The performance of German credit institutions in 2012

Despite renewed tensions on the financial markets and waning economic momentum, 2012 saw the German banking industry achieve a significant year-on-year increase in operating income and balance sheet business as calculated on the basis of the published individual accounts drawn up in accordance with the German Commercial Code (Handelsgesetzbuch). However, the overall statistical picture should not be allowed to mask the fact that the German banking industry remains in a difficult situation, one in which it is faced with tougher competition and needs to strike a new balance between profitability targets, on the one hand, and liquidity requirements and long-term sustainable business models, on the other.

From an earnings perspective, the persistently low interest rates accompanied by moderate lending growth continued to pose a challenge for German banks. In the reporting year, interest business accounted for 71.5% of all operating income. Interest income as a percentage of total income was therefore below the longer-term annual average since 2007. The interest margin in this core business area also came under increasing pressure given a continued reduction in risk-bearing assets. The fact that aggregate interest received was slightly better at around €92 billion (+1%) than in 2011 was due solely to a special factor. The financial crisis also left a clear mark on those business areas dependent on commission; in customer business, net commissions received fell significantly by 2.6% to €28 billion, against a backdrop of pronounced caution and a marked preference for liquidity.

The fact that the operating result before the valuation of assets was nonetheless €1 billion higher in the reporting year than in 2011 can be attributed largely to volatile trading business, which benefited from favourable valuation effects. Other operating income, too, made a significant contribution after two meagre years. However, this was partly offset by a notable increase in operating costs.

The valuation result was positive in 2011 for the first time since 1993 because undisclosed reserves were reallocated as disclosed reserves (fund for general banking risks according to section 340g of the Commercial Code), but was back well into negative territory in the reporting year, although it was still very low against its longer-term average.

Though there were considerable differences between individual banking groups, profit after tax of €21.6 billion at the aggregate level was used to further strengthen the capital base. In this context, the fund for general banking risks received net inflows of €13.6 billion. Since 2009, it has received a net total of €41.2 billion.

Overall, a balance sheet loss was recorded for the fifth time in succession, amounting to €0.4 billion in 2012, after €1.1 billion a year earlier.

Difficult earnings environment

Situation on the financial markets and macroeconomic conditions

The operating environment for domestic banks in the reporting year was characterised by marked tensions and much need for adjustment. For well into the third quarter, the situation on the financial markets was dominated, first, by the escalating sovereign debt crisis and growing concerns about a mutually reinforcing government and banking crisis in the euro area and, second, by monetary policy measures undertaken by the large central banks. The former was reflected mainly on the capital markets in the form of sharp growth in bond yield differentials and large-volume flows of "safe haven" financial transactions. As the year progressed, an increasingly accommodating monetary policy triggered a countermovement, and stock market prices rose sharply, while yields in the peripheral countries of the euro area went back down. The scope for an expansion of new lending was limited in Germany by developments in the economy as a whole. Economic momentum waned visibly over the course of the year. Initially, commercial investment was curbed considerably by a renewed escalation of the euro-area sovereign debt crisis. Towards the end of the year, this was aggravated by pronounced weakness in exports. The domestic housing market was one major mitigating factor and also provided impulses for domestic lending business.

In the reporting year, the regulatory requirements in terms of the new capital and liquidity standards in the Basel III framework, which will enter into force incrementally from 2014 onwards, remained a key issue for the business policy reorientation in the banking sector. In operating business, moreover, several banks, faced with a general market contraction, withdrew from ship financing.

Methodological principles

The presentation of and comments on the results of the statistics on German banks' profit and loss accounts are based on the published annual reports of all banks within the meaning of the German Banking Act *(Kreditwesengesetz)* that are monetary financial institutions and are domiciled in Germany in accordance with the accounting rules of the Act to Modernise Accounting Law *(Bilanzrechtsmodernisierungsgesetz),* which came into force in 2010.[1] Building and loan associations, institutions in liquidation as well as institutions with a truncated financial year are not included in this performance analysis. The reporting population for 2012 comprises 1,754 institutions, 24 fewer than a year earlier.

The individual accounts drawn up in accordance with the German Commercial Code used as a basis here differ in terms of their conception, structure and definitions from the internationally customary IFRS accounting standards[2] for publicly traded banking groups, which means that the business results and certain balance sheet or individual profit/loss items are not (directly) comparable for methodological reasons. When analysing the earnings of the German banking industry, it is advisable to look at the individual accounts, as this alone allows all banks to be compared. By contrast, using group accounts would make a meaningful analysis difficult as, for one thing, a large proportion of the 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 – and, for another, not all group accounts are prepared according to international accounting standards.

1 For more details, see Deutsche Bundesbank, The performance of German credit institutions in 2010, Monthly Report, September 2011, Annex, pp 38-46.
2 IFRS-based accounts are of relevance, for instance, to matters of macroprudential analysis and oversight, concentrating on systemically important banking groups and their international business activities (including their foreign subsidiaries). For details, see Deutsche Bundesbank, Financial Stability Review 2012.

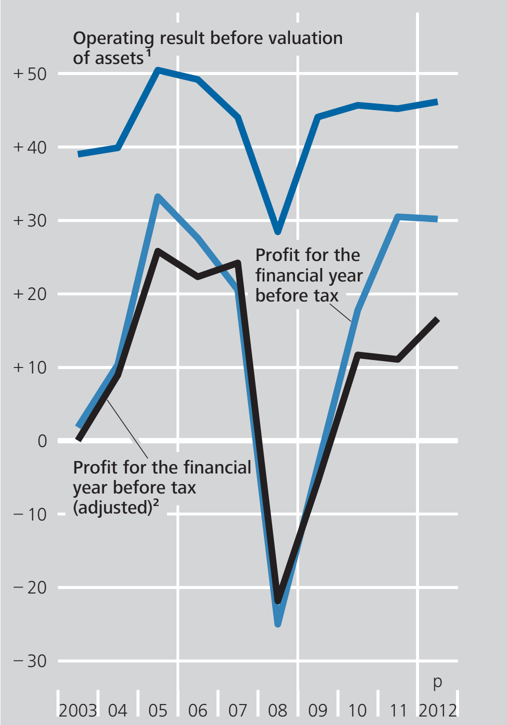
Net interest received under pressure despite slight improvement

Favourable special factor, declining earnings in core business

While net interest received rose marginally, both interest received and interest paid showed a sharp fall. However, the revenue side was slightly less affected only because earnings from profit pooling, profit transfer and partial profit transfer agreements improved significantly by €3.2 billion, which benefited big banks, in particular. By contrast, interest received from lending and money market operations as well as debt securities and Debt Register claims, which constitute the core of interest business, totalled around €249 billion, which was €32.4 billion lower than a year earlier. This was mainly due to developments on the money and capital markets. These were driven by non-standard monetary policy measures as well as the decision by the Governing Council of the ECB at the beginning of July 2012 to lower the three key interest rates by another 0.25 percentage point each. The main refinancing rate, which is important for pricing in the banking system, especially in the short-term maturities, therefore stood at what was then a record low of 0.75%.

The performance of credit institutions

€ billion



1 Operating income less general administrative expenditure. **2** Less net transfers to the fund for general banking risks.
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Flat yield curve …

Income from maturity transformation, an important source of revenue for savings banks and credit cooperatives in particular, was dampened by the fact that the yield curve became noticeably flatter as the year progressed. This was attributable to the gloomier economic outlook and "safe haven" effects, which benefited mainly long-dated German government bonds, as well as the Eurosystem's two three-year longer-term refinancing operations, which were agreed at the end of 2011.

… increasingly denting income from maturity transformation

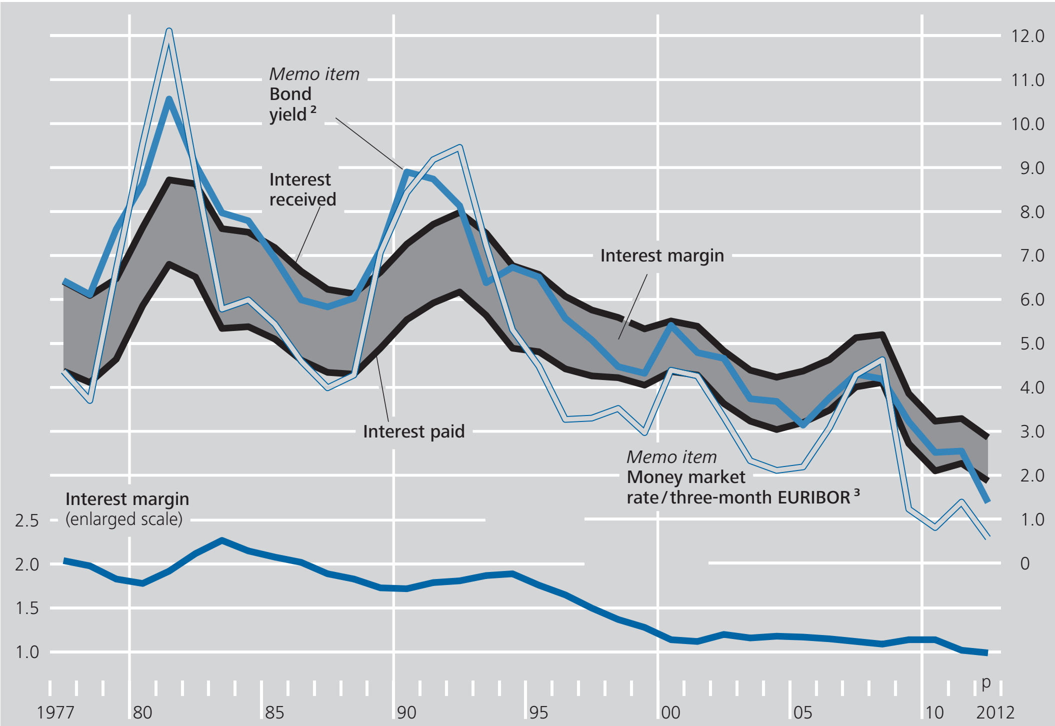
The persistently low interest rates are a disadvantage especially for those banks that tend to issue long-term loans that are funded primarily with short-term liabilities. The additional income initially generated by a general interest rate reduction, though accompanied, as a rule, by a flattening of the yield curve, is eroded over time as new lending business at lower interest rates gradually comes to be reflected in the income statement. It is evident, for instance, from a comparison of the gross interest rate spread[3] in existing and new business that this adjustment process had not yet been concluded in 2012. In existing business, the downward tendency, already evident in 2011, continued; the gross interest rate spread shrank from 2.5% to 2.4% over the course of the year. In new business, the decline, from 2.2% to 1.8%, was even more pronounced.

Given the ongoing decline in German banks' funding costs, interest rates for new loans fell across a broad front, marking new lows for loans to households and non-financial corpor-

3 The gross interest rate spread, which provides a clue to trends in the interest margin, is calculated as the difference between the volume-weighted average interest rates for loans and deposits of the domestic private sector. For details, see Deutsche Bundesbank, Extended MFI interest rate statistics: methodology and first results, Monthly Report, June 2011, pp 45-57.

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** Overall yield on debt securities outstanding. **3** Up to end-1998, money market rate for three-month funds in Frankfurt.

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Funding costs decline further; new lows in interest rate conditions in lending business

ations. For instance, in new business, loans to households for house purchase with interest rates fixed for more than five to ten years cost an average of 2.8% at the end of 2012, compared with 3.5% at the beginning of the year. As existing, higher-yielding business gradually matured, the average interest rate in this credit category fell by 0.2 percentage point to 4.3% over the same period.

Volume of loans and securitised lending only moderately higher

The continued margin pressure on net interest received was only partially offset by an expansion in business volume. Overall, German credit institutions have boosted their business in loans and securitised lending only moderately, at a rate of 1.1%. This increase was due in equal parts to higher claims on the private sector and general government. In retail business, savings banks and credit cooperatives in particular benefited from buoyant growth in the domestic real estate markets. Catalysts were both the rising transaction volumes in existing business as a result of higher prices and robust new construction activity. A continuing positive situation on the labour market, favourable income prospects, very attractive funding conditions and, last but not least, a security-driven shift towards tangible assets combined to drive up the volume of outstanding loans for house purchase by 1.9%.[4] The percentage of funds to build or purchase property that is debt-financed rather than financed out of own funds has fallen slightly despite low interest rates, probably because residential property is very attractive compared to alternative forms of investment. In the consumer loan segment, where margins are higher, the volume of new lending fell significantly, however, although private consumption remained stable overall. In corporate lending business, demand for credit remained fairly subdued. Weaker commercial

4 For more on the importance of the various factors determining developments in housing loans, see Deutsche Bundesbank, Factors determining changes in the volume of housing loans to households in Germany, Monthly Report, July 2013, pp 52-53.

Major income and cost items for individual categories of banks in 2012*

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	71.5	61.1	63.1	82.3	79.4	53.9	78.2	91.0	80.1
Net commissions received	21.7	28.3	25.6	8.3	20.9	14.0	19.6	3.7	15.8
Net profit or net loss from the trading portfolio	5.5	14.5	1.9	6.7	0.1	32.1	0.1	0.0	– 0.5
Net other operating income or charges	1.2	– 3.9	9.4	2.7	– 0.4	– 0.1	2.1	5.4	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	– 64.2	– 68.8	– 65.0	– 59.6	– 65.7	– 42.3	– 65.8	– 51.7	– 47.1
of which									
Staff costs	– 34.0	– 32.9	– 28.8	– 29.6	– 41.2	– 21.6	– 39.2	– 21.1	– 25.1
Other administrative spending	– 30.2	– 35.9	– 36.2	– 30.1	– 24.5	– 20.6	– 26.6	– 30.6	– 22.0
Net income or net charges from the valuation of assets	– 3.3	– 8.5	– 4.6	– 1.1	2.4	– 5.3	1.2	– 24.3	– 6.4
Net other and extraordinary income or charges	– 9.1	– 8.5	– 16.9	– 17.5	– 4.3	– 29.1	0.0	– 20.4	– 12.9
Memo item Profit for the financial year before tax	23.4	14.3	13.5	21.7	32.3	23.3	35.5	3.7	33.6
Taxes on income and earnings	– 6.7	– 8.0	– 3.0	– 6.3	– 9.1	15.8	– 9.5	– 0.8	– 1.6
Profit for the financial year after tax	16.7	6.3	10.6	15.4	23.3	39.2	25.9	2.9	32.0

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation and institutions with a truncated financial year.

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investment activity as a result of economic developments and uncertainty acted as a damper as did lower external financing needs as a result of a positive earnings situation and the fact that those enterprises able to tap the capital markets also increasingly substituted loans with debt securities.

Marked rise in overnight claims on the Bundesbank

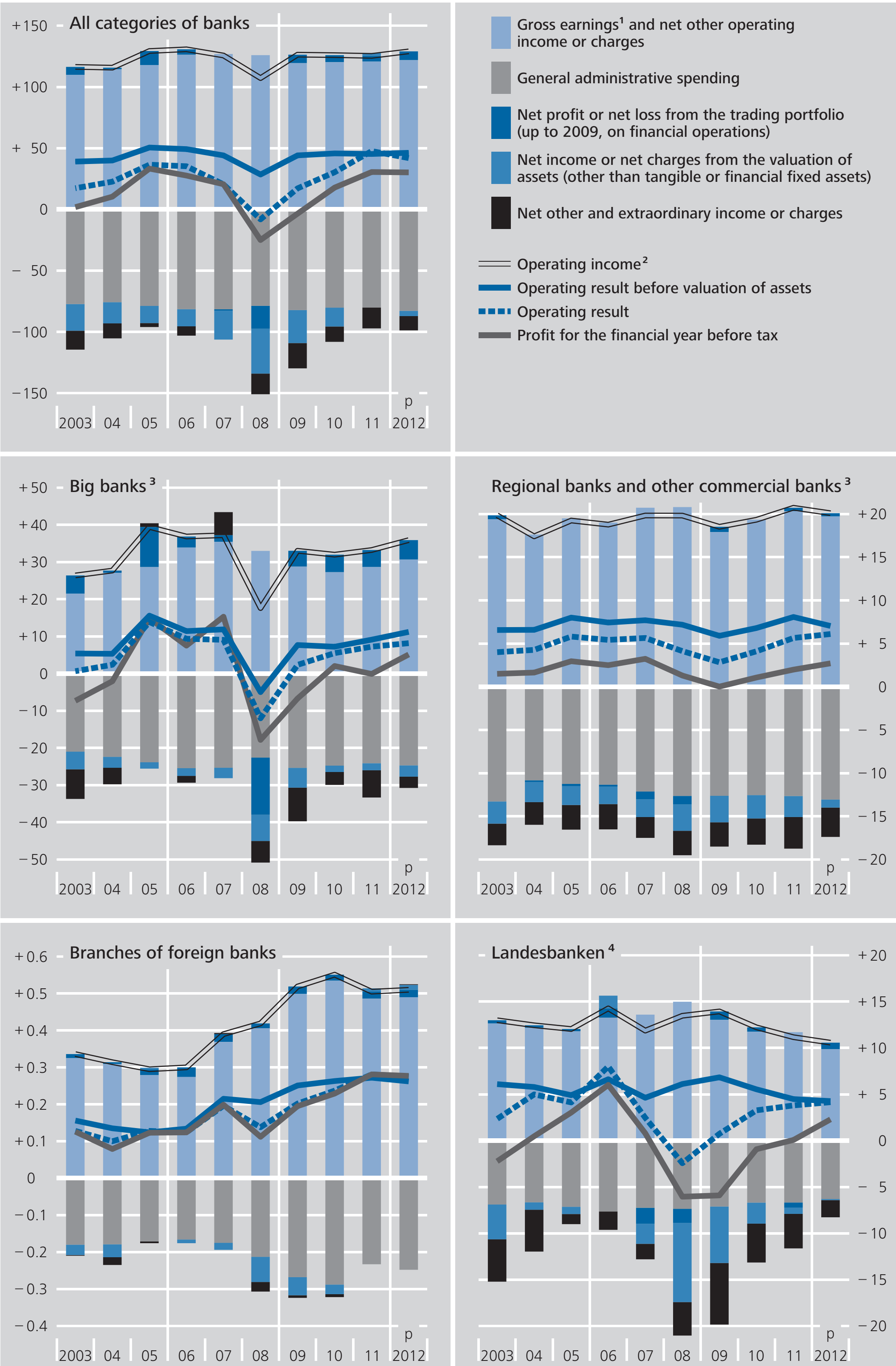
The fact that credit institutions' overnight claims on the Bundesbank more than quadrupled on an annual average from €31.3 billion to €132.9 billion notwithstanding the zero rate of interest also hurt growth in interest income. This exceptional trend is probably mainly the result of excess liquidity being invested and was largely focused on measures taken by just a few branches and subsidiaries of foreign banks.

Slightly lower interest margin in the banking sector

In general, the tendency towards shifts into what clients believe are secure, short-term forms of investment continued on domestic credit institutions' funding side, while in credit business, a preference for longer-term maturities was evident given the very attractive conditions for borrowers. The combination of developments in the interest margin and in credit and deposit business meant that the interest margin, calculated as net interest received as a percentage of the annual average balance

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 2004, Deutsche Postbank AG allocated to the category of "Big banks". **4** From 2004, NRW.BANK and from 2012, Portigon AG (legal successor of WestLB) allocated to the category of "Special purpose banks".

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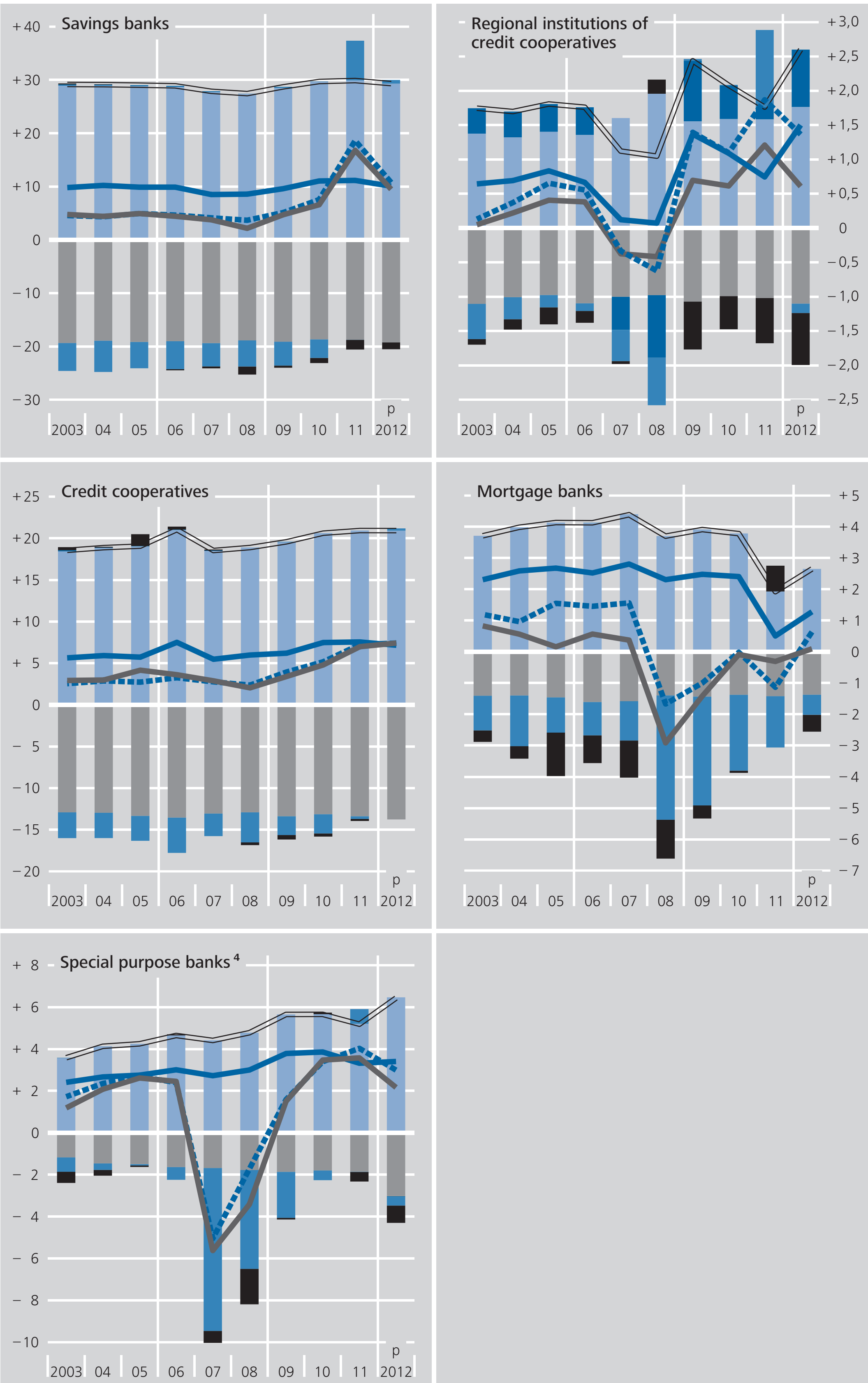
€ billion, the charts below use different scales



sheet total, moderated slightly to 0.99% year on year, while the balance sheet total increased visibly overall.[5] However, based on a balance sheet total that has been adjusted for the effect of the Act to Modernise Accounting Law[6] *(Bilanzrechtsmodernisierungsgesetz)* (for more details, see box on page 21), the interest rate spread remained on a scale that can be described as typical since the end of the 1990s.

Net interest received by banking category

When interpreting the aggregate interest result, the distribution across the respective bank categories should always be taken into consideration, too. In the case of the commercial banks, net interest received rose by €2.3 billion to €34.9 billion. Within this group, the big banks reported a €2.8 billion rise in earnings from this source to €21.9 billion – mainly because of significantly higher earnings from profit pooling, profit transfer and partial profit transfer agreements, while regional banks saw their net interest received drop by €0.5 billion to €12.7 billion. Overall, for commercial banks, net interest received as a percentage of the higher operating income rose by 2 percentage points to 61.8%. In the Landesbank sector, the break-up of WestLB[7] had a dampening impact on interest income, as did the continued reduction in interest-bearing assets as part of restructuring efforts. Overall, net interest received was €8.7 billion, down a marked €1.8 billion on the year-earlier figure. With operating earnings on the decline overall, the percentage of interest income in this banking category fell perceptibly from 94.5% to 82.3%. The regional institutions of credit cooperatives raised net interest income noticeably by €0.2 billion to €1.4 billion, not least thanks to improved funding conditions. Nonetheless, its importance for operating business – as a percentage, it fell 16.5 percentage points to 53.9% – was significantly lower because operating income overall grew faster. In both banking categories, this development was mainly the outcome of considerably higher earnings in trading business. The percentage change was largest for mortgage banks, at -44.9 percentage points to 91%, while interest income fell by €0.2 billion to €2.4 billion. In 2011, the equivalent figure stood at 135.9% as total operating income in this category of banks was lower than net interest received, mainly because of the large negative balance in net other operating income or charges at the time. In the savings bank and credit cooperatives sectors, in which deposit and lending business is traditionally very important, net interest received fell slightly, by €0.5 billion to €23.3 billion, and, at just under €16.4 billion, was virtually unchanged on the year respectively. For the savings banks, net interest received accounted for 79.4% (after 79.6% in 2011) of operating profit, for credit cooperatives, the figure was 78.2% (after 78.0% in 2011).

Commissions income on the decline

Commissions income on the decline …

In the reporting year, commissions business, where the focus lies on the services character of banking, was unable to compensate for the growing margin pressure in interest income. In fact, commissions received fell perceptibly by €1.1 billion to €38.5 billion in the reporting year, while commissions paid shrank by €0.4 billion to €10.5 billion. This meant that the percentage of net commissions received in operating profit declined noticeably by 1.2 percentage points to 21.7% and was thus 2 percentage points below the longer-term average since 2007.

5 The interest margin adjusted for interbank business was close to the year-earlier level, at 1.3%.
6 Since the entry into force of the Act to Modernise Accounting Law, derivative financial instruments held for trading are included in the bank's balance sheet, which makes it more difficult to compare information on the interest margin over time.
7 With the break-up of WestLB as at 30 June 2012 into the three units Verbundbank, Portigon AG and Erste Abwicklungsanstalt (EAA), only the business volume of the legally dependent Verbundbank, which has been taken over by Landesbank Hessen-Thüringen, remained in the Landesbank sector. For the purposes of analysing profit and loss statistics, the legally independent legal successor to WestLB, Portigon AG, was allocated to the category of special purpose banks. The business volume transferred to the EAA is allocated to the government sector rather than the MFI sector.

Interpretation of banks' balance sheet total since 2007

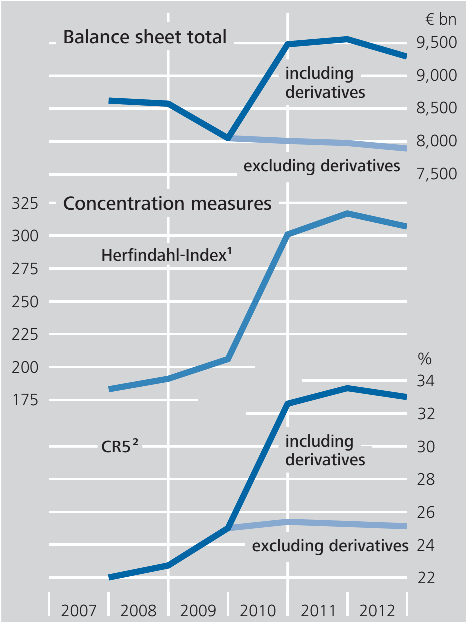
The results of the Deutsche Bundesbank's statistics of banks' profit and loss accounts are based on the published individual accounts of domestic banks drawn up in accordance with the German Commercial Code *(Handelsgesetzbuch)*. The balance sheet total plays a major part in analysing these statistics. This is true not only with regard to its size and to developments in the volume of business shown in the balance sheet but also when it comes to analysing the balance sheet structure and forming ratios like the interest margin, for which the balance sheet total serves as a reference variable. In order to enhance the comparability of this stock measure with the flows from the earnings situation, not the year-end balance sheet total is used in the profit and loss statistics but the calculated annual average.

Besides transaction-related changes arising from current new business and repayments on existing loans or from deducting the credit institutions' existing liabilities, special factors have also affected the balance sheet total in the last five years. In 2009, for example, against the background of the subprime and financial crisis starting in 2008 and of the efforts to reduce risk-bearing assets, not least given the requirements under EU state aid procedures, the aggregate annual average balance sheet total of the German banking system contracted markedly against the previous year by €0.3 trillion to €8.0 trillion. The transfer of assets to resolution agencies as part of restructuring efforts to meet the requirements under EU state aid procedures likewise affected the balance sheet total in 2010 and 2012. However, the impact on balance sheets in this case was limited, as most of the severely distressed assets transferred to the public sector were off-balance sheet items.

From the 2010 financial year onwards, the new rules set forth in the Act to Modernise Accounting Law *(Bilanzrechtsmodernisierungsgesetz)* started to have an increasing effect. These new rules included, *inter alia,* the duty to report derivative financial instruments held for trading as balance sheet items, whereas they previously only had to be shown off-balance sheet. However, the associated increase in the balance sheet total – for the big banks in particular – as at the 31 December 2010 reporting date caused the annual average balance sheet total to rise only moderately, as only one-twelfth of the increase was incorporated into the average for the 2010 financial year. The full impact of this new rule was felt in

Balance sheet total and selected ratios of the German banking sector

End-of-year levels



1 Sum of the squared shares of all banks in the balance sheet total. **2** Concentration ratio: the five largest banks' combined share in the balance sheet total of the entire banking sector.

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2011, of course, with the result that the average balance sheet total rose sharply by 10.7% or €0.9 trillion to €9.0 trillion. In the 2012 financial year, too, the effect of the Act to Modernise Accounting Law was largely responsible for the reported increase of €0.4 trillion. Since this is mainly a technical increase which is, moreover, concentrated on only a small number of institutions active in this business segment, this effect has to be taken into consideration when analysing the earnings situation in order to avoid misinterpretations.

This also applies to parameters which are based on a reporting date assessment of the balance sheet total as at the end of the year. In particular, the CR5 (concentration ratio: share of the aggregate balance sheet total accounted for by the five largest banks) or the Herfindahl index (sum of the squared shares of all banks in the balance sheet total), which are measures often used as indicators of concentration in the banking industry and also regularly feature in the ECB publication *EU Banking Structures*, are based on the unadjusted balance sheet total and already show a significant leap in concentration for 2010. No reliable figures are available for developments in the business segment "derivative financial instruments held for trading" (derivatives) prior to the December 2010 reporting date. For this reason, the balance sheet total with and without derivatives can be used to estimate the effect of the Act to Modernise Accounting Law on the distribution measure CR5 only for the years 2010 to 2012. The results show that, without taking derivatives into account, the concentration ratio remained within a narrow sideways corridor of between 25.0% and 25.4% from 2009 onwards.

A long-term analysis of the balance sheet structure (assessment as at the reporting date), excluding the effect of the Act to Modernise Accounting Law (from 2010 onwards), reveals that loans to non-banks as a share of the balance sheet total trended downwards from 49.1% in 1999 to 46.3% in 2012 (compared with 39.3% unadjusted). Over the same period, the share accounted for by loans to banks decreased from 22.7% to 20.1% (compared with 17.1% unadjusted). Between 1999 and 2009, the share of debt securities rose by 3.8 percentage points to 20.3%. However, in the subsequent three years, their share dropped to 17% at the end of 2012 (compared with 14.5% unadjusted), returning to close to its 1999 level. Valuation adjustments for euro-area sovereign bonds as well as portfolio shifts played a particular role in this context. Thus, loans to the Bundesbank, which until 2006 had accounted for only a negligible share of less than 1% of the balance sheet total, increased between 2007 and 2012 to a 3.8% share (compared with 3.3% unadjusted), reflecting the strong desire of some banking categories to invest in highly liquid, crisis-proof forms of investment. On the whole, disregarding the volume of derivatives to be reported on the balance sheet from 2010 onwards, the balance sheet structure has changed only moderately in the past years, while the balance sheet total has declined since 2008.

The new rule – which likewise entered into effect when the Act to Modernise Accounting Law was introduced – requiring financial instruments held for trading to be valued at fair value led to more volatile trading results, although without substantially affecting the balance sheet total. In any case, only those institutions are affected that engage in trading on a relatively large scale.

… in a difficult market environment

The sometimes highly risky market environment and the clear preference for low-commission, highly liquid investments already very much in evidence in the previous year continued to weigh on earnings in 2012. Although the German share index defied the difficult conditions to rise by 29% to 7,612 points from year-end 2011 to year-end 2012, equity turnover on the German exchanges fell clearly for the second consecutive year, more than halving to €1 trillion in a year-on-year comparison. Moreover, highly rated fixed-income bonds offered only very low rates of interest; in fact, their real interest rates were even negative in some instances. Consequently, turnover on the German bond market fell by just under 71% to no more than €97.6 billion. In the published annual reports, declining income from fees on current accounts – this is probably the result, in part, of growing competition for stable sources of funding on the domestic markets – and the intense competition in credit card business were among the reasons given for the drop in net commissions received. By contrast, a positive impact was probably exerted by the fact that, alongside the trend towards short-term or overnight deposits, interest was increasingly focused on mutual funds as an alternative way of investing financial assets. Demand was particularly high for specialised funds,[8] which manage funds for institutional investors. In the reporting year, sales of shares in specialised funds in Germany nearly doubled from €46.6 billion to €87.9 billion. Moreover, revenues from brokerage services for savings and loan contracts probably also had a stabilising effect.

Net commissions received by category of banks

Commercial banks, which traditionally generate a large part of their operating income in commissions business, saw net commissions received drop by €0.7 billion to €15.4 billion; however, this still represented more than half (55%, after 56% in 2011) of the commissions income generated across all banking categories. At €10.2 billion (after €10.6 billion in 2011), the majority was generated again in the reporting year by the category of big banks, where the percentage of commissions received in operating earnings fell by 3.6 percentage points to 28.3%. For regional banks, the percentage was, at 25.6%, only slightly lower than a year earlier. The Landesbanken, too, received reduced net commissions on the back of sharply lower commissions income and slightly diminished commissions paid. The reclassification of Portigon AG, as the legal successor of WestLB, to the category of special purpose banks is likely to have been largely responsible for the clear €0.2 billion decline to €0.9 billion.[9] With operating earnings on the decline overall, the percentage of commissions income in this banking category fell by 1.7 percentage points to just 8.3%. In the savings bank sector and among credit cooperatives, net commissions received were roughly unchanged on the year, at €6.1 billion and €4.1 billion respectively. Similarly, the percentage of net commissions received in total operating income was little changed at 20.9% for the savings banks and 19.6% for the credit cooperatives. In both banking categories, net commissions received is less volatile, as it is significantly less dependent on stock market developments.

Net profit from the trading portfolio visibly higher

Valuations recover in trading portfolio

Net income from banks' own-account trading (including customer-induced business) rose significantly by €2.6 billion to €7.2 billion and thereby made an important contribution to stabilising earnings. According to the published annual reports, this development was due not least to the positive valuation effects as a consequence of tighter spreads on securities holdings. Whereas 2011 was characterised by much need for write-downs on government bonds issued by the euro-area crisis countries, in 2012 the markets initially became calmer following the long-term provision of liquidity through the

8 With 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 open-ended special AIFs.
9 See also footnote 7.

Structural data on German credit institutions*

End of year

Category of banks	Number of institutions[1]			Number of branches[1]			Number of employees[2]		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
All categories of banks	1,920	1,899	1,869	36,463	36,027	34,571	642,050	637,700	633,650
Commercial banks	300	299	294	10,826	10,725	9,610	[3] 179,000	[3] 176,500	[3] 172,900
Big banks	4	4	4	8,132	8,012	7,041	.	.	.
Regional banks	180	179	177	2,583	2,595	2,444	.	.	.
Branches of foreign banks	116	116	113	111	118	125	.	.	.
Landesbanken[4]	10	10	9	471	463	451	38,300	37,750	34,000
Savings banks	429	426	423	13,025	12,810	12,643	248,150	245,950	244,900
Regional institutions of credit cooperatives	2	2	2	11	11	11	4,900	5,000	5,150
Credit cooperatives	1,141	1,124	1,104	12,046	11,938	11,778	[5] 158,200	[5] 158,250	[5] 159,750
Mortgage banks	18	18	17	54	51	49	.	.	.
Special purpose banks[4]	20	20	20	30	29	29	[6] 13,500	[6] 14,250	[6] 16,950
Memo item									
Building and loan associations	23	23	22	1,686	1,648	1,668	[7] 15,400	[7] 15,250	[7] 14,650

* 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.

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ECB’s two three-year tenders, and, from the third quarter of 2012 onwards, after the ECB announced that it would, under certain conditions, buy unlimited amounts of sovereign bonds issued by crisis countries. Income was again reduced by transfers to the fund for general banking risks pursuant to section 340e (4) of the German Commercial Code, which were booked as an expense in the item net profit or net loss from the trading portfolio.

Trading result by category of banks

The category of commercial banks expanded profits from the trading portfolio mainly because of an increase of €0.6 billion to €5.6 billion in the net earnings of big banks, for which trading business is an important source of income. Regional banks’ net profit from the trading portfolio remained virtually unchanged on the year at €0.4 billion. While the regional institutions of credit cooperatives increased their net income visibly from €0.2 billion to €0.8 billion, the Landesbanken, which reported a net loss of €0.5 billion in 2011, returned to positive territory again in the reporting year with a profit of €0.7 billion. As in earlier years, trading business played virtually no part for the other categories of banks in terms of the P&L account.

Positive balance of other operating income and expenses

Marked increase in net other operating income or charges

This summary item essentially comprises earnings and expenses from leasing business, the gross result for transactions in goods and subsidiary business as well as other operating income or charges. A positive balance of €1.6 billion represented an almost threefold increase on the previous year’s figure, but it was still slightly below the longer-term average since 2007. The improved figure was due principally to one mortgage bank having booked high charges for processing risks and provisions for potential losses in other operating income or charges in the previous year, which were no longer incurred in the reporting year. By contrast, the previous year's negative balance in the big banks sector widened by €0.3 billion to -€1.4 billion.

Higher operating costs and poorer cost/income ratio

Stronger focus on cost efficiency

Given the continuing low-interest rate setting along with a further flattening of the yield curve and the increasing pressure on margins that this caused, the cost side is increasingly becoming the focus of adjustment strategies in banking operations. As part of an effective cost and process management, potential savings and synergies can be used in order to offset a lack of earnings opportunities by implementing streamlined administrative and organisational structures. This is all the more the case since competition in certain market segments is becoming more intense and reorganising lines of business often involves higher restructuring costs. Against this backdrop, there was a continuation of the process of consolidation in the banking sector during the reporting year, which was also reflected in a reduction of the branch network.[10]

Marked rise in administrative spending

Even so, German banks' administrative spending rose by €2.7 billion to €82.8 billion in the reporting year. Much of this development was due to staff costs at €2.1 billion; added to this was €0.6 billion from the other types of costs, consisting mainly of other (non-staff) operating expenditure, expenditure on third-party services as well as depreciation of tangible fixed assets. The bank levy[11] – which was charged for the first time in 2011 and, according to the published annual reports, was reflected in the item "other administrative spending" – also reduced the overall result by a total of €0.7 billion. This means that around €1.3 billion has flowed into the restructuring fund so far.

Higher staff costs

The increase in expenditure on wages and salaries (by €0.9 billion to €34.9 billion), which explains a large part of the overall rise in staff costs, was due in particular to the new collective pay agreement concluded on 6 June 2012 for employees at private and public sector banks, which provided for 2.9% higher remuneration as of 1 July 2012. In 2011, the pay increase was only 1.6% and, given a lower number of staff and adjustments in the variable sal-

Cost/income ratios, by category of banks*

As a percentage

Category of banks	General administrative spending in relation to …		
	2010	2011	2012
	… gross earnings[1]		
All categories of banks	66.4	66.7	68.9
Commercial banks	77.8	75.9	75.4
Big banks	83.1	81.1	76.9
Regional banks and other commercial banks	69.2	68.1	73.2
Branches of foreign banks	68.7	54.4	57.5
Landesbanken[2]	57.9	57.3	65.8
Savings banks	63.0	62.5	65.5
Regional institutions of credit cooperatives	61.6	63.9	62.2
Credit cooperatives	64.5	65.5	67.3
Mortgage banks	37.1	51.5	54.6
Special purpose banks[2]	32.2	37.3	49.1
	… operating income[3]		
All categories of banks	63.7	63.9	64.2
Commercial banks	72.5	67.9	67.2
Big banks	77.4	72.5	68.8
Regional banks and other commercial banks	64.8	61.0	65.0
Branches of foreign banks	52.3	46.1	48.6
Landesbanken[2]	54.7	59.8	59.6
Savings banks	62.8	62.7	65.7
Regional institutions of credit cooperatives	47.6	57.7	42.3
Credit cooperatives	63.7	63.9	65.8
Mortgage banks	36.3	73.7	51.7
Special purpose banks[2]	31.8	36.0	47.1

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. **1** Aggregate net interest and net commissions received. **2** From 2012, Portigon AG (legal successor of WestLB) allocated to the category of "Special purpose banks". **3** Gross earnings plus net profit or net loss from the trading portfolio and net other operating income or charges.

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10 According to the Bundesbank's bank office statistics, in the reporting year German banks reduced the number of their domestic branches by 1,436 (3.8%) and the number of their foreign branches by 6 (2.3%). Further information (in German only) may be found on our website at http://www.bundesbank.de/Redaktion/DE/Pressemitteilungen/BBK/2013/2013_05_17_bankendichte_2012.htm.
11 See Deutsche Bundesbank, Fundamental features of the German Bank Restructuring Act, Monthly Report, June 2011, pp 59-75.

ary components, led to a fall in expenditure on wages and salaries of €0.5 billion to €34 billion. The number of employees again declined in the reporting year. This development, which has been under way for some years now, has recently also been affecting investment banking. In contrast to this, expenditure on pensions went up by €1 billion to €3.3 billion; this was probably due partly to the collectively established early retirement agreement being extended until the end of April 2014 and partly also to the lower discount factor[12] as a result of the persistent low-interest rate setting.

Deterioration in cost/income ratio

The ratio of administrative expenditure to total operating income (cost/income ratio), which is often used as a simple indicator for costs efficiency, showed a slight deterioration on the year. Overall, this indicator rose by 0.3 percentage point to 64.2%. Even so, it was 1.7 percentage points lower than the long-term average from 2007 onwards.

Heterogeneous developments in cost efficiency across the categories of banks

Cost/income ratios presented a heterogeneous picture in line with earnings developments in each of the categories of banks. Mortgage banks, which benefited substantially from the considerable improvement in net other operating income or charges, achieved a massive year-on-year decline in their cost/income ratio of 22 percentage points to 51.7%. In the case of the regional institutions of credit cooperatives, this ratio declined by 15.4 percentage points to 42.3%, due mainly to a considerable increase in income from trading business. The big banks, in turn, benefited from the above-mentioned special effect in net interest received, although this was partly offset by the widening of the negative balance in other operating income or charges, and, along with higher administrative spending, reduced its ratio to operating income by 3.7 percentage points to 68.8%. In the case of the regional banks, however, there was an increase in administrative spending and a decline in operating income. Accordingly, the ratio increased by 4 percentage points to 65%. On the whole, the commercial banks nevertheless managed to improve their cost efficiency slightly. In the Landesbanken sector, which was characterised by major restructuring measures in the reporting year, the cost/income ratio showed a slight improvement of 0.2 percentage point to 59.6% with a simultaneous decline in administrative spending and operating income. The deterioration in the ratio in the savings banks and credit cooperatives sectors of 3 percentage points to 65.7% and 1.9 percentage points to 65.8% was due chiefly to higher administrative spending accompanied by slightly declining and virtually unchanged operating income respectively.

Valuation result negative again

Declining income along with stagnating expenditure

While income from value adjustments in respect of securities in the liquidity reserve and of loans and advances as well as from the liquidation of provisions in lending business were nearly halved at €7.3 billion, charges from write-offs and write-downs of these items and from transfers to provisions in lending business remained virtually at their previous year's level, at €11.6 billion. In line with this, the valuation result[13] was again negative at -€4.3 billion. Nevertheless, this was still very moderate in a long-term comparison, since it benefited from the reallocation effect[14] in the reporting year, too. In particular against the backdrop of the planned changes to capital and liquidity rules at European level (CRR/CRD IV), extremely large reallocations in 2011 resulted in the valuation result being positive for the first time in the observation period since 1993. In the present an-

12 The Act to Modernise Accounting Law stipulates that provisions with a residual maturity of more than one year are to be discounted at the average market interest rate of the last seven financial years corresponding to their residual maturity.
13 Within this item, use had already been made of the cross-offsetting option permissible under section 340 f (3) of the German Commercial Code.
14 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 340g of the German Commercial Code on the annual profit in the profit and loss statistics, Monthly Report, September 2012, pp 27-28.

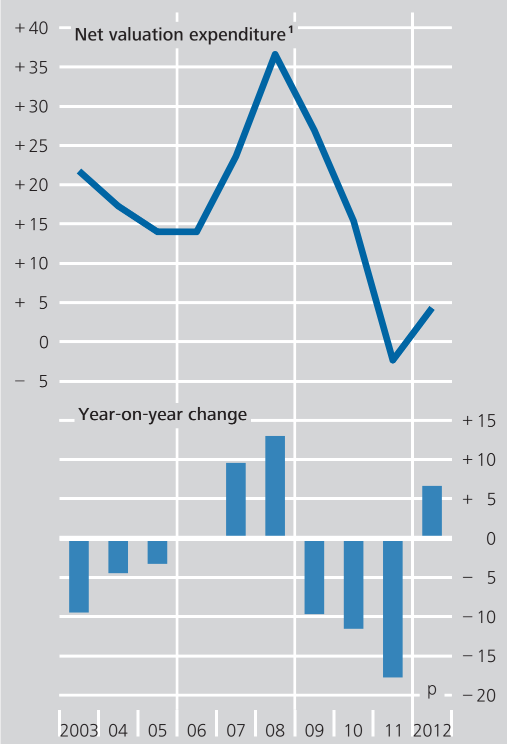
alysis of performance, income from the liquidation of undisclosed reserves are recorded under the valuation result, thus increasing the profit for the year, whereas transfers to the fund for general banking risks pursuant to section 340g of the German Commercial Code do not reduce the profit for the year but are allocated to the accumulation of reserves as part of the appropriation of profit.

Valuation result in the individual categories of banks

Looking at the individual categories of banks, savings banks posted a valuation result that was clearly lower at €0.7 billion (compared with €7.5 billion in 2011) but still positive, not least on account of the reallocation effect. Credit cooperatives improved their balance from -€0.3 billion to €0.3 billion. Following a positive balance of €1.1 billion in 2011, the regional institutions of credit cooperatives posted a negative valuation result of €0.1 billion. Commercial banks reduced their net valuation charges by €0.4 billion to €4 billion, although developments were mixed within this category. Net valuation charges at the regional banks declined significantly by €1.5 billion to €0.9 billion, not least due to income from the liquidation of undisclosed reserves. In the big banks sector, however, net valuation charges rose by €1.1 billion to €3 billion, mainly as a result of necessary write-offs on commercial real estate loans and the loan portfolio in the shipping segment. Landesbanken, which were affected by the tense situation on the merchant shipping markets, also had to undertake significant write-offs in this sector in the reporting year. Despite this, the valuation result in the Landesbanken sector showed a further significant improvement and was no more than marginally negative overall, mainly because of the hedging effect of a second loss guarantee[15] provided by the relevant public institutions in the case of one Landesbank as well as the positive impact of the reallocation effect, from which another Landesbank benefited according to the published annual report.

Risk provisioning of credit institutions

€ billion



1 Excluding investment in tangible and financial fixed assets.
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Risk provisioning in lending business

The need for risk provisioning in lending business as expressed in the valuation result was at a low level again thanks to the German economy remaining in good shape and employment being at a high level. This was reflected, among other things, in domestic insolvencies in 2012. The total number of insolvencies was 5.7% lower than in 2011; there was a 5.5% fall in the number of consumer insolvencies and a 6% drop in business insolvencies. While the volume of outstanding debt also fell in consumer insolvencies, the corresponding volume in the business sector more than doubled to €41.2 billion owing to a number of major insolvencies.[16] Besides large-scale insolvencies in trading, enterprises in the solar and shipping industries were increasingly affected.

15 In a second loss guarantee, the party providing the guarantee assumes the future losses that exceed the non-guaranteed portion of the loan within the contractually agreed framework.
16 See Statistisches Bundesamt (Federal Statistical Office), Unternehmen und Arbeitsstätten, Fachserie 2, Reihe 4.1, Insolvenzverfahren Dezember und Jahr 2012, March 2013 (available in German only).

Breakdown of the extraordinary profit and loss*

€ million

Item	2010	2011	2012
Balance of other and extraordinary income or charges	− 12,525	− 17,079	− 11,675
Income (total)	8,870	6,632	2,530
from value adjustments in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	1,630	660	1,395
from loss transfers	1,181	5,213	457
Extraordinary income	6,059	759	678
Charges (total)	− 21,395	− 23,711	− 14,205
Write-offs and write-downs in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	− 4,010	− 11,113	− 7,080
from loss transfers	− 3,941	− 6,581	− 627
Extraordinary charges	− 10,370	2,597	2,380
Profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement	− 3,074	− 3,420	− 4,118

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year.

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Decreasing strains on the extraordinary result

Declining net charges in financial investment business

The structurally negative balance in the extraordinary account continued to place a considerable strain on profitability in 2012, although, at €11.7 billion, it was clearly lower than in 2011. This was due in particular to perceptibly declining net charges in financial investment business in the case of mortgage banks, which reduced their negative balance from €4.2 billion to €0.4 billion. In the reporting year, extraordinary write-downs on Greek sovereign bonds, which had a massive impact on some mortgage banks in 2011 according to the published annual reports, were not needed. Furthermore, banks benefited from the general recovery of prices on the German and international financial markets.

Marked reduction in income and charges from loss transfers

There was a considerable decline both in income from loss transfers at €0.5 billion (compared with €5.2 billion in 2011) and in charges from loss transfers at €0.6 billion (compared with €6.6 billion in 2011). The massive increase in these components in 2011, although they largely offset each other on balance, was due to one big bank recording high charges from loss transfers for a subsidiary from the mortgage banks category, which booked this as income from loss transfers. Net extraordinary income or charges in the narrower sense[17] showed a marginal improvement of €0.1 billion to -€1.7 billion.

Profit for the financial year and balance sheet profit

The liquidation of undisclosed reserves in connection with the reallocation effect led to sharp rise in the profit for the financial year in 2011 as

17 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.

Annual profit just about at its previous year's level, albeit with significantly stronger capital cover

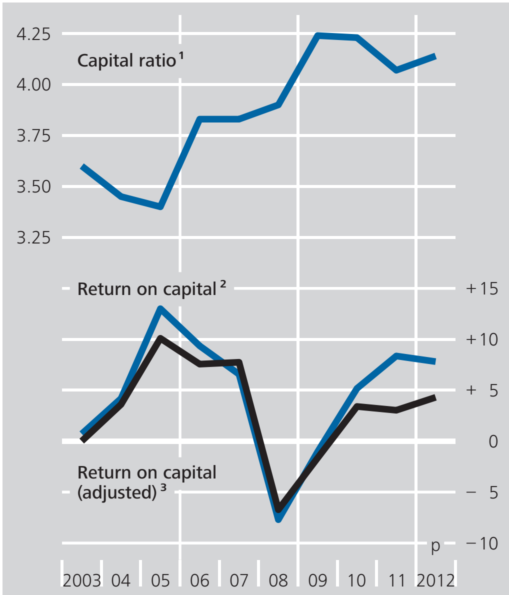
well as a marked improvement in the return on equity. Net transfers to the fund for general banking risks, likewise in connection with the reallocation effect, did not increase balance sheet capital until the reporting year after the 2011 annual accounts had been approved, however. Looking at the annual average, there was a marked rise in balance sheet capital by €21.8 billion to €386.5 billion. The fact that the profit for the financial year before tax, at €30.2 billion, just about held up at the previous year's level was due mainly to the valuation result still being very low as well as markedly reduced net charges in the extraordinary account. Overall, the return on equity thus fell by 0.6 percentage point to 7.8%.

Mixed developments across the individual categories of banks

Largely because there were no longer high charges from loss transfers, which had a massive impact in 2011, the big banks achieved a clear profit for the financial year before tax of €5.1 billion following a small loss in the previous year, thus shaping the positive outcome in the category of commercial banks. Although balance sheet capital declined at the same time, they clearly improved their return on equity to 6.7%. At €2.7 billion, the regional banks generated a profit for the financial year before tax which was €0.7 billion higher. Accompanied by an increase in balance sheet capital, their return on equity went up by 1.3 percentage points to 6.1%. Thanks not least to a positive valuation result, credit cooperatives improved their profit for the financial year before tax by €0.4 billion to €7.4 billion. The simultaneous sharp rise in balance sheet capital, which was essentially due to large net transfers to the fund for general banking risks, nevertheless had the effect of lowering the return on equity from 16.4% to 15.7%. Landesbanken benefited from the marked reduction in net charges in the extraordinary account and from the perceptible improvement in the valuation result. They achieved a considerable increase in their profit for the financial year before tax from only €0.1 billion to €2.3 billion. With a simultaneous reduction in equity capital, the return on equity improved as a result

Credit institutions' capital and profit for the financial year

%



1 Capital (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 capital. **3** Profit for the financial year before tax less net transfers to the fund for general banking risks (adjusted profit for the year) as a percentage of average capital.
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by 3.8 percentage points to 3.9%. After four successive years with sometimes considerable annual deficits, mortgage banks posted a small profit for the financial year before tax again amounting to €0.1 billion and, with a smaller input of equity capital, generated a positive return on equity of 0.6%. The massive rise in the profit for the financial year seen in 2011 especially in the case of savings banks and regional institutions of credit cooperatives, which was caused chiefly by the reallocation effect, led in the same year to a considerable increase in the return on equity in mathematical terms. In the reporting year, this effect went into reverse, however, as net transfers to disclosed reserves had led to a marked increase in the balance sheet capital of both categories of banks. Given considerably lower profits for the financial year, the return on equity in the case of savings banks, at 13% (compared with 27.4% in 2011), and of regional institutions of credit cooperatives, at 4.9% (compared with 10.3% in 2011),

Return on capital of individual categories of banks*

As a percentage

Category of banks	2008		2009		2010		2011		2012	
All categories of banks	− 7.70	(− 8.11)	− 0.83	(− 1.98)	5.18	(3.67)	8.36	(6.49)	7.81	(5.59)
Commercial banks	− 15.49	(− 15.05)	− 5.82	(− 5.67)	3.01	(2.01)	1.77	(0.75)	6.55	(3.68)
of which Big banks	− 25.30	(− 23.74)	− 9.10	(− 8.11)	2.88	(2.19)	− 0.12	(− 0.83)	6.65	(2.91)
Regional banks and other commercial banks	3.81	(2.14)	0.06	(− 1.32)	2.78	(1.39)	4.80	(3.33)	6.08	(4.75)
Landesbanken 1	− 11.07	(− 12.22)	− 8.18	(− 8.53)	− 1.47	(− 1.31)	0.12	(− 1.02)	3.91	(2.77)
Savings banks	4.00	(2.12)	8.48	(4.44)	11.42	(7.07)	27.35	(22.88)	12.99	(9.34)
Regional institutions of credit cooperatives	− 4.40	(1.50)	7.24	(7.62)	5.77	(5.83)	10.27	(9.50)	4.94	(8.30)
Credit cooperatives	5.53	(3.98)	8.96	(5.04)	12.12	(8.02)	16.39	(11.87)	15.73	(11.51)
Mortgage banks	− 15.49	(− 15.98)	− 8.33	(− 9.29)	− 0.50	(− 0.40)	− 1.72	(− 2.14)	0.58	(0.46)

***** The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. Profit for the financial year before tax (in brackets: after tax) as a percentage of the average capital 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”.

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was thus again within the normal corridor for these two categories of banks.

Return on assets

Although 2011 saw a discernible rightward shift in the distribution of the return on assets, mainly because of the massive increase in savings banks' profit for the financial year, a certain countermovement took place in the reporting year. The number of institutions in the best profitability class (return on assets of 0.9% and more) fell by 95 to 849. This meant that just under half of the institutions in the reporting population – 1,754 in 2012 – were still in this class, however. At 9.1%, their share of the aggregate balance sheet total was nevertheless comparatively small. As in 2011, it is likely that this profitability class included mainly smaller institutions from the savings banks and credit cooperatives sectors, which, in a bid to strengthen the balance sheet capital base, reallocated undisclosed reserves into disclosed reserves on a considerable scale, albeit to a lesser extent than in 2011. The marked increase in the share of the aggregate balance sheet total in the profitability class from 0.3% to 0.6% was due principally to one big bank that showed a clear profit for the financial year in 2012 after posting losses for four years in succession and which, accordingly, moved out of the negative profitability class from -0.6% to -0.3% and into this positive range. In the reporting year, a total of 51 institutions (2011: 59) posted an aggregate loss for the year of €1.6 billion (2011: €6.4 billion). This meant that their share of the aggregate balance sheet total fell perceptibly by 10.9 percentage points to 9.6%.

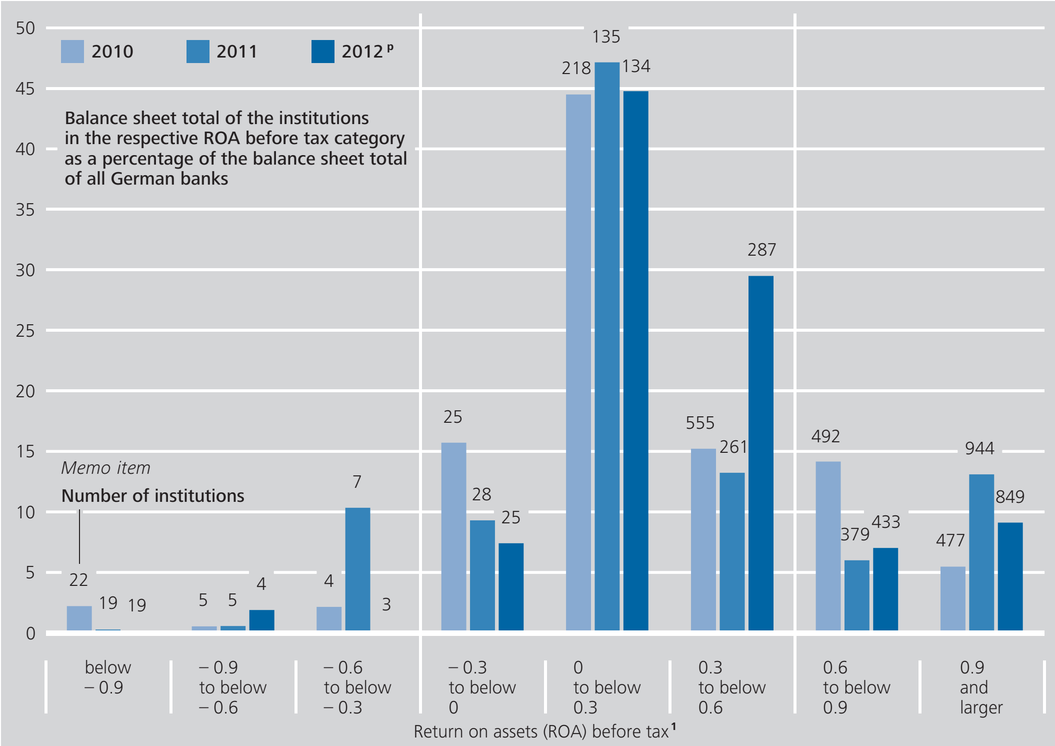
Large net transfers to the fund for general banking risks and high losses brought forward

As part of the appropriation of profit, a large amount (€13.6 billion net) was again transferred to the fund for general banking risks (compared with €19.4 billion in 2011).[18] The associated strengthening of the tier 1 capital base was

18 The net transfers booked as charges in the trading result pursuant to section 340e (4) of the German Commercial Code are not contained in these net transfers.

Distribution of return on assets (ROA) before tax

As a percentage



1 Profit for the financial year before tax as a percentage of the average balance sheet total.
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probably again due in large part to the more stringent capital and liquidity regulations at the European level (CRD IV/CRR) scheduled for 2014. More than half of these transfers were made by the savings banks and credit cooperatives sectors, both of which posted a positive valuation result, not least as a result of the reallocation effect. There were also sizeable net transfers to the fund for general banking risks by regional institutions of credit cooperatives, Landesbanken as well as special purpose banks. Furthermore, a €0.4 billion increase to €7.8 billion in net losses brought forward placed a strain on the financial result, although – as in earlier years – these were concentrated on individual mortgage banks, special purpose banks and regional banks. After €2 billion net was taken out of reserves and participation rights capital in 2011, these were increased by €0.6 billion net in the reporting year. The effects arising from the financial statement have an effect on equity capital only after the annual accounts have been approved, however. Overall, annual average capital including disclosed reserves increased significantly by €21.4 billion to €343.7 billion in the period from 2010 to 2012. On an annual average, the fund for general banking risks more than doubled within the same space of time from €20.8 billion to €42.8 billion. This formation of equity capital is likely to have added to the resilience of the German banking sector.

Balance sheet loss again

Taking into account a further increase in taxes on income and earnings, there was an aggregate balance sheet loss for the fifth time in succession, although it was significantly smaller than in 2011 at €0.4 billion. As in 2011, this was due, first and foremost, to the aggregate balance sheet losses of the categories of mortgage banks (€4.6 billion), special purpose banks (€1.7 billion) as well as, to a lesser extent, of regional banks (€0.4 billion) and Landesbanken (€0.3 billion); according to the published annual reports, the negative balance sheet results were again concentrated on a small number of institutions. All other categories of banks posted an aggregate balance sheet profit; thanks to a much improved result in the case of big banks (€6.7 billion), this was €1.4 billion higher than in 2011.

Outlook

Result in 2013 H1

Despite a subdued cyclical setting for the euro area and the sustained period of historically low interest rates, the category of major German banks with an international focus,[19] which report under the IFRS and for which interim reports are available at group level, posted an operating income in the first half of the current financial year that was up on its level in the same period of 2012. The marked €2 billion decline in net interest received to €18 billion was more than offset by gains in the trading result under the positive impact of easing tensions on the financial markets. Not least as a result of increased customer activity again accompanied by declining risk aversion, net commissions received were up by €0.4 billion to €10.0 billion. Risk provisioning increased by €0.5 billion on the year to €3.1 billion – those Landesbanken affected by the crisis in the shipping industry were a particular factor in this – and was thus still below the average of the half-year figures in the observation period since 2008. Declining administrative spending and an improvement in the item "other net gains or losses on financial instruments" – chiefly reflecting write-ups of financial assets – led to an increase of €0.8 billion in earnings before taxes to €8.0 billion.

Subdued outlook

In the year so far, there has been a marked shift in the yield curve along with a concurrent rise in the general interest rate level in the capital market; in the period from April to August, the yields on listed Federal securities went up by 0.5 percentage point to 1.5%. The spread between ten and two-year bonds has gone up by 30 basis points in the year so far. The gross interest rate spread also showed a slight increase in both existing and new business over the period under review, but was still below the average figure for the first seven months of 2012 in year-on-year terms. On the loan demand side, the scope for new banking business is likely to remain limited initially, even though developments at the current end permit a positive outlook for economic activity. The German economy was growing strongly again in the spring following the cyclical dampener in the second half of 2012 and has returned to normal utilisation. Nevertheless, a widespread upturn in investment is likely only with a sustained improvement in the outlook in Europe and a further containment of the debt crisis. Moreover, there has been a continuation of the trend towards substituting bank loans to enterprises for alternative forms of financing and/or lenders. Furthermore, steadily growing competitive pressure on the domestic markets is restricting earnings potential.

The earnings situation, which remained stable in 2012, was shaped not least by special effects, low risk provisioning in valuation charges and positive valuation effects in the very volatile trading result (valuation at fair value). Over the medium term, the interest rate risk, which is tending to increase, is likely to place a strain on profitability. Moreover, higher risk provisioning could mean that the operating result comes under pressure, although, in terms of counterparty risk in the domestic credit portfolio, the improvement in the capital levels of the German business sector achieved over the past few years – particularly in the case of small and medium-sized enterprises – is likely to have an alleviating effect on charges. Looking globally at the factors relevant to profitability along with the underlying conditions, improved cost efficiency represents a major aspect of stabilising profitability in the medium term, even though such measures initially entail additional restructuring and adjustment expenditure.

19 This sample comprises 12 institutions (big banks, regional institutions of credit cooperatives as well as selected Landesbanken and mortgage banks). (There were 13 institutions in this sample up to the third quarter of 2010.)

The tables accompanying this article are printed on pages 35-45.

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]									
2006	4.63	4.47	4.36	4.86	4.94	4.67	3.18	4.61	5.32	4.12
2007	5.13	4.78	4.65	5.23	5.66	4.81	3.56	4.77	7.09	4.45
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	2.58
	Interest paid									
2006	3.48	3.14	3.26	2.75	4.33	2.44	2.75	2.30	4.89	3.65
2007	4.01	3.48	3.56	3.23	5.01	2.75	3.06	2.61	6.65	4.02
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	2.13
	Excess of interest received over interest paid = net interest received (interest margin)									
2006	1.15	1.33	1.11	2.11	0.61	2.23	0.43	2.30	0.43	0.47
2007	1.12	1.30	1.09	2.00	0.65	2.06	0.50	2.15	0.43	0.43
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
	Excess of commissions received over commissions paid = net commissions received									
2006	0.39	0.63	0.54	0.94	0.13	0.58	0.14	0.66	0.03	0.10
2007	0.39	0.60	0.51	0.92	0.13	0.60	0.12	0.67	0.04	0.10
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

***** The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation and institutions with a truncated financial year. **°** 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 36.

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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									
2006	1.06	1.42	1.27	1.93	0.46	1.89	0.47	2.27	0.18	0.22
2007	1.00	1.28	1.13	1.81	0.43	1.90	0.39	2.12	0.18	0.21
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
	Net profit or net loss from the trading portfolio 3									
2006	0.06	0.11	0.15	– 0.04	0.06	0.02	0.17	0.01	0.00	0.00
2007	– 0.01	0.03	0.08	– 0.13	– 0.10	0.01	– 0.19	0.01	0.00	0.00
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
	Operating result before valuation of assets									
2006	0.64	0.73	0.57	1.27	0.40	0.98	0.28	1.26	0.29	0.40
2007	0.54	0.67	0.53	1.14	0.27	0.84	0.05	0.89	0.33	0.34
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
	Net income or net charges from valuation of assets									
2006	– 0.18	– 0.16	– 0.10	– 0.34	0.08	– 0.52	– 0.05	– 0.71	– 0.12	– 0.08
2007	– 0.29	– 0.17	– 0.13	– 0.31	– 0.13	– 0.43	– 0.18	– 0.44	– 0.14	– 0.96
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

For footnotes *, °, see p 35. **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.

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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	Commercial banks: of which Big banks	Commercial 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									
2006	0.46	0.57	0.47	0.93	0.48	0.46	0.24	0.55	0.17	0.32
2007	0.25	0.51	0.41	0.84	0.15	0.40	– 0.13	0.45	0.18	– 0.62
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
	Net other and extraordinary income or charges									
2006	– 0.10	– 0.18	– 0.09	– 0.50	– 0.12	– 0.02	– 0.07	0.06	– 0.10	0.01
2007	0.00	0.13	0.28	– 0.36	– 0.10	– 0.04	– 0.02	0.02	– 0.14	– 0.07
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
	Profit for the financial year before tax									
2006	0.36	0.39	0.38	0.43	0.36	0.44	0.16	0.61	0.06	0.33
2007	0.25	0.64	0.68	0.48	0.05	0.37	– 0.15	0.47	0.04	– 0.70
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	0.87	0.21	1.00	0.02	0.19
	Profit for the financial year after tax									
2006	0.29	0.32	0.33	0.27	0.31	0.24	0.35	0.47	0.04	0.32
2007	0.18	0.52	0.57	0.36	0.03	0.21	0.11	0.30	0.02	– 0.71
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

For footnotes *, °, see p 35. For footnote 1, see p 36.
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Credit institutions' profit and loss accounts*

Financial year	Number of reporting institutions	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
		€ billion									
2005	1,988	7,524.7	88.2	329.1	240.9	27.8	35.4	7.6	11.4	1.9	129.3
2006	1,940	7,719.0	89.1	357.5	268.3	29.9	38.4	8.6	4.4	7.3	130.7
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	92.2	267.0	174.7	28.0	38.5	10.5	7.2	1.6	129.0
	Year-on-year percentage change[6]										
2006	– 2.4	2.6	1.0	8.6	11.4	7.4	8.7	13.3	– 61.4	291.8	1.1
2007	– 1.9	5.7	2.8	17.2	22.0	6.1	9.8	22.7	.	– 51.9	– 3.9
2008	– 2.0	2.1	– 1.0	3.3	4.5	– 6.2	– 2.7	8.0	– 1,537.6	58.4	– 14.7
2009	– 2.4	– 3.7	0.9	– 28.4	– 36.2	– 7.8	– 4.0	5.8	.	– 90.7	17.8
2010	– 1.2	1.0	0.7	– 15.4	– 22.1	4.5	3.1	– 0.2	– 17.3	.	– 0.3
2011	– 1.1	10.7	– 0.9	12.6	19.9	0.5	– 2.4	– 9.2	– 19.4	.	– 0.5
2012	– 1.3	4.2	1.0	– 9.6	– 14.3	– 2.6	– 2.8	– 3.3	55.5	165.0	2.9
	As a percentage of the average balance sheet total										
2005	.	.	1.17	4.37	3.20	0.37	0.47	0.10	0.15	0.02	1.72
2006	.	.	1.15	4.63	3.48	0.39	0.50	0.11	0.06	0.09	1.69
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

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. **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 oper-

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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	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	
78.8	43.4	35.4	50.5	− 14.0	36.5	− 3.2	33.2	9.7	23.5	2005
81.5	46.0	35.5	49.2	− 14.0	35.2	− 7.6	27.6	5.4	22.2	2006
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	− 4.3	41.9	− 11.7	30.2	8.6	21.6	2012
									Year-on-year percentage change[6]	
3.4	5.9	0.4	− 2.5	0.0	− 3.5	− 135.2	− 17.0	− 44.4	− 5.6	2006
0.1	− 3.0	4.1	− 10.5	− 68.6	− 41.9	.	− 25.6	9.8	− 34.3	2007
− 3.5	− 5.8	− 0.7	− 35.4	− 55.1	.	.	.	− 77.7	.	2008
4.4	7.0	1.5	54.9	26.4	.	− 22.4	86.1	195.0	71.9	2009
− 2.4	− 6.0	2.0	3.6	42.9	76.6	39.3	.	32.6	.	2010
− 0.2	− 1.4	1.2	− 1.0	.	57.0	− 36.4	71.5	31.8	87.9	2011
3.4	5.2	1.4	2.1	.	− 12.0	31.6	− 1.0	25.7	− 8.7	2012
									As a percentage of the average balance sheet total	
1.05	0.58	0.47	0.67	− 0.19	0.48	− 0.04	0.44	0.13	0.31	2005
1.06	0.60	0.46	0.64	− 0.18	0.46	− 0.10	0.36	0.07	0.29	2006
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

ations. **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 excluding depreciation of and value adjustments to assets leased ("broad" definition). **6** Statistical changes have been eliminated.

Profit and loss accounts, by category of banks*

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)	Total interest received[2]	Interest paid	Commissions business: 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										
2007	1,903	8,158,884	91,577	418,933	327,356	31,681	42,179	10,498	− 1,143	3,506	125,621
2008	1,864	8,327,069	90,636	432,846	342,210	29,718	41,060	11,342	− 18,718	5,555	107,191
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	92,243	266,977	174,734	28,025	38,548	10,523	7,154	1,577	128,999
	Commercial banks										
2007	173	2,935,195	38,076	140,346	102,270	17,757	24,205	6,448	884	712	57,429
2008	181	2,964,986	35,704	140,162	104,458	15,994	23,061	7,067	− 16,343	2,506	37,861
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	34,931	73,018	38,087	15,424	21,857	6,433	5,610	534	56,499
	Big banks										
2007	5	2,240,698	24,454	104,238	79,784	11,365	14,634	3,269	1,764	− 375	37,208
2008	5	2,212,741	21,828	100,199	78,371	9,895	13,541	3,646	− 15,373	1,270	17,620
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
	Regional banks and other commercial banks										
2007	151	671,668	13,466	35,134	21,668	6,194	9,366	3,172	− 901	1,072	19,831
2008	158	722,740	13,660	38,753	25,093	5,939	9,354	3,415	− 983	1,206	19,822
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	12,685	28,164	15,479	5,143	8,942	3,799	377	1,892	20,097
	Branches of foreign banks										
2007	17	22,829	156	974	818	198	205	7	21	15	390
2008	18	29,505	216	1,210	994	160	166	6	13	30	419
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	302	675	373	129	144	15	20	59	510
	Landesbanken[8]										
2007	12	1,668,143	10,877	94,386	83,509	2,247	3,987	1,740	− 1,726	474	11,872
2008	10	1,695,465	12,161	94,705	82,544	2,177	4,015	1,838	− 1,514	652	13,476
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

For footnotes *, **1-8**, see p 42 and p 43.
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General administrative spending												
Total (col 13 plus col 14)	Staff costs	Other adminis-trative spend-ing[5]	Operat-ing result before the valu-ation of assets (col 11 less col 12)	Net income or net charges from the valuation of assets (other than tan-gible or financial fixed assets)	Operating result (col 15 plus col 16)	Net other and extra-ordinary income or charges	Profit for the finan-cial 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)	With-drawals from or transfers to (–) reserves and par-ticipation 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	
81,561	44,604	36,957	44,060	− 23,603	20,457	74	20,531	5,953	14,578	− 1,359	13,219	2007
78,731	42,033	36,698	28,460	− 36,611	− 8,151	− 16,863	− 25,014	1,327	− 26,341	21,549	− 4,792	2008
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
82,813	43,848	38,965	46,186	− 4,316	41,870	− 11,675	30,195	8,601	21,594	− 21,949	− 355	2012
											Commercial banks	
37,623	19,454	18,169	19,806	− 4,879	14,927	3,799	18,726	3,450	15,276	− 5,779	9,497	2007
35,444	16,868	18,576	2,417	− 10,161	− 7,744	− 8,676	− 16,420	− 461	− 15,959	16,697	738	2008
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
37,986	17,712	20,274	18,513	− 3,954	14,559	− 6,430	8,129	3,564	4,565	− 1,575	2,990	2012
											Big banks	
25,321	13,709	11,612	11,887	− 2,806	9,081	6,209	15,290	2,549	12,741	− 5,386	7,355	2007
22,594	10,917	11,677	− 4,974	− 7,041	− 12,015	− 5,818	− 17,833	− 1,096	− 16,737	16,810	73	2008
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
											Regional banks and other commercial banks	
12,127	5,658	6,469	7,704	− 2,054	5,650	− 2,413	3,237	823	2,414	− 393	2,021	2007
12,637	5,858	6,779	7,185	− 3,052	4,133	− 2,832	1,301	572	729	− 113	616	2008
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
13,056	5,785	7,271	7,041	− 933	6,108	− 3,394	2,714	593	2,121	− 2,554	− 433	2012
											Branches of foreign banks	
175	87	88	215	− 19	196	3	199	78	121	0	121	2007
213	93	120	206	− 68	138	− 26	112	63	49	0	49	2008
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
248	113	135	262	13	275	2	277	86	191	− 22	169	2012
											Landesbanken[8]	
7,248	3,747	3,501	4,624	− 2,163	2,461	− 1,673	788	283	505	400	905	2007
7,364	3,659	3,705	6,112	− 8,547	− 2,435	− 3,616	− 6,051	629	− 6,680	6,809	129	2008
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

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

Financial year	Number of reporting institutions	€ million									
		Balance sheet total as an annual average1	Interest business			Commissions business			Net profit or net loss from the trading portfolio3	Net other operating income or charges	Operating income4 (col 3 plus col 6 plus col 9 plus col 10)
			Net interest received (col 4 less col 5)	Total interest received2	Interest paid	Net commissions received (col 7 less col 8)	Commissions received	Commissions paid			
	1	2	3	4	5	6	7	8	9	10	11
	Savings banks										
2007	446	1,019,129	20,949	48,987	28,038	6,082	6,492	410	151	690	27,872
2008	438	1,042,947	20,861	51,861	31,000	5,994	6,416	422	35	548	27,438
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	23,278	40,729	17,451	6,137	6,516	379	17	– 114	29,318
	Regional institutions of credit cooperatives										
2007	2	254,397	1,265	9,044	7,779	298	799	501	– 482	41	1,122
2008	2	273,650	1,590	10,671	9,081	299	759	460	– 910	69	1,048
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
	Credit cooperatives										
2007	1,232	614,428	13,219	29,281	16,062	4,138	4,809	671	52	1,122	18,531
2008	1,197	641,771	13,205	31,770	18,565	4,037	4,720	683	10	1,637	18,889
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	16,363	27,226	10,863	4,108	4,970	862	16	436	20,923
	Mortgage banks										
2007	22	859,798	3,737	60,944	57,207	378	669	291	– 17	289	4,387
2008	19	821,083	3,213	63,510	60,297	418	787	369	– 4	75	3,702
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
	Special purpose banks8										
2007	16	807,794	3,454	35,945	32,491	781	1,218	437	– 5	178	4,408
2008	17	887,167	3,902	40,167	36,265	799	1,302	503	8	68	4,777
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	5,153	29,535	24,382	1,019	1,551	532	– 33	294	6,433
	Memo item: Banks majority-owned by foreign banks9										
2007	42	766,323	10,189	39,607	29,418	4,038	5,725	1,687	– 542	421	14,106
2008	44	732,683	10,163	39,246	29,083	3,777	5,911	2,134	– 3,392	345	10,893
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	8,503	20,368	11,865	2,883	4,499	1,616	1,219	413	13,018

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation and institutions with a truncated financial year. **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

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General administrative spending: Total (col 13 plus col 14)	Staff costs	Other adminis-trative spend-ing[5]	Operat-ing result before the valu-ation of assets (col 11 less col 12)	Net income or net charges from the valuation of assets (other than tan-gible or financial fixed assets)	Operating result (col 15 plus col 16)	Net other and extra-ordinary income or charges	Profit for the finan-cial 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)	With-drawals from or transfers to (–) reserves and par-ticipation 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	
											Savings banks	
19,373	11,338	8,035	8,499	– 4,376	4,123	– 364	3,759	1,574	2,185	– 819	1,366	2007
18,865	11,534	7,331	8,573	– 4,900	3,673	– 1,512	2,161	1,016	1,145	– 143	1,002	2008
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
19,254	12,067	7,187	10,064	690	10,754	– 1,271	9,483	2,665	6,818	– 5,217	1,601	2012
											Regional institutions of credit cooperatives	
1,000	552	448	122	– 455	– 333	– 42	– 375	– 649	274	– 38	236	2007
976	516	460	72	– 694	– 622	206	– 416	– 558	142	– 41	101	2008
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
											Credit cooperatives	
13,056	7,807	5,249	5,474	– 2,714	2,761	119	2,880	1,054	1,826	– 621	1,205	2007
12,909	7,874	5,035	5,980	– 3,615	2,365	– 326	2,039	571	1,468	– 423	1,045	2008
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
13,768	8,209	5,559	7,155	260	7,415	5	7,420	1,991	5,429	– 4,002	1,427	2012
											Mortgage banks	
1,578	751	827	2,809	– 1,244	1,565	– 1,190	375	165	210	– 625	– 415	2007
1,393	606	787	2,309	– 3,977	– 1,668	– 1,245	– 2,913	93	– 3,006	– 452	– 3,458	2008
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
											Special purpose banks[8]	
1,683	955	728	2,725	– 7,772	– 5,047	– 575	– 5,622	76	– 5,698	6,123	425	2007
1,780	976	804	2,997	– 4,717	– 1,720	– 1,694	– 3,414	37	– 3,451	– 898	– 4,349	2008
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	3,403	– 412	2,991	– 828	2,163	105	2,058	– 3,717	– 1,659	2012
											Memo item: Banks majority-owned by foreign banks[9]	
8,115	3,927	4,188	5,991	– 2,204	3,787	5,914	9,701	769	8,932	– 3,885	5,047	2007
8,371	3,947	4,424	2,522	– 2,887	– 365	– 1,423	– 1,788	363	– 2,150	2,508	358	2008
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
8,096	3,643	4,453	4,922	– 287	4,635	– 1,339	3,296	735	2,561	– 32	2,529	2012

and intangible assets, but 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										
		Total	Interest paid	Commissions paid	Net loss from the trading portfolio[1]	Gross loss on transactions in goods and subsidiary transactions	General administrative spending					
							Total	Staff costs				Other administrative spending[2]
								Total	Wages and salaries	Social security costs and costs relating to pensions and other benefits		
										Total	of which Pensions	
2004	2,055	346.7	218.6	6.8	0.9	0.0	71.0	41.2	31.6	9.6	4.0	29.8
2005	1,988	373.0	240.9	7.6	0.6	0.0	74.5	43.4	33.3	10.2	4.6	31.0
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	319.8	174.7	10.5	0.2	0.0	79.0	43.8	34.9	9.0	3.3	35.2

Financial year	Income, € billion									
	Total	Interest received			Current income				Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	Commissions received
		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		
2004	351.5	285.7	235.9	49.9	14.7	9.6	1.2	3.8	3.2	32.0
2005	396.5	306.7	252.6	54.1	17.0	12.4	1.3	3.4	5.3	35.4
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	341.4	248.8	213.5	35.3	12.0	7.3	0.9	3.8	6.2	38.5

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. **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 are based on a broad definition of

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Value adjustments in respect of tangible and intangible assets											
Total	*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
4.9	0.1	3.8	19.4	1.4	1.4	0.0	8.9	5.6	0.2	3.9	2004
4.3	0.0	5.8	17.9	0.7	1.4	0.0	4.7	9.7	0.2	4.7	2005
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

				Other operating income					
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	Total	*of which* from leasing business	Income from the release of special reserves	Extraordinary income	Income from loss transfers	Financial year
2.2	0.2	2.2	1.1	8.0	0.2	0.0	1.7	0.5	2004
12.1	0.2	3.9	5.0	7.7	0.1	0.1	3.1	0.1	2005
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

"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.