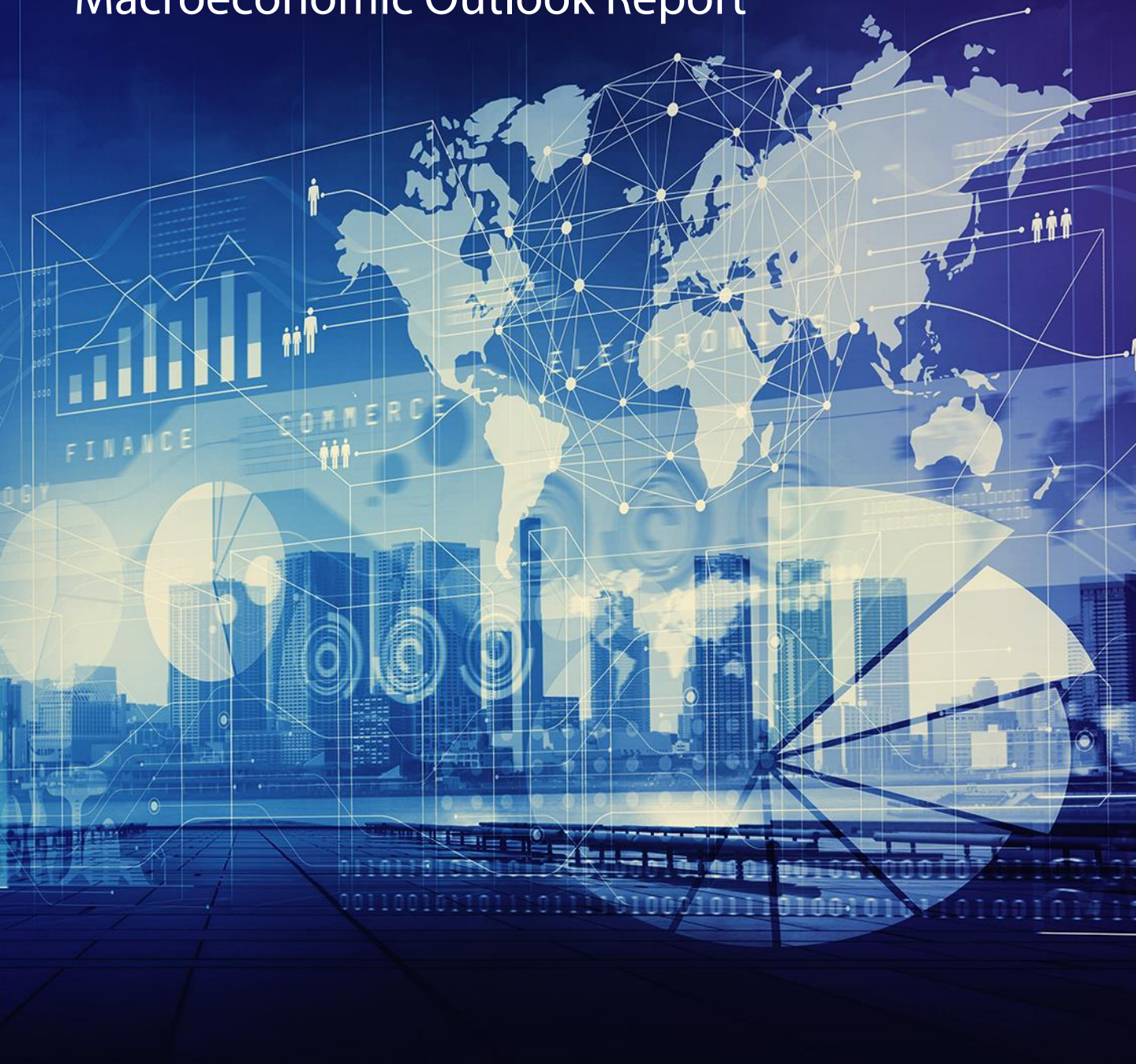


Germany – 1Q22

Macroeconomic Outlook Report



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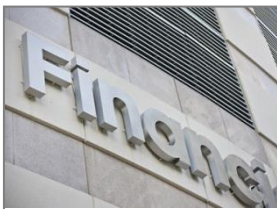
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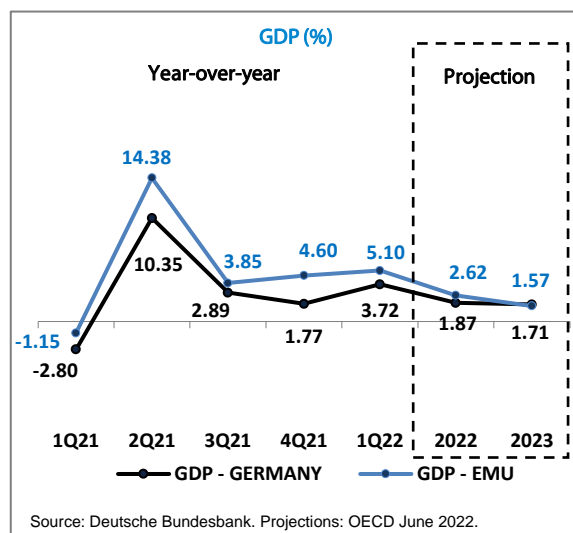
1. General Outlook

German macroeconomic overview

The recovery of German economic activity which began in spring, continued at a moderate pace in the first quarter of 2021. Germany's GDP registered an increase in its y/y growth rate up to 3.72%, 1.95 p.p. higher than in 4Q21. CPI y/y growth increased above the 2% objective, up to 5.77%. Furthermore, the German labour market continued recovering from the pandemic effects.

German Macroeconomic Overview

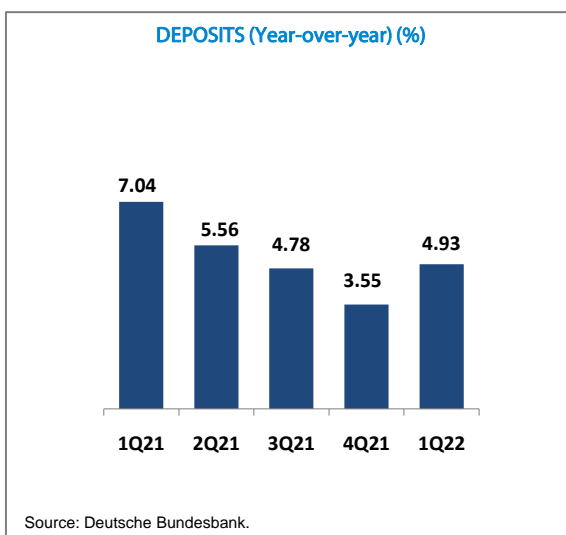
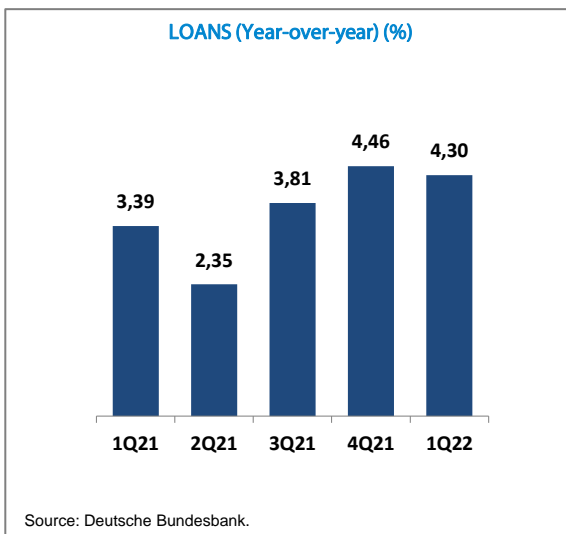
- ▶ During 1Q22, Germany's economy registered a GDP y/y growth rate of 3.72%, after an increase of 1.95 p.p. when compared to the rate reported in 4Q21. Growth in the German economy was lower than that of the EMU, which reached 5.10% in 1Q22.
- ▶ The OECD forecast is sensitive to many factors including a possible increase of Covid infections or persistent supply shortages in critical industries. Thus, the German economy is expected to grow in a 1.87% and 1.71% rate during 2022 and 2023.
- ▶ According to Bundesbank, the German industrial output was considerably higher compared with the fourth quarter of 2021, fostered by continued brisk demand for industrial products and an easing of supply bottlenecks.
- ▶ In terms of external demand, in 1Q22, exports and imports of goods decreased when compared to the previous quarter, however, imports continued high.
- ▶ According to Bundesbank, the labour market initially continued to chart a positive course in spite of the strains entailed by the Omicron wave and the outbreak of war in Ukraine.
- ▶ During 1Q22, Germany's unemployment rate decelerated when compared to the previous quarter, down to 3.07% after a decrease of 0.17 p.p.. Furthermore, the y/y growth rate of employment during 1Q22 recorded a rise of 0.60 p.p. with respect to 4Q21, registering a growth rate of 1.54%.
- ▶ Regarding inflation, the CPI recorded a y/y growth rate of 5.77%, which was 0.74 p.p. higher than the one registered in the previous quarter. This means that inflation rose above the 2% level objective set by the ECB.
- ▶ During the first quarter of 2022, the euro depreciate against the dollar, hence the exchange rate slowed-down when compared to 4Q21, recording an average quarterly exchange rate of 1.12 \$/€.
- ▶ The German stock market continued its recovery, even though it decreased when compared to the previous quarter. Therefore, the German's Stock Index (DAX 30) quarterly average experienced a decrease of 4.99% down to 14,782 points during the first quarter of 2022, when compared to 4Q21.



Banking sector

During the first quarter of 2022 the y/y growth rate of total loans in the German financial system decreased to 4.30%. Total deposits experienced an increase with respect to the previous quarter, registering a growth rate of 4.93%. In 4Q21 the NPL ratio stood at 1.10%, which remained constant compared to 3Q21. As for the coverage ratio, it increased in the fourth quarter of 2021 compared to 3Q21, amounting to 35.90%. In terms of efficiency, the German financial system decreased its cost to income ratio compared to 4Q20 and was down to 74.00%.

Banking sector



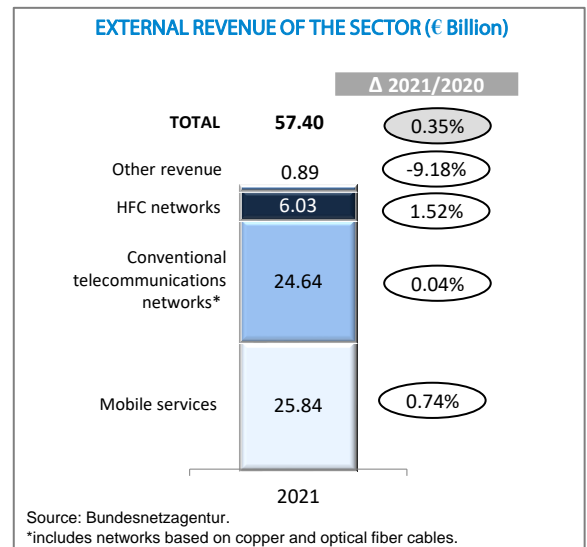
- ▶ During the first quarter of 2022, the y/y growth rate of total loans in the German financial system decreased by 0.16 p.p. up to 4.30%.
- ▶ Nevertheless, the y/y growth rate of total deposits accelerated, by 1.38 p.p. in 1Q22 when compared to the previous quarter, up to a rate of 4.93%.
- ▶ Other institutions decreased their deposits growth rates whereas Savings institutions, Commercial Banks and Landesbanken increased them compared to the previous quarter.
- ▶ Germany's financial system recorded a 1.18 p.p. y/y decrease in its LTD ratio compared to 1Q21, which stood at 108.31% in the first quarter of 2022, with all type of institutions experiencing decreases in their ratios with the exemption of Savings and other institutions.
- ▶ On the other hand, during 4Q21, the NPL ratio stood at 1.10%, which remained constant when compared to 3Q21.
- ▶ In the fourth quarter of 2021 the coverage ratio of the German financial system increased by 0.70 p.p. when compared to 3Q21, amounting to 35.90%.
- ▶ In terms of efficiency, the ratio of the German financial system decreased by 2.96 p.p. compared to 4Q20, totaling 74.00% during the fourth quarter of 2021.

Other sectors: Telecommunications

In 2021*, the external revenue of the telecommunications sector increased by 0.35% when compared to 2020, due to the increases in the external revenue from mobile services (0.74%), external revenue in HFC networks (1.52%), and external revenue in conventional telecommunications networks (0.04%). Other external revenue decreased by -9.18%. The number of fixed connections increased its level, meanwhile mobile connections experienced a 2.05% decrease. Fixed traffic decreased by 1.92%, while mobile traffic experienced a growth of 13.41%.

Telecommunications sector

- ▶ During 2021, external revenue in the telecommunications sector amounted to € 57.40 billion, after a y/y increase of € 200 million (0.35%).
- ▶ Conventional telecommunications network segment revenues increased by 0.04% to € 24.64 billion in 2021. HFC networks revenues increased y/y by 1.52% to € 6.03 billion.
- ▶ On the other hand, external revenue from mobile services increased to € 25.84 billion in 2021 (0.74%), while other revenues dropped by -9.18%, to € 0.89 billion in 2021.
- ▶ In terms of volume, fixed connections increased its level during 2021 with respect to 2020, with 38.60 million connections. In terms of mobile connections, a decrease of 2.20 million connections was registered, 2.05% less than the number of connections reported in 2020.





2. International Overview

LatAm

During the first quarter of 2022, the economic recovery in all the countries analysed registered a moderation compared to the previous quarter. This was explained by the outbreak of the war in Ukraine and the resulting increase in inflation and worsening bottlenecks. On the other hand, the mixed recovery in the labour market continued to consolidate, albeit at a slower pace than that of economic activity.

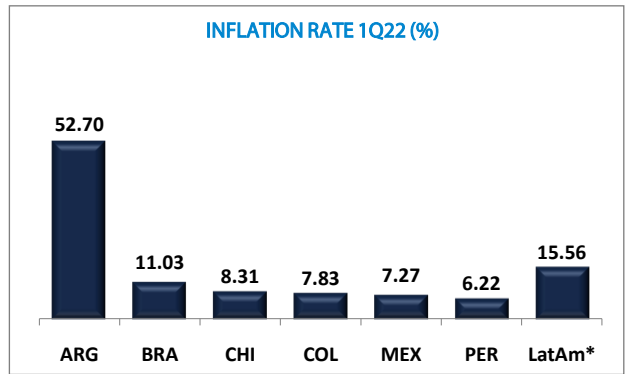
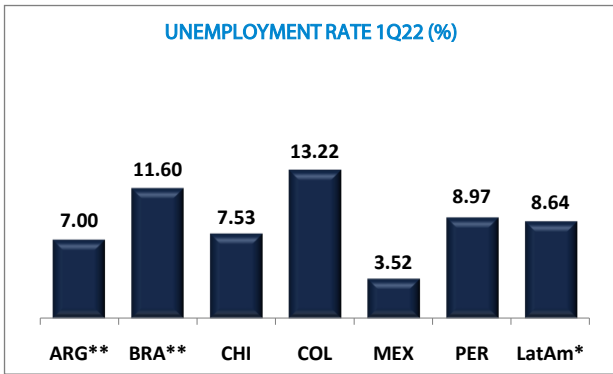
Macroeconomic Overview

- ▶ The recovery of economic activity in Latin America was dampened in the first quarter of the year. The outbreak of conflict in Ukraine has dampened global growth prospects for the coming quarters. The conflict itself and the response of the international community, with economic sanctions against Russia, have increased uncertainty, tightened financing conditions, aggravated bottlenecks and raised energy and food prices, which have also been affected in the second half of 2021 by geopolitical tensions. This has dampened households' purchasing power and increased firms' production costs. Colombia* recorded the highest year-on-year growth rate (8.15%) while Mexico registered the lowest rate at 2.23%.
- ▶ In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has revised downwards its forecast for the Latin American economy for 2022 to 1.80% growth in the region. Global trade dynamics are also expected to be negatively affected by the conflict, leading to a decline in Latin America's external demand. According to the IMF, global growth is expected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than in the last report. In its December update, the OECD placed its forecasts for Argentina and Colombia above the OECD average (2.70%) in 2022.
- ▶ Inflation has picked up markedly and across the board in the region. Although this pick-up appears to be predominantly transitory in nature, central banks in the region have embarked on a cycle of monetary policy tightening. Higher inflationary persistence is expected to restrict the room for manoeuvre of monetary policy. Argentina was once again the country with the highest inflation rate at 52.70% while Peru recorded the lowest price increase with 6.22% inflation in 1Q22.
- ▶ During the first quarter of 2022, the labour market continued to recover from the economic consequences of the pandemic, but the negative effects on the labour market are proving more persistent than on activity. Most countries recorded declines in their unemployment rate compared to 4Q21. Mexico ranked as the country with the lowest unemployment rate (3.52%) and Colombia with the highest rate (13.22%).

Financial Sector

- ▶ In response to rising inflation, the monetary policy of the region's central banks has become more restrictive and most of them have raised interest rates significantly, which in most cases have reached levels similar to those observed in 2017.
- ▶ The withdrawal of the fiscal impulse is projected to accelerate in 2022, in line with the evolution of macroeconomic conditions and higher financing costs. Public spending would contract, reinforcing the reduction observed in 2021, reducing the contribution of fiscal policy to economic growth.
- ▶ With regard to their ratings, all Latin American countries kept their ratings constant in the first quarter of the year, except Peru, which went from an S&P rating of BBB+ to BBB during this period. This rating considers that, while the country has good credit quality with adequate capacity to meet its financial obligations, this capacity could be affected by its exposure to adverse economic conditions.
- ▶ Finally, there was a notable slowdown in lending, partly linked to the general withdrawal of support programmes, with only Colombia increasing its lending. As regards deposits, all countries recorded positive year-on-year growth during the period, with the exception of Peru. Most of them, except Chile and Colombia, decreased their rate compared to the previous quarter. Colombia presented the largest increase in its rate, after an acceleration of 1.54 p.p. compared to 4Q21.

*Colombia recorded the highest growth rate in the absence of updated data from Argentina and Brazil.



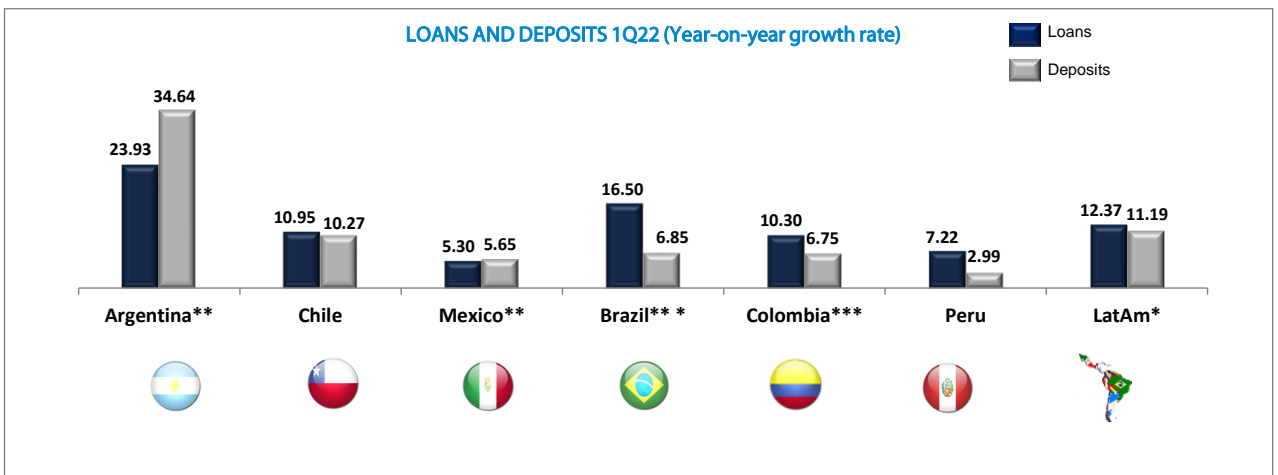
LONG TERM RATES 1Q22

	MOODY'S		S&P		FITCH	
Argentina	Ca	—	CCC+	—	CCC	—
Brazil	Ba2	—	BB-	—	BB-	—
Chile	A1	—	A	—	A-	—
Colombia	Baa2	—	BB+	—	BB+	—
Mexico	Baa1	—	BBB	—	BBB-	—
Peru	Baa1	—	BBB	▼	BBB	—

▲ Increase since 4Q21

— Constant since 4Q21

▼ Decrease since 4Q21



*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.
 **Most updated figures available at the date of the release correspond to 1Q22, except for Argentina, Mexico and Brazil's deposits (4Q21)
 *** Data corresponding to Colombia and Brazil's loans are the average of January and February 2022.

2. International Overview

OECD & China

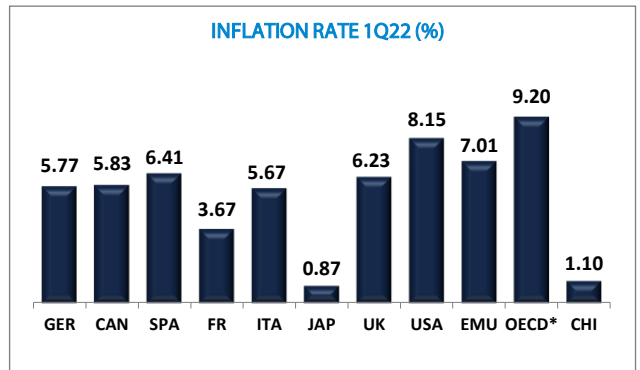
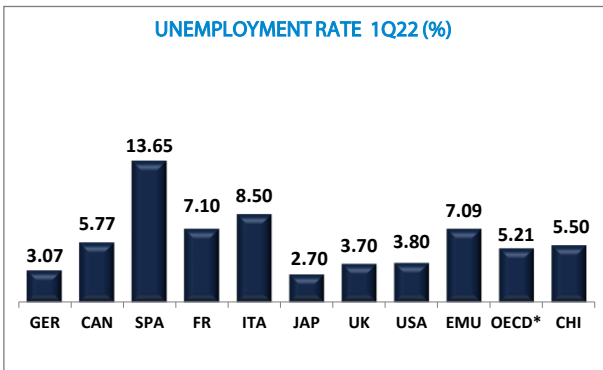
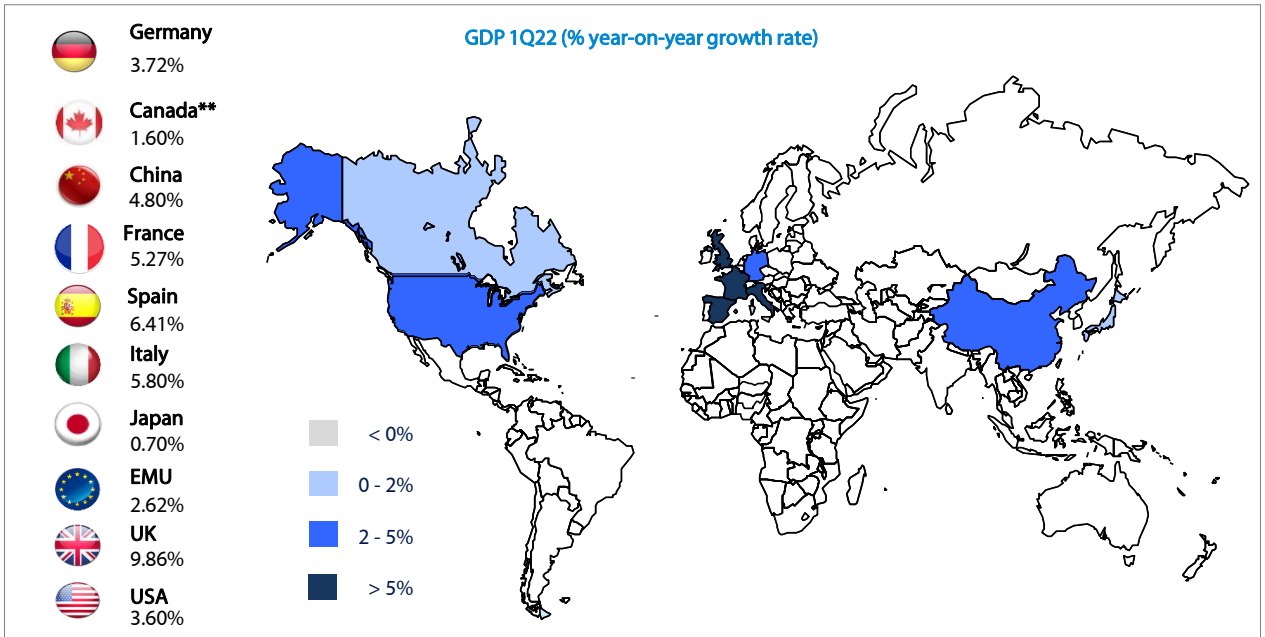
In the first quarter of 2022, the recovery in economic activity in OECD countries decelerated. This was explained by rising inflationary pressures as a result of higher energy prices. However, exports from most G20 and OECD countries increased. Labour markets generally contracted.

Macroeconomic Overview

- ▶ In the first quarter of 2022, the Eurozone continued to recover with a year-on-year GDP growth rate (2.62%), decelerating from the previous quarter. Consequently, the OECD in its June forecast expects year-on-year GDP growth for 2022 and 2023 to be 2.60% and 1.60%, respectively, down slightly, however, from its December forecast. The European Commission acknowledges a slower than expected economic recovery, affected by the outbreak of the war in Ukraine. The labour market worsened compared to the last quarter, but is expected to improve slightly later on. However, the Commission warns about inflation and its higher persistence over the time horizon, thus slowing the pace of recovery in the short term. Among the countries analysed in the region, the UK, Spain and Italy recorded the highest year-on-year GDP growth rates (9.86%, 6.41% and 5.80%, respectively).
- ▶ The United States continued the recovery of its economic activity in this period with another positive year-on-year GDP growth rate of 3.60%, decelerating from 4Q21. The Fed modified its previous projections, predicting a smaller 2.8% increase in GDP in 2022, followed by a 2.2% increase in 2023, and a 2% increase in 2024. Meanwhile, the UK recorded higher GDP growth during this period compared to the previous quarter, with a rate of 9.86%. The conflict in Ukraine and rising inflation have led to a significant deterioration in the UK's growth outlook. These events have greatly exacerbated the combination of adverse supply shocks that the UK continues to face.
- ▶ China recorded a lower GDP growth rate during the first quarter compared to 4Q21, with a rate of 4.80%. Despite the challenges posed by the new outbreaks of COVID-19 and geopolitical uncertainties, the Chinese economy continues to recover. Similarly, Japan recorded in 1Q22 a slight acceleration in the GDP rate compared to 4Q21, rising from 0.69 p.p. to 0.70%. In 2022, the OECD estimates Chinese and Japanese GDP growth of 4.40% and 1.70% respectively.
- ▶ Foreign trade in the G20 countries continued to grow between January and March in monetary terms due to higher commodity prices and inflation, exacerbated by the conflict in Ukraine and covid restrictions in China and East Asia. The OECD said in a statement on Tuesday that exports from the group of the world's 20 largest economies rose by 3.6 % between January and March from the previous quarter, while exports grew by 5.8 %. In the first three months of this year, exports from the European Union as a whole rose by 3 %. Within the G20 countries as a whole, exports increased by 20.2 % in Brazil and 11.5 % in Argentina. On the other hand, exports from the United Kingdom fell by 1.6% and from Germany by 0.1%.
- ▶ In 1Q22 inflation rose in all the economies analysed with respect to 1Q21, with the most pronounced increases in the United States and Spain. For its part, the EMU registered an acceleration of 5.71 p.p. compared to 1Q21. China registered the smallest increase compared to 1Q21, with inflation of 1.10%. Inflation grew at a frenetic pace due to the energy component. On the other hand, all economies contracted their labour markets, except Spain and China, which recorded slight increases.

Financial Sector

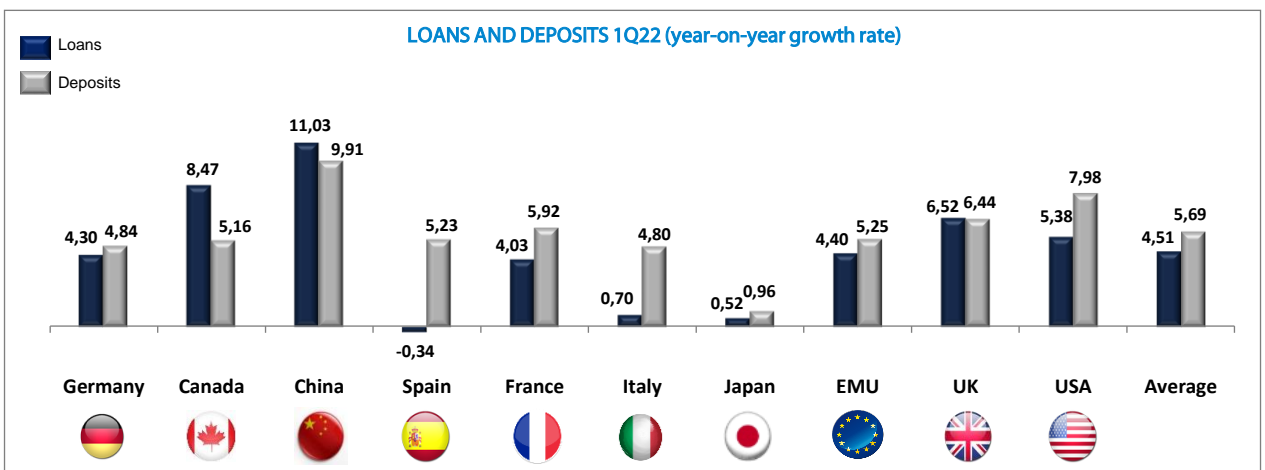
- ▶ Spain upgraded its S&P rating, raising its grade from A- to A.
- ▶ Regarding the monetary policies of the different countries, the Fed raised interest rates by 25 basis points to curb inflation during the first quarter of 2022 while the ECB has decided to end net asset purchases under its asset purchase programme (APP) as of 1 July 2022.
- ▶ During the period, year-on-year growth in lending slowed down in all countries except Germany, Canada and the UK compared to 1Q21, Japan being the country with the highest rate of decline (-4.75%). Deposit growth declined for all countries compared to 1Q21, except for the UK. The US recorded the second largest year-on-year rate of decline (-9.01%) after Japan (-9.24%).



LONG TERM RATINGS 1Q22

	MOODY'S	S&P	Fitch
Germany	Aaa -	AAA -	AAA -
Canada	Aaa -	AAA -	AA+ -
China	A1 -	A+ -	A+ -
Spain	Baa1 -	A ▲	A- -
France	Aa2 -	AA -	AA -
Italy	Baa3 -	BBB -	BBB -
Japan	A1 -	A+ -	A -
UK	Aa3 -	AA -	AA- -
USA	Aaa -	AA+ -	AAA -

▲ Increase since 4Q21
- Constant since 4Q21
▼ Decrease since 4Q21



*OECD aggregate data, latest available data at publication date corresponds to 4Q21

**Data corresponds to 4Q21

3. German macroeconomic view

During 1Q22 the recovery of German Economy continued, however it suffered from the repercussions of the conflict in Ukraine. Both internal and external sector knew significant levels of growth, albeit the external sector was lower than in 4Q21.

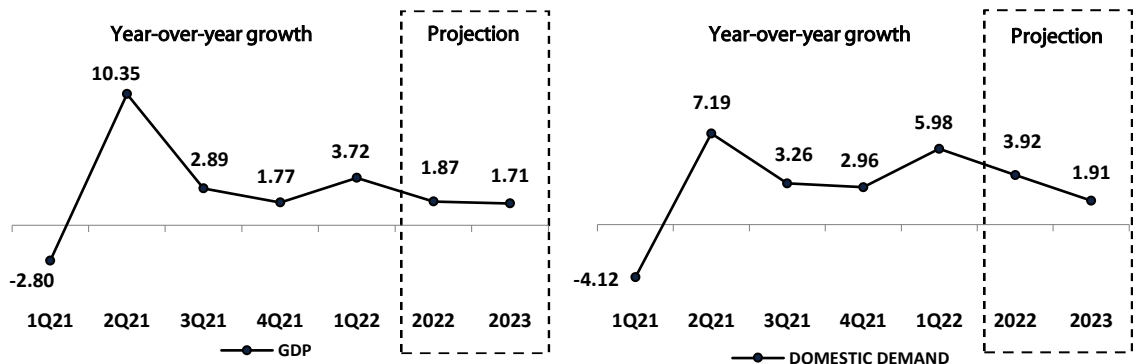
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP	-2.80	10.35	2.89	1.77	3.72	1.87	1.71
DOMESTIC DEMAND	-4.12	7.19	3.26	2.96	5.98	3.92	1.91
PRIVATE CONSUMPTION	-9.08	6.64	1.43	2.42	8.61	3.43	1.89
PUBLIC CONSUMPTION	2.44	6.46	1.85	1.05	1.84	-0.08	-0.75
GROSS FIXED CAPITAL FORMAT	-0.95	7.67	-0.03	-2.38	0.91	3.36	4.54
EXTERNAL DEMAND							
EXPORTS	-0.15	27.11	7.53	6.69	2.63	1.41	4.95
IMPORTS	-2.60	20.15	9.46	10.96	7.24	5.37	4.67
INFLATION							
CPI*	1.36	1.67	3.90	5.03	5.77	3.43	1.89
LABOR MARKET							
UNEMPLOYMENT	3.93	3.70	3.47	3.23	3.07	3.08	3.44
EMPLOYMENT	-1.50	0.08	0.66	0.94	1.54	2.14	0.59

*ECB inflation rate target: 2%.
Source: Deutsche Bundesbank. Projections: OECD June 2022

- ▶ During the first quarter of the year, the German economy more or less stagnated. Although it registered a 3.72% of year-on-year GDP growth, which increased compared to the previous quarter, the initial recovery of the economy will likely be weakened by repercussions of the conflict in Ukraine. The decline in industry was particularly pronounced, with production plans and export expectations dropping sharply.
- ▶ Furthermore, public expenditure continued to contribute to the internal demand. Tax revenue was 15% higher, exceeding both the pre-crisis level in 2019 and the anticipated revenue level for 2021, last estimated before the outbreak of the coronavirus crisis.
- ▶ According to the Bundesbank, the labour market initially continued to chart a positive course in spite of the strains entailed by the Omicron wave and the outbreak of the conflict in Ukraine. However, the previously high pace of employment growth slowed markedly in February.
- ▶ On the external demand side, exports recorded an interannual growth rate of 2.63% while imports stood at a rate of 7.24%. Exports of goods in the first quarter of 2022 decreased slightly from the previous quarter in price-adjusted terms. This is due to the major importance of the losses in foreign sales markets for German exports. The decrease of imports was affected by the increase of prices when compared with the previous year, with imports of energy continuing to be the main driver. Strong inflation also persisted at the producer level.

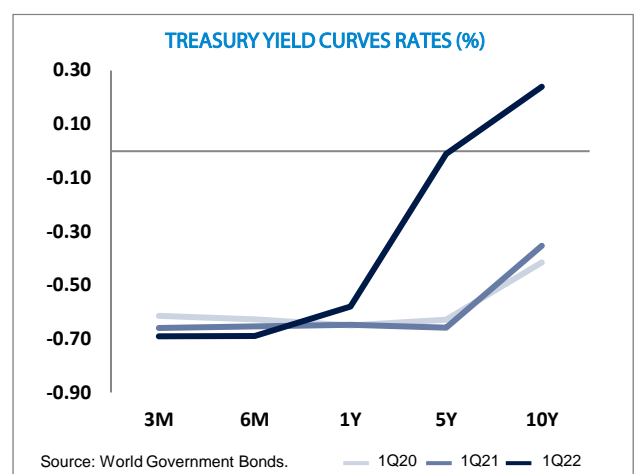
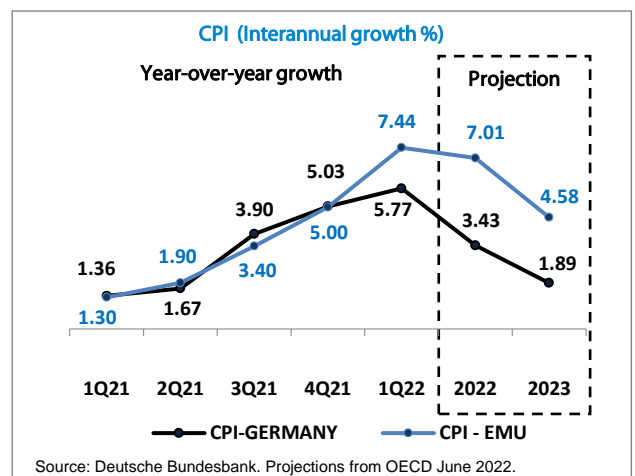
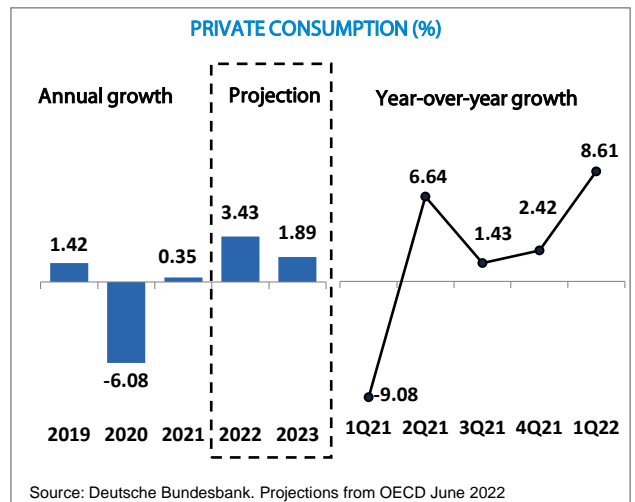
GDP and domestic demand interannual growth (%)



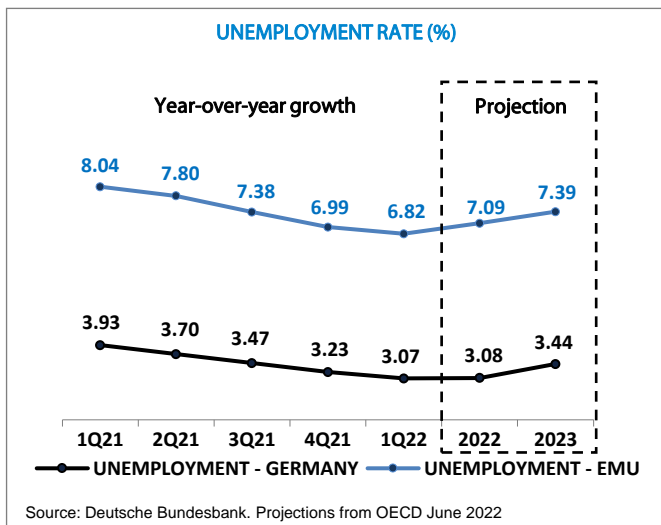
Source: Deutsche Bundesbank. Projections: OECD June 2022

In the first quarter of 2022, private consumption recorded an increase in its y/y growth rate compared to the previous quarter, standing at an 8.61% rate. In addition, the inflation rate continued its raising trend, reaching a 5.77% rate during the first quarter of 2022. German bond yields registered increases in all their interest rate maturities, except for 3- and 6-month maturities, compared to 1Q21 and 1Q20.

- ▶ During the first quarter of the year, private consumption experienced an increase when compared to the previous quarter, up to an 8.61% y/y growth rate, increasing by 6.19 p.p.
- ▶ According to the Bundesbank, the measures to contain and increase the coronavirus pandemic helped counter consumers' tendency to tighten their purse strings due to high inflation and increased uncertainty.
- ▶ The OECD forecast for private consumption predicts an exponential year-over-year growth rate of 3.43% for 2022. Furthermore, it expects private consumption to lower its growth in 2023, down to a 1.89% rate.
- ▶ In 1Q22, the y/y growth rate of the German Consumer Price Index rose by 0.74 p.p., increasing for the fifth consecutive quarter, up to a 5.77%. One of the reasons was that the high demand for fossil fuels met with low market supply.
- ▶ According to the Bundesbank, the renewed surge in inflation dynamics in March was attributable to energy. At the consumer level, the extremely high rise in prices in this sector even exceeds the degree that can be explained by surging prices in the international commodity markets.
- ▶ In addition, inflation rate stood 1.67 p.p. below the European average in 1Q22. Moreover, predictions stands for levels above the 2% objective during the years 2022 and 2023. According to the OECD, German price index will remain below the European average during all that time.
- ▶ During the first quarter of the year, German bonds decreased for 3- and 6-month maturities when compared with 1Q20 and 1Q21.
- ▶ When compared to the first quarter of 2021, German bonds only registered an increase in the 10Y maturity (+0.59 p.p.), in the 5Y maturity (+0.65 p.p.) and in the 1Y maturity (+0.07 p.p.). Meanwhile, the rest of the maturities registered decreases compared to the first quarter of 2021, in the 3M maturity (+0.03 p.p.) and in the 6M maturity (+0.04 p.p.).



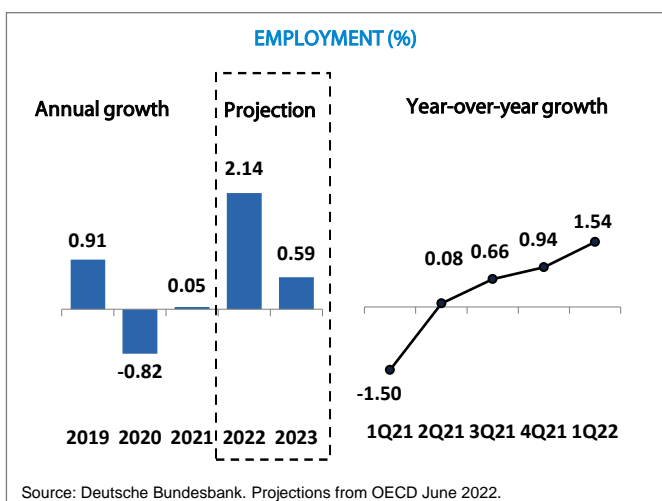
Regarding the labour market, during the first quarter of 2022, the unemployment rate decrease when compared to the previous quarter, standing at a 3.00% rate. Besides, in year-over-year terms, unemployment also felt, by 0.93 p.p.. Concerning the y/y growth rate of employment, it stood at 1.54% in the first quarter of 2022, continuing with its positive trend for the fourth consecutive quarter.



- ▶ In the first quarter of the year, the unemployment rate slightly decreased with respect to the fourth quarter of 2021, standing at a 3.00% rate. Moreover, it felt by 0.93 p.p. relative to the same quarter of the previous year. The unemployment rate was lower than that of the EMU (6.82%).
- ▶ The OECD projected the unemployment rate to reach 3.08% by 2022. In contrast, the unemployment rate is expected to continue its recovery during 2023, decreasing to 3.44%.
- ▶ According to the Bundesbank, registered unemployment was down by 18,000 persons in February after adjustment for seasonal variations. Over the past few months, there was mainly a drop in unemployment.
- ▶ The y/y growth rate of employment during 1Q22 recorded a substantial increase of 0.60 p.p. with respect to the fourth quarter of 2021, registering a growth rate of 1.54%, continuing with its positive trend for the fourth consecutive quarter.

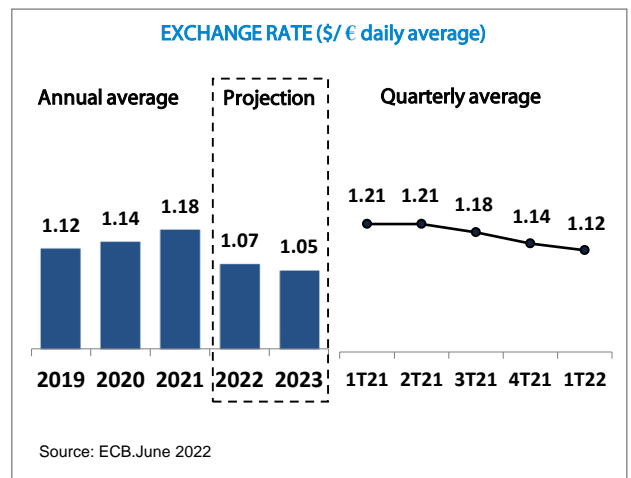
▶ According to the Bundesbank, the labour market experienced relatively favourable developments in employment and unemployment. Employment rose by 34,000 workers in February 2022 after seasonal adjustment. This almost put employment back at its level from the start of 2020. Employment growth was especially positive for jobs subject to social security contributions.

- ▶ The loss of working hours per short-time worker rose again significantly. The number of new registrations for short-time work continued to drop distinctly in March. This is because the decision to extend the regulations to facilitate access to short-term work by a further three months was not made until late in the day.

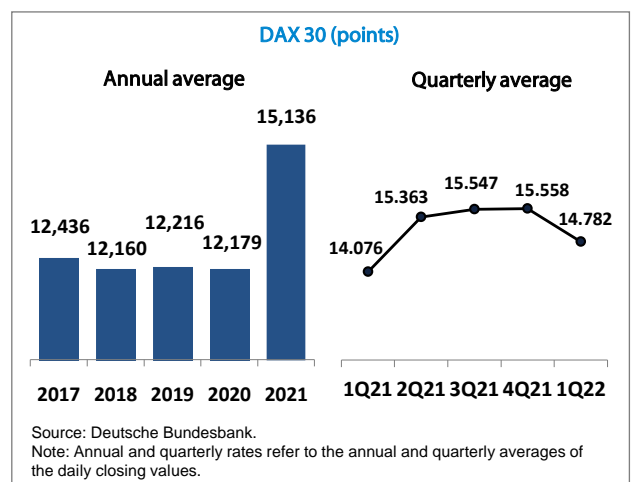




- ▶ During the first quarter of 2022, the euro depreciated against the US dollar when compared to the previous quarter. Therefore, the average quarterly exchange rate stood at 1.12 \$/€.
- ▶ The ECB expects the annual average dollar/euro exchange rate to stand at 1.07 \$/€ for 2022 and 1.05 \$/€ for 2023, with the US dollar depreciating against the euro with respect to 2021.



- ▶ Following its sustained recovery, the German stock market experienced a slight decrease during the first quarter of 2022 due to the uncertainty caused by the conflict in Ukraine.
- ▶ In further detail, the German's Stock Index (DAX 30) quarterly average experienced a decrease of 4.99% down to 14,782 points during the first quarter of 2022 when compared to the previous quarter.
- ▶ Moreover, the main stock index increased by 706 points in 1Q22 when compared to the same quarter of the previous year (5.02%).

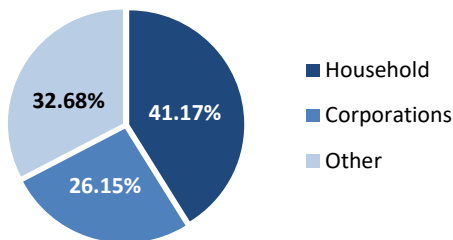


4. Banking sector: general overview

Loans

During the first quarter of 2021, loans granted to households, to non-financial corporations and to other segments registered a decrease in their y/y growth rates when compared to the previous quarter and therefore explained the decrease of total loans in the German financial system. Regarding distribution, household loans accounted for 41.17% of total loans, while those granted to non-financial corporations and other segments registered shares of 26.15% and 32.68%, respectively in 1Q22.

Loans distribution in private sector 1Q22 (%)

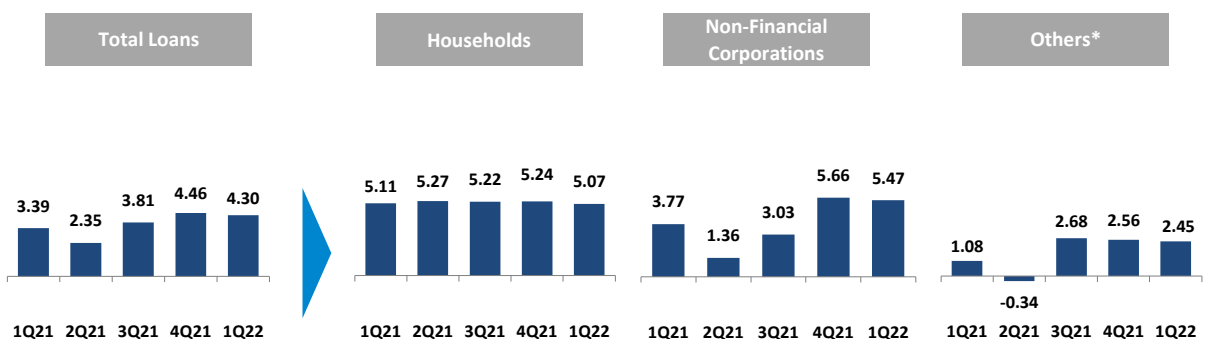


Source: Deutsche Bundesbank.

- ▶ Total loans decreased by 0.16 p.p. during 1Q22 compared to 4Q21, down to a y/y growth rate of 4.30%.
- ▶ As in the previous quarter, a large proportion of loans to the private sector were granted to households. Thus, during the fourth quarter, loans to households decelerated by 0.17 p.p. to a y/y rate of 5.07%.
- ▶ Loans to non-financial corporations also decelerated their y/y growth rate by 0.19 p.p., down to 5.47% in 1Q22.
- ▶ Finally, loans to other segments decreased with respect to 4Q21 by 0.21 p.p., registering a y/y rate of 2.45% in 1Q22.

- ▶ Household loans made up 41.17% of total loans in 4Q21, 0.35 p.p. less than in the previous quarter, while loans to non-financial corporations accounted for 26.15% (a quarterly increase of 0.12 p.p.) of total credits to the private sector.
- ▶ Loans to other segments amounted to 32.68% of the total loan volume during 1Q22, increasing its share with respect to 4Q21 by 0.23 p.p..

LOANS (Year-over-year) (%)



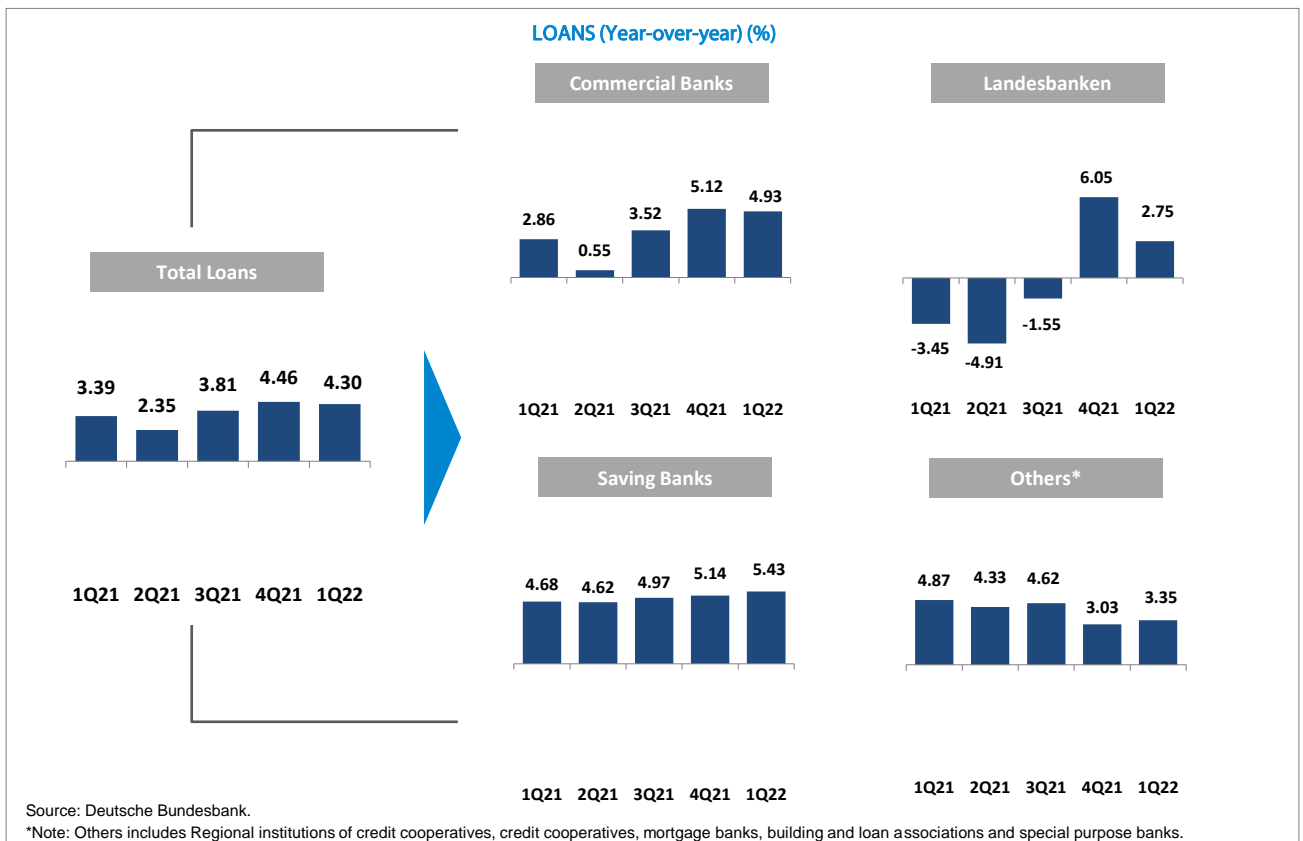
Source: Deutsche Bundesbank.

*Note: Others includes loans to Government, Securities, Money Market and Bills.

Loans: by entity

During the first quarter of 2022, the y/y growth rate of total loans decreased by 0.16 p.p. compared to the previous quarter, down to a 4.30% rate. This behavior was driven by the performance of the Commercial and Landesbanken segments during the first quarter of the year.

- ▶ During the first quarter of 2022, the y/y growth rate of total loans in the German financial system decreased by 0.16 p.p. compared to the previous quarter down to a rate of 4.30%.
- ▶ This performance was a result of the deceleration in the y/y growth rate of loans and leases of the Commercial Banks and Landesbanken financial institutions, while Savings banks and other financial institutions recorded accelerations.
- ▶ During 1Q22, the y/y growth rate of loans granted by Landesbanken decelerated compared to 4Q21, with a variation of 3.30 p.p., though maintaining a positive rate (2.75%) for the second time after five consecutive quarters in negative growth. On the same line, Commercial Banks loans y/y growth rate decreased by 0.19 p.p. to 4.93% in the first quarter of the year.
- ▶ On the other hand, Saving Institutions registered a y/y growth rate of 5.43% after increasing by 0.29 p.p. compared to the previous quarter and, finally, other Institutions increased their growth rate by 0.32 p.p. up to 3.35% during the first quarter of 2022.

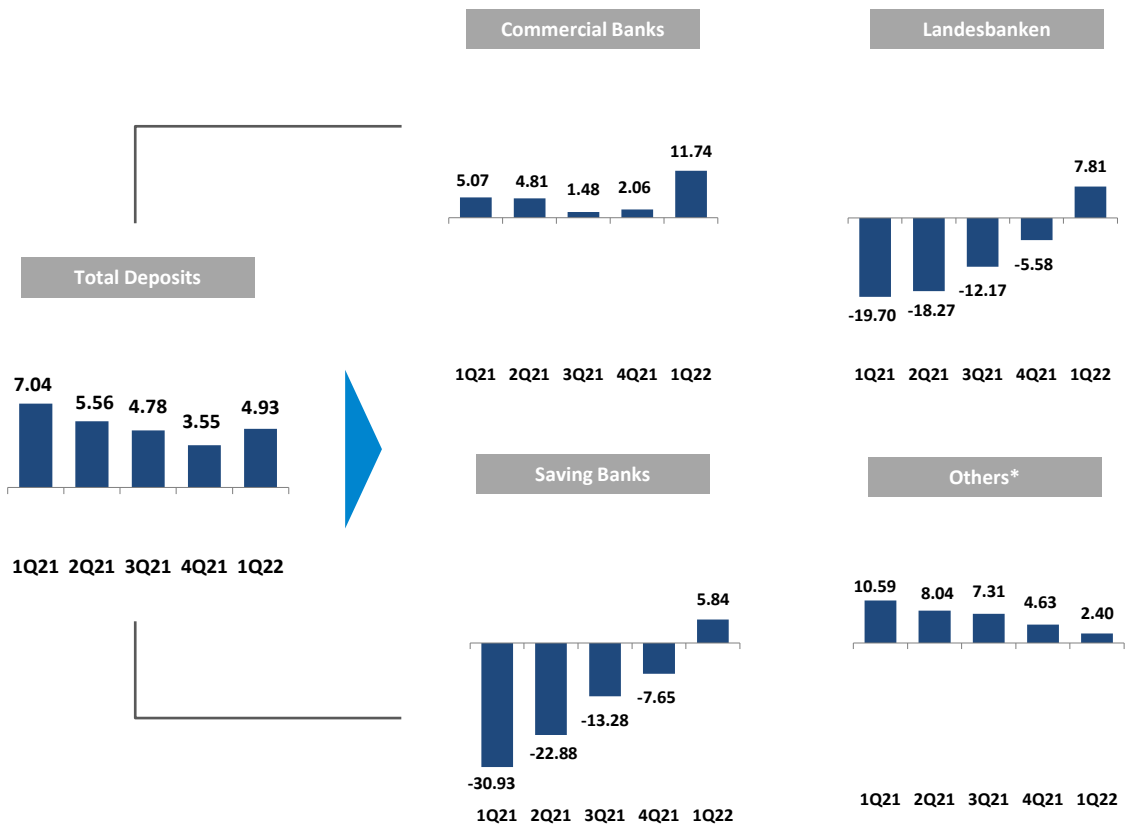


Deposits: by entity

During 1Q22, the y/y growth rate of total deposits experienced an acceleration of 1.38 p.p. with respect to the previous quarter, up to a growth rate of 4.93%. Other institutions recorded declines to rates of 2.40%.

- ▶ The y/y growth rate of total deposits increased by 1.38 p.p. in 1Q22, up to a rate of 4.93%.
- ▶ Other institutions registered decreases during the first quarter of the year of 2.23 p.p., despite registering a growth rate of 2.40%.
- ▶ Commercial Banks significantly accelerated their growth rate by 9.68 p.p. and recorded a rate of 11.74%.
- ▶ Similarly, Saving institutions registered a 13.49 p.p. acceleration with respect to 4Q21, turning to a positive 5.84% growth rate after seven consecutive quarters registering negative growth.
- ▶ Finally, Landesbanken recorded another large increase in its growth rate in deposits, up to a positive y/y growth rate of deposits of 7.81%, having increased by 13.39 p.p..

DEPOSITS BY TYPE OF ENTITY (Year-over-year, %)

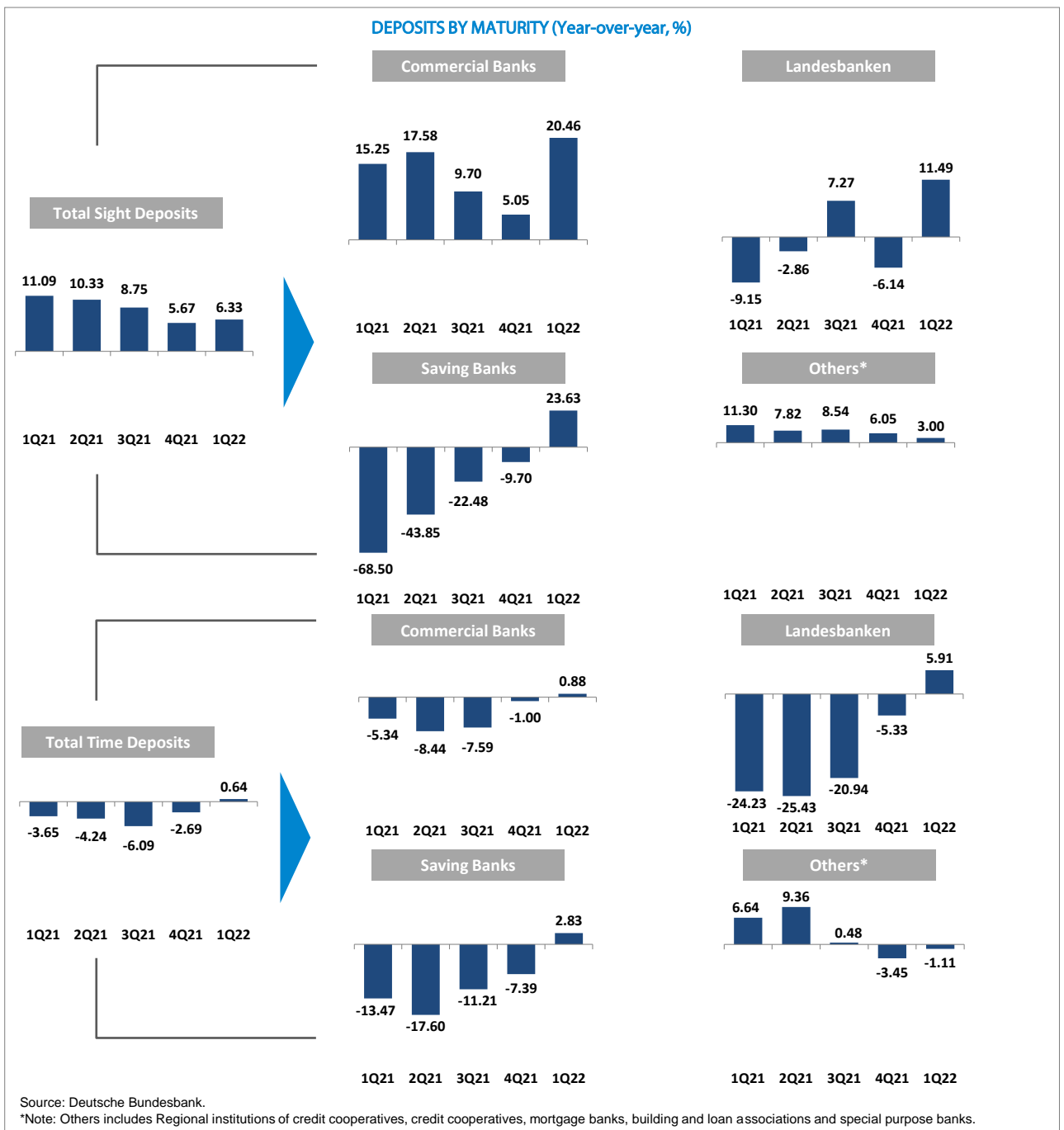


Source: Deutsche Bundesbank.

*Note: Others includes Regional institutions of credit cooperatives, credit cooperatives, mortgage banks, building and loan associations and special purpose banks.

Deposits: by maturity

- ▶ During the first quarter of 2022, the growth rate of total sight deposits experienced an increase of 0.66 p.p. with respect to the previous quarter, up to a rate of 6.33%. This behavior was driven by the increase in yearly growth rate of sight deposits at commercial banks, saving banks and Landesbanken, which compared to the previous quarter registered increases of 15.41 p.p., 33.33 p.p. and 17.63 p.p.. However, the growth was limited due to a quarterly decline in the yearly growth rate of other institutions of 3.05 p.p., given the fact that these represented 77.50% of total sight deposits.
- ▶ As for time deposits, they registered a 3.33 p.p. increase in their y/y growth rate, up to 0.64%. This performance was mainly driven by the increases in all entities: Commercial Banks (1.88 p.p.), Landesbanken (11.24 p.p.), Savings Banks (10.22 p.p.) and other institutions (2.34 p.p.).

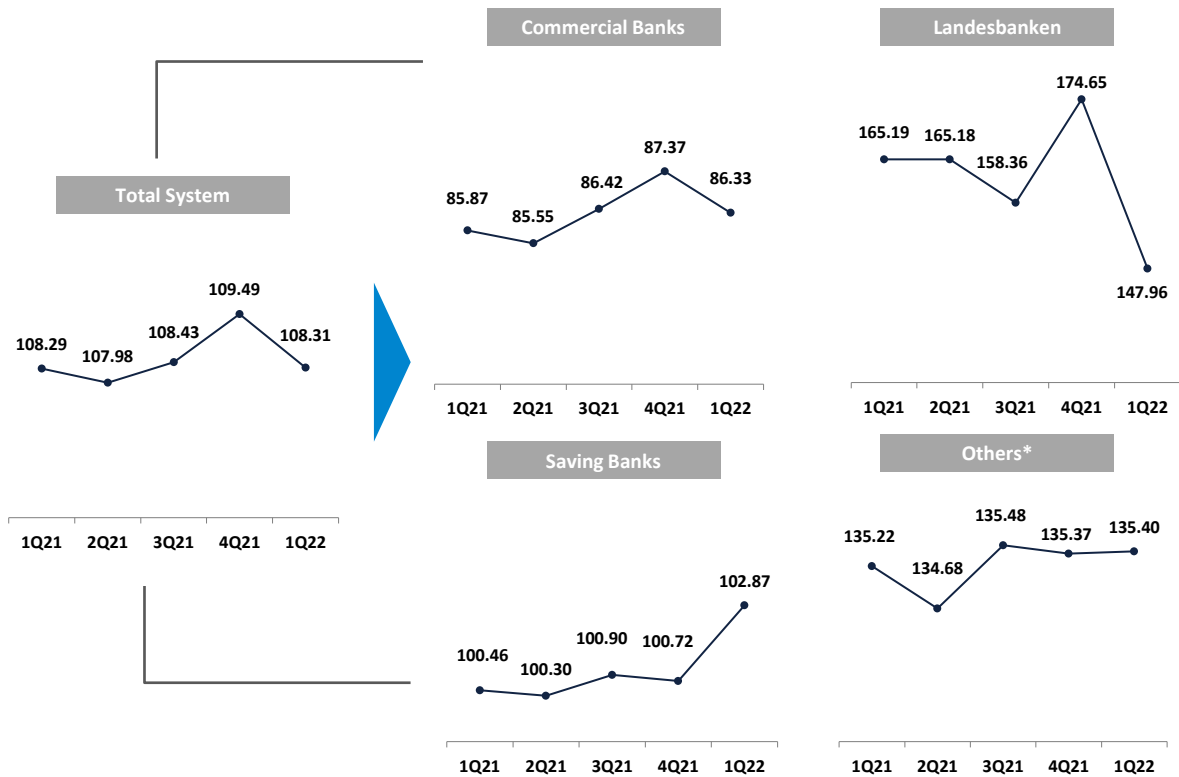


Loans / Deposits

During the first quarter of 2022, the total loans-to-deposits (LTD) ratio of the German financial system experienced a decrease of 1.18 p.p. with respect to the same quarter of the previous year, down to 108.31% . This was the result of higher y/y growth in total deposits (4.93%) as compared to that of total loans (4.30%).

- ▶ During 1Q22, Germany's financial system recorded a 1.18 p.p. y/y decrease in its LTD ratio compared to the past quarter. Commercial banks and Landesbanken experienced decreases in their ratios, while savings banks and other segments limited the decline with their growth in the ratio. The result was higher year-on-year growth in total deposits (4.93%) as compared to total loans (4.30%).
- ▶ When comparing entities, Commercial Banks decreased their LTD ratio by 1.04 p.p., and Landesbanken by 26.69 p.p.. Other institutions increased their ratio by 0.79 p.p., and Saving Banks by 2.15 p.p., all compared to 4Q21.
- ▶ Despite such a large decline, Landesbanken once again recorded the largest ratio, amounting to 147.96%. Commercial banks continued to be the only type of entity recording a higher volume of deposits than loans, with LTD ratio standing at 86.33%.

TOTAL LOANS / TOTAL DEPOSITS (Quarterly, %)

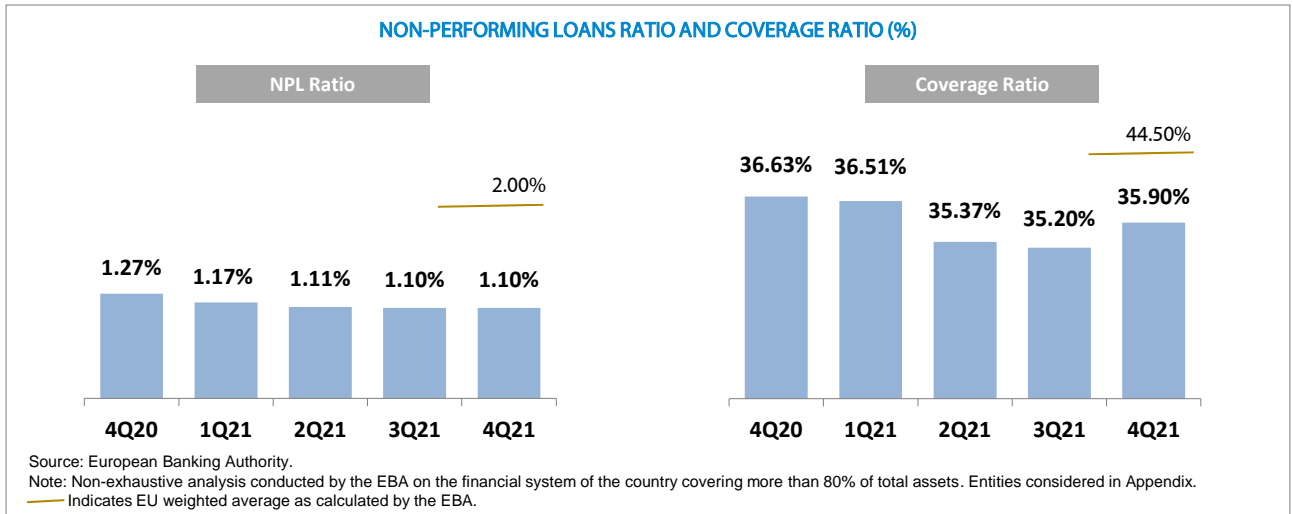


Source: Deutsche Bundesbank.

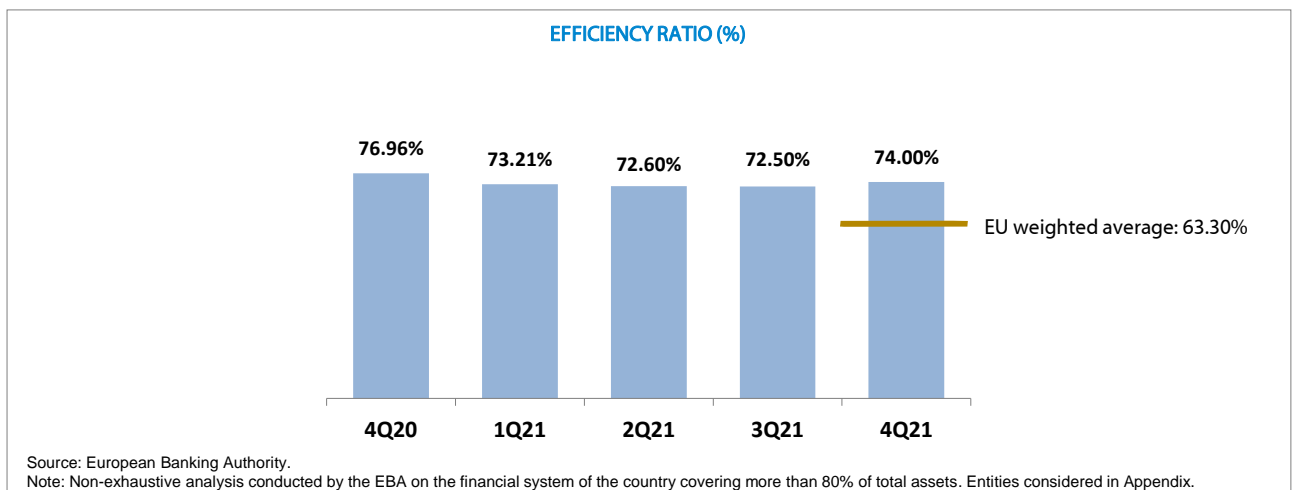
*Note: Others includes Regional institutions of credit cooperatives, credit cooperatives, mortgage banks, building and loan associations and special purpose banks.

Key ratios: NPL, Coverage and Efficiency*

The Non-Performing Loans (NPL) ratio remained constant at 1.10% during 4Q21 compared to 3Q21. As for the coverage ratio, it stood at 35.90% after decreasing compared to the previous quarter. In terms of efficiency, the German financial system's ratio decreased down to 74.00% in 4Q21 when compared to 4Q20.



- ▶ In 4Q21, the NPL ratio stood at 1.10%, which remained constant compared to the previous quarter.
- ▶ The coverage ratio of the German financial system increased by 0.70 p.p. in the fourth quarter of 2021 compared to 3Q21, amounting to 35.90%. Moreover, the ratio registered in 4Q21 was 0.73 p.p. lower than the one recorded during the same quarter of the previous year.
- ▶ According to the EBA's Risk Dashboard for 4Q21, the NPL ratio and the coverage ratio of the German financial system stood below the EU average (2.00% and 44.50% respectively).
- ▶ In terms of efficiency, the ratio of the German financial system decreased by 2.96 p.p. compared to 4Q20, totaling a rate of 74.00% during the fourth quarter of 2021. When compared to the previous quarter, the efficiency also increased by 1.50 p.p..
- ▶ According to the European Banking Authority (EBA), the German efficiency ratio stood at 74.00%, notably above the EU average during 4Q21, which stood at 63.30%.



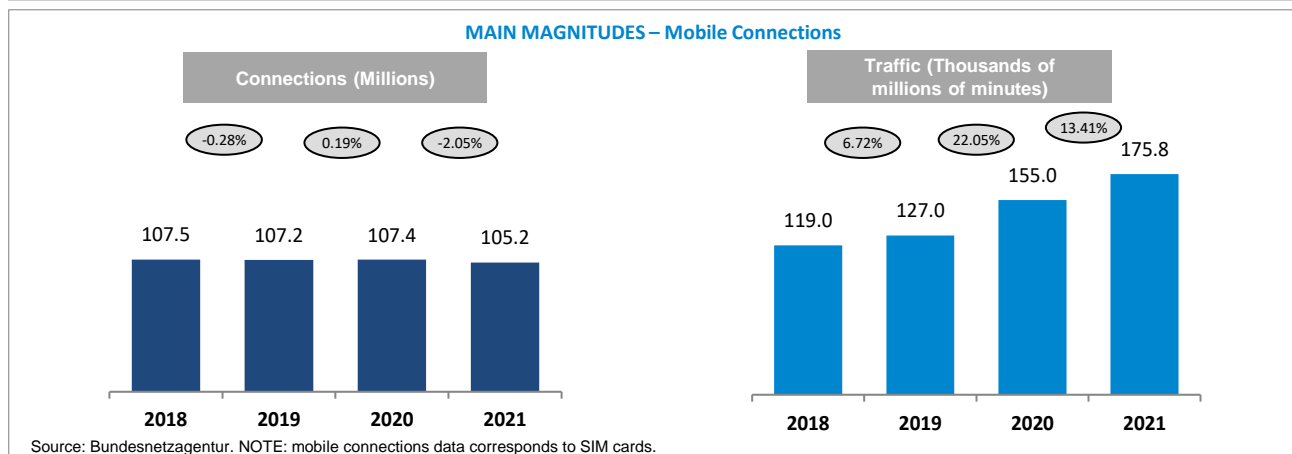
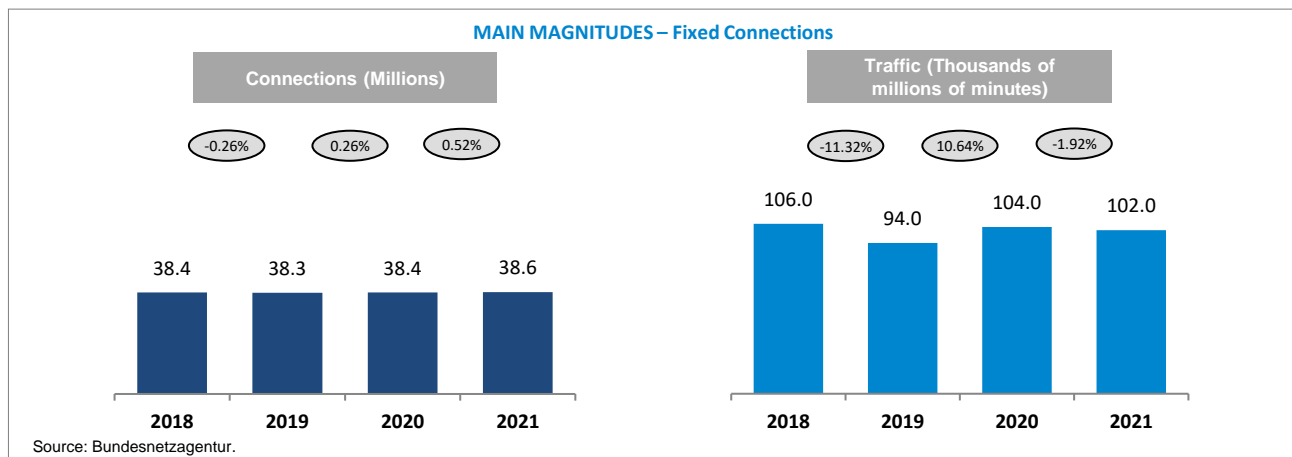


5. Telecommunications*

Fixed and Mobile Telephony

In 2021, the number of fixed connections grew its level to 38.60 million, whereas mobile connections experienced a decline in its number of connections down to 105.20 million. During 2021, fixed traffic decreased by -1.92% to 102 billion minutes. Mobile traffic experienced a considerable increase of 13.41% up to 175.8 billion minutes. With respect to 2020 the external revenue of the sector grew by 0.74%.

- ▶ The volume of fixed connections increased its level during 2021 with respect to 2020, up to 38.60 million connections. Regarding traffic, fixed traffic saw a decrease of 1.92% during 2021, down to 102 billion minutes.
- ▶ In terms of mobile connections, a decrease of 2.20 million connections was registered, 2.05% below the number of connections reported in 2020. During 2021 the number of mobile connections reached 105.20 million. However, mobile traffic increased 13.41% compared to the previous year, up to 175.8 billion minutes.
- ▶ The number of broadband connections continued to grow to 36.50 million in 2021, a y/y increase of 0.83% mainly attributed to the increase of FTTB/FTTH technologies (+15%, to 2.30 million connections).
- ▶ Furthermore, the fixed broadband data volume grew by 31.58% in 2021 compared to 2020, to 100 billion GB of data. Mobile network data volume also increased by 29.98% with respect to the previous year, to 5.16 billion GB in 2021.
- ▶ Total revenue in the telecommunications market amounted to €57.40 billion in 2021. This represented a y/y increase (0.35%). External revenue from mobile services grew to € 25.84 billion in 2021, above the 2019 volume of €25.65 billion (+0.74%). In the conventional telecommunications networks segment, external revenues increased by 0.04% to € 24.64 billion in 2021.





6. Appendix

SOURCES

MACROECONOMIC OVERVIEW

- ▶ Deutsche Bundesbank: www.bundesbank.de
- ▶ Destatis: <https://www.destatis.de/DE/Startseite.html>
- ▶ European Central Bank: <http://www.ecb.int>
- ▶ International Monetary Fund, IMF: <http://www.imf.org>
- ▶ Organisation for Economic Cooperation and Development, OECD: <http://www.oecd.org/home/>
- ▶ World Bank : <http://www.worldbank.org/>
- ▶ Standard & Poor's: <http://www.standardandpoors.com/>
- ▶ Fitch Ratings: <http://www.fitchratings.com/>
- ▶ Moody's: <http://www.moody.com/>
- ▶ Central Bank of the Republic of Argentina: www.bcra.gov.ar
- ▶ Central Bank of Chile: www.bcentral.cl
- ▶ Bank of Mexico: www.banxico.org.mx
- ▶ Central Bank of Brazil: www.bcb.gov.br
- ▶ National Administrative Department of Statistics of Colombia (DANE): <http://www.dane.gov.co/>
- ▶ Bank of the Republic of Colombia: <http://www.banrep.gov.co/>
- ▶ Central Bank of Venezuela: www.bcv.org.ve
- ▶ Central Reserve Bank of Peru: www.bcrp.gob.pe

TELECOMMUNICATIONS

- ▶ Bundesnetzagentur: www.bundesnetzagentur.de

BANKING SECTOR

- ▶ Deutsche Bundesbank: www.bundesbank.de
- ▶ European Banking Authority (EBA): <https://eba.europa.eu/>

Entities considered for Efficiency and NPL ratios:

Aereal Bank AG, Bayerische Landesbank, Commerzbank AG, DekaBank Deutsche Girozentrale, Deutsche Apotheker- und Ärztebank eG, Deutsche Bank AG, Deutsche Pfandbriefbank AG, Deutsche Zentral-Genossenschaftsbank AG, Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, HASPA Finanzholding AG, HSH Nordbank AG, Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen Girozentrale, Landeskreditbank Baden-Württemberg-Förderbank, Landwirtschaftliche Rentenbank, Münchener Hypothekenbank eG, NORD/LB Norddeutsche Landesbank Girozentrale, NRW.BANK, Düsseldorf, State Street Europe Holdings, VW Financial Services AG, Westdeutsche Genossenschafts-Zentralbank AG.



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