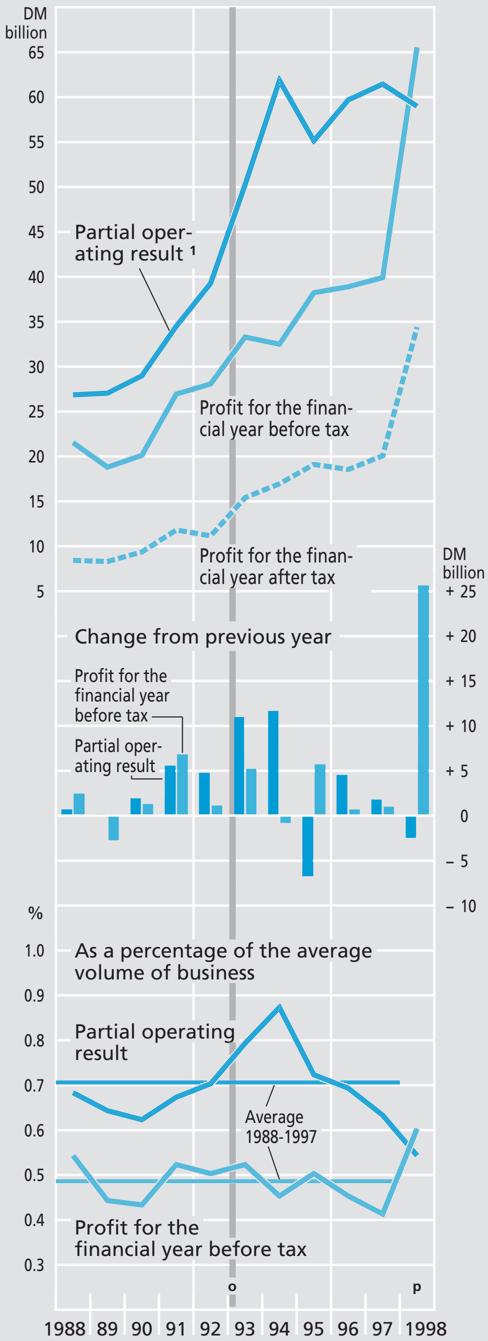
The performance of German credit institutions in 1998

In the financial year 1998, German credit institutions' performance was satisfactory on the whole in operational business. However, the net interest received, which continues to be by far the most important source of income, once again went up only a little. The interest margin, i.e. the net interest received as a percentage of the volume of business, fell to an all-time low. In non-interest business and in own-account trading, by contrast, credit institutions made substantial profits. On the other hand, administrative spending increased sharply. Risk provisioning likewise rose. The operating result after the valuation of loans and securities stagnated. The profit for the financial year, by contrast, went up exceptionally steeply. This was chiefly due to numerous special effects in the "extraordinary account", particularly of big banks and regional banks – for example, income from financial fixed assets and from intra-group transfers of participating interests. In part, such income is reflected only in the banks' individual accounts, on which this article is based, while it is not shown in the consolidated (group) accounts published by the banks. Moreover, the increase in the profit for the financial year associated with this special income can hardly shed any light on the future long-term performance of the banking industry as a whole.

The performance of credit institutions *



* From the financial year 1990 including Postbank. — 1 Before 1993 "Operating result". — o From the financial year 1993 including east German credit institutions and in accordance with the new accounting regulations.

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Overview

General conditions

The financial year 1998 was marked by a low interest rate level, turmoil in the international financial markets and preparations for the transition to the euro and the year 2000. Within the banking sector, fierce competition and cost pressure persisted.

Interest business

Against this background, the movement of earnings in interest business was again unsatisfactory, if anything, despite a more rapid average pace of economic growth during the year and the associated expansion of lending and the volume of business. Net interest received increased only slightly (by DM 3 billion, or 2.2 %) to a total of DM 147 ½ billion. The interest margin (net interest received as a percentage of the volume of business) continued to drop to 1.37 %, down from 1,50 %. This was mainly due to the low interest rate level, the large proportion of long-term and interbank lending and the slower fall in deposit rates as a consequence of keen competition.

Commission business and administrative spending

In non-interest business, by contrast, banks continued to make substantial profits. Net commissions received likewise went up by DM 3 billion or 8 ½ % to a total of DM 37 billion. The banking sector benefited particularly from securities commission business in the fields of equities and investment fund certificates. Overall, gross earnings (net interest received plus net commissions received) rose by only DM 6 billion, i.e. significantly less than general administrative spending, which mounted by just under DM 8 ½ billion to a total of DM 125 billion. In this context, despite tight cost management, the increase in

Relative significance of major income and cost items *

Percentage of total surplus in operating business

Item	1993	1994	1995	1996	1997	1998 p
Net interest received	77.2	82.0	80.2	80.2	77.6	75.0
Net commissions received	17.3	16.7	16.3	16.6	18.3	18.8
Net profit or net loss on financial operations	4.4	0.3	2.6	2.4	2.8	3.6
Net other operating income or charges	1.1	0.9	0.9	0.8	1.2	2.6
Total surplus in operating business	100	100	100	100	100	100
Memo item: percentage change from previous year	.	+ 5.9	+ 2.1	+ 5.5	+ 6.0	+ 5.7
General administrative spending 1	– 61.6	– 60.6	– 63.2	– 62.7	– 62.8	– 63.6
of which						
Staff costs	– 37.2	– 36.2	– 37.7	– 36.7	– 36.0	– 35.6
Other administrative spending	– 24.5	– 24.4	– 25.4	– 26.0	– 26.7	– 28.0
Net income or net charges from the valuation of assets	– 15.6	– 19.0	– 12.3	– 12.6	– 13.5	– 13.8
Net other and extraordinary income or charges	– 1.0	– 0.3	– 1.3	– 2.4	– 2.1	10.9
Memo item						
Profit for the financial year before tax	21.8	20.1	23.2	22.3	21.6	33.5
Taxes on income and earnings	– 11.6	– 9.5	– 11.5	– 11.6	– 10.7	– 15.8
Profit for the financial year after tax	10.2	10.6	11.7	10.8	11.0	17.7

* Including east German credit institutions and in accordance with the accounting rules as modified from 1993. — 1 Corresponds to cost/income ratios (broad definition), see page 41.

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other administrative spending, at 11%, was considerably steeper than the rise in staff costs (+ 4½%) as a result of the changeover to the euro, activities to solve the year 2000 problem and other investments in information technology. The partial operating result dropped by DM 2½ billion to DM 59½ billion.

Net trading result and charges from the valuation of assets

In their own-account trading, the credit institutions coped successfully with the marked volatility in the financial markets. In that context they benefited from rising bond and – until mid-1998 – equity-market prices. Credit institutions' net trading results expanded by one-third to more than DM 7 billion. The favourable balance on other operational business more than doubled, reaching DM 5 billion. Charges from the valuation of loans and advances and of securities, by contrast, again put a strain on the banks' profit and loss accounts. They rose by DM 2 billion to just over DM 27 billion. Although interest rate movements entailed only minor write-downs of the market prices of fixed-interest securities, loss provisions on domestic and foreign lending had to be increased. The operating result after the valuation of assets remained constant, at just over DM 44 billion.

High profit for the financial year owing to special effects

In the financial year 1998 the "other and extraordinary income or charges" showed a conspicuous trend. Net other and extraordinary income or charges changed exceptionally drastically from – DM 4 billion to + DM 21½ billion. This was mainly due to special earnings in the big banks' "extraordinary accounts", such as special dividends and intra-

Relative significance of major income and cost items for individual categories of banks in 1998 p

Percentage of total surplus in operating business

Item	Big banks	Regional banks	Regional giro institutions 1	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks
Net interest received	63.9	67.1	72.0	81.9	74.6	79.0	100.4
Net commissions received	34.1	19.9	11.0	15.7	19.4	17.1	– 1.7
Net profit or net loss on financial operations	4.4	7.1	7.5	1.7	4.8	0.6	0.2
Net other operating income or charges	– 2.4	6.0	9.5	0.6	1.2	3.4	1.1
Total surplus in operating business	100	100	100	100	100	100	100
General administrative spending	– 76.7	– 59.2	– 46.5	– 66.5	– 56.0	– 72.4	– 29.7
of which							
Staff costs	– 44.1	– 29.8	– 24.5	– 39.8	– 26.1	– 42.1	– 17.1
Other administrative spending	– 32.6	– 29.4	– 22.0	– 26.7	– 29.9	– 30.3	– 12.6
Net income or net charges from the valuation of assets	– 7.5	– 14.8	– 30.9	– 11.1	– 18.6	– 11.1	– 13.0
Net other and extraordinary income or charges	51.3	3.5	7.5	0.3	45.6	1.1	– 7.2
Memo item Profit for the financial year before tax	67.0	29.4	30.0	22.7	71.0	17.6	50.1
Taxes on income and earnings	– 34.4	– 9.2	– 13.7	– 14.4	– 13.5	– 10.7	– 20.8
Profit for the financial year after tax	32.6	20.3	16.3	8.3	57.5	6.9	29.3

1 From 1999 called Land banks.

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group transfers and the associated partial disclosure of hidden reserves.[1] This led to a sharp increase in credit institutions' overall profit for the financial year, even though the cost and income items of most other categories of banks remained within the usual margins of fluctuation.

Distinctly higher tax expenditure

A significant part of the spending on taxes on income and earnings, which rose from DM 20 billion to DM 31 billion, is accounted for by deferred tax expenditure which has not yet been reflected in the cash position because the hidden reserves transferred in the context of intra-group shifts, which have been realised only in part, do not give rise to tax payments reflected in the consolidated cash position until they leave the group's assets. After tax, the banks' profit for the financial year 1998 amounted to approximately DM 34¾ billion. DM 16½ billion of that sum was added to the reserves, while just over DM 18 billion was recorded as balance sheet profit.

1 The figures given in the present article are strictly based on the credit institutions' individual accounts – drawn up in accordance with the provisions of the German Commercial Code – regardless of any potential inclusion in a group. The consolidated accounts of big banks and certain regional banks were based on the International Accounting Standards (IAS), the application of which now releases listed enterprises from the duty of compiling consolidated accounts in accordance with the accounting rules of the German Commercial Code. The group accounting includes considerable intra-group shifts of financial assets in consolidated forms which thus did not affect the results. The reason why the articles on the performance of German banks published in the Monthly Report are based on individual accounts is that this enables us to analyse and comment on the banking determinants of the various income and expenditure items. If consolidated figures were used, the large numbers of domestic and foreign companies affiliated with a group – but not conducting banking business – would likewise be included. This would impede comparability between the different categories of banks and the analysis of the relationship with the banking business.

Return on capital and equity ratio

The return on capital before tax[2] rose to 19.3 % (against 12.8 % in 1997) as a consequence of special earnings in the "extraordinary accounts". In terms of the profit for the financial year after tax, it rose from 6.5 % to 10.2 %. However, owing to the abovementioned special factors, these ratios do not provide any dependable information as to the banking sector's profitability. The (non-risk-weighted) equity ratio shown in the balance sheet declined from 3.72 % to 3.61 %.[3]

Net interest received

Net interest received increases, interest margin declines

In interest business, the scope for earnings once again remained within a narrow range. German credit institutions were able to increase their net interest received by barely DM 3 billion (or 2.2 %) to a total of DM 147½ billion. This outcome reflects, on the one hand, a rather rapid growth in interest received, which rose by DM 48½ billion, or 8.8 %, and, on the other hand, a relatively stronger increase in interest paid, which went up by DM 45½ billion, or 11.2 %. Since the average volume of business expanded by just over 12 %, i.e. again distinctly faster than the net interest received, the interest margin, which relates the net interest received to the volume of business, fell to a new low of 1.37 % (against 1.50 % in 1997), taking the average of all banks. Nevertheless, net interest received remained the banks' primary source of income. It accounted for three-quarters of all profits generated in operational business in 1998 (see the table on page 29).

Interest margin determined by balance sheet structure and interest rate movements

The main reasons why the interest margin continued to narrow were the consistently low interest rate level and the very fierce competition in the banking industry. This was compounded by the increasing significance of interbank business over the past few years. Lending by domestic credit institutions to other domestic and to foreign banks grew by over 14½ % in 1998, i.e. more rapidly than the volume of business. Such transactions are typically closely geared to market rates, and therefore have low margins.

"Adjusted" interest margin

Where these transactions are carried out between domestic credit institutions – including their (dependent) foreign branches – that have been included in these profit-and-loss-account statistics,[4] they do not contribute to the aggregate net interest received by the

2 Ratio of the profit for the financial year before tax to the average capital as shown in the balance sheet, including the fund for general banking risks, but excluding participation rights capital.
3 The analysis of the profit-and-loss accounts for 1998 is based on credit institutions' annual accounts, which have to be submitted every year to the Federal Banking Supervisory Office and the Bundesbank. All credit institutions reporting for the monthly balance sheet statistics (including their branches abroad) are covered. The volume of business is derived from the balance sheet statistics. In the case of the branches abroad, that volume is adjusted for their operations with their parent bank in order to prevent double-counting. Domestic branches of EC credit institutions, banks in liquidation, banks with a truncated financial year and building and loan associations are not included in the analysis. As was mentioned above, consolidated figures are not included either. The figures for 1997 given in the present article are based on the approved annual accounts, and may therefore differ from the data published in August 1998. The figures for 1998 are based on unapproved annual accounts, and are therefore provisional. A breakdown by category of bank will be found in the Annex. Explicit attention is drawn to the explanations given in the footnotes. The performance of the subsidiaries of German banks in Luxembourg is not described and analysed in the present article.
4 Interbank business with foreign institutions or foreign subsidiaries of German banks, by contrast, does not leave the net interest received unaffected, because the income and costs resulting from these transactions are not included in the present statistics.

"Adjusted" interest margin *

Financial year	Volume of business	Interbank transactions not affecting the net interest received 1	Percentage of interbank transactions not affecting the net interest received (col. 2 ÷ col. 1)	"Adjusted" volume of business 2 (col. 1 less col. 2)	Net interest received	Interest margin traditional, in % (col. 5 ÷ col. 1)	"adjusted", 3 in % (col. 5 ÷ col. 4)
	1	2	3	4	5	6	7
1990	4,675.2	1,270.1	27.2	3,405.1	80.5	1.72	2.36
1991	5,129.5	1,400.2	27.3	3,729.4	91.6	1.79	2.46
1992	5,571.9	1,439.9	25.8	4,132.0	101.0	1.81	2.44
1993	6,354.1	1,548.7	24.4	4,805.4	118.9	1.87	2.47
1994	7,085.3	1,778.3	25.1	5,307.0	133.7	1.89	2.52
1995	7,592.9	1,908.9	25.1	5,684.0	133.6	1.76	2.35
1996	8,545.9	2,183.8	25.6	6,362.1	140.8	1.65	2.21
1997	9,625.1	2,482.6	25.8	7,142.5	144.6	1.50	2.02
1998 p	10,778.2	2,818.1	26.1	7,960.1	147.5	1.37	1.85

* The traditional interest margin was adjusted by such interbank transactions (recorded on the basis of the asset side) as do not affect the net interest received of the aggregate position "all banks" (interest paid by bank A = interest received by bank B). — **1** Volume of interbank transactions between domestic credit institutions and between domestic credit institutions and foreign branches; in the aggregate, the interest received from such transactions is precisely equal to the interest paid. — **2** Continues to include interbank transactions with foreign third-party institutions and with foreign subsidiaries, as they affect the net interest received. In addition, transactions between the foreign branches of German credit institutions – even though they do not affect the aggregate net interest received – continue to be included in the "adjusted" volume of business because they cannot be separated in the statistics from transactions with other foreign institutions. — **3** Interest margin deriving from transactions with domestic and foreign non-banks and with foreign credit institutions (including transactions with the subsidiaries of domestic institutions and between foreign branches).

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banking industry[5] because the interest paid and the interest received by the individual banks cancel out. In the above table an "adjusted" interest margin was calculated by deducting from the total volume of business the share of interbank business which leaves the net interest received unaffected. Taking the average of the years from 1990 to 1998, this share of interbank business accounted for just over one-quarter of the volume of business. In 1998 the "adjusted" interest margin, calculated by this method, amounted to 1.85 %, and was thus distinctly higher than the "unadjusted" one; yet, just like the traditional interest margin, it declined perceptibly compared with 1997 (2.02 %).

Short-term credits more lucrative than long-term loans

In 1998 domestic institutions expanded lending to non-banks by 8 ¼ %, i.e. somewhat faster than in 1997. In the case of lending to domestic non-banks, which in the aggregate expanded by 6 ½ % (compared with 6 % in 1997), it was particularly short-term lending to trade and industry that increased more rapidly (by 8 %, against 1% in 1997) against the background of the buoyant economic growth, which, however, slackened in the later part of the year. In view of the persistent decline in interest rates, medium and long-term lending to domestic enterprises and individuals rose just as rapidly as in the previous year (+ 6 ¾ %). There was a particularly heavy demand for housing loans. The stronger growth in short-term lending tended to boost the banks' interest income. Short-term loans

5 However, interbank transactions do affect the net interest received by individual institutions or individual categories of banks.

generally yield higher interest and are therefore more lucrative. Taking the average of the year 1998, the rates for personal credit lines (11¼ %) and for current account credits (which, depending on the amount category, varied between 7⅔ % and 10 %) were significantly higher than, say, those for long-term mortgage loans for residential construction with interest rates locked in for five years (5½ %). Moreover, short-term loans are less susceptible to interest rate risks. However, at 13 % (as at the end of 1998), the proportion of total lending to domestic non-banks accounted for by wider-margin short-term loans, and thus their impact on aggregate net interest received, was comparatively small.

Interest paid grows faster than interest received

In the field of credit institutions' borrowing, the keen mutual competition among banks and with other types of investment – such as equities and investment fund certificates – resulted in interest paid hardly dropping any more in relative terms despite falling interest rates in the money and capital markets. As a percentage of the volume of business, it decreased only marginally from 4.26 % in the previous year to 4.22 %, whereas interest received dropped appreciably more (from 5.76 % in 1997 to 5.59 % in 1998). In the case of time deposits, interest rates in 1998 were actually somewhat higher than in 1997, taking the average of the year. Banks increasingly had to fall back on other funds, namely on borrowing from other banks (+ 14 %) and on issuing debt securities (+ 13 %), apparently in order to limit their interest rate risk, amongst other things, given the longer-dated lending to customers and, at the same time, the shorter-dated borrowing in their liability-side business. In the case of savings deposits, the higher-yielding portion now probably amounts to some two-thirds. By contrast, the steep increase in sight deposits (+ 16 %), which no doubt owed something to the low opportunity costs of liquid money holding and to a general wait-and-see attitude on the part of investors, tended to ease the pressure on interest paid.

Connection between interest rate level and interest margin

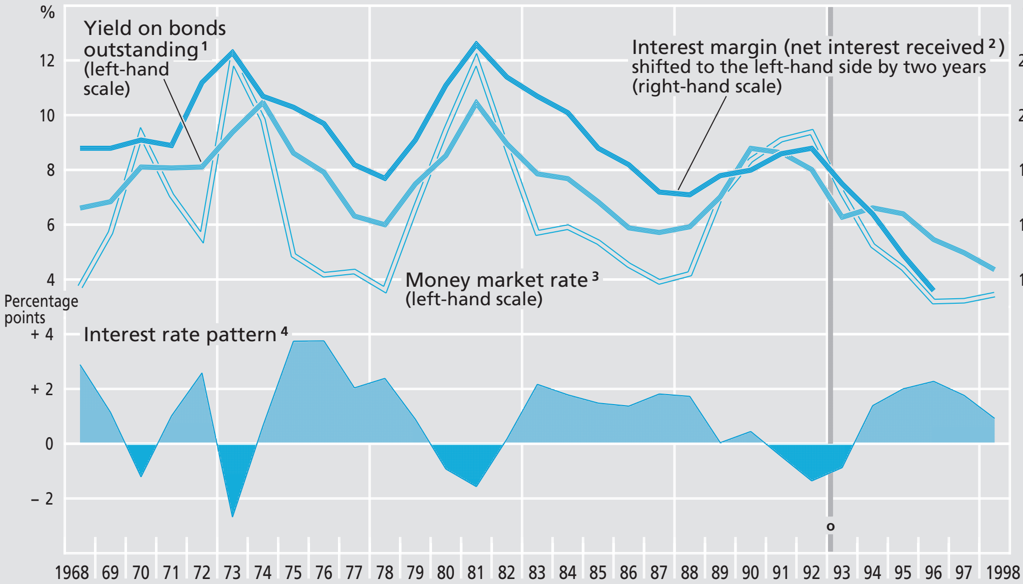
A longer-term analysis reveals that there is a clear connection – albeit one lagged by about two years – between the interest rate level in the money and capital markets and the banking industry's interest margin (see the chart on page 34).[6] The reasons for this lagged connection are the price and volume responses through which changes in interest rates affect balance sheet structures and interest-rate lock-in periods. In the process, differing elasticities and lock-in periods which are reduced at a differing pace result in corresponding time lags.

If interest rates fall, the interest received is temporarily bolstered, for instance, by the excess of fixed-rate items on the asset side of the balance sheet. The wait-and-see attitude of borrowers, who tend to switch from short-term to long-term fixed-rate loans only when the "interest rate trough" has been reached, enhances this effect. In addition, the adjustment of terms on the liability side seems to be somewhat more flexible during periods in which interest rates are falling (with the ex-

6 P. Friggemann has pointed to changes in capital market rates as a major cause of the cyclical variations in the interest margin. See P. Friggemann, Welche Faktoren bestimmen die Zinsspannen?, in: Betriebswirtschaftliche Blätter, Nr. 3/1992, pages 157–160.

Interest margin and interest cycles

Annual averages



1 Overall yield on bonds outstanding. — **2** As a percentage of the average volume of business, annual values. — **3** Money market rate for three-month funds in Frankfurt. — **4** Yield on bonds outstanding less money market rate. — **o** From the financial year 1993 including east German credit institutions and in accordance with the new accounting regulations.

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ception of recent developments). In the case of a persistently low interest rate level – such as the current one – it is particularly the maturing of higher-interest-bearing fixed-rate loans or securities that leads to a reduction in the interest received, as these assets are replaced by lower-interest-bearing investment. In addition, borrowers primarily seek long-term, low-margin loans. In order to contain the rising interest rate risk, credit institutions increasingly draw on longer-term, more expensive refinancing instruments.

In the case of rising interest rates, the interest margin is at first adversely affected by the excess of asset-side fixed-rate items, but then in a second step – likewise with a certain time lag – it is buttressed by the seemingly somewhat greater flexibility of the interest charged within the variable-rate items and by the rising income from reinvested securities or prolonged loans. Added to this is the mounting demand of customers for short-term, wide-margin loans, as customers do not want to have interest rates locked in for long periods at the higher interest rate levels that have been reached in the meantime.

Trends in interest income in 1998

In the financial year 1998, the slight increase in net interest received was chiefly due to the expansion of the credit volume. The banks' earnings from lending and money market transactions were 8 % higher than in the previous year, while their income from fixed interest securities and Debt Register claims went up by just over 9 %. Ongoing receipts from shares, participating interests and shares in affiliated undertakings rose particularly steeply, viz. by more than one-third, or DM 6 billion, to a total of DM 22½ billion. Annual reports and banking associations' reports suggested that in some cases banks paid greater attention to the quality of their credit portfolios when extending credit in order to avoid value adjustments at a later point in time. The increased focus on creditworthy borrowers tended to cut down the interest income. Some institutions boosted their interest income by means of well-timed refinancing operations and interest-rate-related derivatives. The low interest rate level prompted some customers to prematurely prolong their fixed-rate loans at the prevailing low interest rate; this resulted in some banks collecting considerable prepayment compensations, which had a favourable effect on income. Conversely, some credit institutions prematurely rescheduled existing refinancing agreements in order to be able to benefit from the low interest rates over the long term – in return for a one-off charge.

Interest margins, by category of bank

Among the various categories of banks, particularly big banks (down 22 basis points to 1.28 %), savings banks and credit cooperatives (down 20 basis points each to 2.52 % and 2.56 % respectively) saw a distinct decline in their interest margins. The interest margin of east German savings banks, at 2.84 %, continued to exceed the comparable figure for west German savings banks (2.48 %); the situation is similar in the case of credit cooperatives (2.92 % in eastern Germany compared with 2.54 % in western Germany). That probably owes much to the fact that the proportion of sight deposits remains higher among east German banks.

Interest received by credit institutions *

Item	1996	1997	1998 p
	DM billion		
Interest received (total)	518.3	554.5	602.9
from lending and money market transactions	424.0	452.8	488.3
from debt securities and Debt Register claims	79.2	82.8	90.4
Current income (total)	13.1	16.7	22.6
from shares and other variable-yield securities	6.1	8.3	10.6
from participating interests 1	2.2	2.9	3.6
from shares in affiliated undertakings	4.8	5.5	8.3
Profits transferred under profit-pooling and profit transfer agreements	2.0	2.2	1.6
	Change from previous year in % 2		
Interest received (total)	+ 3.9	+ 7.0	+ 8.8
from lending and money market transactions	+ 3.6	+ 6.8	+ 8.0
from debt securities and Debt Register claims	+ 2.1	+ 4.5	+ 9.2
Current income (total)	+ 20.4	+ 28.9	+ 34.7
from shares and other variable-yield securities	+ 32.9	+ 37.0	+ 28.0
from participating interests 1	– 4.4	+ 34.6	+ 25.1
from shares in affiliated undertakings	+ 19.9	+ 15.9	+ 49.9
Profits transferred under profit-pooling and profit transfer agreements	+ 57.9	+ 9.6	– 24.9
	Percentage of the average volume of business		
Interest received (total)	6.07	5.76	5.59
from lending and money market transactions	4.96	4.70	4.53
from debt securities and Debt Register claims	0.93	0.86	0.84
Current income (total)	0.15	0.17	0.21
from shares and other variable-yield securities	0.07	0.09	0.10
from participating interests 1	0.03	0.03	0.03
from shares in affiliated undertakings	0.06	0.06	0.08
Profits transferred under profit-pooling and profit transfer agreements	0.02	0.02	0.02

* Including east German credit institutions and in accordance with the accounting regulations as modified from 1993. — **1** Including amounts paid up on members' shares in the case of cooperative societies. — **2** Statistical changes have been eliminated.

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Net commissions received

Net commissions received again higher

Net commissions received rose by DM 3 billion to DM 37 billion in 1998. At 8½%, the increase was only half as high as in the previous year. The commission margin (ratio of net commissions received to the volume of business) remained virtually unchanged at 0.34%. The more informative ratio of net commissions received to net interest received rose from 23½% to 25%, taking the average of all banks, with big banks, at 53%, far exceeding the average. That category of banks benefited from additional receipts from investment banking, a field in which they are particularly active. As a percentage of the aggregate profits from operational business of all German banks, net commissions received accounted for just under one-fifth (see the table on page 29).

Sources of commissions received

In commission business, credit institutions benefited mainly from the bullish securities markets in the first half of 1998. Yet it was also the highly volatile equity prices in the further course of the year that, in part, let to an increase in receipts owing to the rise in turnover. On the German stock markets, share turnover rose by 45%, or DM 1.7 trillion, to DM 5.4 trillion. Securities commission business in equities and investment fund certificates evidently fared particularly well. Customers' greater demand for investment in securities was also reflected in underwriting business, in cross-selling brokerage business within the associations and financial services groups (synergy effects on the earnings side), in asset management and in safe custody business. This in part made up for the losses in interest received which the banks sustained on account of the switching from deposits to investments in securities. However, given the growing volume of non-interest business, credit institutions were apparently able to increase their net commissions received only to a less than proportional extent, as competition with other credit institutions and with direct banks was squeezing the commission rates. That applied particularly to standardised products requiring little consulting and to payment-related services.

General administrative spending

Sharp rise in administrative expenditure

General administrative spending went up by almost DM 8½ billion to a total of DM 125 billion in the financial year 1998. At a growth rate of 7.2%, it rose somewhat faster than in 1997 (+ 6.4%). By contrast, the ratio of administrative spending to the average volume of business continued to decline from 1.21% to 1.16%. Since the increase in administrative expenditure was faster than that in gross income, the partial operating result declined by DM 2.5 billion or 4%. The earnings margin, viz. the ratio of the partial operating result to the volume of business, decreased from 0.64% to 0.55%.

Staff costs

Staff costs rose by 4.6%, or DM 3 billion, to just over DM 70 billion in 1998; they thus made up 56% of all administrative costs. The number of employees in the banking industry fell marginally by around 400 to a total of 728,200 people. While credit cooperatives and savings banks reduced their staff levels, all told, by a total of 2,700 employees, the staff of the private banking sector, in particular, increased. Presumably it was primarily foreign branches that were affected by this increase. The negotiated wage settlement, which resulted in salaries rising by about 2 %, had comparatively little impact on staff costs. However, the provisions for pensions had to be increased significantly owing to new mortality tables. Expenditure on provision for old age grew by DM 1 billion to DM 6½ billion; it accounted for fully one-third of the increase in staff costs. Moreover, additional bonus payments were mentioned in the annual reports of some banks.

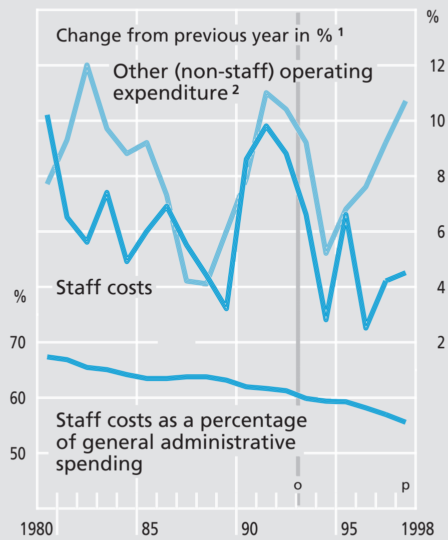
Faster growth of other administrative spending

Other administrative spending grew by 10.8 %, and thus distinctly faster than staff costs, as had been the case in previous years, too. The expansion by just under DM 5½ billion to DM 55 billion is largely attributable to investment in information technology and data processing. Expenditure on the changeover to the euro and to the year 2000 had a marked impact on costs.[7] Although the peak of these changeover costs has apparently been passed, expenditure on information technology is likely to remain high. The implementation of supervisory provisions (the Sixth Amendment of the German Banking Act entered into force in early 1998) and investment in electronic sales channels (home banking, Internet banking) likewise resulted in heavier expenditure. The same holds true of mergers and the ongoing expansion of investment banking.

Synergy potential within associations and groups

In order to enhance cost efficiency, banks are obviously aiming at better exploitation of the expenditure-side synergy potential within banking associations, and also within groups.

Staff costs and other operating expenditure



1 After adjustment for statistical changes. — 2 Other administrative spending. — o From the financial year 1993 including east German credit institutions and in accordance with the new accounting regulations.

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This relates, for instance, to the use of consistent data processing platforms, the sharing of IT development costs, networking, centralisation and the joint execution of back office functions, e.g. via common securities-settlement institutions or computer and competence centres.

Accelerated concentration and streamlining of the branch network

The concentration in the banking sector continued in 1998. The number of credit institutions dropped by 175 – and thus somewhat more sharply than in 1997 (– 100) – to a total of 3,233 institutions.[8] The number of

7 A number of institutions recorded the costs associated with the introduction of the euro, the additional costs needed for coping with the year 2000 problem and the increased expenditure on pension provisions in their "extraordinary accounts".
8 Excluding building and loan associations, investment companies, housing enterprises with savings facilities, central securities depositories and guarantee banks.

Return on capital of individual categories of banks *

%

Category of bank	1994		1995		1996		1997		1998 p	
All categories of banks	12.94	(6.82)	14.11	(7.12)	13.28	(6.39)	12.75	(6.47)	19.34	(10.20)
Commercial banks	10.93	(6.95)	10.31	(6.92)	10.77	(6.66)	9.68	(6.65)	27.36	(15.18)
Big banks	12.48	(8.12)	10.18	(8.17)	11.79	(7.79)	7.38	(5.44)	39.51	(19.24)
Regional banks and other commercial banks	10.08	(6.08)	10.68	(6.04)	10.15	(5.79)	11.52	(7.48)	16.75	(11.54)
Regional giro institutions 1 (including Deutsche Girozentrale)	7.84	(4.50)	8.87	(4.75)	8.66	(5.44)	10.90	(5.89)	11.69	(6.34)
Savings banks	19.21	(8.01)	22.58	(7.99)	21.38	(7.42)	19.37	(6.66)	17.82	(6.52)
Regional institutions of credit cooperatives (including Deutsche Genossenschaftsbank)	15.16	(7.64)	12.98	(6.48)	14.80	(8.09)	12.00	(5.43)	28.57	(23.13)
Credit cooperatives	17.38	(7.61)	19.48	(7.42)	17.72	(6.52)	14.94	(5.82)	12.84	(5.05)
Mortgage banks	13.42	(8.06)	16.52	(10.71)	16.38	(10.07)	15.92	(8.93)	17.81	(10.42)

* Profit for the financial year before tax (in brackets: after tax) as a percentage of the average capital as shown in the balance sheet (including the fund for general banking risks, but excluding participation rights capital). — 1 From 1999 called Land banks.

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branches decreased by almost 1,400 to just over 42,000 (not counting Postbank branches), compared with a decline by 580 in 1997. In the case of credit cooperatives, the number of independent institutions fell by 169 in 1998; it is planned to reduce the number of institutions in this category of banks by a total of 1,400 within ten years.

High interest margin "in return for" high administrative spending

Among the various categories of banks, in 1998 the ratio of administrative spending to the volume of business was particularly high in the case of credit cooperatives and savings banks (2.34 % and 2.04 % respectively). At the same time, those categories of banks recorded the widest interest margins. Evidently, these can only be achieved "in return for" the higher operating costs associated with broadly-based branch operations.[9] In addition, taking the average of the past few years, savings banks and credit cooperatives exhibited a relatively high return on capital, (see the above table).

Net profit or net loss on financial operations

New all-time high despite turmoil

In own-account trading in securities, foreign exchange, precious metals and financial derivatives, German credit institutions performed conspicuously well despite the periodical turmoil in the international financial markets. The net profit went up by DM 1.8

9 See U. Christians, Langfristige Rentabilitätshierarchien, Strategische Gruppen und Jahresabschluß-Kennzahlen im Bankensektor, in: Zeitschrift für das gesamte Kreditwesen, Nr. 11/1999, pages 550 to 558, esp. page 556.

billion, or one-third, to a new all-time high of DM 7.1 billion. However, the contribution of the net profit on financial operations to the overall profit in operational business, at 3.6 %, was still rather small. It was particularly the trends in the stock market in the first half of 1998 that exerted a favourable effect on own-account trading. On the average, the banks did not suffer from the high volatility of the bond and equity markets; however, the earnings were rather disparate in the various areas of business, depending on the individual institutions' focus of business and on price expectations. Yet equity trading was probably the most important source of income. In foreign exchange trading, earnings were lower. Among the various categories of banks, regional banks fared particularly well; their contribution to the aggregate trading result of all banks increased from 13 % in 1997 to 34 %. The share accounted for by big banks, in contrast, declined from 32 % in the previous year to just over 20 %; it was thus just as high as that of the regional giro institutions.

Net other operating income or charges

Favourable balance doubled

The favourable balance of the other operating income or charges rose by DM 3 billion in 1998 to DM 5.2 billion, and thus contributed significantly to the overall performance. The rise owed something both to a decrease in charges (– DM 1.4 billion) and to an increase in income (+ DM 1.5 billion). On the expenditure side, it was particularly the abolition of trade capital tax that afforded relief (reduction of other taxes by DM 1.8 billion). Conversely, damages paid and losses on the disposal of tangible fixed assets resulted in minor additional costs. On the income side, additional receipts from the disposal of real property, from rents and leases, from the release of provisions that were no longer required and from data processing services exercised a favourable effect, whereas the – merely statistical – halving of the receipts from leasing transactions (to DM 1.0 billion) – had an adverse impact on income.[10]

Operating result before the valuation of assets, and cost/income ratio

Operating result before the valuation of assets rises, cost/income ratio deteriorates

The operating result before the valuation of assets, an important performance indicator, expanded by just under DM 2.3 billion to DM 71.6 billion in 1998. This represents an improvement of more than 3 %. The table on page 40 shows the operating results of the individual categories of banks over the past three years. The cost/income ratio deteriorated slightly in the financial year 1998, both in its narrow and its broad definition (see the table and analysis on page 41). This was primarily due to the comparatively sharp increase in administrative spending, accompanied by an only moderate growth in the net interest received. However, the increase in administrative spending was chiefly attributable to investment expenditure (in the field of IT, the expansion of investment banking and the

10 A hitherto legally independent institution focusing on financing motor vehicles and earning large sums from leasing transactions was converted in 1998 into a legally dependent branch of an EC credit institution domiciled in another EC country; such branches have not been included in the present statistics.

Operating result before net income or net charges from the valuation of assets *, o

Category of bank	1996 DM million	1996 % 1	1997 DM million	1997 % 1	1998 p DM million	1998 p % 1
All categories of banks	65,593	0.77	69,332	0.72	71,587	0.66
Big banks	7,603	0.69	8,764	0.65	7,782	0.47
Regional banks and other commercial banks	11,341	0.99	12,396	0.97	13,928	1.02
Branches of foreign banks	133	0.25	119	0.18	181	0.27
Private bankers	564	1.15	678	1.38	870	1.72
Regional giro institutions 2	7,084	0.43	7,858	0.41	10,116	0.46
Savings banks	19,493	1.27	19,357	1.18	17,754	1.03
Regional institutions of credit cooperatives	1,461	0.50	1,610	0.48	1,721	0.45
Credit cooperatives	9,830	1.09	9,769	1.03	8,841	0.89
Mortgage banks	4,628	0.44	5,307	0.43	6,303	0.44
Credit institutions with special functions	3,456	0.46	3,474	0.42	4,091	0.45

* Including east German credit institutions and in accordance with the accounting regulations as modified from 1993. — o Partial operating result plus net profit or net loss on financial operations and net other operating income or charges. — 1 As a percentage of the average volume of business. — 2 From 1999 called Land banks.

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costs associated with mergers) or one-off costs (the year 2000 problem and the transition to the euro).

Net income or net charges from the valuation of assets

Expanded risk provisioning

Banks once again expanded their risk provisioning in 1998. The charges from the valuation of loans and advances, other assets and securities[11] increased by approximately DM 2 billion to a total of DM 27.2 billion. In this context, write-downs and value adjustments totalling DM 30.1 billion were accompanied by write-ups and releases of provisions amounting to DM 2.9 billion. Within these items, banks have already taken advantage of the cross-offsetting option permissible under section 340 (f) (3) of the German Commercial Code. Owing to interest rate movements, write-downs of the market prices of bonds were necessary to a somewhat smaller extent than in 1997 (DM 2.3 billion against DM 2.6 billion). In part, the banks also realised price gains.

Provisions on domestic loans

The greater part of the net charges from the valuation of assets was accounted for by domestic lending. The amount of the provisions for individual accounts and general provisions probably largely tallies with last year’s figure. In the case of loans for industrial real property, the situation remained tight, particularly

11 Balance of “value adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments” and “value re-adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments”.

in eastern Germany. The number of corporate insolvencies in Germany rose slightly in 1998 from 27,500 in 1997 to 27,800, primarily in the real-estate, housing, retail and construction fields. In the case of institutions domiciled in eastern Germany, net charges from the valuation of assets absorbed about 52 % of the operating result, whereas the corresponding figure for western Germany was approximately 37 %. Some of the credit institutions organised in associations had to draw on assistance from their associations.

Provision for country risks and for specific borrowers abroad

The net charges from the valuation of external lending increased in 1998. This may owe much to the fact that the loss provisions for individual foreign borrowers were evidently greatly enlarged. In addition, the losses of a bank in a foreign financial centre played a role. With respect to provisions for country risks, by contrast, there were apparently only certain shifts. In line with current trends, the net charges from the valuation of assets in eastern Europe seem to have been increased, while those for south-east Asia were apparently reduced. Among the various categories of banks, it was regional giro institutions that recorded the steepest increase in the net charges from the valuation of assets, followed by credit institutions with special functions and regional banks, whereas savings banks and big banks on balance had to undertake distinctly less risk provisioning than in the previous year.

Hidden reserves and "fund for general banking risks" augmented

In 1998 the untaxed hidden reserves were probably run down somewhat, if anything, whereas the taxed hidden reserves pursuant to section 340 (f) of the German Commercial

Credit institutions' cost/income ratios, by category of bank

%

	General administrative spending as a percentage of		
Category of bank	1996	1997	1998 p
	gross earnings 1		
All categories of banks	64.7	65.4	67.9
Big banks	75.4	75.3	78.3
Regional banks and other commercial banks	64.1	63.4	68.1
Branches of foreign banks	98.0	124.0	147.1
Private bankers	76.9	72.8	68.5
Regional giro institutions 2	55.4	55.9	56.1
Savings banks	62.2	64.3	68.1
Regional institutions of credit cooperatives	60.6	61.0	59.6
Credit cooperatives	70.9	72.0	75.4
Mortgage banks	31.0	29.7	30.1
Credit institutions with special functions	63.7	65.1	59.2
	income from banking business 3		
All categories of banks	62.7	62.8	63.6
Big banks	72.6	72.2	76.7
Regional banks and other commercial banks	60.3	59.7	59.2
Branches of foreign banks	78.4	79.8	75.5
Private bankers	72.0	68.1	63.3
Regional giro institutions 2	50.5	50.6	46.5
Savings banks	62.5	63.4	66.5
Regional institutions of credit cooperatives	54.3	54.5	56.0
Credit cooperatives	69.1	69.8	72.4
Mortgage banks	31.6	30.0	29.7
Credit institutions with special functions	60.0	61.2	55.8

1 Aggregate net interest and net commissions received. — **2** From 1999 called Land banks. — **3** Gross earnings plus net profit or net loss on financial operations and net other operating income or charges.

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Code, which are acknowledged as additional capital, increased slightly in net terms. Seemingly, these reserves were also used to augment the "fund for general banking risks". Such own funds, which for the purposes of the present performance analysis are regarded as an allocation of profits (accumulation of reserves) and whose augmentation is thus "neutral" with respect to the calculation of the profit for the financial year, form part of the core capital. They rose from DM 3.5 billion to DM 6.4 billion between March 1998 and March 1999.

Breakdown of other and extraordinary income or charges *

DM million

Item	1996	1997	1998 p
Net other and extraordinary income or charges	– 4,295	– 4,000	21,463
Income			
from value re-adjustments in respect of participating interests, shares in affiliated undertakings and transferable securities held as financial fixed assets	1,174	2,264	15,740
from the release of special reserves	342	822	298
from loss transfers	1,191	311	676
Extraordinary income	972	820	15,087
Charges			
Value adjustments in respect of participating interests, shares in affiliated undertakings and transferable securities held as financial fixed assets	– 571	– 596	– 545
Charges incurred through loss transfers	– 2,105	– 909	– 1,294
Transfers to special reserves	– 388	– 609	– 358
Extraordinary charges	– 2,921	– 4,258	– 6,395
Profits transferred under profit-pooling and profit transfer agreements	– 1,989	– 1,845	– 1,746

* Including east German credit institutions and in accordance with the accounting regulations as modified from 1993.

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Net other and extraordinary income or charges

High favourable balance on "extraordinary accounts"

In contrast to the two previous years, when the banks' profit-and-loss accounts were adversely affected to the extent of DM 4 billion a year by the unfavourable balance on the "extraordinary accounts", special factors resulted in a favourable balance of DM 21½ billion in the financial year 1998. The major part of this sum (DM 17.2 billion) was accounted for by big banks, followed by the regional institutions of credit cooperatives (DM 1.8 billion), regional giro institutions (DM 1.4 billion) and regional banks (DM 1.2 billion).

Income from financial fixed assets and extraordinary income

Specifically, DM 15.7 billion was recorded as income from financial fixed assets (income from value re-adjustments in respect of participating interests, shares in affiliated undertakings and transferable securities held as financial fixed assets). This sum was augmented by a further DM 15.1 billion in extraordinary income (see the adjacent table for the breakdown of "extraordinary accounts"). This was accompanied by DM 6.4 billion of "extraordinary charges". In this context, credit institutions also availed themselves of the option of netting income and charges, as permissible under section 340 (c) (2) of the German Commercial Code.

Intra-group transfers of participating interests

On the one hand, the income from financial fixed assets was attributable to major sales of participating interests, principally by big and regional banks. On the other hand, it derived chiefly from the transfer of a large part of the industrial shareholdings of these banks to autonomous partnerships. Regional giro institutions, too, in part transferred such assets.[12] In this context, particular institutions likewise realised some of the reserves included in their shareholding. As part of the group accounting, in which intra-group shifts of assets are consolidated, this was not necessarily reflected correspondingly in the financial statements. Hence, individual and consolidated accounts diverged in this respect.

Special earnings owing to mergers

Extraordinary earnings also accrued to credit institutions from "profits from mergers"[13], particularly among regional banks. In addition, undisclosed reserves were realised by selling and subsequently re-purchasing securities, which were then used to offset extraordinary charges for risk provisioning. Further charges arose in connection with mergers, for instance among regional and among mortgage banks. These were accompanied by not inconsiderable write-downs of participating interests in foreign hedge funds.

Profit for the financial year before tax boosted by special effects

Owing to these special factors the profit for the financial year before tax rose markedly, by DM 25½ billion to a total of DM 66 billion. This was accompanied by an exceptionally sharp increase in the return on capital, from 12.75 % to 19.34 %. This value, which is significantly higher than usual, is however no indicator of the longer-term performance of the banking sector. The rise in the return on capital was largely confined to those categories of banks whose "extraordinary accounts" were marked by special factors. The table on page 38 provides an overview of the movement of the return on capital over time, by category of bank and also "after tax".

Taxes on income and earnings, profit for the financial year

Increase in taxes dependent on earnings

The taxes on income and earnings recorded in the 1998 annual accounts rose sharply (from almost DM 20 billion) to just over DM 31 billion in 1998. This was likewise attributable to the high favourable balance on the "extraordinary accounts". However,

12 Transfers of participating interests to partnerships before the end of 1998, for example in the form of limited partnerships (Kommanditgesellschaften; with the unlimited partner being a newly established public limited company and the limited partner being the "selling" bank) were probably motivated not only by the wish for more pro-active and flexible management but also by the amendments of income tax legislation that entered into force at the beginning of 1999 (section 6 (4) and (5) of the Income Tax Act). They meant that a tax-neutral transfer of individual assets – i.e. one not involving the compulsory disclosure of hidden reserves in accordance with the "co-entrepreneur regulation" *(Mitunternehmererlaß)* or the "exchange experts report" *(Tauschgutachten)* was possible only until the end of 1998.
13 Since there had been a significant participating interest even before the merger, these "profits from mergers" resulted from the difference between the proportional book value of the equity capital of a merger counterpart and the book value of the participating interest.

Performance of the various categories of banks in 1998 *, p

Category of bank	Partial operating result 1 DM million	Partial operating result 1 % 5	Operating result 2 DM million	Operating result 2 % 5	Profit for the financial year before tax 3 DM million	Profit for the financial year before tax 3 % 5	Memo item Volume of business 4 % 5
All categories of banks	59,324	– 3.9	44,423	+ 0.9	65,886	+ 64.2	+ 12.1
Big banks	7,131	– 4.8	5,259	– 2.0	22,422	6 + 489.4	+ 24.3
Regional banks and other commercial banks	9,486	– 9.6	8,868	+ 18.9	10,052	+ 59.6	+ 7.1
Branches of foreign banks	– 179	– 92.5	127	+ 49.4	149	+ 136.5	+ 3.6
Private bankers	689	+ 29.8	625	+ 29.9	627	+ 30.4	+ 8.4
Regional giro institutions 7	6,895	+ 7.5	4,271	– 18.1	5,681	+ 16.3	+ 13.3
Savings banks	16,500	– 11.3	11,865	+ 0.6	12,017	– 1.5	+ 5.5
Regional institutions of credit cooperatives	1,488	+ 20.5	993	– 22.0	2,778	6 + 153.0	+ 15.2
Credit cooperatives	7,573	– 13.6	5,295	– 10.4	5,636	– 9.0	+ 4.3
Mortgage banks	6,187	+ 15.3	5,138	+ 27.8	4,493	+ 24.5	+ 18.1
Credit institutions with special functions	3,554	+ 21.3	1,982	– 17.9	2,031	+ 35.5	+ 9.7

* Including east German credit institutions and in accordance with the accounting regulations as modified from 1993. — **1** Net interest and net commissions received less general administrative spending. — **2** Partial operating result plus net profit or net loss on financial operations, net other operating income or charges and net income or net charges from the valuation of assets (other than tangible and financial fixed assets). — **3** Operating result plus net other and extraordinary income or charges. — **4** Annual average. — **5** Change from previous year. Statistical changes have been eliminated. — **6** See the text on pages 29f. and 42f. — **7** From 1999 called Land banks.

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these taxes paid were not reflected in full and immediately in the banks' cash positions. In particular, the – arithmetical – surplus resulting from transfers of participating interests led to the accumulation of deferred taxes in the form of provisions for taxation. In this context, the annual reports spoke of assigning accrual items in accordance with section 274 (1) of the German Commercial Code in the amount of some DM 7 billion.[14] However, since hidden reserves were also realised to some extent, the income tax burden as reflected in the banks' cash position was likewise distinctly higher than in previous years. On the other hand, some credit institutions reduced their tax ratios by means of tax loss carry-forwards which had not been used before and by tax-free receipts. Some banks, particularly mortgage banks, lowered their tax payments by increasing their equity capital not out of retained profits but by taking advantage of the lower tax rate for distributed profits by using the "pay out/take back method".

Balance-sheet profit and transfers to reserves

The profit for the year after tax grew by more than DM 14 billion to a total of DM 34½ billion. Just over DM 18 billion of this sum was recorded as balance-sheet profit. DM 16½ billion was added to

14 The expenditure on taxes depending on earnings was somewhat lower in the financial group, for one thing owing to the "extraordinary income" that did not accrue in the group because of the consolidation, for another because of the differing treatment of deferred taxes in group accounting consistent with the IAS as compared with the German Commercial Code. In the case of group accounting the calculation of deferred taxes can be based on the future country-specific rates of taxation. In Germany, for example, the tax rate for retained profits has been 40 % since January 1, 1999.

the reserves. In this context, it was particularly the big and regional banks that increased the item "other revenue reserves" very strongly.

The tables accompanying this article are published on pages 47 to 57.

Major components of credit institutions’ profit and loss accounts, by category of bank *

Percentage of the average volume of business o

Financial year	All categories of banks	Big banks	Regional banks and other commercial banks	Branches of foreign banks	Private bankers	Regional giro institutions 1	Savings banks	Regional institutions of credit cooperatives 2	Credit cooperatives	Mortgage banks	Credit institutions with special functions
	Interest received										
1992	7.98	8.03	8.43	8.03	11.36	7.51	8.27	8.55	8.61	7.49	6.79
1993	7.51	7.30	7.62	8.42	9.78	6.87	7.95	7.76	8.17	7.49	6.76
1994	6.77	6.25	6.91	6.69	8.08	6.49	7.33	6.44	7.34	7.11	5.57
1995	6.57	6.07	6.66	5.84	6.69	6.32	7.08	5.61	7.10	6.90	5.90
1996	6.07	5.40	6.06	4.58	5.80	5.90	6.61	4.78	6.54	6.54	5.67
1997	5.76	4.94	5.82	3.98	5.49	5.70	6.28	4.64	6.20	6.39	5.30
1998 p	5.59	4.61	5.68	3.80	5.50	5.53	6.05	4.61	5.95	6.54	5.20
1997 (w) 3	5.75	.	.	.	.	.	6.35	.	6.22	.	.
1998 (w) 3	5.57	.	.	.	.	.	6.12	.	5.97	.	.
	Interest paid										
1992	6.17	5.56	6.43	7.23	9.44	6.86	5.39	7.77	5.53	6.77	5.66
1993	5.64	4.93	5.61	7.39	7.58	6.21	4.91	6.84	5.01	6.78	5.66
1994	4.89	4.00	4.78	5.93	5.85	5.73	4.18	5.15	4.19	6.42	4.64
1995	4.81	4.15	4.65	5.12	4.21	5.63	4.05	4.72	4.06	6.21	4.96
1996	4.42	3.69	4.15	3.90	3.41	5.21	3.70	4.02	3.63	5.88	4.76
1997	4.26	3.44	4.02	3.59	3.17	5.05	3.56	3.92	3.43	5.76	4.45
1998 p	4.22	3.33	3.99	3.40	3.20	4.91	3.54	3.86	3.40	5.92	4.37
1997 (w) 3	4.28	.	.	.	.	.	3.67	.	3.47	.	.
1998 (w) 3	4.22	.	.	.	.	.	3.64	.	3.43	.	.
	Excess of interest received over interest paid = net interest received										
1992	1.81	2.47	2.00	0.80	1.92	0.65	2.88	0.78	3.08	0.72	1.13
1993	1.87	2.37	2.02	1.02	2.20	0.65	3.04	0.92	3.16	0.71	1.09
1994	1.89	2.25	2.13	0.76	2.23	0.76	3.15	1.29	3.15	0.69	0.93
1995	1.76	1.93	2.01	0.72	2.48	0.68	3.02	0.89	3.04	0.69	0.95
1996	1.65	1.71	1.91	0.68	2.40	0.69	2.91	0.76	2.91	0.67	0.90
1997	1.50	1.50	1.79	0.40	2.33	0.65	2.72	0.72	2.76	0.63	0.85
1998 p	1.37	1.28	1.69	0.40	2.30	0.62	2.52	0.76	2.56	0.62	0.83
1997 (w) 3	1.47	.	.	.	.	.	2.67	.	2.75	.	.
1998 (w) 3	1.34	.	.	.	.	.	2.48	.	2.54	.	.
	Excess of commissions received over commissions paid = net commissions received										
1992	0.40	0.87	0.49	0.27	0.97	0.11	0.53	0.27	0.55	.	0.30
1993	0.42	1.03	0.50	0.26	1.14	0.10	0.50	0.27	0.58	0.00	0.25
1994	0.39	0.87	0.46	0.24	1.06	0.11	0.50	0.23	0.57	– 0.01	0.22
1995	0.36	0.77	0.44	0.24	1.21	0.10	0.49	0.22	0.53	0.00	0.21
1996	0.34	0.73	0.42	0.23	1.45	0.10	0.47	0.22	0.53	– 0.01	0.18
1997	0.35	0.76	0.48	0.18	1.72	0.10	0.47	0.23	0.54	– 0.01	0.17
1998 p	0.34	0.69	0.50	0.15	2.04	0.10	0.48	0.20	0.55	– 0.01	0.13
1997 (w) 3	0.35	.	.	.	.	.	0.46	.	0.53	.	.
1998 (w) 3	0.34	.	.	.	.	.	0.48	.	0.54	.	.

* From the financial year 1993 including east German credit institutions and in accordance with the modified accounting regulations. — **o** Excluding the volume of business of the foreign branches of savings banks. Statistical increase in the volume of business owing to the inclusion of foreign branches: 1992 private bankers + DM 1.5 billion; 1994 regional institutions of credit cooperatives + DM 13.8 billion; 1998 mortgage banks + DM 1.3 billion. — **1** From 1999 called Land banks; including Deutsche Girozentrale. — **2** Including Deutsche Genossenschaftsbank. — **3** West German credit institutions.

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

Percentage of the average volume of business o

Financial year	All categories of banks	Big banks	Regional banks and other commercial banks	Branches of foreign banks	Private bankers	Regional giro institutions 1	Savings banks	Regional institutions of credit cooperatives 2	Credit cooperatives	Mortgage banks	Credit institutions with special functions
	General administrative spending										
1992	1.50	2.31	1.76	0.80	2.24	0.50	2.23	0.72	2.65	0.26	1.02
1993	1.49	2.22	1.66	0.77	2.57	0.46	2.28	0.73	2.68	0.25	0.91
1994	1.39	2.14	1.59	0.76	2.46	0.45	2.14	0.66	2.54	0.22	0.77
1995	1.38	2.05	1.61	0.77	2.93	0.46	2.17	0.66	2.53	0.22	0.78
1996	1.29	1.84	1.50	0.90	2.96	0.43	2.11	0.60	2.44	0.20	0.69
1997	1.21	1.70	1.44	0.71	2.95	0.42	2.05	0.58	2.38	0.19	0.66
1998 p	1.16	1.54	1.49	0.82	2.97	0.40	2.04	0.57	2.34	0.18	0.57
1997 (w) 3	1.19	.	.	.	.	.	1.99	.	2.34	.	.
1998 (w) 3	1.14	.	.	.	.	.	2.00	.	2.31	.	.
	Partial operating result										
1992	0.71	1.03	0.73	0.27	0.65	0.26	1.18	0.33	0.98	0.46	0.41
1993	0.80	1.18	0.86	0.52	0.76	0.30	1.25	0.46	1.06	0.46	0.44
1994	0.88	0.98	1.00	0.24	0.83	0.41	1.52	0.86	1.18	0.46	0.39
1995	0.73	0.65	0.84	0.19	0.75	0.33	1.34	0.45	1.04	0.46	0.38
1996	0.70	0.60	0.84	0.02	0.89	0.35	1.28	0.39	1.00	0.45	0.39
1997	0.64	0.56	0.83	– 0.14	1.10	0.33	1.14	0.37	0.92	0.44	0.35
1998 p	0.55	0.43	0.70	– 0.26	1.36	0.32	0.96	0.39	0.77	0.43	0.39
1997 (w) 3	0.63	.	.	.	.	.	1.14	.	0.94	.	.
1998 (w) 3	0.54	.	.	.	.	.	0.95	.	0.77	.	.
	Net profit or net loss on financial operations										
1992	.	.	.	.	.	.	.	.	.	.	.
1993	0.11	0.26	0.20	0.06	0.38	0.09	0.09	0.15	0.05	0.00	0.02
1994	0.01	– 0.01	0.02	0.12	0.05	0.00	0.01	0.08	0.00	0.00	0.00
1995	0.06	0.12	0.10	0.05	0.16	0.05	0.05	0.12	0.03	0.00	0.01
1996	0.05	0.10	0.07	0.22	0.12	0.04	0.05	0.10	0.03	0.00	0.01
1997	0.06	0.13	0.06	0.13	0.19	0.05	0.06	0.10	0.02	0.00	0.02
1998 p	0.07	0.09	0.18	0.37	0.22	0.07	0.05	0.05	0.02	0.00	0.01
1997 (w) 3	0.06	.	.	.	.	.	0.06	.	0.02	.	.
1998 (w) 3	0.07	.	.	.	.	.	0.06	.	0.02	.	.
	Net income or net charges from the valuation of assets										
1992	.	.	.	.	.	.	.	.	.	.	.
1993	– 0.38	– 0.81	– 0.53	– 0.11	– 0.64	– 0.19	– 0.45	– 0.33	– 0.32	– 0.12	– 0.17
1994	– 0.44	– 0.47	– 0.51	– 0.04	– 0.78	– 0.19	– 0.73	– 0.73	– 0.55	– 0.19	– 0.23
1995	– 0.27	– 0.19	– 0.35	0.05	– 0.77	– 0.15	– 0.52	– 0.13	– 0.35	– 0.10	– 0.16
1996	– 0.26	– 0.15	– 0.41	0.01	– 0.53	– 0.15	– 0.47	– 0.04	– 0.37	– 0.08	– 0.21
1997	– 0.26	– 0.25	– 0.36	– 0.05	– 0.38	– 0.14	– 0.46	– 0.10	– 0.41	– 0.11	– 0.13
1998 p	– 0.25	– 0.15	– 0.37	– 0.08	– 0.49	– 0.27	– 0.34	– 0.19	– 0.36	– 0.08	– 0.23
1997 (w) 3	– 0.25	.	.	.	.	.	– 0.45	.	– 0.40	.	.
1998 (w) 3	– 0.25	.	.	.	.	.	– 0.33	.	– 0.35	.	.

For footnotes *, o and 1 to 3, see page 47.

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

Percentage of the average volume of business o

Financial year	All categories of banks	Big banks	Regional banks and other commercial banks	Branches of foreign banks	Private bankers	Regional giro institutions [1]	Savings banks	Regional institutions of credit cooperatives [2]	Credit cooperatives	Mortgage banks	Credit institutions with special functions
	Operating result										
1992	.	.	.	.	.	.	.	.	.	.	.
1993	0.55	0.63	0.58	0.47	0.61	0.23	0.87	0.27	0.91	0.33	0.29
1994	0.47	0.49	0.57	0.32	0.22	0.25	0.77	0.20	0.73	0.26	0.19
1995	0.54	0.57	0.65	0.32	0.23	0.26	0.84	0.45	0.80	0.36	0.27
1996	0.51	0.54	0.58	0.25	0.62	0.28	0.80	0.46	0.72	0.36	0.26
1997	0.46	0.40	0.61	0.13	1.00	0.26	0.72	0.38	0.62	0.33	0.29
1998 p	0.41	0.32	0.65	0.19	1.24	0.20	0.69	0.26	0.54	0.36	0.22
1997 (w) [3]	0.46	.	.	.	.	.	0.74	.	0.65	.	.
1998 (w) [3]	0.41	.	.	.	.	.	0.70	.	0.56	.	.
	Net other and extraordinary income or charges										
1992	.	.	.	.	.	.	.	.	.	.	.
1993	– 0.02	– 0.06	– 0.07	0.00	0.02	– 0.01	0.00	– 0.06	– 0.01	– 0.01	0.00
1994	– 0.01	0.09	– 0.05	– 0.01	0.28	– 0.05	– 0.06	0.27	– 0.03	0.01	0.03
1995	– 0.03	– 0.10	– 0.10	– 0.02	0.22	– 0.03	0.02	– 0.03	0.02	– 0.03	– 0.01
1996	– 0.05	– 0.04	– 0.10	– 0.02	–	– 0.07	0.01	– 0.02	0.03	– 0.03	– 0.22
1997	– 0.04	– 0.12	– 0.10	– 0.03	0.05	– 0.02	0.02	– 0.05	0.03	– 0.03	– 0.11
1998 p	0.20	1.03	0.09	0.03	0.00	0.06	0.01	0.46	0.03	– 0.04	0.01
1997 (w) [3]	– 0.04	.	.	.	.	.	0.03	.	0.02	.	.
1998 (w) [3]	0.21	.	.	.	.	.	0.01	.	0.03	.	.
	Profit for the financial year before tax										
1992	0.51	0.70	0.26	0.30	0.43	0.18	0.92	0.25	0.95	0.36	0.25
1993	0.53	0.57	0.52	0.47	0.62	0.22	0.86	0.22	0.90	0.32	0.29
1994	0.46	0.58	0.52	0.31	0.50	0.20	0.71	0.47	0.70	0.27	0.21
1995	0.51	0.47	0.55	0.31	0.46	0.23	0.86	0.42	0.81	0.33	0.26
1996	0.46	0.50	0.48	0.23	0.62	0.21	0.82	0.43	0.76	0.33	0.03
1997	0.42	0.28	0.51	0.10	1.05	0.25	0.75	0.33	0.65	0.29	0.18
1998 p	0.61	1.35	0.74	0.22	1.24	0.26	0.70	0.72	0.57	0.31	0.22
1997 (w) [3]	0.42	.	.	.	.	.	0.77	.	0.67	.	.
1998 (w) [3]	0.62	.	.	.	.	.	0.70	.	0.59	.	.
	Profit for the financial year after tax										
1992	0.21	0.41	0.02	0.14	0.32	0.09	0.29	0.11	0.34	0.21	0.13
1993	0.25	0.35	0.29	0.28	0.54	0.11	0.31	0.09	0.34	0.18	0.20
1994	0.24	0.38	0.31	0.20	0.44	0.11	0.30	0.24	0.31	0.17	0.14
1995	0.26	0.37	0.31	0.20	0.38	0.12	0.30	0.21	0.31	0.21	0.20
1996	0.22	0.33	0.27	0.11	0.48	0.13	0.28	0.24	0.28	0.20	– 0.01
1997	0.21	0.21	0.33	0.02	0.90	0.13	0.26	0.15	0.25	0.17	0.15
1998 p	0.32	0.66	0.51	0.14	1.01	0.14	0.26	0.58	0.22	0.18	0.19
1997 (w) [3]	0.22	.	.	.	.	.	0.26	.	0.26	.	.
1998 (w) [3]	0.33	.	.	.	.	.	0.26	.	0.23	.	.

For footnotes *, o and 1 to 3, see page 47.

Deutsche Bundesbank

Credit institutions' profit and loss accounts *

	Interest business			Non-interest business			General administrative spending			
Financial year	Net interest received (col. 2 less col. 3)	Interest received	Interest paid	Net commissions received (col. 5 less col. 6)	Commissions received	Commissions paid	Total (col. 8 plus col. 9)	Staff costs	Total other administrative spending 1	Partial operating result (col. 1 plus col. 4 less col. 7)
	1	2	3	4	5	6	7	8	9	10
	DM billion									
1991	91.6	395.4	303.8	19.6	21.5	1.9	76.4	47.4	29.0	34.8
1992	101.0	444.8	343.8	22.4	24.7	2.3	83.7	51.7	32.0	39.6
1993	118.9	477.2	358.4	26.6	29.7	3.1	94.9	57.2	37.7	50.6
1994	133.7	479.9	346.2	27.3	30.5	3.2	98.8	59.0	39.7	62.2
1995	133.6	498.9	365.4	27.1	30.4	3.3	105.2	62.8	42.3	55.5
1996	140.8	518.3	377.5	29.2	33.3	4.1	110.0	64.4	45.6	60.0
1997	144.6	554.5	409.9	34.1	39.1	5.0	116.9	67.1	49.8	61.8
1998 p	147.5	602.9	455.3	37.0	43.6	6.6	125.2	70.1	55.1	59.3
1997 (w) 4	136.3	533.1	396.9	32.6	37.5	4.9	110.1	63.8	46.4	58.8
1998 (w) 4	139.5	578.6	439.1	35.5	42.0	6.5	118.5	66.7	51.8	56.5
	Change from the previous year in % 5									
1992	+ 10.0	+ 12.2	+ 12.8	+ 14.2	+ 14.8	+ 20.5	+ 9.5	+ 8.9	+ 10.5	+ 13.4
1993	+ 10.3	+ 4.1	+ 2.2	+ 16.5	+ 17.8	+ 30.0	+ 7.7	+ 6.7	+ 9.3	+ 19.1
1994	+ 11.3	– 1.5	– 5.7	+ 2.2	+ 2.5	+ 5.6	+ 3.8	+ 2.9	+ 5.3	+ 20.4
1995	+ 0.0	+ 4.3	+ 6.0	– 0.5	– 0.0	+ 3.7	+ 6.7	+ 6.7	+ 6.9	– 10.8
1996	+ 5.5	+ 3.9	+ 3.3	+ 7.9	+ 9.7	+ 24.4	+ 4.6	+ 2.6	+ 7.7	+ 8.2
1997	+ 2.8	+ 7.0	+ 8.5	+ 16.9	+ 17.5	+ 21.4	+ 6.4	+ 4.3	+ 9.4	+ 3.1
1998 p	+ 2.2	+ 8.8	+ 11.2	+ 8.5	+ 11.7	+ 33.0	+ 7.2	+ 4.6	+ 10.8	– 3.9
	Percentage of the average volume of business									
1991	1.79	7.71	5.92	0.38	0.42	0.04	1.49	0.92	0.57	0.68
1992 3	1.81	7.98	6.17	0.40	0.44	0.04	1.50	0.93	0.57	0.71
1993	1.87	7.51	5.64	0.42	0.47	0.05	1.49	0.90	0.59	0.80
1994 3	1.89	6.77	4.89	0.39	0.43	0.05	1.39	0.83	0.56	0.88
1995	1.76	6.57	4.81	0.36	0.40	0.04	1.38	0.83	0.56	0.73
1996	1.65	6.07	4.42	0.34	0.39	0.05	1.29	0.75	0.53	0.70
1997	1.50	5.76	4.26	0.35	0.41	0.05	1.21	0.70	0.52	0.64
1998 p	1.37	5.59	4.22	0.34	0.40	0.06	1.16	0.65	0.51	0.55
1997 (w) 4	1.47	5.75	4.28	0.35	0.40	0.05	1.19	0.69	0.50	0.63
1998 (w) 4	1.34	5.57	4.22	0.34	0.40	0.06	1.14	0.64	0.50	0.54

* From the financial year 1993 including east German credit institutions and in accordance with the modified accounting regulations. — **1** Including depreciation and adjustments of tangible and intangible assets, but excluding depreciation and adjustments of objects leased ("broad" definition). — **2** Balance sheet total plus endorsement liabilities on rediscounted bills, own drawings outstanding, discounted and credited to borrowers, and bills sent for collection from the bill portfolio before maturity; annual average. — **3** Excluding

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Net profit or net loss on financial operations	Net other operating income or charges	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col. 10 to col. 13)	Net other and extraordinary income or charges	Profit for the financial year before tax (from 1993: col. 14 plus col. 15)	Taxes on income and earnings	Profit or loss (–) for the financial year after tax (col. 16 less col. 17)	Memo item Volume of business 2, 3	
11	12	13	14	15	16	17	18	19	Financial year
								DM billion	
.	.	.	.	.	27.3	15.1	12.1	5,129.5	1991
.	.	.	.	.	28.4	16.9	11.5	5,571.9	1992
6.8	1.7	– 24.0	35.1	– 1.5	33.6	17.9	15.7	6,354.1	1993
0.5	1.5	– 30.9	33.3	– 0.5	32.8	15.5	17.3	7,085.3	1994
4.4	1.4	– 20.5	40.8	– 2.2	38.6	19.1	19.5	7,592.9	1995
4.1	1.4	– 22.1	43.5	– 4.3	39.2	20.3	18.9	8,545.9	1996
5.3	2.2	– 25.1	44.2	– 4.0	40.2	19.8	20.4	9,625.1	1997
7.1	5.2	– 27.2	44.4	21.5	65.9	31.1	34.7	10,778.2	1998 p
5.3	2.1	– 23.3	42.8	– 4.0	38.8	18.8	20.0	9,271.2	1997 (w) 4
7.0	5.0	– 25.6	42.9	21.4	64.3	30.1	34.2	10,392.7	1998 (w) 4
								Change from the previous year in % 5	
.	.	.	.	.	+ 3.8	+ 11.4	– 5.6	+ 8.3	1992
–	–	–	–	–	+ 10.9	– 0.8	+ 28.1	+ 10.9	1993
– 92.8	– 17.0	– 27.9	– 7.7	+ 74.7	– 4.0	– 13.1	+ 6.1	+ 9.2	1994
+ 946.4	– 6.7	+ 33.4	+ 22.3	– 364.2	+ 17.4	+ 23.0	+ 12.3	+ 7.4	1995
– 6.0	+ 0.9	– 7.4	+ 6.8	– 96.2	+ 1.7	+ 6.5	– 2.9	+ 12.6	1996
+ 24.3	+ 58.2	– 13.6	+ 1.7	+ 6.9	+ 2.7	– 2.5	+ 8.3	+ 12.6	1997
+ 34.0	+ 148.6	– 8.3	+ 0.9	.	+ 64.2	+ 58.0	+ 70.1	+ 12.1	1998 p
								Percentage of the average volume of business	
.	.	.	.	.	0.53	0.29	0.24	.	1991
.	.	.	.	.	0.51	0.30	0.21	.	1992 3
0.11	0.03	– 0.38	0.55	– 0.02	0.53	0.28	0.25	.	1993
0.01	0.02	– 0.44	0.47	– 0.01	0.46	0.22	0.24	.	1994 3
0.06	0.02	– 0.27	0.54	– 0.03	0.51	0.25	0.26	.	1995
0.05	0.02	– 0.26	0.51	– 0.05	0.46	0.24	0.22	.	1996
0.06	0.02	– 0.26	0.46	– 0.04	0.42	0.21	0.21	.	1997
0.07	0.05	– 0.25	0.41	0.20	0.61	0.29	0.32	.	1998 p
0.06	0.02	– 0.25	0.46	– 0.04	0.42	0.20	0.22	.	1997 (w) 4
0.07	0.05	– 0.25	0.41	0.21	0.62	0.29	0.33	.	1998 (w) 4

the volume of business of the foreign branches of savings banks. Statistical increase in the volume of business owing to the inclusion of the foreign branches: 1992 private bankers + DM 1.5 billion; 1994 regional institutions of credit cooperatives + DM 13.8 billion; 1998 mortgage banks + DM 1.3 billion. — **4** West German credit institutions. — **5** Statistical changes have been eliminated, including breaks caused by the inclusion of east German credit institutions in 1993.

Credit institutions' profit and loss accounts *, o

DM million

Financial year	Number of reporting institutions	Interest business			Non-interest business			General administrative spending			Partial operating result (col. 2 plus col. 5 less col. 8)
		Net interest received (col. 3 less col. 4)	Interest received	Interest paid	Net commissions received (col. 6 less col. 7)	Commissions received	Commissions paid	Total (col. 9 plus col. 10)	Staff costs	Total other administrative spending 1	
	1	2	3	4	5	6	7	8	9	10	11
	All categories of banks										
1995	3,571	133,552	498,925	365,373	27,086	30,394	3,308	105,159	62,814	42,345	55,479
1996	3,458	140,833	518,329	377,496	29,224	33,339	4,115	110,032	64,434	45,598	60,025
1997	3,359	144,560	554,474	409,914	34,096	39,056	4,960	116,867	67,097	49,770	61,789
1998 p	3,167	147,515	602,854	455,339	37,010	43,603	6,593	125,201	70,123	55,078	59,324
1997 (w) 6	3,091	136,287	533,139	396,852	32,632	37,502	4,870	110,119	63,761	46,358	58,800
1998 (w) 6	2,917	139,505	578,592	439,087	35,478	41,953	6,475	118,504	66,748	51,756	56,479
	Commercial banks										
1995	290	39,649	129,571	89,922	12,159	13,795	1,636	36,884	22,120	14,764	14,924
1996	277	42,311	134,317	92,006	13,710	15,765	2,055	39,342	22,932	16,410	16,679
1997	272	44,354	145,824	101,470	17,273	19,826	2,553	43,082	24,191	18,891	18,545
1998 p	258	45,727	159,303	113,576	19,341	22,932	3,591	47,941	25,937	22,004	17,127
	Big banks										
1995	3	17,565	55,378	37,813	6,991	7,517	526	18,657	11,827	6,830	5,899
1996	3	18,782	59,348	40,566	8,004	8,732	728	20,187	12,437	7,750	6,599
1997	3	20,037	66,201	46,164	10,224	11,092	868	22,773	13,357	9,416	7,488
1998 p	3	21,381	76,785	55,404	11,414	13,114	1,700	25,664	14,766	10,898	7,131
	Regional banks and other commercial banks										
1995	190	20,489	67,893	47,404	4,448	5,471	1,023	16,384	9,276	7,108	8,553
1996	184	21,986	69,662	47,676	4,870	6,097	1,227	17,222	9,491	7,731	9,634
1997	181	22,914	74,305	51,391	6,088	7,623	1,535	18,393	9,831	8,562	10,609
1998 p	174	22,909	77,151	54,242	6,794	8,504	1,710	20,217	10,188	10,029	9,486
	Branches of foreign banks										
1995	33	370	2,994	2,624	122	136	14	393	182	211	99
1996	31	368	2,464	2,096	125	138	13	483	174	309	10
1997	30	261	2,623	2,362	118	146	28	470	181	289	– 91
1998 p	26	275	2,588	2,313	105	147	42	559	157	402	– 179
	Private bankers										
1995	64	1,225	3,306	2,081	598	671	73	1,450	835	615	373
1996	59	1,175	2,843	1,668	711	798	87	1,450	830	620	436
1997	58	1,142	2,695	1,553	843	965	122	1,446	822	624	539
1998 p	55	1,162	2,779	1,617	1,028	1,167	139	1,501	826	675	689
	Regional giro institutions (including Deutsche Girozentrale) 7										
1995	13	9,860	91,024	81,164	1,431	1,840	409	6,583	3,888	2,695	4,708
1996	13	11,448	98,124	86,676	1,590	2,089	499	7,227	4,172	3,055	5,811
1997	13	12,429	109,605	97,176	1,985	2,617	632	8,057	4,434	3,623	6,357
1998 p	13	13,615	120,670	107,055	2,076	2,872	796	8,796	4,640	4,156	6,895

For footnotes, see page 54 f.

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Net profit or net loss on finan-cial op-erations	Net other operating income or charges	Net income or net charges from the valuation of assets (other than tan-gible or financial fixed assets)	Operating result (col. 11 to col. 14)	Net other and extra-ordinary income or charges 2	Profit for the finan-cial year before tax (col. 15 plus col. 16)	Taxes on income and earnings 3	Profit or loss (–) for the finan-cial year after tax (col. 17 less col. 18)	With-drawals from or transfers to (–) reserves and parti-cipation rights capital 4	Balance sheet profit or loss (–) (col. 19 plus col. 20)	Memo item Average volume of business during year 5	
12	13	14	15	16	17	18	19	20	21	22	Financial year
										All categories of banks	
4,395	1,424	– 20,543	40,755	– 2,191	38,564	19,111	19,453	– 7,757	11,696	7,592,916	1995
4,130	1,438	– 22,068	43,525	– 4,295	39,230	20,347	18,883	– 6,606	12,277	8,545,924	1996
5,306	2,237	– 25,091	44,241	– 4,000	40,241	19,838	20,403	– 7,395	13,008	9,625,073	1997
7,079	5,184	– 27,164	44,423	21,463	65,886	31,148	34,738	– 16,553	18,185	10,778,199	1998 p
5,263	2,067	– 23,338	42,792	– 3,988	38,804	18,829	19,975	– 7,479	12,496	9,271,230	1997 (w) 6
6,963	5,049	– 25,553	42,938	21,386	64,324	30,089	34,235	– 16,419	17,816	10,392,731	1998 (w) 6
										Commercial banks	
2,236	604	– 5,628	12,136	– 1,857	10,279	3,380	6,899	– 1,726	5,173	2,032,272	1995
2,132	830	– 6,628	13,013	– 1,581	11,432	4,364	7,068	– 1,585	5,483	2,351,504	1996
2,603	809	– 8,199	13,758	– 2,863	10,895	3,406	7,489	– 1,598	5,891	2,732,361	1997
4,237	1,397	– 7,882	14,879	18,371	33,250	14,802	18,448	– 8,742	9,706	3,143,441	1998 p
										Big banks	
1,071	– 77	– 1,705	5,188	– 945	4,243	835	3,408	– 1,390	2,018	911,755	1995
1,154	– 150	– 1,702	5,901	– 430	5,471	1,857	3,614	– 1,450	2,164	1,099,382	1996
1,713	– 437	– 3,400	5,364	– 1,560	3,804	998	2,806	– 400	2,406	1,340,110	1997
1,465	– 814	– 2,523	5,259	17,163	22,422	11,504	10,918	– 5,486	5,432	1,665,557	1998 p
										Regional banks and other commercial banks	
1,058	621	– 3,566	6,666	– 1,013	5,653	2,457	3,196	– 277	2,919	1,019,846	1995
801	906	– 4,667	6,674	– 1,141	5,533	2,375	3,158	– 91	3,067	1,149,387	1996
713	1,074	– 4,582	7,814	– 1,305	6,509	2,282	4,227	– 1,135	3,092	1,277,328	1997
2,409	2,033	– 5,060	8,868	1,184	10,052	3,127	6,925	– 3,216	3,709	1,359,340	1998 p
										Branches of foreign banks	
28	14	25	166	– 8	158	53	105	– 7	98	51,263	1995
120	3	3	136	– 10	126	67	59	– 7	52	53,757	1996
86	124	– 32	87	– 22	65	51	14	–	14	65,857	1997
252	108	– 54	127	22	149	55	94	– 7	87	68,061	1998 p
										Private bankers	
79	46	– 382	116	109	225	35	190	– 52	138	49,408	1995
57	71	– 262	302	–	302	65	237	– 37	200	48,978	1996
91	48	– 185	493	24	517	75	442	– 63	379	49,066	1997
111	70	– 245	625	2	627	116	511	– 33	478	50,483	1998 p
										Regional giro institutions (including Deutsche Girozentrale) 7	
780	330	– 2,103	3,715	– 392	3,323	1,542	1,781	– 1,150	631	1,440,883	1995
640	633	– 2,446	4,638	– 1,143	3,495	1,299	2,196	– 1,330	866	1,662,667	1996
1,051	450	– 2,784	5,074	– 330	4,744	2,180	2,564	– 1,703	861	1,923,358	1997
1,427	1,794	– 5,845	4,271	1,410	5,681	2,597	3,084	– 1,700	1,384	2,180,454	1998 p

Credit institutions' profit and loss accounts, *, o cont'd

DM million

Financial year	Number of reporting institutions	Interest business			Non-interest business			General administrative spending			Partial operating result (col. 2 plus col. 5 less col. 8)
		Net interest received (col. 3 less col. 4)	Interest received	Interest paid	Net commissions received (col. 6 less col. 7)	Commissions received	Commissions paid	Total (col. 9 plus col. 10)	Staff costs	Total other administrative spending [1]	
	1	2	3	4	5	6	7	8	9	10	11
	Savings banks										
1995	624	43,499	101,815	58,316	6,995	7,219	224	31,280	19,291	11,989	19,214
1996	607	44,859	101,810	56,951	7,288	7,543	255	32,435	19,788	12,647	19,712
1997	598	44,414	102,629	58,215	7,696	8,026	330	33,504	20,113	13,391	18,606
1998 p	594	43,430	104,410	60,980	8,317	8,701	384	35,247	21,118	14,129	16,500
1997 (w) [6]	504	38,432	91,289	52,857	6,669	6,951	282	28,686	17,799	10,887	16,415
1998 (w) [6]	500	37,647	93,063	55,416	7,230	7,558	328	30,471	18,748	11,723	14,406
	Regional institutions of credit cooperatives (including Deutsche Genossenschaftsbank)										
1995	4	2,205	13,950	11,745	554	810	256	1,633	847	786	1,126
1996	4	2,218	13,913	11,695	644	906	262	1,734	859	875	1,128
1997	4	2,406	15,556	13,150	760	1,012	252	1,931	958	973	1,235
1998 p	4	2,921	17,814	14,893	759	1,117	358	2,192	1,022	1,170	1,488
	Credit cooperatives										
1995	2,591	25,588	59,789	34,201	4,468	4,823	355	21,302	12,819	8,483	8,754
1996	2,506	26,247	58,946	32,699	4,735	5,129	394	21,980	13,112	8,868	9,002
1997	2,420	26,180	58,681	32,501	5,115	5,547	432	22,544	13,349	9,195	8,751
1998 p	2,248	25,297	58,919	33,622	5,472	6,016	544	23,196	13,501	9,695	7,573
1997 (w) [6]	2,254	24,636	55,742	31,106	4,771	5,175	404	21,017	12,546	8,471	8,390
1998 (w) [6]	2,100	23,816	56,035	32,219	5,117	5,624	507	21,671	12,711	8,960	7,262
	Mortgage banks										
1995	32	6,135	61,532	55,397	– 12	275	287	1,997	1,176	821	4,126
1996	34	7,001	68,847	61,846	– 122	301	423	2,135	1,250	885	4,744
1997	34	7,744	78,334	70,590	– 109	338	447	2,271	1,303	968	5,364
1998 p	32	9,004	94,571	85,567	– 153	369	522	2,664	1,534	1,130	6,187
	Credit institutions with special functions										
1995	17	6,616	41,244	34,628	1,491	1,632	141	5,480	2,673	2,807	2,627
1996	17	6,749	42,372	35,623	1,379	1,606	227	5,179	2,321	2,858	2,949
1997	18	7,033	43,845	36,812	1,376	1,690	314	5,478	2,749	2,729	2,931
1998 p	18	7,521	47,167	39,646	1,198	1,596	398	5,165	2,371	2,794	3,554
	Memo item: Credit institutions majority-owned by foreign banks [8]										
1995	88	5,020	14,300	9,280	1,490	1,823	333	4,852	2,530	2,322	1,658
1996	78	5,074	13,214	8,140	1,699	2,094	395	5,010	2,573	2,437	1,763
1997	76	5,609	13,923	8,314	2,020	2,455	435	5,090	2,564	2,526	2,539
1998 p	68	4,970	13,209	8,239	2,309	2,758	449	5,160	2,505	2,655	2,119

***** From the financial year 1993 including east German credit institutions and in accordance with the modified accounting regulations. — **o** Excluding building and loan associations, excluding institutions in liquidation and excluding institutions with a truncated financial year. — **1** Including depreciation and adjustment of tangible and intangible assets, but excluding depreciation and adjustment of objects leased ("broad" definition). — **2** Excess of charges over income: –. — **3** In part, including taxes paid by legally dependent building and loan associations affiliated to regional giro institu–

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Net profit or net loss on financial operations	Net other operating income or charges	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col. 11 to col. 14)	Net other and extraordinary income or charges 2	Profit for the financial year before tax (col. 15 plus col. 16)	Taxes on income and earnings 3	Profit or loss (–) for the financial year after tax (col. 17 less col. 18)	Withdrawals from or transfers to (–) reserves and participation rights capital 4	Balance sheet profit or loss (–) (col. 19 plus col. 20)	Memo item Average volume of business during year 5	Financial year
12	13	14	15	16	17	18	19	20	21	22	
Savings banks											
716	– 437	– 7,481	12,012	301	12,313	7,953	4,360	– 1,789	2,571	1,438,297	1995
703	– 922	– 7,167	12,326	222	12,548	8,193	4,355	– 1,862	2,493	1,539,310	1996
958	– 207	– 7,561	11,796	407	12,203	8,010	4,193	– 1,640	2,553	1,634,968	1997
916	338	– 5,889	11,865	152	12,017	7,619	4,398	– 1,820	2,578	1,724,574	1998 p
924	– 279	– 6,409	10,651	364	11,015	7,225	3,790	– 1,465	2,325	1,438,597	1997 (w) 6
837	352	– 4,990	10,605	101	10,706	6,780	3,926	– 1,629	2,297	1,521,043	1998 (w) 6
Regional institutions of credit cooperatives (including Deutsche Genossenschaftsbank)											
299	18	– 335	1,108	– 72	1,036	519	517	– 202	315	248,733	1995
298	35	– 129	1,332	– 71	1,261	572	689	– 506	183	291,098	1996
344	31	– 337	1,273	– 175	1,098	601	497	– 187	310	335,243	1997
186	47	– 728	993	1,785	2,778	529	2,249	– 2,015	234	386,145	1998 p
Credit cooperatives											
294	637	– 2,983	6,702	139	6,841	4,237	2,604	– 810	1,794	842,101	1995
266	562	– 3,304	6,526	295	6,821	4,309	2,512	– 690	1,822	901,801	1996
208	810	– 3,864	5,905	287	6,192	3,781	2,411	– 593	1,818	946,917	1997
185	1,083	– 3,546	5,295	341	5,636	3,419	2,217	– 498	1,719	989,676	1998 p
210	777	– 3,552	5,825	202	6,027	3,681	2,346	– 581	1,765	896,868	1997 (w) 6
181	1,055	– 3,281	5,217	295	5,512	3,319	2,193	– 493	1,700	938,976	1998 (w) 6
Mortgage banks											
18	3	– 927	3,220	– 265	2,955	1,039	1,916	– 972	944	891,904	1995
12	– 128	– 848	3,780	– 341	3,439	1,325	2,114	– 982	1,132	1,051,903	1996
17	– 74	– 1,287	4,020	– 410	3,610	1,585	2,025	– 782	1,243	1,225,246	1997
15	101	– 1,165	5,138	– 645	4,493	1,864	2,629	– 618	2,011	1,446,545	1998 p
Credit institutions with special functions											
52	269	– 1,086	1,862	– 45	1,817	441	1,376	– 1,108	268	698,726	1995
79	428	– 1,546	1,910	– 1,676	234	285	– 51	349	298	747,641	1996
125	418	– 1,059	2,415	– 916	1,499	275	1,224	– 892	332	826,980	1997
113	424	– 2,109	1,982	49	2,031	318	1,713	– 1,160	553	907,364	1998 p
Memo item: Credit institutions majority-owned by foreign banks 8											
238	332	– 820	1,408	– 150	1,258	479	779	– 98	681	227,312	1995
271	481	– 755	1,760	– 369	1,391	646	745	– 108	637	240,468	1996
22	440	– 844	2,157	– 549	1,608	502	1,106	– 472	634	255,458	1997
237	576	– 720	2,212	– 80	2,132	693	1,439	– 518	921	256,528	1998 p

tions. — **4** Including profit or loss brought forward and withdrawals from or transfers to the fund for general banking risks. —**5** Excluding the volume of business of the foreign branches of savings banks and mortgage banks. — **6** West German credit institutions. — **7** From 1999 called Land banks. — **8** Separate presentation of the (legally independent) credit institutions majority-owned by foreign banks and included in the categories "Regional banks and other commercial banks", "Private bankers" and "Mortgage banks".

Charge and income items of credit institutions *, o

DM million

Financial year	Number of reporting institutions	Charges: Total	Interest paid	Commissions paid	Net loss on financial operations	Gross loss on transactions in goods and subsidiary transactions	General administrative spending: Total	Staff costs: Total	Wages and salaries	Social security costs and costs relating to pensions and other benefits: Total	of which Pensions	Other administrative spending 1
	1	2	3	4	5	6	7	8	9	10	11	12
1993	3,845	508,554	358,371	3,071	37	–	86,507	57,221	44,968	12,253	4,801	29,286
1994	3,675	508,019	346,224	3,217	1,209	–	90,147	59,039	46,378	12,661	4,557	31,108
1995	3,571	527,936	365,373	3,308	207	–	95,834	62,814	48,713	14,101	5,702	33,020
1996	3,458	553,979	377,496	4,115	383	–	100,398	64,434	50,018	14,416	5,549	35,964
1997	3,359	597,592	409,914	4,960	625	–	106,781	67,097	52,182	14,915	5,563	39,684
1998 p	3,167	666,066	455,339	6,593	289	–	114,367	70,123	53,679	16,444	6,524	44,244

* From the financial year 1993 including east German credit institutions and in accordance with the modified accounting regulations. — o Excluding building and loan associations, excluding institutions in liquidation and excluding institutions with a truncated financial year. — 1 Spending item does not include depreciation and

DM million

Financial year	Income: Total	Interest received: Total	from lending and money market transactions	from debt securities and Debt Register claims	Current income: Total	from shares and other variable-yield securities	from participating interests 1	from shares in affiliated undertakings	Profits transferred under profit-pooling and profit transfer agreements	Commissions received
	1	2	3	4	5	6	7	8	9	10
1993	524,301	467,357	398,413	68,944	9,032	3,698	1,955	3,379	845	29,659
1994	525,311	465,862	390,532	75,330	12,755	4,407	3,356	4,992	1,271	30,503
1995	547,389	486,795	409,177	77,618	10,865	4,628	2,255	3,982	1,265	30,394
1996	572,862	503,250	424,031	79,219	13,081	6,150	2,155	4,776	1,998	33,339
1997	617,995	535,553	452,798	82,755	16,737	8,301	2,900	5,536	2,184	39,056
1998 p	700,804	578,663	488,258	90,405	22,551	10,627	3,628	8,296	1,640	43,603

1 In the case of cooperative societies, including amounts paid up on members' shares.

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Value adjustments in respect of tangible and intangible assets: Total	of which Assets leased	Other operating charges	Value adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments	Value adjustments in respect of participating interests, shares in affiliated undertakings and transferable securities held as financial fixed assets	Charges incurred through loss transfers	Transfers to special reserves	Extraordinary charges	Taxes on income and earnings 2	Other taxes	Profits transferred under profit-pooling and profit transfer agreements	
13	14	15	16	17	18	19	20	21	22	23	Financial year
8,765	397	3,224	25,250	326	743	651	933	17,883	2,063	730	1993
8,925	312	3,078	31,566	1,569	882	638	1,426	15,543	2,505	1,090	1994
9,707	382	4,750	23,421	521	949	171	983	19,111	2,198	1,403	1995
10,073	439	5,294	25,061	571	2,105	388	2,921	20,347	2,838	1,989	1996
10,564	478	6,022	28,655	596	909	609	4,258	19,838	2,016	1,845	1997
11,328	494	6,362	30,059	545	1,294	358	6,395	31,148	243	1,746	1998 p

adjustments of tangible and intangible assets, shown net of depreciation of objects leased ("narrow" definition). — 2 In part, including taxes paid by legally dependent building and loan associations affiliated to regional giro institutions (Land banks).

Net profit on financial operations	Gross profit on transactions in goods and subsidiary transactions	Value re-adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments	Value re-adjustments in respect of participating interests, shares in affiliated undertakings and transferable securities held as financial fixed assets	Other operating income: Total	of which from leasing business	Income from the release of special reserves	Extraordinary income	Income from loss transfers	
11	12	13	14	15	16	17	18	19	Financial year
6,827	667	1,271	815	6,747	464	342	684	55	1993
1,698	605	670	2,996	6,830	365	371	1,607	143	1994
4,602	570	2,878	851	8,184	1,594	413	455	117	1995
4,513	548	2,993	1,174	9,461	1,668	342	972	1,191	1996
5,931	507	3,564	2,264	10,246	1,841	822	820	311	1997
7,368	457	2,895	15,740	11,826	988	298	15,087	676	1998 p