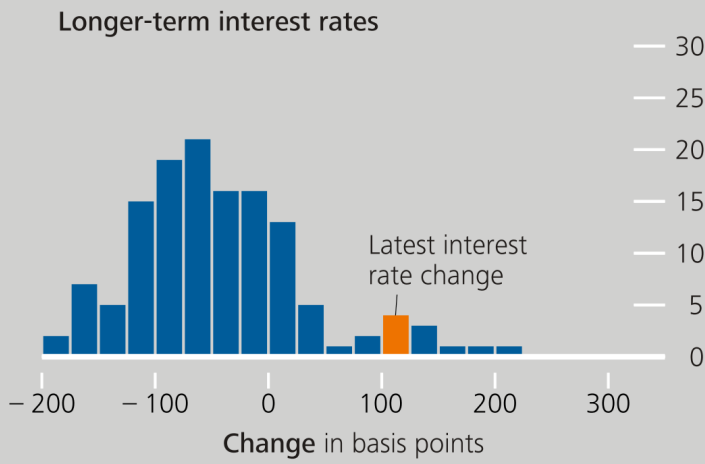
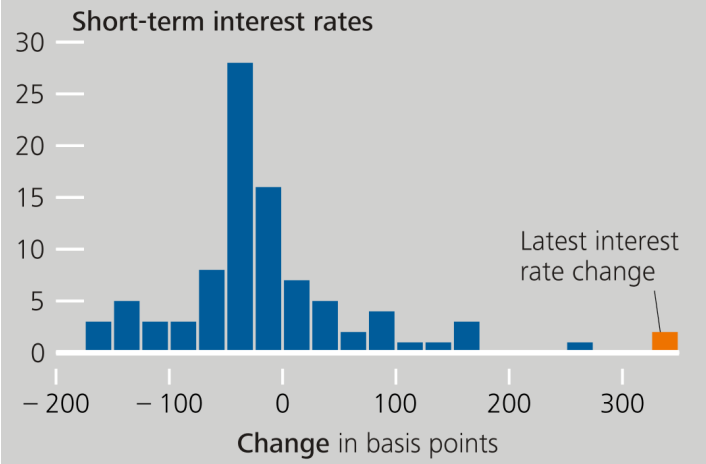
Increased risks and uncertainty require resilience.

# Interest rates have risen sharply recently ...



... more than in the past 25 years.

### Number of interest rate changes since 1999, compared with same quarter of previous year

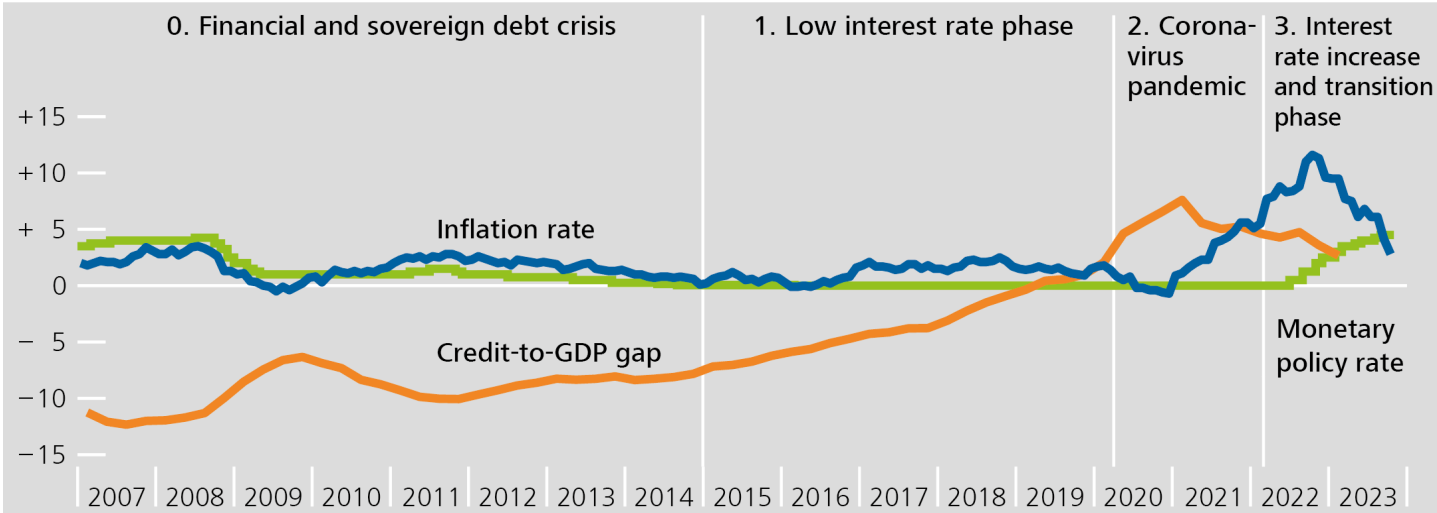


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# The financial system's response to this interest rate rise is shaped by developments over recent years.

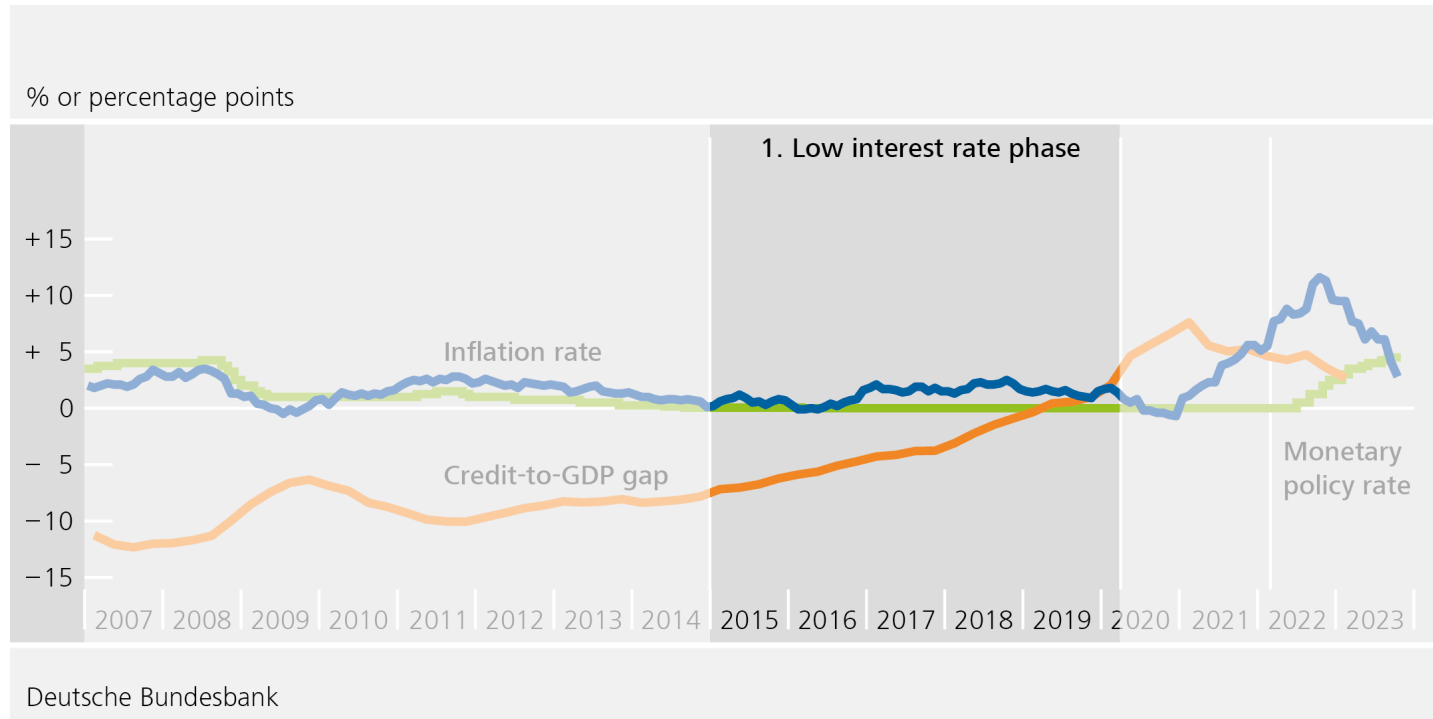
## Phases of the macro-financial environment

% or percentage points

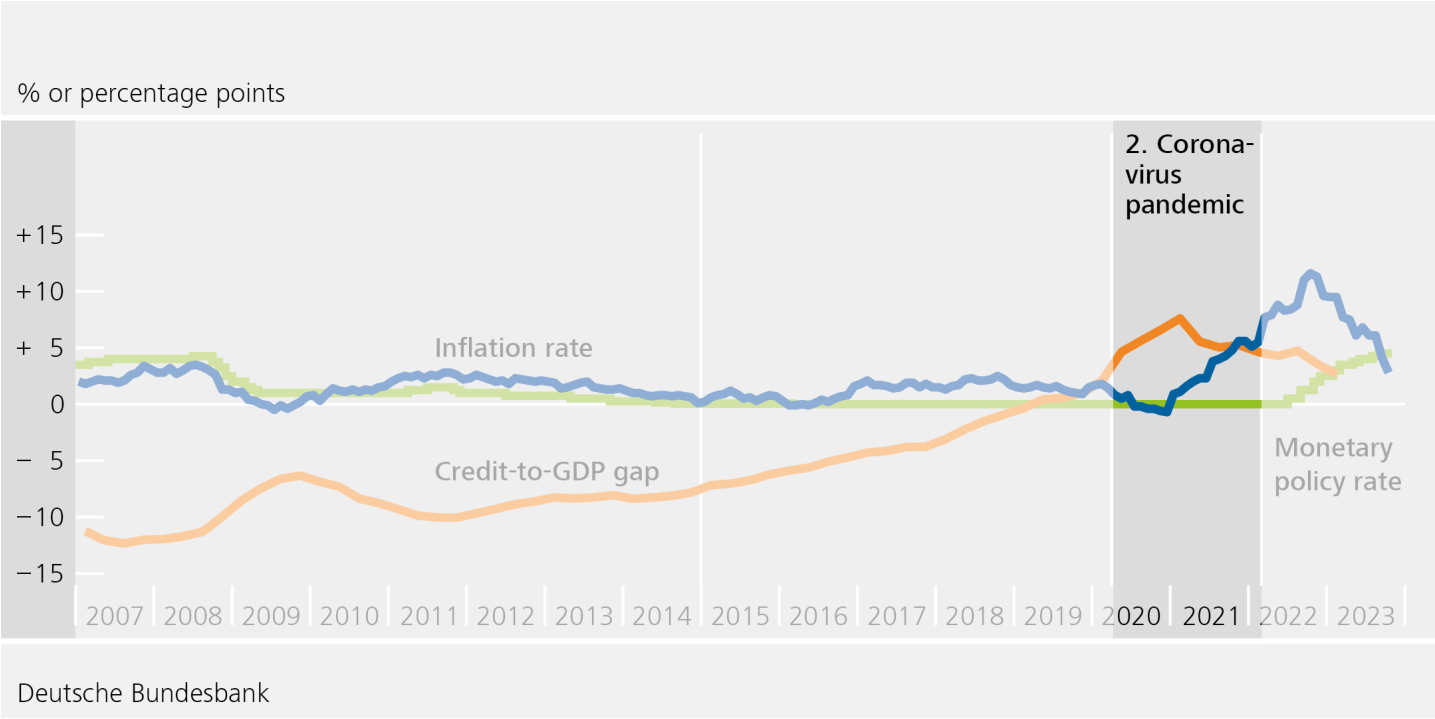


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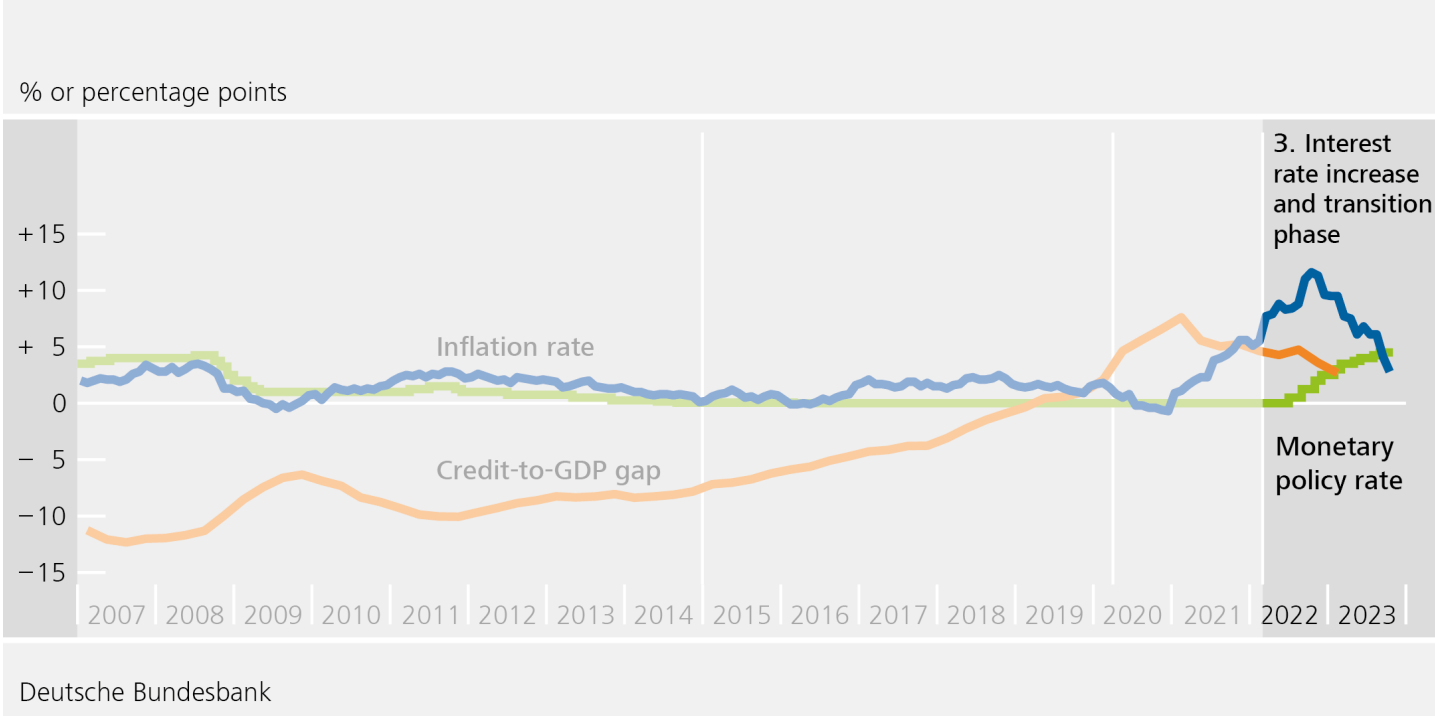
After the financial and sovereign debt crisis, interest rates were very low and economic developments stable.



# The coronavirus pandemic brought this long phase of stability to an end – but interest rates remained low.



Since the outbreak of Russia's war of aggression against Ukraine, prices and interest rates have risen significantly.

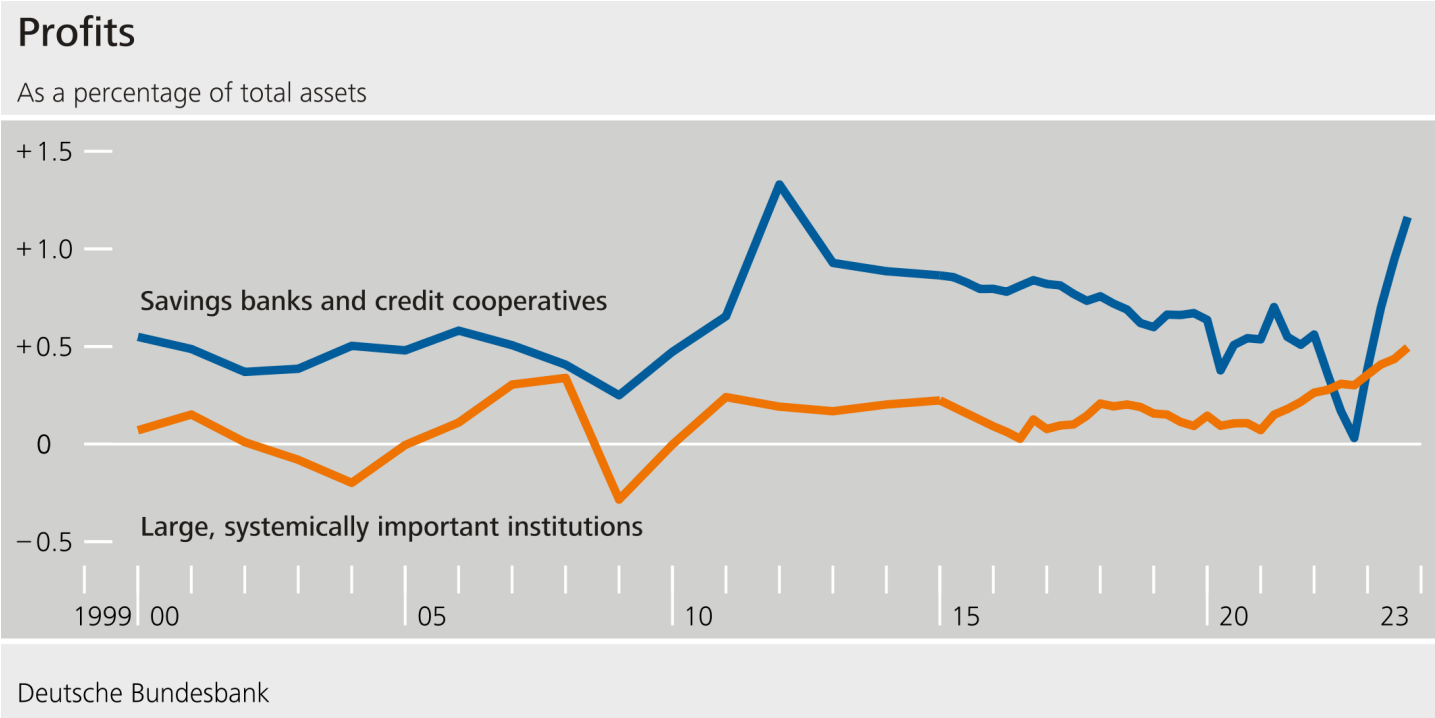




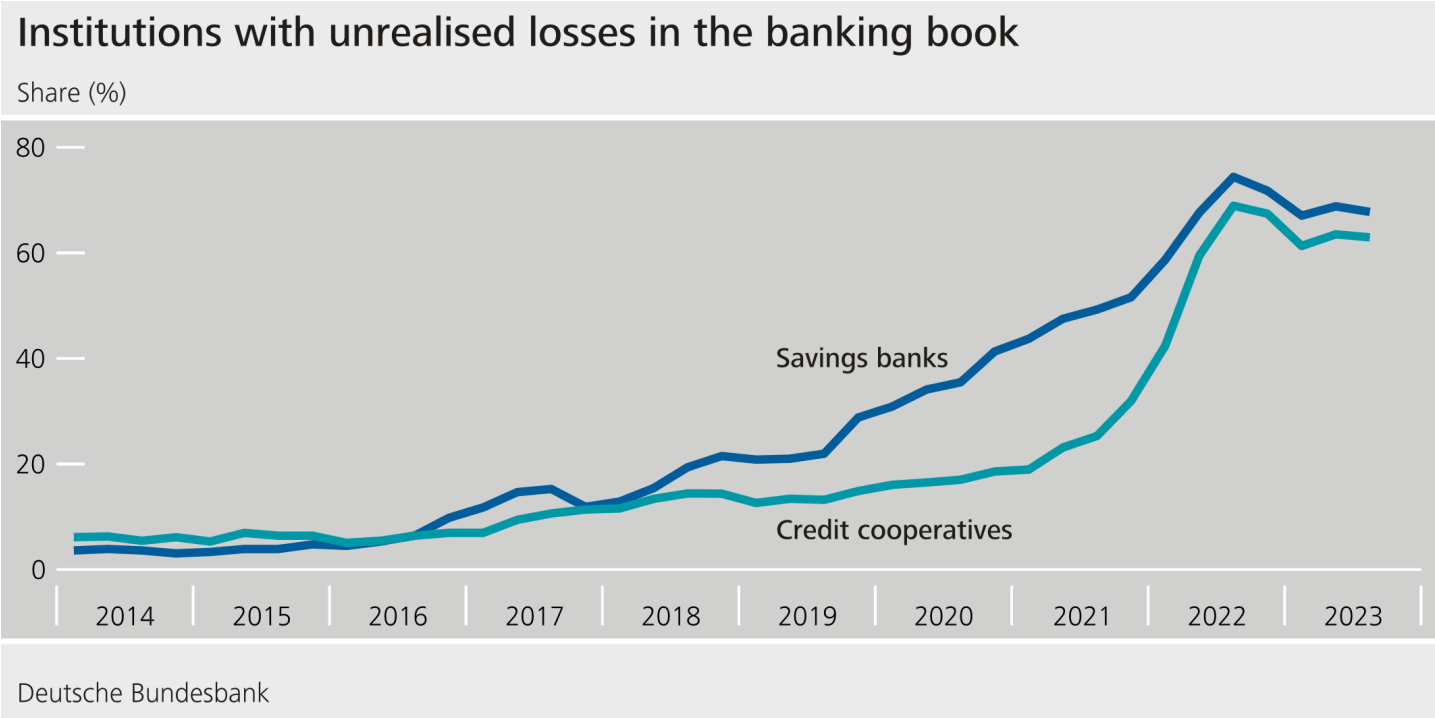


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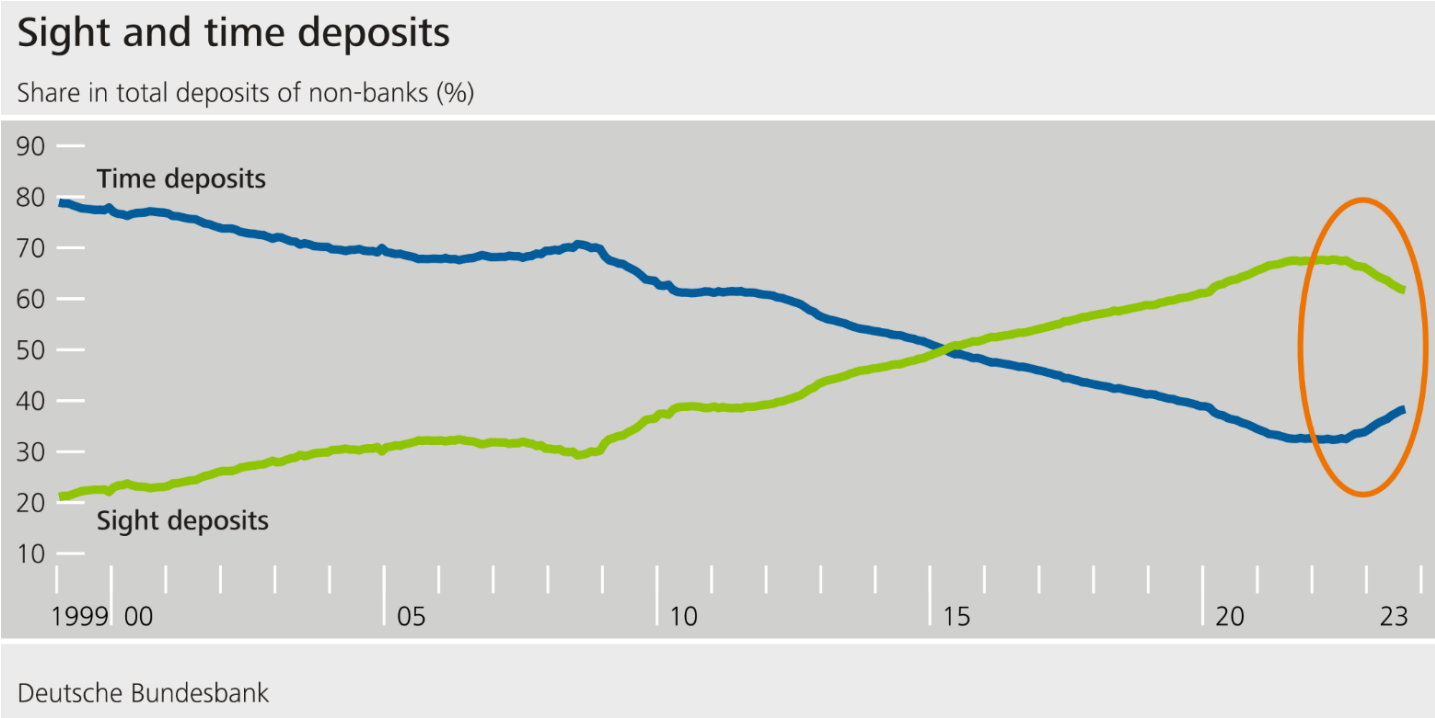
# Higher interest rates have increased banks' profitability in the short term.



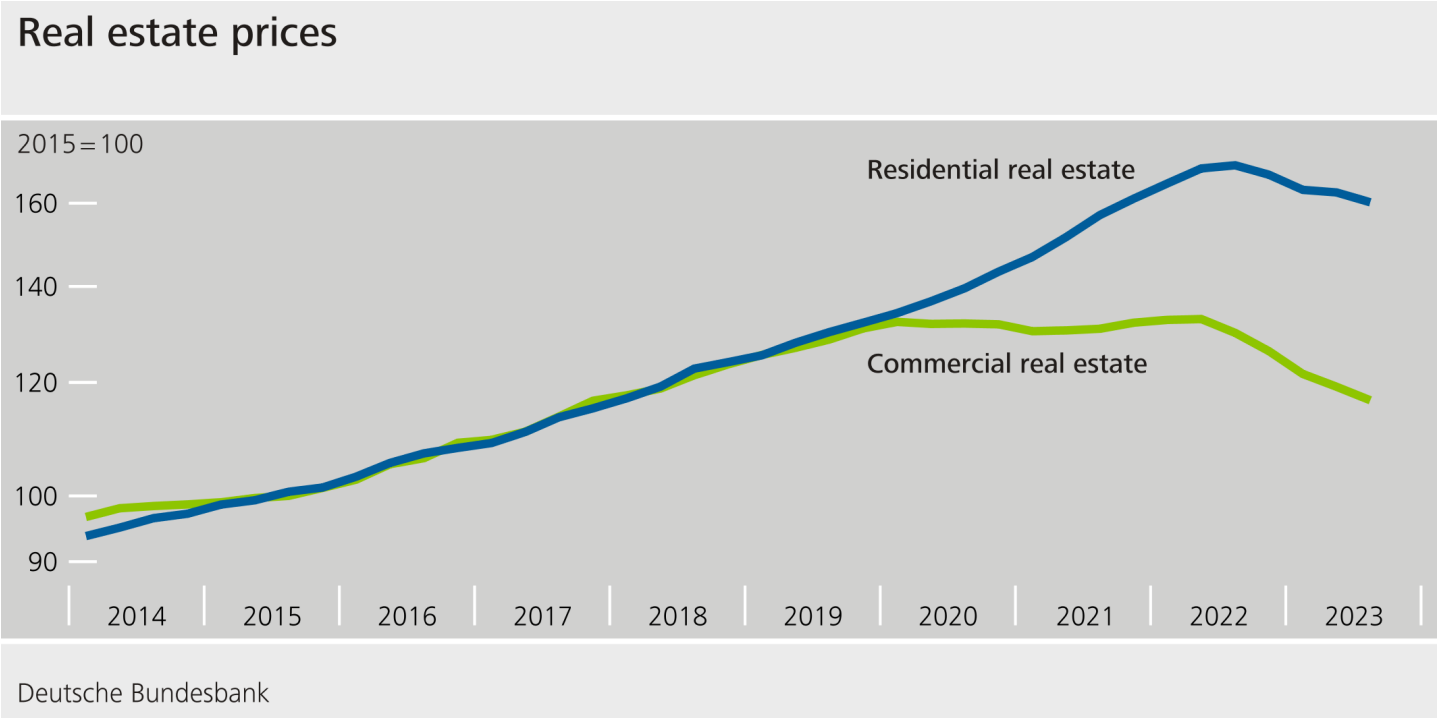
Higher interest rates have led to losses in value – unrealised losses are up.



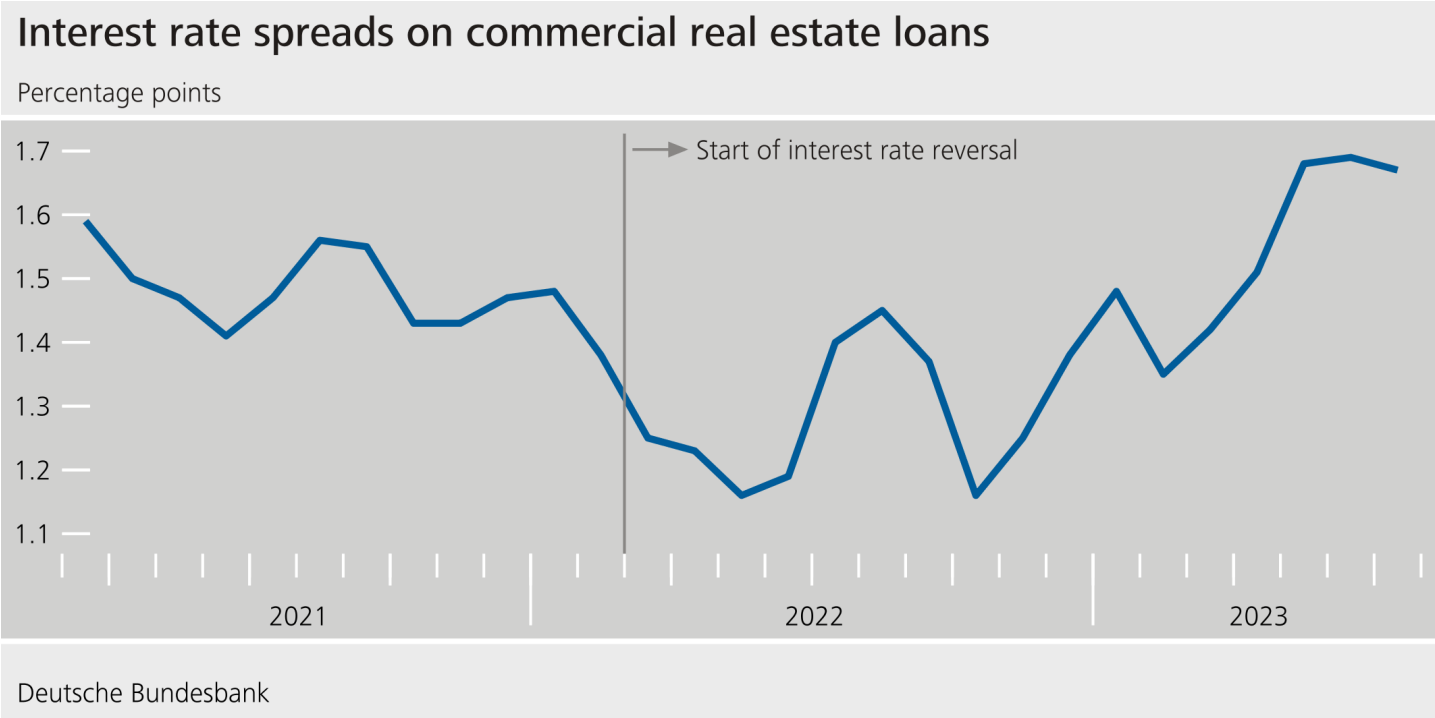
Higher interest rates are leading to shifts out of sight deposits into time deposits – and thus to rising interest expenditure for banks.



Prices for residential and commercial real estate have fallen as a result of the interest rate reversal.



# Loans to finance commercial real estate have become more expensive of late.



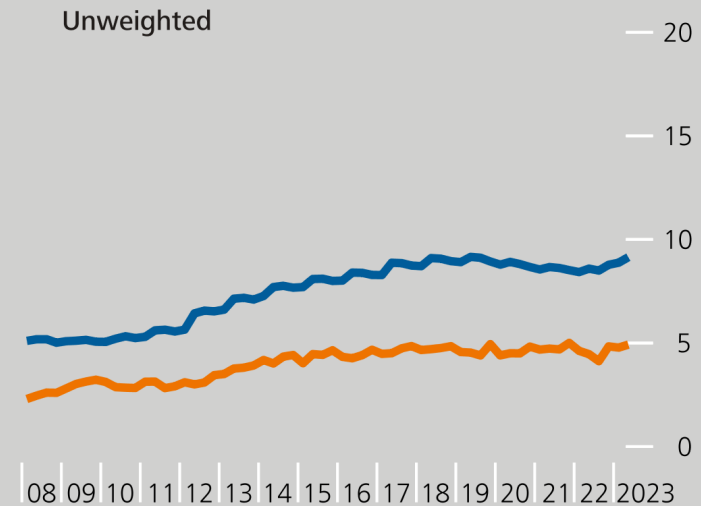
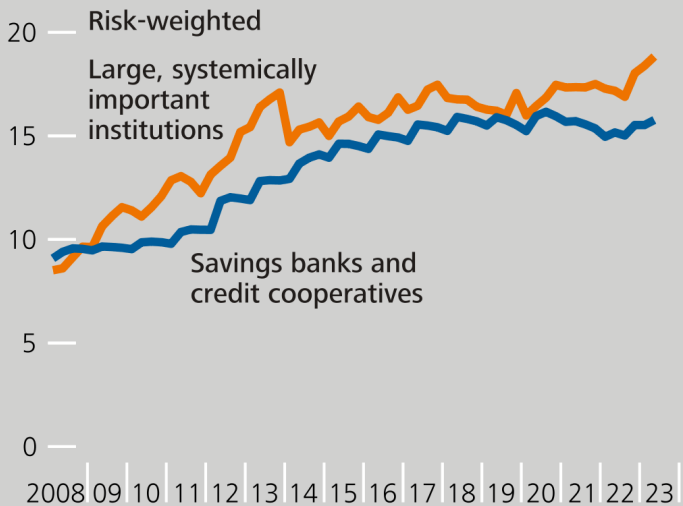


Structural change is placing demands on the financial system as well.

At present, banks' capitalisation is stable.

## Capital ratios

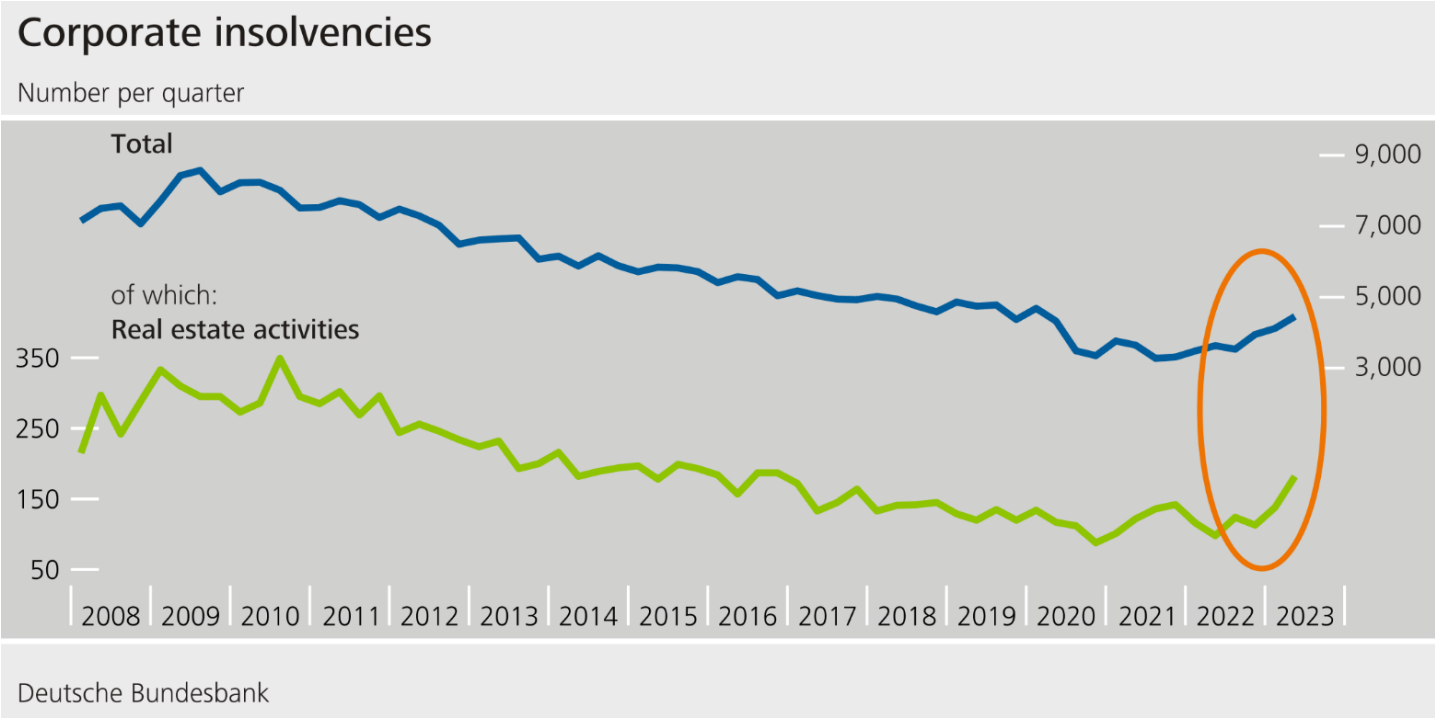
%



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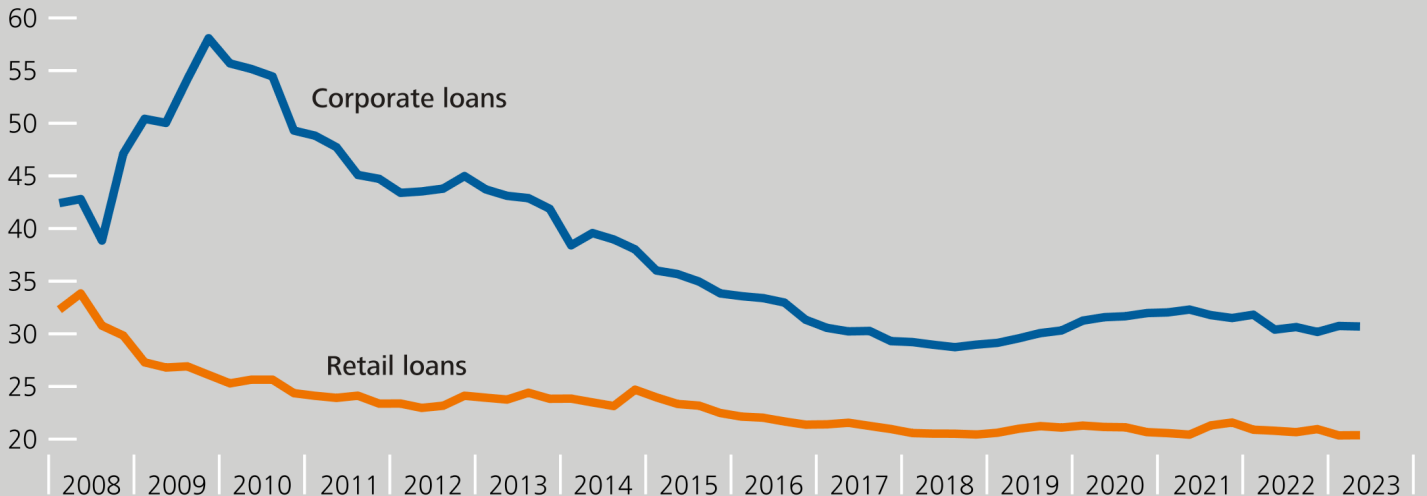


Insolvencies have risen recently, but remain at a low level.



In the medium term, credit defaults are likely to increase – and risk weights likely to rise.

### Average IRB approach risk weight

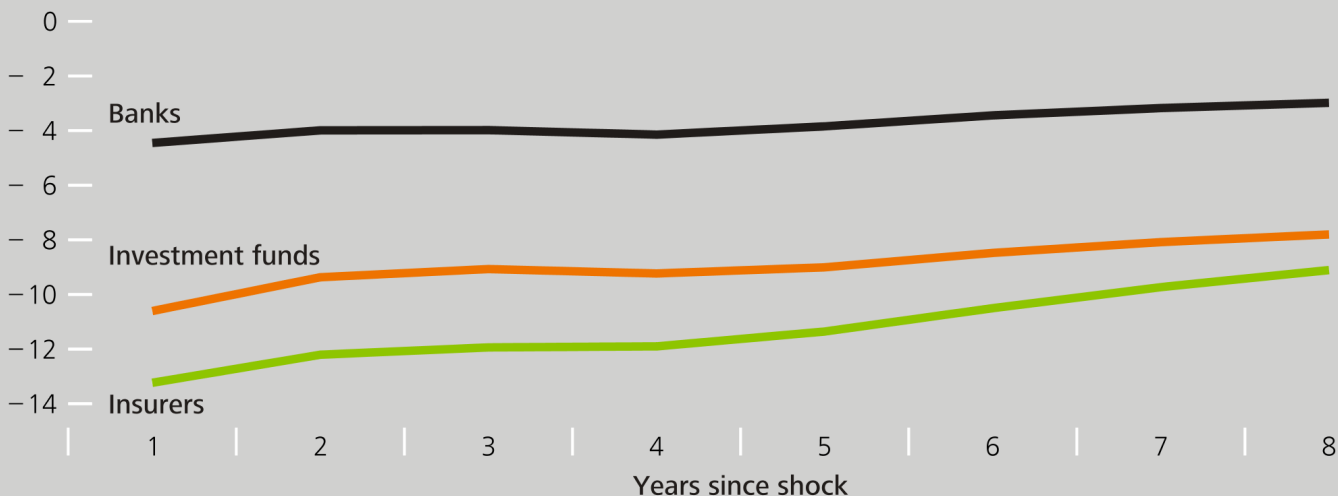


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# Financial institutions would have to accept securities losses in a transition to “Net Zero 2050” – but these are manageable overall.

## Portfolio changes given a transition to “Net Zero 2050”

As a percentage of securities portfolios



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Increased risks and uncertainty require resilience.



Institutions need to equip themselves to face macroeconomic, political and cyber risks.



The good profitability situation at present offers banks the opportunity to further strengthen their resilience.




The package of macroprudential measures is still appropriate.



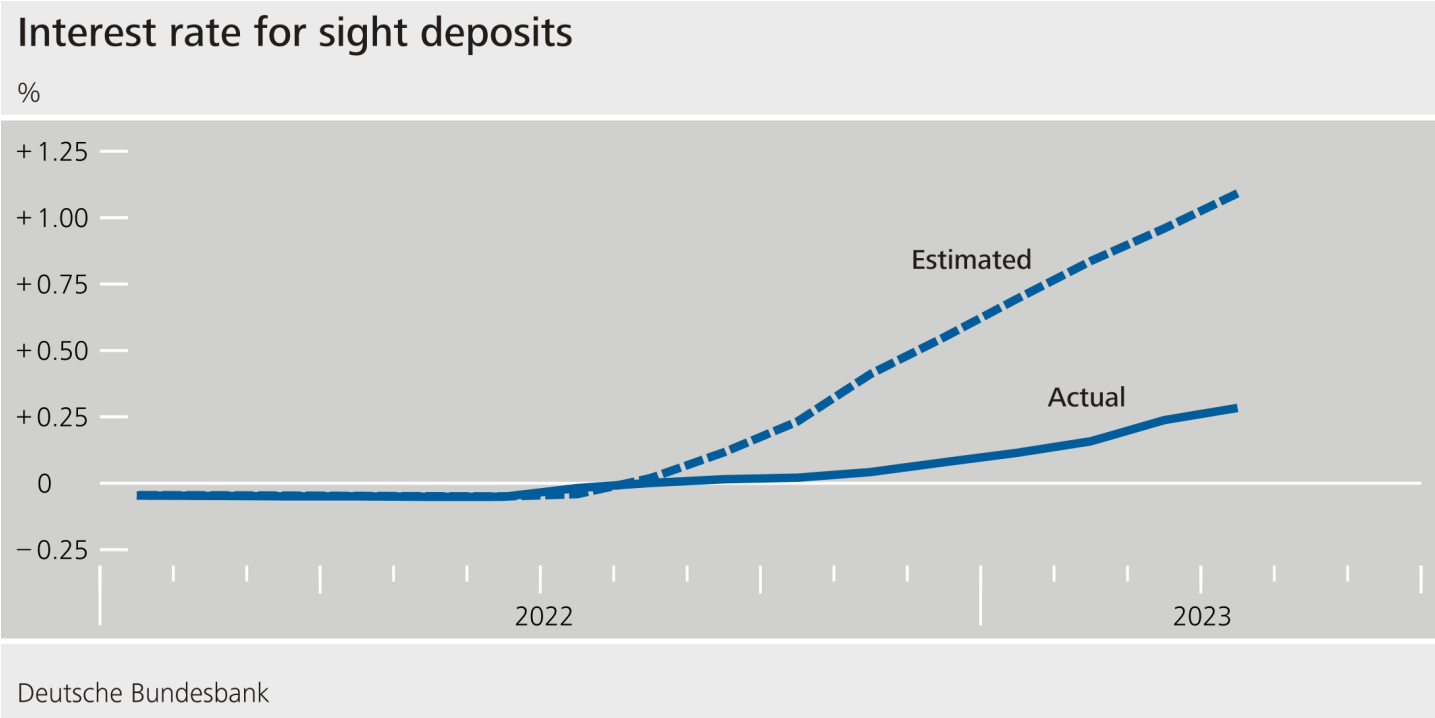
A dependable climate action framework can reduce risks to the financial system.

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# Banks' interest expenditure is likely to increase in the future.



# Banks still have good levels of liquidity.

