The performance of German credit institutions in 2014

The operating income of German banks again saw robust growth despite the persistence of the low-interest-rate environment in 2014, the favourable refinancing conditions and the real economic environment having a positive effect in this respect. By contrast, costs were pushed up by the preparatory work in launching the European banking union and implementing new reporting requirements. In anticipation of its role as the future direct supervisory authority for euro-area institutions classified as systemically important, the European Central Bank carried out an extensive asset quality review of those banks' balance sheets as well as a stress test. Overall, the German significant institutions were found to meet the regulatory capital adequacy requirements.

On the whole, operating income rose moderately to €121.5 billion against the backdrop of a declining balance sheet total. Net interest income in particular – the most important component of operating income – saw significant growth. Greater maturity transformation, a marked increase in lending and a pronounced drop in funding costs played a major part in this. However, future scope for stabilising margins will probably become increasingly limited given the now very low level of interest expenditure. The fact that deposit rates are close to the zero lower bound leaves very little room for further interest rate cuts, not least, from a business and competition policy perspective.

In particular, the persistently low costs of banks' credit risk provisioning have proven to be a mainstay of profitability. Annual profit rose substantially to €24.2 billion. The equity capital base was strengthened, too, driving the pre-tax return on equity up to 5.7%. A net profit (€1.8 billion) was recorded for the first time since 2007, mainly due to individual banks releasing reserves to compensate for substantial losses brought forward.

Banks' business environment

Favourable real economic setting

The German economy was in good shape in the reporting year. Following a promising start to the year, economic activity initially lost some of its momentum, but again gathered pace significantly towards the end of 2014. The reduction in costs due to the drop in oil prices is likely to have made a positive contribution. Once again, an especially strong stimulus was provided by domestic economic activity. Private consumption benefited from the marked rise in labour income paired with muted inflation. Moreover, the depreciation of the euro played a considerable part in German enterprises being able to expand their non-euro-area export markets.

German banks well equipped to join the European banking union

For German banks, 2014 was very much characterised by the preparations for the launch of the European banking union. In response to the financial crisis that erupted in 2008, the European Council decided in 2012 to create uniform cross-border supervisory standards. The core elements of this banking union are the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM). When the SSM entered into force on 4 November 2014, extensive prudential supervisory powers and responsibility for directly supervising the 123 euro-area credit institutions currently classified as significant was transferred to the European Central Bank (ECB). Before assuming its new supervisory tasks, between October 2013 and October 2014 the ECB carried out a comprehensive assessment (CA) comprising a quality review of the assets on banks' balance sheets and a stress test. The CA showed that the German significant banks met the regulatory capital adequacy requirements. With regard to the reporting sample of the German credit institutions covered by the profit and loss statistics of German banks[1] – a total of 1,695 institutions in 2014 – their balance sheet capital[2] had been strengthened substantially by almost one-third to €428 billion since the crisis year of 2008. Accordingly, the balance sheet equity ratio[3] in 2014 was, at 5.2%, markedly higher than the long-term average.[4]

Further drop in number of banks

Essentially as a result of merger activity in the cooperative bank sector, the reporting group covered by the statistics of the banks' profit and loss accounts was reduced by 31 banks compared to 2013, and by as many as 208 institutions compared to 2007, the last year before the crisis.

Growth in net interest income

Increase in net interest income

Net interest income (also referred to as net interest received) is traditionally the most important source of income for German credit institutions. Amounting to €90.4 billion in the reporting year, it was €4.1 billion higher on the year, and its 74.4% share in operating income[5] was just above the long-term average. The main contribution stems from income from traditional deposit and lending business,[6] ie net interest income in the narrower sense, which went up considerably by 5.8% on the year to €76.2 billion, accounting for 62.7% of operating income. This growth was largely fuelled by the favourable financing conditions coupled with an increase in lending volume, which benefited the networked institutions in particular, and, last but not least, by the fact that a negative accounting-related special item at special-purpose banks ceased to apply.[7] Besides interest income from traditional lending business, other income components of net

---

1 See the box on the reporting group on p 43.
2 Annual average balance sheet capital (including fund for general banking risks). See the box on the dataset on p 43.
3 Annual average balance sheet capital (including fund for general banking risks) as a percentage of the annual average balance sheet total. See the box on the dataset on p 43.
4 See the box on the long-term average on p 43.
5 Operating income is defined as the sum of net interest income and net commission income, net profit or net loss from the trading portfolio, and other operating income.
6 Interest income from lending and money market business as well as from fixed-income securities and debt register claims less interest expenditure.
7 The accounting-related conversion effect on the present value reporting of all promotional loans at one promotional bank, ie the recognising of promotional loans as expenditure at the time of the loan commitment and no longer over time, depressed that particular bank's net interest income significantly in 2013 to the tune of €2.3 billion.

Methodological notes

Data based on individual accounts in accordance with the German Commercial Code and on monthly balance sheet statistics

The results from the profit and loss accounts are based on the published annual reports of the individual institutions in accordance with the provisions set forth in the German Commercial Code *(Handelsgesetzbuch* or *HGB)* and the Regulation on the Accounting of Credit Institutions *(Verordnung über die Rechnungslegung der Kreditinstitute* or *RechKredV).* They differ in terms of their conception, structure and definitions from the internationally customary IFRS (International Financial Reporting Standards) accounting standards[1] for capital market-oriented banking groups, which means that, from a methodological viewpoint, the respective business results and certain balance sheet or individual profit and loss items are not comparable between the national and international accounting framework. For reasons of comparability within Germany, it is advisable to consider the individual accounts when analysing the performance. Using group accounts would make a meaningful analysis difficult as, first, many German banks are not part of a group, meaning that their individual accounts drawn up in accordance with the German Commercial Code would still have to be used; second, not all group accounts are prepared according to international accounting standards. The values for the capital as shown in the balance sheet (equity), the balance sheet total and other stock figures are not obtained from the annual reports but are calculated as annual average values on the basis of the monthly balance sheet statistics reported for the institution as a whole.

Reporting group

The reporting group for statistics on banks' profit and loss accounts (profit and loss statistics) includes all banks that are monetary financial institutions and in addition are domiciled in Germany. Building and loan associations, branches of foreign banks that are exempted from the provisions of section 53 of the German Banking Act *(Kreditwesengesetz* or *KWG),* banks in liquidation and banks with a financial year under twelve months (truncated financial year) are not included in this performance analysis.

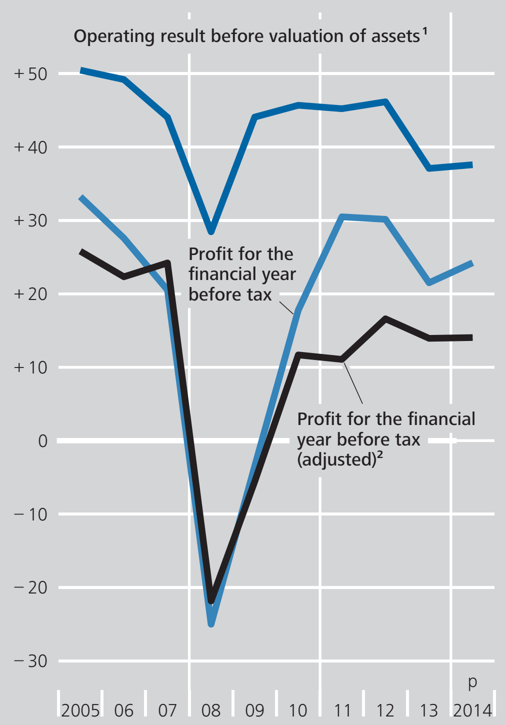
Calculation of the long-term average

When the new accounting legislation for credit institutions entered into effect in 1993, a number of terms were redefined, which makes it difficult to compare income-related data from 1993 onwards with earlier data. Furthermore, additional time series were introduced. Except where another time period is explicitly mentioned, the calculations with regard to the longer-term average refer to annual data for the observation period 1993 to 2014.

1 IFRS-based accounts are of relevance, for instance, to matters of macroprudential analysis and oversight, concentrating on systemically important banks and their international business activities (including their foreign subsidiaries). For details, see Deutsche Bundesbank, Financial Stability Review 2013, November 2013.

The performance of credit institutions

€ billion



1 Operating income less general administrative spending. **2** Less net transfers to the fund for general banking risks.
Deutsche Bundesbank

interest received are current income from shares and other variable-yield securities, participating interests, shares in affiliated enterprises and income from profit transfers.[8] These totalled €14.2 billion, accounting for 11.7% of operating income in the reporting year. As usual, large banks operating globally in a complex group structure accounted for more than half (€7.6 billion) of that total. Networked institutions, whose investments in specialised funds[9] mainly generate current income from shares and other variable-yield securities, contributed a further €3.9 billion.

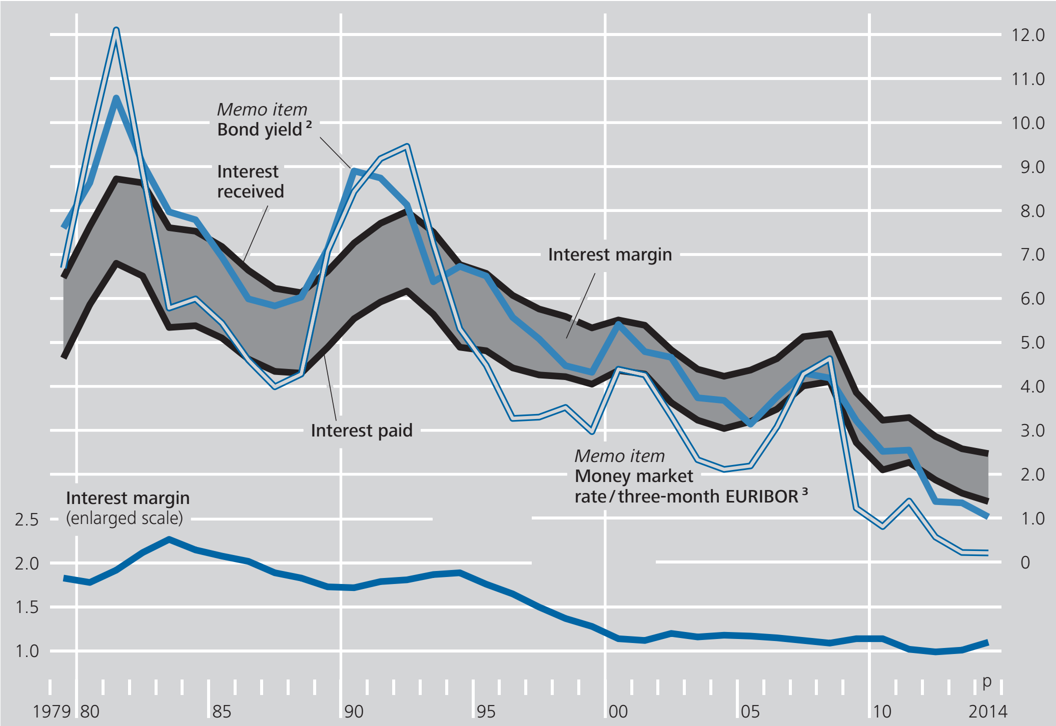
Favourable funding environment

The persistently weak inflation outlook and the continuing muted demand for credit on the part of the non-financial private sector in the euro area prompted the ECB Governing Council to implement various and, in some cases, non-conventional monetary policy measures to stimulate economic activity. The interest rate on the main refinancing operations and the deposit rate were each lowered by 10 basis points in both June and September. In June 2014, this caused the deposit facility rate to slip into negative territory for the first time in the ECB's history: it has stood at -0.2% since September 2014. Moreover, the supply of liquidity received a further boost by the end of the year from the amounts allotted through the first two of eight targeted longer-term refinancing operations with the Eurosystem[10] and through the purchase programmes for asset-backed securities and covered bonds launched in October 2014. Amidst the ample supply of liquidity, interest rates in the interbank market fell to new all-time lows. On a monthly average, the interest rate on unsecured money market transactions between banks (Euro InterBank Offered Rate, EURIBOR) with a three-month maturity was a mere 0.08% in December 2014. The unsecured interbank overnight rate (Euro OverNight Index Average, EONIA) was even slightly negative. Yields on covered and uncovered bank bonds,[11] too, followed a steady downward trajectory and in December 2014 stood at only 0.4% and 0.7% respectively. The very low yields on shorter-term bank bonds in particular are likely to have led to a sharp drop in demand on the part of institutional investors. The percentage share of these bonds with residual maturities of between one year and up to five years in total bond refinancing fell to 17%, a new historical low. Moreover, the ongoing balance sheet reductions made, above all, by the capital mar-

8 Income from profit transfers comprises profits transferred under profit pooling, profit transfer agreements or partial profit transfer agreements.
9 In contrast to retail funds, specialised funds are mainly set up for institutional investors and are tailored to their investors' needs. Following the Act implementing Directive 2011/61/EU on Alternative Investment Fund Managers (Act Implementing the AIFM Directive) of 4 July 2013, specialised funds are now called special AIFMs.
10 The ECB provided a total of €82.6 billion on 18 September 2014 with the first of eight targeted longer-term refinancing operations with a maturity of up to four years. Liquidity totalling a further €129.8 billion was provided under the second operation on 11 December 2014. The refinancing volume with a maturity of over one year made available through the Bundesbank to German credit institutions belonging to the reporting group covered by the statistics of the banks' profit and loss accounts rose from €3.6 billion at the end of August to €20.9 billion at the end of December 2014.
11 Calculated as monthly averages across all maturities.

Interest received and interest paid by credit institutions in the interest cycle

As a percentage of the average balance sheet total[1]



1 Up to end-1998, as a percentage of the average volume of business. **2** Average yield on domestic debt securities. **3** Up to end-1998, money market rate for three-month funds in Frankfurt.
Deutsche Bundesbank

ket-oriented Landesbanken and mortgage banks contributed to a renewed year-on-year decline in issuance volume.

Yield curve flattened further

Overall, the slope of the German yield curve – as measured by the yield differential between ten-year and two-year Federal bonds – became flatter during the course of the year, falling by 117 basis points to only 70 basis points. The low key interest rates shaped, above all, the downward movement of the short-term and even the medium-term maturity segment: in the second half of the year, the negative yields gradually affected residual maturities up to 4.5 years. In the long-term maturity segment, safe haven effects in the wake of geopolitical crises and additionally, in the fourth quarter, the prospect of an expanded asset purchase programme (EAPP) by the Eurosystem are likely to have played a part in the marked decline in yields.

Growth in funding through sight deposits ...

The shift from fixed-term deposits to overnight deposits, induced by the non-financial private sector's unceasing aversion to risk and its persistently strong preference for liquidity, has been shaping the liabilities side of banks' balance sheets for years and, in the reporting year, too, eased banks' funding costs as deposit rates continued to fall. Since the crisis year of 2008, liabilities to non-banks (excluding savings deposits) with an agreed maturity or period of notice have fallen by €0.6 trillion to €1.2 trillion. At the same time, the volume of non-bank overnight deposits went up from €1.1 trillion to €1.7 trillion. In 2008, just over 53% of this volume – and in 2014, around 61% – was attributable to domestic households. All in all, the share of non-bank sight deposits as a percentage of the balance sheet total was 17% in 2008 and around 31% in 2014. The networked institutions active in traditional deposit and lending business benefited most from this low-cost funding source.

Major income and cost items for individual categories of banks in 2014*

As a percentage of operating income

Item	All categories of banks	Big banks	Regional banks	Landesbanken	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks
Net interest received	74.4	64.8	69.0	89.9	79.8	56.9	79.2	94.4	75.3
Net commissions received	24.6	35.9	26.7	9.2	22.1	19.7	20.1	0.7	19.9
Net profit or net loss from the trading portfolio	3.0	8.3	1.9	1.2	0.0	23.1	0.0	− 0.2	0.2
Net other operating income or charges	− 2.0	− 9.0	2.4	− 0.4	− 2.0	0.3	0.6	5.1	4.6
Operating income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General administrative spending	− 69.0	− 78.1	− 66.7	− 70.9	− 68.3	− 59.3	− 65.9	− 58.4	− 50.0
of which									
Staff costs	− 35.6	− 33.1	− 28.8	− 35.6	− 43.3	− 31.0	− 39.7	− 24.9	− 25.5
Other administrative spending	− 33.5	− 45.0	− 37.8	− 35.3	− 25.0	− 28.3	− 26.3	− 33.5	− 24.5
Net income or net charges from the valuation of assets	− 5.7	− 8.6	− 5.4	− 17.2	0.0	0.7	− 0.9	− 13.1	− 18.0
Net other and extraordinary income or charges	− 5.3	− 1.8	− 14.5	− 15.9	− 2.0	− 11.4	− 0.7	− 36.3	2.1
Memo item									
Profit for the financial year before tax	20.0	11.6	13.4	− 4.0	29.7	30.0	32.4	− 7.8	34.1
Taxes on income and earnings	− 6.0	− 3.1	− 3.4	− 5.6	− 9.6	− 11.0	− 9.6	− 4.8	2.4
Profit for the financial year after tax	13.9	8.4	9.9	− 9.6	20.1	19.0	22.8	− 12.7	36.6

* The figures for the most recent date should be regarded as provisional in all cases.

Deutsche Bundesbank

… heightens maturity transformation risk on banks' balance sheets

In principle, this growing concentration on overnight deposit products leads to greater liquidity risk. Funding through deposits entails less control over the maturity structure, which is becoming particularly apparent in the current interest rate setting. Moreover, in contrast to capital market funding, deposit-based funding cannot be managed directly by banks but only indirectly by structuring the terms and conditions. The categories of banks that rely heavily on deposits for funding have clearly shortened maturities on the liabilities side of their balance sheets. This contrasts with the maturities and interest rate fixation periods of loans on the assets side which have not been shortened to the same extent. For this reason, the balance sheets of the networked institutions in particular are exposed to a heightened maturity transformation risk.

Positive development in lending

Overall, moderate growth was recorded in the volume of loans to non-banks. Lending business received a boost primarily from loans for house purchase. Growth in this segment amounted to 2.4% given the exceptionally favourable financing conditions – bank lending rates on new loans for house purchase as a whole dropped considerably during the course of the year from 2.8% to 2.1% – and the lack of attractive alternative investment opportunities. The large volume of financial assets that households have at their disposal is likely in itself to have prevented even greater growth in lending for house purchase. The volume of loans to households (adjusted for loan sales and securitisation) increased by 1.6% overall. By contrast, lending to the public sector fell significantly due to the favourable state of public finances.

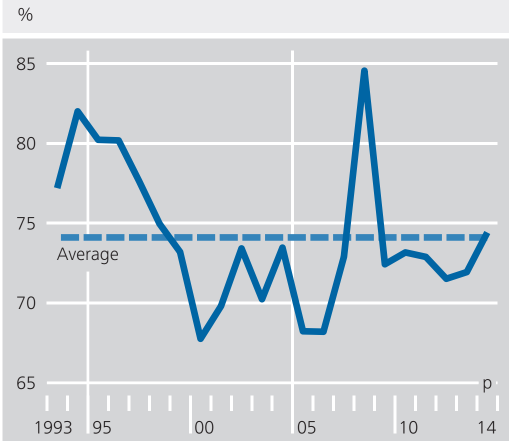
Gross interest rate spread still stable despite persistent margin pressure

The hitherto favourable funding situation was also reflected in the gross interest rate spread.[12] Whereas the volume-weighted interest rates for deposits as well as loans in existing and new business fell to new all-time lows, the gross interest rate spread[13] across all credit segments remained at the previous year's levels of 3.2% for existing business and 2.0% for new business. In the German banking sector, interest income from traditional lending business as well as interest expenditure has been declining for years, according to the profit and loss statistics. Whereas this interest income came to €189.5 billion (just over 65% of the long-term average) in the reporting year, interest expenditure, at €113.3 billion, was only half of its long-term average. However, future scope for stabilising margins will probably become increasingly limited given the very low level that interest expenditure has reached in the meantime. The fact that deposit rates are close to the zero lower bound leaves very little scope for further interest rate cuts, not least in terms of business and competition policy.

Larger interest margin

The interest margin, calculated as the ratio of net interest income to the balance sheet total,[14] climbed 9 basis points on the year to 1.10%. Adjusted for the low-margin interbank business, which is closely oriented to market rates, the interest margin rose 12 basis points to 1.43%. The interest margin gives an important indication of the general profitability of chiefly those credit institutions which focus on traditional deposit and lending business. This category of banks primarily comprises credit cooperatives and savings banks, whose interest margins in the reporting year, at 2.21% and 2.09% respectively and as a long-term average, were considerably better than for all other banking groups.

Net interest income of German banks as a share of operating income*



* Calculated on the basis of the annual overall aggregates.
Deutsche Bundesbank

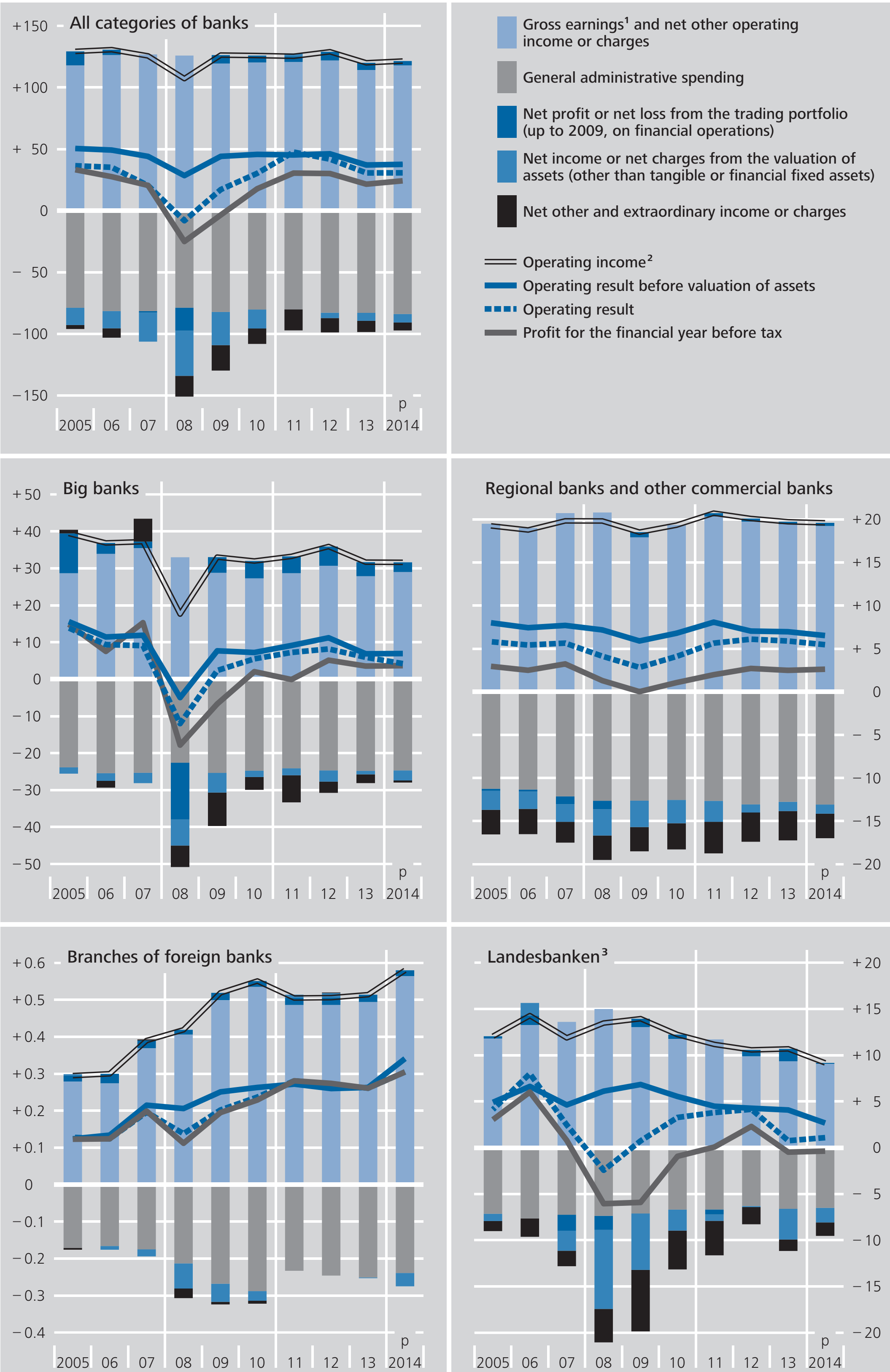
Net interest received, by category of banks

The only categories of banks to record a drop in net interest received were the Landesbanken and the regional institutions of credit cooperatives. The substantial decline, by around 23% to €1.1 billion, sustained by the latter was largely attributable to an accounting-related special item at one institution.[15] As a result, the percentage share of net interest received in this group's total operating income was, at close to 57%, considerably lower than in the previous year. Net interest received generated by the Landesbanken, which were affected by restructuring measures, fell slightly to €8.2 billion as

12 The gross interest rate spread, which gives an indication of the development of net interest income at the networked institutions in particular, is calculated as the difference between the volume-weighted average interest rates for loans and deposits of the euro area's households and non-financial corporations. For further details, see Deutsche Bundesbank, Extended MFI interest rate statistics: methodology and first results, Monthly Report, June 2011, pp 45-57.
13 Calculated as a monthly average on the basis of interest rate statistics.
14 See the box on the dataset on p 43.
15 This was the result of the conversion from the internal procedure of the linear repayment value to the accrual method using the effective interest rate, which burdened net interest income to the tune of €193 million. Adjusted for this effect, net interest income for this category of banks fell by 10.1%.

Major components of credit institutions' profit and loss accounts by category of banks

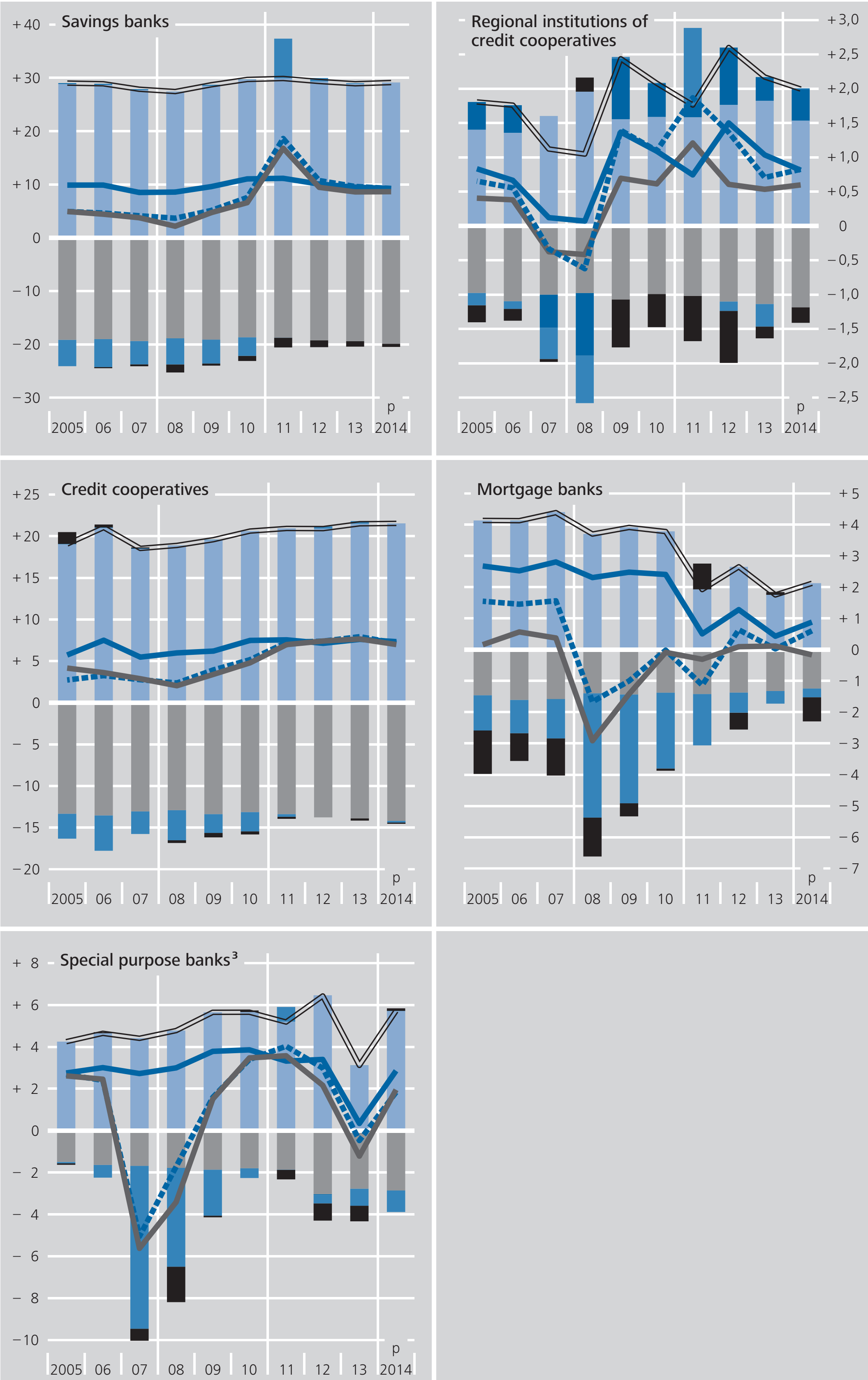
€ billion, the charts below use different scales



1 Sum of net interest received and net commissions received. **2** Gross earnings plus net profit or net loss from the trading portfolio (up to 2009, on financial operations) and net other operating income or charges. **3** From 2012, Portigon AG (legal successor of WestLB) allocated to the category of "Special purpose banks".

Deutsche Bundesbank

€ billion, the charts below use different scales



Deutsche Bundesbank

Structural data on German credit institutions*

End of year

Category of banks	Number of institutions[1]			Number of branches[1]			Number of employees[2]		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
All categories of banks	1,869	1,844	1,809	34,571	34,531	33,666	633,650	630,350	622,250
Commercial banks	294	296	295	9,609	10,142	9,954	3 172,900	3 170,700	3 167,800
Big banks	4	4	4	7,041	7,610	7,443	.	.	.
Regional banks	177	178	176	2,443	2,401	2,363	.	.	.
Branches of foreign banks	113	114	115	125	131	148	.	.	.
Landesbanken[4]	9	9	9	451	434	408	34,000	33,400	32,900
Savings banks	423	417	416	12,643	12,323	11,951	244,900	244,000	240,500
Regional institutions of credit cooperatives	2	2	2	11	11	11	5,150	5,250	5,350
Credit cooperatives	1,104	1,081	1050	11,778	11,541	11,269	5 159,750	5 160,100	5 158,700
Mortgage banks	17	17	17	49	50	48	.	.	.
Special purpose banks[4]	20	22	20	30	30	25	6 16,950	6 16,900	6 17,000
Memo item									
Building and loan associations	22	22	21	1,668	1,624	1,598	7 14,650	7 14,450	7 14,200

* The figures for the most recent date should be regarded as provisional in all cases. **1** Source: Bank office statistics, in Deutsche Bundesbank, Banking statistics, Statistical Supplement to the Monthly Report 1, p 104 (German edition). The term "credit institution" is used as in the Banking Act, resulting in divergences from data in "Balance sheet statistics" and "Statistics on the profit and loss account". **2** Number of full-time and part-time employees excluding Deutsche Bundesbank. Sources: data provided by associations and Bundesbank calculations. **3** Employees in private banking, including mortgage banks established under private law. **4** From 2012, Portigon AG (legal successor of WestLB) allocated to the category of "Special purpose banks". **5** Only employees whose primary occupation is in banking. **6** Employees at public mortgage banks (mortgage banks established under public law) and special purpose banks established under public law. **7** Only office-based employees.

Deutsche Bundesbank

they further reduced their balance sheet total. Given the sharp drop in net trading income, however, net interest income contributed around 90% to operating income, which was distinctly up on the year. By contrast, mortgage banks, which also carried out restructuring measures and reduced their balance sheets, saw their net interest income grow considerably to around €2 billion.[16] Despite this, its share of operating income went down from around 104% to just over 94%. In the 2013 reporting year, the effect of a negative balance in their net other operating result led to net interest received exceeding the 100% mark in terms of their operating income; this in itself underlines how much this category of banks depends on net interest received. On a long-term average they generated around 99% of their operating income from net interest received, making them the least diversified in terms of their sources of income. Up slightly in both cases, net interest received as a percentage of operating income came to almost 80% (€23.2 billion) for savings banks and to just over 79% (€17.1 billion) for credit cooperatives. Thus, they remained stable at the level of the long-term average. The decline in their funding costs in particular allowed the big banks to expand their net interest income markedly to €20.4 billion, just under one-third of which was attributable to current income and income from profit pooling. The percentage share of net interest received in operating income, which is usually lower than in other categories of banks, rose appreciably to 64.8%

16 This improved figure, which clearly more than offset the decline resulting from the reduction in interest-bearing assets, was largely due to one mortgage bank. In the previous year, that institution's net interest received had been massively affected by negative special factors.

Improvement in net commission income

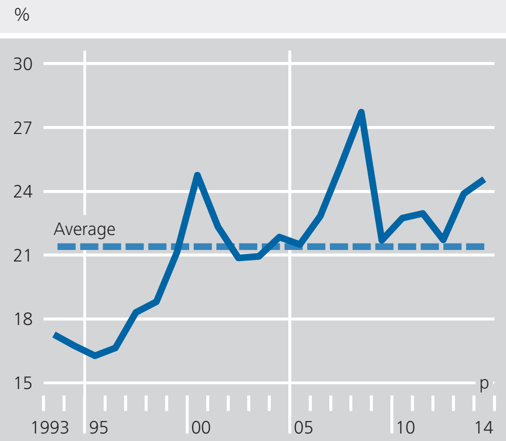
Distinct rise in commissions business …

In the German banking sector, net commission income (also referred to as net commissions received), the second most important income source for German credit institutions, rose markedly by just over 4% to €29.8 billion. Net commission income accounted for 24.6% of operating income, which was only marginally up on the year; however, this was perceptibly higher than the long-term average. The sum of net interest income and net commission income accounted for 99% of operating income in the reporting year. Given the persistent pressure on margins in interest business, the earnings potential of net commission income is growing in importance. Net commission income stems mainly from income from and expenditure on services such as payments as well as foreign trade, securities commission and safe custody business. Other components are intermediation activities related to loan contracts, savings agreements, savings and loan contracts as well as insurance contracts. Moreover, the costs of providing government guarantees are recognised as an expense under the net commission income of Landesbanken. The areas of activity as well as the scope and type of the commission business differ considerably, depending on the respective business model.

… on the back of continued risk-averse customer behaviour

The national and international equity markets benefited from the accommodative monetary policy and the drop in oil prices. Even so, rising geopolitical tensions in the second half of the year were a particular factor that had a dampening effect on developments in the euro-area equity markets.[17] Sales of public sector bonds on German securities exchanges fell to new all-time lows. The transaction volume on German stock exchanges was also low compared with the long-term average. In line with this, net commission income from securities-related transactions on the equity and bond markets is likely to have been only moderate. As an alternative form of investment, however, investment fund shares were again sought after, which, in itself, boosted net commission income. At €136 billion, sales were slightly up on the year in Germany and at their highest level since 1993. Once again, the main focus of demand was on specialised funds, which are of particular interest to institutional investors; at a total of just under €94 billion, they accounted for roughly 69% of total sales. With regard to retail funds, private investors seeking sufficient, less volatile returns mainly turned to mixed security-based funds. In addition, net commission income from safe custody account management probably benefited from valuation gains on securities holdings in the customer accounts.[18] The heightened demand for insurance products under old terms and conditions in response to the planned lowering of the guaranteed return on life insurance policies at the start of 2015 (from 1.75% to 1.25%) must also have had a positive effect.

Net commission income of German banks as a share of operating income*



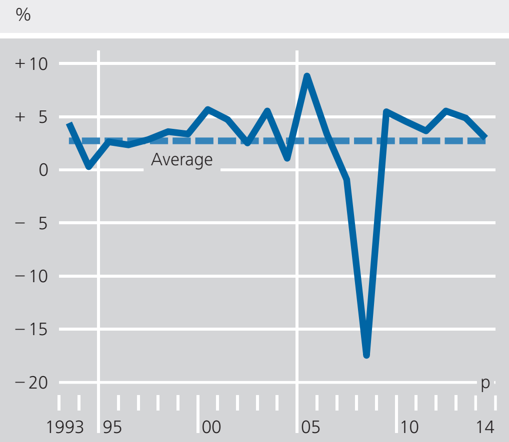
* Calculated on the basis of the annual overall aggregates.
Deutsche Bundesbank

Net commissions received, by category of banks

In particular, big banks with a heavy business focus on the international capital markets generated, on a long-term average, just under 34% of the net commission income aggregated across all categories of banks. They improved the figure by €0.6 billion year-on-year to €11.3

17 See ECB, Annual Report 2014, pp 18-19.
18 See Deutsche Bundesbank, Financial Accounts for Germany 2009 to 2014, Special Statistical Publication 4, May 2015, p 14.

Trading result of German banks as a share of operating income*



* Calculated on the basis of the annual overall aggregates.
Deutsche Bundesbank

billion, thus playing a major part in the increase in the aggregate total.[19] The big banks' strong market position in commissions business also becomes clear when net commissions received are compared with net interest received, this ratio standing at just over 55% in the reporting year. In all other categories of banks, net commission income did not even come close to half of net interest received. Besides providing securities transactions services, the networked institutions mainly draw their commission income from payment transactions and the brokerage of financial products offered by the respective network partners. These earnings contributions are less dependent on the volatile financial market setting and comparatively stable. Not least as a result of higher fees for payment transactions, each of the networked institutions raised their net commissions received slightly, recording new highs of €6.4 billion (savings banks) and €4.3 billion (credit cooperatives) since 1993. In the year under review, net income from commissions business contributed 22.1% to operating income in the savings bank sector and 20.1% in the case of the credit cooperatives. Net commission income in the Landesbanken sector was again depressed by high levels of expenditure for the provision of government guarantees in the case of individual Landesbanken. When looking at the overall profitability of the Landesbanken sector, it should be borne in mind that the expenditure for premium payments was offset by high income from payments under guarantees, which had a positive effect on the net valuation result. Compared with the previous year, the sector's net commissions received rose slightly to €0.8 billion, but were nonetheless considerably lower than the long-term average.

Net trading result significantly down

Net trading result distinctly negative

In a setting of financial markets prone to fluctuations, the net trading result, which is typically highly volatile, deteriorated by almost 40% to €3.6 billion. This development was affected, in particular, by valuation and exchange rate changes as well as transactions relating to the special item pursuant to section 340 e (4) of the German Commercial Code *(Handelsgesetzbuch)*.[20] The share of operating income contributed by the net trading result declined by just under 2 percentage points to 3%, thus approaching the long-term average. According to the published annual reports, trading business rarely constitutes proprietary trading originating in the institutions, but rather is dominated by customer-initiated business.

Net trading result, by category of banks

The net trading result is traditionally more important for the regional institutions of credit cooperatives than for the other categories of banks; the regional institutions boosted their net trading income by one-third to €0.5 billion, mainly due to value adjustments. The share of

19 Part of this income effect is purely accounting-related and attributable to reclassifications to and from the net trading result at one big bank. The relevant prior-year figures were not adjusted in the profit and loss statistics.
20 Pursuant to section 340 e (4) of the German Commercial Code, an amount corresponding to at least 10% of net income in the trading book must be allocated each financial year to the special item "Fund for general banking risks" pursuant to section 340 g and presented separately in that item. It may only be reversed to offset net expenditure in the trading book, to offset a loss that is not covered by profit brought forward from the previous year, to offset a loss brought forward that is not covered by net profit for the year, or if it exceeds 50% of the average net income in the trading book for the last five years.

the net trading result in operating income rose by just over 7 percentage points to around 23%. By contrast, various factors caused the big banks to record a decline in their net result of almost one-third to €2.6 billion. This meant that its share in operating income shrank by nearly 4 percentage points to somewhat more than 8%. In the Landesbanken sector, the previous year's high disposal and valuation gains were not repeated, which meant that the net gain from trading went down massively by €1.2 billion to €0.1 billion. Its share in operating income likewise fell immensely by more than 11 percentage points to just over 1%. In the other categories of banks, the net trading result, as is customary, did not play a notable role in the reporting year.

Considerable expansion of negative balance of net other operating result

Components of net other operating result

The net other operating result deteriorated by €1.6 billion to -€2.4 billion, hitting its lowest level since 1993. This summary item is used to record earnings and expenses that form part of operating business, but have no connection to the net interest, commission or trading result. Besides the net result from leasing business and currency translation[21] as well as the gross result from transactions in goods and subsidiary transactions, this item is also used to book provisions for, *inter alia,* litigation risk and the risk of legal recourse – in some categories of banks these have been growing in scale in recent years. Furthermore, according to the published annual reports, many of the institutions use the option introduced when the Act to Modernise Accounting Law *(Bilanzrechtsmodernisierungsgesetz)* was implemented in 2010, which allows them to report income effects arising from the change in the discount rate for pension provisions as a component of the financial result rather than in staff costs.[22] The published annual reports reveal that these amounts are often recognised in the net other operating result. In particular, the persistent low-interest-rate environment and the changeover, as part of the implementation of the Act to Modernise Accounting Law, in the valuation method[23] for calculating the reportable present values of pension obligations are likely to have resulted in a distinct increase in these expenses. Taken by itself, the persistently declining discount interest rates have, for some years, been steadily pushing up the present values to be determined. Moreover, the costs incurred in the reporting year in connection with the reimbursement of loan processing fees[24] weighed on the net other operating result in some categories of banks – heavily, in some cases.

Net other operating result, by category of banks

The negative balance in the big banks sector grew considerably by just over one-third to €2.8 billion, chiefly as a result of renewed high provisions for litigation costs. This category of banks thus reported its worst result since 1993.

21 Pursuant to section 277 (5) of the German Commercial Code, currency translation effects are to be recorded in the net other operating result, provided that use is not made of the option under the provisions of the Accounting Regulation for Credit Institutions (Verordnung über die Rechnungslegung der Kreditinstitute) to recognise the effects of foreign currency translation in the item in which the net other valuation result of the translated balance sheet item or transaction is presented. See IDW Accounting Principle: Besonderheiten der handelsrechtlichen Fremdwährungsumrechnung bei Instituten (IDW RS BFA 4), No 22.
22 See also IDW Accounting Principle: Handelsrechtliche Bilanzierung von Altersversorgungsverpflichtungen (IDW RS HFA 30), Nos 87 and 88.
23 Prior to the implementation of the rules under the Act to Modernise Accounting Law, the discount rate applied in the valuation method for pension provisions was supposed to be within a general range of 3% to 6%; a discount rate within the range of between 4% and 4.5% was normally used. The lower valuation threshold was the value determined according to the entry age normal method (pursuant to section 6a of the Income Tax Act (Einkommensteuergesetz)) with a discount rate of 6%. The new rules contained in the Act to Modernise Accounting Law stipulate that pension provisions with a residual maturity of more than one year are to be discounted at the average market interest rate of the last seven years corresponding to their residual maturity. Alternatively, disregarding the principle of item-by-item valuation, it is permissible to discount all pension provisions with the average market interest rate that results assuming a residual maturity of 15 years.
24 In its judgments of May and October 2014, the Federal Court of Justice confirmed the unlawfulness of loan processing fees, since the processing of a loan is not a service for the customer. Rather, it is in the bank's own interests to check the customer's solvency and prepare the contract. In compliance with certain limitation periods, therefore, reimbursements of loan processing fees paid in the last ten years can be requested.

Administrative spending and net valuation result of German banks*

%

* Calculated on the basis of the annual overall aggregates.
Deutsche Bundesbank

At the same time, net income in the category of regional banks and other commercial banks was down by far more than half, to just €0.5 billion. The main strain here was caused by high expenses in connection with the reimbursement of loan processing fees by individual banks. Developments in the Landesbanken sector were mixed; the net other operating result in this category fell by €0.3 billion, just dipping into negative territory.

Increased administrative spending

Staff costs barely changed

The banks' cost side is largely shaped by administrative spending, which rose slightly by around €1 billion to just under €83.9 billion and comprises staff costs and other administrative spending. Staff costs, which grew only marginally by €0.1 billion to €43.2 billion, are divided into wage and salary payments and other staff costs. Across all categories of banks, wage and salary payments rose slightly to €34.8 billion. In the context of continued job cuts, this figure reflected the moderate wage and salary increases from the collective wage agreements concluded in 2012 and 2014. Other staff costs, which include social security costs and costs relating to pensions and other benefits, stood at the previous year's level of €8.5 billion. In this item, the countervailing effects of lower social security costs and higher pension expenditure offset each other.

Appreciable increase in other administrative spending

Other administrative costs rose perceptibly by €0.8 billion to €40.6 billion. These primarily include the costs of operating premises and offices, non-staff costs, expenditure on external services such as audit and consultancy costs as well as the costs of implementing regulatory requirements. In the year under review, the successes already achieved from savings and synergy effects are likely to have been offset in part by higher regulatory costs. Expenditure for the bank levy,[25] which amounted to €0.5 billion in the reporting year, is also recognised primarily in this item according to the published annual reports.

Administrative spending, by category of banks

The category of big banks made the largest contribution to the increase in other administrative costs in the German banking sector. Nevertheless, total administrative spending in this category of banks fell slightly to €24.7 billion, as staff costs were declining. The networked institutions, whose relatively dense branch network has a considerably negative effect, when viewed in isolation, on the cost item of other administrative costs, reported other administrative costs of €7.3 billion (savings banks) and €5.7 billion (credit cooperatives), which were, respectively, slightly lower and slightly higher than the previous year's figures. With staff costs up, administrative spending as a whole rose slightly in both categories of banks.

25 See Deutsche Bundesbank, Fundamental features of the German Bank Restructuring Act, Monthly Report, June 2011, pp 59-75. At the end of 2014, the Restructuring Fund had a total of €2.3 billion.

Cost/income ratio at prior-year level

Cost efficiency unchanged

The cost/income ratio expresses the ratio of administrative spending to operating income. It is a measure of cost efficiency and, alongside the return on equity, is one of the key performance indicators of an enterprise. In principle, the lower the ratio is, the more efficiently a bank generates its earnings. In the year under review, cost efficiency stood at the previous year's level of 69% given increased operating income and administrative spending, but was poorer than the long-term average.

Cost/income ratio, by category of banks

Compared with the other categories of banks, the cost/income ratio of the big banks, which are actually most likely to benefit from economies of scale, revealed the lowest cost efficiency both in the reporting year (78.1%) and as a long-term average (76.4%). In the case of the Landesbanken, which usually have one of the most favourable ratios, the poor net trading result, in particular, dragged on operating income. As a result, their cost efficiency decreased, with the ratio, at 70.9%, rising to its worst level since 1993. In the context of virtually unchanged operating income, the ratios of the savings banks and credit cooperatives were within the usual range, at 68.3% and 65.9% respectively. Cost efficiency clearly deteriorated at the regional institutions of credit cooperatives, chiefly owing to distinctly diminishing operating income; at 59.3%, the cost/income ratio was somewhat higher than the long-term average. The profitability of the mortgage banks has been shaped for some years by restructuring measures and portfolio reduction. Net interest received, in particular, has been declining sharply since 2010, while the reduction in administrative costs has been significantly more moderate. In the year under review, they needed just over 58% of their operating income to cover administrative expenses, whereas the figure was merely a little under 40% on a long-term average. They are thus one of the categories of banks with the highest cost efficiency. Nevertheless, depending on the respective business model, there are clear differences between the composition and amount of administrative costs as well as the earnings potential of operating business in the German banking sector. For instance, even though they were among the categories of banks with the highest cost efficiency in the long-term average, the Landesbanken and mortgage banks generated the poorest return on equity figures,[26] both in the reporting year (-0.63% and -1.03% respectively) and on a long-term aver-

Cost/income ratios, by category of banks*

As a percentage

Category of banks	General administrative spending in relation to …		
	2012	2013	2014
	… gross earnings[1]		
All categories of banks	68.9	72.1	69.8
Commercial banks	75.4	77.7	74.4
Big banks	76.9	82.8	77.6
Regional banks and other commercial banks	73.2	69.8	69.7
Branches of foreign banks	56.8	59.5	49.1
Landesbanken	65.8	72.5	71.5
Savings banks	65.5	66.1	67.0
Regional institutions of credit cooperatives	62.2	61.5	77.4
Credit cooperatives	67.3	65.9	66.4
Mortgage banks	54.6	70.1	61.4
Special purpose banks	49.0	89.3	52.5
	… operating income[2]		
All categories of banks	64.2	69.1	69.0
Commercial banks	67.2	72.8	73.3
Big banks	68.8	78.3	78.1
Regional banks and other commercial banks	65.0	64.7	66.7
Branches of foreign banks	48.6	48.8	41.2
Landesbanken	59.6	61.8	70.9
Savings banks	65.7	67.2	68.3
Regional institutions of credit cooperatives	42.3	52.3	59.3
Credit cooperatives	65.9	64.6	65.9
Mortgage banks	51.7	75.4	58.4
Special purpose banks	47.1	89.0	50.0

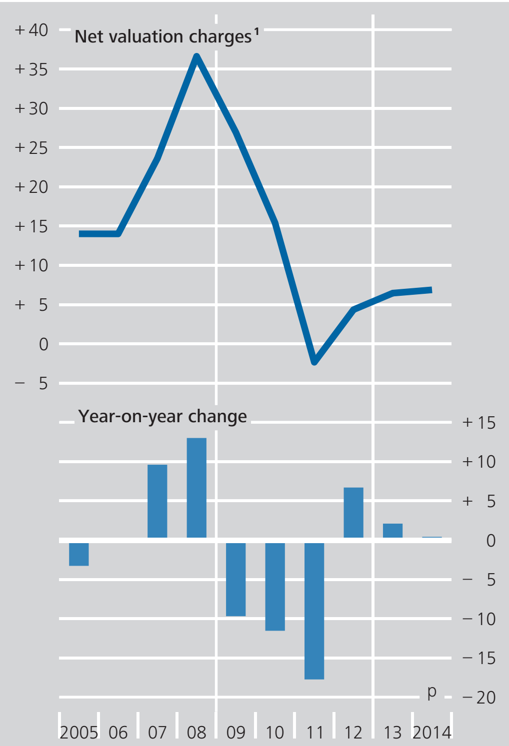
* The figures for the most recent date should be regarded as provisional in all cases. **1** Aggregate net interest and net commissions received. **2** Gross earnings plus net profit or net loss from the trading portfolio and net other operating income or charges.

Deutsche Bundesbank

26 Profit for the year before taxes as a percentage of annual average balance sheet capital (including the fund for general banking risks). See the box on the data set on p 43.

Risk provisioning of credit institutions

€ billion



1 Excluding investment in tangible and financial fixed assets.
Deutsche Bundesbank

age (3.6% and 5.5% respectively). For the networked institutions, on the other hand, this ratio showed the best profitability in the German banking system.

Cost and process management optimisation

In response to limited earnings prospects, fierce competition, and owing to a lack of alternatives for expanding into new areas of business, German banks are increasingly trying to optimise their cost side, focusing on mergers, adjustments to branch structures, restructuring lines of business and outsourcing cost-intensive functions. Savings banks and credit cooperatives, in particular, continued to reduce their branch numbers, for example. In total, the number of savings bank branches was reduced by 372 to 11,951, and branches of credit cooperatives were decreased by 272 to 11,269 branches. The reduction in the big banks sector of 167 branches to 7,443 was essentially due to a single institution which had announced in 2013 that it planned to carry out such measures.

Net valuation result at a low level

Net valuation result somewhat poorer

Although the net valuation result (risk provision) was again very favourable compared with the long-term average, it showed a slight year-on-year deterioration of €0.4 billion to -€6.9 billion amid mixed developments across the categories of banks. Along with the effects of write-ups, write-downs and value adjustments on accounts receivable and securities in the liquidity reserve, the net valuation result also encompasses risk provisioning for off-balance sheet credit operations. In addition, transfers and releases relating to undisclosed reserves pursuant to section 340 f of the German Commercial Code are included in the net valuation result, impacting on the net profit or loss. By contrast, transfers relating to disclosed reserves pursuant to section 340 g of the German Commercial Code (fund for general banking risks) are shown in this profit and loss analysis in the context of profit distribution. The net valuation result makes use of the cross-offsetting option[27] permissible under the German Commercial Code.

Debt provisioning still low

Primarily thanks to robust economic conditions and the good portfolio quality overall, debt provisioning was again at a low level. The downward trend for several years in the number of business and consumer insolvencies also continued in the year under review. In fact, the number of business insolvencies was at its lowest level since the Insolvency Code was introduced in 1999.[28] Along with the favourable interest rate environment and the strong profitability of German non-financial enterprises, their improved equity base and continued ease of access to bank loans are also likely to have

27 Pursuant to section 340 f (3) of the German Commercial Code, under the cross-offsetting option, income received and expenses incurred in connection with credit operations and securities in the liquidity reserve that do not constitute interest received, interest paid or current income may be reported as a net figure.
28 See Statistisches Bundesamt (Federal Statistical Office), Unternehmen und Arbeitsstätten, Fachserie 2, Reihe 4.1, Insolvenzverfahren Dezember und Jahr 2014. See also the March 2011 to March 2014 issues of this Fachserie.

had a positive effect. In addition, the special accounting-related effect arising from the reallocation of undisclosed reserves as disclosed reserves is likely to have had a favourable impact on the net valuation result.[29]

Net valuation result, by category of banks

In most categories of banks, the net valuation result was considerably better than the long-term average. For the fourth time in succession, the savings banks recorded net income from the valuation of assets, although the figure was very low. The regional institutions of credit cooperatives turned their net valuation result of -€0.3 billion in the preceding year into a small positive balance. Considerably influenced by special factors – although these also offset each other in some cases – net valuation charges for credit risk provisioning in the Landesbanken sector fell by more than half to €1.6 billion; the high charges arising from valuation adjustments to claims and debt forgiveness vis-à-vis certain equity interests at one Landesbank were accompanied by substantial income from the effect of the guarantee at another Landesbank. The big banks posted the worst net valuation result, with their net transfers almost tripling to €2.7 billion. This was chiefly attributable to declining capital gains from the sale of securities in the liquidity reserve at a single institution.

Operating result at prior-year level

Operating result stable

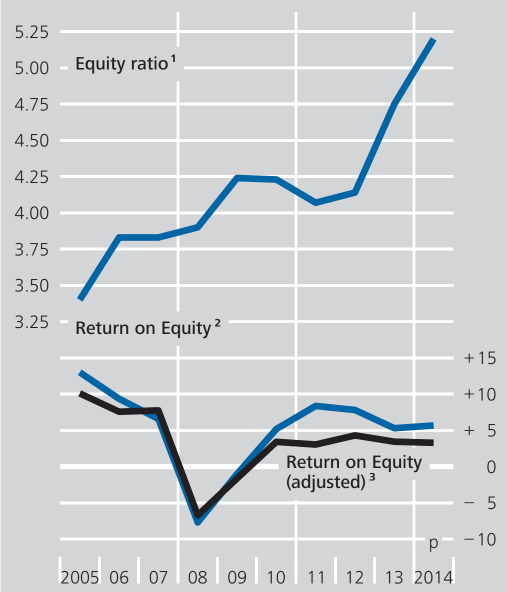
At 75%, the share of operating income required to fund administrative spending and the net valuation result was markedly below the long-term average. The German credit institutions posted a profit of around €31 billion from their operating business, which was on the same level as in the previous year.

Low-cost credit risk provisioning as central pillar of profitability

The persistently low costs of banks' risk provisioning, in particular, proved to be a mainstay of profitability. For example, at just 5.7% of operating income, considerably less profit was needed to offset the net charges from the valuation of assets than on the long-term average. If the share of operating income required to cover the costs of risk provisioning in the year under review had been on the same level as the long-term average, the operating result would have been substantially – roughly €10 billion – lower.

Credit institutions' equity and profit for the financial year

%



1 Equity (including fund for general banking risks but not participation rights capital) as a percentage of the balance sheet total; annual average. **2** Profit for the financial year before tax as a percentage of average equity. **3** Profit for the financial year before tax less net transfers to the fund for general banking risks (adjusted profit for the financial year) as a percentage of average equity.
Deutsche Bundesbank

Strains on other and extraordinary result again declining

Negative balance considerably reduced

The structurally negative balance in the net other and extraordinary income or charges account of the profit and loss statistics also comprises, along with the extraordinary profit or

29 For details, see Deutsche Bundesbank, The effect of reallocating undisclosed reserves pursuant to section 340 f of the German Commercial Code as disclosed reserves pursuant to section 340 g of the German Commercial Code on the annual profit in the profit and loss statistics, Monthly Report, September 2012, pp 27-28.

Breakdown of the extraordinary profit and loss*

€ million

Item	2012	2013	2014
Balance of other and extraordinary income or charges	– 11,663	– 9,126	– 6,483
Income (total)	2,546	3,245	2,839
from value adjustments in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	1,396	1,510	1,729
from loss transfers	458	865	370
Extraordinary income	692	870	740
Charges (total)	– 14,209	– 12,371	– 9,322
Write-offs and write-downs in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	– 7,081	– 3,631	– 3,459
from loss transfers	– 628	– 637	– 608
Extraordinary charges	– 2,381	– 3,302	– 1,450
Profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement	– 4,119	– 4,801	– 3,805

* The figures for the most recent date should be regarded as provisional in all cases.
Deutsche Bundesbank

loss in the stricter sense,[30] the result from financial investment business[31] as well as loss transfers.[32] In addition, charges arising from profit transfers[33] are recorded here, as they cannot be assigned to actual operating business. Having undergone a substantial drop of 29% overall to €6.5 billion, the negative balance was close to the long-term average for the first time since the crisis year of 2008.

Significantly declining restructuring charges

The overall positive development in the German banking sector's other and extraordinary income or charges account was mainly driven by the huge €1.7 billion improvement in the extraordinary result, in the stricter sense, to -€0.7 billion. However, conflicting effects had an influence on this balance; for example, the high restructuring charges in the case of the mortgage banks – these primarily affected a single bank – contrasted with strongly reduced charges for restructuring, above all in the big banks and Landesbank sectors. Also affected by contrasting factors, the negative balance from financial investment business fell significantly to €1.7 billion, down by €0.4 billion. The savings banks and big banks, in particular, reduced their net charges considerably; in addition to write-ups and profits from sales, this was chiefly due to fewer write-downs from the

30 Only extraordinary events which interrupt the normal financial year are recorded in this item. This includes merger gains and losses, reorganisation gains and losses, debt forgiveness in restructurings, as well as charges for redundancy programmes and restructuring.
31 Financial investment business comprises the balance of income from value readjustments in respect of participating interests, shares in affiliated enterprises and securities treated as fixed assets as well as write-downs and value adjustments in respect of these items.
32 These include losses transferred from the subordinated enterprise to the superordinated enterprise as part of a profit transfer agreement, a partial profit transfer agreement or on a voluntary basis. The superordinated enterprise records this transaction as a charge from loss transfers while the subordinated enterprise receives income from loss transfers.
33 This relates to charges from profit transfers on the basis of profit pooling, a profit transfer agreement or a partial profit transfer agreement. By contrast, income from profit transfers are reported under net interest received; the assumption is that these are part of the business strategy and hence of operating business.

affiliated enterprises of one big bank. By contrast, the Landesbanken almost quadrupled their net loss from financial investment business, principally as a result of high expenditure arising from a payment obligation in connection with the decisions stemming from an EU state aid procedure. Charges arising from profit transfers, which were largely concentrated on the group of regional banks and other commercial banks, showed a marked fall of €1 billion to €3.8 billion. The contribution to the result from loss transfers went into negative territory and was down €0.2 billion on account of significantly declining income. One mortgage bank was particularly affected by this; as a result of the advanced stage of portfolio reduction as part of the implementation of EU requirements, its risk provisioning expenses were considerably lower and the profit situation thus much better. Consequently, income from losses transferred to the superordinated enterprise plummeted to less than one-tenth of the previous year's value.

Increased profit for the financial year and balance sheet profit

Profit for financial year, by category of banks

In the year under review, the German credit institutions saw distinct growth in their annual profit before tax. At €24.2 billion on balance, a rise of just under 13%, the result was also considerably above the long-term average. The increased profit at the aggregate level was mostly concentrated on the special-purpose banks, whose net interest received figures benefited from the elimination of a negative accounting-related special item[34]. By contrast, the credit cooperatives saw an appreciable decline in their profit for the financial year before tax, as it fell from €7.7 billion to €7 billion. The savings bank sector recorded a profit of €8.7 billion, which was marginally up on the year. Despite markedly higher operating income, the mortgage banks posted a loss of €0.2 billion, which was due mainly to the high negative balance in the extraordinary account. This followed a surplus of €0.1 billion in the preceding financial year. The Landesbanken improved their result and reduced their annual loss slightly to €0.4 billion. Here, the effects of the visible deterioration in operating income and the considerably more favourable net valuation charges offset each other to a large extent. Generally speaking, the other categories of banks posted moderate growth.

Strengthened balance sheet capital

Since the crisis year of 2008, balance sheet capital has strengthened substantially by almost one-third to €428 billion, but was massively influenced by the reallocation of undisclosed reserves as disclosed reserves, especially in 2011 and 2012.[35] Higher balance sheet capital as a result of this reallocation did not raise the liable capital base to the same extent, however, as the undisclosed reserves could be used to back prudential risks under certain circumstances even before the reallocation.[36] In order to hedge against the special risks of banking business and to satisfy more stringent prudential capital requirements, €10.2 billion net (compared with €7.6 billion in the previous year) was transferred from the profit for the reporting year to the fund for general banking risks. The networked institutions accounted for more than half of this. Reserves and participation rights capital, on the other hand, were reduced by €3.4 billion on balance. The main negative factors were the release of reserves to offset a very high annual loss at one Landesbank as well as to offset high losses brought forward at individual mortgage banks. In net terms, balance sheet capital from internal

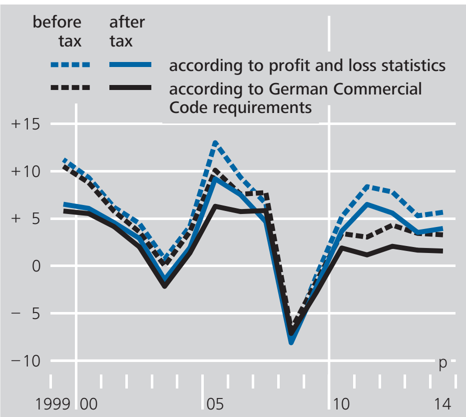
34 See also footnote 7 on p 42 of this report.
35 See also footnote 29 on p 57 of this report.
36 With the implementation of the Capital Requirements Regulation (CRR) on 1 January 2014, more stringent uniform criteria for recognising regulatory capital components as well as stricter and harmonised rules for deductions applied in the calculation of the capital base were introduced at EU level. Undisclosed reserves' eligibility for recognition as Tier 2 capital was limited. The ability to allocate disclosed reserves without qualification to Common Equity Tier 1 capital remained unchanged. To strengthen their core capital base and in anticipation of the planned tightening of regulatory requirements, several institutions had reclassified undisclosed reserves as disclosed reserves – on a considerable scale in some cases – during 2011 and 2012, in particular.

Return on equity of German banks – interpretation and determinants

Return on equity expresses a bank's annual profit in relation to its balance sheet capital and captures the rate of return on the equity employed within a given accounting period. It is used as a measure for estimating an enterprise's profitability. However, valid statements can only be made under the conditions that the definitions of annual profit and equity capital are disclosed and that any special factors are taken into consideration. In an international comparison, the informative value of this figure is extremely limited as no harmonised set of data covering the entire banking system exists as yet. The major differences between the German (German Commercial Code *(Handelsgesetzbuch* or HGB)) and the international (International Financial Reporting Standards or IFRSs) accounting rules are the underlying principle (HGB: principle of prudence *versus* IFRS: fair value principle) and the way in which enterprises are required to report (HGB: single entity *versus* IFRS: consolidated). In the context of Germany, return on equity is regularly commented on in the Monthly Report articles regarding the profitability of German banks based on the time series from the profit and loss statistics. It is calculated as the ratio of annual profit derived from the HGB single-entity financial statements to the average annual balance sheet capital determined on the basis of the monthly balance sheet statistics.

Return on equity of German banks

%



Deutsche Bundesbank

Besides the purely accounting-based aggregation of the profit and loss accounts shown in the relevant HGB single-entity financial statements, the essential aim of the profit and loss statistics is to disclose to its broad target audience the profitability of the German banking system as a whole and of the individual categories of banks from an economic perspective. Due to this approach, which is primarily oriented towards economic performance, individual items in the profit and loss statistics may, in some cases, be reported in a different way than in the HGB profit and loss account. For example, to make provisions for the particular risks of banking business, the German Commercial Code allows credit institutions to form undisclosed reserves pursuant to section 340 f and disclosed reserves pursuant to section 340 g. Pursuant to the provisions of the German Commercial Code, establishing and reversing undisclosed as well as disclosed reserves is always to be reported as income or expense with the corresponding impact on the level of annual profit. In deviation from the requirements of the German Commercial Code, the establishment and reversal of disclosed reserves pursuant to section 340 g of the Code is not recorded as income or expense in the profit and loss statistics, but is recognised only later in the context of profit distribution; due to their proximity to retained profits, the Bundesbank holds the view that recognising these components as income or expense would not appropriately reflect actual economic performance.[1] However, accounting prac-

1 For further details, see Deutsche Bundesbank, The profitability of German credit institutions in 1993, accompanying tables, "Components of domestic credit institutions' profit and loss accounts under old and new accounting legislation", Monthly Report, October 1994, p 34.

Return on equity of German banks

%

Year under review, as at year-end	Pre-tax return on equity according to profit and loss statistics	Pre-tax return on equity according to German Commercial Code requirements	After-tax return on equity according to profit and loss statistics	After-tax return on equity according to German Commercial Code requirements
1999	11.22	10.51	6.51	5.79
2000	9.32	8.78	6.07	5.52
2001	6.19	5.77	4.57	4.15
2002	4.49	3.59	2.91	2.01
2003	0.72	0.01	− 1.45	− 2.16
2004	4.19	3.61	1.93	1.36
2005	13.00	10.10	9.19	6.29
2006	9.35	7.56	7.51	5.73
2007	6.57	7.74	4.66	5.84
2008	− 7.70	− 6.73	− 8.11	− 7.13
2009	− 1.03	− 1.64	− 2.18	− 2.79
2010	5.18	3.41	3.67	1.89
2011	8.36	3.04	6.49	1.16
2012	7.80	4.30	5.58	2.07
2013	5.29	3.43	3.53	1.66
2014	5.66	3.28	3.95	1.57

Deutsche Bundesbank

tice does not differ between the profit and loss statistics and the Commercial Code provisions regarding income recognition when undisclosed reserves are established and reversed pursuant to section 340 f of the Code; instead, these reserves are comparable to general provisions and are also included in the net valuation result, where they are indistinguishable due to cross-offsetting.

In particular between 2011 and 2012, many institutions, above all in the savings and cooperative bank sector, reclassified undisclosed as disclosed reserves – not least in preparation for meeting stricter regulatory capital requirements.[2] This reclassification effect did not have an impact on annual profit determined in line with the German Commercial Code, but caused annual profit in the profit and loss statistics to rise – massively, in some cases – for a number of categories of banks. The charts on page 44 (The performance of credit institutions) and page 57 (Credit institutions' equity and profit for the financial year) illustrate the discrepancies in the data between the profit and loss statistics and the German Commercial Code provisions.

The effects will gradually fade over time and the data in the profit and loss statistics will eventually return to reflecting actual economic performance. However, the return on equity setting annual profit as calculated in line with the German Commercial Code in relation to balance sheet capital, as a reference value for return on equity as calculated pursuant to the profit and loss statistics, will probably continue in the future to provide a sound contribution to avoiding misinterpretations.

The main text of this article focuses on annual profit before tax in the context of calculating return on equity. Alternatively, however, annual profit after tax may also be used as a reference figure. Given that, on a long-term average, taxes on income and earnings amount to just over 43% of annual profit before tax, return on equity after tax is substantially lower than return on equity before tax.

2 For details, see Deutsche Bundesbank, The effect of reallocating undisclosed reserves pursuant to section 340 f of the German Commercial Code as disclosed reserves pursuant to section 340 g of the German Commercial Code on the annual profit in the profit and loss statistics, Monthly Report, September 2012, pp 27-28.

Return on equity of individual categories of banks*

As a percentage

Category of banks	2010		2011		2012		2013		2014	
All categories of banks	5.18	(3.67)	8.36	(6.49)	7.80	(5.58)	5.29	(3.53)	5.66	(3.95)
Commercial banks	3.01	(2.01)	1.77	(0.75)	6.55	(3.68)	4.96	(3.54)	4.80	(3.50)
of which Big banks	2.88	(2.19)	– 0.12	(– 0.83)	6.65	(2.91)	4.58	(3.24)	4.33	(3.16)
Regional banks and other commercial banks	2.78	(1.39)	4.80	(3.33)	6.08	(4.75)	5.27	(3.81)	5.20	(3.87)
Landesbanken 1	– 1.47	(– 1.31)	0.12	(– 1.02)	3.91	(2.77)	– 0.80	(– 1.58)	– 0.63	(– 1.50)
Savings banks	11.42	(7.07)	27.35	(22.88)	12.96	(9.32)	10.61	(7.33)	9.95	(6.74)
Regional institutions of credit cooperatives	5.77	(5.83)	10.27	(9.50)	4.94	(8.30)	4.10	(3.16)	4.18	(2.64)
Credit cooperatives	12.12	(8.02)	16.39	(11.87)	15.71	(11.50)	14.75	(10.98)	12.21	(8.58)
Mortgage banks	– 0.50	(– 0.40)	– 1.72	(– 2.14)	0.58	(0.46)	0.73	(0.18)	– 1.03	(– 1.67)

***** The figures for the most recent date should be regarded as provisional in all cases. Profit for the financial year before tax (in brackets: after tax) as a percentage of the average equity as shown in the balance sheet (including the fund for general banking risks, but excluding participation rights capital). **1** From 2012, Portigon AG (legal successor of WestLB) allocated to the category of "Special purpose banks".
Deutsche Bundesbank

financing grew by €6.9 billion. Regarding the interpretation of these results, it should be noted that some time-related inconsistencies are associated with the compilation of the annual accounts (comprising the balance sheet and the profit and loss account). For example, the amounts transferred from the profit for the financial year do not increase balance sheet capital until the following year after the annual accounts are adopted, while withdrawals from equity items are to be deducted from balance sheet capital at the latest when the annual accounts are prepared.

Return on equity improved

Return on equity[37] expresses annual profit in relation to balance sheet capital and captures the rate of return on the equity employed within a given accounting period. It is used as a key measure for estimating an enterprise's profitability. Calculated as the ratio of profit for the financial year before taxes to balance sheet capital based on the data provided in the profit and loss statistics, it improved by 0.4 percentage point on the year to 5.7%, but was still significantly below the long-term average. Return on equity after tax was 4.0% for the year under review (see the box on pages 60 and 61, Return on equity of German banks – interpretation and determinants).

Balance sheet profit for first time since 2007

Taking due account of slightly increased taxes on income and earnings, as well as persistently high losses brought forward, credit institutions achieved a balance sheet profit – in the amount of €1.8 billion – at the aggregate level for the first time since 2007. This was mainly driven by the release of reserves by individual mortgage banks in order to offset high losses brought forward. Hence, the overall balance sheet loss was reduced significantly by €2.8 billion to €6.1 billion. As in the previous year, it was a small number of special-purpose banks, mortgage banks and individual banks in the category of regional banks and other commercial banks

37 See the box on the dataset on p 43.

that were affected by the negative balance sheet results. For these categories of banks, the net result was also negative at the group level. All other banks achieved balance sheet profits at the aggregate level. The total balance sheet profit rose by €0.9 billion to €7.9 billion.

Statistical data

PDF tables with time series on the financial performance of German banks are published on the Bundesbank's website. Most of the time series go back to 1968.

The tables accompanying this article are printed on pages 65 to 75.

Major components of credit institutions' profit and loss accounts, by category of banks*

As a percentage of the average balance sheet total°

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks	of which: Regional banks and other commercial banks	Landesbanken[1]	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks[1]
	Interest received[2]									
2008	5.20	4.73	4.53	5.36	5.59	4.97	3.90	4.95	7.73	4.53
2009	3.86	3.24	2.93	4.07	3.82	4.37	2.85	4.41	5.38	3.75
2010	3.23	2.60	2.19	3.74	3.21	4.02	2.27	4.03	4.47	2.96
2011	3.29	2.02	1.56	3.78	5.39	3.96	2.14	3.93	4.96	3.05
2012	2.86	1.77	1.37	3.35	4.87	3.72	1.90	3.68	4.25	2.59
2013	2.58	1.70	1.29	3.09	3.49	3.40	1.75	3.40	3.91	2.80
2014	2.47	1.74	1.38	2.92	3.20	3.16	1.57	3.15	3.86	2.62
	Interest paid									
2008	4.11	3.52	3.54	3.47	4.87	2.97	3.32	2.89	7.34	4.09
2009	2.72	2.04	1.84	2.57	3.11	2.25	2.41	2.18	4.91	3.22
2010	2.10	1.45	1.24	2.05	2.52	1.82	1.79	1.69	4.02	2.45
2011	2.27	1.17	0.93	2.09	4.69	1.75	1.69	1.63	4.56	2.59
2012	1.87	0.92	0.69	1.84	4.24	1.59	1.42	1.47	3.83	2.14
2013	1.57	0.80	0.61	1.50	2.81	1.29	1.22	1.15	3.53	2.61
2014	1.38	0.77	0.60	1.29	2.47	1.06	1.16	0.94	3.38	2.18
	Excess of interest received over interest paid = net interest received (interest margin)									
2008	1.09	1.20	0.99	1.89	0.72	2.00	0.58	2.06	0.39	0.44
2009	1.14	1.20	1.09	1.50	0.72	2.13	0.45	2.23	0.47	0.53
2010	1.14	1.14	0.95	1.69	0.68	2.20	0.48	2.33	0.44	0.51
2011	1.02	0.85	0.64	1.69	0.70	2.21	0.45	2.30	0.41	0.46
2012	0.99	0.85	0.68	1.51	0.63	2.12	0.48	2.21	0.43	0.45
2013	1.01	0.89	0.69	1.60	0.68	2.10	0.52	2.25	0.38	0.19
2014	1.10	0.97	0.77	1.62	0.72	2.09	0.40	2.21	0.48	0.44
	Excess of commissions received over commissions paid = net commissions received									
2008	0.36	0.54	0.45	0.82	0.13	0.57	0.11	0.63	0.05	0.09
2009	0.34	0.55	0.50	0.70	0.07	0.55	0.14	0.58	0.02	0.10
2010	0.35	0.56	0.50	0.72	0.08	0.57	0.13	0.59	0.02	0.09
2011	0.32	0.42	0.35	0.70	0.07	0.57	0.13	0.58	0.02	0.08
2012	0.30	0.37	0.32	0.61	0.06	0.56	0.12	0.56	0.02	0.09
2013	0.34	0.43	0.38	0.62	0.06	0.57	0.13	0.56	0.01	0.11
2014	0.36	0.47	0.43	0.63	0.07	0.58	0.14	0.56	0.00	0.12

* The figures for the most recent date should be regarded as provisional in all cases. ° Excluding the balance sheet total of the foreign branches of savings banks and of the foreign branches of regional institutions of credit cooperatives. For footnotes **1** and **2**, see p 66.
Deutsche Bundesbank

Major components of credit institutions' profit and loss accounts, by category of banks* (cont'd)

As a percentage of the average balance sheet total°

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks	of which: Regional banks and other commercial banks	Landesbanken[1]	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks[1]
	General administrative spending									
2008	0.95	1.20	1.02	1.75	0.43	1.81	0.36	2.01	0.17	0.20
2009	1.02	1.40	1.31	1.65	0.45	1.80	0.41	1.98	0.18	0.21
2010	0.99	1.32	1.20	1.67	0.44	1.74	0.38	1.88	0.17	0.19
2011	0.89	0.97	0.80	1.62	0.44	1.74	0.37	1.88	0.22	0.20
2012	0.89	0.92	0.77	1.55	0.46	1.76	0.37	1.86	0.24	0.26
2013	0.97	1.03	0.89	1.55	0.54	1.77	0.40	1.85	0.27	0.27
2014	1.02	1.08	0.93	1.57	0.57	1.79	0.42	1.84	0.29	0.29
	Net profit or net loss from the trading portfolio[3]									
2008	− 0.22	− 0.55	− 0.69	− 0.14	− 0.09	0.00	− 0.33	0.00	0.00	0.00
2009	0.09	0.18	0.22	0.08	0.06	0.02	0.33	0.01	0.00	0.00
2010	0.07	0.17	0.23	0.00	0.03	0.00	0.19	0.00	0.00	0.00
2011	0.05	0.13	0.15	0.05	− 0.04	0.00	0.06	0.00	0.00	0.00
2012	0.08	0.14	0.16	0.04	0.05	0.00	0.28	0.00	0.00	0.00
2013	0.07	0.11	0.14	0.04	0.11	0.00	0.12	0.00	0.00	0.00
2014	0.04	0.09	0.10	0.04	0.01	0.00	0.16	0.00	0.00	0.00
	Operating result before valuation of assets									
2008	0.34	0.08	− 0.22	0.99	0.36	0.82	0.03	0.93	0.28	0.34
2009	0.55	0.51	0.40	0.77	0.43	0.90	0.52	0.92	0.31	0.42
2010	0.56	0.50	0.35	0.91	0.37	1.03	0.42	1.07	0.30	0.42
2011	0.50	0.46	0.30	1.04	0.30	1.03	0.27	1.06	0.08	0.36
2012	0.49	0.45	0.35	0.84	0.31	0.92	0.51	0.97	0.23	0.30
2013	0.43	0.38	0.25	0.85	0.33	0.86	0.37	1.01	0.09	0.03
2014	0.46	0.39	0.26	0.78	0.23	0.83	0.29	0.95	0.21	0.29
	Net income or net charges from valuation of assets									
2008	− 0.44	− 0.34	− 0.32	− 0.42	− 0.50	− 0.47	− 0.25	− 0.56	− 0.48	− 0.53
2009	− 0.34	− 0.31	− 0.28	− 0.40	− 0.38	− 0.42	0.01	− 0.33	− 0.43	− 0.25
2010	− 0.19	− 0.16	− 0.08	− 0.36	− 0.15	− 0.33	0.00	− 0.33	− 0.31	− 0.05
2011	0.03	− 0.11	− 0.06	− 0.31	− 0.05	0.69	0.41	− 0.04	− 0.25	0.08
2012	− 0.05	− 0.10	− 0.09	− 0.11	− 0.01	0.06	− 0.05	0.04	− 0.11	− 0.04
2013	− 0.08	− 0.06	− 0.03	− 0.13	− 0.27	0.01	− 0.12	0.04	− 0.08	− 0.08
2014	− 0.08	− 0.11	− 0.10	− 0.13	− 0.14	0.00	0.00	− 0.03	− 0.07	− 0.10

For footnotes *, °, see p 65. **1** From 2012, Portigon AG (legal successor of WestLB) allocated to the category of "Special purpose banks". **2** Interest received plus current income and profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement. **3** Up to 2009, net profit or net loss on financial operations.

Deutsche Bundesbank

Major components of credit institutions' profit and loss accounts, by category of banks* (cont'd)

As a percentage of the average balance sheet total°

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks	of which: Regional banks and other commercial banks	Landesbanken 1	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks 1
	Operating result									
2008	− 0.10	− 0.26	− 0.54	0.57	− 0.14	0.35	− 0.23	0.37	− 0.20	− 0.19
2009	0.21	0.20	0.12	0.37	0.05	0.48	0.53	0.58	− 0.12	0.18
2010	0.37	0.35	0.27	0.55	0.22	0.71	0.42	0.74	0.00	0.37
2011	0.53	0.34	0.24	0.73	0.25	1.73	0.68	1.02	− 0.18	0.43
2012	0.45	0.35	0.25	0.73	0.30	0.98	0.46	1.00	0.11	0.26
2013	0.36	0.33	0.21	0.72	0.06	0.88	0.25	1.06	0.01	− 0.05
2014	0.37	0.28	0.16	0.66	0.10	0.83	0.29	0.92	0.14	0.19
	Net other and extraordinary income or charges									
2008	− 0.20	− 0.29	− 0.26	− 0.39	− 0.21	− 0.14	0.08	− 0.05	− 0.15	− 0.19
2009	− 0.26	− 0.43	− 0.47	− 0.37	− 0.42	− 0.04	− 0.27	− 0.08	− 0.05	− 0.01
2010	− 0.15	− 0.23	− 0.17	− 0.40	− 0.28	− 0.09	− 0.18	− 0.05	− 0.01	0.01
2011	− 0.19	− 0.29	− 0.24	− 0.47	− 0.25	− 0.17	− 0.24	− 0.04	0.13	− 0.05
2012	− 0.12	− 0.16	− 0.09	− 0.40	− 0.14	− 0.12	− 0.26	0.00	− 0.10	− 0.07
2013	− 0.11	− 0.16	− 0.08	− 0.41	− 0.10	− 0.09	− 0.06	− 0.04	0.02	− 0.07
2014	− 0.08	− 0.10	− 0.02	− 0.34	− 0.13	− 0.05	− 0.08	− 0.02	− 0.18	0.01
	Profit for the financial year before tax									
2008	− 0.30	− 0.55	− 0.81	0.18	− 0.36	0.21	− 0.15	0.32	− 0.35	− 0.38
2009	− 0.04	− 0.24	− 0.35	0.00	− 0.37	0.44	0.26	0.50	− 0.18	0.17
2010	0.22	0.12	0.10	0.14	− 0.06	0.62	0.23	0.69	− 0.01	0.38
2011	0.34	0.06	0.00	0.26	0.00	1.56	0.44	0.98	− 0.05	0.39
2012	0.32	0.20	0.16	0.32	0.17	0.86	0.21	1.00	0.02	0.19
2013	0.25	0.17	0.13	0.30	− 0.04	0.78	0.19	1.02	0.02	− 0.12
2014	0.29	0.19	0.14	0.31	− 0.03	0.78	0.21	0.91	− 0.04	0.20
	Profit for the financial year after tax									
2008	− 0.32	− 0.54	− 0.76	0.10	− 0.39	0.11	0.05	0.23	− 0.37	− 0.39
2009	− 0.09	− 0.23	− 0.31	− 0.06	− 0.39	0.23	0.28	0.28	− 0.20	0.17
2010	0.16	0.08	0.08	0.07	− 0.05	0.38	0.24	0.45	− 0.01	0.37
2011	0.26	0.02	− 0.02	0.18	− 0.04	1.30	0.41	0.71	− 0.06	0.38
2012	0.23	0.11	0.07	0.25	0.12	0.62	0.35	0.73	0.01	0.18
2013	0.17	0.12	0.09	0.22	− 0.08	0.54	0.15	0.76	0.01	− 0.12
2014	0.21	0.14	0.10	0.23	− 0.08	0.53	0.13	0.64	− 0.06	0.21

For footnotes *, °, see p 65. For footnote 1, see p 66.
Deutsche Bundesbank

Credit institutions' profit and loss accounts*

			Interest business			Commissions business					
	Number of reporting institutions	*Memo item* Balance sheet total as an annual average[1]	Net interest received (col 4 less col 5)	Total interest received[2]	Interest paid	Net commissions received (col 7 less col 8)	Commissions received	Commissions paid	Net profit or net loss from the trading portfolio[3]	Net other operating income or charges	Operating income[4] (col 3 plus col 6 plus col 9 plus col 10)
Financial year	1	2	3	4	5	6	7	8	9	10	11
		€ billion									
2007	1,903	8,158.9	91.6	418.9	327.4	31.7	42.2	10.5	– 1.1	3.5	125.6
2008	1,864	8,327.1	90.6	432.8	342.2	29.7	41.1	11.3	– 18.7	5.6	107.2
2009	1,819	8,022.1	91.5	309.9	218.4	27.4	39.4	12.0	6.9	0.5	126.3
2010	1,798	8,105.2	92.1	262.2	170.0	28.6	40.6	12.0	5.7	– 0.6	125.9
2011	1,778	8,968.7	91.3	295.2	203.9	28.8	39.7	10.9	4.6	0.6	125.3
2012	1,754	9,341.9	92.3	267.0	174.8	28.0	38.5	10.5	7.1	1.6	129.0
2013	1,726	8,550.9	86.3	220.8	134.5	28.7	39.2	10.6	5.9	– 0.8	120.0
2014	1,695	8,242.8	90.4	203.7	113.3	29.8	41.3	11.5	3.6	– 2.4	121.5
	Year-on-year percentage change										
2008	– 2.0	2.0	– 1.0	3.0	5.0	– 6.0	– 3.0	8.0	– 1,538.0	58.0	– 15.0
2009	– 2.0	– 4.0	1.0	– 28.0	– 36.0	– 8.0	– 4.0	6.0	.	– 91.0	18.0
2010	– 1.0	1.0	1.0	– 15.0	– 22.0	5.0	3.0	0.0	– 17.0	.	0.0
2011	– 1.0	11.0	– 1.0	13.0	20.0	0.0	– 2.0	– 9.0	– 19.0	.	0.0
2012	– 1.0	4.0	1.0	– 10.0	– 14.0	– 3.0	– 3.0	– 3.0	55.0	164.0	3.0
2013	– 2.0	– 8.0	– 6.0	– 17.0	– 23.0	2.0	2.0	0.0	– 18.0	.	– 7.0
2014	– 2.0	– 4.0	5.0	– 8.0	– 16.0	4.0	5.0	8.0	– 38.0	– 183.0	1.0
	As a percentage of the average balance sheet total										
2007	.	.	1.12	5.13	4.01	0.39	0.52	0.13	– 0.01	0.04	1.54
2008	.	.	1.09	5.20	4.11	0.36	0.49	0.14	– 0.22	0.07	1.29
2009	.	.	1.14	3.86	2.72	0.34	0.49	0.15	0.09	0.01	1.57
2010	.	.	1.14	3.23	2.10	0.35	0.50	0.15	0.07	– 0.01	1.55
2011	.	.	1.02	3.29	2.27	0.32	0.44	0.12	0.05	0.01	1.40
2012	.	.	0.99	2.86	1.87	0.30	0.41	0.11	0.08	0.02	1.38
2013	.	.	1.01	2.58	1.57	0.34	0.46	0.12	0.07	– 0.01	1.40
2014	.	.	1.10	2.47	1.38	0.36	0.50	0.14	0.04	– 0.03	1.47

* The figures for the most recent date should be regarded as provisional in all cases. **1** Excluding the balance sheet total of the foreign branches of savings banks and of the foreign branches of regional institutions of credit cooperatives. **2** Interest received plus current income and profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement. **3** Up to 2009, net profit or net loss on financial operations. **4** Net interest and commis-

Deutsche Bundesbank

General administrative spending										
Total (col 13 plus col 14)	Staff costs	Total other administrative spending5	Operating result before the valuation of assets (col 11 less col 12)	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 15 plus col 16)	Net other and extraordinary income or charges	Profit for the financial year before tax (col 17 plus col 18)	Taxes on income and earnings	Profit or loss (–) for the financial year after tax (col 19 less col 20)	
12	13	14	15	16	17	18	19	20	21	Financial year
									€ billion	
81.6	44.6	37.0	44.1	– 23.6	20.5	0.1	20.5	6.0	14.6	2007
78.7	42.0	36.7	28.5	– 36.6	– 8.2	– 16.9	– 25.0	1.3	– 26.3	2008
82.2	45.0	37.2	44.1	– 26.9	17.2	– 20.6	– 3.5	3.9	– 7.4	2009
80.2	42.3	38.0	45.7	– 15.4	30.3	– 12.5	17.8	5.2	12.6	2010
80.1	41.7	38.4	45.2	2.3	47.6	– 17.1	30.5	6.8	23.7	2011
82.8	43.8	39.0	46.2	– 4.4	41.8	– 11.7	30.2	8.6	21.6	2012
82.9	43.1	39.9	37.1	– 6.5	30.6	– 9.1	21.5	7.2	14.3	2013
83.9	43.2	40.6	37.6	– 6.9	30.7	– 6.5	24.2	7.3	16.9	2014
									Year-on-year percentage change	
– 3.0	– 6.0	– 1.0	– 35.0	– 55.0	.	.	.	– 78.0	.	2008
4.0	7.0	1.0	55.0	26.0	.	– 22.0	86.0	195.0	72.0	2009
– 2.0	– 6.0	2.0	4.0	43.0	77.0	39.0	.	33.0	.	2010
0.0	– 1.0	1.0	– 1.0	.	57.0	– 36.0	71.0	32.0	88.0	2011
3.0	5.0	1.0	2.0	.	– 12.0	32.0	– 1.0	26.0	– 9.0	2012
0.0	– 2.0	2.0	– 20.0	– 48.0	– 27.0	22.0	– 29.0	– 16.0	– 34.0	2013
1.0	0.0	2.0	1.0	– 6.0	0.0	29.0	13.0	2.0	18.0	2014
									As a percentage of the average balance sheet total	
1.00	0.55	0.45	0.54	– 0.29	0.25	0.00	0.25	0.07	0.18	2007
0.95	0.50	0.44	0.34	– 0.44	– 0.10	– 0.20	– 0.30	0.02	– 0.32	2008
1.02	0.56	0.46	0.55	– 0.34	0.21	– 0.26	– 0.04	0.05	– 0.09	2009
0.99	0.52	0.47	0.56	– 0.19	0.37	– 0.15	0.22	0.06	0.16	2010
0.89	0.46	0.43	0.50	0.03	0.53	– 0.19	0.34	0.08	0.26	2011
0.89	0.47	0.42	0.49	– 0.05	0.45	– 0.12	0.32	0.09	0.23	2012
0.97	0.50	0.47	0.43	– 0.08	0.36	– 0.11	0.25	0.08	0.17	2013
1.02	0.52	0.49	0.46	– 0.08	0.37	– 0.08	0.29	0.09	0.21	2014

sions received plus net profit or net loss from the trading portfolio (up to 2009, from financial operations) and net other operating income or charges. **5** Including depreciation of and value adjustments to tangible and intangible assets, but excluding depreciation of and value adjustments to assets leased ("broad" definition).

Profit and loss accounts, by category of banks*

Financial year	Number of reporting institutions	€ million									
			Interest business			Commissions business					
		Balance sheet total as an annual average[1]	Net interest received (col 4 less col 5)	Total interest received[2]	Interest paid	Net commissions received (col 7 less col 8)	Commissions received	Commissions paid	Net profit or net loss from the trading portfolio[3]	Net other operating income or charges	Operating income[4] (col 3 plus col 6 plus col 9 plus col 10)
	1	2	3	4	5	6	7	8	9	10	11
	All categories of banks										
2009	1,819	8,022,116	91,472	309,873	218,401	27,402	39,405	12,003	6,906	518	126,298
2010	1,798	8,105,203	92,136	262,181	170,045	28,639	40,614	11,975	5,712	− 559	125,928
2011	1,778	8,968,671	91,342	295,198	203,856	28,778	39,655	10,877	4,602	595	125,317
2012	1,754	9,341,874	92,252	267,025	174,773	28,024	38,547	10,523	7,149	1,570	128,995
2013	1,726	8,550,879	86,341	220,812	134,471	28,668	39,237	10,569	5,861	− 846	120,024
2014	1,695	8,242,750	90,394	203,734	113,340	29,842	41,299	11,457	3,624	− 2,396	121,464
	Commercial banks										
2009	183	2,735,704	32,803	88,667	55,864	15,095	21,816	6,721	4,896	− 725	52,069
2010	183	2,845,575	32,525	73,870	41,345	15,799	22,770	6,971	4,706	− 1,165	51,865
2011	183	3,825,768	32,580	77,223	44,643	16,136	22,744	6,608	4,987	760	54,463
2012	183	4,132,098	34,935	73,017	38,082	15,424	21,857	6,433	5,605	540	56,504
2013	183	3,669,592	32,689	62,225	29,536	15,946	22,387	6,441	4,136	− 861	51,910
2014	184	3,533,169	34,398	61,514	27,116	16,684	24,064	7,380	3,026	− 2,305	51,803
	Big banks										
2009	4	1,931,021	21,060	56,590	35,530	9,565	13,035	3,470	4,262	− 1,862	33,025
2010	4	2,061,016	19,584	45,236	25,652	10,215	13,552	3,337	4,706	− 2,529	31,976
2011	4	3,010,173	19,121	47,102	27,981	10,591	13,399	2,808	4,576	− 1,057	33,231
2012	4	3,217,291	21,944	44,179	22,235	10,152	12,771	2,619	5,213	− 1,417	35,892
2013	4	2,798,461	19,235	36,200	16,965	10,698	13,043	2,345	3,821	− 2,086	31,668
2014	4	2,647,559	20,491	36,414	15,923	11,336	14,269	2,933	2,635	− 2,844	31,618
	Regional banks and other commercial banks										
2009	161	766,860	11,519	31,235	19,716	5,369	8,615	3,246	614	1,023	18,525
2010	161	751,218	12,664	28,097	15,433	5,442	9,068	3,626	− 16	1,248	19,338
2011	161	778,662	13,160	29,469	16,309	5,416	9,199	3,783	392	1,759	20,727
2012	160	840,168	12,687	28,162	15,475	5,143	8,942	3,799	372	1,904	20,106
2013	160	822,706	13,161	25,462	12,301	5,119	9,200	4,081	295	1,153	19,728
2014	161	834,036	13,525	24,321	10,796	5,243	9,673	4,430	375	462	19,605
	Branches of foreign banks										
2009	18	37,823	224	842	618	161	166	5	20	114	519
2010	18	33,341	277	537	260	142	150	8	16	116	551
2011	18	36,933	299	652	353	129	146	17	19	58	505
2012	19	74,639	304	676	372	129	144	15	20	53	506
2013	19	48,425	293	563	270	129	144	15	20	72	514
2014	19	51,574	382	779	397	105	122	17	16	77	580
	Landesbanken[8]										
2009	10	1,587,259	11,354	60,664	49,310	1,181	3,614	2,433	907	501	13,943
2010	10	1,512,276	10,325	48,471	38,146	1,225	3,379	2,154	472	205	12,227
2011	10	1,504,774	10,548	81,148	70,600	1,113	3,037	1,924	− 541	44	11,164
2012	9	1,371,385	8,702	66,849	58,147	876	2,612	1,736	708	286	10,572
2013	9	1,229,051	8,383	42,870	34,487	732	2,582	1,850	1,340	227	10,682
2014	9	1,139,438	8,243	36,437	28,194	847	2,632	1,785	112	− 37	9,165

For footnotes *, **1-8**, see pp 72-73.
Deutsche Bundesbank

General administrative spending												
Total (col 13 plus col 14)	Staff costs	Total other administrative spending[5]	Operating result before the valuation of assets (col 11 less col 12)	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 15 plus col 16)	Net other and extraordinary income or charges	Profit for the financial year before tax (col 17 plus col 18)	Taxes on income and earnings[6]	Profit or loss (–) for the financial year after tax (col 19 less col 20)	Withdrawals from or transfers to (–) reserves and participation rights capital[7]	Balance sheet profit or loss (–) (col 21 plus col 22)	Financial year
12	13	14	15	16	17	18	19	20	21	22	23	
										All categories of banks		
82,207	44,964	37,243	44,091	– 26,930	17,161	– 20,648	– 3,487	3,915	– 7,402	2,432	– 4,970	2009
80,229	42,259	37,970	45,699	– 15,389	30,310	– 12,525	17,785	5,192	12,593	– 13,423	– 830	2010
80,086	41,674	38,412	45,231	2,348	47,579	– 17,079	30,500	6,843	23,657	– 24,792	– 1,135	2011
82,822	43,849	38,973	46,173	– 4,351	41,822	– 11,663	30,159	8,590	21,569	– 21,937	– 368	2012
82,931	43,055	39,876	37,093	– 6,454	30,639	– 9,126	21,513	7,182	14,331	– 16,128	– 1,797	2013
83,867	43,228	40,639	37,597	– 6,872	30,725	– 6,483	24,242	7,341	16,901	– 15,073	1,828	2014
										Commercial banks		
38,241	18,904	19,337	13,828	– 8,442	5,386	– 11,860	– 6,474	– 162	– 6,312	8,568	2,256	2009
37,580	17,407	20,173	14,285	– 4,434	9,851	– 6,512	3,339	1,104	2,235	– 241	1,994	2010
36,987	16,814	20,173	17,476	– 4,311	13,165	– 10,992	2,173	1,259	914	754	1,668	2011
37,987	17,711	20,276	18,517	– 3,962	14,555	– 6,430	8,125	3,563	4,562	– 1,568	2,994	2012
37,800	16,903	20,897	14,110	– 2,036	12,074	– 5,769	6,305	1,812	4,493	– 2,794	1,699	2013
37,997	16,216	21,781	13,806	– 3,815	9,991	– 3,404	6,587	1,777	4,810	– 2,814	1,996	2014
										Big banks		
25,349	12,811	12,538	7,676	– 5,326	2,350	– 9,041	– 6,691	– 724	– 5,966	8,392	2,426	2009
24,754	11,873	12,881	7,222	– 1,714	5,508	– 3,469	2,039	488	1,551	837	2,388	2010
24,107	11,095	13,012	9,124	– 1,887	7,237	– 7,331	– 94	563	– 657	2,645	1,988	2011
24,682	11,814	12,868	11,210	– 3,034	8,176	– 3,038	5,138	2,885	2,253	1,001	3,254	2012
24,792	11,174	13,618	6,876	– 958	5,918	– 2,367	3,551	1,036	2,515	– 756	1,759	2013
24,683	10,450	14,233	6,935	– 2,717	4,218	– 559	3,659	993	2,666	– 729	1,937	2014
										Regional banks and other commercial banks		
12,624	5,997	6,627	5,901	– 3,067	2,834	– 2,812	22	497	– 476	178	– 298	2009
12,538	5,441	7,097	6,800	– 2,694	4,106	– 3,035	1,071	536	535	– 1,068	– 533	2010
12,647	5,612	7,035	8,080	– 2,433	5,647	– 3,661	1,986	609	1,377	– 1,849	– 472	2011
13,059	5,786	7,273	7,047	– 940	6,107	– 3,394	2,713	593	2,120	– 2,547	– 427	2012
12,757	5,617	7,140	6,971	– 1,076	5,895	– 3,402	2,493	690	1,803	– 2,017	– 214	2013
13,075	5,655	7,420	6,530	– 1,062	5,468	– 2,845	2,623	674	1,949	– 2,068	– 119	2014
										Branches of foreign banks		
268	96	172	251	– 49	202	– 7	195	65	130	– 2	128	2009
288	93	195	263	– 26	237	– 8	229	80	149	– 10	139	2010
233	107	126	272	9	281	0	281	87	194	– 42	152	2011
246	111	135	260	12	272	2	274	85	189	– 22	167	2012
251	112	139	263	– 2	261	0	261	86	175	– 21	154	2013
239	111	128	341	– 36	305	0	305	110	195	– 17	178	2014
										Landesbanken[8]		
7,111	3,622	3,489	6,832	– 6,096	736	– 6,649	– 5,913	223	– 6,136	3,791	– 2,345	2009
6,689	3,261	3,428	5,538	– 2,270	3,268	– 4,197	– 929	– 101	– 828	690	– 138	2010
6,681	3,202	3,479	4,483	– 684	3,799	– 3,727	72	697	– 625	267	– 358	2011
6,305	3,127	3,178	4,267	– 118	4,149	– 1,853	2,296	667	1,629	– 1,954	– 325	2012
6,605	3,200	3,405	4,077	– 3,321	756	– 1,235	– 479	469	– 948	973	25	2013
6,498	3,261	3,237	2,667	– 1,580	1,087	– 1,455	– 368	511	– 879	1,406	527	2014

Profit and loss accounts, by category of banks* (cont'd)

Financial year	Number of reporting institutions	€ million: Balance sheet total as an annual average[1]	Interest business: Net interest received (col 4 less col 5)	Interest business: Total interest received[2]	Interest business: Interest paid	Commissions business: Net commissions received (col 7 less col 8)	Commissions business: Commissions received	Commissions business: Commissions paid	Net profit or net loss from the trading portfolio[3]	Net other operating income or charges	Operating income[4] (col 3 plus col 6 plus col 9 plus col 10)
	1	2	3	4	5	6	7	8	9	10	11
	Savings banks										
2009	431	1,060,725	22,570	46,406	23,836	5,858	6,298	440	172	105	28,705
2010	429	1,070,231	23,506	43,023	19,517	6,124	6,591	467	46	31	29,707
2011	426	1,078,852	23,791	42,686	18,895	6,182	6,575	393	– 20	– 66	29,887
2012	423	1,096,261	23,280	40,731	17,451	6,137	6,516	379	17	– 106	29,328
2013	417	1,098,581	23,117	37,298	14,181	6,241	6,633	392	19	– 476	28,901
2014	416	1,110,362	23,244	35,034	11,790	6,441	6,854	413	8	– 568	29,125
	Regional institutions of credit cooperatives										
2009	2	263,438	1,175	7,512	6,337	373	798	425	881	8	2,437
2010	2	262,437	1,259	5,958	4,699	347	828	481	491	– 17	2,080
2011	2	275,900	1,242	5,912	4,670	352	766	414	179	– 10	1,763
2012	2	294,430	1,403	5,594	4,191	364	715	351	836	– 2	2,601
2013	2	282,833	1,479	4,940	3,461	367	747	380	347	– 22	2,171
2014	2	281,348	1,136	4,406	3,270	393	776	383	461	6	1,996
	Credit cooperatives										
2009	1,157	676,780	15,062	29,842	14,780	3,893	4,665	772	52	574	19,581
2010	1,138	697,694	16,264	28,085	11,821	4,114	4,926	812	10	226	20,614
2011	1,121	711,046	16,331	27,929	11,598	4,091	4,937	846	11	497	20,930
2012	1,101	739,066	16,354	27,223	10,869	4,107	4,969	862	16	432	20,909
2013	1,078	750,899	16,881	25,539	8,658	4,182	5,083	901	10	417	21,490
2014	1,047	771,932	17,061	24,325	7,264	4,324	5,266	942	10	139	21,534
	Mortgage banks										
2009	18	803,949	3,760	43,235	39,475	129	910	781	– 3	27	3,913
2010	18	793,476	3,505	35,431	31,926	197	800	603	– 6	86	3,782
2011	18	645,145	2,616	32,016	29,400	138	373	235	– 4	– 825	1,925
2012	17	565,008	2,413	24,026	21,613	97	327	230	0	143	2,653
2013	17	482,524	1,828	18,864	17,036	58	267	209	2	– 134	1,754
2014	17	421,014	2,007	16,232	14,225	14	225	211	– 4	108	2,125
	Special purpose banks[8]										
2009	18	894,261	4,748	33,547	28,799	873	1,304	431	1	28	5,650
2010	18	923,514	4,752	27,343	22,591	833	1,320	487	– 7	75	5,653
2011	18	927,186	4,234	28,284	24,050	766	1,223	457	– 10	195	5,185
2012	19	1,143,626	5,165	29,585	24,420	1,019	1,551	532	– 33	277	6,428
2013	20	1,037,399	1,964	29,076	27,112	1,142	1,538	396	7	3	3,116
2014	20	985,487	4,305	25,786	21,481	1,139	1,482	343	11	261	5,716
	Memo item: Banks majority-owned by foreign banks[9]										
2009	43	679,565	9,831	26,212	16,381	3,311	5,272	1,961	1,277	370	14,789
2010	42	666,637	9,104	22,602	13,498	3,331	5,236	1,905	371	28	12,834
2011	39	756,406	9,868	23,908	14,040	3,234	4,934	1,700	– 173	447	13,376
2012	37	803,313	8,502	20,365	11,863	2,885	4,501	1,616	1,215	415	13,017
2013	37	692,773	8,266	15,323	7,057	2,633	4,282	1,649	1,106	301	12,306
2014	35	680,177	8,346	14,547	6,201	3,024	4,965	1,941	343	– 42	11,671

* The figures for the most recent date should be regarded as provisional in all cases. **1** Excluding the balance sheet total of the foreign branches of savings banks and of the foreign branches of regional institutions of credit cooperatives. **2** Interest received plus current income and profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement. **3** Up to 2009, net profit or net loss on financial operations. **4** Net interest and commissions received plus net profit or net loss from the trading portfolio (up to 2009, from financial operations) and net other operating income or charges. **5** Including depreciation of and value adjustments to tangible and intangible assets, but

Deutsche Bundesbank

General administrative spending			Operating result before the valuation of assets (col 11 less col 12)	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 15 plus col 16)	Net other and extraordinary income or charges	Profit for the financial year before tax (col 17 plus col 18)	Taxes on income and earnings	Profit or loss (–) for the financial year after tax (col 19 less col 20)	Withdrawals from or transfers to (–) reserves and participation rights capital[7]	Balance sheet profit or loss (–) (col 21 plus col 22)	Financial year
Total (col 13 plus col 14)	Staff costs	Total other administrative spending[5]										
12	13	14	15	16	17	18	19	20	21	22	23	
											Savings banks	
19,109	11,912	7,197	9,596	– 4,484	5,112	– 402	4,710	2,245	2,465	– 1,201	1,264	2009
18,665	11,546	7,119	11,042	– 3,493	7,549	– 963	6,586	2,513	4,073	– 2,555	1,518	2010
18,735	11,562	7,173	11,152	7,468	18,620	– 1,824	16,796	2,747	14,049	– 12,437	1,612	2011
19,256	12,068	7,188	10,072	660	10,732	– 1,272	9,460	2,657	6,803	– 5,200	1,603	2012
19,410	12,085	7,325	9,491	130	9,621	– 1,020	8,601	2,664	5,937	– 4,401	1,536	2013
19,888	12,605	7,283	9,237	9	9,246	– 594	8,652	2,793	5,859	– 4,297	1,562	2014
											Regional institutions of credit cooperatives	
1,069	598	471	1,368	27	1,395	– 699	696	– 37	733	– 542	191	2009
990	545	445	1,090	7	1,097	– 483	614	– 6	620	– 402	218	2010
1,018	530	488	745	1,124	1,869	– 659	1,210	91	1,119	– 1,018	101	2011
1,099	562	537	1,502	– 137	1,365	– 758	607	– 412	1,019	– 815	204	2012
1,135	589	546	1,036	– 329	707	– 172	535	123	412	– 177	235	2013
1,183	619	564	813	13	826	– 227	599	220	379	– 58	321	2014
											Credit cooperatives	
13,380	8,283	5,097	6,201	– 2,258	3,943	– 539	3,404	1,490	1,914	– 724	1,190	2009
13,134	7,940	5,194	7,480	– 2,316	5,164	– 375	4,789	1,620	3,169	– 1,796	1,373	2010
13,382	7,983	5,399	7,548	– 317	7,231	– 250	6,981	1,924	5,057	– 3,674	1,383	2011
13,774	8,210	5,564	7,135	263	7,398	13	7,411	1,989	5,422	– 4,001	1,421	2012
13,886	8,303	5,583	7,604	322	7,926	– 276	7,650	1,956	5,694	– 4,285	1,409	2013
14,201	8,540	5,661	7,333	– 193	7,140	– 153	6,987	2,077	4,910	– 3,477	1,433	2014
											Mortgage banks	
1,432	639	793	2,481	– 3,481	– 1,000	– 419	– 1,419	163	– 1,582	– 3,093	– 4,675	2009
1,374	533	841	2,408	– 2,423	– 15	– 71	– 86	– 17	– 69	– 4,494	– 4,563	2010
1,418	552	866	507	– 1,641	– 1,134	827	– 307	74	– 381	– 4,321	– 4,702	2011
1,371	559	812	1,282	– 645	637	– 540	97	21	76	– 4,669	– 4,593	2012
1,322	525	797	432	– 405	27	90	117	88	29	– 4,775	– 4,746	2013
1,241	529	712	884	– 278	606	– 772	– 166	103	– 269	– 1,714	– 1,983	2014
											Special purpose banks[8]	
1,865	1,006	859	3,785	– 2,196	1,589	– 80	1,509	– 7	1,516	– 4,367	– 2,851	2009
1,797	1,027	770	3,856	– 460	3,396	76	3,472	79	3,393	– 4,625	– 1,232	2010
1,865	1,031	834	3,320	709	4,029	– 454	3,575	51	3,524	– 4,363	– 839	2011
3,030	1,612	1,418	3,398	– 412	2,986	– 823	2,163	105	2,058	– 3,730	– 1,672	2012
2,773	1,450	1,323	343	– 815	– 472	– 744	– 1,216	70	– 1,286	– 669	– 1,955	2013
2,859	1,458	1,401	2,857	– 1,028	1,829	122	1,951	– 140	2,091	– 4,119	– 2,028	2014
											Memo item: Banks majority-owned by foreign banks[9]	
8,811	4,471	4,340	5,978	– 2,953	3,025	– 1,816	1,209	496	713	592	1,305	2009
7,618	3,432	4,186	5,216	– 1,697	3,519	– 1,439	2,080	550	1,530	– 34	1,496	2010
7,950	3,551	4,399	5,426	– 2,084	3,342	– 1,582	1,760	271	1,489	– 409	1,080	2011
8,097	3,643	4,454	4,920	– 285	4,635	– 1,339	3,296	735	2,561	– 32	2,529	2012
8,230	3,773	4,457	4,076	– 474	3,602	– 1,481	2,121	513	1,608	– 558	1,050	2013
7,917	3,513	4,404	3,754	– 439	3,315	– 1,313	2,002	322	1,680	– 735	945	2014

excluding depreciation of and value adjustments to assets leased (“broad” definition). **6** In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken. **7** Including profit or loss brought forward and withdrawals from or transfers to the fund for general banking risks. **8** From 2012, Portigon AG (legal successor of WestLB) allocated to the category of “Special purpose banks”. **9** Separate presentation of the (legally independent) credit institutions majority-owned by foreign banks and included in the categories “Big banks”, “Regional banks and other commercial banks” and “Mortgage banks”.

Credit institutions' charge and income items*

Financial year	Number of reporting institutions	Charges, € billion										
							General administrative spending					
								Staff costs				
										Social security costs and costs relating to pensions and other benefits		
		Total	Interest paid	Commissions paid	Net loss from the trading portfolio[1]	Gross loss on transactions in goods and subsidiary transactions	Total	Total	Wages and salaries	Total	*of which* Pensions	Other administrative spending[2]
2006	1 940	398.1	268.3	8.6	0.5	0.0	77.6	46.0	35.3	10.7	5.0	31.6
2007	1 903	472.9	327.4	10.5	4.5	0.0	77.8	44.6	35.1	9.5	3.9	33.2
2008	1 864	522.6	342.2	11.3	19.8	0.0	75.1	42.0	32.8	9.2	4.1	33.1
2009	1 819	379.1	218.4	12.0	1.2	0.0	78.7	45.0	34.5	10.4	4.7	33.7
2010	1 798	319.6	170.0	12.0	0.7	0.0	76.8	42.3	34.5	7.8	2.3	34.5
2011	1 778	357.9	203.9	10.9	1.2	0.0	76.7	41.7	34.0	7.7	2.4	35.0
2012	1 754	320.0	174.8	10.5	0.2	0.0	79.0	43.8	34.9	9.0	3.4	35.2
2013	1 726	276.9	134.5	10.6	0.3	0.0	79.3	43.1	34.6	8.5	2.9	36.3
2014	1 695	254.3	113.3	11.5	0.4	0.0	80.2	43.2	34.8	8.5	3.1	36.9

Financial year	Income, € billion									
		Interest received			Current income					
	Total	Total	from lending and money market transactions	from debt securities and Debt Register claims	Total	from shares and other variable yield securities	from participating interests[4]	from shares in affiliated enterprises	Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	Commissions received
2006	420.2	332.8	274.1	58.7	18.8	14.1	1.2	3.5	5.9	38.4
2007	487.5	390.0	318.7	71.4	24.0	18.0	1.9	4.0	4.9	42.2
2008	496.2	408.7	330.0	78.8	19.0	12.4	1.5	5.1	5.1	41.1
2009	371.7	295.4	241.0	54.4	11.4	7.0	0.9	3.5	3.1	39.4
2010	332.2	248.0	205.4	42.6	12.1	6.9	0.9	4.3	2.1	40.6
2011	381.6	281.2	239.3	41.9	11.0	6.5	1.2	3.3	3.0	39.7
2012	341.5	248.8	213.6	35.3	12.0	7.3	0.9	3.8	6.2	38.5
2013	291.3	206.4	178.5	28.0	9.8	5.8	1.0	3.0	4.6	39.2
2014	271.2	189.5	164.1	25.4	11.1	6.1	1.0	4.0	3.1	41.3

***** The figures for the most recent date should be regarded as provisional in all cases. **1** Up to 2009, net loss on financial operations. **2** Spending item does not include depreciation of and value adjustments to tangible and intangible assets, shown net of depreciation of assets leased ("narrow" definition). All other tables

Deutsche Bundesbank

Value adjustments in respect of tangible and intangible assets: Total	Value adjustments in respect of tangible and intangible assets: *of which* Assets leased	Other operating charges	Value adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments	Value adjustments in respect of participating interests, shares in affiliated enterprises and securities treated as fixed assets	Charges incurred from loss transfers	Transfers to special reserves	Extraordinary charges	Taxes on income and earnings[3]	Other taxes	Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	Financial year
3.9	0.0	4.7	17.9	2.6	0.8	0.0	2.7	5.4	0.2	4.9	2006
3.8	0.0	5.3	26.5	3.9	0.9	0.1	1.3	6.0	0.2	4.9	2007
3.8	0.2	5.6	39.1	15.3	3.3	0.0	1.9	1.3	0.2	3.5	2008
3.9	0.3	8.1	28.8	9.6	3.8	0.0	7.3	3.9	0.2	3.2	2009
3.9	0.5	11.2	18.2	4.0	3.9	0.0	10.4	5.2	0.3	3.1	2010
5.4	2.0	17.0	11.8	11.1	6.6	0.0	2.6	6.8	0.6	3.4	2011
5.7	2.0	15.0	11.6	7.1	0.6	0.0	2.4	8.6	0.2	4.1	2012
5.5	1.9	16.6	10.4	3.6	0.6	0.0	3.3	7.2	0.2	4.8	2013
5.5	1.8	16.1	10.5	3.5	0.6	0.0	1.5	7.3	0.2	3.8	2014

Net profit from the trading portfolio[5]	Gross profit on transactions in goods and subsidiary transactions	Value re-adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments	Value re-adjustments in respect of participating interests, shares in affiliated enterprises and securities treated as fixed assets	Other operating income: Total	Other operating income: *of which* from leasing business	Income from the release of special reserves	Extraordinary income	Income from loss transfers	Financial year
4.9	0.2	3.9	2.3	12.0	0.0	0.0	0.9	0.1	2006
3.3	0.2	2.9	9.0	8.8	0.0	0.0	2.1	0.0	2007
1.0	0.2	2.5	1.8	11.4	0.5	0.1	3.6	1.7	2008
8.1	0.2	1.9	1.1	9.0	0.8	0.0	1.3	0.9	2009
6.4	0.2	2.8	1.6	11.2	0.9	0.0	6.1	1.2	2010
5.8	0.2	14.2	0.7	20.0	6.3	0.0	0.8	5.2	2011
7.4	0.2	7.3	1.4	18.6	5.1	0.0	0.7	0.5	2012
6.2	0.2	4.0	1.5	17.6	4.7	0.0	0.9	0.9	2013
4.0	0.2	3.6	1.7	15.5	4.5	0.0	0.7	0.4	2014

are based on a broad definition of "other administrative spending". **3** In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken. **4** Including amounts paid up on cooperative society shares. **5** Up to 2009, net profit on financial operations.