The performance of German credit institutions in 2017

The financial market environment remained challenging in the reporting year. Amid persistently low interest rates, German banks' operating income, calculated as the sum of net interest income, net commission income, trading result and other operating income, was down by 3.8% on the year to €123.1 billion. This was mainly due to the considerable decline in net interest income, which could only be partly compensated for by the increase in net commission income. It was not possible to offset this shortfall through other profit contributions from operating business since the rise in the trading result and the decline in the other operating result – both of which largely affected the big banks sector – cancelled each other out.

In a comparison of categories of banks, profit (loss) from operating business showed mixed trends. Big banks and Landesbanken, as well as mortgage banks, reported a considerable decline in net interest income amidst falling total assets. Since this decline could not be offset by other net earnings from operating business, operating income in these categories of banks contracted markedly.

By contrast, savings banks and credit cooperatives (primary institutions), whose business is largely dependent on interest income, as well as regional and other commercial banks, experienced a moderate decline in their net interest income, which was supported once again by an expansion in these institutions' credit volume. However, since at the same time net commission income grew considerably more strongly than in earlier years, operating income among these categories of banks rose slightly.

To further stabilise their net interest income, credit institutions increasingly cut their deposit rates even into negative territory. According to statements by the credit institutions, for the most part only large-volume sight deposits in corporate banking business have been affected thus far.

At all events, aggregated across all German banks, the cost-cutting measures already taken have only managed to offset the cost-driving factors. Given virtually no change in administrative spending, the cost/income ratio deteriorated by 2.6 percentage points to 71.9%.

The profit for the financial year before tax was down by €0.3 billion from the previous year yet, at €27.4 billion, was once again well in excess of its long-term average. This trend was bolstered by the favourable economic framework conditions and the once again very low net expenditure on risk provisioning. Of the annual profit, on balance €12.7 billion was transferred to balance sheet capital (total equity including the fund for general banking risks).

Banks' business environment

Low interest rate environment still determining banks' performance

The financial market environment remained challenging in the reporting year. As in previous years, German banks' operating business was shaped by negative interest rates in the money and capital markets. The business policy and competition-driven de facto zero lower bound prevented the widespread passing-on of negative interest rates, particularly on households' deposits. Competition with institutional investors and with non-bank providers of digital financial services additionally squeezed profit margins. The fact that little risk provisioning was needed, to which the upbeat economy contributed,[1] proved a driver of performance, however. Overall, the German economy expanded by a price and calendar-adjusted rate of 2.5% on the year in 2017.

Eurosystem monetary policy measures key driver behind further increase in excess liquidity …

Since the beginning of the financial crisis, the Eurosystem has adopted various non-standard monetary policy measures. Among these, the expanded asset purchase programme (APP), in particular, was designed to reduce the longer-run interest rate when the de facto zero lower bound on interest rates had nearly been reached.[2] The monetary policy measures improved funding conditions and were responsible in great measure for a renewed distinct rise in German institutions' excess liquidity.[3] Looking at the annual average, this metric doubled from the previous year to around 6% of the German banking system's aggregate total assets.

… and persistent pressure on margins

The low level of interest rates associated with the accommodative monetary policy measures and the flat yield curve, along with the negative interest rate on banks' excess deposits with the Eurosystem, which has stood at -0.4% since 16 March 2016, reduced banks' net interest income, ceteris paribus. Thus, the interest costs of excess liquidity grew considerably to €2.2 billion.[4] Those German institutions which regularly take part in the Eurosystem's Bank Lending Survey (BLS) reported that the expanded APP and the negative interest rate on the deposit facility have been squeezing net interest margins.[5]

Consolidation in banking sector still continues

Smaller and medium-sized banks, in particular, encountered increased pressure to merge to form larger units in order to reduce costs through economies of scale. The consolidation process in the German banking sector has thus perpetuated itself.[6] In the course of the year, the number of credit institutions covered by statistics on the profit and loss accounts fell by 73. This was mainly due to mergers in the cooperative and savings bank sectors. In the Landesbanken sector, too, the challenges posed by the shipping crisis led to the merger of two institutions. The following figures are based on a reporting population of 1,538 institutions with total assets of €8.2 trillion.

Underlying trends in banking business

Diverging trend in operating business

In a comparison of categories of banks, profit (loss) from operating business showed diverging trends.

– Big banks and Landesbanken, as well as mortgage banks, again reported a perceptible decline in net interest income amid falling total assets. Since this decline could not be offset by other net earnings from operat-

1 See Deutsche Bundesbank, Financial Stability Review 2017, pp. 65-66.
2 See Deutsche Bundesbank, Monetary policy indicators at the lower bound based on term structure models, Monthly Report, September 2017, pp. 13-34.
3 The sum of sight deposits in excess of minimum reserve requirements and the deposit facility.
4 See Deutsche Bundesbank, Annual Report 2017, p. 68.
5 See Deutsche Bundesbank, April results of the Bank Lending Survey (BLS) in Germany, press release of 24 April 2017 (https://www.bundesbank.de/Redaktion/EN/Pressemitteilungen/BBK/2017/2017_04_25_bank_lending_survey.html), as well as Deutsche Bundesbank, October results of the Bank Lending Survey (BLS) in Germany, press release of 24 October 2017 (https://www.bundesbank.de/Redaktion/EN/Pressemitteilungen/BBK/2017/2017_10_24_bank_lending_survey.html).
6 See Deutsche Bundesbank, Changes in bank office statistics in 2017, press release, 17 May 2018 (https://www.bundesbank.de/Redaktion/EN/Pressemitteilungen/BBK/2018/2018_05_17_bankstellenbericht.html).

Methodological notes

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

The results from the profit and loss accounts are based on the published annual accounts of the individual institutions in accordance with the provisions set forth in the German Commercial Code *(Handelsgesetzbuch)* and the Regulation on the Accounting of Credit Institutions *(Verordnung über die Rechnungslegung der Kreditinstitute).* They differ in terms of their conception, structure and definitions from the International Financial Reporting Standards (IFRS)[1] for publicly traded groups. This means that – for methodological reasons – business performance and certain balance sheet or individual profit and loss items are not comparable across the national and international accounting frameworks. For reasons of comparability within Germany, it is therefore advisable to consider the individual accounts when analysing financial performance.

The figures for balance sheet capital (total equity), total assets and other stock variables are not obtained from the annual reports but are taken as annual average values on the basis of the monthly balance sheet statistics reported for the institution as a whole.

Reporting group

The reporting group for statistics on banks' profit and loss accounts (profit and loss statistics) includes all banks that are both monetary financial institutions (MFIs) and credit institutions as defined in the German Banking Act (*Kreditwesengesetz* – KWG) and are domiciled in Germany. All institutions that accept deposits or close substitutes for deposits (for example, through the issue of securities) from the general public and grant loans (including in the form of securities purchases) for their own account are deemed to be MFIs. In the German banking statistics, they are also referred to as banks. Branches of foreign banks that are exempted from the provisions of Section 53 of the Banking Act, banks in liquidation and banks with a financial year of less than 12 months (truncated financial year) are not included in this performance analysis.

As in the monthly balance sheet statistics, the category "Regional institutions of credit cooperatives" is no longer reported separately in the profit and loss statistics for data protection reasons. The earnings data of DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, which was created in July 2016 through the merger between DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main and WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, are included in the category "Banks with special, development and other central support tasks" in the long-term time series from the reporting year 2016 onwards. However, in the tables and charts, as well as in the tables accompanying this Monthly Report article, they are assigned to this category for the entire period under observation (2008 to 2017).

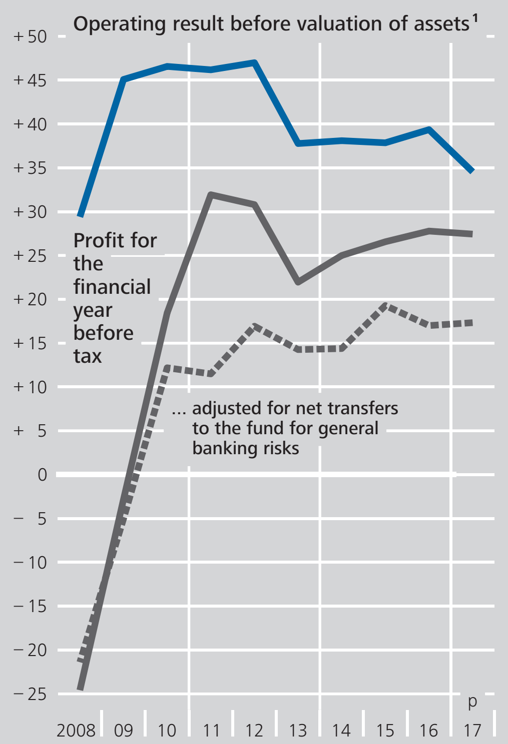
Calculation of the long-term average

At the launch of monetary union in 1999, the reporting group relevant for calculating the money supply and for monetary analysis was uniformly defined by the Eurosystem for the euro area as a whole and referred to as the monetary financial institutions (MFI) sector. Unlike the population of banks used for the Bundesbank analysis up to that point, building and loan associations are also included. Except where another time period is explicitly mentioned, the calculations with regard to the longer-term average cover the years since the launch of monetary union, i.e. from 1999 to 2017.

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

The performance of credit institutions

€ billion



1 Operating income less general administrative spending.
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ing business, operating income in these categories of banks contracted markedly.

– By contrast, savings banks and credit cooperatives, whose business is largely dependent on interest income, as well as regional and other commercial banks, experienced a moderate decline in their net interest income, which was boosted once again by an expansion in their credit volume. However, since at the same time net commission income grew considerably more strongly than in earlier years, operating income among these categories of banks rose slightly.

This means that many banks have successfully put into practice the plans they announced in the 2015 and 2017 low interest rate surveys to increasingly use higher net commission income to offset the shrinking margins in interest business. Building and loan associations were the only banking category to record growth in net interest income, largely on account of the elimination of a one-off effect relating to a building and loan association a year earlier. Their operating income consequently rose perceptibly during the year under review.

Net interest income down perceptibly

Net interest income – the most important source of operating income

Net interest income is defined as the contribution to performance by directly interest-related business (net interest income in the narrower sense)[7] plus current income[8] and income from profit transfers.[9] Current income and income from profit transfers, which are relatively volatile components, are largely an issue for the big banks which have international operations. Net interest income aggregated across all banks accounts for 73.0% of operating income on a long-term average, making it by far the most important source of income for German banks. It contracted by 6.2% on the year to €85.5 billion. Its share of operating income, at 69.5%, was also down by 1.7 percentage points.

Perceptible reduction in contribution to earnings from directly interest-related business

Net interest income in the narrower sense shrank by 7.0% to €71.1 billion across all banks. Perceptible factors in this development were the gradual expiry of higher-yielding existing business and the still-sluggish passing-on of negative interest rates, especially on households' sight deposits. Interest income fell more sharply than interest expenditure, both relative to total assets. Among the income components included in net interest income apart from directly interest-related business, current income from shares and other variable-yield securities improved considerably by €1.1 billion to €6.9 billion owing to the favourable economy, while current income from participating inter-

7 Total income from lending and money market transactions as well as from debt securities and debt register claims less interest paid.
8 Income from shares and other variable-yield securities, from participating interests, and from shares in affiliated enterprises.
9 Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement.

Opportunities and challenges of digitalisation

Progress continues to be made in the digitalisation of the economy, impacting the business models and market structures of ever greater parts of the economy. For incumbent credit institutions and insurance companies, in particular, which are increasingly confronted with new technologies and innovative business models, there is an increasing need to adapt in order to remain competitive. Customers, who are now accustomed to using bank services and products anywhere and anytime as a matter of course, are also increasingly changing their expectations and behaviour, using digital platforms to access traditional financial services more and more frequently. These platforms provide their financial products and services via standard interfaces with credit institutions.

Technological innovations outside of the banking sector are gaining in importance. New players (fintech firms) that understand how to harness the innovative potential of digitalisation are increasingly offering customised digital solutions and benefiting from their agility and adaptability in developing these. In contrast to banks or insurers, these players do not typically provide a full range of services or products. Instead, they focus on individual areas in the value chain of traditional financial corporations. These areas include, in particular, payments, clearing and settlement, and the lending and deposit business. The entry of large incumbent technology firms, known as Big Tech players, into the financial sector has the greatest potential to intensify competition. As opposed to fintech companies, which tend to be small, these enterprises already have access to a large number of customers via their platforms.[1] The extent to which competition will increase as a result of digitalisation also depends on whether banks cooperate with fintech firms, and if so how. Many banks have recognised the competitive pressure exerted by both fintech firms and rapidly changing customer needs. Together with these companies, digitalisation efforts have been driven forward in the fields of payments and investment services in particular. Furthermore, some institutions are also working on their own digitalisation projects.

Digitalisation has potential implications for financial institutions' strategies, processes and systems and entails both opportunities and risks. Greater automation and more efficient processes allow cost savings and relieve employees of routine work, allowing them, for example, to take on more demanding tasks if appropriately qualified. An efficient and modern IT infrastructure is one of the prerequisites to realising these efficiencies and must, at the same time, be safeguarded against its heightened vulnerability to cyberattacks. This will require considerable investment by many banks in the short to medium term, with cost savings typically likely to materialise in the medium term at the earliest.

While digital innovations may lead to macroeconomic benefits, it is important for supervisors to identify risks in a timely manner, particularly those that pose a danger to the stability of financial markets.[2] To get a better idea of the opportunities and risks presented by digitalisation in the financial sector, the G20 commissioned the Financial Stability Board (FSB) to take stock of technology-based financial innovations and their implications for financial stability. The report, published on 27 June 2017, classifies fintech innovations according to their respective economic function, rather than on the basis of the underlying technology or regulatory classification. An intensification of international cooperation is set to focus, in particular, on risks arising from the cooperation of financial intermediaries with non-supervised third-party service providers, cyber risks and the monitoring of macro-financial risks.[3]

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1 On the impact of fintech players on competition and the business models of banks, see European Banking Authority (2018), EBA report on the impact of FinTech on incumbent credit institutions' business models.
2 For more information, see also Deutsche Bundesbank, Shaping digitalisation, Annual Report 2017, p. 23 f.
3 For more information, see also Financial Stability Board, Financial stability implications from FinTech – supervisory and regulatory issues that merit authorities' attention, http://www.fsb.org/wp-content/uploads/R270617.pdf

ests and shares in affiliated enterprises, at €4.2 billion, remained at the previous year's level. Income from profit transfers decreased by €1.3 billion to €3.4 billion. All together, net income contributions outside directly interest-related business shrank by 2.1% to €14.4 billion.

Interbank market interest rates still at all-time lows

As in previous years, banks benefited from a favourable funding situation. The interest rates on the main refinancing operations, the marginal lending facility and the deposit facility of the Eurosystem remained at their all-time lows of, respectively, 0.00%, 0.25% and -0.40% during the year under review. Interest rates in the interbank market likewise remained in the vicinity of their all-time lows the entire year. In December, the monthly average interest rate EURIBOR (Euro Interbank Offered Rate) on unsecured money market transactions in interbank trading with a maturity of three months stood at -0.33%, and the unsecured interbank overnight interest rate EONIA (Euro OverNight Index Average) stood at -0.34%.

Big banks and Landesbanken used market-based funding at favourable rates

Targeted measures by the Landesbanken and mortgage banks to shrink their balance sheets were largely responsible for the diminishing importance of market-based financing for the German banking system after 2008.[10] This shrinkage process decelerated beginning in 2015, however. Since then, negotiable debt securities have accounted for around 15% of total assets. Big banks and mortgage banks, in particular, have increasingly been resorting to capital market funding at very favourable terms and conditions. During the year under review, investors were primarily interested in shorter maturities up to and including four years. Net issuance in this segment amounted to €8.5 billion. Investors' preference for liquidity was probably a factor in the reduced interest in the maturity segment of over four years, where redemptions exceeded issuance by €2.5 billion on balance.

Further shortening of maturities on the liabilities side boosting earnings from maturity transformation

Given that negative interest rates have still not been extensively passed through to households and that non-banks continue to prefer highly liquid, low-risk forms of investment, the build-up of sight deposits in progress since the autumn of 2008 has continued. All other types of deposits have seen net outflows. Non-banks' sight deposits as a percentage of all German banks' aggregate total assets have gone up by 1.7 percentage points to 26.2%. As was already the case in earlier years, this development has been driven by domestic households' investment behaviour. Given a further improvement in the income and wealth situation, these bank clients' sight deposit volume grew by 1.4 percentage points to just over 14.4% of aggregate total assets, although the MFI interest rate statistics show this form of investment, with an average remuneration of 0.04%, to have generated practically no return to speak of. The attendant persisting shortening of maturities on the liabilities side led to more and more loans with long interest rate lock-in periods being financed on a very short-term basis. Banks with deposit-based funding, in particular, were thus able to further increase the contribution made by on-balance sheet maturity transformation to net income (structural contribution[11]) and thus bolster somewhat the ever-shrinking contribution to net income being made by interest-related business. Were interest rates to rise, however, it is highly probable that the interest rate risk and liquidity risk incurred through the considerable expansion of maturity transformation would materialise, impacting adversely on earnings. At the primary institutions, whose focus is on traditional deposit and lending business, non-banks' sight deposits made up nearly half of total assets in the year under review. Meanwhile, long-term loans to non-banks[12] accounted for just over 58% of savings banks' total assets and just over 55% of credit cooperatives' total assets.

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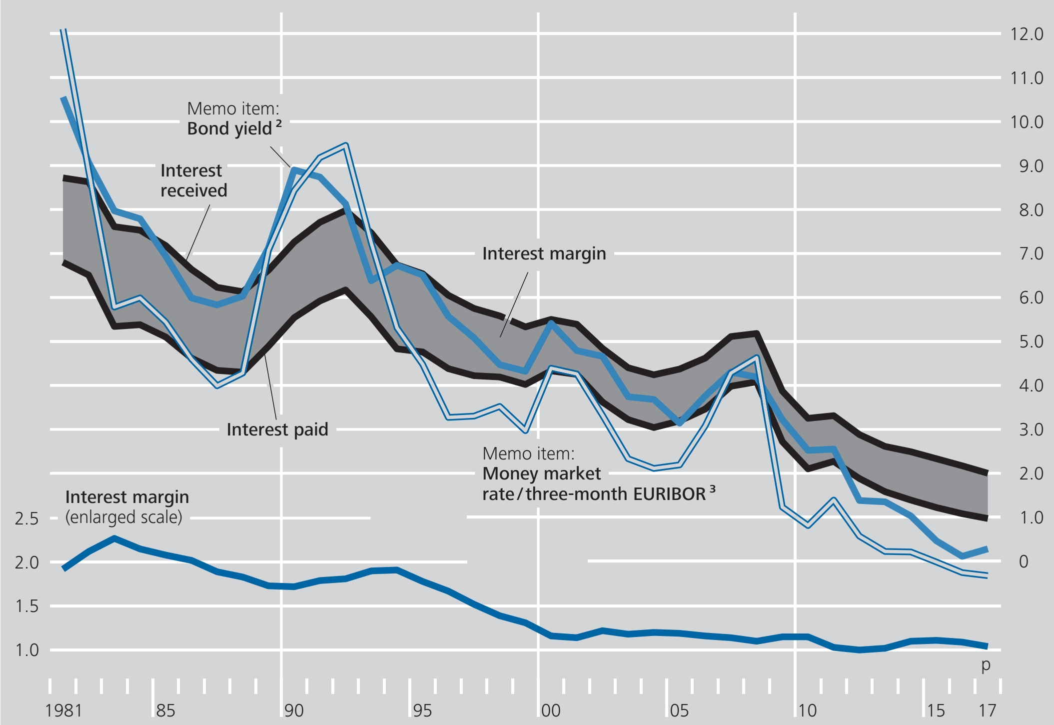
10 See Deutsche Bundesbank, Structural developments in the German banking sector, Monthly Report, April 2015, pp. 35 ff.
11 The structural contribution represents the interest income banks earn by borrowing short term and lending long term.
12 Maturities or interest rate lock-in periods of over five years.

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

As a percentage of total assets[1]



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

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Higher interest expenditure due to negative interest rates

In order to gain a better overview of the impact of negative interest rates on profitability, the annual reports of 30 institutions from various categories of banks, accounting for a combined nearly two-thirds of all German banks' total assets, were again reviewed for data on negative and positive interest rates.[13] It was found that interest expenditure on asset items rose considerably by €1.1 billion to €2.7 billion. However, interest received on liability items also went up, by €0.8 billion to €2.2 billion. At €0.5 billion, the net expenditure was nearly twice as high as one year earlier. Twelve banks posted a positive balance totalling €0.3 billion, while 17 banks reported a negative contribution to the result totalling €0.8 billion. One bank broke even.

Pass-through of negative interest rates …

According to statements made in the 2017 low interest rate survey, the surveyed institutions expect the already considerably diminished spread of deposits-based funding over the price of matched-maturity funding in the money or capital markets (liabilities-side margin contribution) to shrink further in the coming years. This negative expectation regarding the development of net interest income is probably related in large part to the competition-driven de facto zero lower bound. In the target scenario of the low interest rate survey, passing negative interest rates through to clients is an option for only one in four institutions. The number of credit institutions to already have made use of this option in the year under review, however, has risen considerably. This is borne out by the figures published in the MFI interest rate statistics, which are conducted monthly as a partial survey and, at the end of the year under review, comprised 223 institu-

13 For the survey, the 30 largest institutions in terms of total assets which reported information on positive and negative interest rates in their annual reports for 2016 and 2017 were chosen. Changes in total assets figures mean that the composition has changed since the previous year; the year-on-year figures have been adapted to reflect the group's current composition.

Major income and cost items for individual categories of banks in 2017p

As a percentage of operating income

Item	All categories of banks	Big banks	Regional banks and other commercial banks	Landesbanken	Savings banks	Credit cooperatives	Mortgage banks	Building and loan associations	Banks with special, development and other central support tasks
Net interest income	69.5	57.3	64.8	73.9	73.9	75.3	106.5	92.3	75.6
Net commission income	24.8	35.7	26.0	13.4	25.5	22.7	− 3.8	− 16.9	18.3
Result from the trading portfolio	4.5	13.0	1.6	11.5	0.0	0.0	0.0	0.0	6.1
Other operating result	1.2	− 6.0	7.6	1.2	0.6	2.0	− 2.7	24.6	0.0
Operating income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General administrative spending	− 71.9	− 88.7	− 68.0	− 72.5	− 67.1	− 65.7	− 70.2	− 66.3	− 59.2
of which: Staff costs	− 36.2	− 36.7	− 29.8	− 33.4	− 42.5	− 39.2	− 32.2	− 25.2	− 28.1
Other administrative spending	− 35.7	− 51.9	− 38.3	− 39.1	− 24.7	− 26.5	− 38.1	− 41.1	− 31.1
Result from the valuation of assets	− 3.0	2.3	− 5.8	− 24.4	0.7	− 0.8	2.5	− 2.1	− 12.8
Other and extraordinary result	− 2.8	− 3.9	− 11.0	7.1	− 0.5	− 0.2	5.9	3.1	− 7.1
Memo item: Profit or loss (–) for the financial year before tax	22.3	9.7	15.2	10.2	33.1	33.3	38.1	34.7	21.0
Taxes on income and earnings	− 6.1	− 2.0	− 5.7	− 4.8	− 9.6	− 10.0	− 13.4	− 5.4	2.6
Profit or loss (–) for the financial year after tax	16.2	7.8	9.5	5.4	23.5	23.2	24.7	29.3	23.5

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tions.[14] Over the course of the year under review, the share of institutions in this partial survey reporting average volume-weighted negative interest rates on sight deposits went up from around 26% in January to just over 50% in December. Large-volume sight deposits in corporate banking business have been primarily affected. The volume of these sight deposits with a negative interest rate rose nearly 9 percentage points between January and December 2017 to just over 40% of all sight deposits in corporate banking business reported in this partial survey. Around half of this volume of sight deposits with a negative interest rate was concentrated on seven banks from the categories of big banks and Landesbanken. Just over one-third was dispersed across 90 institutions in the savings bank and cooperative bank sectors.

… increasingly affecting those households' sight deposits

Banks are increasingly also remunerating households' deposits at negative rates in order to stabilise their interest margins. Among the banks required to report for the MFI interest rate statistics, the number of institutions reporting average volume-weighted negative interest rates on households' sight deposits

14 See Deutsche Bundesbank, Changes to the MFI interest rate statistics, Monthly Report, July 2017, pp. 93 ff.

nearly quadrupled to around 12% over the course of the year. The volume of these negative interest-bearing sight deposits likewise increased significantly over the course of the year to 4% of all households' sight deposits reported in this partial survey, yet fell far short of the figure reached for corporate banking business. As was the case in corporate banking business, these are likely mainly to be large-volume sight deposits. In terms of both the number of institutions and the volume of sight deposits, it was primarily savings banks which remunerated households' sight deposits at negative rates.

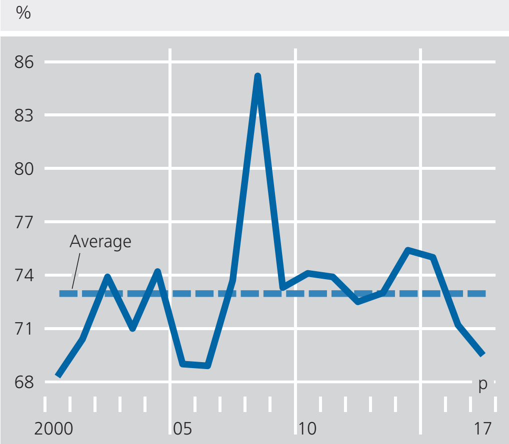
Interest margin narrowed discernibly

Aggregate total assets across all banks fell slightly to €8.2 trillion. As a result of the sharper decline in net interest income, the interest margin, calculated as the ratio of net interest income to total assets, narrowed discernibly on the year to 1.04%.[15] The interest margin in the narrower sense, which is the ratio of net interest income from interest-related business to interest-bearing assets,[16] also dropped markedly to 1.43%. For banks focusing on traditional deposit and lending business, whose earnings are more reliant on maturity transformation, these margins can serve as a key indication of profitability. These institutions include, in particular, savings banks and credit cooperatives. The interest-bearing assets that they hold account for around 80% of total assets, a much higher share than for most of the other categories of banks. In the savings bank sector, the interest margin narrowed to 1.87%, while it shrank markedly to 1.90% in the cooperative bank sector. Nevertheless, these figures were still the best in a comparison of categories of banks.

Loans to households still driven by housing loans

Growth in lending to the domestic private sector accelerated markedly. Households, in particular, again recorded large net inflows. Once again, this was driven by loans for house purchase, where growth increased slightly on the year to 4.0%. In addition to German households' very favourable income and asset situation, stable consumer confidence and households' upbeat assessment of housing market prospects, the ongoing strong demand for housing loans is also likely to have been spurred on by the still exceptionally favourable financing conditions.[17] While MFI interest rate statistics show the interest rate on new loans to households for house purchase with an initial rate fixation period of over ten years to have been, at 1.86% at year-end, above the all-time low of 1.66% recorded in September 2016, it was still extremely low in a long-term comparison.

Net interest income as a share of credit institutions' operating income



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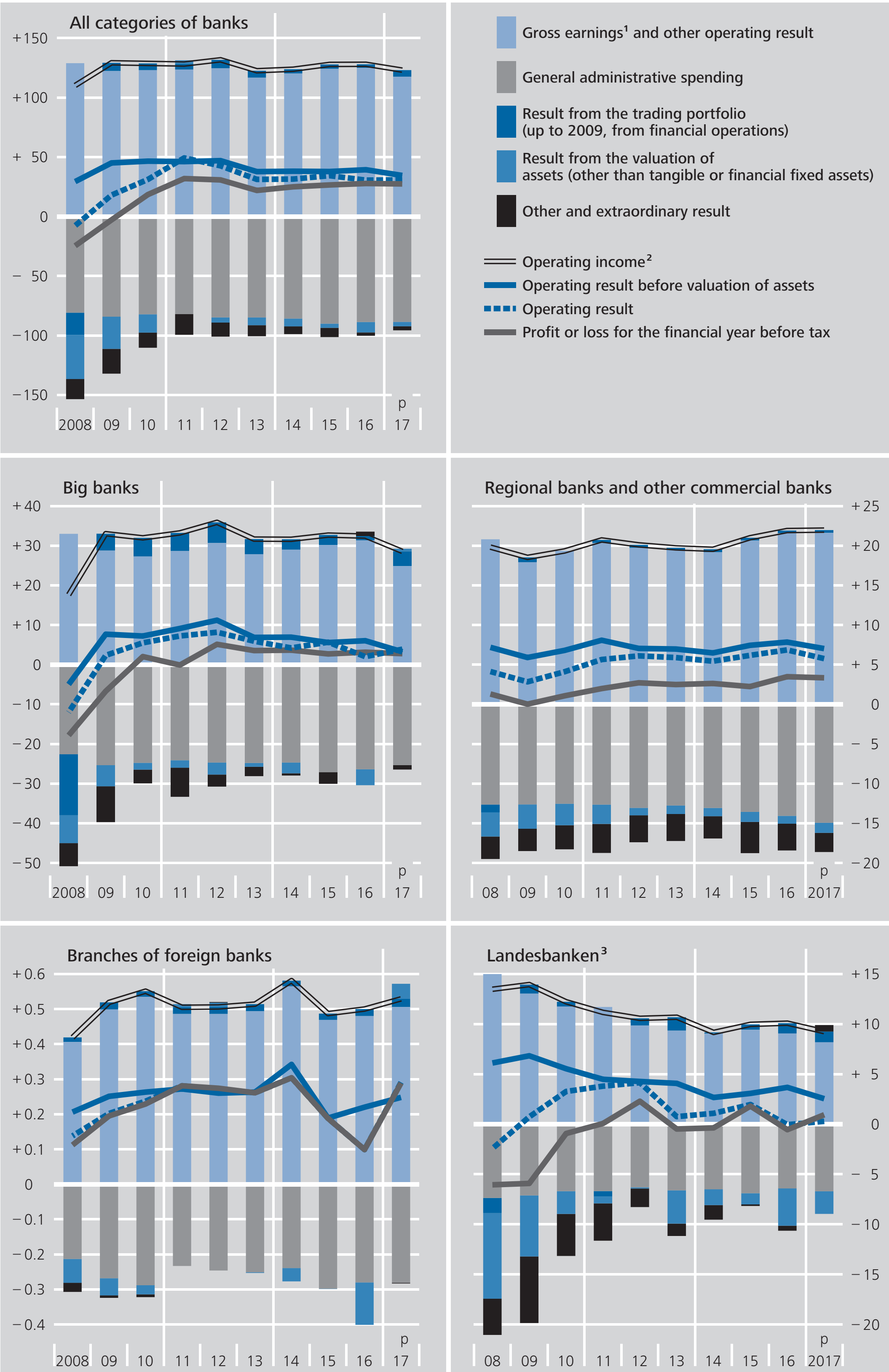
Another marked increase in loans to enterprises

At an annual rate of 4.3%, growth in lending business with domestic non-financial corporations was significantly more lively than in the previous year. This is probably due not only to very low interest rates but also to the high level of capacity utilisation and positive business expectations. In terms of maturities, non-financial corporations continued to show a preference for long-term loans.

15 The interest margin adjusted for low-margin interbank business was, at 1.34%, also down on the year.
16 Interest-bearing assets equal the sum of loans to non-banks and of debt securities and other fixed-income securities. They make up around 60% of aggregate total assets across all banks.
17 See Deutsche Bundesbank, Monthly Report, February 2018, p. 31.

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 income and net commission income. **2** Gross earnings plus result from the trading portfolio (up to 2009, from financial operations) and other operating result. **3** From 2012, Portigon AG (legal successor of WestLB) allocated to the category of "Banks with special, development and other central support tasks".

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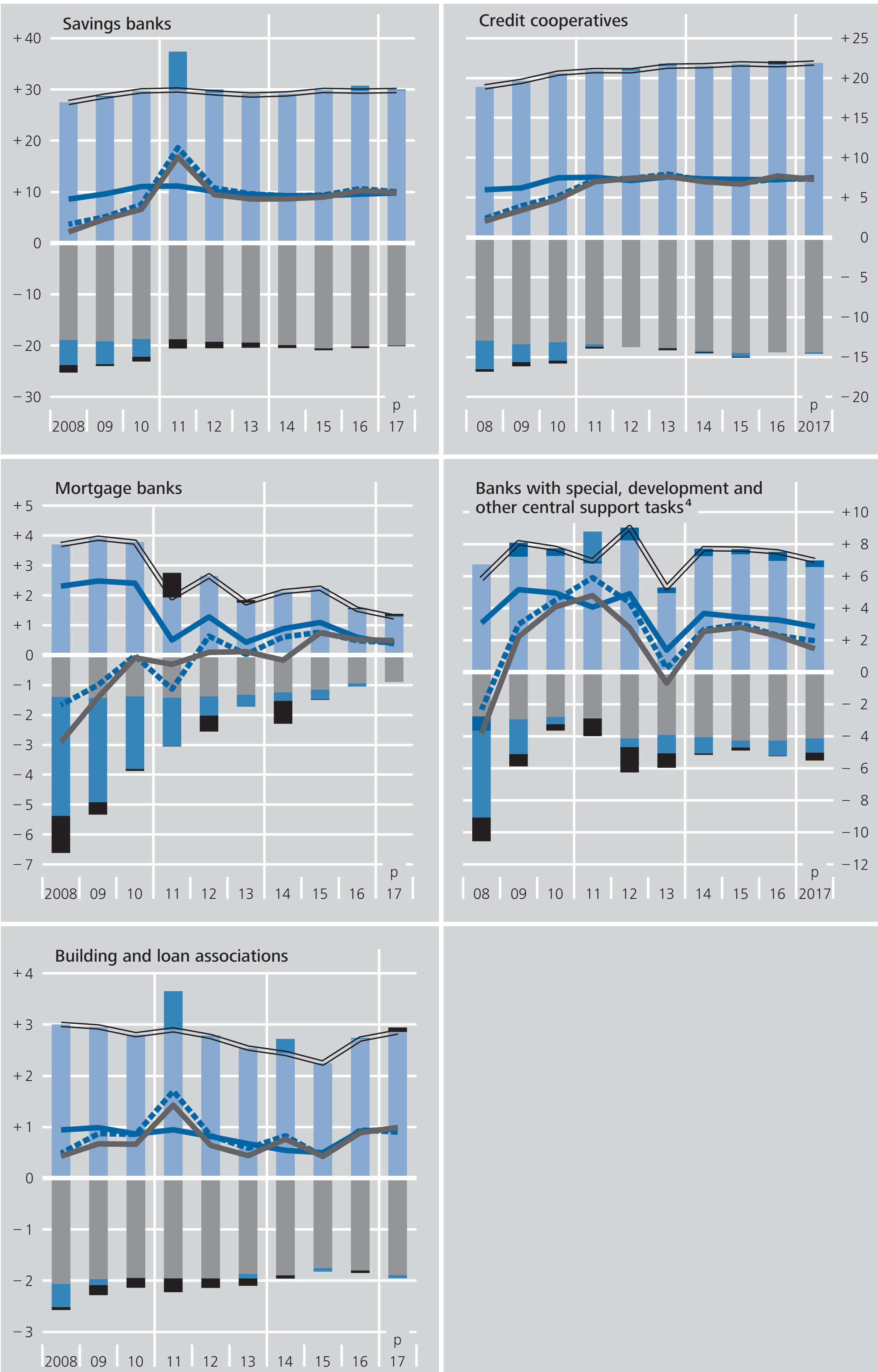
€ billion, the charts below use different scales



4 The categories "Special purpose banks" and "Regional institutions of credit cooperatives" listed separately in previous publications have been merged under "Banks with special, development and other central support tasks".

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Structural data on German credit institutions

End of year

Category of banks	Number of institutions[1]			Number of branches[1]			Number of employees[2]		
	2015	2016	2017p	2015	2016	2017p	2015	2016	2017p
All categories of banks	1,793	1,724	1,653	34,001	31,974	30,072	626,337	608,399	585,892
Commercial banks	287	280	283	9,697	9,406	9,003	[3] 169,250	[3] 166,050	[3] 158,100
Big banks	4	4	4	7,240	7,005	6,820	.	.	.
Regional banks	171	166	164	2,312	2,245	2,023	.	.	.
Branches of foreign banks	112	110	115	145	156	160	.	.	.
Landesbanken	9	9	8	402	384	356	32,600	31,800	31,100
Savings banks	413	403	390	11,459	10,555	9,818	233,700	224,700	216,100
Credit cooperatives	1,025	975	918	10,822	10,156	9,442	[4] 155,300	[4] 151,050	[4] 146,400
Mortgage banks	16	15	13	49	36	38	.	.	.
Building and loan associations	21	20	20	1,536	1,400	1,385	[5] 13,650	[5] 13,550	[5] 13,250
Banks with special, development and other central support tasks[6]	22	22	21	36	37	30	[7] 21,837	[7] 21,249	[7] 20,942

1 Source: Bank office statistics, in Deutsche Bundesbank, Banking statistics, Statistical Supplement 1 to the Monthly Report, 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 the Bundesbank. Sources: data provided by associations and Bundesbank calculations. **3** Employees in private banking, including mortgage banks established under private law. **4** Only employees whose primary occupation is in banking. **5** Only office-based employees. **6** The categories "Special purpose banks" and "Regional institutions of credit cooperatives" listed separately in previous publications have been merged under "Banks with special, development and other central support tasks". **7** Employees at public mortgage banks (mortgage banks established under public law), banks with special tasks established under public law and regional institutions of credit cooperatives.

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Net interest income, by category of banks

Net interest income declining in big banks sector …

In the big banks sector, the significant contraction in net interest income by almost one-fifth to €16.4 billion (57.3% of operating income) was primarily on account of the markedly lower contribution to earnings made by net interest income in the narrower sense. This was smaller due to declining interest income coupled with a slight increase in interest expenditure by almost one-quarter to €9.7 billion. In addition to growing pressure on margins in the low interest rate environment, another contributing factor was the absence of a one-off factor that had markedly benefited one big bank's profits in the previous year. Furthermore, income components outside directly interest-related business shrank by 9.1% to €6.7 billion. The €1.0 billion drop in income from profit transfers to €1.7 billion was offset to only to a small extent by the €0.3 billion increase in current income to €5.0 billion. Given that the fall in net interest income was much more pronounced than the reduction in total assets, the interest margin narrowed discernibly to 0.68%.[18]

… as well as in Landesbank sector and at mortgage banks

Lower net interest income at the merged Landesbank (compared to the sum of the two institutions' net interest income in the previous year) and the marked decline in income from profit transfers at another Landesbank played a large part in reducing net interest income by 9.6% to €6.8 billion (73.9% of operating income) in the Landesbank sector. The interest margin fell moderately to 0.73% amid declining total assets. In the mortgage bank category, net interest income fell by 13.1% to €1.4 billion. Adjusted for the negative one-off factor at one mortgage bank, net interest income would have risen on the year. Mortgage banks' specific business model means that net interest income is virtually their only source of income.

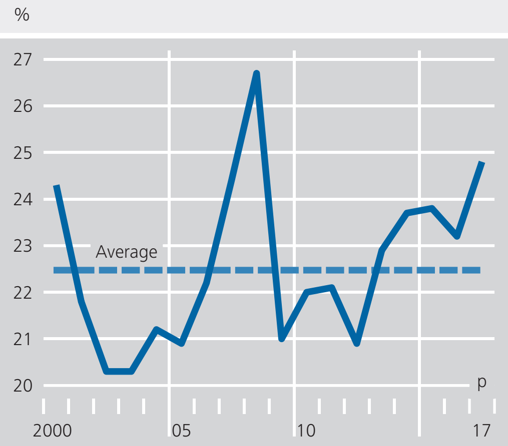
18 The decline in total assets was largely the result of a drop in the volume of the trading portfolio.

Given the slightly negative earnings contributions from net commission income and the other operating result, net interest income as a percentage of operating income overshot the 100% mark once again, hitting 106.5%. As the reduction in total assets was much more pronounced than the loss of net interest income, the interest margin increased slightly to 0.58%. In the case of both Landesbanken and mortgage banks, the major driving force behind the decline in total assets was structural developments.[19]

Rising pressure on margins for banks with deposit-based funding

The effects of margin pressure are becoming ever more visible at savings banks and credit cooperatives. Despite volumes and terms of loans having been increased further, primary institutions' net result from directly interest-related business fell for the third year in a row. In year-on-year terms, it fell by 5.2% to €19.1 billion in the case of savings banks and by 2.3% to €14.9 billion in the case of credit cooperatives. By contrast, current income grew by 16.0% to €2.8 billion in the case of savings banks and by 19.6% to €1.6 billion in the case of credit cooperatives. Here, primary institutions generate income from their investments in specialised funds, in particular. All in all, the net interest income earned by savings banks shrank markedly by 2.9% to €22.0 billion (73.9% of operating income), while, in the case of credit cooperatives, it edged down by 0.6% to €16.5 billion (75.3% of operating income). However, given that, at 4.2%, the increase in total assets at credit cooperatives was twice as high as at savings banks, the reduction in interest margins in the two categories of banks to 1.90% and 1.87% respectively was more or less identical, at just under 5%. At regional and other commercial banks, which are likewise heavily reliant on deposit-based funding, net interest income fell by 0.9% to €14.2 billion (64.8% of operating income) amidst a significant rise in total assets.[20] The interest margin narrowed substantially to 1.36%. With an increase in total assets,[21] building and loan associations recorded growth of 5.2% to €2.6 billion (92.3% of operating income). At 1.16%, the interest margin was on a par with the previous year's level.

Net commission income as a share of credit institutions' operating income



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Higher contribution to earnings from commissions business

Marked growth in net commission income

Net commission income comprises, in particular, fees for giro transactions and payments as well as for securities and safe custody business, and remuneration for brokerage activities relating to loan contracts, savings agreements, savings and loan agreements, and insurance contracts. Accounting for a long-term average share of 22.5% in operating income, net commission income aggregated across all banks is the second most important income component. It rose by 2.7% to €30.6 billion in the re-

19 The Landesbank sector was affected by the consolidation of two Landesbanken. In the mortgage bank sector, the reporting year saw one institution surrender its banking licence, and one institution was assigned to the regional and other commercial banks category. In addition, a mortgage division that was still part of one mortgage bank was transferred to a building and loan association as part of an intragroup restructuring measure. The increase in total assets in the building and loan association sector was also connected to this restructuring measure.
20 In addition to increased lending volumes, this was primarily due to a large development bank moving from one category of banks to another: it was reassigned to the regional and other commercial banks category following a change in its business model.
21 See also footnote 19.

The importance of net commission income for banks primarily engaged in lending and deposit business

The low interest rate environment presents a major challenge, and will continue to do so, for savings banks, credit cooperatives and other institutions that primarily engage in traditional lending and deposit business.[1]

Many of these smaller and medium-sized banks that are particularly reliant on net interest income are therefore attempting to stabilise their profits with earnings from non-interest-related business, for example by generating net commission income.[2] Alongside income from securities business, this mainly includes fees and commissions from payment transactions and account management, which are closely linked to lending and deposit business.

An empirical analysis on the basis of data provided by the German Savings Banks Association *(Deutscher Sparkassen- und Giroverband* – DSGV) indicates that the profitability of savings banks increases in step with the share of operating income accounted for by fees and commissions from payment transactions.[3] According to the DSGV data, the latter make up roughly half of the net commission income generated by savings banks, on average. Savings banks with a high share of income from securities business also have higher profits. Securities business mainly includes fees for managing client securities accounts and executing securities trades on behalf of the client. Income from securities business is significantly more volatile than income from payment transactions, but is independent of lending and deposit business. According to the study, around 20% of net commission income in the savings bank sector comes from this source, on average. The remaining net commission income is attributable to brokerage business (15%), foreign business (3%) and all other business (12%). Despite these business lines increasing in volume, this structure of fees and commissions is unlikely to have changed much even over the past few years.

The savings banks have recently boosted their earnings significantly due to higher net commission income from payment transactions and securities business. The earnings data from the profit and loss statistics for 2017 show that they compensated for the decline in net interest income almost fully by increasing net commission income by €0.6 billion to €7.6 billion (25.5% of operating income[4]). In the case of the credit cooperatives, which saw an improvement of €0.4 billion in their net commission income (€5.0 billion, or 22.7% of operating income), the earnings growth even considerably outstripped the decline in net interest income that had to be offset. For this category of bank, too, the increase in net commission income was chiefly generated from higher fees for account management and payment transactions as well as stronger securities and funds business, as customers increasingly sought higher-yielding investments in the persistent low interest rate setting.[5] The drop in net interest income at regional banks and other commercial banks was also more than offset by a €0.4 billion increase in net commission income (€5.7 billion, or 26.0% of operating income). Only 7.4% of savings banks, 12.5% of credit cooperatives and 38.2% of regional and other commercial banks saw a decline in net commission income.

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1 According to the results of the 2017 low interest rate survey, many banks are not expecting any fundamental change in the interest rate setting in the next few years.
2 See Deutsche Bundesbank, Overview of the results of the 2017 low-interest-rate survey, Monthly Report, September 2017, pp. 57-58.
3 See M. Köhler, An analysis of non-traditional activities at German savings banks – Does the type of fee and commission income matter?, Deutsche Bundesbank Discussion Paper, No 01/2018. The study examines the impact of specific areas of fee and commission income on the profitability and stability of savings banks using an anonymised dataset provided by DSGV for the period from 2002 to 2013.
4 Sum of net interest income, net commission income, trading result and other operating income.
5 See the 2017 Annual Report of the Federal Association of German People's Banks and Raiffeisen Banks *(Bundesverband der Deutschen Volksbanken und Raiffeisenbanken)* as well as the speech made by the DSGV President at the balance sheet press conference on 7 March 2018 in Frankfurt am Main.

porting year. Its share of operating income climbed by 1.6 percentage points to 24.8%, thus reaching its highest level since 2009. The commission margin, calculated as the ratio of net commission income to total assets, improved slightly to 0.37%. The rise in net commission income was due not only to an increase in fee-based services, particularly in the field of payments and account management, but also to brokerage income from funds and securities business. The growing importance of higher-yielding forms of investment, such as equity and mixed securities funds, probably had a positive impact here. Although households' preference for low-risk and liquid forms of investment remains high, yield consciousness has increased somewhat compared with previous years.[22]

Significant increase in net commission income for most banks relying primarily on interest business

As announced in the 2015 and 2017 low interest rate surveys, most of the banks surveyed have successfully put into practice their plans to increasingly use higher net commission income to offset the shrinking margins in interest business. Savings banks raised their net commission income by 8.8% to €7.6 billion (25.5% of operating income), credit cooperatives lifted it by 8.3% to €5.0 billion (22.7% of operating income), and regional and other commercial banks increased it by 8.1% to €5.7 billion (26.0% of operating income), with each of these rises being above average. As for big banks, which have a heavy business focus on the international capital markets, net commission income is, with a long-term average share of 33.2%, much more important for operating business than it is for the other categories of banks. Net commission income in the big banks category fell by 5.7% to €10.2 billion (35.7% of operating income), mainly as a result of declining income from services rendered within the group of one big bank. However, these losses were partly offset by lower costs stemming from intragroup transfer pricing, which had a favourable impact on administrative spending. Net commission income in the Landesbank sector was unchanged on the year at €1.2 billion (13.4% of operating income). Developments were very mixed in this category of banks.

Trading result almost doubled

Increase driven by developments in big banks sector

The trading result is a highly volatile income component with a relatively low long-term average share of operating income aggregated across all banks of 2.8%. Institutions report that trading income stems less from proprietary business than from own-account trading in financial instruments on behalf of clients. Big banks and Landesbanken are the main banks to generate earnings from this source. Chiefly as a result of the significantly elevated trading result in the big banks sector, the aggregate trading result across all banks almost doubled to €5.6 billion (4.5% of operating income).

Other operating result down significantly

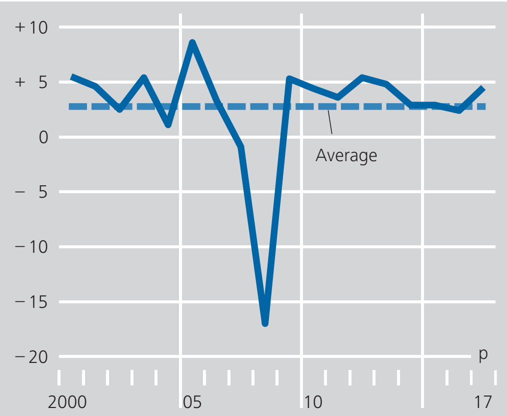
Reduction driven by one-off effects

The other operating result is a summary item used to record income and charges from operating business that have no connection to the net interest, net commission or trading result. Aggregated across all banks, it fell by almost two-thirds to just €1.5 billion (1.2% of operating income). This development was driven, in particular, by one-off factors in the big banks sector. A further decline was prevented by the again high withdrawals from the fund required by the building and loan association rules (*Fonds zur bauspartechnischen Absicherung* – FbtA), which building and loan associations reported as other operating income and which, at €0.7 billion, matched the previous year's re-

22 See Deutsche Bundesbank, Financial accounts for Germany 2012 to 2017, Special Statistical Publication 4, July 2018, pp. 14 f.

Trading result as a share of credit institutions' operating income

%



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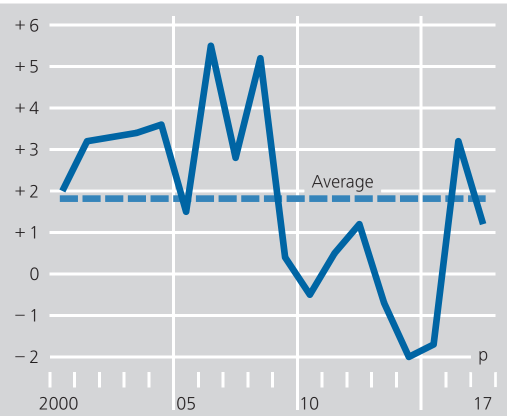
Other operating result as a share of credit institutions' operating income

%



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cord high.[23] As in the preceding year, these amounts were, for the most part, transferred to the fund for general banking risks in the context of profit appropriation to strengthen balance sheet capital (total equity).

Administrative spending still high

Administrative spending virtually unchanged on previous year

Banks' cost side is largely determined by administrative spending. This comprises staff costs and other administrative expenditure.[24] Standing at €88.5 billion, this figure was only marginally lower than in the previous year. Looking at all banks, at least, the cost-cutting measures already taken therefore only managed to offset the cost-driving factors. The ratio of administrative spending to total assets has actually increased over the past few years.

Increased spending on pension obligations offset by falling wage and salary costs

Staff costs include not only wage and salary payments but also social security contributions and operating expenditure on pension obligations. Aggregated across all banks, staff costs remained at the previous year's level (€44.6 billion), as increased social security contributions and spending on pension obligations were offset by falling wage and salary payments. The renewed drop in the number of employees in the banking sector and modest pay rises set out in pay agreements negotiated in 2016 for the reporting year are likely to have been contributing factors.

Other administrative spending at previous year's level

Other administrative spending includes not only the bank levy,[25] which amounted to €1.71 billion for German banks in the reporting year,[26] but also the costs associated with maintaining the branch network as well as non-staff costs and expenditure on external services such as legal, auditing, consultancy and IT services. Aggregated across all banks, other administrative spending was also unchanged on the year at €44.0 billion.

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23 Building and loan associations once again took advantage of the greater flexibility regarding the use of this fund ushered in by the amended Building and Loan Associations Act *(Bausparkassengesetz)* and the Regulation concerning Building and Loan Associations *(Bausparkassen-Verordnung)* that came into force at the end of 2015 and withdrew substantial amounts in some cases. For more information, see also Deutsche Bundesbank, The effects of the low-interest-rate environment on building and loan associations, Monthly Report, September 2016, pp. 64 ff.
24 Including depreciation of and value adjustments to tangible and intangible assets, but excluding depreciation of and value adjustments to assets leased.
25 Since 2015 all EU Member States have been required to set up what are known as resolution financing arrangements, generally in the form of resolution funds managed by the resolution authorities. Resolution funds are financed by bank levies raised in advance. All institutions are obliged to pay a yearly bank levy. The levy mainly consists of a basic contribution, which is based on the bank's size and is also adjusted according to the institution's risk profile.
26 See https://www.fmsa.de/fileadmin/user_upload_fmsa/Pressemitteilungen/deutsch/20170512_PM_FMSA.pdf

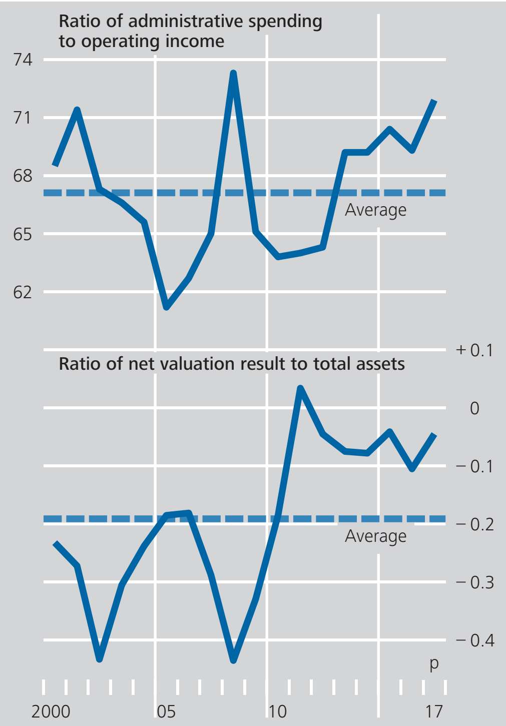
Administrative spending, by category of banks

Developments were mixed across categories of banks. In the big banks sector, the reduction in administrative spending by 4.0% to €25.3 billion was related, above all, to successfully implemented restructuring measures at one big bank and a further decrease in expenditure resulting from intragroup transfer pricing at another big bank. The latter was accompanied by lower net commission income at this big bank. Administrative spending in the Landesbank sector increased by 4.5% to €6.7 billion, mainly as a result of higher spending on pension obligations. At regional and other commercial banks, both staff costs and other administrative spending went up, meaning that overall administrative costs swelled considerably by 6.2% to €14.9 billion. As a result of intragroup restructuring measures between a mortgage bank and a building and loan association, administrative expenditure fell by 4.3% to €0.9 billion at mortgage banks but rose by 5.2% to €1.9 billion in the building and loan association sector.[27] In the savings bank and cooperative bank sectors, administrative spending was down only slightly on the previous year's level (€20.0 billion and €14.4 billion respectively). Once again, the high investment costs involved in adapting to technological change and linking digital and conventional access channels to banking services are likely to have watered down the positive effects of the further reduction in the costly branch network.

Decreased cost efficiency

The cost/income ratio, calculated as the ratio of administrative spending to operating income, can provide an important indication of how cost-effective an enterprise is. The lower this ratio, the more operating income is left over after deducting administrative spending, i.e. the more cost-efficiently the enterprise has been operating. In view of the fact that administrative outlays remained virtually unchanged and operating income decreased, the efficiency of the German banking sector as measured in this manner was worse in the reporting year than in the previous year, with the cost/income ratio rising to 71.9%. Compared with the previous year, an additional €2.60 – and, compared with the long-term average, as much as €4.80 more – in administrative expenditure was needed in order to generate operating income of €100.

Administrative spending and net valuation result of credit institutions



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Cost/income ratio, by category of banks

Although the big banks are likely to benefit from economies of scale, they have been the banks with the highest and thus worst cost/income ratio for years. As the decline in operating income was far more pronounced than that in administrative spending, big banks continued to trail behind the other categories of banks in 2017 with a cost/income ratio that rose by 7.3 percentage points to 88.7%. In the case of mortgage banks, where operating income also fell much faster than administrative spending, the ratio increased by as much as 9.2 percentage points to 70.2%. Chiefly on account of falling net interest income and higher administrative spending, the cost/income ratio in the Landesbank sector was, at 72.5%, the

27 See also footnote 19 on p. 41.

Cost/income ratios, by category of banks

%

Category of banks	General administrative spending in relation to … 2015	2016	2017p
	… gross earnings[1]		
All categories of banks	71.3	73.3	76.3
Commercial banks	76.4	79.9	86.4
Big banks	79.9	85.2	95.3
Regional banks and other commercial banks	70.3	71.6	74.9
Branches of foreign banks	73.6	74.9	71.5
Landesbanken	74.7	73.1	83.0
Savings banks	68.3	67.8	67.5
Credit cooperatives	67.0	68.2	67.1
Mortgage banks	51.3	61.6	68.4
Building and loan associations	77.7	89.9	87.8
Banks with special, development and other central support tasks	58.2	62.3	63.0
	… operating income[2]		
All categories of banks	70.4	69.3	71.9
Commercial banks	75.6	74.3	79.4
Big banks	82.9	81.4	88.7
Regional banks and other commercial banks	64.6	64.2	68.0
Branches of foreign banks	61.2	56.0	53.1
Landesbanken	69.1	63.6	72.5
Savings banks	68.9	67.8	67.1
Credit cooperatives	66.6	66.6	65.7
Mortgage banks	51.2	61.0	70.2
Building and loan associations	77.8	66.2	66.3
Banks with special, development and other central support tasks	55.4	56.6	59.2

1 Sum of net interest income and net commission income. 2 Gross earnings plus result from the trading portfolio and other operating result.
Deutsche Bundesbank

highest and thus worst value recorded for this category of banks in the reporting period since 1999. At regional and other commercial banks, the cost/income ratio rose by 3.8 percentage points to 68.0%, driven by a considerable increase in administrative expenditure. In the building and loan association sector, the ratio hit another all-time low of 66.3%. As in the previous year, this was primarily due to large FbtA withdrawals. Thanks, in particular, to the stabilising effect of the contribution to earnings from commissions business, primary institutions were the only category of banks to improve their cost/income ratio. It declined slightly to 67.1% in the savings bank sector and to 65.7% in the cooperative bank sector. The ratio remained within the usual range for both categories of banks. The cost/income ratio figures as an indicator of cost efficiency should, however, be interpreted with caution, particularly when making a cross-sector comparison, as the business models of the various categories of banks differ significantly with regard to their cost structure. Return on equity and assets can shed further light on this subject.[28]

Significant reduction in net transfers to risk provisions

Net valuation result remains a mainstay of profitability

In the year under review, the net valuation result aggregated across all banks[29] was once again extremely low, with net valuation charges of just €3.7 billion.[30] This was mainly due to the positive economic situation of firms and households, which had a beneficial effect on portfolio quality and thus on the need for credit risk provisions. These favourable economic conditions were also reflected in the further reduction in the number of individuals and businesses becoming insolvent in the year under review. The latter fell to its lowest level since the introduction of the insolvency framework in 1999.[31]

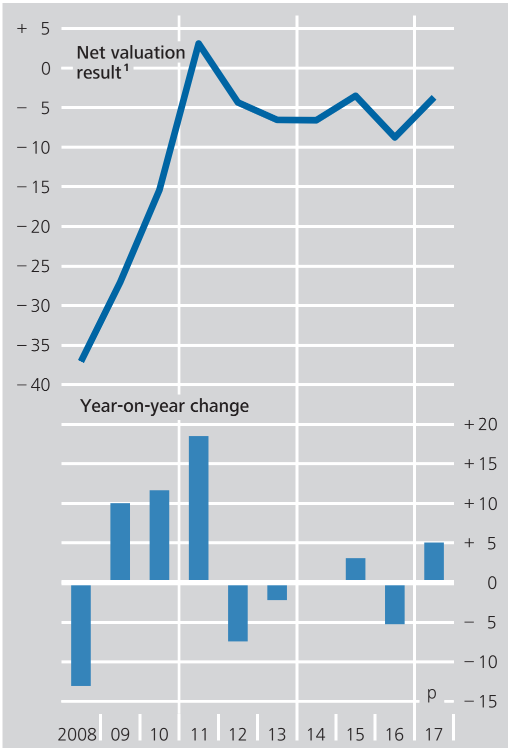
28 For more information, see also the comments on equity and profitability on pp. 50 ff.
29 The net valuation result comprises the effects of value adjustments, write-ups and write-downs on accounts receivable and securities in the liquidity reserve. In addition, income and charges in connection with transfers from and to loan-loss provisions are taken into account, as are transfers and releases relating to undisclosed reserves pursuant to Section 340 f of the German Commercial Code *(Handelsgesetzbuch)*. The net valuation result makes use of the cross-offsetting option permissible under the German Commercial Code. Reallocations within the fund for general banking risks pursuant to Section 340 g of the German Commercial Code are not recorded in the profit and loss account, but are recognised only in the context of profit appropriation as part of the present profit and loss analysis.
30 At -€8.8 billion, the net valuation result in 2016 experienced a one-off shift away from the historically favourable level it has stood at since 2011, mainly as a consequence of high write-downs in shipping finance by individual big banks and Landesbanken.
31 See Statistisches Bundesamt (Federal Statistical Office), Unternehmen und Arbeitsstätten, Fachserie 2, Reihe 4.1, Insolvenzverfahren Dezember und Jahr 2017.

Significant improvement in the big bank and Landesbank sectors

The big bank sector's net valuation result, which had been hit hard by very high value adjustments to shipping loans at specific big banks in the previous year, improved by €4.7 billion in the year under review, once again reaching a positive value, of €0.7 billion. The Landesbanken clearly reduced their net valuation charges by €1.5 billion to €2.3 billion. Developments within this category of banks were nevertheless heterogeneous.[32] Mortgage banks, whose net valuation result in the period under review (€0.03 billion) was positive for the first time since 1999, benefited from further balance sheet and risk reductions. By contrast, regional and other commercial banks expanded their risk provisioning by more than a quarter, recording net valuation charges of €1.3 billion. Buoyed up by the favourable economic framework conditions, which meant that the need for risk provisioning for loans to households was regarded as low, the net valuation result for savings banks and credit cooperatives was again very low. In line with further net releases of undisclosed reserves pursuant to Section 340 f of the German Commercial Code,[33] savings banks recorded a positive net valuation result for the seventh year in a row. At €0.2 billion, it was €0.8 billion lower than in the previous year, however. The net valuation result for credit cooperatives moved slightly into negative territory again, at -€0.2 billion. The building and loan association sector recorded a negative net valuation result again (-€0.06 billion) after a positive result in the preceding year of €0.02 billion. There was no repeat of the high realisation gains from the scheduled liquidation of one building and loan association's financial and capital investments; these gains had dominated the sector's net valuation result in the previous year.

Risk provisioning of credit institutions

€ billion



1 Excluding investment in tangible and financial fixed assets.
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Slight rise in operating result

Operating result benefits from extremely low net risk provisioning costs

The operating result before the valuation of assets is calculated by subtracting administrative spending from operating income. In the aggregate, the operating result (€34.5 billion) was significantly worse than in the previous year. After deducting the very low level of credit risk provisioning, the operating result (after valuation of assets) improved by 0.8% on the year to €30.8 billion.

32 For one Landesbank, the scheduled liquidation of legacy assets as part of the privatisation process resulted in additional specific value adjustments on a large scale, while the improvement in the merged Landesbank's net valuation result significantly improved the aggregate net valuation result compared to the previous year.
33 However, because these were mostly allocated to the disclosed reserves pursuant to Section 340 g of the German Commercial Code in the context of profit appropriation to strengthen the core capital base, this is primarily an accounting measure without any effect on earnings. For more information, see also Deutsche Bundesbank, The effect of reallocating undisclosed reserves pursuant to section 340 f of the German Commercial Code as disclosed reserves pursuant to section 340 g of the German Commercial Code on the annual profit in the profit and loss statistics, Monthly Report, September 2012, p. 27 f.

Breakdown of the extraordinary profit and loss

€ million

Item	2015	2016	2017p
Other and extraordinary result	– 7,791	– 2,812	– 3,407
Income (total)	3,549	8,347	5,310
Value adjustments in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	1,905	3,446	3,103
from loss transfers	1,101	39	610
Extraordinary income	543	4,862	1,597
Charges (total)	– 11,340	– 11,159	– 8,717
Write-offs and write-downs in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	– 3,579	– 3,720	– 1,461
from loss transfers	– 1,213	– 914	– 636
Extraordinary charges	– 2,471	– 1,800	– 2,321
Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	– 4,077	– 4,725	– 4,299

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Extraordinary account negative balance increased significantly

Impact of various individual effects

The balance shown in the other and extraordinary account comprises not only the extraordinary profit or loss in the stricter sense[34] but also the result from financial investment business[35] as well as loss transfers. Furthermore, charges arising from profit transfers[36] are recorded here, as they cannot be assigned to actual operating business. The balance aggregated across all banks deteriorated by just over one-fifth to -€3.4 billion. Developments were mixed across the categories of banks. The big banks sector's result was well into negative territory once again (-€1.1 billion) after having been positive the previous year (€1.1 billion) for the first time since 2007.[37] The improvement in the Landesbank sector by €1.2 billion to €0.7 billion was primarily linked to the merger of two Landesbanken. In particular, the absence of large write-downs on the participating interest in the subsidiary, which had weighed on the previous year's result, and the merger gain in the year under review were significant factors in this positive development. The credit cooperatives' result, which had been shored up in the previous year by revaluation gains from participating interests arising from the merger of the two regional institutions of credit co-

34 Only extraordinary events which interrupt the normal financial year are recorded in this item. These include merger gains and losses, reorganisation gains and losses, debt forgiveness in restructurings as well as charges for redundancy programmes and restructuring.
35 Financial investment business comprises the balance of income from value adjustments in respect of participating interests, shares in affiliated enterprises and securities treated as fixed assets as well as write-downs and write-offs in respect of these items.
36 This relates to charges from profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement. By contrast, income from profit transfers is reported under net interest income; the assumption is that they are part of the business strategy and hence of operating business.
37 In the previous year, the profit from the complete liquidation of a mortgage bank as the subsidiary of a big bank, recorded as extraordinary income, contributed significantly to boosting the sector's result.

Return on equity of individual categories of banks*

%

Category of banks	2013		2014		2015		2016		2017p	
All categories of banks	5.28	(3.51)	5.72	(3.98)	5.82	(3.97)	5.97	(4.27)	5.61	(4.07)
Commercial banks	4.96	(3.54)	4.80	(3.51)	3.54	(2.18)	4.51	(3.20)	3.94	(2.78)
of which:										
Big banks	4.58	(3.24)	4.33	(3.16)	3.01	(1.81)	3.45	(2.50)	2.88	(2.30)
Regional banks and other commercial banks	5.27	(3.81)	5.22	(3.89)	4.22	(2.71)	6.30	(4.45)	5.28	(3.30)
Landesbanken	– 0.80	(– 1.58)	– 0.63	(– 1.50)	3.27	(1.89)	– 1.01	(– 1.95)	1.85	(0.98)
Savings banks	10.61	(7.33)	9.94	(6.72)	9.68	(6.54)	10.42	(7.42)	9.39	(6.66)
Credit cooperatives	14.75	(10.98)	12.22	(8.59)	10.74	(7.36)	11.54	(8.39)	10.13	(7.07)
Mortgage banks	0.73	(0.18)	– 1.03	(– 1.67)	4.94	(4.29)	5.54	(4.20)	5.49	(3.56)
Building and loan associations	4.97	(2.78)	8.43	(5.61)	4.49	(3.66)	8.87	(7.28)	9.18	(7.74)

* Profit for the financial year before tax (in brackets: after tax) as a percentage of the average equity as shown in the balance sheet (including the fund for general banking risks, but excluding participation rights capital).

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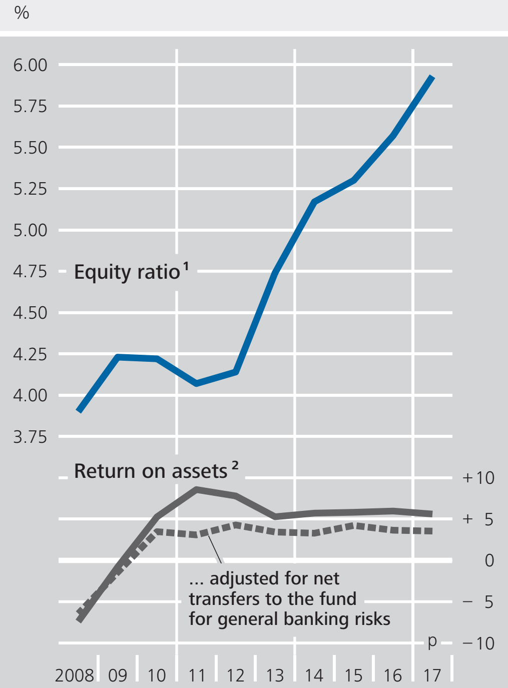
operatives, dipped slightly into negative territory, from €0.4 billion in the previous year.

Profit for the financial year before tax still high despite marginal decline

Pre-tax profit for the year still high

Aggregated across all banks, the profit for the financial year before tax fell slightly by 1.2% to €27.4 billion. At the banking categories level, only Landesbanken and building and loan associations recorded an increase, with Landesbanken experiencing a significant rise in their profit for the financial year before tax to €0.9 billion. In the previous year, extremely high annual losses at the two Landesbanken that merged in the year under review had had a major negative impact on this category's result. Building and loan associations also improved their profit for the financial year before tax by 11.3% to €1.0 billion. While this increase is due to the one-off effect in net interest income and the gain in the extraordinary account, the FbtA withdrawals are the main reason that the profit for the financial year before tax has been high for the past two years. Profit for the financial year before tax fell by 3.6% to €9.9 billion in the savings bank sector, by 5.4% to €7.3 billion in the cooperative bank sector and by 4.0% to €3.3 billion for regional and other commercial banks. For mortgage banks, the decline by 7.2% to €0.5 billion was much smaller than in the previous year. The big banks sector's profit for the financial year before tax saw a considerable contraction of 11.6% to €2.8 billion. Nevertheless, in the year under review, the profit for the financial year before tax was well above its long-term average for all banking groups.

Equity ratio and return on assets of credit institutions



1 Equity (including fund for general banking risks but not participation rights capital) as a percentage of total assets as an annual average. **2** Profit or loss for the financial year before tax as a percentage of average equity.
Deutsche Bundesbank

Appropriation of profit for the financial year

Transfers to the fund for general banking risks still high

After deducting taxes on income of €7.5 billion and the aggregate net loss brought forward of €4.0 billion, which, as in the previous year, related mainly to individual mortgage banks, regional and other commercial banks and individual banks with special, development and other central support tasks, this left on balance a slightly higher profit for the financial year before tax of €15.9 billion. The fund for general banking risks grew for the ninth time in succession as a result of hedging against the special risks of banking business and to strengthen regulatory equity capital. Net transfers amounted to a combined total of €10.1 billion (compared with €10.8 billion in the previous year). Savings banks and credit cooperatives transferred the largest amounts to the fund on balance (net transfers of €5.0 billion and €3.1 billion, respectively). The building and loan association sector transferred €0.7 billion net. In addition to the fund for general banking risks, reserves were increased by €2.6 billion net, meaning that overall a net €12.7 billion was transferred to balance sheet capital (total equity).

Equity and profitability

Equity ratio at a historical high

In the year under review, the total balance sheet capital (total equity) of all German banks was, at €489 billion, 5.0% above the previous year's value and has therefore risen by 53% since 2007. Except for the categories Landesbanken and mortgage banks, which are affected by structural changes, balance sheet capital (total equity) rose in all categories of banks. The equity ratio, calculated as the ratio of balance sheet capital (total equity) to total assets, reached a new peak of 5.9%. When interpreting the data on total equity, which are calculated as annual average values, it should be borne in mind that the amounts transferred from the profit for the respective financial year do not increase balance sheet capital (total equity) until the year after the annual accounts are adopted, while withdrawals from equity items are to be deducted when the annual accounts are prepared at the latest.

Return on equity down slightly

The return on equity, calculated as the ratio of profit for the financial year before tax to balance sheet capital (total equity), provides information on the rate of return on the equity employed by the equity holders. The slight drop in the profit for the financial year and the simultaneous rise in the equity base meant that the return on equity for the entire German banking system was, at 5.6%, 0.4 percentage point below the previous year's figure, yet remained within the long-term average range.[38] At the

38 Despite this decline, Dombret, Gündüz and Rocholl (2017), Will German Banks Earn their Cost of Capital?, forthcoming in Contemporary Economic Policy, show in an investigation of the effects of a protracted period of low interest rates on the German banking sector's outlook for profitability after 2015 that most German banks will manage to cover their cost of capital in this setting according to their forecasts.

level of the categories of banks, only Landesbanken and building and loan associations increased their ratios. In the case of Landesbanken, the ratio flipped back into positive territory, moving from -1.0% to 1.8%. Building and loan associations boosted their return on equity by 0.3 percentage point to 9.2%, almost reaching the long-term average. Excluding the effects of the FbtA withdrawals on the profit for the financial year before tax, the return on equity in this category of banks would have been only 2.9%. Savings banks and credit cooperatives remained the most profitable categories of banks, with returns on equity of 9.4% and 10.1%, respectively.

Primary institutions the sole category of banks with exclusively positive returns on assets

The return on assets, calculated as the ratio of the profit for the financial year before tax to total assets, provides information on profitability per euro of assets used. Aggregated across all banks, this ratio was, at 0.33%, stable at the previous year's level. An analysis of individual institutions' returns on assets revealed that the worst 10% of institutions as measured by their return on assets make up more than half of the aggregate total assets in the German banking system. This is largely because several big banks and Landesbanken have a very low return on assets. 40 banks, which together make up around 5% of aggregate total assets, reported negative returns on assets in the year under review. Savings banks and cooperative banks were the only categories of banks in which all institutions had a positive return on assets.

Balance sheet profit

Balance sheet profit down again due to lack of one-off effects

To calculate the balance sheet profit, taxes on earnings, the balance of profits or losses brought forward, net transfers to reserves and net transfers to the fund for general banking risks are deducted from the profit for the financial year before tax. The big banks sector's balance sheet profit, which was pushed up in the previous year by one big bank's withdrawals of equity capital in order to transfer it to its parent company, contracted by €2.4 billion to just €1.8 billion. This development was one of the main reasons why the balance sheet profit aggregated across all banks stood at €3.2 billion, which is around two-thirds of the previous year's figure. Since net transfers to equity capital exceeded the profit for the financial year before tax in the Landesbank sector, it recorded a balance sheet loss of €0.2 billion. Savings banks and credit cooperatives hovered around the previous years' level with balance sheet profits of €1.5 billion and €1.3 billion, respectively. Largely as a consequence of a development bank with a very high loss brought forward switching to another category of banks, regional and other commercial banks recorded a balance sheet loss of €1.6 billion following a balance sheet profit of €0.7 billion in the previous year. For the eleventh year in succession, mortgage banks reported a negative result, though they were able to almost halve this to €0.4 billion compared to the previous year.

Outlook

Challenging financial market environment set to continue

Favourable economic conditions are likely to benefit German banks again this year, while low interest rates and the flat yield curve will continue to present the banking sector with challenges. In June 2018, the Governing Council of the ECB communicated that it expects key ECB interest rates to remain at their present levels at least through the summer of 2019 and in any case for as long as necessary. At the same time, it announced the prospective end to net purchases within the asset purchase programme. Subject to confirmation of its current assessment of the medium-term outlook by newly available data, the Governing Council anticipates that it will discontinue monthly purchases entirely after the end of December 2018. In doing so, it has signalled the start of monetary policy returning to normal.

In 2018, the contribution to earnings from maturity transformation is likely to support net interest income again. On the one hand, the interest charged on new loans to households

Maturities continue to be shortened on the liabilities side and long-term lending volume increases further

for house purchase with an initial rate fixation period of over ten years rose a little further as compared to the level at the end of 2017, on the other hand, the interest costs for households' overnight deposits edged down a little more in the same period. The continued shortening of maturities on the liabilities side and the further increase in long-term lending volume on the assets side are also likely to help stabilise net interest income. The interest rate and liquidity risks associated with this balance sheet structure are also very likely to materialise in the event of an interest rate hike, entailing a negative impact on profitability. These negative consequences of a hike in rates for earnings, which will prevail in the short term, may be softened by higher commission income. In the medium to long term, however, an interest rate increase will probably have a positive effect on banks' profitability thanks to rising interest income.[39]

Negative interest rates increasingly passed on

More and more banks are using the option of lowering financing costs by collecting negative interest particularly on large-scale deposits in corporate banking business. By July 2018, the banks required to report for the MFI interest rate statistics had already collected negative interest on just under 45% of all overnight deposits of non-financial corporations. The reduction in interest rates for participation in the second series of targeted longer-term refinancing operations is likely to be another factor with positive effects on profitability. For those banks that took part in the operations and whose eligible net lending in the period from 1 February 2016 to 31 January 2018 exceeded their individual benchmark, the booking of the reductions in interest accumulated since the start of the contract is likely to have a positive effect on profitability in 2018.[40]

39 See Deutsche Bundesbank, The importance of bank profitability and bank capital for monetary policy, Monthly Report, January 2018, pp. 27-52.
40 For more information, see also Decision (EU) 2016/810 of the European Central Bank of 28 April 2016 on a second series of targeted longer-term refinancing operations (ECB/2016/10).

The tables accompanying this article are printed on pp. 53 ff.

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

As a percentage of total assets°

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	Credit cooperatives	Mortgage banks	Building and loan associations	Banks with special, development and other central support tasks[1]
	Interest received[2]									
2011	3.31	2.02	1.56	3.78	5.39	3.96	3.93	4.96	3.94	2.84
2012	2.88	1.77	1.37	3.35	4.87	3.72	3.68	4.25	3.83	2.45
2013	2.61	1.70	1.29	3.09	3.49	3.40	3.40	3.91	3.61	2.58
2014	2.49	1.74	1.38	2.91	3.20	3.15	3.15	3.86	3.39	2.38
2015	2.33	1.66	1.33	2.71	3.04	2.90	2.84	4.07	3.18	2.21
2016	2.17	1.58	1.30	2.37	2.81	2.64	2.55	4.01	2.89	2.15
2017	2.00	1.54	1.26	2.24	2.74	2.42	2.34	3.35	2.63	1.78
	Interest paid									
2011	2.27	1.17	0.93	2.09	4.69	1.75	1.63	4.56	2.24	2.39
2012	1.88	0.92	0.69	1.84	4.24	1.59	1.47	3.83	2.21	1.99
2013	1.58	0.80	0.61	1.50	2.81	1.29	1.15	3.53	2.07	2.32
2014	1.39	0.77	0.60	1.30	2.47	1.06	0.94	3.38	1.95	1.95
2015	1.22	0.67	0.52	1.14	2.29	0.84	0.71	3.47	1.85	1.76
2016	1.08	0.61	0.52	0.85	2.04	0.68	0.55	3.47	1.73	1.73
2017	0.97	0.66	0.58	0.89	2.02	0.56	0.44	2.78	1.47	1.36
	Excess of interest received over interest paid = net interest income (interest margin)									
2011	1.03	0.85	0.64	1.69	0.70	2.21	2.30	0.41	1.70	0.46
2012	1.00	0.85	0.68	1.51	0.63	2.12	2.21	0.43	1.62	0.46
2013	1.02	0.89	0.69	1.60	0.68	2.10	2.25	0.38	1.54	0.26
2014	1.10	0.97	0.77	1.62	0.72	2.09	2.21	0.48	1.45	0.43
2015	1.11	0.99	0.81	1.56	0.76	2.06	2.14	0.60	1.32	0.45
2016	1.09	0.97	0.78	1.52	0.77	1.96	1.99	0.54	1.16	0.42
2017	1.04	0.87	0.68	1.36	0.73	1.87	1.90	0.58	1.16	0.42
	Excess of commissions received over commissions paid = net commission income (commission margin)									
2011	0.31	0.42	0.35	0.70	0.07	0.57	0.58	0.02	− 0.25	0.09
2012	0.29	0.37	0.32	0.61	0.06	0.56	0.56	0.02	− 0.26	0.10
2013	0.32	0.43	0.38	0.62	0.06	0.57	0.56	0.01	− 0.31	0.11
2014	0.35	0.47	0.43	0.63	0.07	0.58	0.56	0.00	− 0.26	0.12
2015	0.35	0.47	0.43	0.62	0.09	0.60	0.57	0.00	− 0.27	0.11
2016	0.36	0.45	0.42	0.56	0.12	0.60	0.55	− 0.01	− 0.23	0.10
2017	0.37	0.45	0.43	0.54	0.13	0.64	0.57	− 0.02	− 0.21	0.10

* The figures for the most recent date should be regarded as provisional in all cases. ° Excluding the total assets of the foreign branches of savings banks, excluding the total assets of the foreign branches of regional institutions of credit cooperatives until 2015 and, from 2016, excluding the total assets of the foreign branches of mortgage banks. For footnotes **1** and **2**, see p. 54.
Deutsche Bundesbank

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

As a percentage of total assets°

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	Credit cooperatives	Mortgage banks	Building and loan associations	Banks with special, development and other central support tasks[1]
	General administrative spending									
2011	0.89	0.97	0.80	1.62	0.44	1.74	1.88	0.22	0.98	0.24
2012	0.89	0.92	0.77	1.55	0.46	1.76	1.86	0.24	0.97	0.29
2013	0.97	1.03	0.89	1.55	0.54	1.77	1.85	0.27	0.91	0.30
2014	1.01	1.08	0.93	1.57	0.57	1.79	1.84	0.29	0.90	0.32
2015	1.05	1.11	0.99	1.53	0.63	1.81	1.82	0.30	0.81	0.32
2016	1.06	1.14	1.02	1.49	0.66	1.74	1.73	0.32	0.83	0.33
2017	1.07	1.15	1.06	1.43	0.71	1.70	1.66	0.38	0.83	0.33
	Result from the trading portfolio									
2011	0.05	0.13	0.15	0.05	− 0.04	0.00	0.00	0.00	0.00	0.01
2012	0.07	0.14	0.16	0.04	0.05	0.00	0.00	0.00	0.00	0.06
2013	0.07	0.11	0.14	0.04	0.11	0.00	0.00	0.00	0.00	0.03
2014	0.04	0.09	0.10	0.04	0.01	0.00	0.00	0.00	0.00	0.04
2015	0.04	0.08	0.09	0.04	0.05	0.00	0.00	0.00	0.00	0.03
2016	0.04	0.04	0.04	0.04	0.11	0.00	0.00	0.00	0.00	0.04
2017	0.07	0.12	0.15	0.03	0.11	0.00	0.00	0.00	0.00	0.03
	Operating result before the valuation of assets									
2011	0.50	0.46	0.30	1.04	0.30	1.03	1.06	0.08	0.47	0.34
2012	0.49	0.45	0.35	0.84	0.31	0.92	0.97	0.23	0.41	0.34
2013	0.43	0.38	0.25	0.85	0.33	0.86	1.01	0.09	0.33	0.10
2014	0.45	0.39	0.26	0.78	0.23	0.83	0.95	0.21	0.26	0.29
2015	0.44	0.36	0.20	0.84	0.28	0.82	0.91	0.29	0.23	0.26
2016	0.47	0.39	0.23	0.83	0.38	0.83	0.87	0.21	0.43	0.25
2017	0.42	0.30	0.13	0.67	0.27	0.83	0.86	0.16	0.42	0.23
	Result from the valuation of assets									
2011	0.03	− 0.11	− 0.06	− 0.31	− 0.05	0.69	− 0.04	− 0.25	0.38	0.15
2012	− 0.05	− 0.10	− 0.09	− 0.11	− 0.01	0.06	0.04	− 0.11	0.01	− 0.04
2013	− 0.07	− 0.06	− 0.03	− 0.13	− 0.27	0.01	0.04	− 0.08	− 0.04	− 0.09
2014	− 0.08	− 0.11	− 0.10	− 0.12	− 0.14	0.00	− 0.03	− 0.07	0.14	− 0.08
2015	− 0.04	− 0.03	0.00	− 0.14	− 0.10	0.01	− 0.06	− 0.09	− 0.03	− 0.03
2016	− 0.10	− 0.14	− 0.16	− 0.10	− 0.38	0.09	0.01	− 0.04	0.01	− 0.07
2017	− 0.04	− 0.02	0.03	− 0.12	− 0.24	0.02	− 0.02	0.01	− 0.03	− 0.07

For footnotes *, °, see p. 53. **1** From 2012, Portigon AG (legal successor of WestLB) allocated to the category of "Banks with special, development and other central support tasks". **2** Interest received plus current income and profits transferred under 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 total assets°

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	Credit cooperatives	Mortgage banks	Building and loan associations	Banks with special, development and other central support tasks 1
	Operating result									
2011	0.54	0.34	0.24	0.73	0.25	1.73	1.02	− 0.18	0.85	0.49
2012	0.45	0.35	0.25	0.73	0.30	0.98	1.00	0.11	0.41	0.30
2013	0.36	0.33	0.21	0.72	0.06	0.88	1.06	0.01	0.29	0.02
2014	0.37	0.28	0.16	0.65	0.10	0.83	0.93	0.14	0.39	0.21
2015	0.40	0.33	0.21	0.70	0.18	0.83	0.85	0.20	0.20	0.23
2016	0.37	0.25	0.08	0.73	0.00	0.92	0.88	0.17	0.44	0.18
2017	0.37	0.28	0.16	0.55	0.03	0.85	0.84	0.17	0.40	0.15
	Other and extraordinary result									
2011	− 0.19	− 0.29	− 0.24	− 0.47	− 0.25	− 0.17	− 0.04	0.13	− 0.14	− 0.09
2012	− 0.12	− 0.16	− 0.09	− 0.40	− 0.14	− 0.12	0.00	− 0.10	− 0.09	− 0.11
2013	− 0.11	− 0.16	− 0.08	− 0.41	− 0.10	− 0.09	− 0.04	0.02	− 0.07	− 0.07
2014	− 0.08	− 0.10	− 0.02	− 0.34	− 0.13	− 0.05	− 0.02	− 0.18	− 0.03	− 0.01
2015	− 0.09	− 0.19	− 0.11	− 0.45	− 0.01	− 0.03	− 0.02	− 0.01	0.00	− 0.01
2016	− 0.03	− 0.06	0.04	− 0.36	− 0.05	− 0.03	0.04	0.01	− 0.02	0.00
2017	− 0.04	− 0.10	− 0.05	− 0.23	0.07	− 0.01	0.00	0.03	0.04	− 0.04
	Profit or loss (–) for the financial year before tax									
2011	0.35	0.06	0.00	0.26	0.00	1.56	0.98	− 0.05	0.72	0.40
2012	0.32	0.20	0.16	0.32	0.17	0.86	1.00	0.02	0.32	0.19
2013	0.25	0.17	0.13	0.30	− 0.04	0.78	1.02	0.02	0.22	− 0.05
2014	0.30	0.19	0.14	0.32	− 0.03	0.78	0.91	− 0.04	0.36	0.20
2015	0.31	0.14	0.10	0.25	0.17	0.79	0.84	0.20	0.20	0.21
2016	0.33	0.19	0.12	0.37	− 0.06	0.89	0.93	0.18	0.41	0.17
2017	0.33	0.18	0.12	0.32	0.10	0.84	0.84	0.21	0.43	0.12
	Profit or loss (–) for the financial year after tax									
2011	0.27	0.02	− 0.02	0.18	− 0.04	1.30	0.71	− 0.06	0.62	0.39
2012	0.23	0.11	0.07	0.25	0.12	0.62	0.73	0.01	0.23	0.21
2013	0.17	0.12	0.09	0.22	− 0.08	0.54	0.76	0.01	0.12	− 0.07
2014	0.21	0.14	0.10	0.23	− 0.08	0.53	0.64	− 0.06	0.24	0.19
2015	0.21	0.09	0.06	0.16	0.10	0.54	0.57	0.17	0.16	0.17
2016	0.24	0.13	0.09	0.26	− 0.11	0.63	0.67	0.14	0.34	0.17
2017	0.24	0.13	0.09	0.20	0.05	0.59	0.59	0.13	0.37	0.13

For footnotes *****, °, see p. 53. For footnote **1**, see p. 54.
Deutsche Bundesbank

Credit institutions' profit and loss accounts*

Financial year	Number of reporting institutions	Total assets[1]	Interest business			Commissions business			Result from the trading portfolio	Other operating result	Operating income[3] (col. 3 plus col. 6 plus col. 9 plus col. 10)
			Net interest income (col. 4 less col. 5)	Total interest received[2]	Interest paid	Net commission income (col. 7 less col. 8)	Commissions received	Commissions paid			
	1	2	3	4	5	6	7	8	9	10	11
		€ billion									
2010	1,821	8,300.4	95.4	270.1	174.7	28.3	42.0	13.7	5.7	− 0.7	128.7
2011	1,801	9,167.9	94.7	303.0	208.3	28.3	41.1	12.8	4.6	0.6	128.2
2012	1,776	9,542.7	95.5	274.7	179.2	27.5	40.0	12.5	7.1	1.6	131.8
2013	1,748	8,755.4	89.5	228.2	138.7	28.0	40.6	12.6	5.9	− 0.8	122.6
2014	1,715	8,452.6	93.4	210.8	117.4	29.3	42.6	13.3	3.6	− 2.5	123.8
2015	1,679	8,605.6	95.9	200.9	105.0	30.5	44.5	14.1	3.7	− 2.2	127.9
2016	1,611	8,355.0	91.1	181.5	90.4	29.7	43.2	13.5	3.0	4.1	128.0
2017	1,538	8,249.1	85.5	165.4	79.9	30.6	44.2	13.6	5.6	1.5	123.1
	Year-on-year percentage change										
2011	− 1.1	10.5	− 0.7	12.2	19.3	0.1	− 2.3	− 7.1	− 19.4	.	− 0.4
2012	− 1.4	4.1	0.8	− 9.4	− 14.0	− 2.8	− 2.7	− 2.4	55.3	166.7	2.8
2013	− 1.6	− 8.2	− 6.3	− 16.9	− 22.6	2.0	1.7	1.0	− 18.0	.	− 7.0
2014	− 1.9	− 3.5	4.4	− 7.6	− 15.3	4.5	5.0	6.1	− 38.2	− 201.2	1.0
2015	− 2.1	1.8	2.7	− 4.7	− 10.6	4.0	4.5	5.5	3.0	11.1	3.3
2016	− 4.1	− 2.9	− 4.9	− 9.6	− 13.9	− 2.3	− 3.0	− 4.4	− 18.4	.	0.1
2017	− 4.5	− 1.3	− 6.2	− 8.9	− 11.6	2.7	2.3	1.3	82.9	− 63.9	− 3.8
	As a percentage of total assets										
2010	.	.	1.15	3.25	2.10	0.34	0.51	0.17	0.07	− 0.01	1.55
2011	.	.	1.03	3.31	2.27	0.31	0.45	0.14	0.05	0.01	1.40
2012	.	.	1.00	2.88	1.88	0.29	0.42	0.13	0.07	0.02	1.38
2013	.	.	1.02	2.61	1.58	0.32	0.46	0.14	0.07	− 0.01	1.40
2014	.	.	1.10	2.49	1.39	0.35	0.50	0.16	0.04	− 0.03	1.47
2015	.	.	1.11	2.33	1.22	0.35	0.52	0.16	0.04	− 0.03	1.49
2016	.	.	1.09	2.17	1.08	0.36	0.52	0.16	0.04	0.05	1.53
2017	.	.	1.04	2.00	0.97	0.37	0.54	0.17	0.07	0.02	1.49

* The figures for the most recent date should be regarded as provisional in all cases. **1** Excluding the total assets of the foreign branches of savings banks and of the foreign branches of regional institutions of credit cooperatives until 2015 and, from 2016, excluding the total assets of the foreign branches of mortgage banks. **2** Interest received plus current income and profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement. **3** Net inter-

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General administrative spending: Total (col. 13 plus col. 14)	Staff costs	Total other administrative spending[4]	Operating result before the valuation of assets (col. 11 less col. 12)	Result from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col. 15 plus col. 16)	Other and extraordinary result	Profit or loss (–) for the financial year before tax (col. 17 plus col. 18)	Taxes on income and earnings[5]	Profit or loss (–) for the financial year after tax (col. 19 less col. 20)	Financial year
12	13	14	15	16	17	18	19	20	21	
									€ billion	
82.2	43.1	39.1	46.6	– 15.4	31.2	– 12.7	18.4	5.5	12.9	2010
82.0	42.5	39.6	46.2	3.1	49.3	– 17.4	31.9	7.0	24.9	2011
84.8	44.6	40.2	47.0	– 4.3	42.7	– 11.9	30.8	8.8	22.0	2012
84.8	43.8	41.0	37.8	– 6.5	31.2	– 9.3	22.0	7.4	14.6	2013
85.8	44.0	41.8	38.1	– 6.6	31.5	– 6.5	25.0	7.6	17.4	2014
90.0	46.0	44.0	37.9	– 3.5	34.4	– 7.8	26.6	8.4	18.1	2015
88.7	44.6	44.0	39.4	– 8.8	30.6	– 2.8	27.8	7.9	19.9	2016
88.5	44.6	44.0	34.5	– 3.7	30.8	– 3.4	27.4	7.5	19.9	2017
									Year-on-year percentage change	
– 0.2	– 1.4	1.2	– 0.8	.	58.1	– 36.4	73.1	27.9	92.3	2011
3.3	5.0	1.5	1.8	.	– 13.4	31.7	– 3.5	24.6	– 11.5	2012
0.0	– 1.9	2.2	– 19.6	– 50.9	– 26.8	21.8	– 28.7	– 15.8	– 33.9	2013
1.1	0.5	1.8	0.9	– 0.6	0.9	29.8	13.9	3.0	19.4	2014
5.0	4.7	5.3	– 0.6	46.9	9.0	– 19.7	6.3	11.2	4.1	2015
– 1.5	– 3.1	0.1	4.0	– 150.3	– 10.9	63.9	4.6	– 6.7	9.9	2016
– 0.1	– 0.1	– 0.1	– 12.2	57.8	0.8	– 21.2	– 1.2	– 4.3	0.0	2017
									As a percentage of total assets	
0.99	0.52	0.47	0.56	– 0.19	0.38	– 0.15	0.22	0.07	0.16	2010
0.89	0.46	0.43	0.50	0.03	0.54	– 0.19	0.35	0.08	0.27	2011
0.89	0.47	0.42	0.49	– 0.05	0.45	– 0.12	0.32	0.09	0.23	2012
0.97	0.50	0.47	0.43	– 0.07	0.36	– 0.11	0.25	0.08	0.17	2013
1.01	0.52	0.49	0.45	– 0.08	0.37	– 0.08	0.30	0.09	0.21	2014
1.05	0.53	0.51	0.44	– 0.04	0.40	– 0.09	0.31	0.10	0.21	2015
1.06	0.53	0.53	0.47	– 0.10	0.37	– 0.03	0.33	0.09	0.24	2016
1.07	0.54	0.53	0.42	– 0.04	0.37	– 0.04	0.33	0.09	0.24	2017

est and commission income plus result from the trading portfolio and other operating result. **4** Including depreciation of and value adjustments to tangible and intangible assets, but excluding depreciation of and value adjustments to assets leased ("broad" definition). **5** In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken.

Profit and loss accounts, by category of banks*

Financial year	Number of reporting institutions	€ million									
			Interest business			Commissions business					
		Total assets[1]	Net interest income (col. 4 less col. 5)	Total interest received[2]	Interest paid	Net commission income (col. 7 less col. 8)	Commissions received	Commissions paid	Result from the trading portfolio	Other operating result	Operating income[3] (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										
2012	1,776	9,542,656	95,504	274,706	179,202	27,493	39,950	12,457	7,149	1,616	131,762
2013	1,748	8,755,419	89,485	228,193	138,708	28,039	40,618	12,579	5,861	− 820	122,565
2014	1,715	8,452,585	93,398	210,822	117,424	29,297	42,639	13,342	3,624	− 2,470	123,849
2015	1,679	8,605,560	95,887	200,861	104,974	30,461	44,542	14,081	3,734	− 2,196	127,886
2016	1,611	8,355,020	91,146	181,543	90,397	29,746	43,201	13,455	3,046	4,065	128,003
2017	1,538	8,249,120	85,486	165,359	79,873	30,558	44,192	13,634	5,570	1,468	123,082
	Commercial banks										
2012	183	4,132,098	34,935	73,017	38,082	15,424	21,857	6,433	5,605	540	56,504
2013	183	3,669,592	32,689	62,225	29,536	15,946	22,387	6,441	4,136	− 861	51,910
2014	183	3,532,938	34,370	61,502	27,132	16,686	24,065	7,379	3,026	− 2,335	51,747
2015	177	3,678,042	36,282	60,993	24,711	17,337	25,183	7,846	2,867	− 2,320	54,166
2016	171	3,580,912	34,768	56,451	21,683	16,204	23,873	7,669	1,429	2,427	54,828
2017	172	3,532,639	30,889	54,353	23,464	16,027	23,832	7,805	4,072	71	51,059
	Big banks										
2012	4	3,217,291	21,944	44,179	22,235	10,152	12,771	2,619	5,213	− 1,417	35,892
2013	4	2,798,461	19,235	36,200	16,965	10,698	13,043	2,345	3,821	− 2,086	31,668
2014	4	2,647,559	20,491	36,414	15,923	11,336	14,269	2,933	2,635	− 2,844	31,618
2015	4	2,736,876	22,151	36,394	14,243	11,762	14,569	2,807	2,496	− 3,732	32,677
2016	4	2,575,072	20,126	33,572	13,446	10,817	13,510	2,693	1,069	405	32,417
2017	4	2,400,315	16,369	30,216	13,847	10,205	12,929	2,724	3,701	− 1,712	28,563
	Regional banks and other commercial banks										
2012	160	840,168	12,687	28,162	15,475	5,143	8,942	3,799	372	1,904	20,106
2013	160	822,706	13,161	25,462	12,301	5,119	9,200	4,081	295	1,153	19,728
2014	160	833,806	13,500	24,305	10,805	5,245	9,674	4,429	375	428	19,548
2015	154	884,457	13,832	23,939	10,107	5,469	10,492	5,023	353	1,348	21,002
2016	148	942,665	14,369	22,343	7,974	5,286	10,245	4,959	340	1,916	21,911
2017	149	1,048,189	14,237	23,523	9,286	5,712	10,779	5,067	348	1,670	21,967
	Branches of foreign banks										
2012	19	74,639	304	676	372	129	144	15	20	53	506
2013	19	48,425	293	563	270	129	144	15	20	72	514
2014	19	51,573	379	783	404	105	122	17	16	81	581
2015	19	56,709	299	660	361	106	122	16	18	64	487
2016	19	63,175	273	536	263	101	118	17	20	106	500
2017	19	84,135	283	614	331	110	124	14	23	113	529
	Landesbanken										
2012	9	1,371,385	8,702	66,849	58,147	876	2,612	1,736	708	286	10,572
2013	9	1,229,051	8,383	42,870	34,487	732	2,582	1,850	1,340	227	10,682
2014	9	1,139,438	8,243	36,437	28,194	847	2,632	1,785	112	− 37	9,165
2015	9	1,087,623	8,230	33,092	24,862	995	2,816	1,821	535	210	9,970
2016	9	975,957	7,558	27,464	19,906	1,216	2,810	1,594	1,026	289	10,089
2017	8	940,293	6,833	25,797	18,964	1,238	2,867	1,629	1,059	114	9,244

For footnotes *, **1-6**, see pp. 60 f.
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General administrative spending			Operating result before the valuation of assets (col. 11 less col. 12)	Result from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col. 15 plus col. 16)	Other and extra-ordinary result	Profit or loss (–) for the financial year before tax (col. 17 plus col. 18)	Taxes on income and earnings[5]	Profit or loss (–) for the financial year after tax (col. 19 less col. 20)	Withdrawals from or transfers to (–) reserves and participation rights capital[6]	Balance sheet profit or loss (–) (col. 21 plus col. 22)	Financial year
Total (col. 13 plus col. 14)	Staff costs	Total other administrative spending[4]										
12	13	14	15	16	17	18	19	20	21	22	23	
											All categories of banks	
84,774	44,607	40,167	46,988	− 4,334	42,654	− 11,852	30,802	8,762	22,040	− 22,237	− 197	2012
84,798	43,756	41,042	37,767	− 6,542	31,225	− 9,271	21,954	7,376	14,578	− 16,232	− 1,654	2013
85,756	43,979	41,777	38,093	− 6,583	31,510	− 6,510	25,000	7,596	17,404	− 15,454	1,950	2014
90,033	46,039	43,994	37,853	− 3,497	34,356	− 7,791	26,565	8,445	18,120	− 15,436	2,684	2015
88,653	44,615	44,038	39,350	− 8,754	30,596	− 2,812	27,784	7,875	19,909	− 15,395	4,514	2016
88,543	44,570	43,973	34,539	− 3,694	30,845	− 3,407	27,438	7,534	19,904	− 16,739	3,165	2017
											Commercial banks	
37,987	17,711	20,276	18,517	− 3,962	14,555	− 6,430	8,125	3,563	4,562	− 1,568	2,994	2012
37,800	16,903	20,897	14,110	− 2,036	12,074	− 5,769	6,305	1,812	4,493	− 2,794	1,699	2013
37,990	16,216	21,774	13,757	− 3,797	9,960	− 3,367	6,593	1,776	4,817	− 2,812	2,005	2014
40,961	17,530	23,431	13,205	− 1,183	12,022	− 6,890	5,132	1,969	3,163	− 1,870	1,293	2015
40,723	17,379	23,344	14,105	− 5,130	8,975	− 2,248	6,727	1,954	4,773	148	4,921	2016
40,546	17,160	23,386	10,513	− 556	9,957	− 3,547	6,410	1,882	4,528	− 4,087	441	2017
											Big banks	
24,682	11,814	12,868	11,210	− 3,034	8,176	− 3,038	5,138	2,885	2,253	1,001	3,254	2012
24,792	11,174	13,618	6,876	− 958	5,918	− 2,367	3,551	1,036	2,515	− 756	1,759	2013
24,683	10,450	14,233	6,935	− 2,717	4,218	− 559	3,659	993	2,666	− 729	1,937	2014
27,101	11,422	15,679	5,576	85	5,661	− 2,953	2,708	1,082	1,626	− 216	1,410	2015
26,378	11,134	15,244	6,039	− 4,021	2,018	1,127	3,145	864	2,281	1,918	4,199	2016
25,324	10,489	14,835	3,239	666	3,905	− 1,126	2,779	559	2,220	− 433	1,787	2017
											Regional banks and other commercial banks	
13,059	5,786	7,273	7,047	− 940	6,107	− 3,394	2,713	593	2,120	− 2,547	− 427	2012
12,757	5,617	7,140	6,971	− 1,076	5,895	− 3,402	2,493	690	1,803	− 2,017	− 214	2013
13,068	5,655	7,413	6,480	− 1,042	5,438	− 2,808	2,630	672	1,958	− 2,066	− 108	2014
13,562	5,987	7,575	7,440	− 1,267	6,173	− 3,937	2,236	802	1,434	− 1,633	− 199	2015
14,065	6,121	7,944	7,846	− 988	6,858	− 3,375	3,483	1,022	2,461	− 1,750	711	2016
14,941	6,538	8,403	7,026	− 1,265	5,761	− 2,419	3,342	1,253	2,089	− 3,643	− 1,554	2017
											Branches of foreign banks	
246	111	135	260	12	272	2	274	85	189	− 22	167	2012
251	112	139	263	− 2	261	0	261	86	175	− 21	154	2013
239	111	128	342	− 38	304	0	304	111	193	− 17	176	2014
298	121	177	189	− 1	188	0	188	85	103	− 21	82	2015
280	124	156	220	− 121	99	0	99	68	31	− 20	11	2016
281	133	148	248	43	291	− 2	289	70	219	− 11	208	2017
											Landesbanken	
6,305	3,127	3,178	4,267	− 118	4,149	− 1,853	2,296	667	1,629	− 1,954	− 325	2012
6,605	3,200	3,405	4,077	− 3,321	756	− 1,235	− 479	469	− 948	973	25	2013
6,498	3,261	3,237	2,667	− 1,580	1,087	− 1,455	− 368	511	− 879	1,406	527	2014
6,893	3,488	3,405	3,077	− 1,114	1,963	− 158	1,805	764	1,041	− 580	461	2015
6,412	2,889	3,523	3,677	− 3,725	− 48	− 499	− 547	505	− 1,052	182	− 870	2016
6,699	3,083	3,616	2,545	− 2,257	288	656	944	443	501	− 741	− 240	2017

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

Financial year	Number of reporting institutions	€ million									
			Interest business			Commissions business					
		Total assets[1]	Net interest income (col. 4 less col. 5)	Total interest received[2]	Interest paid	Net commission income (col. 7 less col. 8)	Commissions received	Commissions paid	Result from the trading portfolio	Other operating result	Operating income[3] (col. 3 plus col. 6 plus col. 9 plus col. 10)
	1	2	3	4	5	6	7	8	9	10	11
	Savings banks										
2012	423	1,096,261	23,280	40,731	17,451	6,137	6,516	379	17	– 106	29,328
2013	417	1,098,581	23,117	37,298	14,181	6,241	6,633	392	19	– 476	28,901
2014	416	1,110,362	23,237	35,028	11,791	6,441	6,854	413	8	– 563	29,123
2015	413	1,130,688	23,285	32,807	9,522	6,776	7,211	435	– 7	– 260	29,794
2016	403	1,154,475	22,667	30,520	7,853	6,975	7,423	448	10	7	29,659
2017	390	1,179,048	22,015	28,567	6,552	7,589	8,071	482	6	174	29,784
	Credit cooperatives										
2012	1,101	739,066	16,354	27,223	10,869	4,107	4,969	862	16	432	20,909
2013	1,078	750,899	16,881	25,539	8,658	4,182	5,083	901	10	417	21,490
2014	1,047	771,932	17,063	24,305	7,242	4,324	5,266	942	10	143	21,540
2015	1,021	798,178	17,077	22,705	5,628	4,564	5,570	1,006	5	132	21,778
2016	972	832,181	16,578	21,180	4,602	4,577	5,601	1,024	10	495	21,660
2017	915	867,067	16,476	20,252	3,776	4,957	6,071	1,114	10	442	21,885
	Mortgage banks										
2012	17	565,008	2,413	24,026	21,613	97	327	230	0	143	2,653
2013	17	482,524	1,828	18,864	17,036	58	267	209	2	– 134	1,754
2014	17	421,014	2,007	16,232	14,225	14	225	211	– 4	108	2,125
2015	16	376,908	2,245	15,323	13,078	– 11	212	223	– 2	9	2,241
2016	15	289,800	1,565	11,623	10,058	– 43	176	219	0	14	1,536
2017	13	236,414	1,360	7,921	6,561	– 48	158	206	0	– 35	1,277
	Building and loan associations										
2012	22	200,782	3,252	7,681	4,429	– 531	1,403	1,934	0	46	2,767
2013	22	204,540	3,144	7,381	4,237	– 629	1,381	2,010	0	26	2,541
2014	21	210,066	3,037	7,126	4,089	– 547	1,339	1,886	0	– 53	2,437
2015	21	214,613	2,841	6,818	3,977	– 590	1,375	1,965	0	– 2	2,249
2016	20	215,668	2,503	6,233	3,730	– 503	1,260	1,763	0	717	2,717
2017	20	227,924	2,634	5,995	3,361	– 481	1,226	1,707	0	701	2,854
	Banks with special, development and other central support tasks										
2012	21	1,438,056	6,568	35,179	28,611	1,383	2,266	883	803	275	9,029
2013	22	1,320,232	3,443	34,016	30,573	1,509	2,285	776	354	– 19	5,287
2014	22	1,266,835	5,441	30,192	24,751	1,532	2,258	726	472	267	7,712
2015	22	1,319,508	5,927	29,123	23,196	1,390	2,175	785	336	35	7,688
2016	21	1,306,027	5,507	28,072	22,565	1,320	2,058	738	571	116	7,514
2017	20	1,265,735	5,279	22,474	17,195	1,276	1,967	691	423	1	6,979
	Memo item: Banks majority-owned by foreign banks										
2012	37	803,313	8,502	20,365	11,863	2,885	4,501	1,616	1,215	415	13,017
2013	37	692,773	8,266	15,323	7,057	2,633	4,282	1,649	1,106	301	12,306
2014	35	680,177	8,347	14,546	6,199	3,025	4,966	1,941	343	– 45	11,670
2015	33	735,491	8,383	13,502	5,119	2,919	4,834	1,915	435	456	12,193
2016	34	762,620	8,950	13,098	4,148	3,157	5,057	1,900	718	402	13,227
2017	34	765,500	8,802	12,014	3,212	3,589	5,218	1,629	810	899	14,100

* The figures for the most recent date should be regarded as provisional in all cases. **1** Excluding the total assets of the foreign branches of savings banks and of the foreign branches of regional institutions of credit cooperatives until 2015 and, from 2016, excluding the total assets of the foreign branches of mortgage banks. **2** Interest received plus current income and profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement. **3** Net interest and commission income plus result from the trading portfolio and other operating result. **4** Including depreciation of and value adjustments to tangible and

Deutsche Bundesbank

General administrative spending			Operating result before the valuation of assets (col. 11 less col. 12)	Result from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col. 15 plus col. 16)	Other and extraordinary result	Profit or loss (–) for the financial year before tax (col. 17 plus col. 18)	Taxes on income and earnings5	Profit or loss (–) for the financial year after tax (col. 19 less col. 20)	Withdrawals from or transfers to (–) reserves and participation rights capital6	Balance sheet profit or loss (–) (col. 21 plus col. 22)	Financial year
Total (col. 13 plus col. 14)	Staff costs	Total other administrative spending4										
12	13	14	15	16	17	18	19	20	21	22	23	
Savings banks												
19,256	12,068	7,188	10,072	660	10,732	– 1,272	9,460	2,657	6,803	– 5,200	1,603	2012
19,410	12,085	7,325	9,491	130	9,621	– 1,020	8,601	2,664	5,937	– 4,401	1,536	2013
19,891	12,606	7,285	9,232	1	9,233	– 593	8,640	2,794	5,846	– 4,288	1,558	2014
20,517	12,946	7,571	9,277	92	9,369	– 392	8,977	2,913	6,064	– 4,491	1,573	2015
20,110	12,587	7,523	9,549	1,062	10,611	– 386	10,225	2,939	7,286	– 5,728	1,558	2016
19,995	12,648	7,347	9,789	221	10,010	– 151	9,859	2,862	6,997	– 5,449	1,548	2017
Credit cooperatives												
13,774	8,210	5,564	7,135	263	7,398	13	7,411	1,989	5,422	– 4,001	1,421	2012
13,886	8,303	5,583	7,604	322	7,926	– 276	7,650	1,956	5,694	– 4,285	1,409	2013
14,201	8,538	5,663	7,339	– 198	7,141	– 153	6,988	2,077	4,911	– 3,480	1,431	2014
14,509	8,754	5,755	7,269	– 453	6,816	– 134	6,682	2,103	4,579	– 3,226	1,353	2015
14,423	8,649	5,774	7,237	103	7,340	361	7,701	2,104	5,597	– 4,246	1,351	2016
14,386	8,588	5,798	7,499	– 183	7,316	– 33	7,283	2,199	5,084	– 3,781	1,303	2017
Mortgage banks												
1,371	559	812	1,282	– 645	637	– 540	97	21	76	– 4,669	– 4,593	2012
1,322	525	797	432	– 405	27	90	117	88	29	– 4,775	– 4,746	2013
1,241	529	712	884	– 278	606	– 772	– 166	103	– 269	– 1,714	– 1,983	2014
1,147	492	655	1,094	– 327	767	– 20	747	98	649	– 1,385	– 736	2015
937	410	527	599	– 113	486	39	525	127	398	– 1,138	– 740	2016
897	411	486	380	32	412	75	487	171	316	– 722	– 406	2017
Building and loan associations												
1,952	758	1,194	815	17	832	– 189	643	172	471	– 300	171	2012
1,867	701	1,166	674	– 88	586	– 145	441	194	247	– 104	143	2013
1,893	752	1,141	544	284	828	– 65	763	255	508	– 389	119	2014
1,749	721	1,028	500	– 72	428	– 2	426	78	348	– 4	344	2015
1,798	692	1,106	919	22	941	– 51	890	160	730	– 548	182	2016
1,891	719	1,172	963	– 61	902	89	991	155	836	– 622	214	2017
Banks with special, development and other central support tasks												
4,129	2,174	1,955	4,900	– 549	4,351	– 1,581	2,770	– 307	3,077	– 4,545	– 1,468	2012
3,908	2,039	1,869	1,379	– 1,144	235	– 916	– 681	193	– 874	– 846	– 1,720	2013
4,042	2,077	1,965	3,670	– 1,015	2,655	– 105	2,550	80	2,470	– 4,177	– 1,707	2014
4,257	2,108	2,149	3,431	– 440	2,991	– 195	2,796	520	2,276	– 3,880	– 1,604	2015
4,250	2,009	2,241	3,264	– 973	2,291	– 28	2,263	86	2,177	– 4,065	– 1,888	2016
4,129	1,961	2,168	2,850	– 890	1,960	– 496	1,464	– 178	1,642	– 1,337	305	2017
Memo item: Banks majority-owned by foreign banks7												
8,097	3,643	4,454	4,920	– 285	4,635	– 1,339	3,296	735	2,561	– 32	2,529	2012
8,230	3,773	4,457	4,076	– 474	3,602	– 1,481	2,121	513	1,608	– 558	1,050	2013
7,920	3,516	4,404	3,750	– 439	3,311	– 1,308	2,003	320	1,683	– 725	958	2014
8,503	3,992	4,511	3,690	– 479	3,211	– 1,723	1,488	430	1,058	– 396	662	2015
9,072	4,329	4,743	4,155	– 1,012	3,143	– 1,604	1,539	636	903	2,646	3,549	2016
8,814	4,070	4,744	5,286	– 605	4,681	– 1,834	2,847	804	2,043	– 598	1,445	2017

intangible assets, but excluding depreciation of and value adjustments to assets leased ("broad" definition). **5** In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken. **6** Including profit or loss brought forward and withdrawals from or transfers to the fund for general banking risks. **7** Separate presentation of the (legally independent) banks 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: Total	Wages and salaries	Social security costs and costs relating to pensions and other benefits: Total	of which: Pensions	Other administrative spending[2]
2009	1,843	388.2	223.0	13.6	1.2	0.0	80.6	45.8	35.2	10.7	4.9	34.7
2010	1,821	329.1	174.7	13.7	0.7	0.0	78.7	43.1	35.2	7.9	2.3	35.6
2011	1,801	367.1	208.3	12.8	1.2	0.0	78.6	42.5	34.7	7.8	2.4	36.1
2012	1,776	329.0	179.2	12.5	0.2	0.0	80.9	44.6	35.5	9.1	3.4	36.3
2013	1,748	285.8	138.7	12.6	0.3	0.0	81.1	43.8	35.2	8.6	2.9	37.4
2014	1,715	262.8	117.4	13.3	0.4	0.0	82.0	44.0	35.3	8.7	3.2	38.0
2015	1,679	256.6	105.0	14.1	0.5	0.0	86.0	46.0	36.4	9.6	3.7	39.9
2016	1,611	240.9	90.4	13.5	0.2	0.0	84.4	44.6	36.1	8.6	2.7	39.8
2017	1,538	224.1	79.9	13.6	0.0	0.0	84.0	44.6	35.6	9.0	2.9	39.4

Financial year	Income, € billion: 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[4]	from shares in affiliated enterprises	Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	Commissions received
2009	381.2	303.0	247.7	55.3	11.7	7.2	0.9	3.5	3.1	40.7
2010	342.0	255.5	212.0	43.5	12.4	7.2	1.0	4.3	2.1	42.0
2011	392.0	288.8	246.1	42.7	11.2	6.7	1.2	3.3	3.0	41.1
2012	351.0	256.3	220.3	36.0	12.2	7.5	1.0	3.8	6.2	40.0
2013	300.4	213.6	184.9	28.7	10.0	6.0	1.0	3.0	4.6	40.6
2014	280.2	196.4	170.2	26.1	11.3	6.3	1.1	4.0	3.1	42.6
2015	274.7	183.1	160.1	22.9	15.0	6.7	1.8	6.5	2.8	44.5
2016	260.8	166.8	147.1	19.7	10.0	5.8	1.3	2.9	4.7	43.2
2017	244.0	150.9	134.4	16.5	11.0	6.9	1.1	3.0	3.4	44.2

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

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Depreciation of and value adjustments to tangible and intangible assets: Total	of which: Assets leased	Other operating charges	Depreciation of and value adjustments to loans and advances, and provisions for contingent liabilities and for commitments	Depreciation of and value adjustments to participating interests, shares in affiliated enterprises and securities treated as fixed assets	Charges incurred from loss transfers	Transfers to special reserves	Extra-ordinary charges	Taxes on income and earnings[3]	Other taxes	Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	Financial year
3.9	0.3	8.4	29.0	9.6	3.8	0.0	7.4	4.2	0.2	3.4	2009
3.9	0.5	11.5	18.4	4.0	3.9	0.0	10.4	5.5	0.3	3.2	2010
5.4	2.0	17.2	11.9	11.2	6.6	0.0	2.7	7.0	0.6	3.6	2011
5.8	2.0	15.3	11.7	7.1	0.6	0.0	2.4	8.8	0.2	4.3	2012
5.5	1.9	16.8	10.6	3.6	0.7	0.0	3.4	7.4	0.2	4.9	2013
5.5	1.8	16.4	10.5	3.5	0.6	0.0	1.5	7.6	0.2	3.9	2014
5.9	1.8	17.9	7.2	3.6	1.2	0.0	2.5	8.4	0.3	4.1	2015
6.6	2.3	13.8	12.7	3.7	0.9	0.0	1.8	7.9	0.3	4.7	2016
7.0	2.4	14.8	8.3	1.5	0.6	0.0	2.3	7.5	0.3	4.3	2017

Net profit from the trading portfolio[5]	Gross profit on transactions in goods and subsidiary transactions	Value readjustments 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
8.1	0.2	1.9	1.1	9.2	0.8	0.0	1.3	0.9	2009
6.4	0.2	3.0	1.6	11.5	0.9	0.0	6.1	1.2	2010
5.8	0.2	15.0	0.7	20.2	6.3	0.0	0.8	5.2	2011
7.4	0.2	7.4	1.4	18.9	5.1	0.0	0.7	0.5	2012
6.2	0.2	4.0	1.5	17.9	4.7	0.0	0.9	0.9	2013
4.0	0.2	4.0	1.7	15.7	4.5	0.0	0.8	0.4	2014
4.2	0.2	3.8	1.9	17.6	4.7	0.0	0.5	1.1	2015
3.3	0.2	4.0	3.4	20.3	5.5	0.0	4.9	0.0	2016
5.6	0.2	4.6	3.1	18.8	5.8	0.0	1.6	0.6	2017

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