



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

The Key Takeaways from the Financial Stability Report 2021

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Financial Stability

Key Objectives



Setting the context



Strengths identified
in the FSR

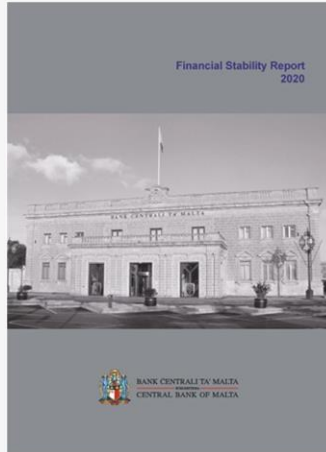


Weaknesses

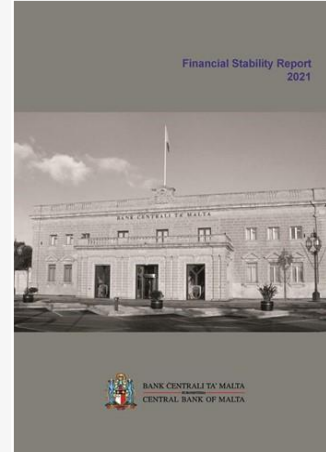


Key highlights for
Policy

Context



Importance of Resilience in Shock Absorption

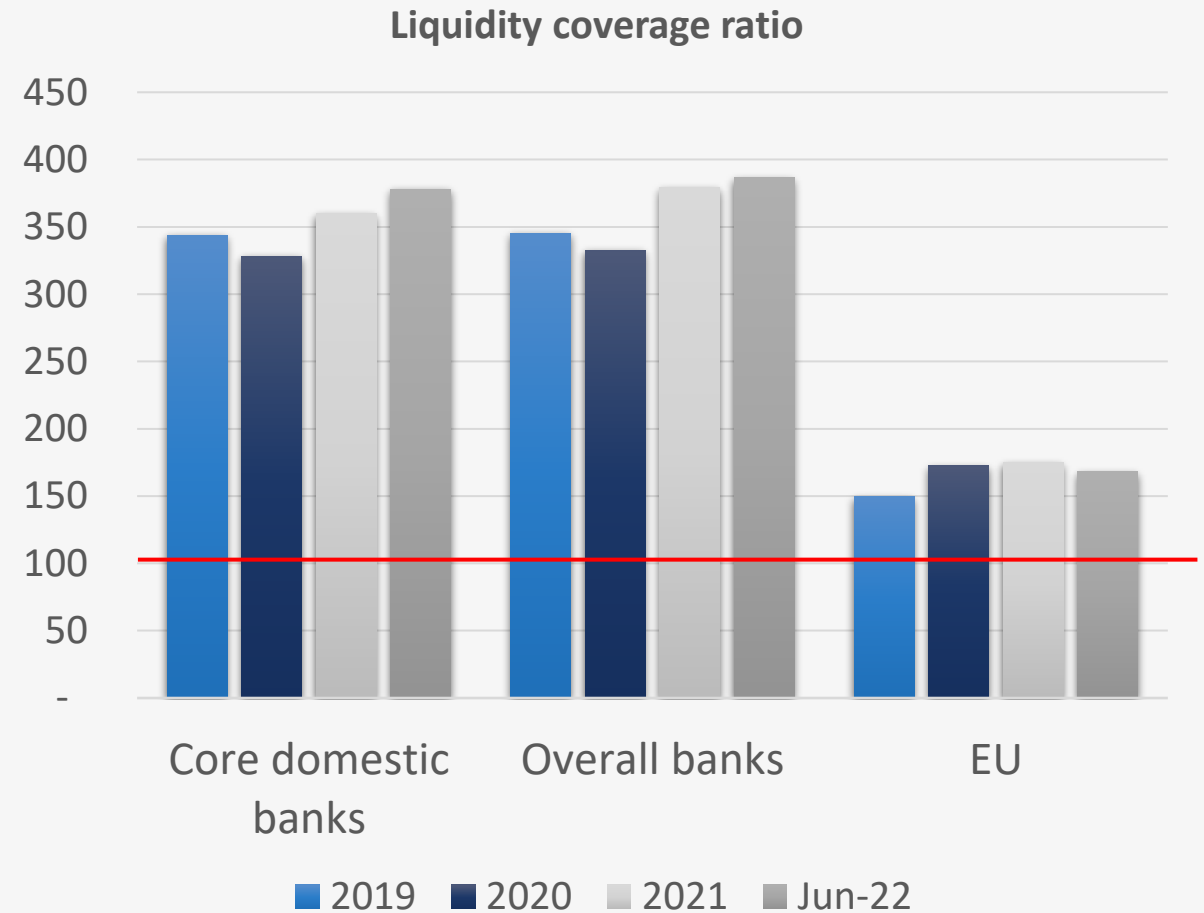
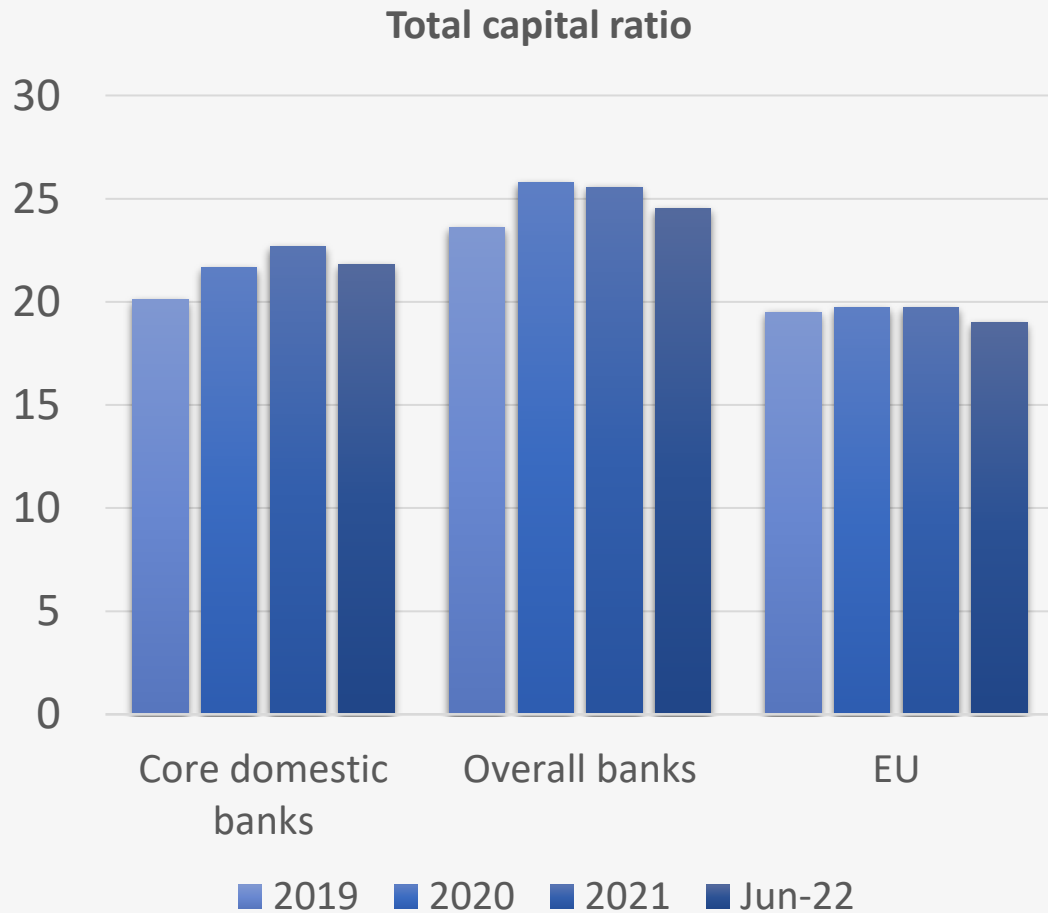


Importance of Resilience in Recovery



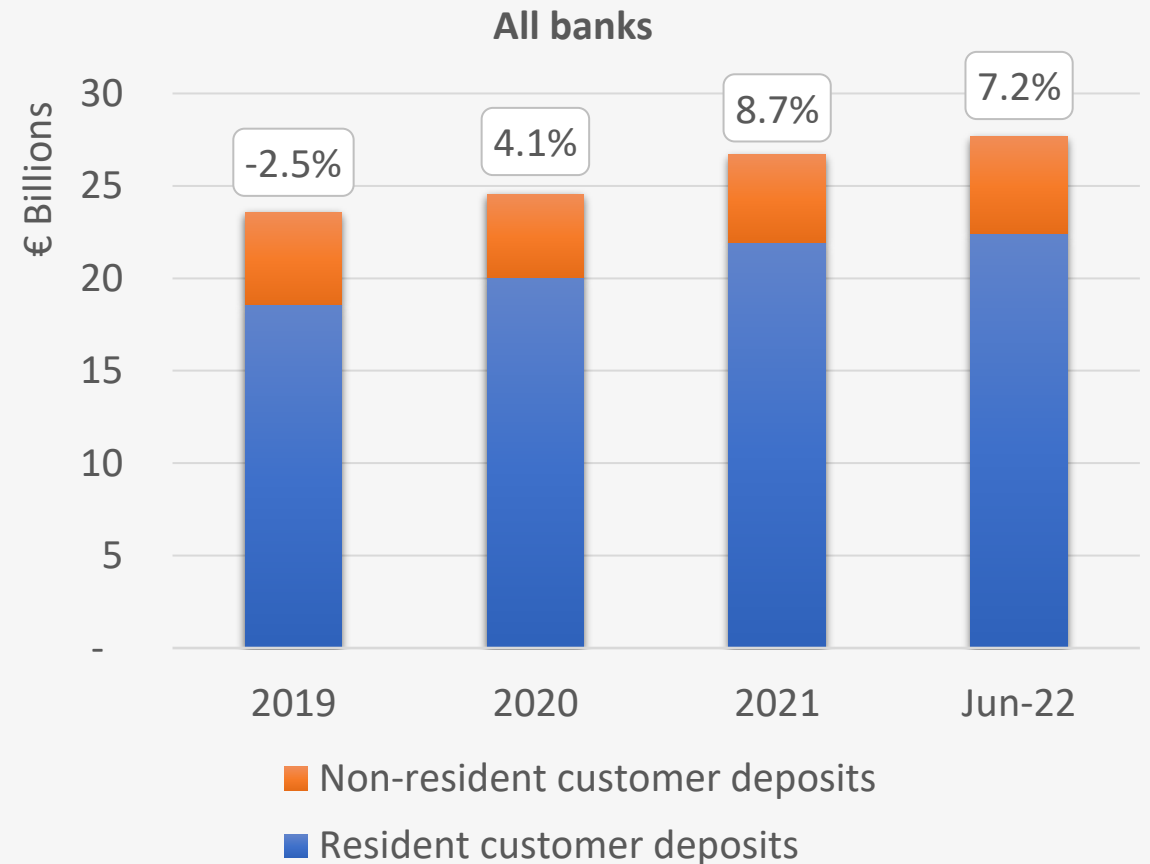
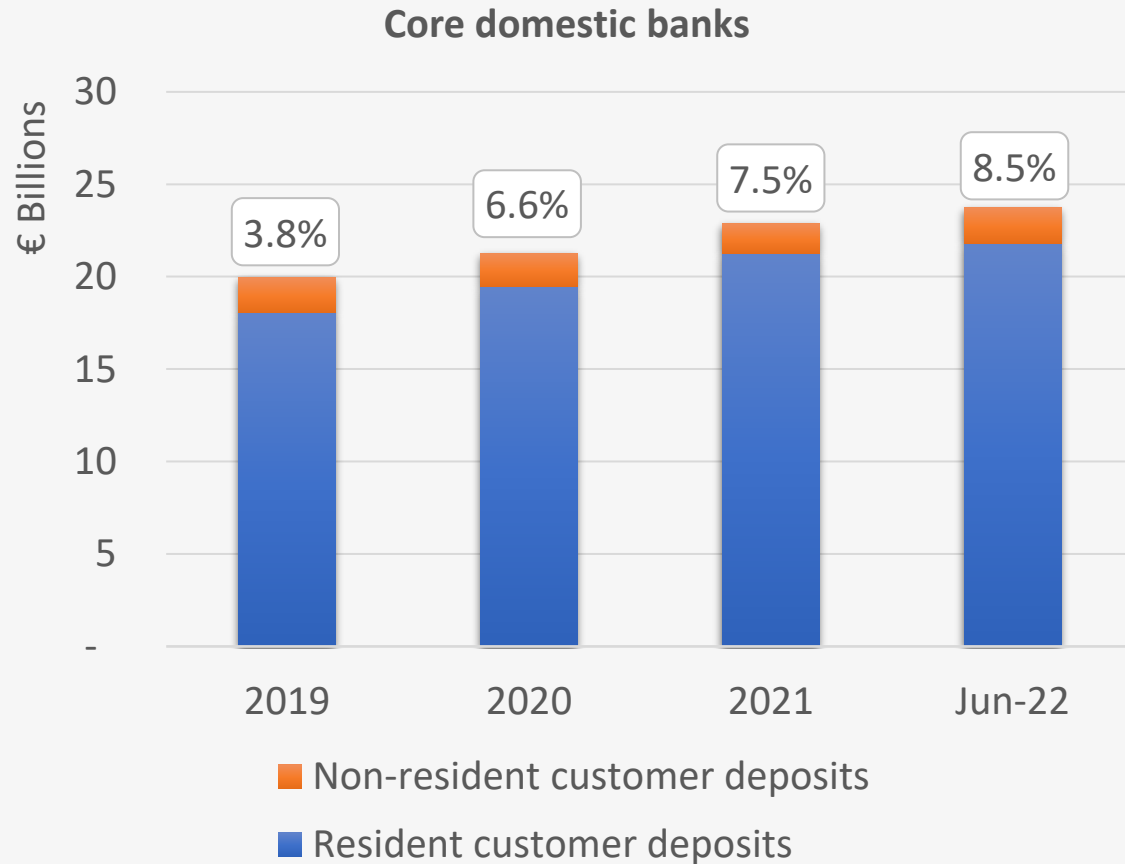
Not Out of the Woods, Depending on Geopolitical Developments and Uncertainty

Strong Capital and Liquidity Buffers



Note: EU data as at 2022 refers to March.

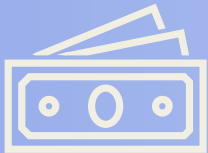
Deposits Continued to Grow



Stress Tests Confirm Resilient Banking System



Macro Stress Testing

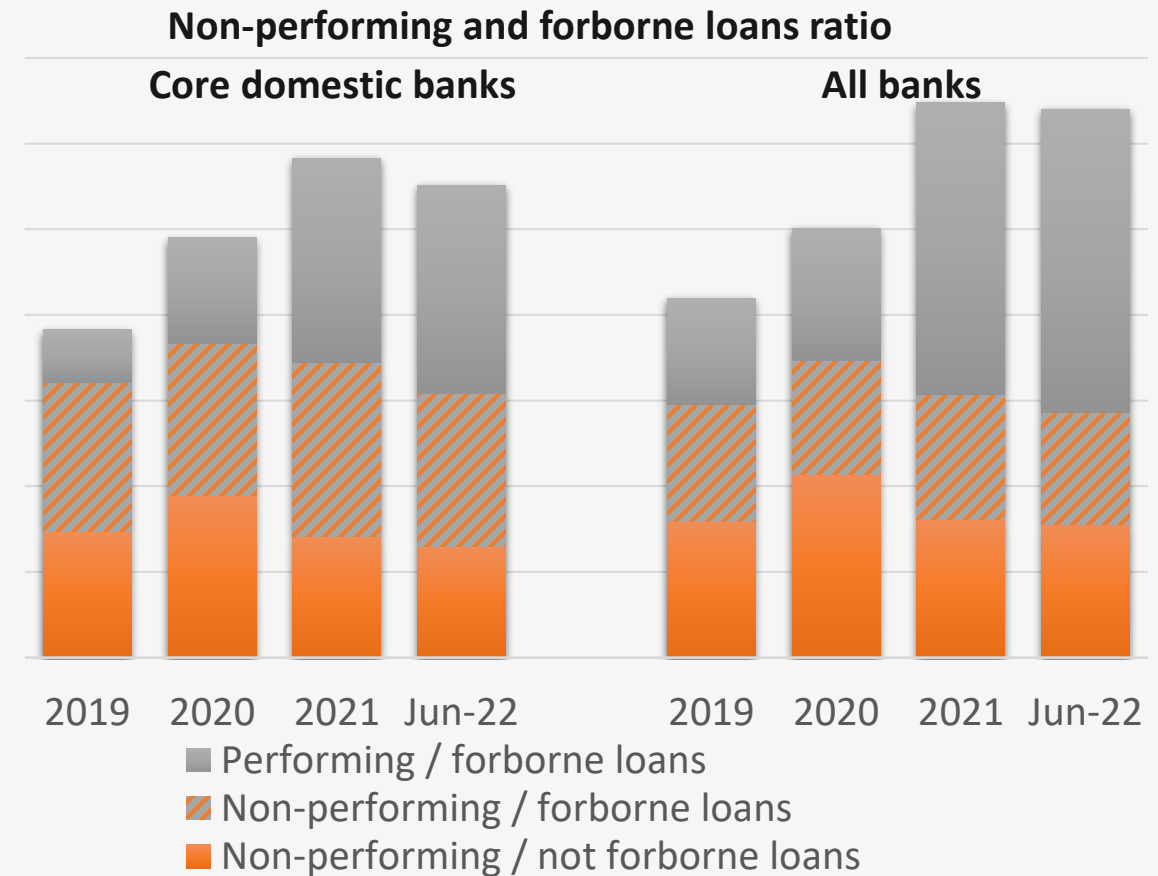
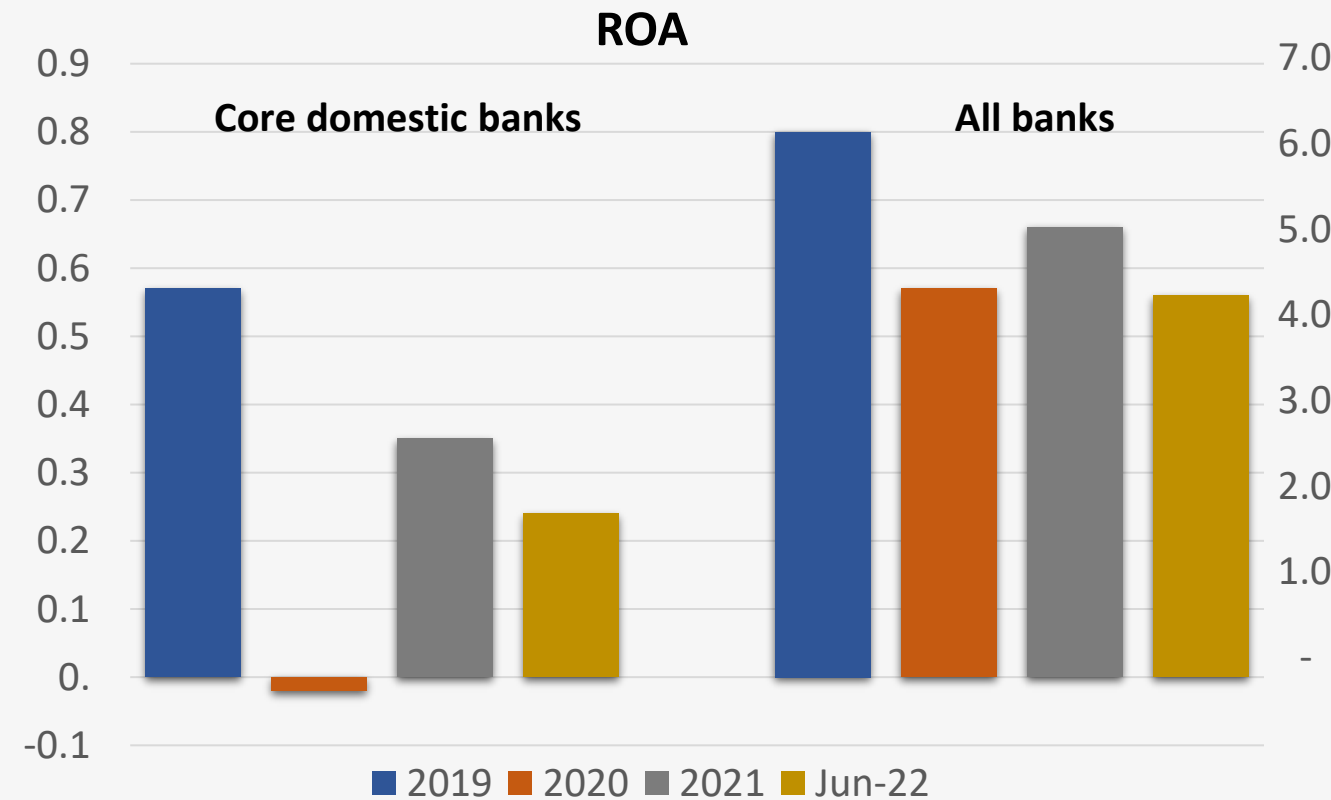


Liquidity



Interest Rate Risk in the Banking Book

Profits Recovered and Asset Quality Remained in Check...But Not Out of the Woods

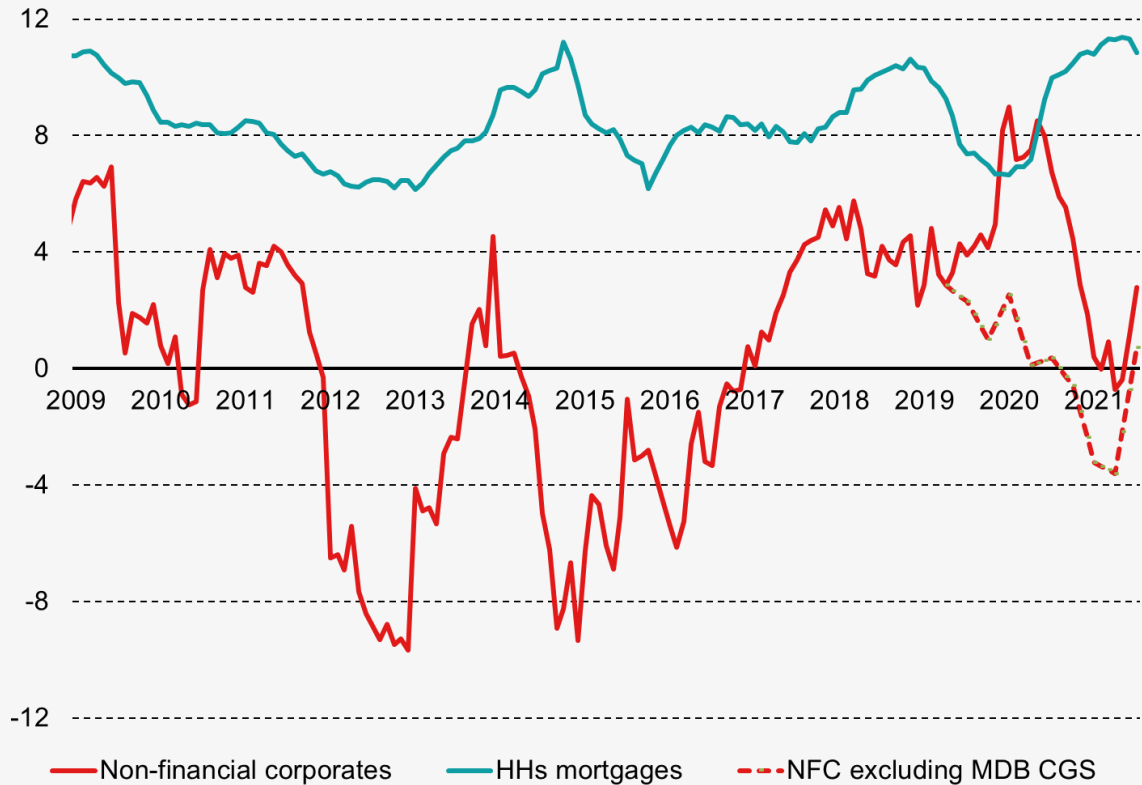


Source: Central Bank of Malta

Diverging Credit Dynamics & Increased Exposure to RRE...

ANNUAL CREDIT GROWTH RATE

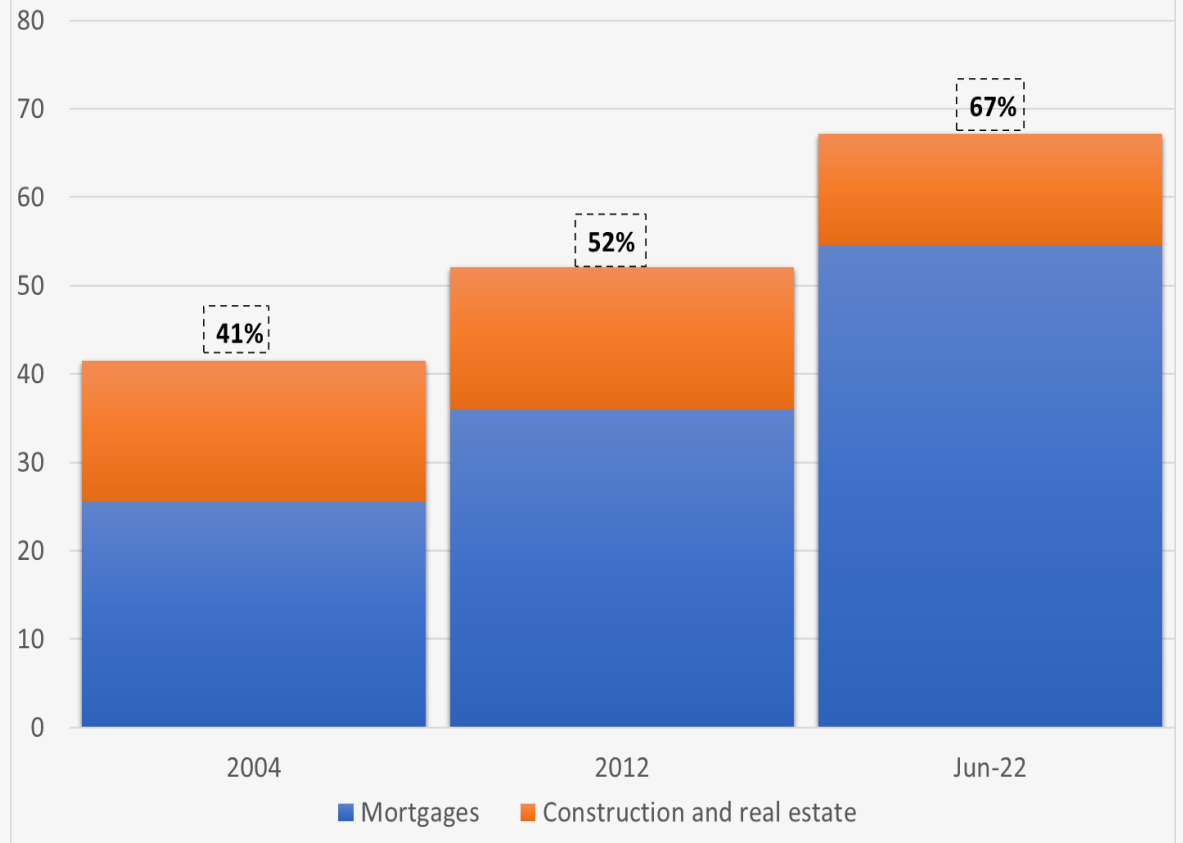
(per cent)



Source: Central Bank of Malta.

SHARE OF PROPERTY RELATED LOANS

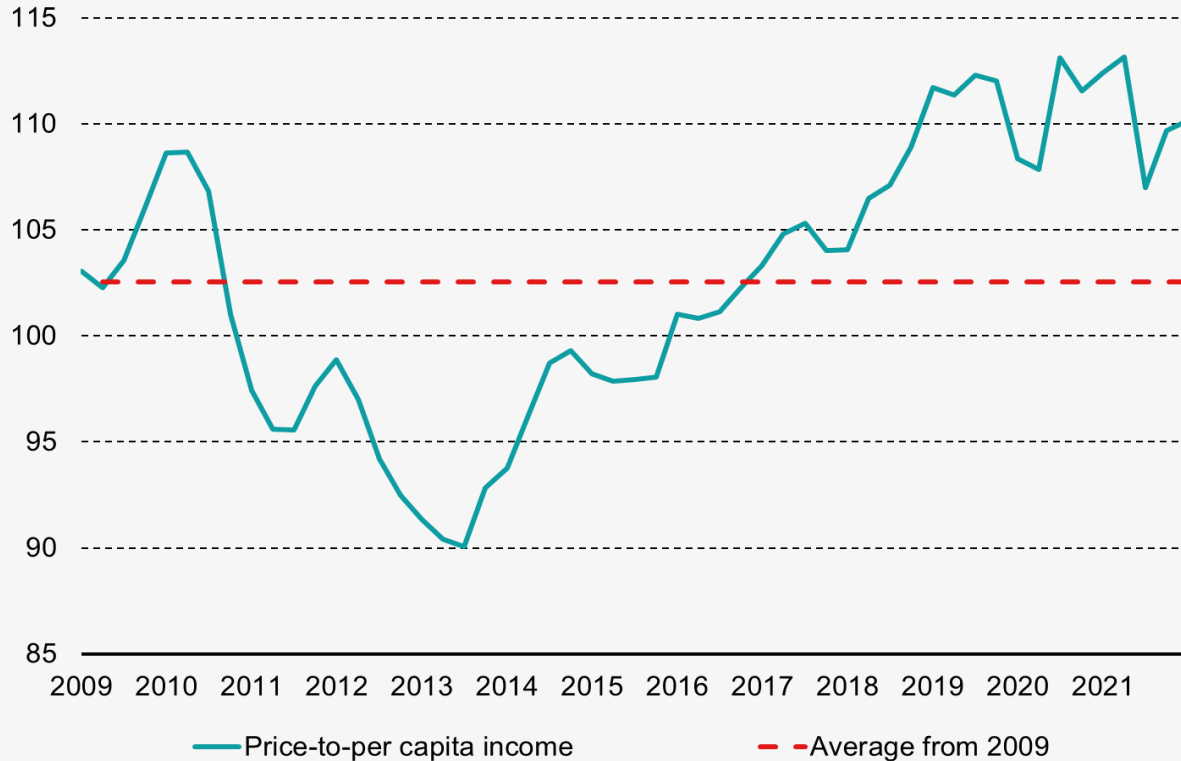
(per cent)



Increased Exposure to RRE

MEDIAN PROPERTY PRICE-TO-PER CAPITA INCOME RATIO

(per cent)

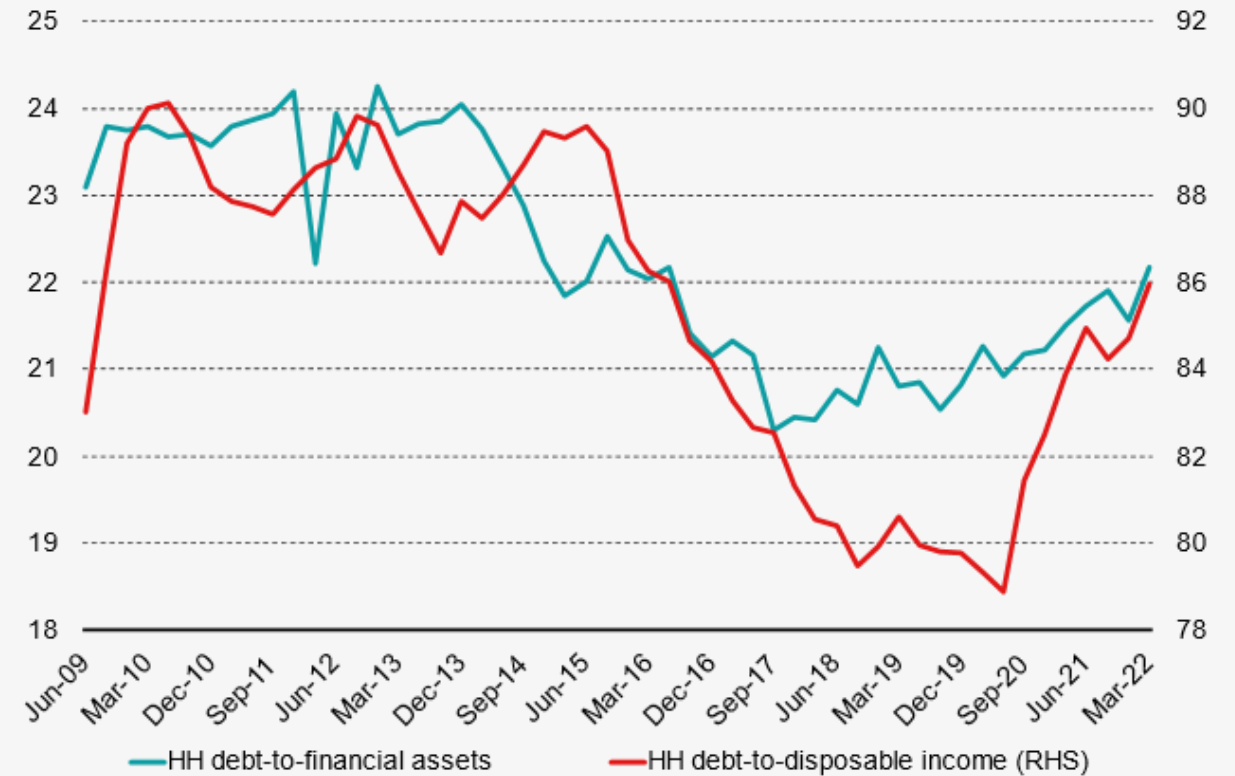


Source: Central Bank of Malta.

Note: Based on the Central Bank of Malta advertised property prices. Refers to 4-quarter moving average with 2000Q4 = 100.

HOUSEHOLD DEBT (LOANS) TO FINANCIAL ASSETS AND DISPOSABLE INCOME

(per cent)



Source: Central Bank of Malta.

Domestically-relevant Funds & Insurances in 2021 and 2022 H1



Profitability for insurances improved also on the back of higher gross written premia

Growth in investment funds' NAV, largely via equities



Funds and insurances both reported a drop in assets, driven by lower equities and bond holdings

Profitability for insurances fell, driven by lower investment income, but also higher claims.

Policy Considerations

- Policy coordination by Government, MDB, the CBM and MFSA supported the system.
 - Cyclical risks are on the rise.
 - Strengths in capital and liquidity point to a benign time to shore up resilience as opposed to costlier delays.
 - Potential targeted macroprudential policies as opposed to generic measures.
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