Bank office report 2015

Development of the bank office network in 2015

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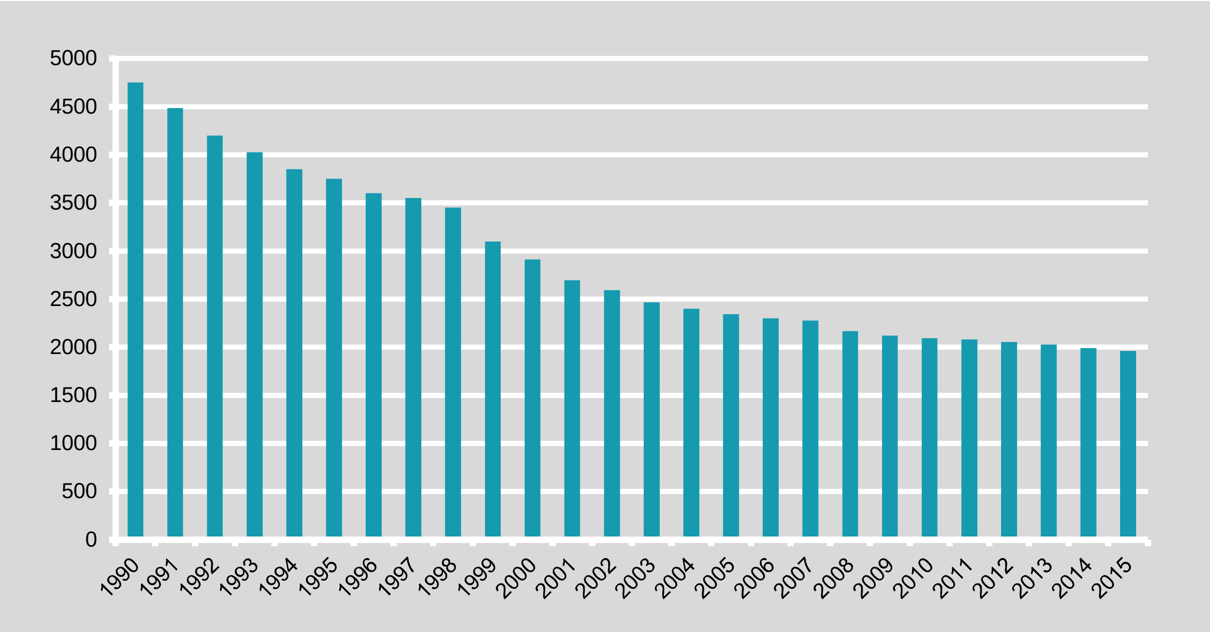
I Number of credit institutions (see Annex 1)

Last year saw a continuation of the consolidation process in the German banking sector.

The **total number of credit institutions**[1] in Germany (including legally dependent building and loan associations) fell since 2014 by 30, or 1.5%, from 1,990 to 1,960 institutions (by comparison: 2013: 2,029 institutions; 2005: 2,344 institutions; 2000: 2,912 institutions). Whereas, especially in the 1990s and the first half of the following decade, the number of credit institutions fell sharply, the consolidation process has been muted since then, especially since 2008.

Developments in the total number of credit institutions



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<u>Sectoral distribution</u>

In terms of the individual categories of banks, as in previous years the largest decrease, of 25 institutions, was in the <u>cooperative sector</u> (regional institutions of credit cooperatives, credit cooperatives, other credit institutions affiliated with the Federal Association of People's Banks and Raiffeisen Banks (Bundesverband der Deutschen Volksbanken und Raiffeisen-

[1] The bank office statistics and bank office report comprise credit institutions which conduct at least one of the types of banking business listed in section 1 (1) sentence 2 of the German Banking Act (*Kreditwesengesetz*). By contrast, monetary financial institutions (MFIs) comprise those institutions which form the money-issuing sector of the euro area. These include central banks, resident credit institutions as defined in Community law, and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities.

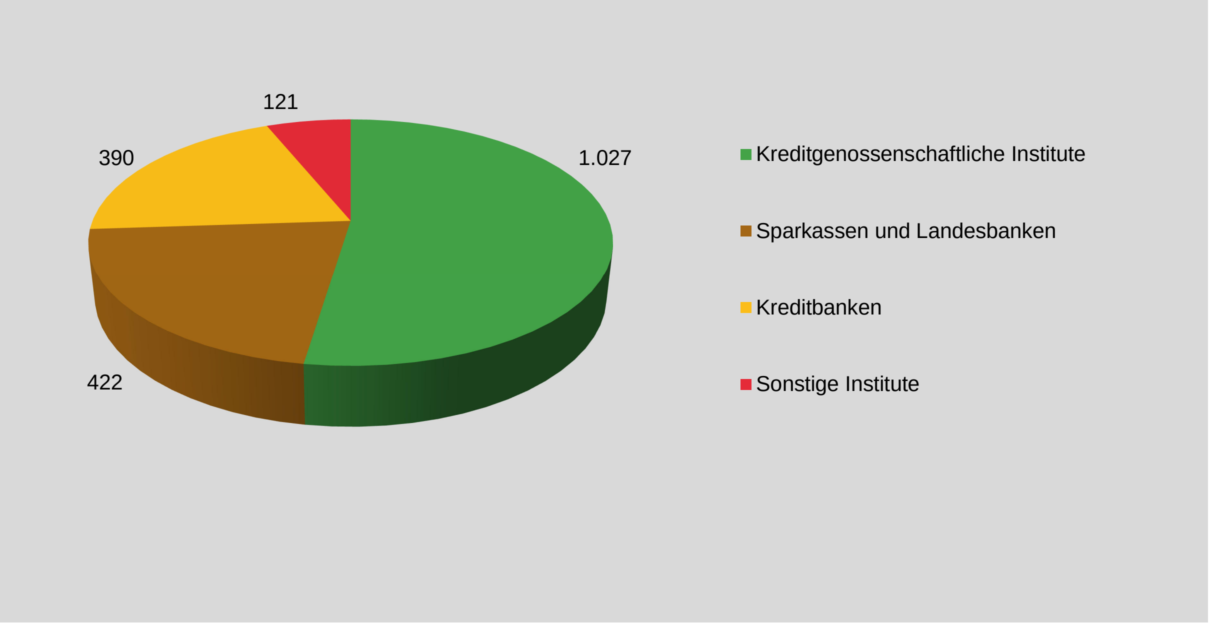
banken, or BVR). The number of cooperative institutions declined by 2.4% during the course of the year, to 1,027 institutions. This contraction was somewhat weaker than in the preceding year (31 institutions, or 2.9%).

There were three departures attributable to mergers from the savings bank sector (Landesbanken and savings banks) in 2015 (2014: one departure; 2013: six departures). At the end of 2015, the number of institutions stood at 422, of which nine were Landesbanken, as before.

The number of commercial banks (big banks, regional and securities trading banks and other commercial banks, branches of foreign banks and securities trading banks) dropped slightly by one institution, taking the figure to 390 institutions (2014: two additions; 2013: three additions). In 2015, "Branches of foreign banks and securities trading banks" saw five additions net, while the number of "Regional and securities trading banks and other commercial banks" contracted by six on balance. The number of "Big banks" remained unchanged at four.

The total number of "Other banks" fell by one (a mortgage bank) to 121 institutions. However, the number of other institutions belonging to this category (building and loan associations, central securities depositories, guarantee banks, housing enterprises with savings facilities) remained unchanged in 2015.

Number of credit institutions (total as at 31 Dec 2015: 1,960 institutions)



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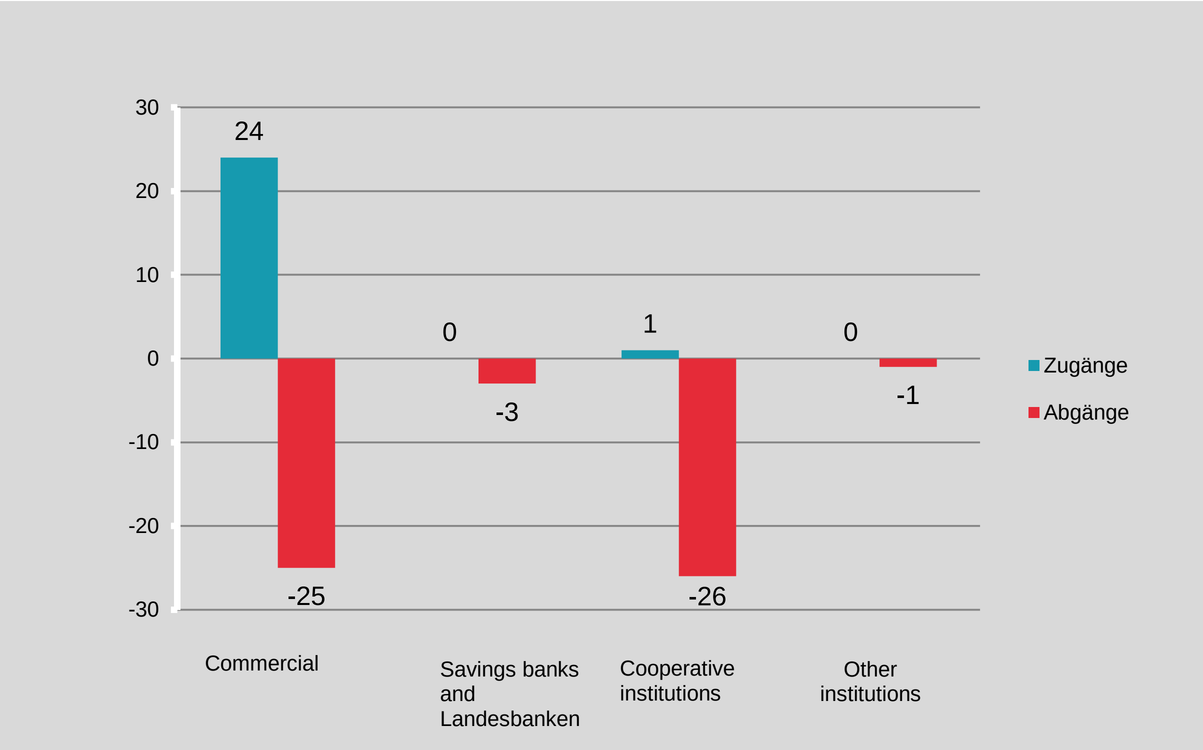
Altogether, there were 25 additions versus 55 departures.

The new additions and departures are distributed across the individual **categories of banks** as follows.

New additions and departures of credit institutions in 2015



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The highest gross increase, of 19 institutions (previous year: 16), was recorded by the branches of foreign banks and securities trading banks belonging to the “Commercial banks” sector. On the other hand, 14 institutions left the sector (previous year: 13), which increased the total number of institutions in this category to 191 in net terms. Of the 14 departures in this category, eleven entail a discontinuation of business operations and three a transfer of business to other institutions. The increase is entirely attributable to new branches, of which twelve alone (previous year: nine) belong to British securities trading firms.

Over the course of 2015, the number of regional and securities trading banks and other commercial banks shrank fairly significantly to 195 institutions, with five additions versus eleven departures. The additions comprised one newly established institution, one takeover and three reclassifications from the category of financial services institutions – which are not classified as banks – owing to a changed business purpose, while the departures encompass six relinquishments of authorisation and five mergers.

The number of big banks remained unchanged at four.

Once again, the largest decrease – of 25 institutions (previous year: 31) – was accounted for by the credit cooperatives; their number fell by 2.4%, dropping from 1,034 to 1,009 institutions. The declines were all based on mergers. The number of other credit cooperatives affiliated with the BVR remained unchanged at 16 institutions at the end of 2015; there was, however, one newly established institution and one departure on account of a merger. Added to this are the two regional institutions of credit cooperatives.

The reduction of three institutions (previous year: one) in the savings bank sector, taking the total to 422 institutions, was due to mergers of savings banks in all cases. The 422 banks break down into 413 savings banks and nine Landesbanken.

At the end of 2015, the numbers of private building and loan associations and public building and loan associations[2] were unchanged at twelve and nine respectively; the total number of building and loan associations in Germany thus held steady at 21 at the end of 2015.

In the mortgage bank category, a closure took the figure down to 16 institutions. There was no change in the number of special purpose banks (19), guarantee banks (17) and housing enterprises with savings facilities (47). As in 2014, there is one central securities depository.

Regional distribution

Net additions were only recorded in Hesse.[3]

Bavaria, the largest Federal state by area, is still home to the most credit institutions (417 banks in total) despite seeing a decline of 14 (previous year: 15) institutions (compared with just three additions, two of which were foreign branches). The reasons for the decline were mergers of eight credit cooperatives and of two regional banks as well as two business closures of branches of foreign credit institutions and securities trading banks and one regional bank. Furthermore, one regional bank and one branch of a foreign securities trading firm moved their central office to another Federal state.

Hesse recorded the most new additions, with an increase of 18 (previous year: 13). Of these, 13 (previous year: twelve) were newly opened branches of foreign banks or securities trading banks (including a total of eight British institutions); one other branch moved its central office from Bavaria to Hesse. Of the 14 (previous year: 17) departures, eight were in the category of branches of foreign banks or securities trading banks (including two British institutions, compared with four in the previous year) and two to the credit cooperative category owing to mergers. Two securities trading banks and one regional bank were recorded as departures.

[2] Two institutions (as in the previous year) that are legally dependent departments or agencies of their respective Landesbanken are included in the figures for the "Public building and loan associations" category.

[3] This includes a total of two (previous year: five) regional reclassifications throughout Germany on account of central offices being moved to other Federal states and three enterprises previously acting as financial services institutions being recategorised as securities trading banks.

The total number of institutions in this Federal state stood at 329 (previous year: 325) at the end of the year.

North Rhine-Westphalia, the Federal state with the highest population, has now fallen to third place for the first time in terms of the number of banks, with 328 institutions. This corresponds to a net decrease of three institutions (three additions and six departures). The contraction was due to mergers and relates to three credit cooperatives, one other institution in the cooperative sector and two savings banks. On the other hand, one enterprise previously classified as a financial services institution is now categorised as a securities trading bank. The other additions were accounted for by the opening of two branches of foreign securities trading firms.

Baden-Württemberg recorded nine departures (including seven owing to mergers of credit cooperatives). One regional bank underwent a cross-border merger taking it to Italy, and one branch of a foreign securities trading firm ceased its business operations. On the other hand, one regional bank moved its central office from Bavaria to Baden-Württemberg. The Federal state had 309 banks at the end of 2015.

In **Lower Saxony**, two departures were recorded owing to mergers of one credit cooperative and one regional bank, which meant that 177 institutions were still headquartered in the Federal state as at 31 December 2015.

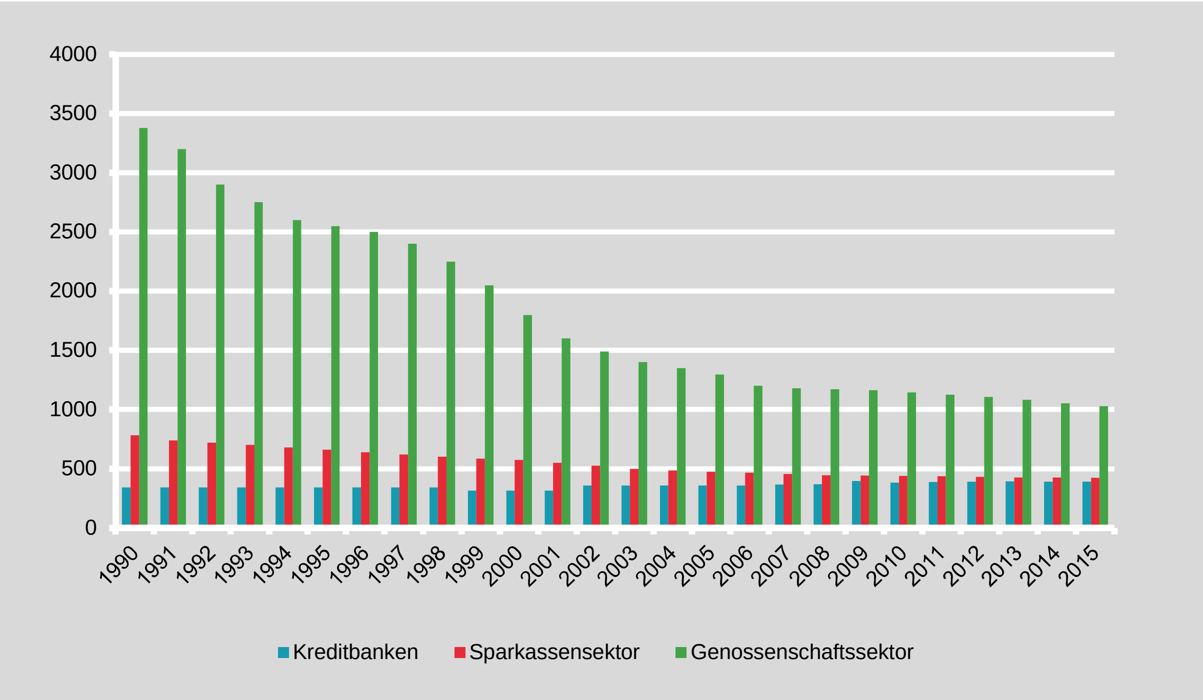
The **remaining Federal states** each have fewer than 100 resident banks. Rhineland-Palatinate was home to 92 institutions at the end of 2015 (net decrease of three), Schleswig-Holstein 56 (unchanged), Hamburg 42 (minus two), Saxony 38, Thuringia 36 (minus one), Saxony-Anhalt 32, Brandenburg 26, Berlin 25 (minus one), Saarland 20 (minus three – two credit cooperatives and one regional bank), Mecklenburg-West Pomerania 20, and Bremen 13.

The 57 departures recorded in the statistics also include two transfers of central offices to other Federal states that occurred last year as well as three reclassifications of financial services institutions as securities trading banks; in net terms, the number of departures is thus 30 after subtracting the 27 additions. Of the gross figure of 57 departures, 39 (previous year: 34) were due to mergers or takeovers by other institutions.

Overall development in the three most important banking sectors

The diagram below charts developments in Germany's three most important banking sectors by number of institutions since 1990. With 1,027 banks and a share of 52.4% (previous year: 1,052 banks = 52.9%), the cooperative sector remains the largest category of banks by number of institutions. The savings bank sector follows by a relatively wide margin, with 422 institutions and a share of 21.5%, compared with 425 institutions at the end of 2014 (= 21.4%). The commercial banks and their 390 institutions account for a share of 19.9% (end of 2014: 391 institutions = 19.6%). The 121 (previous year: 122) other banks (= 6.2%) are not considered in this comparison.

Number of credit institutions in the three most important banking sectors



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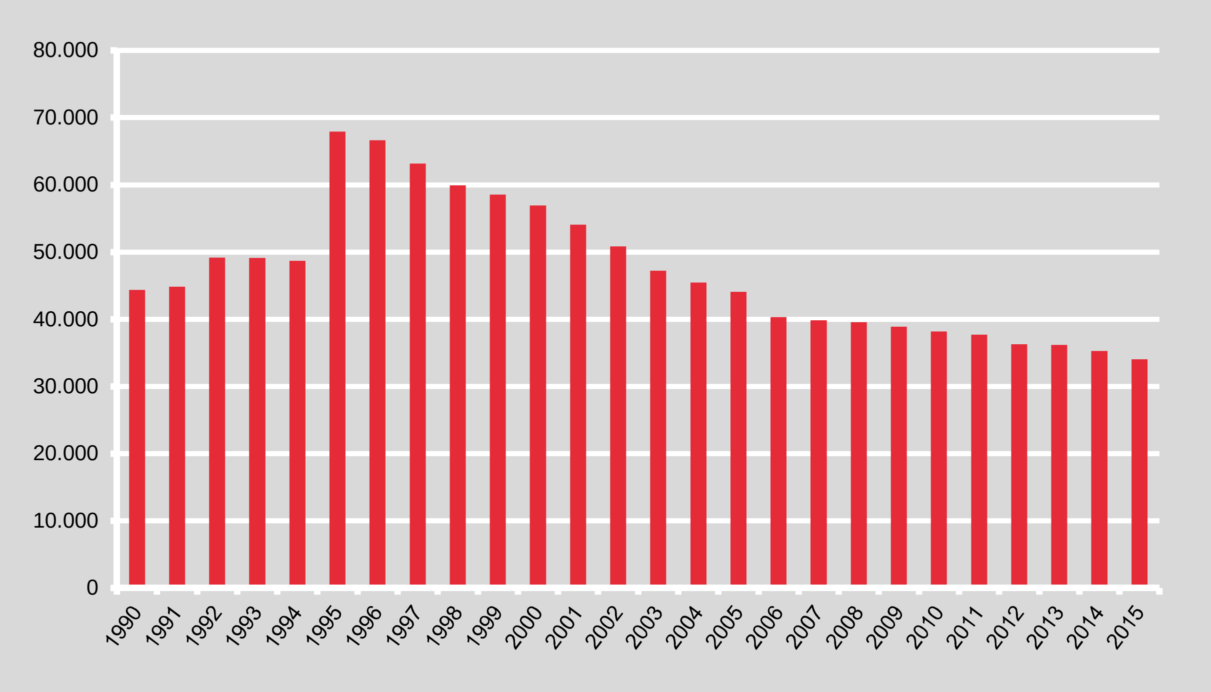
In 1990, there were still 3,377 credit cooperatives and 782 institutions in the savings bank sector, but only 341 commercial banks. The process of consolidation continued at a steady pace up until 2005 – by the end of 2005, Germany had only 1,295 credit cooperatives, 475 institutions in the savings banks sector and 357 commercial banks. The decline has weakened significantly since 2005.

II Branches of credit institutions (see Annex 2)

The total number of branches in Germany continued to fall in 2015. While 35,302 branches were reported at the end of 2014, this number dropped by 1,257 during 2015 to a new total of 34,045 branches. This equates to a decline of 3.6%. In 2014, the decrease amounted to 2.5% compared with just 0.2% in 2013.

Developments in the total number of branches (incl Deutsche Postbank AG from 1995)



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Looking at the overall development of branch numbers since 1995, a continual thinning of the branch network is discernible in the German banking sector, which still comprised 67,930 branches at that time (including 19,706 branches of Deutsche Postbank AG). Compared with 1995, the number of branches has thus almost halved, declining by 49.9% (ten-year comparison: -22.8%, five-year comparison: -10.8% – the rapid decrease occurred mainly between 1996 and 2006, with the Postbank network alone accounting for around 10,000 branches).

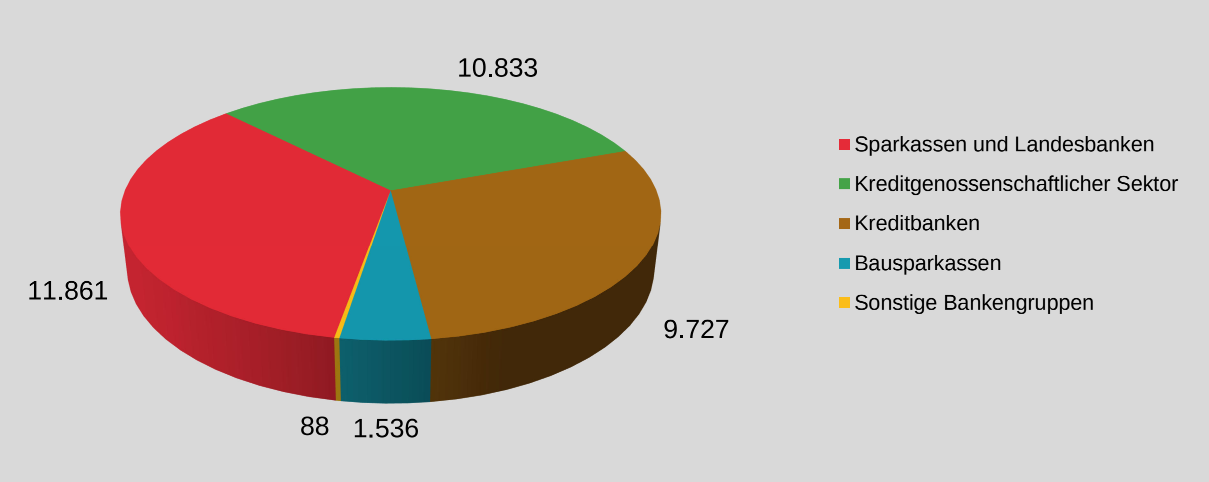
<u>Sectoral distribution of branches</u>

Looking at the development of the branch network in 2015 from a **sectoral** perspective, the ongoing trend of a thinning branch network can be seen in all categories of banks. The <u>savings banks and Landesbanken</u> did away with 498 branches in 2015 (-4.0%; previous year: -

398 = -3.1%) and were still running 11,861 branches at the end of the year. In the cooperative sector, 447 branches were closed in 2015 (previous year: 272), leaving 10,833 branches at the end of 2015. This likewise represented a decline of 4.0% (previous year: -2.4%). The commercial banks reduced their network in 2015 by 251 branches on balance (-2.5%; previous year: -190 = -1.9%) and had 9,727 branches at the end of 2015 – the decrease was mainly in the branch network of the big banks (-203 = -2.7%; as at 31 December 2015: 7,240). Almost all big banks reduced the number of their branches; one even scaled back its branch network by almost one-quarter. The regional banks and other commercial banks had 2,340 branches remaining at the end of 2015, after a reduction of 45. Foreign banks and securities trading banks had just 147 branches (-3).

In the category of building and loan associations, the public institutions recorded a significant decrease of 57 to 624 and the private institutions saw a slight reduction of five to 612 branches; altogether, then, there was a decline of 62 branches to 1,536 at the end of 2015. The number of branches run by the other categories of banks stands at 88; these comprise 49 branches of mortgage banks (+1), 24 branches of special purpose banks (unchanged) and 15 branches of housing enterprises with savings facilities (unchanged).

Number of branches (total as at 31 Dec 2015: 34,045)



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Regional distribution of branches

Information about the **regional** distribution of branches can no longer be provided owing to the change in the legal basis since the reporting date of 31 December 2004. This legislative amendment eased the reporting burden on credit institutions. Since then, each institution has merely been obligated to report the total number of its domestic branches, but not where they are located.

III Bank offices

During the 2015 reporting period, the number of bank offices, ie all legally independent credit institutions (head offices) including their branches, once again decreased significantly by a total of 1,287 offices, falling from 37,292 to 36,005; this represents a drop of 3.5%. This is evidence of the continuing trend of bank office closure and consolidation (reduction in bank offices in 2014: -933, or -2.4%; 2013: -111, or -0.3% – the very low figure in 2013 is explained by a countervailing increase of 605 alone in the partner enterprises of a big bank which also count as branches and offer banking business; five-year comparison: -4,271, or -10.6%; ten-year comparison including Deutsche Postbank AG: -10,439, or -22.5%). The bank office network has thus been depleted by almost one-quarter over the past ten years. Compared with the end of 1995, the number of bank offices has effectively halved, declining by 35,710 (-49.8%).

In terms of the sectoral distribution, slight decreases are evident in almost all categories of banks.

Year-on-year change in the number of bank offices in Germany:

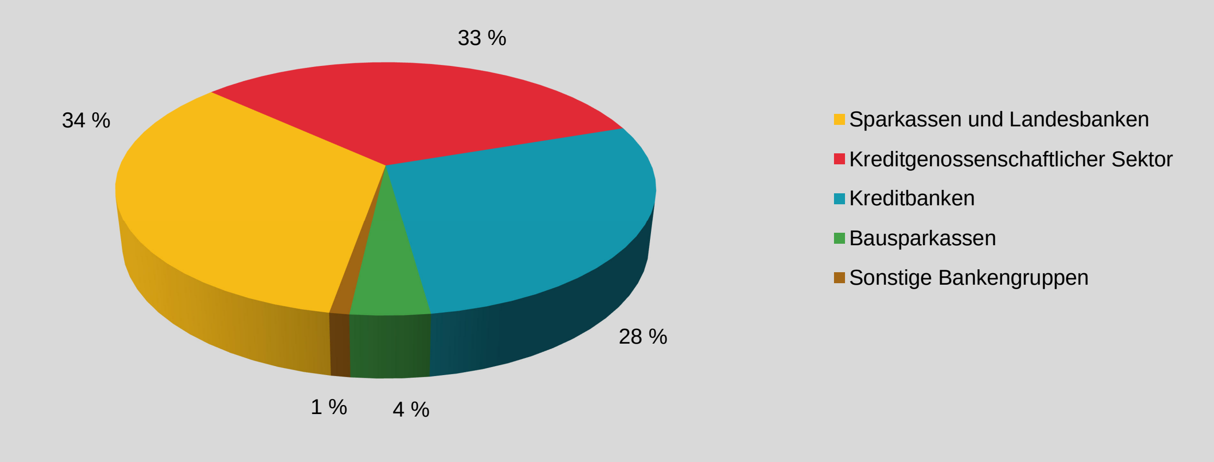
Category of bank	**31 Dec 2014**	**31 Dec 2015**	**Absolute change**	**%**
Savings bank sector	12,784	12,283	-501	-3.9
Cooperative sector	12,332	11,860	-472	-3.8
Commercial banks	10,369	10,117	-252	-2.4
Building and loan associations	1,619	1,557	-62	-3.8
Other banks	188	188	+/-0	+/-0
Total	37,292	36,005	-1,287	-3.5

Savings banks remain the largest sector in the Federal Republic of Germany, with a total of 12,283 bank offices, including 422 head offices. The credit cooperatives follow by a small margin, with 11,860 bank offices, including 1,027 head offices. As at 31 December 2015, the commercial banks sector operated 10,117 bank offices, of which 390 were head offices. The building and loan associations come fourth, with 1,557 bank offices, including 21 head offices. The other categories of banks reported an unchanged number of 188 bank offices as at 31 December 2015, of which 100 were head offices.

The following chart provides an overview of the percentage distribution of bank offices.

Bank offices in Germany as at 31 December 2015

%



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Bank office density

The bank office density denotes the average number of inhabitants served by a bank office; an increasing value reflects a decrease in the bank office density. With 36,005 bank offices and a population of around 81.771 million in Germany,[4] the resulting **bank office density** for the 2015 reporting year was approximately 2,271. This means that there is an average of one bank office per 2,271 residents in Germany. The bank office density has thus contracted more sharply than in the preceding years; the long-term trend also reveals a significant change (bank office density in 2014: 2,174; 2013: 2,112; five-year comparison: 2,030; ten-year comparison including Deutsche Postbank AG: 1,776; twenty-year comparison including Deutsche Postbank AG: 1,570).[4]

IV Branches abroad (see Annex 3)

In 2015, the number of foreign branches held by German credit institutions decreased slightly, while the number of foreign subsidiaries declined significantly (see section V).

In total, the number of foreign branches of German credit institutions shrank over the course of 2015 from 246 branches to 240 foreign branches, a further drop of six offices (-2.4%). The commercial banks sector remains the most heavily represented abroad, with an unchanged total of 178 branches. Of this figure, 99 are branches of big banks and 79 are branches of

[4] Federal Statistical Office: *Bevölkerung auf Grundlage des Zensus 2011 – Deutschland* (accessed on 25 May 2016), as at 30 September 2015,
link: https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/Bevoelkerung/Bevoelkerungsstand/Tabellen/Zensus_Geschlecht_Staatsangehoerigkeit.html;jsessionid=3978CD5828FEFB569FE7CF878EF5F378.cae4
Note: The crucial finding of the 2011 microcensus was that the population in Germany as at 31 December 2011 was smaller than previously extrapolated (just 80.2 million instead of 82.0 million); this analysis therefore made use of the current figures (most current figures as at 30 September 2015).

regional and other commercial banks; these numbers are unchanged in each case. By contrast, the number of Landesbanken branches, at 23, contracted slightly (-1). The savings banks (excluding Landesbanken) still hold just one foreign branch; in the cooperative sector, there are 17 including the six branches of the regional institutions of credit cooperatives (minus one). The foreign branches of the mortgage banks saw a significant decrease of three, taking the number to ten. The number of foreign branches operated by the other institutions remained unchanged at 12.

Geographically speaking, the credit institutions' foreign branches are still concentrated mainly in Europe. Of the 240 branches in total, over two-thirds are domiciled in Europe, with as many as 153 of the 163 European branches headquartered within the European Union. The key foreign location for German institutions is still the United Kingdom, which hosts an unchanged number of 28 branches. In addition, France (19), Italy (17), the Netherlands (14), and Luxembourg, Austria and Spain (13 each) are all home to branches of German banks.

Asia, too, continues to play an important role in the foreign activities of German credit institutions. The number of branches there dropped by one to 57 in 2015. The bulk of these bank offices belong to the big banks (50 branches, or 87.7%). With a total of 14 foreign branches (of which 12 are in the USA and Canada), the Americas play only a minor role – German banks traditionally have a far stronger presence in the form of foreign subsidiaries there. The German banking industry is also represented in Australia and New Zealand, with five foreign branches (unchanged). Only one branch is maintained in Africa.

V Subsidiaries of German credit institutions abroad (see Annex 4)

As at 31 December 2015, German credit institutions reported just 173 subsidiaries – institutions in which they hold at least a 50% participating interest – domiciled abroad. Compared with the 189 subsidiaries reported in the previous year, this represents another significant decrease of 16 institutions, or 8.5% (2014: -15, or -7.4%; 2013: -50, or -19.7%; 2012: -27, or -9.6%). However, when looking at the year-on-year figures, it should also be noted that, at the end of 2013, 24 foreign subsidiaries of German financial holding companies fell outside the scope of the analysis, as the participating interests were not held by German credit institutions themselves.

The bulk of the decline in foreign subsidiaries affected the commercial banks, which accounted for 12 institutions, or three-quarters of the overall decrease. The number of majority participations held by the big banks fell considerably by 13 institutions (-9.4%) to 126, while a slight increase of one, to 17 subsidiaries, was recorded for the regional banks.

In the savings bank sector, the Landesbanken alone reduced their number of foreign subsidiaries by two to 13. The number of foreign subsidiaries owned by the regional institutions of credit cooperatives dropped slightly to 12 (minus one). There was no change in the number of foreign subsidiaries held by the mortgage banks and savings banks, at three and one respectively. The German credit cooperatives have not had any foreign subsidiaries since 2015.

Geographically speaking – as for the foreign branches – foreign activity is focused on other European countries, with 90 (previous year: 94) subsidiaries. Of these subsidiaries, 73 are located in EU member states (previous year: 77), with 21 in Luxembourg alone (previous year: 24). German credit institutions now maintain just 53 foreign subsidiaries in the Americas, twelve fewer than just one year previously (-18.5%). Of these, 37 (previous year: 49) are in the USA. With 49 participating interests, most foreign subsidiaries in the Americas are owned by big banks (36 of which are in the USA and six in the Caribbean). An unchanged figure of 18 subsidiaries of German banks are domiciled in Asia, ten in Australia or New Zealand and two in African countries.

Annex:

Bank office statistics 2015

Link to the following website using the above name:

http://www.bundesbank.de/Redaktion/DE/Downloads/Aufgaben/Bankenaufsicht/Dokumentationen/bankstellenstatistik_2015.pdf?__blob=publicationFile