

The performance of German credit institutions in 1999

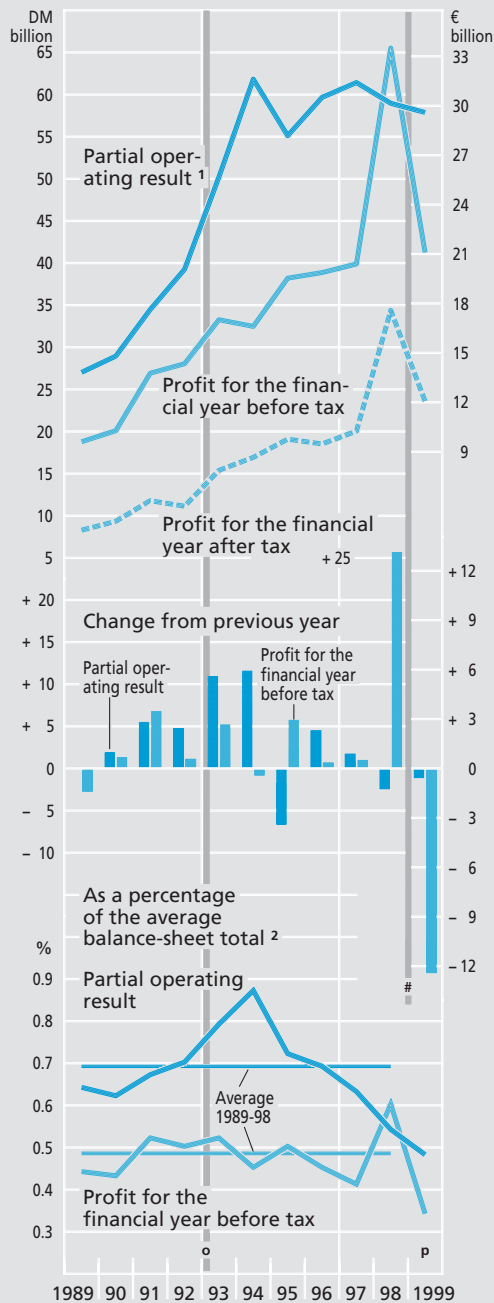
German credit institutions' performance in operational business was not entirely satisfactory last year. The banks made substantial profits in commission business, but surpluses in interest business and own-account trading stagnated while administrative costs rose sharply. The fact that the operating result nonetheless showed a marked increase is mainly due to net charges from the valuation of assets being considerably lower. In 1999, the profit for the financial year, which in 1998 had been affected by extremely high income from financial fixed assets, fell back down to a level in line with that of earlier years after these special effects had receded. With a profit of € 12.2 billion for the financial year after tax, the banking industry performed satisfactorily overall. However, the performance of the individual categories of banks reveals a more contrasted picture depending on their particular business structure.

Overview

The financial year 1999 was marked by favourable stock market developments and a distinct rise in interest rates during the year. At the same time, fierce competition and structural change, which was characterised by financial market integration, technological progress, the growth of electronic banking, and the increasing significance of market financing – and thus of investment banking –

*Underlying
conditions*

The performance of credit institutions*



* From the financial year 1990 including Postbank. — 1 Before 1993 "Operating result". — 2 Up to end-1998 as a percentage of the average volume of business. — o From the financial year 1993 including east German credit institutions and in accordance with the modified accounting regulations. — # From 1999 in euro.

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persisted within the banking sector. Another factor in 1999 was the introduction of the euro.

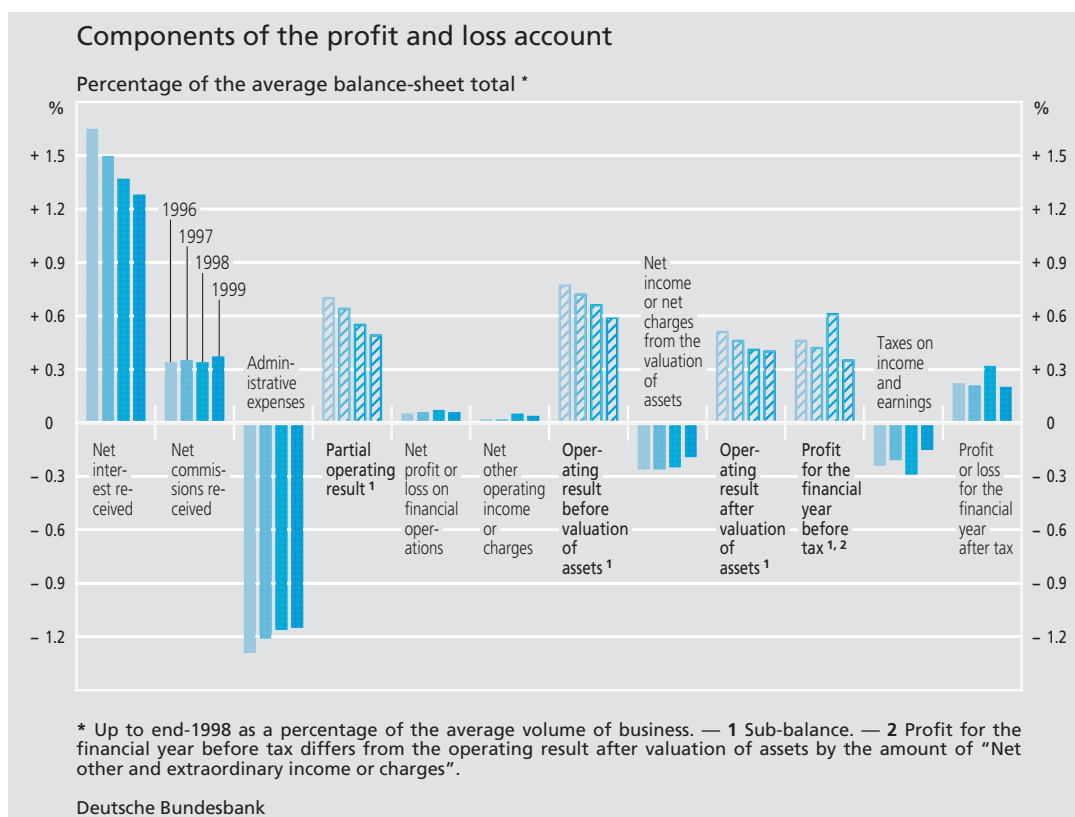
Against this background, net interest received increased only slightly (by just under € 2 billion, or 2.5%) to a total of € 77.4 billion in 1999. Since the average balance-sheet total¹ expanded by around 10% in the same period, the interest margin (net interest received as a percentage of the balance-sheet total) narrowed further to a new all-time low of 1.28%, down from 1.37% in 1998. As in earlier years, this was mainly due to the low interest rate level (which is reflected with a time lag in the net interest received), the rising cost of liability-side business owing to increasing investment by customers in securities, and the large proportion of loans in the form of low-margin lending for house building purposes and interbank loans.

Interest margin declined to 1.28%

The credit institutions' worsening performance in interest business was accompanied by very good results in commission business. Cumulative net commissions received by all banks taken together went up by 17½%, or € 3.3 billion, to a total of € 22.2 billion. This improvement was chiefly attributable to securities commission business in equities and investment fund certificates. Credit institutions geared more towards investment banking benefited particularly from the favourable

Very favourable commission business, but higher administrative spending

¹ From the financial year 1999, the volume of business, which comprises the balance-sheet total plus endorsement liabilities in connection with bill-based loans, is replaced by the balance-sheet total. The difference between the two is very small (an annual average of just barely DM 1 billion) owing to the decline in bill-based lending, and using the balance-sheet total is more common internationally.



developments on the stock market. However, the rise in gross earnings (net interest received plus net commissions received) by € 5.3 billion was not enough to offset the € 5.8 billion, or 9%, increase in general administrative spending. As in earlier years, "other administrative spending" rose considerably more sharply, at 12 ¼%, than staff costs (6 ½%). The former were affected by the undiminished high level of investment spending on information technology and the conversion costs of the millennium date change.

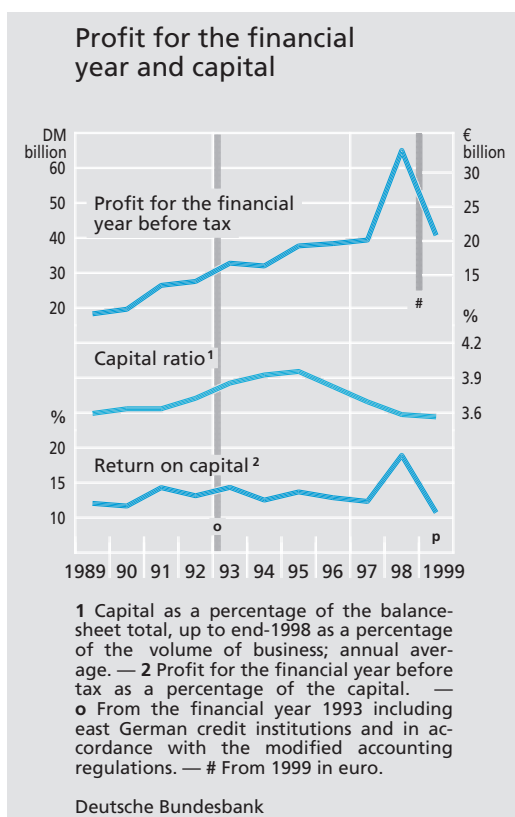
Lower charges from the valuation of assets

The net profit on financial operations stagnated at € 3.6 billion. However, this sum is still likely to contain considerable profit reserves. The balance on other operational income and costs, which remained virtually un-

changed at € 2.5 billion, had no major impact on performance. The unfavourable balance on charges from the valuation of assets declined markedly and took pressure off banks' profit-and-loss accounts for 1999. The main factor in this appears to have been the – in part, cyclically induced – decline in risk provisioning for domestic loans. Owing to the lower charges from the valuation of assets, the banking sector's operating result improved by 8% (to a total of € 24.5 billion).

By contrast, the profit for the financial year before tax, which had risen substantially in 1998, declined markedly to a total of € 21.3 billion, broadly returning to the level recorded in 1997. The reason for this was that the special earnings that had been entered in the banks' annual accounts for 1998, and which

Special effects which had an impact in 1998 came to an end, leading to a decline in profit for the financial year 1999



had derived from special dividends, intra-group transfers of industrial shareholdings and the disclosure of hidden reserves, had largely disappeared. The balance of the "extraordinary accounts", which improved by € 13 billion in 1998 as a result of these effects, deteriorated by € 14.2 billion in 1999. Correspondingly, expenditure on earnings-linked taxes also went back down again in 1999 (by € 6.9 billion) after having increased considerably (by € 5.8 billion) in 1998, and dampened the impact on the profit for the financial year after tax. After tax, the banks' profit for the financial year 1999 amounted to a total of € 12.2 billion. One-third of that sum (€ 4.2 billion) was added to the reserves and two-thirds (€ 8 billion) were recorded as balance sheet profit.

The return on capital before tax (defined as the ratio of the profit for the financial year before tax to the average capital as shown in the balance sheet)² amounted to 11.16 % in 1999, compared with 12.75 % in 1997 and 19.34 % in the "exceptional year" 1998. In terms of the profit for the financial year after tax, return on capital was 6.43 %, having been 6.47 % in 1997 and 10.20 % in 1998. The equity ratio (equity shown in the balance sheet as a percentage of the non-risk-weighted balance-sheet total) amounted to 3.59 %, remaining practically unchanged from 1998 (3.61 %).

Return on capital and equity ratio

Net interest received

As far as interest business was concerned, German banks increased their net interest received by no more than just under € 2 billion, or 2.5 %, to € 77.4 billion last year. In terms of their total surplus in operating business, the contribution of interest business declined from 75 % (1998) to 73.2 %. Interest paid rose by 3.9 % (to € 242 billion) and thus expanded somewhat more sharply than interest received (which increased by 3.5 % to € 319.4 billion). As mentioned above, the balance-sheet total grew at an average annual rate of just under 10 %, i.e. at a distinctly faster pace than net interest received; as a result, the interest margin, which relates the net interest received to the balance-sheet total, fell to a new low of 1.28 % (against 1.37 % in 1998).

Slight increase in net interest received, narrower interest margin

² Including the fund for general banking risks, but excluding participation rights capital.

*“Adjusted”
interest margin*

Adjusting the balance-sheet total for 1999 for interbank transactions (€ 1,625 billion) which do not affect the aggregate net interest received by the banking industry (because, on an aggregated basis, the interest paid and interest received by the individual banks cancel each other out) results in an “adjusted” interest margin³ of 1.75 % (1998: 1.85 %). Thus, interbank business with the credit institutions included in the available statistics did not contribute towards an additional reduction in the interest margin in 1999.

cost of liability-side business continued to rise owing to customers’ high yield-awareness and their greater demand for investment in securities.

The connection between the interest-rate levels in the money and capital markets and the interest margin has already been commented on in earlier articles on the performance of German credit institutions.⁵ This connection, which reveals itself with a time-lag of about two years, was also evident in 1999 (see chart on page 50).

*Connection
between
interest-rate
level and
interest margin*

*Interest
received on
minimum
reserves*

The € 2 billion increase in net interest received also partly reflected the remuneration of minimum reserve balances held with the Deutsche Bundesbank from the beginning of 1999. From these, the German banks received interest amounting to just over € 840 million,⁴ which prevented the interest margin from declining more sharply to 1.26 %.

Competition has tended to become fiercer, partly on account of the direct banks that had entered the playing field, reducing their competitors’ room for manoeuvre in terms of pricing policy and offering more attractive conditions for standardised products owing to their lower costs. The new information possibilities have further improved the transparency of the financial markets; for customers, this is accompanied by greater mobility and flexibility. Electronic banking and online accounts have continued to expand rapidly.

*Fiercer
competition*

*Determinants
of interest paid
and received*

The slight improvement in net interest received was chiefly due to the expansion of the balance-sheet total by € 546 billion to € 6,056 billion; around 13 % of this increase was accounted for by the foreign branches of German banks. Interest received probably also benefited from the yield curve, which became steeper in the course of the year, making possible additional contributions from maturity transformations. These were accompanied by higher ongoing receipts from equities, participating interests and shares in affiliated undertakings. By contrast, the interest margin was dampened by the low interest-rate level, fierce competition in both asset- and liability-side business and the large proportion of low-margin lending business. The

In asset-side business, the main area of growth was in long-term (and generally low-margin) loans for financing house construction and purchases (over 8 %). The historically low interest level for long-term borrowing in

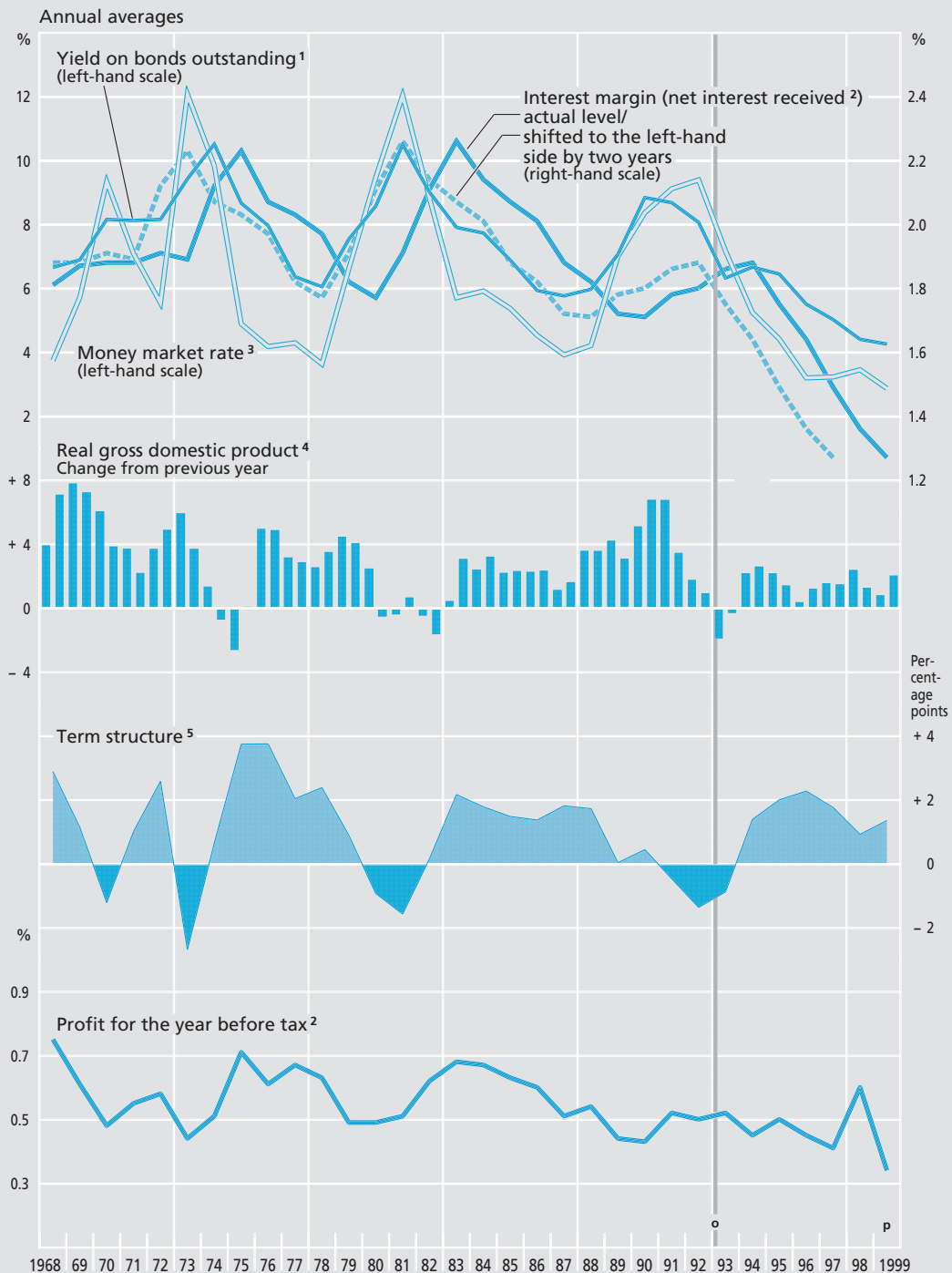
*Factors
determining
interest
income ...*

³ Further information on the concept and calculation of the “adjusted” interest margin may be found in the table and explanatory note in Deutsche Bundesbank, The performance of German credit institutions in 1998, Monthly Report, July 1999, page 31f.

⁴ Deutsche Bundesbank, Annual Report 1999, page 177.

⁵ See, for example, Deutsche Bundesbank, The performance of German credit institutions in 1998, Monthly Bulletin, July 1999, page 27ff.

Interest margin in the context of interest and business cycles



1 Overall yield on bonds outstanding. — 2 As a percentage of the average balance-sheet total; up to end-1998 as a percentage of the average volume of business; annual values. — 3 Money market rate for three-month funds in Frankfurt. — 4 After adjustment for seasonal and working-day variations, half-yearly. Up to 1992 west Germany, from 1993 Germany as a whole. — 5 Yield on bonds outstanding less money market rate. — o From the financial year 1993 including east German credit institutions and in accordance with the modified accounting regulations.

the spring of 1999 boosted demand, as did the subsequent rise in interest rates, which led to some frontloading of new borrowing. Many customers evidently also prolonged their loan contracts in advance at the prevailing low lending rates, making prepayment compensations in the process. Moreover, short-term bridging loans taken up in connection with the phasing-out of the special depreciation facilities in eastern Germany at end-1998 were consolidated into longer-term loans. Interest income from lending to enterprises was depressed by lower risk premia owing to credit-rating requirements being made stricter in order to avoid subsequent value adjustments. The volume of loans to the public sector remained unchanged. Owing to the very low margins in this area, banks are apparently increasing their efforts to achieve additional profits through maturity transformation. Interbank credit, where the margins are also comparatively narrow, expanded by around 8%, accounting for as much as some 35% of the balance-sheet total at the end of 1999.

... and interest
expenditure

In liability-side business, the shifts in favour of higher-yielding types of investment persisted. Customers' preference for securitised financial assets in the form of equities, investment fund certificates and bonds became even more marked. The growth in non-banks' deposits was correspondingly sluggish; their share in the balance-sheet total continued to decline (to 33%, down from 43% in 1990). Banks increasingly resorted to raising funds by issuing bank debt securities,⁶ which generally bear higher interest than deposits. Bank debt securities accounted for just under 24%

of the balance-sheet total in 1999 (compared with 17% in 1990). Since savings deposits stagnated, this did not ease the pressure on interest paid either. The same holds true for the robust growth of long-term time deposits, most of which are held by institutional investors in the form of registered debt securities and offer capital-market-related yields. Even the steep 10% increase in sight deposits does not necessarily imply a decline in the cost of liability-side business owing to the increased share of money-market-related deposit forms.⁷ At the most, this may still be the case for the savings banks and credit co-operatives in eastern Germany, where the relatively low level of interest paid is generally attributed to a continuing greater preference for liquidity in the form of sizeable sight deposits.

The moderate growth of interest income (+ 3.5%) was chiefly attributable to the weak expansion of income from credit and money market transactions (+ 2.3%), which contributed about four-fifths of all interest income. By contrast, interest income from debt securities and Debt Register claims improved by 8.7% to a total of € 50.3 billion. Ongoing receipts from shares, participating interests and shares in affiliated undertakings also performed better than average (expanding by 7.2% to € 12.4 billion).

*Components of
interest income*

⁶ German credit institutions' aggregated securitised liabilities (including registered debt securities) accounted for 33% of the balance-sheet total.

⁷ In the savings bank sector, higher-yield sight deposits accounted for around 24% of all overnight deposits in 1999 (compared with 20% in 1998). See Herbert Höffer, *Verhaltensentwicklung der Sparkassen im Jahr 1999*, in *Sparkasse*, No. 6/2000 (Volume 117), pages 268 – 270, here: page 270.

Interest received by credit institutions

Item	1997	1998	1999 p	€ billion
	DM billion			
Interest received (total)	554.5	602.9	624.7	319.4
from lending and money market transactions	452.8	488.3	499.7	255.5
from debt securities and Debt Register claims	82.8	90.4	98.4	50.3
Current income (total)	16.7	22.6	24.3	12.4
from shares and other variable-yield securities	8.3	10.6	12.9	6.6
from participating interests ¹	2.9	3.6	2.8	1.4
from shares in affiliated undertakings	5.5	8.3	8.7	4.4
Profits transferred under profit-pooling and profit transfer agreements	2.2	1.6	2.3	1.2
	Change from previous year in % ²			
	1997	1998	1999 p	
Interest received (total)	+ 7.0	+ 8.8	+ 3.5	
from lending and money market transactions	+ 6.8	+ 8.0	+ 2.3	
from debt securities and Debt Register claims	+ 4.5	+ 9.2	+ 8.7	
Current income (total)	+ 28.9	+ 34.7	+ 7.2	
from shares and other variable-yield securities	+ 37.0	+ 28.0	+ 19.7	
from participating interests ¹	+ 34.6	+ 25.1	- 24.1	
from shares in affiliated undertakings	+ 15.9	+ 49.9	+ 4.8	
Profits transferred under profit-pooling and profit transfer agreements	+ 9.6	- 24.9	+ 38.6	
	Percentage of the average balance-sheet total ³			
	1997	1998	1999 p	
Interest received (total)	5.76	5.59	5.27	
from lending and money market transactions	4.70	4.53	4.22	
from debt securities and Debt Register claims	0.86	0.84	0.83	
Current income (total)	0.17	0.21	0.21	
from shares and other variable-yield securities	0.09	0.10	0.11	
from participating interests ¹	0.03	0.03	0.02	
from shares in affiliated undertakings	0.06	0.08	0.07	
Profits transferred under profit-pooling and profit transfer agreements	0.02	0.02	0.02	

¹ Including amounts paid up on members' shares in the case of cooperative societies. — ² Statistical changes have been eliminated. — ³ Percentage of the volume of business until end-1998.

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The development of interest margins varied among the individual categories of banks, partly on account of statistical reclassifications of individual institutions.⁸ Commercial banks witnessed a slight decline in their interest margin from 1.45 % (1998) to 1.41 %. The sharp increase in the interest margin of the "regional banks and other commercial banks" (from 1.69 % to 2.09 %) was due to statistical reclassifications. Savings banks and credit cooperatives, which are chiefly active in retail business, continued to record the highest, albeit declining, interest margins (2.49 % in each case); however, the decrease was more pronounced in the case of the credit cooperatives (1998: 2.56 %; savings banks 1998: 2.52 %). The interest margin of east German savings banks and credit cooperatives, at 2.85 % in each case, exceeded the figures for comparable west German institutions (savings banks: 2.44 %; credit cooperatives: 2.47 %). This can be explained by the fact that lower interest income was more than offset by considerably lower levels of interest paid (2.50 % for east German savings banks and credit cooperatives, compared with 3.34 % for west German savings banks and 3.14 % for west German credit cooperatives). The categories of banks with a sizeable share of wholesale business (regional institutions of savings banks and credit cooperatives, mortgage banks and banks with special functions) have distinctly lower interest margins, which narrowed substantially in 1999. There are likely to be some upward distor-

Interest margins, by category of bank

⁸ See annex on page 65. More detailed information on the individual categories of banks may be found in the tables on page 67ff.

Relative significance of major income and cost items for individual categories of banks in 1999 ^P

Percentage of total surplus in operating business

Item	Big banks	Regional banks	Land banks	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks
Net interest received	59.6	65.1	77.6	81.2	65.5	77.1	100.7
Net commissions received	32.8	26.5	13.3	16.9	19.6	19.1	- 2.5
Net profit or net loss on financial operations	8.9	2.1	3.5	0.9	12.7	0.3	-
Net other operating income or charges	- 1.3	6.3	5.6	1.0	2.2	3.5	1.8
Total surplus in operating business	100	100	100	100	100	100	100
General administrative spending of which	- 77.4	- 69.3	- 54.8	- 65.7	- 60.7	- 71.2	- 29.5
Staff costs	- 41.7	- 32.7	- 27.9	- 39.3	- 27.9	- 41.6	- 15.8
Other administrative spending	- 35.7	- 36.6	- 26.9	- 26.4	- 32.8	- 29.6	- 13.7
Net income or net charges from the valuation of assets	- 12.4	- 6.1	- 13.9	- 5.6	- 18.1	- 12.1	- 1.9
Net other and extraordinary income or charges	1.8	- 2.5	- 1.3	- 8.8	- 3.9	- 1.8	- 0.6
Memo item							
Profit for the financial year before tax	12.0	22.1	30.0	20.0	17.3	15.0	45.2
Taxes on income and earnings	- 1.4	- 8.7	- 13.3	- 12.0	- 5.3	- 8.5	- 19.6
Profit for the financial year after tax	10.6	13.4	16.7	8.0	12.0	6.5	25.6

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tions in the figures for the Land banks owing to mergers.

net commissions received continued to gain in importance (increase from 25 % in 1998 to 28.7 % in 1999).

Net commissions received

Commission business very successful

There was a particularly strong improvement in net commissions received in 1999, with an increase of 17 ½ %, or € 3.3 billion, to a total of € 22.2 billion. Their rate of expansion was twice as rapid as in 1998, when they had already performed well. The increase in income from commissions of just under 19 % was accompanied by a similarly distinct rise in commission-related expenditure (26 %). The commission margin (ratio of net commissions received to the balance-sheet total) improved from 0.34 % in 1998 to 0.37 %. Measured in terms of the volume of net interest received,

The dynamic growth in income from commission business was mainly due to the very favourable development in equities and investment fund certificates, which boosted securities commission business – not least as part of “one-stop” financing strategies – and underwriting business. Owing to the sharp rise in *Neuer Markt* share prices, sales of shares became more buoyant (€ 149 billion or + 21 %), while share turnover on the stock markets increased rather more moderately (by 7 %) to € 2,957 billion. Sales of investment fund certificates, in which the banks are generally involved, also grew substantially (by 16 % to some € 111 billion). In this context,

Favourable development in equities and investment fund certificates

Performance of the various categories of banks in 1999 ^P

Category of bank	Partial operating result ¹		Operating result ²		Profit for the financial year before tax ³		Memo item Balance-sheet total ⁴
	€ million	% ⁵	€ million	% ⁵	€ million	% ⁵	% ⁵
All categories of banks	29,776	- 2.1	24,523	+ 7.9	21,262	- 36.9	+ 9.9
Big banks	3,607	- 36.3	2,456	- 37.3	2,897	- 79.1	+ 46.3
Regional banks and other commercial banks	3,748	+ 9.9	4,139	+ 7.3	3,713	+ 13.4	- 27.3
Branches of foreign banks	- 62	+ 33.1	103	+ 59.5	102	+ 34.5	- 8.7
Land banks	3,903	+ 0.1	3,386	+ 30.3	3,244	- 2.6	+ 21.8
Savings banks	8,915	+ 7.8	7,898	+ 35.3	5,486	- 7.3	+ 1.7
Regional institutions of credit cooperatives	491	- 35.5	427	- 15.9	348	- 75.5	+ 10.9
Credit cooperatives	4,241	+ 9.6	2,838	+ 5.6	2,539	- 11.3	+ 3.6
Mortgage banks	2,721	+ 7.6	2,034	- 5.2	1,791	- 6.5	+ 7.3
Banks with special functions	2,212	+ 4.6	1,242	+ 12.2	1,142	+ 10.4	- 0.0

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.

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investment companies profited from investors' need to diversify their risks and the expansion of their business opportunities resulting from the Third Financial Market Promotion Act.

Fixed-interest securities business

In bond commission business, credit institutions benefited mainly from placements in the market; in 1999, domestic non-banks acquired bonds to the amount of € 87 billion, i. e. three times as much as in 1998 (€ 26 billion). However, bond market turnover declined by just under 20 % to € 2,150 billion in the light of falling bond prices.⁹

Asset management and safe custody business

The developments in the stock and bond markets have increased the need for asset counselling and management and thus boosted commission income. Credit institu-

tions have evidently made great efforts to develop this segment of commission business, which has been gaining importance for several years now owing to the growth in financial assets, increased yield-awareness and growing demand for private old-age provision. Investors' sustained interest in securitised types of investment has boosted banks' safe custody business. The number of safe custody accounts with banks increased by just under 4.7 million to 24.1 million in 1999, while the balances on these accounts – calculated at market value – rose by just under 30 % between end-1998 and end-1999, reaching a total of € 4.2 trillion.

⁹ Bond market turnover also includes interbank trade and thus has a limited informative content with regard to income from bond commission business.

*Pressure on
banks' pricing
terms*

However, the fierce competition in commission business, which has been further intensified, in particular, by the direct banks and brokers, has put pressure on credit institutions' pricing terms. This applies to securities commission and safe custody business as well as to payment transactions.

*Commissions
received
by the various
categories of
banks*

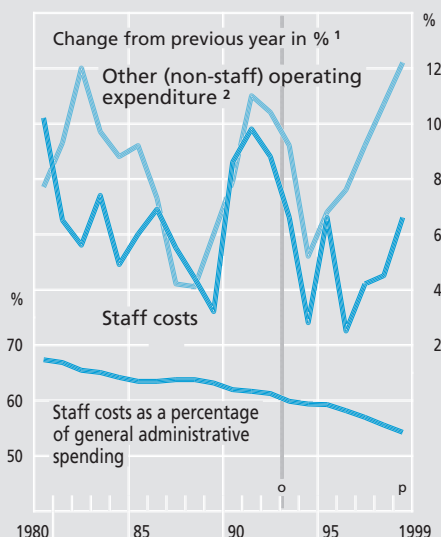
Commercial banks fared particularly well in commission business last year. Their net commissions received went up by € 2.5 billion, accounting for around three-quarters of the improvement in the commission business of all banks taken as a whole. Together, the big banks and regional banks¹⁰ included in this category accounted by themselves for a "market share" of 55%. Apart from the factors mentioned above, this reflects their strong position in investment banking, which flourished in 1999 owing to the numerous Initial Public Offerings (IPOs) of young enterprises, the substantial issues of Euro-market bonds and the demand for consultancy in connection with an increased number of mergers and acquisitions. Direct banks, which are included in the sub-category of regional banks, mainly benefited from securities commission business. The commission margins of savings banks and credit cooperatives also went up (to 0.52% and 0.62%, respectively).

Administrative expenditure

*Significant
rise in
administrative
spending*

The distinct increase in administrative expenditure put considerable pressure on the banks' profit-and-loss accounts for 1999. Administrative spending went up by € 5.8 billion (or 9%) to just under € 70 billion – the sharp-

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 modified accounting regulations.

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est rise since 1992 – and more than offset the increase in receipts from interest and commission business. The partial operating result declined by just over € 0.5 billion, while the earnings margin¹¹ decreased further from 0.55% to 0.49%. Since administrative spending grew at broadly the same pace as the balance-sheet total, "gross covering expenses" (administrative expenses expressed as a percentage of the average balance-sheet total) remained virtually unchanged at 1.15% (1998: 1.16%).

¹⁰ The sharp increase in the commission margin of regional banks can be partly attributed to the fact that private banks were included in this category for the first time in 1999.

¹¹ Ratio of the partial operating result (net interest and net commissions received less administrative expenditure) to the average balance-sheet total.

Number of employees in the German banking industry *

End-of-year levels

Item	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 p
Private banking industry	214,800	215,750	220,350	220,800	220,850	218,450	213,350	215,500	217,200	221,900
Savings banks ¹	266,500	281,350	284,150	287,750	291,150	290,050	288,450	288,400	287,650	282,150
Land banks ¹	24,250	24,750	32,200	33,850	33,250	33,250	33,600	33,500	33,650	40,800
Regional institutions of credit cooperatives ²	6,700	6,750	6,700	7,100	6,950	6,850	7,000	7,100	7,300	7,400
Credit cooperatives ³	151,400	157,650	163,250	167,200	172,950	175,850	173,600	171,800	171,550	170,950
Public mortgage banks and specialised banks	10,400	8,400	9,200	9,750	9,850	10,500	11,550	12,350	12,650	11,050
Total number of full-time employees	674,050	694,650	715,850	726,450	735,000	734,950	727,550	728,650	730,000	734,250
Memo item Building and loan associations ⁴	21,850	22,850	23,400	23,450	23,250	22,850	22,550	22,450	22,550	22,500

Sources: *Arbeitgeberverband des privaten Bankgewerbes e.V.* (Employers' federation of the private banking industry), *Bundesverband der Deutschen Volksbanken und Raiffeisenbanken* (Federal Association of People's Banks and Raiffeisen Banks) (for credit cooperatives) and direct reports (for regional institutions of credit cooperatives). Several smaller credit institutions, the Deutsche Bundesbank and the Postbank are not included. Part-time employees are counted "per capita". All data are rounded. — * Discrepancies vis-à-vis data in earlier Monthly Report articles on the performance of German credit institutions

are due to later revisions owing to the subsequent inclusion of eastern Germany, the earlier recalculation of part-time employees and the fact that employees of the Staatsbank Berlin and the Deutsche Kreditbank were, for some periods, not included here. — ¹ From 1992, when the former Savings Bank Berlin was renamed Land Bank Berlin, its employees have been included in the category "Land Banks". — ² Including the DG Bank; up to 1992 excluding employees in eastern Germany. — ³ Only employees working mainly in banking business. — ⁴ Only office workers.

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Rising staff costs

As in earlier years, staff costs rose much more moderately (by 6½%) in 1999 than "other operating expenditure", but nonetheless more rapidly than in the three previous financial years. The number of employees in the German banking industry rose by just over 4,000 to more than 734,000, continuing the rising trend in employment which has been discernible since 1997 (see table above). Since part-time employees are also counted "per capita", these figures cannot provide any direct information on the resulting cost burden. In particular, the increasing standardisation of financial products and the growth of direct banking are likely to have created more part-time jobs. It appears, however, that employment also increased in investment banking. The main expansion of staffing levels was in the private banking sector.¹²

The negotiated pay settlement, which resulted in salaries of employees in the private banking industry rising by 3% in 1999,¹³ had a somewhat stronger impact on staff costs than in 1998 (1½%). Employees, mainly in investment banking, received profit-related bonus payments. This drove up staff expenditure, particularly that of the commercial banks (+ 11½%). Given the continuing demand for specialists in the fields of IT, investment banking and risk management, an easing of the situation does not appear likely in the near future.

Salary developments

¹² The number of staff at Land banks and savings banks was also affected by a merger of institutions belonging to these two categories.

¹³ Voluntary payments for 1999 were subsequently contractually laid down in the wage settlement agreed at the beginning of 2000.

*Continued
strong growth
in non-staff
operating
expenses*

“Other administrative spending”, i.e. non-staff operating expenditure, went up by just over 12 % in 1999 and therefore grew much more sharply than staff costs. This item – which is following a continuous upward trend – now accounts for more than 45 % of general administrative spending. The sharp increase in expenditure resulted, firstly, from work in preparation for the millennium date change and the steps that remained to be taken in connection with the introduction of the euro as scriptural money. Secondly, the rise in costs was also partly attributable to the substantial investment in information and telecommunications technology aimed at securing competitiveness and expanding electronic banking services. The relatively short life cycles of IT-related investments have a matching impact on the depreciation charges.

The further expansion of self-service elements such as ATMs, the number of which rose to around 46,200 in 1999, is likely to bring relief in terms of cost. The rapid increase in online accounts (to more than 10 million) and the banking industry's efforts to achieve cost synergies by centralising payment services and securities settlement and to cut costs by means of outsourcing to independent enterprises may be expected to have a similar effect.

*Relatively
sharper decline
in the number
of institutions
than in the
number of
branches*

Up to now, the reduction of capacity in branch-based distribution is not offsetting the rising cost of investment in and the expansion of electronic forms of marketing. There was a further decline in the number of credit institutions of around 240 (or 7½ %) to 2,993 in 1999, mainly on account of mergers. Credit

cooperatives alone reported a decrease of 214 (see table on page 66). The number of branches fell by 794 to 41,243 (or 1.9 %).¹⁴ The number of credit institutions has fallen by slightly more than one-third, or more than 1,560 institutions, since the end of 1990, chiefly on account of mergers, whereas the number of branches has only declined by just over 5 %. This shows that mergers did not always necessarily imply the large-scale closure of branches.

Net profit or net loss on financial operations

Credit institutions' own-account trading had little effect on the development of their operating results in 1999. Their receipts from own-account trading in securities held in the trading portfolio, foreign exchange, derivatives and precious metals amounted to € 3.6 billion and were thus on a scale similar to those in 1998. The very favourable stock market developments, mainly in the last quarter of 1999, particularly benefited the institutions that were very active in stock trading. In addition, exchange rate developments resulted in holding gains on items denominated in foreign currency. The rising interest rates and the related setback in bond prices, by contrast, clearly put a damper on profits. During 1999, the average yield on domestic bonds outstanding increased from 3.6 % to 5.1 %. Evidently, banks' overall earnings were considerably lower in foreign exchange trading. The disappearance of trading opportunities in

*Own-account
trading broadly
unchanged*

¹⁴ In the definition applied here, excluding the Postbank. See footnotes to the table on page 66.

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

Category of bank	General administrative spending as a percentage of		
	1997	1998	1999 p
	gross earnings ¹		
All categories of banks	65.4	67.9	70.1
Credit Banks	69.9	73.7	80.7
Big banks	75.3	78.3	83.8
Regional banks and other commercial banks	63.4	68.1	75.6
Branches of foreign banks	124.0	147.1	131.9
Land banks	55.9	56.1	60.3
Savings banks	64.3	68.1	66.9
Regional institutions of credit cooperatives	61.0	59.6	71.4
Credit cooperatives	72.0	75.4	74.0
Mortgage banks	29.7	30.1	30.1
Banks with special functions	65.1	59.2	28.4
	income from banking business ²		
All categories of banks	62.8	63.6	66.1
Credit banks	66.2	67.8	74.1
Big banks	72.2	76.7	77.4
Regional banks and other commercial banks	59.7	59.2	69.3
Branches of foreign banks	79.8	75.5	72.8
Land banks	50.6	46.5	54.8
Savings banks	63.4	66.5	65.7
Regional institutions of credit cooperatives	54.5	56.0	60.7
Credit cooperatives	69.8	72.4	71.2
Mortgage banks	30.0	29.7	29.5
Banks with special functions	61.2	55.8	27.3

¹ Aggregate net interest and net commissions received. —
² Gross earnings plus net profit or net loss on financial
operations and net other operating income or charges.

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the former currencies of the EMU countries are likely to have played a particular role in this.

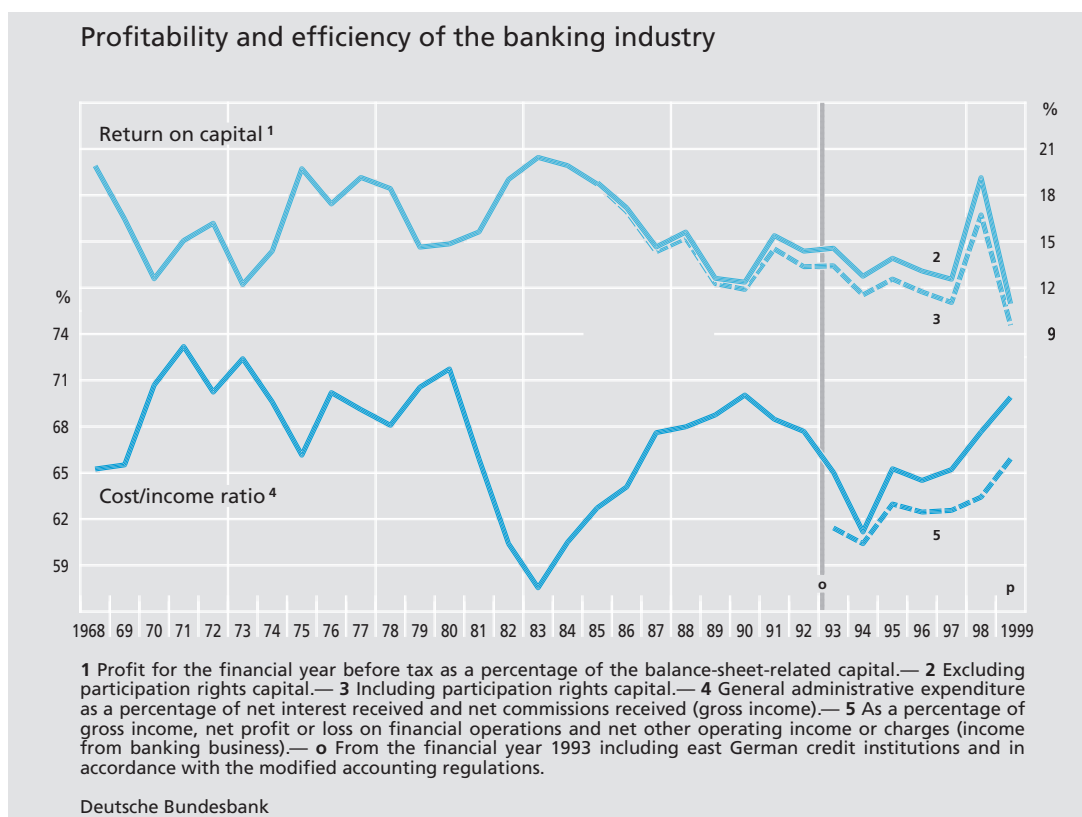
Overall, the net trading results probably slightly understate the performance of the banking industry. The banks' annual accounts (non-consolidated accounting), on which the present analysis is based, are compiled in accordance with the regulations of the German Commercial Code and must therefore comply with the so-called imparity principle. This means that unrealised losses have to be taken into account in the balance sheet, while unrealised gains are not recorded. Analyses on the basis of other accounting principles which are geared more to marking-to-market methods indicate that the net trading results still contain considerable profit reserves which might manifest themselves if they are realised in the financial year 2000.

*Own-account
trading profits
understated
owing to
accounting
rules*

Net other operating income or charges

At around € 2.5 billion, net earnings in 1999 were only slightly lower (–€ 0.2 billion) than in the year before. This was mainly due to the somewhat higher value adjustments in respect of assets leased. This relatively stable source of profits is fed, in particular, from real-property business including rents and leases, leasing business and gross profits on transactions in goods and subsidiary business. In addition, other provisions and non-earnings-related taxes are also reported here. Among the individual categories of banks, Land banks recorded a somewhat more pronounced decrease.

*Favourable
balance broadly
unchanged*



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

Deterioration in operating result before the valuation of assets, rise in cost/income ratio

The operating result before the valuation of assets (see table on page 60) declined by 2 % to € 35.8 billion. In terms of the balance-sheet total, this is equivalent to a decrease from 0.66 % (1998) to 0.59 %. The operating result is thus not entirely satisfactory. The cost/income ratio continued to rise in 1999 owing to the stagnation of interest business and the simultaneous sharp increase in administrative spending. In its narrow definition (administrative spending in relation to net interest and net commissions received), the ratio increased from 68 % to 70 %, while in its broad definition (gross earnings plus own-account trading profits and other operating income or charges) it rose from 63 ½ % to 66 %. Among

the larger categories of banks, savings banks and credit cooperatives, in particular, were able to slightly reduce their cost/income ratio in 1999, while in the case of mortgage banks, the ratio remained unchanged.

Net income or net charges from the valuation of assets

In 1999, the unfavourable balance on loans and advances, other assets and securities was significantly lower than in 1998 and thus perceptibly boosted the performance of the banking industry.

Lower risk provisioning

Risk provisioning declined – in net terms – by € 2.6 billion to € 11.3 billion. After taking due account of the cross-offsetting option

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

Category of bank	1997		1998		1999 p		
	DM million	% 1	DM million	% 1	DM million	% 1	€ million
All categories of banks	69,332	0.72	71,587	0.66	70,039	0.59	35,810
Big banks	8,764	0.65	7,782	0.47	10,628	0.44	5,434
Regional banks and other commercial banks	12,396	0.97	13,928	1.02	10,092	0.99	5,160
Branches of foreign banks	119	0.18	181	0.27	190	0.31	97
Land banks	7,858	0.41	10,116	0.46	9,568	0.36	4,892
Savings banks	19,357	1.18	17,754	1.03	18,431	1.05	9,424
Regional institutions of credit cooperatives	1,610	0.48	1,721	0.45	1,549	0.36	792
Credit cooperatives	9,769	1.03	8,841	0.89	9,557	0.93	4,886
Mortgage banks	5,307	0.43	6,303	0.44	5,459	0.35	2,791
Banks with special functions	3,474	0.42	4,091	0.45	4,564	0.50	2,334

* Partial operating result plus net profit or net loss on financial operations and net other operating income or charges. — 1 Up to end-1998 as a percentage of the aver-

age volume of business, from 1999 as a percentage of the average balance-sheet total.

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Large profits from write-ups owing to requirement to reinstate original values

permissible under section 340 (f) (3) of the German Commercial Code, write-downs and value adjustments totalling € 15.4 billion were accompanied by substantial receipts from value re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments amounting to € 4.1 billion. Thus, income from value re-adjustments far exceeded the usual average level of € 1.6 billion recorded in the four preceding years (see table on page 77, column 13). This cannot be put down to any "cosmetic balance-sheet surgery", but rather to the strict requirement to reinstate original values¹⁵ – together with a restriction of write-downs to the going-concern value¹⁶ – laid down in the Tax Relief Act 1999/2000/2002. This requirement specifies that, if the decrease in the value of an asset that was value-

adjusted in the past was only temporary, its value must be written up again.¹⁷ The banks had a choice of either fully realising the related income as profit for the financial year 1999 or distributing four-fifths of the appreciation gains accruing during the first year in which the regulation applied (1999) over the following four years by establishing a reserve for reinstating original values.¹⁸ Most credit

¹⁵ Pursuant to this requirement, a depreciation to a lower value must be written up (reinstated) if the reasons which led to the depreciation or lower valuation cease to apply. See also section 280 of the German Commercial Code.

¹⁶ A write-down to the going-concern value is now only possible (for fixed and current assets) if a decrease in value is likely to be non-temporary (see section 6 subsection 1 numbers 1 and 2 of the Income Tax Act).

¹⁷ Hitherto, there was an option to choose whether or not to keep the lower value, which in turn affected the commercial balance sheet.

¹⁸ Pursuant to the transitional arrangement in section 52 subsection 16 of the Income Tax Act.

institutions, in fact, made use of the second option. The item "transfers to special reserves", which also includes the reserve for reinstating original values, increased sharply from € 0.2 billion in 1998 to € 4.3 billion in 1999. This had an adverse effect on the "net other and extraordinary income or charges" for 1999 (see page 62) but will boost profits in the next four years.

Higher net charges from the valuation of securities, but lower charges from the valuation of loans

Depreciations and revaluations of securities and loans amounted to € 15.4 billion – in gross terms – in 1999 and thus remained unchanged from 1998. Since the write-downs of fixed-interest securities¹⁹ that partly figure in this total were distinctly higher last year (€ 4.8 billion, compared with € 1.2 billion in 1998) owing to falling bond market quotations, risk provisioning for loans was obviously run down in 1999. This resulted less from risk provisioning for loans to other countries – some of which could be reduced because of the improving situation in south-east Asia and eastern Europe – than from provisions in domestic lending business. The upturn in economic activity, the evidently declining number of corporate insolvencies, efforts to improve risk management and increased caution in lending are likely to have played a part in this. The lower risk provisions probably had nothing to do with the restriction of write-downs to the going-concern value pursuant to the Tax Relief Act mentioned above, since net charges from the valuation of lending business, which are related to counterparty risk, should have occurred in any case only if non-temporary decreases in value were expected; consequently, major write-ups are unlikely to have been necessary.

The taxed hidden reserves pursuant to section 340 (f) of the German Commercial Code increased slightly in 1999, albeit at a slower pace than in 1998. Some hidden reserves were run down to cover the net charges arising, above all, from loans to construction and real-estate business, where risk provisioning remained very high. Support from associations was again reported on. Hidden reserves are also likely to have been used to augment the "fund for general banking risks"²⁰, which forms part of the core capital. Between March 1999 and spring 2000, these funds were increased from € 3.3 billion to around € 6 billion.

Taxed hidden reserves

The observable decline in risk provisioning throughout the entire banking industry was particularly evident in the case of the savings banks and Land banks. Credit cooperatives and mortgage banks, by contrast, stepped up their provisions. Contrasting trends were discernible within the category of commercial banks owing to one institution being reclassified as a big bank rather than a regional bank. Risk provisioning remained virtually unchanged in the other categories of banks. The operating result after the valuation of assets increased sharply by € 1.8 billion, or 8 %, to € 24.5 billion.

Net charges from the valuation of assets, by category of bank

¹⁹ According to information provided annually in an annex to the balance sheet statistics, these write-downs on fixed-interest securities affect not only those held as liquid reserves, but also the securities held in the own-account trading portfolio and the fixed assets.

²⁰ For the purpose of the present analysis, these funds are regarded as an allocation of profits (accumulation of reserves). Their augmentation is thus "neutral" with respect to the calculation of the profit for the year.

Breakdown of other and extraordinary income or charges

Item	1997	1998	1999 p	
	DM million		€ million	
Net other and extraordinary income or charges	- 4,000	21,463	- 6,378	- 3,261
Income				
from value re-adjustments in respect of participating interests, shares in affiliated undertakings and transferable securities held as financial fixed assets	2,264	15,740	5,860	2,996
from the release of special reserves	822	298	331	169
from loss transfers	311	676	192	98
Extraordinary income	820	15,087	2,631	1,345
Charges				
Value adjustments in respect of participating interests, shares in affiliated undertakings and transferable securities held as financial fixed assets	- 596	- 545	- 1,082	- 553
Charges incurred through loss transfers	- 909	- 1,294	- 1,013	- 518
Transfers to special reserves	- 609	- 358	- 8,365	- 4,277
Extraordinary charges	- 4,258	- 6,395	- 3,196	- 1,634
Profits transferred under profit-pooling and profit transfer agreements	- 1,845	- 1,746	- 1,735	- 887

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Net other and extraordinary income or charges

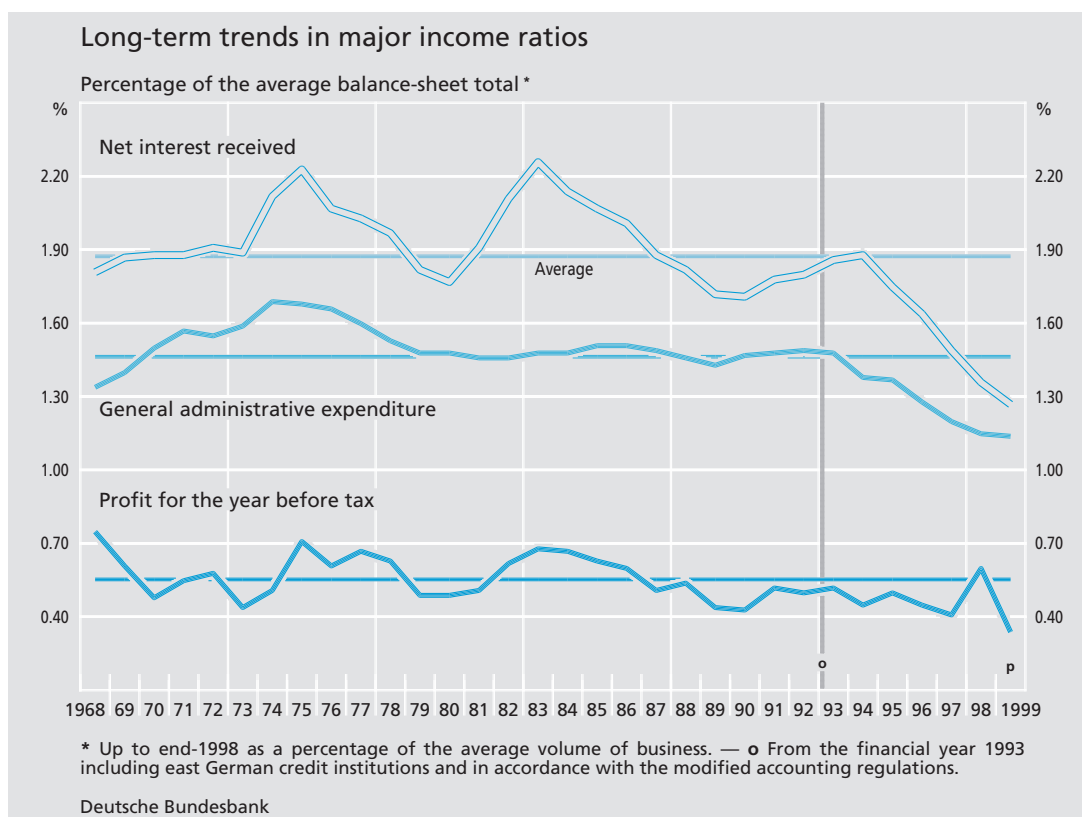
Ending of special effects on income from financial fixed assets

The balance on the "extraordinary accounts" decreased from + € 11.0 billion in 1998 to - € 3.3 billion in 1999, a level broadly in line with that recorded in the years before 1998. The special effects on income from financial fixed assets, especially in the form of intra-group transfers of participating interests, which had caused the profit for the financial year 1998 before and after tax to shoot up, have now largely receded. However, extraordinary income was still recorded in 1999 from the realisation of hidden reserves, sales of participating interests and special dividends. This led to value re-adjustments in respect of participating interests and extraordinary in-

come of € 3 billion and € 1.3 billion, respectively (see table above).

As mentioned above, with regard to net extraordinary charges, there was a particularly sharp increase in the item "transfers to special reserves", which includes the reserve for reinstating original values after value adjustments in respect of loans and advances, enabling profits to be distributed over several years. Credit institutions also availed themselves of the option of netting income and charges, which is permissible under section 340 (c) (2) of the German Commercial Code. Some banks also included extraordinary charges resulting from the integration of newly purchased banks as well as the costs of the changeover to the euro and the millennium date change in this item. The commer-

Substantial transfers to reserve for reinstating original values boosted charges



cial banks, Land banks and regional institutions of credit cooperatives, which especially benefited from the special effects in 1998, were also affected most strongly by the deterioration of the “extraordinary accounts”. The reserve for reinstating original values played a particularly large role in the case of savings banks.

*Lower profit
for the
financial year*

Owing to the switch from surplus to deficit in the “extraordinary accounts”, the profit for the financial year before tax declined markedly to € 21.3 billion in 1999 (compared with € 33.7 billion in 1998). As mentioned above, the return on capital deteriorated (from 19.34 % to 11.16 %); a more “realistic” comparison with 1997 (12.75 %) reveals a slight decline.

Taxes on income and earnings, profit for the financial year

In line with the sharp decline in the profit for the financial year, the taxes dependent on income and earnings also went down distinctly (by € 6.9 billion to € 9 billion). They thus moderated the drop in the profit for the financial year after tax, which decreased by € 5.5 billion to € 12.2 billion after having increased by € 7.3 billion in 1998. By contrast to the year before, the change was particularly pronounced in the case of big banks.

*Dampening
effect of taxes
dependent on
income*

The average tax ratio (ratio of taxes dependent on income and earnings in relation to the profit for the year before tax) of all banks went down from just over 47 % to 42 ½ %. This was due to the reduction in the corpor-

*Declining tax
ratio*

Return on capital of individual categories of banks *

%

Category of bank	1995		1996		1997		1998		1999 p	
All categories of banks	14.11	(7.12)	13.28	(6.39)	12.75	(6.47)	19.34	(10.20)	11.16	(6.43)
Commercial banks	10.31	(6.92)	10.77	(6.66)	9.68	(6.65)	27.36	(15.18)	9.48	(6.87)
Big banks	10.18	(8.17)	11.79	(7.79)	7.38	(5.44)	39.51	(19.24)	6.23	(5.48)
Regional banks and other commercial banks	10.68	(6.04)	10.15	(5.79)	11.52	(7.48)	16.75	(11.54)	15.86	(9.63)
Land banks	8.87	(4.75)	8.66	(5.44)	10.90	(5.89)	11.69	(6.34)	10.61	(5.92)
Savings banks	22.58	(7.99)	21.38	(7.42)	19.37	(6.66)	17.82	(6.52)	15.41	(6.16)
Regional institutions of credit cooperatives	12.98	(6.48)	14.80	(8.09)	12.00	(5.43)	28.57	(23.13)	5.74	(3.98)
Credit cooperatives	19.48	(7.42)	17.72	(6.52)	14.94	(5.82)	12.84	(5.05)	10.82	(4.67)
Mortgage banks	16.52	(10.71)	16.38	(10.07)	15.92	(8.93)	17.81	(10.42)	14.93	(8.44)

* 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).

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ation tax rate for retained profits from 45 % to 40 % that came into effect at the start of 1999. In addition, banks were also able to lower their tax burden by using or dissolving deferred tax obligations they had built up, especially in 1998. To some extent, they also released already-taxed undisclosed reserves. Some banks, particularly mortgage banks, reduced their tax payments by using the "pay

out/take back method" in the wake of capital injections. The somewhat lower retention ratio was also a factor. Just over one-third, or € 4.2 billion, of the profit for the financial year (€ 12.2 billion) was added to the reserves (compared with just under one-half in 1998), while the balance-sheet profit amounted to € 8 billion.

Annex

Methodological note and restrictions

Substantial shifts among categories of banks ...

For several categories of banks, the figures for the financial year 1999²¹ are not fully comparable with those for previous years. In line with the development in the banking industry, the category of big banks was extended to now include four institutions. The category "regional banks and other commercial banks" was subject to considerable changes (reclassification of one institution as a big bank; inclusion of "private banks", which no longer form a category of their own, and of the Postbank, which was counted towards the "banks with special functions"²² until end-1998; transfer of one big bank's retail banking business to a subsidiary specialising in retail banking that was already included in the category of regional banks). The figures for savings banks, Land banks and banks with special functions are also not entirely comparable with earlier figures (the Postbank is no longer recorded under banks with a special function; merger of a Land bank with a larger savings bank and parts of a regional promotional institution). As far as possible, such statistically related changes have been eliminated in the "changes from previous year in %" reported in the tables of this article. The separate reporting of west German savings banks and credit cooperations in the tables of the Annex, which also indirectly enabled results for east German institutions to be calculated, is being discontinued owing to the increasing convergence of business and balance-sheet structures. The analysis of the profit-and-loss accounts for 1999 continues to be based on the annual ac-

... complicate comparison with 1998

counts of the individual credit institutions; consolidated accounts are not taken into consideration.²³

²¹ The analysis of the profit-and-loss accounts for 1999 is based on credit institutions' annual accounts, drawn up in accordance with the provisions of the German Commercial Code, which have to be submitted every year to the Federal Banking Supervisory Office and the Deutsche Bundesbank. All credit institutions reporting for the monthly balance-sheet statistics (including their branches abroad) are covered. Domestic branches of EC credit institutions, banks in liquidation and banks with a truncated financial year are not included in the analysis. Money market funds, building and loan associations and institutions that do not fulfil the definition of MFIs are also not taken into consideration. The balance-sheet total is derived from the balance-sheet statistics. However, in the case of the branches abroad, the balance-sheet total is adjusted for their operations with their parent bank in order to prevent double-counting. The data for 1998 will not be subject to further changes, but the figures for 1999 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 and the Annex.

²² Hitherto referred to as "credit institutions with special functions".

²³ Several institutions have drawn up consolidated accounts based on the International Accounting Standards (IAS), the application of which releases listed enterprises from the duty of compiling consolidated accounts in accordance with the accounting rules of the German Commercial Code. The reason why the Monthly Report articles on the performance of German banks are based on individual accounts is that this enables us to analyse and comment on the 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 different categories of banks and the analysis of the relationship with banking business as such. In 1998, for example, the four big banks included a total of 815 institutions in the consolidated accounts for their groups (357 domestic and 458 foreign institutions). In 1999, this number increased to 1,400 (1,059 foreign and 341 domestic institutions). A comparison of the big banks' average volumes of business/balance-sheet totals and their groups' consolidated balance-sheet totals – expressed as averages of two end-of-year-levels – showed an average degree of representativeness of around 65% for the period from 1995 to 1999.

Number of credit institutions and branches *

Number of credit institutions

Banking group	1957	1960	1970	1980	1990 1	1992	1995	1997	1998 2	1999 p
Commercial banks ³	364	362	305	246	338	334	331	322	323	315
Big banks	8	6	6	6	6	4	3	3	4	4
Regional banks	96	108	112	101	191	197	195	187	237	223
Branches of foreign banks	15	16	24	56	60	56	69	75	82	88
Private banks	245	232	163	83	81	77	64	57	–	–
Land banks	14	13	12	12	12	13	13	13	13	13
Savings banks	871	867	832	599	769	717	624	598	594	578
Regional institutions of credit cooperatives	19	19	13	10	4	4	4	4	4	4
Credit cooperatives	11,795	11,599	7,059	4,225	3,380	2,911	2,591	2,418	2,249	2,035
Mortgage banks	44	42	46	38	36	34	35	35	33	32
Banks with special functions	16	18	17	16	18	17	17	17	16	16
Total	13,123	12,920	8,284	5,146	4,557	4,030	3,615	3,407	3,232	2,993
Memo item Building and loan associations	–	–	–	20	23	34	35	34	34	33

Number of branches

Banking group	1957	1960	1970	1980	1990 1	1992 4	1995	1997	1998 2	1999 p
Commercial banks ³	1,917	2,657	4,986	5,914	6,552	7,303	7,305	7,081	6,833	6,867
Big banks	787	1,080	2,650	3,124	3,234	3,553	3,624	3,553 ⁵	4,353 ⁵	3,114 ⁵
Regional banks	1,020	1,431	2,017	2,465	2,976	3,487	3,380	3,238 ⁵	2,405 ⁵	3,681 ⁵
Branches of foreign banks	6	5	23	50	34	39	45	51	75	72
Private banks	104	141	296	275	308	224	256	239	–	–
Land banks	191	18	353	313	311	431	433	428	430	655
Savings banks	8,192	10,112	14,903	16,890	19,036	19,578	19,071	18,751	18,327	17,667
Regional institutions of credit cooperatives	89	94	105	39	33	47	43	42	26	24
Credit cooperatives	2,305	3,507	11,280	15,453	17,402	17,828	17,205	16,762	16,139	15,793
Mortgage banks	19	22	25	31	58	258	290	290	246	216
Banks with special functions	34	30	28	75	98	144	139	77	36	21
Total	12,747	16,440	31,680	38,715	43,490	45,589	44,486	43,431	42,037	41,243
Memo item Building and loan associations	–	–	–	18	63	3,583	3,721	3,635	3,172	3,185

* Excluding the Postbank; the term "credit institutions" used in these bank office statistics is based on the definition in the Banking Act and thus differs from the information in the balance sheet statistics and the profit and loss account statistics. Therefore, the present data are not comparable with figures on the number of Monetary Financial Institutions (MFIs). — 1 Including eastern Germany. — 2 Expansion of the category "Big banks" as of December 31, 1998. In addition, dissolution of the cat-

egory "Private bankers" and regrouping of 50 credit institutions with 226 branches into "Regional banks". — 3 The category "Commercial banks" comprises big banks, regional banks and other commercial banks, branches of foreign banks and private banks. — 4 From 1992 extended definition of branches (all branches reported pursuant to section 24 of the Banking Act; up to 1991 only branches handling inpayments and outpayments). — 5 Changes largely due to regroupings.

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

Percentage of the average balance-sheet-total ^o

Financial year	All categories of banks	Big banks	Regional banks and other commercial banks	Branches of foreign banks	Land banks	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Credit institutions with special functions
Interest received										
1993	7.51	7.30	7.62	8.42	6.87	7.95	7.76	8.17	7.49	6.76
1994	6.77	6.25	6.91	6.69	6.49	7.33	6.44	7.34	7.11	5.57
1995	6.57	6.07	6.66	5.84	6.32	7.08	5.61	7.10	6.90	5.90
1996	6.07	5.40	6.06	4.58	5.90	6.61	4.78	6.54	6.54	5.67
1997	5.76	4.94	5.82	3.98	5.70	6.28	4.64	6.20	6.39	5.30
1998	5.59	4.61	5.68	3.80	5.53	6.05	4.61	5.95	6.54	5.20
1999 p	5.27	4.85	5.22	3.51	5.28	5.72	4.11	5.60	5.74	5.11
Interest paid										
1993	5.64	4.93	5.61	7.39	6.21	4.91	6.84	5.01	6.78	5.66
1994	4.89	4.00	4.78	5.93	5.73	4.18	5.15	4.19	6.42	4.64
1995	4.81	4.15	4.65	5.12	5.63	4.05	4.72	4.06	6.21	4.96
1996	4.42	3.69	4.15	3.90	5.21	3.70	4.02	3.63	5.88	4.76
1997	4.26	3.44	4.02	3.59	5.05	3.56	3.92	3.43	5.76	4.45
1998	4.22	3.33	3.99	3.40	4.91	3.54	3.86	3.40	5.92	4.37
1999 p	4.00	3.69	3.13	3.03	4.66	3.24	3.51	3.10	5.23	4.49
Excess of interest received over interest paid = net interest received										
1993	1.87	2.37	2.02	1.02	0.65	3.04	0.92	3.16	0.71	1.09
1994	1.89	2.25	2.13	0.76	0.76	3.15	1.29	3.15	0.69	0.93
1995	1.76	1.93	2.01	0.72	0.68	3.02	0.89	3.04	0.69	0.95
1996	1.65	1.71	1.91	0.68	0.69	2.91	0.76	2.91	0.67	0.90
1997	1.50	1.50	1.79	0.40	0.65	2.72	0.72	2.76	0.63	0.85
1998	1.37	1.28	1.69	0.40	0.62	2.52	0.76	2.56	0.62	0.83
1999 p	1.28	1.15	2.09	0.47	0.62	2.49	0.60	2.49	0.50	0.62
Excess of commissions received over commissions paid = net commissions received										
1993	0.42	1.03	0.50	0.26	0.10	0.50	0.27	0.58	0.00	0.25
1994	0.39	0.87	0.46	0.24	0.11	0.50	0.23	0.57	-0.01	0.22
1995	0.36	0.77	0.44	0.24	0.10	0.49	0.22	0.53	0.00	0.21
1996	0.34	0.73	0.42	0.23	0.10	0.47	0.22	0.53	-0.01	0.18
1997	0.35	0.76	0.48	0.18	0.10	0.47	0.23	0.54	-0.01	0.17
1998	0.34	0.69	0.50	0.15	0.10	0.48	0.20	0.55	-0.01	0.13
1999 p	0.37	0.63	0.85	0.14	0.11	0.52	0.18	0.62	-0.01	0.05

^o Up to end-1998 as a percentage of the volume of business, from 1999 as a percentage of the balance-sheet total. Excluding the balance-sheet total/volume of business of the foreign branches of savings banks. Statistical increase in the volume of

business owing to the inclusion of foreign branches: 1994 regional institutions of credit cooperatives + DM 13.8 billion; 1998 mortgage banks + DM 1.3 billion.

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

Percentage of the average balance-sheet-total ◦

Financial year	All categories of banks	Big banks	Regional banks and other commercial banks	Branches of foreign banks	Land banks	Savings banks	Regional institutions of credit co-operatives	Credit co-operatives	Mortgage banks	Credit institutions with special functions
General administrative spending										
1993	1.49	2.22	1.66	0.77	0.46	2.28	0.73	2.68	0.25	0.91
1994	1.39	2.14	1.59	0.76	0.45	2.14	0.66	2.54	0.22	0.77
1995	1.38	2.05	1.61	0.77	0.46	2.17	0.66	2.53	0.22	0.78
1996	1.29	1.84	1.50	0.90	0.43	2.11	0.60	2.44	0.20	0.69
1997	1.21	1.70	1.44	0.71	0.42	2.05	0.58	2.38	0.19	0.66
1998	1.16	1.54	1.49	0.82	0.40	2.04	0.57	2.34	0.18	0.57
1999 p	1.15	1.50	2.22	0.81	0.44	2.01	0.56	2.30	0.15	0.19
Partial operating result										
1993	0.80	1.18	0.86	0.52	0.30	1.25	0.46	1.06	0.46	0.44
1994	0.88	0.98	1.00	0.24	0.41	1.52	0.86	1.18	0.46	0.39
1995	0.73	0.65	0.84	0.19	0.33	1.34	0.45	1.04	0.46	0.38
1996	0.70	0.60	0.84	0.02	0.35	1.28	0.39	1.00	0.45	0.39
1997	0.64	0.56	0.83	-0.14	0.33	1.14	0.37	0.92	0.44	0.35
1998	0.55	0.43	0.70	-0.26	0.32	0.96	0.39	0.77	0.43	0.39
1999 p	0.49	0.29	0.72	-0.20	0.29	0.99	0.22	0.81	0.34	0.48
Net profit or net loss on financial operations										
1993	0.11	0.26	0.20	0.06	0.09	0.09	0.15	0.05	0.00	0.02
1994	0.01	-0.01	0.02	0.12	0.00	0.01	0.08	0.00	0.00	0.00
1995	0.06	0.12	0.10	0.05	0.05	0.05	0.12	0.03	0.00	0.01
1996	0.05	0.10	0.07	0.22	0.04	0.05	0.10	0.03	0.00	0.01
1997	0.06	0.13	0.06	0.13	0.05	0.06	0.10	0.02	0.00	0.02
1998	0.07	0.09	0.18	0.37	0.07	0.05	0.05	0.02	0.00	0.01
1999 p	0.06	0.17	0.07	0.42	0.03	0.03	0.12	0.01	-	0.00
Net income or net charges from the valuation of assets										
1993	-0.38	-0.81	-0.53	-0.11	-0.19	-0.45	-0.33	-0.32	-0.12	-0.17
1994	-0.44	-0.47	-0.51	-0.04	-0.19	-0.73	-0.73	-0.55	-0.19	-0.23
1995	-0.27	-0.19	-0.35	0.05	-0.15	-0.52	-0.13	-0.35	-0.10	-0.16
1996	-0.26	-0.15	-0.41	0.01	-0.15	-0.47	-0.04	-0.37	-0.08	-0.21
1997	-0.26	-0.25	-0.36	-0.05	-0.14	-0.46	-0.10	-0.41	-0.11	-0.13
1998	-0.25	-0.15	-0.37	-0.08	-0.27	-0.34	-0.19	-0.36	-0.08	-0.23
1999 p	-0.19	-0.24	-0.19	0.02	-0.11	-0.17	-0.17	-0.39	-0.10	-0.24

For footnotes see page 67.

Deutsche Bundesbank

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

Percentage of the average balance-sheet-total °

Financial year	All categories of banks	Big banks	Regional banks and other commercial banks	Branches of foreign banks	Land banks	Savings banks	Regional institutions of credit co-operatives	Credit co-operatives	Mortgage banks	Credit institutions with special functions
Operating result										
1993	0.55	0.63	0.58	0.47	0.23	0.87	0.27	0.91	0.33	0.29
1994	0.47	0.49	0.57	0.32	0.25	0.77	0.20	0.73	0.26	0.19
1995	0.54	0.57	0.65	0.32	0.26	0.84	0.45	0.80	0.36	0.27
1996	0.51	0.54	0.58	0.25	0.28	0.80	0.46	0.72	0.36	0.26
1997	0.46	0.40	0.61	0.13	0.26	0.72	0.38	0.62	0.33	0.29
1998	0.41	0.32	0.65	0.19	0.20	0.69	0.26	0.54	0.36	0.22
1999 p	0.40	0.20	0.79	0.32	0.25	0.88	0.19	0.54	0.26	0.27
Net other and extraordinary income or charges										
1993	-0.02	-0.06	-0.07	0.00	-0.01	0.00	-0.06	-0.01	-0.01	0.00
1994	-0.01	0.09	-0.05	-0.01	-0.05	-0.06	0.27	-0.03	0.01	0.03
1995	-0.03	-0.10	-0.10	-0.02	-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	-0.02	0.02	-0.05	0.03	-0.03	-0.11
1998	0.20	1.03	0.09	0.03	0.06	0.01	0.46	0.03	-0.04	0.01
1999 p	-0.05	0.04	-0.08	0.00	-0.01	-0.27	-0.04	-0.06	-0.03	-0.02
Profit for the financial year before tax										
1993	0.53	0.57	0.52	0.47	0.22	0.86	0.22	0.90	0.32	0.29
1994	0.46	0.58	0.52	0.31	0.20	0.71	0.47	0.70	0.27	0.21
1995	0.51	0.47	0.55	0.31	0.23	0.86	0.42	0.81	0.33	0.26
1996	0.46	0.50	0.48	0.23	0.21	0.82	0.43	0.76	0.33	0.03
1997	0.42	0.28	0.51	0.10	0.25	0.75	0.33	0.65	0.29	0.18
1998	0.61	1.35	0.74	0.22	0.26	0.70	0.72	0.57	0.31	0.22
1999 p	0.35	0.23	0.71	0.32	0.24	0.61	0.16	0.48	0.23	0.25
Profit for the financial year after tax										
1993	0.25	0.35	0.29	0.28	0.11	0.31	0.09	0.34	0.18	0.20
1994	0.24	0.38	0.31	0.20	0.11	0.30	0.24	0.31	0.17	0.14
1995	0.26	0.37	0.31	0.20	0.12	0.30	0.21	0.31	0.21	0.20
1996	0.22	0.33	0.27	0.11	0.13	0.28	0.24	0.28	0.20	-0.01
1997	0.21	0.21	0.33	0.02	0.13	0.26	0.15	0.25	0.17	0.15
1998	0.32	0.66	0.51	0.14	0.14	0.26	0.58	0.22	0.18	0.19
1999 p	0.20	0.20	0.43	0.20	0.13	0.24	0.11	0.21	0.13	0.22

For footnotes see page 67.

Deutsche Bundesbank

Credit institutions' profit and loss accounts *

Financial year	Interest business			Non-interest business			General administrative spending			Partial operating result (col. 1 plus col. 4 less col. 7)
	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	
	1	2	3	4	5	6	7	8	9		10
	DM billion									
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	147.5	602.9	455.3	37.0	43.6	6.6	125.2	70.1	55.1	59.3
1999 p	151.4	624.7	473.3	43.5	51.9	8.4	136.6	74.8	61.8	58.2
	€ billion									
1999 p	77.4	319.4	242.0	22.2	26.5	4.3	69.9	38.2	31.6	29.8
	Change from the previous year in % 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	+ 2.2	+ 8.8	+ 11.2	+ 8.5	+ 11.7	+ 33.0	+ 7.2	+ 4.6	+ 10.8	- 3.9
1999 p	+ 2.5	+ 3.5	+ 3.9	+ 17.5	+ 18.8	+ 25.9	+ 9.1	+ 6.6	+ 12.3	- 2.1
	Percentage of the average balance-sheet total									
1992	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	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	1.37	5.59	4.22	0.34	0.40	0.06	1.16	0.65	0.51	0.55
1999 p	1.28	5.27	4.00	0.37	0.44	0.07	1.15	0.63	0.52	0.49

* 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 depreciations and adjustments of objects leased ("broad" definition). — 2 Up to end-1998 volume of business, from 1999 balance-sheet total. — 3 Excluding the volume of business/

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	Financial year
11	12	13	14	15	16	17	18	19	
DM billion									
.	.	.	.	.	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
7.0	4.8	- 22.1	48.0	- 6.4	41.6	17.6	23.9	11,845.3	1999 p
€ billion									
3.6	2.5	- 11.3	24.5	- 3.3	21.3	9.0	12.2	6,056.4	1999 p
Change from the previous year in % 4									
-	-	-	-	-	+ 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
+ 1.4	- 7.4	+ 18.7	+ 7.9	.	- 36.9	- 43.4	- 31.1	+ 9.9	1999 p
Percentage of the average balance-sheet total									
.	.	.	.	.	0.51	0.30	0.21	.	1992
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
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
0.06	0.04	- 0.19	0.40	- 0.05	0.35	0.15	0.20	.	1999 p

balance-sheet total of the foreign branches of savings banks. Statistical increase in the volume of business owing to the inclusion of the foreign branches: 1994 regional institutions of credit coopera-

tives + DM 13.8 billion; 1998 mortgage banks + DM 1.3 billion. — 4 Statistical changes have been eliminated, including breaks caused by the inclusion of east German credit institutions in 1993.

Credit institutions' profit and loss accounts *

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											
		DM million									
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	3,167	147,515	602,854	455,339	37,010	43,603	6,593	125,201	70,123	55,078	59,324
1999 p	2,897	151,373	624,663	473,289	43,492	51,865	8,373	136,628	74,787	61,841	58,237
1999 p	2,897	77,396	319,385	241,989	22,237	26,518	4,281	69,857	38,238	31,619	29,776
Commercial banks											
		DM million									
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	258	45,727	159,303	113,576	19,341	22,932	3,591	47,941	25,937	22,004	17,127
1999 p	224	49,772	173,732	123,960	24,248	28,011	3,763	59,756	30,577	29,179	14,264
1999 p	224	25,448	88,828	63,380	12,398	14,322	1,924	30,553	15,634	14,919	7,293
€ million											
1999 p	224	25,448	88,828	63,380	12,398	14,322	1,924	30,553	15,634	14,919	7,293
Big banks											
		DM million									
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	3	21,381	76,785	55,404	11,414	13,114	1,700	25,664	14,766	10,898	7,131
1999 p	4	28,068	118,111	90,042	15,467	17,346	1,880	36,480	19,654	16,826	7,055
1999 p	4	14,351	60,389	46,038	7,908	8,869	961	18,652	10,049	8,603	3,607
€ million											
1999 p	4	14,351	60,389	46,038	7,908	8,869	961	18,652	10,049	8,603	3,607
Regional banks and other commercial banks											
		DM million									
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	174	22,909	77,151	54,242	6,794	8,504	1,710	20,217	10,188	10,029	9,486
1999 p	192	21,410	53,443	32,033	8,692	10,507	1,815	22,772	10,761	12,011	7,330
1999 p	192	10,947	27,325	16,378	4,444	5,372	928	11,643	5,502	6,141	3,748
€ million											
1999 p	192	10,947	27,325	16,378	4,444	5,372	928	11,643	5,502	6,141	3,748
Branches of foreign banks											
		DM million									
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	26	275	2,588	2,313	105	147	42	559	157	402	- 179
1999 p	28	293	2,179	1,885	90	158	68	505	162	342	- 121
1999 p	28	150	1,114	964	46	81	35	258	83	175	- 62
€ million											
1999 p	28	150	1,114	964	46	81	35	258	83	175	- 62
Land banks											
		DM million									
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	13	13,615	120,670	107,055	2,076	2,872	796	8,796	4,640	4,156	6,895
1999 p	13	16,409	140,200	123,790	2,812	4,755	1,942	11,588	5,912	5,676	7,634
1999 p	13	8,390	71,683	63,293	1,438	2,431	993	5,925	3,023	2,902	3,903
€ million											
1999 p	13	8,390	71,683	63,293	1,438	2,431	993	5,925	3,023	2,902	3,903

For footnotes, see page 74.

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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, 6}	Financial year
12	13	14	15	16	17	18	19	20	21	22	
All categories of banks											
DM million											
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
6,998	4,804	- 22,075	47,963	- 6,378	41,585	17,638	23,947	- 8,308	15,639	11,845,257	1999 p
3,578	2,456	- 11,287	24,523	- 3,261	21,262	9,018	12,244	- 4,248	7,996	6,056,385	1999 p
Commercial banks											
DM million											
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
5,150	1,496	- 7,810	13,100	27	13,128	3,609	9,519	- 2,286	7,233	3,523,421	1999 p
2,633	765	- 3,993	6,698	14	6,712	1,845	4,867	- 1,169	3,698	1,801,497	1999 p
Big banks											
DM million											
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
4,207	- 634	- 5,824	4,804	863	5,666	685	4,981	- 1,177	3,804	2,437,024	1999 p
2,151	- 324	- 2,978	2,456	441	2,897	350	2,547	- 602	1,945	1,246,031	1999 p
Regional banks and other commercial banks											
DM million											
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
683	2,079	- 1,997	8,095	- 833	7,262	2,852	4,410	- 1,099	3,311	1,024,243	1999 p
349	1,063	- 1,021	4,139	- 426	3,713	1,458	2,255	- 562	1,693	523,687	1999 p
Branches of foreign banks											
DM million											
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
260	51	12	201	- 2	199	72	127	- 10	117	62,154	1999 p
133	26	6	103	- 1	102	37	65	- 5	60	31,779	1999 p
Land banks											
DM million											
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
751	1,183	- 2,945	6,622	- 278	6,345	2,807	3,538	- 1,872	1,666	2,656,093	1999 p
384	605	- 1,506	3,386	- 142	3,244	1,435	1,809	- 957	852	1,358,039	1999 p

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

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												
		DM million										
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	594	43,430	104,410	60,980	8,317	8,701	384	35,247	21,118	14,129	16,500	
1999 p	578	43,627	100,367	56,741	9,087	9,539	452	35,277	21,119	14,158	17,436	
1999 p	578	€ million	22,306	51,317	29,011	4,646	4,877	231	18,037	10,798	7,239	8,915
Regional institutions of credit cooperatives												
		DM million										
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	4	2,921	17,814	14,893	759	1,117	358	2,192	1,022	1,170	1,488	
1999 p	4	2,582	17,618	15,036	773	1,389	616	2,394	1,101	1,293	960	
1999 p	4	€ million	1,320	9,008	7,688	395	710	315	1,224	563	661	491
Credit cooperatives												
		DM million										
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	2,248	25,297	58,919	33,622	5,472	6,016	544	23,196	13,501	9,695	7,573	
1999 p	2,032	25,559	57,368	31,810	6,343	6,994	651	23,607	13,800	9,807	8,295	
1999 p	2,032	€ million	13,068	29,332	16,264	3,243	3,576	333	12,070	7,056	5,014	4,241
Mortgage banks												
		DM million										
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	32	9,004	94,571	85,567	- 153	369	522	2,664	1,534	1,130	6,187	
1999 p	32	7,802	89,049	81,247	- 192	301	493	2,288	1,224	1,064	5,322	
1999 p	32	€ million	3,989	45,530	41,541	- 98	154	252	1,170	626	544	2,721
Banks with special functions												
		DM million										
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	18	7,521	47,167	39,646	1,198	1,596	398	5,165	2,371	2,794	3,554	
1999 p	14	5,623	46,328	40,705	421	876	456	1,717	1,052	665	4,326	
1999 p	14	€ million	2,875	23,687	20,812	215	448	233	878	538	340	2,212
Memo item: Banks majority-owned by foreign banks⁷												
		DM million										
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	68	4,970	13,209	8,239	2,309	2,758	449	5,160	2,505	2,655	2,119	
1999 p	60	5,201	13,051	7,851	2,539	3,112	573	5,463	2,642	2,820	2,277	
1999 p	60	€ million	2,659	6,673	4,014	1,298	1,591	293	2,793	1,351	1,442	1,164

* 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 Land banks. — 4 Including profit or loss brought forward and withdrawals from or transfers to

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, 6}	Financial year
12	13	14	15	16	17	18	19	20	21	22	
Savings banks											
DM million											
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
467	528	- 2,985	15,447	- 4,717	10,730	6,444	4,285	- 1,705	2,580	1,753,403	1999 p
239	270	- 1,526	7,898	- 2,412	5,486	3,295	2,191	- 872	1,319	896,501	1999 p
Regional institutions of credit cooperatives											
DM million											
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
501	88	- 714	835	- 155	681	209	471	- 201	270	428,417	1999 p
€ million											
256	45	- 365	427	- 79	348	107	241	- 103	138	219,046	1999 p
Credit cooperatives											
DM million											
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
92	1,170	- 4,006	5,551	- 585	4,966	2,820	2,146	- 481	1,664	1,024,894	1999 p
€ million											
47	598	- 2,048	2,838	- 299	2,539	1,442	1,097	- 246	851	524,020	1999 p
Mortgage banks											
DM million											
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
-	137	- 1,481	3,978	- 475	3,503	1,522	1,981	- 92	1,889	1,552,201	1999 p
€ million											
-	70	- 757	2,034	- 243	1,791	778	1,013	- 47	966	793,628	1999 p
Banks with special functions											
DM million											
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
37	201	- 2,136	2,429	- 196	2,234	227	2,007	- 1,670	336	906,828	1999 p
€ million											
19	103	- 1,092	1,242	- 100	1,142	116	1,026	- 854	172	463,654	1999 p
Memo item: Banks majority-owned by foreign banks ⁷											
DM million											
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
- 23	583	- 974	1,862	- 851	1,011	630	381	- 544	925	253,890	1999 p
€ million											
- 12	298	- 498	952	- 435	517	322	195	278	473	129,812	1999 p

the fund for general banking risks. — 5 Up to end-1998 volume of business, from 1999 balance-sheet total. — 6 Excluding the balance-sheet total/volume of business of the foreign branches of savings banks and mortgage banks. — 7 Separate presentation of the (legally

independent) credit institutions majority-owned by foreign banks and included in the categories "Regional banks and other commercial banks" and "Mortgage banks".

Charge and income items of credit institutions

Financial year	Number of reporting institutions	Charges					General administrative spending						
		Total	Interest paid	Commissions paid	Net loss on financial operations	Gross loss on transactions in goods and subsidiary transactions	Total	Staff costs			Other administrative spending ¹		
								Total	Wages and salaries	Social security costs and costs relating to pensions and other benefits			
										Total		of which Pensions	
1	2	3	4	5	6	7	8	9	10	11	12		
		DM million											
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	3,167	666,066	455,339	6,593	289	-	114,367	70,123	53,679	16,444	6,524	44,244	
1999 p	2,897	689,737	473,289	8,373	1,048	-	125,772	74,787	57,910	16,877	6,853	50,985	
		€ million											
1999 p	2,897	352,657	241,989	4,281	536	-	64,306	38,238	29,609	8,629	3,504	26,068	

¹ Spending item does not include depreciation and adjustments of tangible and intangible assets, shown net of depreciation of objects

leased ("narrow" definition). All other tables are based on a broad definition of "other administrative spending", i.e. including column 13

Financial year	Income									
	Total	Interest received			Current income				Profits transferred under profit-pooling and profit transfer agreements	Commissions received
		Total	from lending and money market transactions	from debt securities and Debt Register claims	Total	from shares and other variable-yield securities	from participating interests ¹	from shares in affiliated undertakings		
1	2	3	4	5	6	7	8	9	10	
	DM million									
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	700,804	578,663	488,258	90,405	22,551	10,627	3,628	8,296	1,640	43,603
1999 p	713,684	598,054	499,652	98,402	24,336	12,891	2,752	8,694	2,273	51,865
	€ million									
1999 p	364,901	305,780	255,468	50,312	12,443	6,591	1,407	4,445	1,162	26,518

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

Deutsche Bundesbank

Value adjustments in respect of tangible and intangible assets		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	Financial year
Total	of which Assets leased										
13	14	15	16	17	18	19	20	21	22	23	
DM million											
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
11,645	788	6,110	30,104	1,082	1,013	8,365	3,196	17,638	368	1,735	1999 P
€ million											
5,954	403	3,124	15,392	553	518	4,277	1,634	9,018	188	887	1999 P

less column 14. — 2 In part, including taxes paid by legally dependent building and loan associations affiliated to 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		Income from the release of special reserves	Extraordinary income	Income from loss transfers	Financial year
				Total	of which from leasing business				
11	12	13	14	15	16	17	18	19	
DM million									
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
8,046	430	8,029	5,860	11,639	1,019	331	2,631	192	1999 P
€ million									
4,114	220	4,105	2,996	5,951	521	169	1,345	98	1999 P