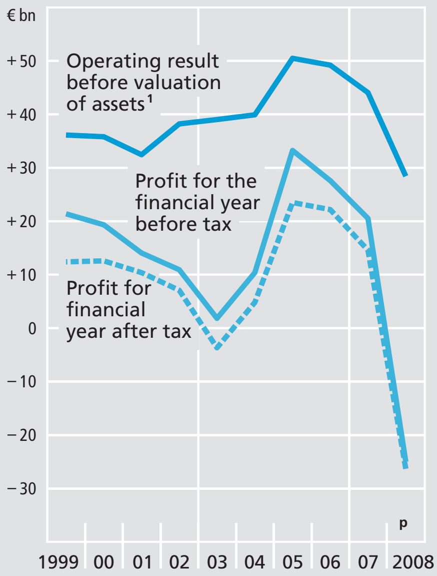
The performance of German credit institutions in 2008

The performance of German credit institutions in the financial year 2008 was shaped crucially by the effects of the financial crisis. In comparison with 2007, there was a massive slump of €45.5 billion in the profit for the financial year before tax. This meant that a loss of €25.0 billion was recognised for the first time. The big banks, Landesbanken, mortgage banks and special purpose banks were especially affected. By contrast, the savings banks, credit cooperatives and regional banks were still able to post a pre-tax profit in 2008, even though this was noticeably lower than before in some cases. It was in own-account trading, in particular, that German banks were forced to show dramatic losses. Added to this were considerably higher valuation charges and exceptionally large strains from financial investment business. Although German banks generated substantial income from the release of reserves overall, there was still a balance sheet loss for the first time, although this was concentrated on a few categories of bank.

Despite signs of a recovery in the first half of the financial year 2009, a sustained improvement in performance for the financial year 2009 is unlikely given the increasing strains on lending business.

The performance of credit institutions



1 Partial operating result plus net profit or net loss on financial operations and net other operating income or charges.

Deutsche Bundesbank

Income from interest business

Slight decline in net interest received ...

Despite the crisis in the financial markets, interest business in 2008 just about matched the level of the previous year and showed no more than a slight decline in net interest received (difference between interest received and interest paid). The percentage increase in interest expenses (+4.5% to €342.1 billion) was greater than that in interest income (+3.3% to €432.7 billion). Overall, for the first time in five years, net interest received by German credit institutions showed a slight fall of €1.0 billion to €90.6 billion.[1] The interest margin – calculated as net interest received in relation to the average balance sheet total – declined accordingly from 1.12% in 2007 to 1.09% in 2008. In consolidated terms – ie after adjustment for interbank business, which has no effect on net interest received – the interest margin remained constant in year-on-year terms at 1.52%. The share of net interest received in operating income (net interest received and net commissions received plus net profit or loss from financial operations and net other operating income or charges) showed a clear increase to 84.6%, since operating income fell sharply overall in the reporting year.

... as a result of lower current income and higher expenditure

In terms of the individual components of the interest result, German credit institutions, given a larger volume of business and despite a predominantly flat and, at times, inverse yield curve, were able to increase their income from lending and money market transactions as well as from debt securities and Debt Register claims. Nevertheless, current income from shares and other variable-yield securities showed a marked fall of more than 30% owing to the reduction in trading portfolios. As a result, it was not possible to offset the overall higher interest expenditures.

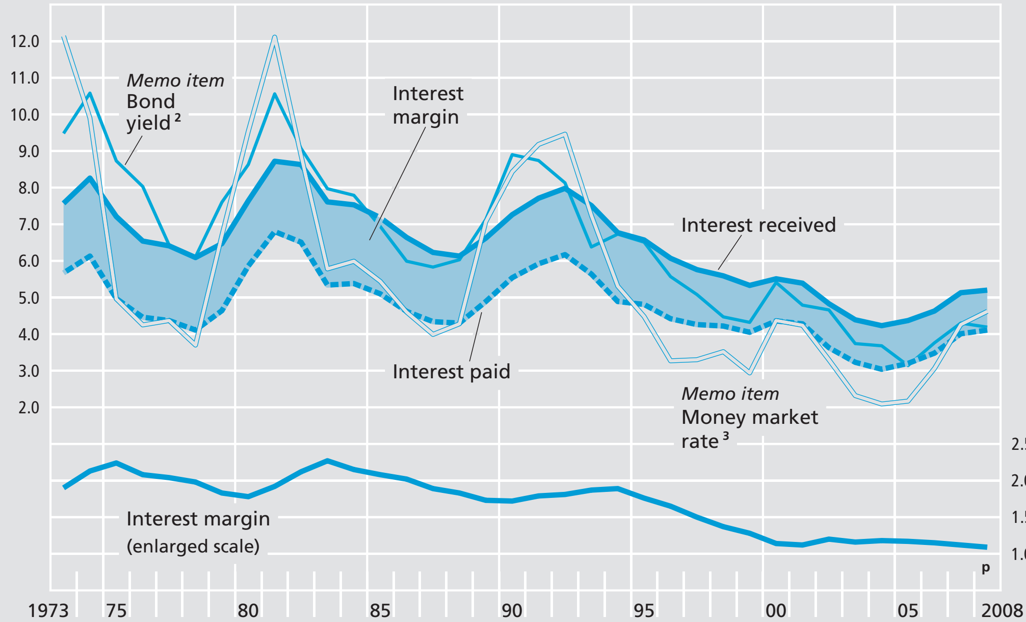
Big banks record marked decline in net interest received ...

Developments across the individual categories of banks were quite heterogeneous, mainly on account of their differing business focuses. The decrease in net interest received – primarily as a result of the perceptible reduction in current income from shares and other variable-yield securities – was concentrated chiefly on the big banks, which showed

1 Net interest received was, however, influenced by a one-off effect in the case of one German big bank, as is shown by its published annual report. Consequently, a time comparison is subject to a number of caveats. Adjustment for this effect produces a slight increase of 2.3% in net interest received for the reporting period.

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** Money market rate for three-month funds in Frankfurt.

Deutsche Bundesbank

a decline of 11% to €21.8 billion.[2] However, the share of net interest received in total operating income, which is traditionally comparatively small for this category of banks, amounted to 123.9% in the reporting year and thus almost doubled. This was due to the markedly lower operating income for this category of banks compared with 2007, with operating income being adversely affected by a very high net loss on financial operations. As there was only a very small reduction in the balance sheet total, the big banks recorded an overall decline in the interest margin of 0.10 percentage point to 0.99%.

Mixed development for all other categories of banks

Those categories of banks for which classical lending and deposit business is traditionally very important mostly showed no major change in their net interest income, however. Credit cooperatives' net interest received remained at the previous year's level of €13.2 billion, while savings banks recorded a slight 0.5% decline to €20.9 billion. Furthermore, the decline in credit cooperatives' and savings banks' interest margins continued for the fifth year in succession (by 0.09 percentage point to 2.06% and by 0.06 percentage point to 2.00% respectively). This meant that, in the reporting year, both categories of banks recorded their lowest ever interest margin

2 According to the annual report mentioned in footnote 1, this was due, more than anything, to a one-off effect at a single institution. Adjustment for this effect produces a slight increase of 1.9% in net interest received for the category of big banks during the reporting period. As a retroactive reduction in net interest received for the financial year 2007 meant that this one-off effect was offset by a matching increase in this institution's own-account trading income, the operating profit and the operating result of the category of big banks remained unaffected by this.

since statistics on banks' profitability have been recorded. In contrast to this, regional banks were able to achieve growth in interest business; their net interest received went up by 3.2% to €13.6 billion. Lastly, Landesbanken and regional institutions of credit cooperatives, which, structurally, tend to have quite a small interest margin owing to their focus on wholesale and interbank business, likewise recorded a marked increase in their net interest received. Their interest margins rose from 0.65% to 0.72% and from 0.50% to 0.58% respectively.

Net commissions received

Sharp decline in net commissions received ...

In the reporting year, German credit institutions were unable to maintain the high growth rates of previous years. Declining commission income led to a fall in net commissions received of €2.1 billion (-6.4%) to €29.6 billion. Net commissions received therefore accounted for 0.36% of the average balance sheet total, compared with 0.39% in 2007. Despite this fall in absolute terms, the sharp reduction in operating income meant that net commissions received, when measured as a share of operating business, showed an overall year-on-year increase of 2.5 percentage points to 27.7%.

... owing to greater risk aversion in the capital market

The decline in commissions received in the reporting year was due mainly to significantly higher risk aversion and the associated reduction in capital market investment in the wake of the financial crisis. The volume of sales on the German equity markets showed a marked fall and, at €5.5 trillion, was nearly 16% down on the year. There was also a marked slump in domestic enterprises' issuance activity. Compared with 21 initial public offerings (IPOs) in 2007, only two companies decided on an IPO in 2008. Furthermore, bank customers also showed less interest in mutual fund shares last year; purchases of mutual fund shares by domestic non-banks alone declined in 2008 by €28.2 billion (-54.9%) to €23.1 billion. Lastly, there were also fewer sales in German bond trading.

Chiefly commercial banks affected

The marked decline in net commission received affected mainly the big banks and regional banks, for which this area of business is traditionally very important. Overall, the difference between commissions received and commissions paid by these two categories of banks decreased by €1.8 billion, ie 88% of the fall in net commissions received by all the banks, to €15.7 billion. Despite this noticeable decline, together they generated more than one-half of total net commissions received by all the German banks in 2008. During the reporting period, net commissions received by the big banks and the regional banks accounted, respectively, for 56.2% and 29.8% of their operating income.

Slight decline in the case of almost all the other categories of banks

In contrast to the big banks and the regional banks, both the savings banks and the credit cooperatives recorded a comparatively small decline in their net commissions received. In 2008, the savings banks' result fell by 1.5% to €6.0 billion and that of the credit cooperatives by 2.4% to €4.0 billion. The fact that these two categories of banks suffered only a minor drop in their net commissions received in comparison with the commercial banks is likely to be due primarily to their result depending significantly less on developments in the stock markets. This is also evident over time, not least, from this income item having a lower volatility for these categories of banks. The Landesbanken likewise recorded a decline in their net commissions received of 3.1% to €2.2 billion, while net commissions received by the regional institutions of credit cooperatives showed a marginal increase.

Net profit or loss on financial operations

Dramatic deterioation in own-account trading figures

Net loss or profit on own-account trading in securities, financial instruments, foreign exchange assets and precious metals was dramatically affected by the financial crisis. Overall, German credit institutions' loss on financial operations increased on the year by €17.6 billion to €18.8 billion in 2008. In absolute terms, this was the highest loss for the period 1993-2008.[3] An additional factor to be considered in this context is that securities in the trading portfolio and the liquidity reserve were allocated by German banks to their financial investment portfolio in 2008 – sometimes on a considerable scale – which, in itself, boosted profitability (trading result, net income or net charges from the valuation of assets).[4]

Losses due, in particular, to write-downs on structured products and derivatives

According to the data published in the annual reports, large write-downs on structured products[5] as well as major losses in derivatives business were the key reasons for the dramatic deterioration in own-account trading figures. This reflected, among other things, the insolvency of US investment bank Lehman Brothers and, to a lesser extent, write-downs on specific foreign investments and depreciations in connection with monoline insurers. Although profits were generated in trading in foreign exchange assets and precious metals, these failed to offset the losses.

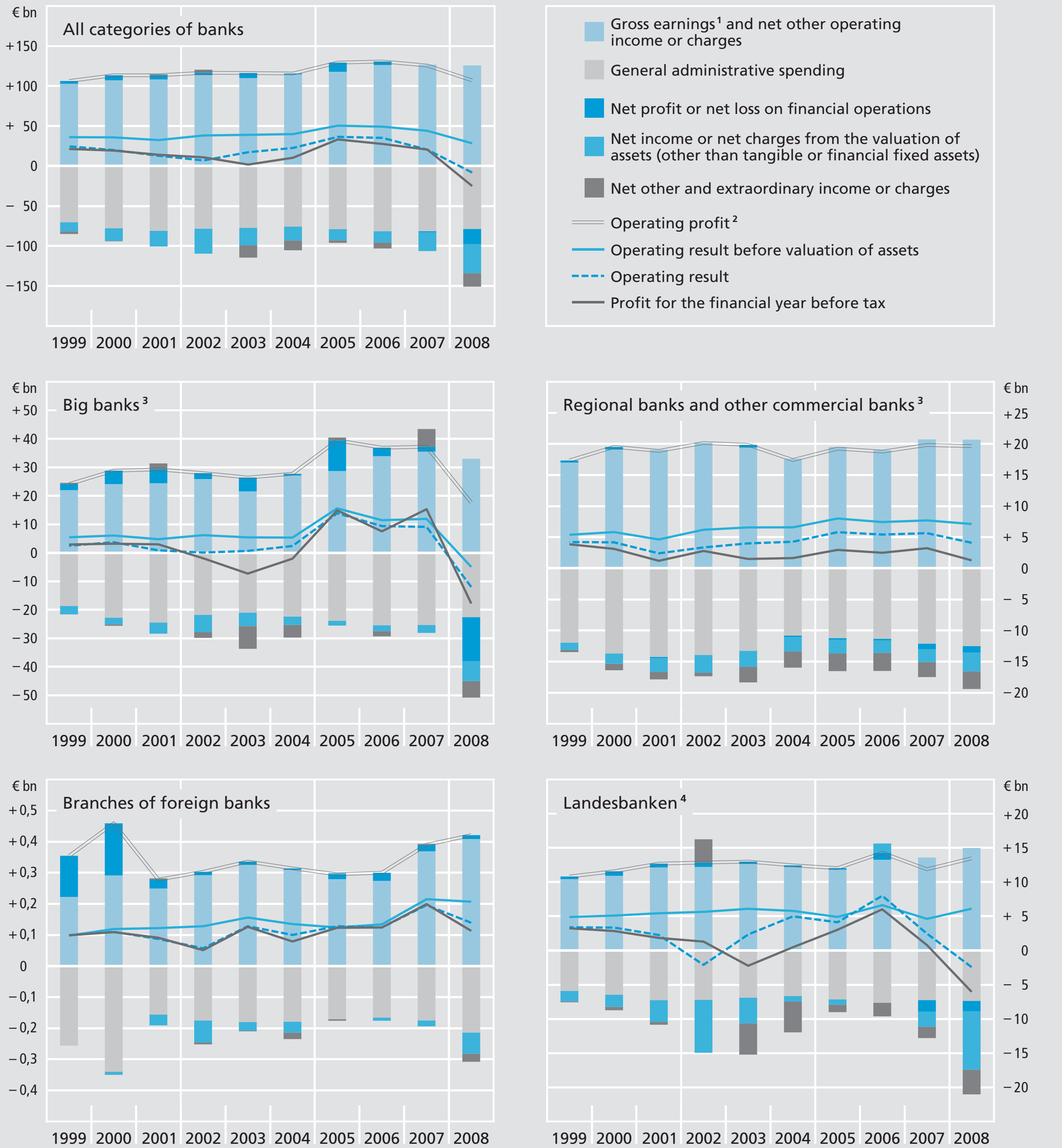
Losses concentrated on some categories of banks

Most of the losses in own-account trading were suffered by the big banks, which recorded a loss of €15.4 billion. This came after generating a profit on own-account trading of nearly €1.8 billion in the preceding year despite the adverse impact of the financial market turbulence.[6] According to the data published in the annual reports, not all institutions in this category were affected equally by the deterioration, however. As in 2007, the Landesbanken, too, (chiefly one institution) recorded a marked loss on own-account trading; this amounted to €1.5 billion, which was, however, €0.2 billion lower than in the previous year. The loss of the regional institutions of credit cooperatives, whose financial operations generally also make a significant

3 The definition of the observation period is due to a comprehensive change in the accounting and classification rules for the profit and loss accounts of German credit institutions, which was introduced in 1993. See Deutsche Bundesbank, The profitability of German credit institutions in 1993, Monthly Report, October 1994, pp 19-47.
4 As a result of such reclassifications, the securities in question are no longer subject to the strict but to the moderate "lower of cost or market" principle. Accordingly, in the event of a temporary decline in value, extraordinary write-downs are no longer compulsory but subject to the discretion of the accounting institution.
5 This concerns, in particular, asset-backed securities (ABS), residential or commercial mortgage backed securities (RMBS, CMBS) and collateralised debt obligations (CDO).
6 Owing to adjusted higher own-account trading profits, inclusion of the one-off effect at a German big bank discussed in the context of the interest result (see footnote 2) would result in both a markedly larger recorded decline within the category of big banks and a markedly larger reduction in the overall aggregate.

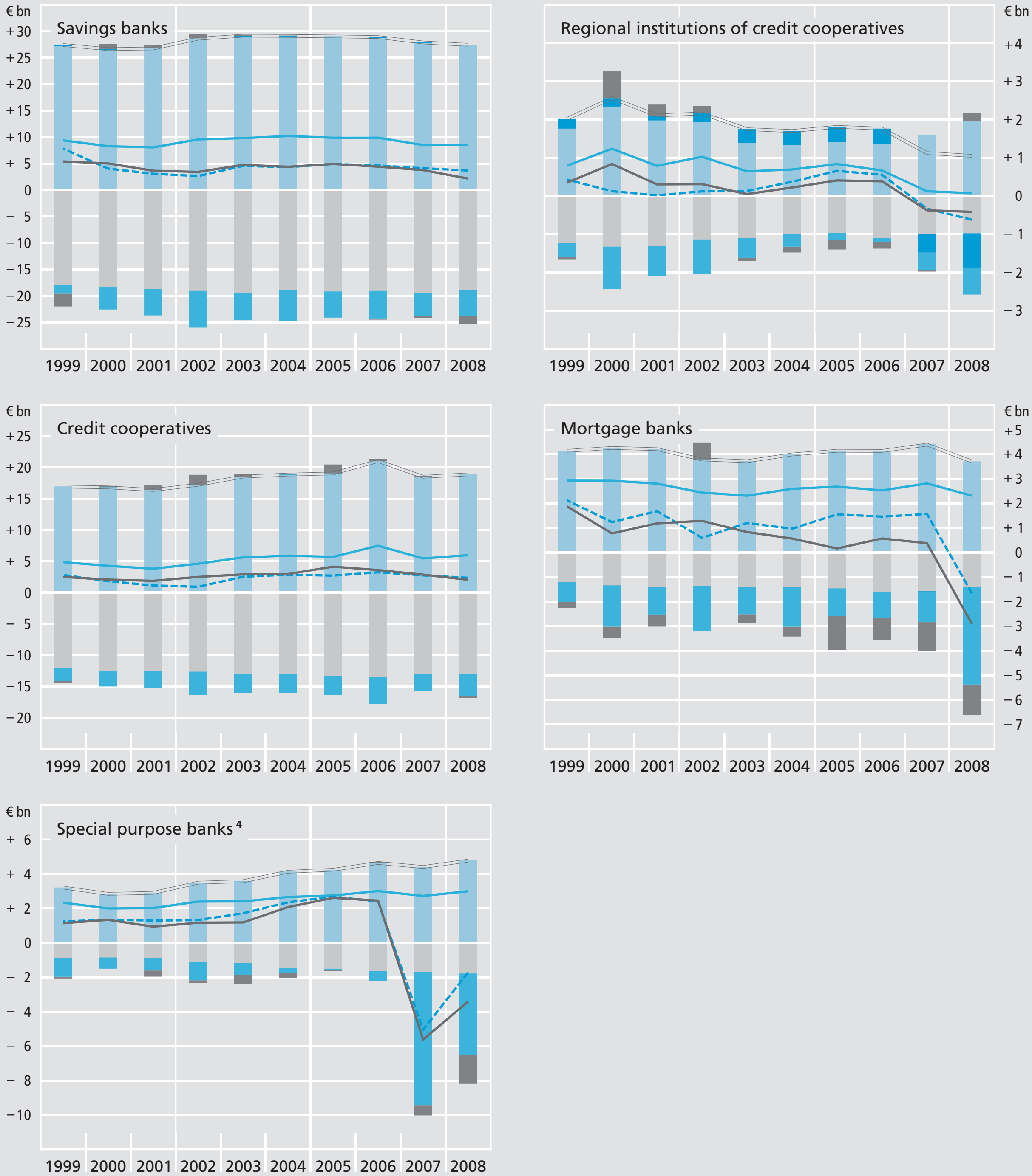
Major components of credit institutions' profit and loss accounts by category of banks*

The tables below use different scales



* The figures for the most recent date should de regarded as provisional. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. — **1** Sum of net interest received and net commissions received. — **2** Gross earnings plus net profit or net loss on financial operations and net other operating income or charges. — **3** From 2004, Deutsche Postbank AG

Deutsche Bundesbank



allocated to the category of “Big banks”. — **4** From 2004, NRW.BANK allocated to the category of “Special purpose banks”.

Relative significance of major income and cost items for individual categories of banks in 2008 *

As a percentage of total surplus in operating business

Item	All categories of banks	Big banks	Regional banks	Landes-banken	Savings banks	Regional institutions of credit coopera-tives	Credit coopera-tives	Mortgage banks	Special purpose banks
Net interest received	84.6	123.9	69.2	90.2	76.0	151.7	69.9	86.8	81.7
Net commissions received	27.7	56.2	29.8	16.2	21.8	28.5	21.4	11.3	16.7
Net profit or net loss on financial operations	– 17.5	– 87.2	– 5.3	– 11.2	0.1	– 86.8	0.0	– 0.1	0.2
Net other operating income or charges	5.2	7.2	6.3	4.8	2.0	6.6	8.7	2.0	1.4
Total surplus in operating business	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General administrative spending	– 73.4	– 128.2	– 63.7	– 54.6	– 68.7	– 93.1	– 68.3	– 37.6	– 37.3
of which									
Staff costs	– 39.2	– 62.0	– 29.4	– 27.2	– 42.0	– 49.2	– 41.6	– 16.4	– 20.4
Other administrative spending	– 34.3	– 66.3	– 34.4	– 27.5	– 26.7	– 43.9	– 26.6	– 21.3	– 16.8
Net income or net charges from the valuation of assets	– 34.2	– 40.0	– 15.3	– 63.4	– 17.8	– 66.2	– 19.1	– 107.4	– 98.7
Net other and extraordinary income or charges	– 15.8	– 33.0	– 14.4	– 26.8	– 5.5	19.7	– 1.7	– 33.6	– 35.5
Memo item									
Profit for the financial year before tax	– 23.4	– 101.2	6.5	– 44.9	7.9	– 39.7	10.9	– 78.7	– 71.5
Taxes on income and earnings	– 1.2	6.2	– 2.9	– 4.7	– 3.7	53.2	– 3.1	– 2.5	– 0.8
Profit for the financial year after tax	– 24.6	– 95.0	3.6	– 49.6	4.2	13.5	7.8	– 81.2	– 72.2

* The figures should be regarded as provisional. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year.

Deutsche Bundesbank

contribution to profit, increased by €0.4 billion on the year to €0.9 billion. The category of regional banks, whose own-account trading normally plays a more secondary role in operational business, recorded a loss of €1.0 billion in 2008, which was only marginally larger than in 2007. For the profitability of other institutions active in retail business – savings banks and credit cooperatives – as well as of mortgage banks and special purpose banks, own-account trading played virtually no role in the reporting year.

Administrative spending

Reduction in administrative spending

Overall, German banks cut their administrative spending in 2008 by €2.9 billion to €78.6 billion; in relation to the balance sheet total, this was equivalent to a reduction from 1.00% in 2007 to 0.94% in the reporting year. This reduction resulted to a very large extent from cutting staff costs by 6.0% to €41.9 billion. This was due to both the declining number of employees (657,850 in 2008 compared with 662,650 in 2007) and noticeably lower spending on bonuses and profit sharing. Other administrative spending, which essentially comprises operating expenditure, expenditure on third-party services, as well as write-offs and write-downs of tangible fixed assets, was reduced slightly by €0.3 billion to €36.7 billion.

Decline especially marked in the case of big banks

As was to be expected, the reduction in administrative spending made by the big banks – a cut of 10.9% to €22.6 billion – was espe-

Structural data on German credit institutions *

Category of banks	Number of institutions 1			Number of branches 1			Number of employees 2		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
All categories of banks	2,042	2,012	1,970	38,487	37,976	37,659	662,200	662,650	657,850
Commercial banks	272	278	283	11,548	11,286	11,277	3 186,700	3 190,250	3 189,400
Big banks	5	5	5	8,879	8,568	8,536	.	.	.
Regional banks	176	174	173	2,596	2,628	2,656	.	.	.
Branches of foreign banks	91	99	105	73	90	85	.	.	.
Landesbanken	12	12	10	496	485	482	39,500	39,850	39,250
Savings banks	457	446	438	13,756	13,624	13,457	257,000	253,700	251,400
Regional institutions of credit cooperatives	2	2	2	11	11	12	4,900	4,900	5,100
Credit cooperatives	1,259	1,234	1,199	12,583	12,477	12,344	4 161,200	4 160,750	4 159,250
Mortgage banks	22	22	19	61	64	56	.	.	.
Special purpose banks	18	18	19	32	29	31	5 12,900	5 13,200	5 13,450
Memo item									
Building and loan associations	26	25	25	1,795	1,801	1,872	6 18,050	6 17,000	6 16,400

* 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** Excluding Deutsche Bundesbank; sources: Data provided by associations. Part-time employees are counted on a per capita basis. — **3** Employees in private banking, including mortgage banks established under private law. — **4** Only employees whose primary occupation is in banking. — **5** Employees in public mortgage banks (mortgage banks established under public law) and special purpose banks established under public law. — **6** Only office-based employees.

Deutsche Bundesbank

cially marked.[7] Their staff costs fell by 20.4% since variable and performance-related salary components play a major role for this category of banks, while other administrative spending showed a marginal rise of 0.3%. The regional banks, however, recorded a rise in both staff costs and other administrative spending, which ultimately led to a noticeable 3.8% increase in their total administrative costs to €12.5 billion. The Landesbanken, too, recorded a slight rise in their administrative spending in 2008 (+1.6% to €7.4 billion). By contrast, the regional institutions of credit cooperatives reduced their total administrative spending by 2.4% to €1.0 billion. Savings banks and credit cooperatives were likewise able to lower their administrative spending, especially other administrative spending, in comparison with the previous year.

Net other operating income or charges

Growth in other operating income and charges chiefly at big banks and credit cooperations

German credit institutions' net other operating income or charges showed a marked rise of €2.1 billion to €5.6 billion in the reporting year. This increase was due mainly to growth of €1.6 billion to €1.3 billion in the case of big banks and of €0.5 billion to €1.7 billion in the case of credit cooperatives.[8] According to the data published in the annual reports, the marked increase in big banks' other operating income or charges – which had shown a negative balance (-€0.4 billion) in 2007 – was

7 According to the data published in the annual reports, this reduction was largely attributable to one bank.
8 According to the data published in the annual report, the result of one bank in particular played a dominant role in the case of the credit cooperatives This was connected with higher earnings from the assumption and settlement of deposit protection-based claims within the association of credit cooperatives.

due, not least, to the sale of business units, positive effects of currency conversion, and the release of provisions. For all other categories of banks, there were only minor changes compared with the previous year.

Operating result before the valuation of assets

Slump in operating result before valuation of assets for big banks, decline for regional banks and mortgage banks ...

Given the massive losses on own-account trading, there was a marked decline of €15.6 billion to €28.4 billion in German banks' operating result before the valuation of assets in 2008. It was the big banks that were affected most severely. Owing to the loss of €15.4 billion on own-account trading, their operating result before the valuation of assets slumped by €16.9 billion to -€5.0 billion. Regional banks and mortgage banks also recorded a decline on the year of €0.6 billion (to €7.1 billion) and €0.5 billion (to €2.3 billion) respectively, although it was small in relation to the overall aggregate; this was due mainly to higher administrative spending in the case of the regional banks and to lower net interest received in the case of mortgage banks. In the case of the regional institutions of credit cooperatives, the operating result before the valuation of assets underwent only minor changes.

... but perceptible growth for all other categories of banks

By contrast – owing, in particular, to higher net interest received – the operating result before the valuation of assets in the case of the Landesbanken showed a marked increase of nearly €1.5 billion to €6.1 billion. The credit cooperatives and special purpose banks likewise recorded increases of €0.5 billion (to €6.0 billion) and €0.3 billion (to €3.0 billion) respectively on account of an improvement in other operating income or charges and higher net interest received. The savings banks, too, showed an increase in their operating result before the valuation of assets, albeit a small one of €0.1 billion to €8.6 billion, primarily because of lower administrative spending.

Net income or net charges from the valuation of assets

Further massive increase in net valuation charges

Following an increase of roughly €9.6 billion in 2007, there was a further marked rise of nearly €13 billion in German credit institutions' net charges from the valuation of securities of the liquidity reserve, claims and loans. At €36.6 billion, they exceeded their previous peak level of 2002 (€31.2 billion).[9] Net valuation charges in relation to the balance sheet total went up to 0.44% from 0.29% in 2007.

Strains across all categories of banks but to a varying extent

Across the various categories of banks, the aggregate rise in risk provisioning in comparison with 2007 was due mainly to increases at big banks (+€4.2 billion), Landesbanken (+€6.4 billion) and mortgage banks (+€2.7 billion), whereas special purpose banks had a significantly dampening effect on the aggregate owing to a reduction in risk provisions (-€3.1 billion). Despite the year-on-year reduction in special purpose banks' risk provi-

9 Within this item, the respective institutions had already made use of the cross-offsetting option permissible under section 340 (f) (3) of the German Commercial Code.

Performance of the various categories of banks in 2007/2008 *

€ million

Category of banks	Operating result before valuation 1		Operating result 2		Profit for the financial year before tax 3	
	2007	2008	2007	2008	2007	2008
All categories of banks	44,060 (0.54)	28,419 (0.34)	20,457 (0.25)	– 8,148 (– 0.10)	20,531 (0.25)	– 25,011 (– 0.30)
Commercial banks	19,806 (0.67)	2,356 (0.08)	14,927 (0.51)	– 7,768 (– 0.26)	18,726 (0.64)	– 16,443 (– 0.56)
Big banks	11,887 (0.53)	– 4,974 (– 0.22)	9,081 (0.41)	– 12,015 (– 0.54)	15,290 (0.68)	– 17,833 (– 0.81)
Regional banks and other commercial banks	7,704 (1.15)	7,123 (0.99)	5,650 (0.84)	4,108 (0.57)	3,237 (0.48)	1,277 (0.18)
Branches of foreign banks	215 (0.94)	207 (0.70)	196 (0.86)	139 (0.47)	199 (0.87)	113 (0.38)
Landesbanken	4,624 (0.28)	6,112 (0.36)	2,461 (0.15)	– 2,435 (– 0.14)	788 (0.05)	– 6,051 (– 0.36)
Savings banks	8,499 (0.83)	8,577 (0.82)	4,123 (0.40)	3,685 (0.35)	3,759 (0.37)	2,172 (0.21)
Regional institutions of credit cooperatives	122 (0.05)	72 (0.03)	– 333 (– 0.13)	– 622 (– 0.23)	– 375 (– 0.15)	– 416 (– 0.15)
Credit cooperatives	5,475 (0.89)	5,996 (0.93)	2,761 (0.45)	2,380 (0.37)	2,880 (0.47)	2,054 (0.32)
Mortgage banks	2,809 (0.33)	2,309 (0.28)	1,565 (0.18)	– 1,668 (– 0.20)	375 (0.04)	– 2,913 (– 0.35)
Special purpose banks	2,725 (0.34)	2,997 (0.34)	– 5,047 (– 0.62)	– 1,720 (– 0.19)	– 5,622 (– 0.70)	– 3,414 (– 0.38)

* 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. Values in brackets are percentages of the average balance sheet total. — **1** Net interest and net commissions received less general administrative spending plus net profit or net loss on financial operations and net other operating income or charges. — **2** Operating result before the valuation of assets plus net income or net charges from the valuation of assets (other than tangible or financial fixed assets). — **3** Operating result plus net other and extraordinary income or charges.

Deutsche Bundesbank

sioning, their net valuation charges, at €4.7 billion in 2008 (compared with €7.8 billion in 2007) were still at an extremely high level by historical standards.[10] There were also marked increases in risk provisioning compared with the previous year in the case of regional banks (+€1.0 billion) and credit cooperatives (+€0.9 billion). Savings banks' net valuation charges showed a rise of €0.5 billion; the risk provisioning by the regional institutions of credit cooperatives increased by €0.2 billion.[11] As in the own-account trading figures, these increases in the overall aggregates concealed some widely varying developments within the respective categories, especially in those categories of banks which have a crucial influence on the overall result.

Direct and indirect effects of the financial crisis play dominant role in sharp increase in risk provisioning in lending business ...

According to the data published in the annual reports, the massive rise in net charges for the valuation of loans and claims was due

10 As in 2007, the net valuation charges of this category of banks were crucially determined, according to the data published in the annual reports, by one bank and an institution affiliated to it, whose participatory relationship ended in 2008, however. In the reporting year 2007, the net valuation charges of special purpose banks grew by €7.2 billion to €7.8 billion, mainly on account of risk-shielding measures taken by this bank in favour of the affiliated institution in connection with the financial market turbulence. This was therefore a crucial factor responsible for the €9.6 billion increase in the previous year's aggregate. See also Deutsche Bundesbank, The performance of German credit institutions in 2007, Monthly Report, September 2008, p 23.

11 Furthermore, measured by the balance sheet total, risk provisioning by Landesbanken (0.50%), mortgage banks (0.48%) and special purpose banks (0.53%) in the reporting year attained a level hitherto typically shown only by savings banks and credit cooperatives given the greater importance of lending business in their case; their risk provisioning in relation to the balance sheet total, at 0.47% and 0.56% respectively, was at the level of the past few years. Special purpose banks, at 0.96%, had already clearly exceeded this level in the reporting year 2007 owing to the special factors described above.

mainly to the marked increase in write-downs in foreign business following the insolvency of US investment bank Lehmann Brothers as well as to some significantly higher country risks in connection with the financial crisis. In the reporting year, domestic lending business is likely to have played a secondary role in net income from the valuation of assets. Here, the deterioration in expectations regarding general economic activity in the wake of the financial crisis was cited as the key determinant of higher risk provisioning. Moreover, despite the fact that 2008 saw an almost 6% year-on-year fall in the number of insolvencies (among which: business insolvencies +0.4%; consumer insolvencies -6.7%), the simultaneous increase in the volume of problem assets associated with these insolvencies from €31.5 billion to €33.5 billion is also likely to have resulted in slightly higher charges, stemming mostly from domestic lending business with firms.[12] The aggregate increase in problem loans was driven *inter alia* by a marked €4 billion increase in potential defaults arising from business insolvencies to €22.1 billion (+22%), whereas potential loan defaults in connection with consumer insolvencies showed a slight fall of €0.5 billion to €5.7 billion. This represents an increase in problem loans arising from business insolvencies, as a share of all potential loan defaults, from 57% in 2007 to 66% in 2008.

... and for securities of the liquidity reserve

Judging by the data published in the annual reports, risk provisioning for securities of the liquidity reserve is likely to have been influenced primarily by the financial market turbulence. Write-downs on debt securities, which increased by roughly 80% on the year to a total of €8.8 billion due mainly to wider interest rate spreads and which were recorded in some cases under net charges, are likely to have been a significant factor in this context. Furthermore, net valuation charges were adversely affected by increased write-downs of shares and losses from the sale and valuation of own shares. According to data published in the annual reports, net income from the valuation of assets was bolstered slightly at some banks by the liquidation of undisclosed reserves (pursuant to section 340 (f) of the German Commercial Code).

Differing accounting rules

The results presented in this article are based on the individual financial statements of German banks and on the accounting rules of the German Commercial Code. Consequently, the present analysis takes no account of group-level transactions that affect income. Furthermore, for individual items the valuation criteria of the German Commercial Code may result in a valuation that is less oriented to temporary market fluctuations. By contrast, data on the profit and loss accounts of individual categories of banks sometimes published elsewhere differ to some extent considerably from those in the present study, not least owing to the impact of the financial crisis on balance sheets. These data are typically based on other accounting standards (IFRS) and on more broadly defined consolidated balance sheets.

12 See Statistisches Bundesamt (Federal Statistical Office), Unternehmen und Arbeitsstätten, Insolvenzverfahren Dezember und Jahr 2008, Fachserie 2, Reihe 4.1, March 2009 (available in German only).

Operating result

Slump in operating result owing to sharp increase in risk provisioning

Owing to the massive increase in the net valuation charges of some categories of banks in connection with the financial crisis, the operating result after valuation compared with the operating result before the valuation of assets showed a further marked decline in 2008, falling by €28.6 billion on the year to its lowest level since 1993 (-€8.1 billion).

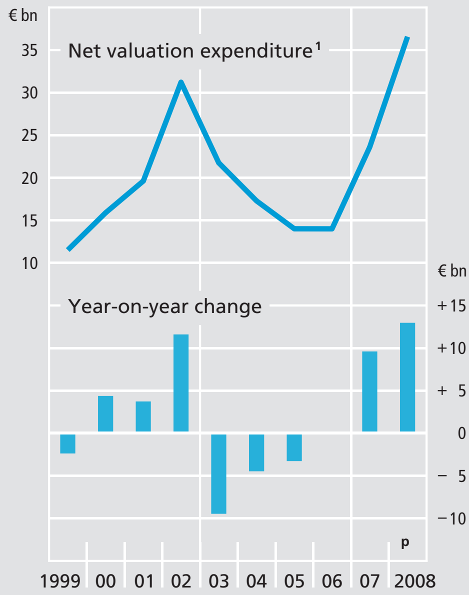
Negative operating result for big banks, Landesbanken and mortgage banks

By far the largest decline – of €21.1 billion to -€12.0 billion – was recorded by big banks which suffered not only marked increases in net valuation charges but also an even larger loss through own-account trading. A distinct rise in net valuation charges also led to a decline in the operating results of the Landesbanken and mortgage banks (by €4.9 billion to -€2.4 billion and by €3.2 billion to -€1.7 billion respectively), whereas the institutions active in retail banking, in particular, showed positive figures despite considerable reductions in some cases. The regional banks recorded the most obvious fall – -€1.5 billion to €4.1 billion – which was also largely due to higher net valuation charges than in the previous year. The decline in the case of savings banks (-€0.4 billion to €3.7 billion) and credit cooperatives (-€0.4 billion to €2.4 billion) – likewise due mainly to higher net valuation charges – was much smaller.

Despite marked reduction in risk provisioning, negative operating result again for special purpose banks

Special purpose banks were the only category of banks to show a reduced burden of risk provisioning compared with the previous year; their net valuation charges were €3.1 billion lower. Nevertheless, as in 2007, their operating result, at -€1.7 billion, was negative since the impact of the fall in net valuation charges from €7.8 billion to €4.7 billion in 2008 was still the dominant factor.

Risk provisioning of credit institutions



1 Excluding investment in tangible and financial fixed assets.

Deutsche Bundesbank

Other and extraordinary income or charges

Massive deterioration in the balance of the "extraordinary account" ...

While the "extraordinary account" was more or less balanced in 2007 owing to a one-off effect, it had an exceptionally strong negative impact on German banks' profit and loss accounts in the year under review; the balance of the "extraordinary account" fell from €0.1 billion in 2007 to -€16.9 billion in 2008. The key factor in this massive deterioration was the result from financial investment business (-€13.5 billion compared with -€5.0 billion in 2007), which was due mainly to write-downs

Breakdown of other and extraordinary income or charges *

€ million

Item	2006	2007	2008
Balance of other and extraordinary income or charges	– 7,610	74	– 16,863
Income (total)	3,351	11,168	7,186
from value adjustments in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	2,307	8,970	1,759
from the release of special reserves	27	38	121
from loss transfers	71	49	1,705
Extraordinary income	946	2,111	3,601
Charges (total)	– 10,961	– 11,094	– 24,049
Write-offs and write-downs in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	– 2,593	– 3,929	– 15,280
from loss transfers	– 796	– 939	– 3,318
Transfers to special reserves	– 49	– 65	– 32
Extraordinary charges	– 2,656	– 1,274	– 1,939
Profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement	– 4,867	– 4,887	– 3,480

* 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.

Deutsche Bundesbank

of participating interests and securities in the trading portfolio. Added to this were higher net loss transfers (€1.6 billion compared with €0.9 billion) and charges incurred through derived profits of €3.5 billion, which was, however, less than in the previous year (€4.9 billion). As usual, the net position resulting from the release of or transfers to special items with an equity portion was of only minor importance (€89 million compared with -€27 million). Lastly, net extraordinary income or charges in the narrower sense (€1.7 billion) boosted the figure, as it had done in 2007 (€0.8 billion).

Across almost all categories of banks

Almost all categories of banks considered in this article recorded a deterioration in their "extraordinary account" in 2008. The deterioration was especially marked in the case of big banks, which had shown a positive balance in 2007 owing to one-off transaction. Their performance in financial investment business as well as increased loss transfers were the reason for this.[13] Furthermore, the Landesbanken, special purpose banks and savings banks were subject to greater strains arising from the "extraordinary account" in 2008; in all cases, net income from financial investment business had a crucial impact on the "extraordinary account". According to the data published in the annual reports, however, this negative factor was concentrated on a small number of institutions in both the Landesbanken and special purpose

13 According to the data published in the annual report, these principally concerned one institution whose performance was affected negatively by the loss transfers of a subsidiary.

banks sectors. In the category of savings banks, for which the balance on "extraordinary account" typically has no major importance, the negative result was probably due in part to write-downs of (indirect) participating interests in Landesbanken. Moreover, this means that not all institutions of the savings bank sector were equally affected. The scale of the aggregated changes in the other categories of banks considered here remained relatively limited, however, even though mortgage banks and regional banks alike recorded considerable net charges from the "extraordinary account". In the case of the regional banks, this was due almost exclusively to profit transfers, which are traditionally a dominant factor in the "extraordinary account" of this category of banks.

Profit for the financial year, taxes on income and earnings

First-ever loss for the year before tax posted

Given the considerable strain due to the "extraordinary account", the profit for the financial year before tax recorded by German banks slumped by €45.5 billion in 2008, thus falling more sharply than the operating result. The loss for the financial year before tax stood at -€25.0 billion, compared with a profit of €20.5 billion in 2007. In the wake of the dramatically increased valuation charges in connection with the financial crisis, a loss for the year before tax was recorded for all categories of German banks for the first time since statistics on performance have been collected. Although all categories of banks considered here showed a declining profit for the financial year, it was notably the institutions active in retail business (savings banks, credit cooperatives and regional banks) that were able to post a positive result even in a year of crisis. By contrast, the other categories of banks – which mostly showed a very marked decline in their profit for the year, too – recorded losses mainly as a result of the dramatic rise in valuation charges. The big banks were especially affected by this, although the above-mentioned significant one-off effect in 2007 makes a year-on-year comparison subject to some qualification. In the reporting year, they recorded a result for the financial year before tax of -€17.8 billion (compared with +€15.3 billion). However, losses were also recorded by the Landesbanken (-€6.1 billion compared with +€0.8 billion), special purpose banks (-€3.4 billion compared with -€5.6 billion), mortgage banks (-€2.9 billion compared with +€0.4 billion), and the regional institutions of credit cooperatives (-€416 billion compared with -€375 billion), although the institutions of these categories, like the big banks, were by no means affected equally.

Corresponding decline in taxes on income and earnings

Taxes on income and earnings fell from €6.0 billion to €1.3 billion in the reporting year. Significant tax expenses were recorded mainly by those categories of banks that recorded an aggregate profit for the financial year before tax, although this was also the case for the category of Landesbanken, where growth in this item varied quite considerably among the individual institutions. Tax expenditures were offset partly by tax receipts in the case of the regional institutions of credit cooperatives and the big banks, tax expenditure was offset partly by tax receipts. In both cases, according to the data published in the annual reports, these receipts were, however, concentrated on individual institutions.[14] The German banking industry as a whole posted a loss for the financial year after tax of €26.3 billion, which resulted from the losses made at the big banks, Landesbanken, mortgage banks and special purpose banks.

Balance sheet loss despite release of and withdrawals from reserves

In 2008, losses brought forward had a more negative impact on the German banking industry's annual performance than in 2007; they amounted on balance to €2.3 billion compared with €0.8 billion but were concentrated almost entirely on mortgage banks and special purpose banks.[15] As in 2007, income from withdrawals from the fund for general banking risks, at €5.2 billion, also bolstered the profit; corresponding transfers amounted to €2.1 billion. It was, above all, the category of big banks as well as some Landesbanken that were compelled to make use of these resources. Finally, the necessary extensive withdrawals from reserves and participation rights capital exceeded the corresponding transfers by €20.6 billion.[16] Overall, there was a recorded balance sheet loss of €4.8 billion in 2008 (compared with a balance sheet profit of €13.2 billion in 2007). This resulted essentially from losses of special purpose banks and mortgage banks, however. In the aggregate, all the other categories of banks considered here showed a balance sheet profit in the reporting period.

Outlook

Slight upturn at present owing to reduced financial market risks ...

Owing to a marked reduction in financial market risks, especially at the current end,[17] a slight recovery in profitability has been apparent so far for the financial year 2009. This is revealed, among other things, by the improved trading results of some larger German banks for which intra-year figures on profitability are available at group level and on an IRFS basis. This is likely to be due, not least, to the broad-based financial market stabilisation measures,[18] accounting rules that have been relaxed in the short term, and the extremely expansionary monetary policy in response to the escalation of the financial crisis triggered

14 According to the data published in the annual report, this concerned, in the case of the regional institutions of credit cooperatives, receipts from group tax allocations and the capitalisation of deferred taxes In 2007, the regional institutions of credit cooperatives already recorded a tax receipt of €0.6 billion, which was also due to group tax allocations and corporate income tax credits. According to the data published in the annual report, in the case of the big banks, this was a matter of tax refunds owing to the carrying-back of losses subject to taxes and the formation of net asset-side deferred taxes in connection with foreign branches.
15 According to the data published in the annual reports, only individual institutions in these categories of banks posted major losses brought forward.
16 Extensive withdrawals to offset the annual losses were needed mainly by the big banks, some Landesbanken, some special purpose banks and some mortgage banks.
17 The reduction in financial market risks at the current end is most apparent in terms of a marked recovery on the international stock markets, perceptible declines in risk premiums on the corporate bond markets, and a marked narrowing of spreads on the money markets.
18 In Germany alone, roughly €22 billion of recapitalisation resources (including share acquisition) and a guarantee line of some €132 billion have been made available by the Financial Market Stabilisation Fund (SoFFin) since October 2008. Furthermore, the owners of the Landesbanken (in particular, the federal states and savings banks) have likewise granted their institutions recapitalisation resources and guarantees on a large scale. See also Deutsche Bundesbank, Monthly Report, November 2008, pp 30-31, with regard to the main features of the stabilisation instruments made available to SoFFin pursuant to the Financial Market Stabilisation Act as amended on 17 October 2008.

by the insolvency of US investment bank Lehman Brothers in September 2008.

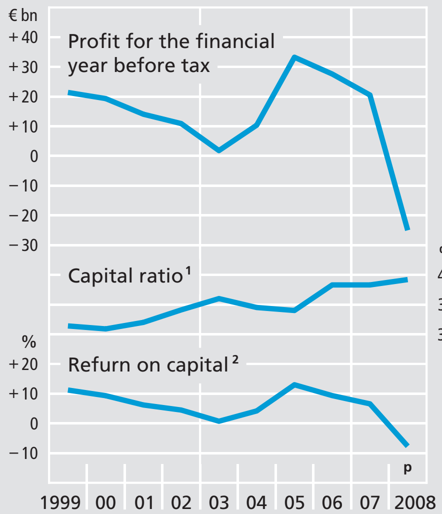
... but not yet an indication of sustained improvement

Nevertheless, the currently observable effects of a recovery do not yet point to a sustained improvement in profitability for the German banking system as a whole. The range of figures published so far varies widely. Moreover, the risks of further falls in profits in the current financial year are still to be rated as considerable despite the recent recovery in the financial markets. Irrespective of the observable stabilisation tendencies at the current end, it is very likely that the sharp decline in international economic activity will be reflected with a time lag in a rising number of defaults in both domestic and international lending business.[19] Unlike in the year under review, in the current financial year, these income risks are likely to become evident for all categories of banks – ie including institutions active in retail business – in the form of higher valuation charges from lending business.

Profitability also dependent on use of the "bad bank" model

Moreover, the higher cyclical risks in international lending business due to cyclical factors are likely to be reflected in further defaults, especially in the case of securitised assets and, therefore, possibly – also with a time lag – in further write-downs of structured products (ABS, CDO, RMBS, CMBS).[20] However, the Act to Develop Financial Market Stabilisation (*Gesetz zur Fortentwicklung der Finanzmarktstabilisierung*), which came into force on 23 June 2009 provides a further government stabilisation instrument, in particular, for unloading "toxic" assets, ie structured securities which expose their holders to large losses, on to "bad banks"[21] which can coun-

Credit institutions' profit for the financial year and capital



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 the capital.

Deutsche Bundesbank

19 According to the data of the Federal Statistical Office (Statistisches Bundesamt), there was already a roughly 10% increase in business insolvencies in Germany between January and June 2009 compared with the same period last year. See Statistisches Bundesamt, Press release No 334 of 9 September 2009, and Unternehmen und Arbeitsstätten, Insolvenzverfahren, Dezember und Jahr 2008, Fachserie 2, Reihe 4.1, March 2009 (available in German only).
20 The increased economic risk may possibly also lead to another rating migration, ie a further downgrading of ratings of structured products, thus resulting – on account of the rise in risk-weighted assets – in an increase in the regulatory capital requirements.
21 The Act essentially provides for two "bad bank" models. In the "special purpose vehicle" (SPV) model, structured securities can be relocated to SPVs against the transfer of debt instruments guaranteed by SoFFin. By contrast, in the "consolidation" model, not only structured securities but also other risk positions as well as non-strategic business units can be transferred either to liquidation institutions (*Abwicklungsanstalten*) under German federal law within the Financial Market Stabilisation Agency (FMSA) or to liquidation institutions under federal state law. Further information on the models may be found on the websites of the Federal Ministry of Finance (www.bundesfinanzministerium.de) and the FMSA (www.soffin.de), and in Deutsche Bundesbank, Monthly Report, May 2009, pp 54-57, especially with regard to the account of the SPV model on the basis of the Federal Government's Draft Act to Develop Financial Market Stabilisation of 13 May 2009.

teract the potential asset depreciation risks.[22] The extent of the strain on profitability posed by further write-downs on structured products therefore ultimately depends, not least, on the banks' use of the "bad bank" model.

Additional risks due to possible reduction in net commissions and net interest received

Additional risks in operational business in the current financial year are likely to stem mainly from a fall in net commissions received owing to reduced income opportunities in investment banking and in asset management activities. Despite a steeper yield curve, net interest received is also likely to be lower on account of a cyclically induced decline in earnings prospects and as a result of potentially greater competitive pressure. Possible cost-side relief might be afforded by lower administrative spending, especially as a result of lower staff costs. Nevertheless, such alleviating effects are unlikely to alter the assessment of performance for the financial year 2009 as a whole, which is generally fraught with major downside risks. In order to counter these risks in the interests of a business policy geared to the objectives of long-term profitability and stability, any profits generated at present should therefore be used for strengthening the capital base and thus to build up an countercyclical "capital buffer".[23] In the medium term, the outlook for profitability in the German banking sector is likely to be less positive than in the years before the crisis owing to potentially higher regulatory levels of capital and liquidity; in return, however, German banks are likely to benefit from greater stability in the financial system in the long run.

22 Furthermore, unloading problem securities would also counter potential rating migration effects as the offloading of risky assets would free up regulatory capital.
23 See also the recommendations of the Group of Central Bank Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, with regard to the strengthening of the capital base in the banking system, Bank for International Settlements, Comprehensive response to the global banking crisis, BIS Press release of 7 September 2009.

The tables accompanying this article are printed on pages 52 ff.

Credit institutions' profit and loss accounts *

Financial year	Interest business: Net interest received (col 2 less col 3)	Interest business: Interest received (total) 1	Interest business: Interest paid	Non-interest business: Net commissions received (col 5 less col 6)	Non-interest business: Commissions received	Non-interest business: Commissions paid	General administrative spending: Total (col 8 plus col 9)	General administrative spending: Staff costs	General administrative spending: Total other administrative spending 2	Partial operating result (col 1 plus col 4 less col 7)
	1	2	3	4	5	6	7	8	9	10
	€ billion									
2001	79,2	382,4	303,2	25,3	31,2	5,9	81,0	43,0	38,0	23,5
2002	85,6	344,5	258,9	24,3	30,2	5,9	78,3	41,6	36,7	31,6
2003	81,7	308,7	227,0	24,4	30,6	6,3	77,3	41,6	35,7	28,8
2004	85,0	303,6	218,6	25,3	32,0	6,8	75,8	41,2	34,6	34,5
2005	88,2	329,1	240,9	27,8	35,4	7,6	78,8	43,4	35,4	37,2
2006	89,1	357,5	268,3	29,9	38,4	8,6	81,5	46,0	35,5	37,5
2007	91,6	418,9	327,4	31,7	42,2	10,5	81,6	44,6	37,0	41,7
2008	90,6	432,7	342,1	29,6	40,8	11,2	78,6	41,9	36,7	41,6
	Year-on-year percentage change 5									
2002	8,0	– 9,9	– 14,6	– 4,0	– 3,2	0,0	– 3,3	– 3,4	– 3,3	34,2
2003	– 4,5	– 10,4	– 12,3	0,4	1,7	7,2	– 1,2	0,1	– 2,5	– 9,1
2004	4,0	– 1,7	– 3,7	3,8	4,5	7,4	– 2,0	– 0,9	– 3,2	19,9
2005	3,9	8,4	10,2	9,9	10,4	12,0	4,0	5,4	2,4	7,9
2006	1,0	8,6	11,4	7,4	8,7	13,3	3,4	5,9	0,4	0,8
2007	2,8	17,2	22,0	6,1	9,8	22,7	0,1	– 3,0	4,1	11,2
2008	– 0,8	3,4	4,5	– 6,4	– 3,1	6,8	– 3,6	– 5,9	– 0,7	0,3
	As a percentage of the average balance sheet total									
2001	1,12	5,39	4,28	0,36	0,44	0,08	1,14	0,61	0,54	0,33
2002	1,20	4,83	3,63	0,34	0,42	0,08	1,10	0,58	0,52	0,44
2003	1,16	4,39	3,23	0,35	0,44	0,09	1,10	0,59	0,51	0,41
2004	1,18	4,23	3,04	0,35	0,45	0,09	1,05	0,57	0,48	0,48
2005	1,17	4,37	3,20	0,37	0,47	0,10	1,05	0,58	0,47	0,49
2006	1,15	4,63	3,48	0,39	0,50	0,11	1,06	0,60	0,46	0,49
2007	1,12	5,13	4,01	0,39	0,52	0,13	1,00	0,55	0,45	0,51
2008	1,09	5,20	4,11	0,36	0,49	0,13	0,94	0,50	0,44	0,50

* 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** Interest received plus current income and profits transferred under profit pooling and profit transfer agreements. — **2** Including depreciation of and adjustments for tangible and intangible assets, but excluding depreciation of and adjustments for assets leased

Deutsche Bundesbank

Net profit or net loss on financial operations	Net other operating income or charges	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 10 to col 13)	Net other and extra-ordinary income or charges	Profit for the financial year before tax (col 14 plus col 15)	Taxes on income and earnings 3	Profit or loss (–) for the financial year after tax (col 16 less col 17)	*Memo item* Balance sheet total as an annual average 4	
11	12	13	14	15	16	17	18	19	Financial year
								€ billion	
5,4	3,5	– 19,6	12,8	1,2	14,1	3,7	10,4	7.090,8	2001
3,0	3,7	– 31,2	7,0	3,9	10,9	3,9	7,1	7.129,1	2002
6,4	3,8	– 21,8	17,3	– 15,5	1,8	5,5	– 3,7	7.038,2	2003
1,3	4,1	– 17,3	22,6	– 12,3	10,4	5,6	4,8	7.183,7	2004
11,4	1,9	– 14,0	36,5	– 3,2	33,2	9,7	23,5	7.524,7	2005
4,4	7,3	– 14,0	35,2	– 7,6	27,6	5,4	22,2	7.719,0	2006
– 1,1	3,5	– 23,6	20,5	0,1	20,5	6,0	14,6	8.158,9	2007
– 18,8	5,6	– 36,6	– 8,1	– 16,9	– 25,0	1,3	– 26,3	8.322,9	2008
						Year-on-year percentage change 5			
– 45,1	4,4	– 59,1	– 45,4	220,2	– 22,2	4,9	– 31,8	0,5	2002
118,6	3,1	30,3	146,1	.	– 84,7	42,9	.	– 1,3	2003
– 80,5	9,0	20,5	31,0	20,7	469,0	1,4	.	2,1	2004
806,3	– 53,9	18,9	61,5	73,6	221,2	75,0	391,6	4,8	2005
– 61,4	291,8	0,0	– 3,5	– 135,2	– 17,0	– 44,4	– 5,6	2,6	2006
.	– 51,9	– 68,6	– 41,9	.	– 25,6	9,8	– 34,3	5,7	2007
– 1.543,0	60,0	– 54,8	.	.	.	– 77,8	.	2,1	2008
					As a percentage of the average balance sheet total				
0,08	0,05	– 0,28	0,18	0,02	0,20	0,05	0,15	.	2001
0,04	0,05	– 0,44	0,10	0,06	0,15	0,05	0,10	.	2002
0,09	0,05	– 0,31	0,25	– 0,22	0,03	0,08	– 0,05	.	2003
0,02	0,06	– 0,24	0,31	– 0,17	0,14	0,08	0,07	.	2004
0,15	0,02	– 0,19	0,48	– 0,04	0,44	0,13	0,31	.	2005
0,06	0,09	– 0,18	0,46	– 0,10	0,36	0,07	0,29	.	2006
– 0,01	0,04	– 0,29	0,25	0,00	0,25	0,07	0,18	.	2007
– 0,23	0,07	– 0,44	– 0,10	– 0,20	– 0,30	0,02	– 0,32	.	2008

("broad" definition). — **3** In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken. — **4** Excluding the balance sheet total of the foreign branches of savings banks. From 2004, excluding the balance sheet total of the foreign branches of regional institutions of credit cooperatives. — **5** Statistical changes have been eliminated.

Profit and loss accounts, by category of banks *

€ million

Financial year	Number of reporting institutions	Interest business: Net interest received (col 3 less col 4)	Interest business: Interest received (total) [1]	Interest business: Interest paid	Non-interest business: Net commissions received (col 6 less col 7)	Non-interest business: Commissions received	Non-interest business: Commissions paid	General administrative spending: Total (col 9 plus col10)	General administrative spending: Staff costs	General administrative spending: Total other administrative spending [2]	Partial operating result (col 2 plus col 5 less col 8)
	1	2	3	4	5	6	7	8	9	10	11
	All categories of banks										
2003	2,128	81,709	308,742	227,033	24,356	30,645	6,289	77,296	41,585	35,711	28,769
2004	2,055	84,998	303,615	218,617	25,282	32,039	6,757	75,781	41,223	34,558	34,499
2005	1,988	88,211	329,082	240,871	27,797	35,351	7,554	78,806	43,445	35,361	37,202
2006	1,940	89,124	357,461	268,337	29,852	38,411	8,559	81,474	45,989	35,485	37,502
2007	1,903	91,577	418,933	327,356	31,681	42,179	10,498	81,561	44,604	36,957	41,697
2008	1,858	90,581	432,718	342,137	29,625	40,840	11,215	78,615	41,941	36,674	41,591
	Commercial banks										
2003	193	26,334	85,993	59,659	13,250	16,612	3,362	34,451	17,024	17,427	5,133
2004	187	29,471	85,000	55,529	13,430	17,143	3,713	33,386	16,606	16,780	9,515
2005	179	32,585	102,082	69,497	15,370	19,375	4,005	35,259	17,889	17,370	12,696
2006	174	34,584	116,283	81,699	16,504	21,332	4,828	36,939	19,402	17,537	14,149
2007	173	38,076	140,346	102,270	17,757	24,205	6,448	37,623	19,454	18,169	18,210
2008	175	35,649	140,019	104,370	15,901	22,842	6,941	35,331	16,779	18,552	16,219
	Big banks [6]										
2003	4	13,035	52,461	39,426	8,223	10,191	1,968	20,992	10,957	10,035	266
2004	5	17,340	58,161	40,821	8,836	11,087	2,251	22,382	11,473	10,909	3,794
2005	5	19,419	73,595	54,176	10,076	12,189	2,113	23,846	12,564	11,282	5,649
2006	5	22,111	87,108	64,997	10,861	13,365	2,504	25,438	13,936	11,502	7,534
2007	5	24,454	104,238	79,784	11,365	14,634	3,269	25,321	13,709	11,612	10,498
2008	5	21,828	100,199	78,371	9,895	13,541	3,646	22,594	10,917	11,677	9,129
	Regional banks and other commercial banks [6]										
2003	170	13,134	32,665	19,531	4,885	6,272	1,387	13,279	5,990	7,289	4,740
2004	163	11,967	26,211	14,244	4,461	5,917	1,456	10,825	5,057	5,768	5,603
2005	155	13,050	27,930	14,880	5,133	7,020	1,887	11,242	5,247	5,995	6,941
2006	152	12,362	28,507	16,145	5,496	7,815	2,319	11,335	5,383	5,952	6,523
2007	151	13,466	35,134	21,668	6,194	9,366	3,172	12,127	5,658	6,469	7,533
2008	152	13,604	38,610	25,006	5,846	9,135	3,289	12,523	5,769	6,754	6,927
	Branches of foreign banks										
2003	19	165	867	702	142	149	7	180	77	103	127
2004	19	164	628	464	133	139	6	179	76	103	118
2005	19	116	557	441	161	166	5	171	78	93	106
2006	17	111	668	557	147	152	5	166	83	83	92
2007	17	156	974	818	198	205	7	175	87	88	179
2008	18	217	1,210	993	160	166	6	214	93	121	163
	Landesbanken [7]										
2003	13	10,260	69,740	59,480	1,748	3,016	1,268	6,898	3,378	3,520	5,110
2004	12	9,886	66,634	56,748	1,718	3,010	1,292	6,660	3,342	3,318	4,944
2005	12	10,019	74,094	64,075	1,933	3,455	1,522	7,140	3,607	3,533	4,812
2006	12	10,030	81,578	71,548	2,206	3,784	1,578	7,646	4,204	3,442	4,590
2007	12	10,877	94,386	83,509	2,247	3,987	1,740	7,248	3,747	3,501	5,876
2008	10	12,161	94,705	82,544	2,177	4,015	1,838	7,364	3,659	3,705	6,974

* For footnotes **1-7**, see pp 56-57.

Deutsche Bundesbank

Net profit or net loss on financial operations	Net other operating income or charges	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 11 to col 14)	Net other and extraordinary income or charges	Profit for the financial year before tax (col 15 plus col 16)	Taxes on income and earnings 3	Profit or loss (–) for the financial year after tax (col 17 less col 18)	Withdrawals from or transfers to (–) reserves and participation rights capital 4	Balance sheet profit or loss (–) (col 19 plus col 20)	*Memo item* Average annual balance sheet total 5	
12	13	14	15	16	17	18	19	20	21	22	Financial year
										All categories of banks	
6,449	3,808	– 21,751	17,275	– 15,452	1,823	5,505	– 3,682	7,270	3,588	7,038,224	2003
1,260	4,149	– 17,282	22,626	– 12,254	10,372	5,583	4,789	– 831	3,958	7,183,653	2004
11,421	1,861	– 14,007	36,477	– 3,235	33,242	9,744	23,498	– 14,395	9,103	7,524,722	2005
4,413	7,292	– 14,000	35,207	– 7,610	27,597	5,421	22,176	– 11,818	10,358	7,718,988	2006
– 1,143	3,506	– 23,603	20,457	74	20,531	5,953	14,580	– 1,359	13,221	8,158,884	2007
– 18,780	5,608	– 36,567	– 8,148	– 16,863	– 25,011	1,322	– 26,333	21,535	– 4,798	8,322,876	2008
										Commercial banks	
5,363	1,633	– 7,345	4,784	– 10,472	– 5,688	302	– 5,990	5,661	– 329	2,251,587	2003
414	2,117	– 5,302	6,744	– 7,086	– 342	825	– 1,167	615	– 552	2,361,952	2004
10,542	472	– 3,906	19,804	– 1,856	17,948	5,180	12,768	– 8,592	4,176	2,563,063	2005
2,759	2,089	– 4,092	14,905	– 4,761	10,144	1,904	8,240	– 2,867	5,373	2,601,671	2006
884	712	– 4,879	14,927	3,799	18,726	3,450	15,276	– 5,779	9,497	2,935,195	2007
– 16,403	2,540	– 10,124	– 7,768	– 8,675	– 16,443	– 470	– 15,973	16,700	727	2,960,793	2008
										Big banks 6	
4,901	233	– 4,751	649	– 7,964	– 7,315	– 490	– 6,825	7,698	873	1,533,976	2003
619	907	– 2,947	2,373	– 4,440	– 2,067	– 218	– 1,849	3,337	1,488	1,764,080	2004
10,775	– 846	– 1,713	13,865	1,002	14,867	4,030	10,837	– 7,941	2,896	1,939,373	2005
2,971	920	– 2,073	9,352	– 1,832	7,520	936	6,584	– 2,807	3,777	1,995,918	2006
1,764	– 375	– 2,806	9,081	6,209	15,290	2,549	12,741	– 5,386	7,355	2,240,698	2007
– 15,373	1,270	– 7,041	– 12,015	– 5,818	– 17,833	– 1,096	– 16,737	16,810	73	2,212,741	2008
										Regional banks and other commercial banks 6	
451	1,382	– 2,566	4,007	– 2,506	1,501	754	747	– 2,035	– 1,288	689,268	2003
– 210	1,198	– 2,320	4,271	– 2,625	1,646	1,017	629	– 2,722	– 2,093	573,493	2004
– 249	1,316	– 2,197	5,811	– 2,853	2,958	1,098	1,860	– 651	1,209	602,538	2005
– 238	1,153	– 2,009	5,429	– 2,929	2,500	915	1,585	– 60	1,525	586,058	2006
– 901	1,072	– 2,054	5,650	– 2,413	3,237	823	2,414	– 393	2,021	671,668	2007
– 1,043	1,239	– 3,015	4,108	– 2,831	1,277	562	715	– 110	605	718,547	2008
										Branches of foreign banks	
11	18	– 28	128	– 2	126	38	88	– 2	86	28,343	2003
5	12	– 35	100	– 21	79	26	53	0	53	24,379	2004
16	2	4	128	– 5	123	52	71	0	71	21,152	2005
26	16	– 10	124	0	124	53	71	0	71	19,695	2006
21	15	– 19	196	3	199	78	121	0	121	22,829	2007
13	31	– 68	139	– 26	113	64	49	0	49	29,505	2008
										Landesbanken 7	
345	639	– 3,754	2,340	– 4,573	– 2,233	482	– 2,715	3,619	904	1,639,615	2003
262	581	– 799	4,988	– 4,516	472	835	– 363	1,161	798	1,519,005	2004
241	– 148	– 782	4,123	– 1,093	3,030	413	2,617	– 1,715	902	1,581,453	2005
1,010	1,026	1,373	7,999	– 1,985	6,014	878	5,136	– 3,835	1,301	1,651,972	2006
– 1,726	474	– 2,163	2,461	– 1,673	788	283	507	400	907	1,668,143	2007
– 1,514	652	– 8,547	– 2,435	– 3,616	– 6,051	629	– 6,680	6,809	129	1,695,465	2008

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

€ million

Financial year	Number of reporting institutions	Interest business			Non-interest business			General administrative spending			Partial operating result (col 2 plus col 5 less col 8)
		Net interest received (col 3 less col 4)	Interest received (total) 1	Interest paid	Net commissions received (col 6 less col 7)	Commissions received	Commissions paid	Total (col 9 plus col 10)	Staff costs	Total other administrative spending 2	
	1	2	3	4	5	6	7	8	9	10	11
	Savings banks										
2003	489	23,504	50,962	27,458	5,180	5,495	315	19,349	11,725	7,624	9,335
2004	477	23,192	48,524	25,332	5,562	5,912	350	18,907	11,587	7,320	9,847
2005	463	22,926	47,328	24,402	5,621	5,996	375	19,146	11,841	7,305	9,401
2006	457	22,449	47,046	24,597	5,854	6,244	390	19,014	11,693	7,321	9,289
2007	446	20,949	48,987	28,038	6,082	6,492	410	19,373	11,338	8,035	7,658
2008	438	20,851	51,859	31,008	5,993	6,415	422	18,857	11,530	7,327	7,987
	Regional institutions of credit cooperatives										
2003	2	936	6,972	6,036	343	629	286	1,103	523	580	176
2004	2	948	6,362	5,414	317	704	387	1,006	518	488	259
2005	2	1,037	6,698	5,661	359	795	436	974	543	431	422
2006	2	1,009	7,439	6,430	336	807	471	1,095	673	422	250
2007	2	1,265	9,044	7,779	298	799	501	1,000	552	448	563
2008	2	1,590	10,671	9,081	299	759	460	976	516	460	913
	Credit cooperatives										
2003	1,392	13,987	28,514	14,527	3,401	3,802	401	12,915	7,619	5,296	4,473
2004	1,336	14,249	27,687	13,438	3,685	4,184	499	12,963	7,677	5,286	4,971
2005	1,292	14,230	27,287	13,057	3,886	4,499	613	13,333	8,013	5,320	4,783
2006	1,257	13,716	27,427	13,711	3,949	4,601	652	13,536	8,250	5,286	4,129
2007	1,232	13,219	29,281	16,062	4,138	4,809	671	13,056	7,807	5,249	4,301
2008	1,197	13,215	31,787	18,572	4,038	4,720	682	12,914	7,875	5,039	4,339
	Mortgage banks										
2003	25	3,795	44,657	40,862	– 58	256	314	1,405	663	742	2,332
2004	25	3,847	42,398	38,551	– 31	247	278	1,396	663	733	2,420
2005	24	3,933	42,930	38,997	– 5	331	336	1,458	697	761	2,470
2006	22	3,774	46,761	42,987	285	603	318	1,606	808	798	2,453
2007	22	3,737	60,944	57,207	378	669	291	1,578	751	827	2,537
2008	19	3,213	63,510	60,297	418	787	369	1,393	606	787	2,238
	Special purpose banks 7										
2003	14	2,893	21,904	19,011	492	835	343	1,175	653	522	2,210
2004	16	3,405	27,010	23,605	601	839	238	1,463	830	633	2,543
2005	16	3,481	28,663	25,182	633	900	267	1,496	855	641	2,618
2006	16	3,562	30,927	27,365	718	1,040	322	1,638	959	679	2,642
2007	16	3,454	35,945	32,491	781	1,218	437	1,683	955	728	2,552
2008	17	3,902	40,167	36,265	799	1,302	503	1,780	976	804	2,921
	Memo item: Banks majority-owned by foreign banks 8										
2003	45	3,521	14,921	11,400	1,425	1,818	393	3,325	1,443	1,882	1,621
2004	42	3,931	15,124	11,193	1,724	2,167	443	3,534	1,473	2,061	2,121
2005	41	8,216	29,491	21,275	3,389	4,246	857	7,291	3,416	3,875	4,314
2006	44	8,678	32,318	23,640	3,694	4,867	1,173	7,672	3,711	3,961	4,700
2007	42	10,189	39,607	29,418	4,038	5,725	1,687	8,115	3,927	4,188	6,112
2008	42	10,152	39,159	29,007	3,755	5,888	2,133	8,344	3,932	4,412	5,563

* 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** Interest received plus current income and profits transferred from profit pooling a profit transfer agreements or a partial profit transfer agreement. — **2** Including depreciation of and adjustments for tangible and intangible assets, but excluding depreciation of and adjustments for assets leased ("broad" definition). — **3** In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken. — **4** Including profit or loss brought forward and withdrawals from or

Deutsche Bundesbank

Net profit or net loss on finan-cial op-erations	Net other operating income or charges	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 11 to col 14)	Net other and extra-ordinary income or charges	Profit for the finan-cial year before tax (col 15 plus col 16)	Taxes on income and earnings 3	Profit or loss (–) for the finan-cial year after tax (col 17 less col 18)	With-drawals from or transfers to (–) reserves and parti-cipation rights capital 4	Balance sheet profit or loss (–) (col 19 plus col 20)	*Memo item:* Average annual balance sheet total 5	Financial year
12	13	14	15	16	17	18	19	20	21	22	
										Savings banks	
215	256	– 5,247	4,559	197	4,756	3,011	1,745	– 580	1,165	980,622	2003
159	206	– 5,883	4,329	71	4,400	2,122	2,278	– 885	1,393	985,944	2004
180	299	– 4,947	4,933	– 6	4,927	2,285	2,642	– 1,125	1,517	995,377	2005
176	419	– 5,246	4,638	– 217	4,421	1,973	2,448	– 855	1,593	1,007,033	2006
151	690	– 4,376	4,123	– 364	3,759	1,574	2,185	– 819	1,366	1,019,129	2007
36	554	– 4,892	3,685	– 1,513	2,172	1,013	1,159	– 148	1,011	1,042,947	2008
										Regional institutions of credit cooperatives	
370	98	– 514	130	– 81	49	– 123	172	– 93	79	203,899	2003
376	57	– 321	371	– 151	220	– 80	300	– 202	98	194,244	2004
405	7	– 180	654	– 248	406	10	396	– 223	173	219,881	2005
403	13	– 111	555	– 173	382	– 428	810	– 589	221	233,847	2006
– 482	41	– 455	– 333	– 42	– 375	– 649	274	– 38	236	254,397	2007
– 910	69	– 694	– 622	206	– 416	– 558	142	– 41	101	273,650	2008
										Credit cooperatives	
138	1,027	– 3,095	2,543	380	2,923	1,484	1,439	– 440	999	556,946	2003
40	904	– 3,042	2,873	104	2,977	1,458	1,519	– 437	1,082	567,674	2004
51	891	– 2,999	2,726	1,430	4,156	1,444	2,712	– 1,519	1,193	578,641	2005
57	3,317	– 4,249	3,254	360	3,614	829	2,785	– 1,556	1,229	595,576	2006
52	1,122	– 2,714	2,761	119	2,880	1,054	1,826	– 621	1,205	614,428	2007
7	1,650	– 3,616	2,380	– 326	2,054	578	1,476	– 435	1,041	641,771	2008
										Mortgage banks	
2	– 26	– 1,110	1,198	– 368	830	255	575	14	589	877,381	2003
1	169	– 1,625	965	– 399	566	328	238	587	825	875,035	2004
3	206	– 1,128	1,551	– 1,391	160	313	– 153	906	753	879,136	2005
6	65	– 1,067	1,457	– 889	568	196	372	– 119	253	878,310	2006
– 17	289	– 1,244	1,565	– 1,190	375	165	210	– 625	– 415	859,798	2007
– 4	75	– 3,977	– 1,668	– 1,245	– 2,913	93	– 3,006	– 452	– 3,458	821,083	2008
										Special purpose banks 7	
16	181	– 686	1,721	– 535	1,186	94	1,092	– 911	181	528,174	2003
8	115	– 310	2,356	– 277	2,079	95	1,984	– 1,670	314	679,799	2004
– 1	134	– 65	2,686	– 71	2,615	99	2,516	– 2,127	389	707,171	2005
2	363	– 608	2,399	55	2,454	69	2,385	– 1,997	388	750,579	2006
– 5	178	– 7,772	– 5,047	– 575	– 5,622	76	– 5,698	6,123	425	807,794	2007
8	68	– 4,717	– 1,720	– 1,694	– 3,414	37	– 3,451	– 898	– 4,349	887,167	2008
										Memo item: Banks majority-owned by foreign banks 8	
287	292	– 799	1,401	– 837	564	274	290	390	680	291,782	2003
– 85	262	– 612	1,686	– 874	812	494	318	206	524	313,299	2004
345	167	– 1,962	2,864	– 783	2,081	721	1,360	– 537	823	649,254	2005
325	188	– 1,852	3,361	– 1,287	2,074	517	1,557	– 511	1,046	679,356	2006
– 542	421	– 2,204	3,787	5,914	9,701	769	8,932	– 3,885	5,047	766,323	2007
– 3,392	340	– 2,870	– 359	– 1,434	– 1,793	360	– 2,152	2,509	357	729,402	2008

transfers to the fund for general banking risks. — **5** Excluding the balance sheet total of the foreign branches of savings banks. From 2004, excluding the balance sheet total of the foreign branches of regional institutions of credit cooperatives. — **6** From 2004, Deutsche Postbank AG allocated to the category of "Big banks". — **7** From 2004, NRW.BANK, allocated to the category of "Special purpose banks". — **8** 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 *

€ million

Financial year	Number of reporting institutions	Charges: Total	Interest paid	Commissions paid	Net loss on financial operations	Gross loss on transactions in goods and subsidiary transactions	General administrative spending: Total	Staff costs: Total	Wages and salaries	Social security costs and costs relating to pensions and other benefits: Total	*of which* Pensions	Other administrative spending [1]
2000	2,636	412,264	293,052	5,698	370	0	71,853	41,997	32,772	9,225	3,843	29,856
2001	2,423	430,361	303,185	5,887	831	0	75,237	43,031	33,766	9,265	3,899	32,206
2002	2,268	400,045	258,904	5,885	884	0	72,472	41,578	32,514	9,064	3,489	30,894
2003	2,128	364,797	227,033	6,289	354	0	71,901	41,585	32,088	9,497	3,946	30,316
2004	2,055	346,700	218,617	6,757	898	0	70,989	41,223	31,626	9,597	4,028	29,766
2005	1,988	372,968	240,871	7,554	637	0	74,459	43,445	33,278	10,167	4,562	31,014
2006	1,940	398,054	268,337	8,559	495	0	77,597	45,989	35,250	10,739	5,007	31,608
2007	1,903	472,921	327,356	10,498	4,479	0	77,810	44,604	35,092	9,512	3,855	33,206
2008	1,858	522,180	342,137	11,215	19,765	0	74,921	41,941	32,716	9,225	4,062	32,980

Financial year	Income: Total	Interest received: Total	from lending and money market transactions	from debt securities and Debt Register claims	Current income: Total	from shares and other variable yield securities	from participating interests [3]	from shares in affiliated enterprises	Profits transferred under profit pooling and profit transfer agreements	Commissions received
2000	424,841	351,570	290,904	60,666	16,994	7,951	2,219	6,824	1,382	33,793
2001	440,741	363,138	298,110	65,028	17,379	9,849	2,169	5,361	1,897	31,236
2002	407,115	323,949	266,031	57,918	17,446	7,226	1,835	8,385	3,077	30,212
2003	361,115	294,244	243,578	50,666	10,975	6,503	1,220	3,252	3,523	30,645
2004	351,489	285,732	235,855	49,877	14,666	9,631	1,212	3,823	3,217	32,039
2005	396,466	306,745	252,604	54,141	17,000	12,365	1,250	3,385	5,337	35,351
2006	420,230	332,763	274,104	58,659	18,807	14,105	1,230	3,472	5,891	38,411
2007	487,499	390,039	318,677	71,362	23,965	17,996	1,933	4,036	4,929	42,179
2008	495,847	408,621	329,890	78,731	18,974	12,434	1,459	5,081	5,123	40,840

* 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 Spending item does not include depreciation of and adjustments for tangible and intangible assets, shown net of depreciation of assets leased ("narrow" definition). All other tables are based on a broad

Deutsche Bundesbank

Value adjustments in respect of tangible and intangible assets: Total	Value adjustments in respect of tangible and intangible assets: of which Assets leased	Other operating charges	Value adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments	Value adjustments in respect of participating interests, shares in affiliated enterprises and securities treated as fixed assets	Charges incurred through loss transfers	Transfers to special reserves	Extra-ordinary charges	Taxes on income and earnings 2	Other taxes	Profits transferred under profit pooling and profit transfer agreements	Financial year
6,243	423	4,280	17,902	1,747	751	59	2,271	6,747	179	1,112	2000
5,975	167	4,237	22,327	1,827	2,785	113	2,221	3,672	215	1,849	2001
5,995	143	4,288	34,213	3,412	4,550	64	2,102	3,850	185	3,241	2002
5,520	125	5,404	23,325	7,480	2,861	63	5,264	5,505	169	3,629	2003
4,904	112	3,763	19,439	1,352	1,427	37	8,893	5,583	176	3,865	2004
4,347	0	5,752	17,917	711	1,398	36	4,688	9,744	202	4,652	2005
3,894	17	4,719	17,880	2,593	796	49	2,656	5,421	191	4,867	2006
3,757	6	5,326	26,492	3,929	939	65	1,274	5,953	156	4,887	2007
3,787	93	5,639	39,137	15,280	3,318	32	1,939	1,322	208	3,480	2008

Net profit on financial operations	Gross profit on transactions in goods and subsidiary transactions	Value re-adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments	Value re-adjustments in respect of participating interests, shares in affiliated enterprises and securities treated as fixed assets	Other operating income: Total	Other operating income: of which from leasing business	Income from the release of special reserves	Extraordinary income	Income from loss transfers	Financial year
6,819	201	2,016	2,329	6,727	536	1,840	1,025	145	2000
6,201	183	2,711	5,787	7,976	247	1,502	2,378	353	2001
3,834	170	2,996	12,040	8,139	243	889	3,586	777	2002
6,803	165	1,574	2,188	9,341	220	450	1,111	96	2003
2,158	160	2,157	1,070	8,040	239	49	1,716	485	2004
12,058	161	3,910	4,975	7,654	55	83	3,136	56	2005
4,908	172	3,880	2,307	12,047	34	27	946	71	2006
3,336	173	2,889	8,970	8,821	12	38	2,111	49	2007
985	178	2,570	1,759	11,370	405	121	3,601	1,705	2008

definition of “other administrative spending”. — **2** In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken. — **3** Including amounts paid up on cooperative society shares.

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

As a percentage of the average balance sheet total o

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks 1	of which: Regional banks and other commercial banks 1	Landesbanken 2	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks 2
	Interest received (total) 3									
2002	4.83	4.41	4.09	5.18	4.67	5.53	4.15	5.47	5.36	4.59
2003	4.39	3.82	3.42	4.74	4.25	5.20	3.42	5.12	5.09	4.15
2004	4.23	3.60	3.30	4.57	4.39	4.92	3.28	4.88	4.85	3.97
2005	4.37	3.98	3.79	4.64	4.69	4.75	3.05	4.72	4.88	4.05
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	5.37	5.59	4.97	3.90	4.95	7.73	4.53
	Interest paid									
2002	3.63	3.07	2.99	3.25	4.08	3.15	3.49	2.98	4.97	4.01
2003	3.23	2.65	2.57	2.83	3.63	2.80	2.96	2.61	4.66	3.60
2004	3.04	2.35	2.31	2.48	3.74	2.57	2.79	2.37	4.41	3.47
2005	3.20	2.71	2.79	2.47	4.05	2.45	2.57	2.26	4.44	3.56
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	3.53	3.54	3.48	4.87	2.97	3.32	2.89	7.34	4.09
	Excess of interest received over interest paid = net interest received (interest margin)									
2002	1.20	1.34	1.10	1.93	0.59	2.38	0.66	2.49	0.40	0.59
2003	1.16	1.17	0.85	1.91	0.63	2.40	0.46	2.51	0.43	0.55
2004	1.18	1.25	0.98	2.09	0.65	2.35	0.49	2.51	0.44	0.50
2005	1.17	1.27	1.00	2.17	0.63	2.30	0.47	2.46	0.45	0.49
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
	Excess of commissions received over commissions paid = net commissions received									
2002	0.34	0.60	0.53	0.79	0.11	0.49	0.14	0.57	– 0.01	0.09
2003	0.35	0.59	0.54	0.71	0.11	0.53	0.17	0.61	– 0.01	0.09
2004	0.35	0.57	0.50	0.78	0.11	0.56	0.16	0.65	0.00	0.09
2005	0.37	0.60	0.52	0.85	0.12	0.56	0.16	0.67	0.00	0.09
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	0.81	0.13	0.57	0.11	0.63	0.05	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. — o Excluding the balance sheet total of the foreign branches of savings banks. From 2004, excluding the balance sheet total of the foreign branches of regional institutions of credit cooperatives. — For footnotes **1–3** see p 61.

Deutsche Bundesbank

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

As a percentage of the average balance sheet total o

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks 1	of which: Regional banks and other commercial banks 1	Landesbanken 2	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks 2
	General administrative spending									
2002	1.10	1.55	1.36	2.06	0.44	1.95	0.53	2.30	0.14	0.22
2003	1.10	1.53	1.37	1.93	0.42	1.97	0.54	2.32	0.16	0.22
2004	1.05	1.41	1.27	1.89	0.44	1.92	0.52	2.28	0.16	0.22
2005	1.05	1.38	1.23	1.87	0.45	1.92	0.44	2.30	0.17	0.21
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	0.94	1.19	1.02	1.74	0.43	1.81	0.36	2.01	0.17	0.20
	Partial operating result									
2002	0.44	0.38	0.27	0.65	0.26	0.92	0.27	0.76	0.25	0.47
2003	0.41	0.23	0.02	0.69	0.31	0.95	0.09	0.80	0.27	0.42
2004	0.48	0.40	0.22	0.98	0.33	1.00	0.13	0.88	0.28	0.37
2005	0.49	0.50	0.29	1.15	0.30	0.94	0.19	0.83	0.28	0.37
2006	0.49	0.54	0.38	1.11	0.28	0.92	0.11	0.69	0.28	0.35
2007	0.51	0.62	0.47	1.12	0.35	0.75	0.22	0.70	0.30	0.32
2008	0.50	0.55	0.41	0.96	0.41	0.77	0.33	0.68	0.27	0.33
	Net profit or net loss on financial operations									
2002	0.04	0.09	0.13	0.01	0.04	0.00	0.11	– 0.01	0.00	0.00
2003	0.09	0.24	0.32	0.07	0.02	0.02	0.18	0.02	0.00	0.00
2004	0.02	0.02	0.04	– 0.04	0.02	0.02	0.19	0.01	0.00	0.00
2005	0.15	0.41	0.56	– 0.04	0.02	0.02	0.18	0.01	0.00	0.00
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	– 0.23	– 0.55	– 0.69	– 0.15	– 0.09	0.00	– 0.33	0.00	0.00	0.00
	Net income or net charges from the valuation of assets									
2002	– 0.44	– 0.39	– 0.38	– 0.42	– 0.47	– 0.71	– 0.42	– 0.67	– 0.20	– 0.21
2003	– 0.31	– 0.33	– 0.31	– 0.37	– 0.23	– 0.54	– 0.25	– 0.56	– 0.13	– 0.13
2004	– 0.24	– 0.22	– 0.17	– 0.40	– 0.05	– 0.60	– 0.17	– 0.54	– 0.19	– 0.05
2005	– 0.19	– 0.15	– 0.09	– 0.36	– 0.05	– 0.50	– 0.08	– 0.52	– 0.13	– 0.01
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

For footnotes ***, o**, see p 60. — **1** From 2004, Deutsche Postbank AG allocated to the category of "Big banks". — **2** From 2004, NRW.BANK allocated to the category of "Special purpose banks". — **3** Interest received plus current income and profits transferred from profit pooling a profit transfer agreement or a partial profit transfer agreement.

Deutsche Bundesbank

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

As a percentage of the average balance sheet total o

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks 1	of which: Regional banks and other commercial banks 1	Landesbanken 2	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks 2
	Operating result									
2002	0.10	0.15	0.00	0.50	– 0.13	0.27	0.06	0.17	0.06	0.26
2003	0.25	0.21	0.04	0.58	0.14	0.46	0.06	0.46	0.14	0.33
2004	0.31	0.29	0.13	0.74	0.33	0.44	0.19	0.51	0.11	0.35
2005	0.48	0.77	0.71	0.96	0.26	0.50	0.30	0.47	0.18	0.38
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
	Net other and extraordinary income or charges									
2002	0.06	– 0.11	– 0.12	– 0.08	0.21	0.08	0.09	0.29	0.07	– 0.03
2003	– 0.22	– 0.47	– 0.52	– 0.36	– 0.28	0.02	– 0.04	0.07	– 0.04	– 0.10
2004	– 0.17	– 0.30	– 0.25	– 0.46	– 0.30	0.01	– 0.08	0.02	– 0.05	– 0.04
2005	– 0.04	– 0.07	0.05	– 0.47	– 0.07	0.00	– 0.11	0.25	– 0.16	– 0.01
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	– 0.15	0.08	– 0.05	– 0.15	– 0.19
	Profit for the financial year before tax									
2002	0.15	0.04	– 0.12	0.41	0.08	0.35	0.14	0.46	0.14	0.23
2003	0.03	– 0.25	– 0.48	0.22	– 0.14	0.48	0.02	0.52	0.09	0.22
2004	0.14	– 0.01	– 0.12	0.29	0.03	0.45	0.11	0.52	0.06	0.31
2005	0.44	0.70	0.77	0.49	0.19	0.49	0.18	0.72	0.02	0.37
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	– 0.56	– 0.81	0.18	– 0.36	0.21	– 0.15	0.32	– 0.35	– 0.38
	Profit for the financial year after tax									
2002	0.10	0.00	– 0.13	0.30	0.05	0.20	0.16	0.31	0.11	0.21
2003	– 0.05	– 0.27	– 0.44	0.11	– 0.17	0.18	0.08	0.26	0.07	0.21
2004	0.07	– 0.05	– 0.10	0.11	– 0.02	0.23	0.15	0.27	0.03	0.29
2005	0.31	0.50	0.56	0.31	0.17	0.27	0.18	0.47	– 0.02	0.36
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

For footnotes ***, o**, see p 60. — For footnotes **1-2**, see p 61.

Deutsche Bundesbank