Finance Group
German Savings Banks Association

Check against delivery!

Statement by

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Ladies and Gentlemen,

A warm welcome to the Financial Press Conference of the Savings Banks Finance Group.

At the end of fiscal year 2021,

- the Savings Banks Finance Group,
- as well as our customers
- and our entire national economy

had many good reasons to be optimistic about the year 2022.

It is true that the pandemic – as we all know – is far from over; in fact, the number of infections has reached all-time highs. Nevertheless, a significant economic recovery was expected for 2022. Substantial growth was foreseeable for external trade relations and also for domestic consumption. All of us were therefore looking forward to our first post-Covid year in terms of the economy.

Along came 24 February 2022 – and something unimaginable happened. War in Europe – a brutal war of aggression waged by a nuclear power against a sovereign neighbour. Since then, ladies and gentlemen, almost nothing is as it was before – or as we had expected it to be in 2022. This year, all of us will be facing enormous political, but also economic and social challenges. In the light of this, I am sure that you will bear with me if I keep my comments on 2021 short and focus primarily on the future. In the documents, you will of course find all the data on fiscal year 2021 in the usual form.

I. Fiscal year 2021

Despite very challenging external conditions, ladies and gentlemen, Germany's Savings Banks put in a solid performance in fiscal year 2021.

You are familiar with the general conditions that were already putting pressure upon us last year.

- For over 10 years, we have had extremely low and even negative interest rates, which incessantly eat away at the interest margin, in particular in retail institutions with big deposits.
- And for two years, we have had the Covid pandemic with its ups and downs of infection waves and restrictions on contacts, which have had a strong adverse impact on many business models among our business clients, acting as a powerful brake on their economic prospects.

Against this background, Savings Banks can be satisfied with the fiscal year:

- We have achieved good growth rates in our lending business.
- We have helped to establish a broader securities trading culture; far more customers can now participate in the country's economic growth by investing their savings in securities.
- Across the entire financial services market, we are now the technology leader in Germany, above all in payment transactions.
- And what is absolutely crucial during periods of extremely low interest rates: we have become somewhat more independent of the interest-earning business. Commission income has increased significantly – this year, overall, even offsetting the losses incurred from the interest margin erosion which has been underway for a long time.

All in all, the Savings Banks' performance in fiscal year 2021 has been much better than could have been expected in view of the framework conditions. And we have also outperformed our own forecasts. This demonstrates that our decentralised structure is a key driver of stability and flexibility, in particular during economically challenging periods. The fact that our executive boards all across Germany can take independent action to adjust their business policy is a major advantage. I am convinced that the financial strength that we have achieved will also carry us through the difficult period before us. In the months ahead, Savings Banks will be fully able to play their stabilising role.

Let me address some of the developments in greater detail.

Business performance

Last year, Savings Banks extended EUR 197.3 billion in new **loans**, which was once again EUR 5.6 billion more than in 2020, the previous record year. The total customer loan portfolio of Savings Banks increased by 5.5 percent to EUR 955.0 billion.
In this context, the business segment of **loans for home purchases** stands out particularly. New loans amounted to EUR 73.4 billion, which was a whopping increase by nearly 10 percent.[1] Never before have we achieved such a high level. The Savings Banks' market share in a fast-growing overall market now amounts to 35.3 percent. Our market share has increased slightly, which is a remarkable achievement for a market leader. Of course, we have recently observed significant increases in real estate prices. It makes sense to keep a critical eye on this development. This applies to home builders, buyers of existing homes, but of course also to the regulator.

[1] +9.5 percent or EUR 6.4 billion above the year 2020

However, we should not forget that real estate prices have mainly been driven by the flood of money generated by the ECB. Years ago, we drew attention to the fact that an expansionary monetary policy would lead to a substantial increase in asset prices. This was already the case when rising prices were not yet showing up in the basket defined.
In addition, significant increases in production costs – and recently also in the cost of materials – have played their part. This cannot really come as a surprise to anyone. Nevertheless, we still believe that the German real estate market is solid, except for some local outliers. And this also applies to the way it is financed. For this reason, we think that it is wrong and counterproductive if the regulator now expects credit institutions to increase their equity capital. This will drive prices up further – as already demonstrated by accrued construction interest. And this measure is also counterproductive in terms of the political objectives:

- At least 400,000 new housing units are to be built per year – a number which, given the influx of refugees from Ukraine, will probably be too low anyway.
- And energy improvements are to be stepped up in view of the need to combat climate change and the urgent need for greater autonomy over energy supplies, which is now more important than ever. I will come back to this point in a moment.

A second very successful business segment has been the **lending business with corporate clients**. In this segment, Savings Banks repeated their record performance of 2020. New loans to enterprises and self-employed persons totalled EUR 106.2 billion.[2] Taking into account loan payments, the loan portfolio increased by EUR 26.0 billion. This corresponds to a year-on-year increase of 5.5 percent. During the two years of the pandemic, our business clients felt very clearly that they can count on Savings Banks. Our image ratings among business clients have improved significantly.

And even if the big commercial banks are gradually rediscovering what used to be a traditional business segment for them, Savings Banks have impressively defended their position. In the last few years, we have been in the paradoxical situation where, in net terms, **customer deposits** cost Savings Banks money. Growth rates which we would have been pleased about in the past were therefore mainly a burden.

In principle, this is still the case. However, to some degree, inflows of deposits returned to normal levels in 2021. While deposits grew again by EUR 48.4 billion – which still constitutes an increase by 4.5 percent – the growth rate remained significantly below the exceptional year 2020.[3]

[2] EUR -0.003 (+/- 0.0 percent)
[3] 2020: +7.9 percent

And most importantly, Savings Banks succeeded in convincing their customers even more of the benefits of securities trading. Turnover amounted to EUR 166.9 billion, i.e. 14.4 percent more than the previous year – one of the highest turnovers on record. Net sales of EUR +29.5 billion were the highest level ever achieved in the Savings Banks' history.[4] This is a great achievement for the securities trading culture in our country. And I believe that this is also an important achievement from a social policy perspective: saving by investing in securities is the only way for broad sections of the population to participate in the growing value of the national economy. This must be a social concern if we want to narrow the widening gap in the distribution of income and wealth between different sections of the population.

In view of the current war-related turmoil in the capital markets, it is important to support this development by providing good advice. I will come back to that later.

Overall, we can note that, in 2021, our customers' financial assets grew by EUR 80.0 billion in 2021. This was the second highest value growth in history, the highest being the previous year.

Profitability

You know that credit institutions which are focused on stable retail business depend greatly on their net interest income. Against this background, the years with extremely low or even negative market interest rates have been difficult for Savings Banks.

We are in the same position as our customers when they want to rely particularly on traditional deposits: it is impossible to avoid losing value.

In the past few years, Savings Banks have therefore made enormous efforts to reduce their dependence on interest-bearing business and to rely more on commission business. In recent years, these efforts have gradually paid off. In 2021, for the first time, net commission income more than offset the decline in net interest income. While net interest income decreased by EUR 314 million[5], net commission income increased by EUR 560 million[6]; on balance, this amounted to a rise of approx. EUR 246 million. This is a really encouraging result. Nevertheless, we should not forget that, in recent years, net interest income has declined faster than net commission income has increased. Savings Banks are of course still affected by the earlier loss of those earnings components.

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[4] Previous record level in 2020 = EUR 28.2 billion
[5] -1.6 percent
[6] +6.6 percent

Administrative expenses remained stable at EUR 19 billion. The **operating result before valuation** increased by EUR 262 million to EUR 9.7 billion.[7]

Valuation expenses were EUR 1.1 billion or 23.5 percent lower than in the previous year. This was mainly due to the extremely low loan loss provisions, which amounted to only EUR 122 million – approx. 91 percent lower than in 2020.

Before you ask the question: the accounting approach adopted by Savings Banks is very conservative. They would accrue higher loan loss provisions if they could. However, there are legal limits. You can therefore assume that higher loan loss provisions were simply not required. This demonstrates impressively that the wave of corporate insolvencies feared by some during the pandemic has so far not materialised – and we don't expect that it will in the future. On the contrary. According to the final figures published by the Federal Statistical Office last week, the number of corporate insolvencies was once again 11.7 percent below the level for 2020 and even 25.4 percent below the pre-crisis level in 2019. Of course, government subsidies played a positive role in this context. However, this alone is far from explaining the welcome news. Instead, we have found that our corporate clients are very well capitalised and extremely flexible in the way they respond to new framework conditions. This makes us confident for the future. In the next few years, all of us will be in dire need of this confidence.

Regardless of net income, Savings Banks will transfer EUR 3.0 billion – i.e. EUR 257 million more than in the previous year – to **contingency reserves** and hence to equity. This corresponds to an increase of 9.2 percent.

The **cost-income ratio** after valuation improved significantly by 4 percentage points to 67.3 percent, mainly due to significantly reduced loan loss provisions and the positive net commission income. Savings Banks will pay EUR 2.8 billion in taxes for the previous year – an increase of EUR 261 million. Net income after taxes amounted to EUR 1.8 billion, which was EUR 366 million more than in the previous year.

In view of this robust operational performance and the continuing significant growth in equity, Savings Banks are very well equipped for the future. However, we are also sure that what lies ahead will be the greatest transformation process in our history – the catchwords are digitalisation, climate change, and more importantly the consequences of the war in Ukraine.

For this reason, Germany needs rock-solid Savings Banks, because a substantial part of the capital required for this transformation will have to come from our Group.

II. Transforming the economy and society

7 +2.8 percent / 0.67 percent of DBS

Ladies and gentlemen, at the end of last year, Germany elected a new coalition and a new national government. The coalition government described a comprehensive digital and ecological renewal of our country. This is, moreover, urgently required if climate change is to be slowed down enough to let us adapt in time to new climate conditions. A total of EUR 6 billion[8] will have to be invested by 2045 at the latest for the ecological renewal we need in order to manage global warming. This does not even include the investments to be made in our digital infrastructure.

In the light of the criminal war of aggression waged by Russia's President Putin on Ukraine, all of us will now be facing another fundamental challenge. Everything will have to be done much faster and much more rigorously. Chancellor Olaf Scholz rightly spoke about a turning point in history. This applies, of course, to our security policy; but it goes far beyond this. We are entering a new phase in Europe, but also in global relations. Many people will now become painfully aware of the fact that our notions of economic cooperation, global division of labour and peaceful conflict resolution are not shared by the whole world. A fundamental conflict between democracies and autocratic or, worse, dictatorial regimes is increasingly apparent around the globe. This conflict is no longer being settled by economic means alone but now also – with an eye to the Russian Federation – by means of a brutal war of aggression, with horrific crimes committed against the civilian population.

We will also need to closely monitor China's positioning in this context. In Europe, in Germany, we were very late in recognising the existential significance of these new challenges. It is now all the more important to adopt a stringent response. We need to improve our crisis resilience, and we need to ensure deterrence, and more importantly, our sovereignty at all levels.

I would like to describe the challenges ahead of us in three points:

First: We will face the biggest wave of refugees since World War II.

Ladies and gentlemen, Ukraine has 44 million inhabitants. Approximately 4 million of them are currently fleeing their homes. And that is only the beginning.
In the past 19 days, Germany's neighbour Poland has accepted more refugees than Germany did during the period from 2015 and 2017. The capacity of Poland, Slovakia and Moldova to absorb refugees has largely been exhausted; and soon this will also hold true for the Czech Republic. In the next few days, we will therefore see refugee movements to Germany of a magnitude that we could not have imagined before. This will affect our entire country; the challenges will be much greater than in 2015.

[8] Analysis by McKinsey

We will see the impact of this development mainly in local communities, which will be responsible for supplying these people with things they need, i.e. accommodation but – in view of the composition of the refugees – also schools and day-care facilities. This will prove to be a major challenge for our country as a whole: for our infrastructure, but also – and more importantly – for our willingness to show solidarity and to share.

Since Savings Banks are local institutions, they also do a great deal to support local authorities:

- by making donations,
- through the growing commitment of our employees to looking after and providing accommodation for refugees
- and, most importantly, by opening bank accounts.

Bank accounts are crucial for obtaining quick access to government benefits. All across Germany, Savings Banks are now opening a large number of new current accounts. We are very grateful to the German Financial Markets Supervisory Authority BaFin for making it possible unbureaucratically at the end of last week to open bank accounts with a Ukrainian ID card. Since the refugees are not subject to an asylum procedure, they do not have what is referred to as "proof of arrival", which was introduced in 2015/2016. And many of them do not have a passport either. These people will probably also need to stay longer than they themselves would like. It is all the more important to enable these highly skilled and extremely industrious people to enter employment quickly. After a difficult start-up phase, these people will enrich our country.

Secondly: The economic and financial sanctions which had to be imposed on Russia will, of course, also have a significant impact on us.

To start with, I would like to stress one thing: our Group emphatically supports the sanctions that have been imposed – including the exclusion of a number of Russian and Belarusian banks from SWIFT. Where banks have not yet been excluded from SWIFT today, this is due to considerations of political opportunity, which clearly must reflect the primacy of politics. We abide by this decision.

Of course, all German companies have very quickly analysed what direct financial impact the sanctions imposed by the governments of the Western world would have on them. In most cases, the impact is limited. Russia accounts for about 2 percent of German exports. As a first-round effect, this is manageable.

And this also applies to our Group:

- Direct business with Russia plays practically no role for Savings Banks.
- The exposure of the Landesbanken to Russia and Ukraine is also very limited and will not have a significant impact.
- Likewise, business activities in Russia or with Russian companies or real estate in Russia do not play much of a role in the Group's funds.

The direct impact of the sanctions on the Savings Banks Finance Group is therefore very limited. However – and this is what we will have to expect – there will be significant second-round and third-round effects. It will take some time for those effects to become apparent, but they will probably have an adverse impact on us in the longer term.

Let me give you a few examples:

- Exploding prices for crude oil, gas and other important commodities will place a considerable burden on many consumers, but even more so on energy-intensive industries. I will address this point separately in a moment when I discuss the question of our energy dependence.

- Russia and Ukraine are the world's two biggest wheat exporters; Ukraine is seen as the breadbasket of Europe. The sowing season that would normally be due now will not be possible. While Germany itself produces enough cereals, global supply bottlenecks are foreseeable. As a result of Putin's war, thousands of people will starve to death, mainly in Africa.

- In recent years, Ukraine has carved out a role for itself in some global supply chains. This applies not only to cereals but mainly to iron and steel, vegetable oils, electrical engineering and oil seeds. With a share of 40 percent of external trade, the EU was Ukraine's biggest trading partner. In some segments, we expect that there may be significant price increases and supply bottlenecks.

- Second-round effects have also come to light in the logistics sector. Roughly one-third of the professional drivers in Poland are of Ukrainian nationality. Most of them are currently fighting for the independence of their home country. There are hardly any logistics companies in Germany which do not cooperate with Polish partners for lorry transports. In combination with rising energy costs, this will pose a significant challenge.

The sanctions imposed are a threat to Russia in terms of its economic and financial existence. They are right and indispensable; we support them. However, we should not believe that the sanctions will not have any repercussions on ourselves. It is therefore important that these sanctions are designed in such a way that they can be sustained for a protracted period of time. Because a retreat is out of the question.

The impact of price increases will mainly be felt by

- energy-intensive companies and companies with significant activities in Russia
- as well as German households right across the board. We expect that approx. 60 percent of Germany's households will have to spend their total monthly disposable income – or more.

The German government is therefore right in currently preparing

- to cushion high energy costs, above all by abolishing the renewables levy by mid-year,
- to introduce an initial low-income supplement,
- and to provide selective assistance for hard-hit enterprises.

In addition, in view of the high inflation, it would at least be necessary to adjust tax rates by raising rate thresholds.

<u>Third:</u> Our most important challenge will be to reduce one-sided dependencies.

Germany and large parts of the EU have become dependent in recent years – and hence open to blackmail – above all on the supply of fossil fuels from Russia. Incidentally, a big proportion of the uranium needed for nuclear power plants also comes from Russia. This was a serious error, which needs to be corrected as soon as possible. What this means in very practical terms is that gas, oil and hard coal supplies need to be diversified in the short term, and an extension of the lifetime of Germany's lignite-fired power stations may have to be examined.

However, this alone will not be sufficient. We will need to switch to renewables and, above all, reduce our energy consumption! Anyone still unconvinced of the importance of combating climate change must by now support efforts to achieve greater energy independence.
This will have to happen much more quickly and will require much more capital than previously planned. We have no time to lament; what is needed is resolute action.

This also applies to our Group. It is our national duty to focus our business policy

- on expanding renewables,
- and on improving the energy efficiency of buildings.

What this means in practice I would like to explain by citing one example:

Real estate accounts for approx. 35 percent of total energy consumption, in particular of gas, and for approx. 40 percent of carbon emissions. Efforts to increase energy independence and to combat climate change will therefore mainly have to focus on the building sector. However, only 3 percent of the housing units in Germany have been built since 2011. More than 30 million housing units are more than 30 years old. If we assume – very conservatively – that improving the energy efficiency of buildings will cost EUR 30,000 per housing unit, the total financing volume required in Germany amounts to EUR 1,000 billion.

In the residential property sector, our Group holds a market share of over 35 percent. This market share translates, in purely arithmetical terms, into a financing volume of EUR 350 billion which our Group will need to spend to reduce energy dependence in this sector alone. The faster we manage to do this, the sooner we will be able to end our dependence on Russian gas.

On 1 April 2022, the Banking Authority will issue a general ruling to the effect that institutions must hold additional equity as a buffer for sectoral system risks associated with residential mortgage loans. In future, for the Savings Banks alone, approx. EUR 2 billion in common-equity tier-1 capital will no longer be available for additional loans. Based on an average risk weight of approx. 50 percent and a minimum own funds requirement of 8 percent for Savings Banks, this alone corresponds to a lending volume of EUR 50 billion.[9] The anticyclical capital buffer of 0.75 percent already introduced by another general ruling will tie up an additional amount of EUR 6 billion in common-equity tier-1 capital, which translates into a lending volume of approx. EUR 150 billion.

This means that, at the stroke of a pen, the supervisory authority will have blocked a significant amount of the Savings Banks' loan funds, urgently needed for the transformation of our energy supply system. This runs counter to the German government's objective of making our country independent of Russia faster in terms of energy supply.

In fact, I would go even further and say that the German government's current objective is to build 400,000 new housing units per year.
But in view of the refugee movements, a total of between 310,000 and 500,000 additional housing units will now be needed.[10]

This poses a major challenge not only for the construction sector, but also for the financial sector. I would therefore urgently suggest that everything possible should be done in the current situation to channel more capital quickly

- into the energy transition
- and into the construction of new residential buildings.

[9] 50 billion x 50 percent x 8 percent = EUR 2 billion
[10] Empirica Research Institute on 14 March 2022

We need to understand that what we are facing here is also a “turning point in history”. And then there is also the crucial manufacturing sector. Enterprises which have not yet invested in decarbonisation will now – if they have not already done so – have to drastically reduce their energy dependence or at least switch to renewables. This will not only cost money, but also provide a big commercial opportunity: by 2050, Germany’s mechanical and plant engineering companies alone would be able to generate an additional turnover of EUR 10 trillion with climate-friendly technologies[11] – providing that their sales markets function properly. This will also require billions of euros for financing purposes. Savings Banks, Landesbanken and Deutsche Leasing will accept this challenge – which is huge.

Nobody has better data on enterprises than Germany’s Savings Banks. With our ESG score, we can already make precise statements about the current status of all 1,830 economic sectors. We know that, when ESG criteria are applied, approx. 11 percent of the Savings Banks’ loan portfolio is exposed to increased or high risks, so that there is need for action. Without private capital, it will not be possible to meet the funding challenge. This is where the broad range of our private customers have a key role to play. Every Savings Bank customer can invest at least EUR 25 per month in the economy’s ecological renewal, and hence also in energy independence. Deka, our common investment firm, ensures that companies implement this renewal in verifiable ways. When all these small amounts are combined, they exert a huge impact on the ecological transformation of our economy.

Our macroeconomic analyses expect that the capital markets will largely recover in the course of 2022. We therefore recommend all investors – in particular those who plan to save by investing in securities – to stick out the current uncertainties by pursuing a long-term investment strategy.

III. More sovereignty

However, it will not be sufficient, ladies and gentlemen, to become more independent of fossil fuels from Russia. This “turning point in history” must serve as a wake-up call for Germany and the entire EU: we need to become structurally more independent overall. Sovereignty is the guiding principle. Although globalisation will not end in 2022, it has to be re-assessed.

During the pandemic – but even more so in the current armed conflict – we have had to learn that if we are economically too dependent on third parties, this will make us strategically open to blackmail or break up our supply chains too easily. And we have noticed that we do not have sufficiently secure access not only to energy but also to strategically important raw materials of the future. Electric vehicles, wind turbines, solar roofs and fighter jets – everything will in

[11] VDMA estimate

future depend on access to these raw materials. International cooperation is good, but new one-sided dependencies will lead to new problems. And in this context, I am also looking at China and its concept of the “New Silk Road”. I believe that we will need to re-assess this concept after our recent experience. With a view to Hong Kong, Taiwan and other South-East Asian countries, we cannot assume that China’s path will be one of peaceful coexistence. We must not make the same strategic mistake twice.

We have the impression that our customers are thinking about repositioning their supply relationships, which means:

- returning strategically important production to the EU or the Western world,
- diversifying supply relationships,
- more in-house production,
- reviewing just-in-time deliveries in favour of high inventories

– these are current issues. And there is no way to avoid them.

With this in mind, the war in Ukraine is a wake-up call. All of us need to wake up before it is too late. But the same applies to **digital infrastructure**. In this field, too, Europe needs greater sovereignty and independence. Today, Europe remains dependent on tech giants who are not based in Europe. We should not end up in a situation where the only choice left to us is whether to let government-owned Chinese corporations or Big Tech in the United States disregard our data sovereignty. It is for this very reason that the Savings Banks Finance Group helped to formulate the objective that, in payment transactions, Europe needs parity with international providers. Payment transactions provide insight into the life of each individual. In the wrong hands, it allows surveillance.

For strategic reasons, there is no alternative to the idea of a pan-European payments system. In our view, it is wrong to take decisions in this area solely for the sake of short-term commercial optimisation. Germany should be leading Europe on this question. The big payment service providers have a special responsibility here. That’s how we see it. Of course, we note that other major market players see things differently – at least for the time being. Perhaps the “turning point in history” will trigger a process of strategic reflection here as well.

The trust-based cooperation on the EPI has led to valuable results that we will not simply put back into the drawer. It is vital that we build bridges in Europe and strengthen our cooperation. Together with the other shareholders, we are therefore examining ways of taking the project forward. Discussions are centring on instant payments and a pay wallet.

Finally, I would like to address an aspect of data sovereignty which is extremely relevant right now: cyber security!

The war in Ukraine is not only being waged with tanks and guns; it is increasingly happening in virtual space. Germany's Federal Office for Information Security (BSI) and Federal Office for the Protection of the Constitution have warned that, as a result of the sanctions imposed on Russia, companies and public institutions in Germany are likely to experience more hacker attacks. Everyone – whether private individual or business – should examine how robust their systems are today and how well their employees have been trained.

Like the BSI, we also recommend that you should:

- update your emergency plans,
- make regular back-ups,
- keep your systems up to date,
- obtain appropriate support from service providers where you lack resources and skills yourself.
- And in these times, private individuals should be especially wary of fraudulent phishing mails!

I cannot and will not go into details at this point. In the interest of our customers, the Savings Banks Finance Group has significantly enhanced security in this field.

IV. Monetary policy and inflation

In conclusion, I would like to say something about the contribution which the ECB should make in the current crisis.

The war against Ukraine and the substantial price increases it has entailed – mainly in the energy sector – are significantly fuelling inflation expectations for 2022. Price increases of up to 6 percent cannot be ruled out. However, even before the war, it was already clear that inflation in the euro area would be significantly above the target of 2 percent in 2022. The scenario that has now materialised is one that we have always warned against in the past. With long periods of zero and negative interest rates, the ECB has manoeuvred itself into a difficult position. It is now left with two unpleasant alternatives. If the ECB combats the economic slowdown by maintaining zero and negative interest rates, it will continue to fuel inflation, which is high anyway. On the other hand, if the central bankers tackle the much higher rates of inflation by hiking interest rates, they might further cripple an already strained economy. The ECB is now paying the price for not responding earlier by normalising its monetary policy in time. During the oil crisis in the 1970s, Germany's Bundesbank established its reputation as an anchor of stability. It responded to high inflation rates by pursuing a rigid monetary policy and thus assumed responsibility for price stability. It should actually be clear what a central bank committed solely to price stability ought to be doing now. The U.S. Federal Reserve has already opted for higher interest rates.

The longer the ECB waits, the greater the risk of a chain reaction of rising prices and higher wage demands. The central bank must counter this scenario quickly with clear communication and clear decisions. Otherwise, trust in the euro as a stable currency might be eroded!

A first important step would be to abolish negative interest on bank deposits. Actually, its purpose is to stimulate lending, but this does not make any sense if, at the same time, the regulator slams on the brakes by introducing additional capital buffers. And there is not even any need for that, as the lending statistics indicate. Experience has shown that, in times of crisis, many people feel a growing need to place their deposits in safe hands, mainly with Savings Banks. It would be appropriate for the ECB not to penalise this growing need for security with its monetary policy.

V. Concluding remarks

Ladies and gentlemen,
the war in Ukraine marks a turning point in history. It is like a magnifying glass that demonstrates the failings of the past:

- We have not paid enough attention to external security.
- We have exposed ourselves too much to one-sided dependencies in existential matters of supply.
- And we have not sufficiently defined and strategically pursued legitimate European interests.

We will now jointly have to correct all of these mistakes within a very short period of time. We need more crisis resilience, a greater defence and response capability and secure sovereignty at all levels. Europe must take more control of its future in many fields. As Europe's strongest economy by far, Germany must boldly take the lead. This applies in particular to reducing energy dependence. This will require political will. And it will require capital. Providing the latter will be the most important challenge for the financial sector in the future.

As Germany's biggest financial service provider, the Savings Banks Finance Group is ready to face this European challenge. We have understood what now needs to be done.

Thank you very much for your attention.