

Bank office report 2019

Development of the bank office network in 2019

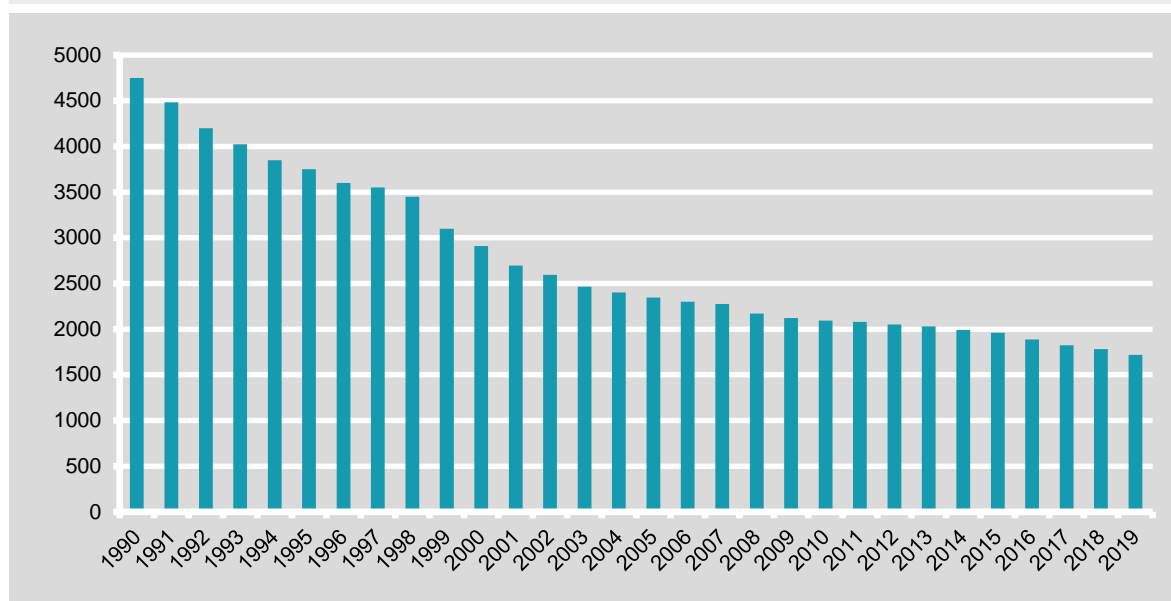
Development of the bank office network in 2019

I Number of credit institutions (see Annex 1)

The consolidation process in the German banking sector continued in 2019, particularly on account of the highly competitive environment and the associated need to further reduce costs. Whilst in 2018 the fall in the number of institutions was slowed down somewhat as a result of additions in the context of international banks preparing for Brexit, numerous closures and conversions of branches of British securities trading banks intensified the downward trend in 2019.

Compared with 2018, the **total number of credit institutions**¹ in Germany (including legally dependent building and loan associations) fell by 66, or 3.7%, from 1,783 to 1,717 institutions (by comparison: 2017: 1,823 institutions = -2.2%; 2014: 1,990 institutions; 2009: 2,121 institutions; 2004: 2,400 institutions; 1999: 3,168 institutions; 1994: 3,872 institutions). While the number of credit institutions fell sharply up until the financial crisis, the consolidation process has been subdued, especially since 2008; however, it has been undergoing a trend resurgence since 2013.

Developments in the total number of credit institutions

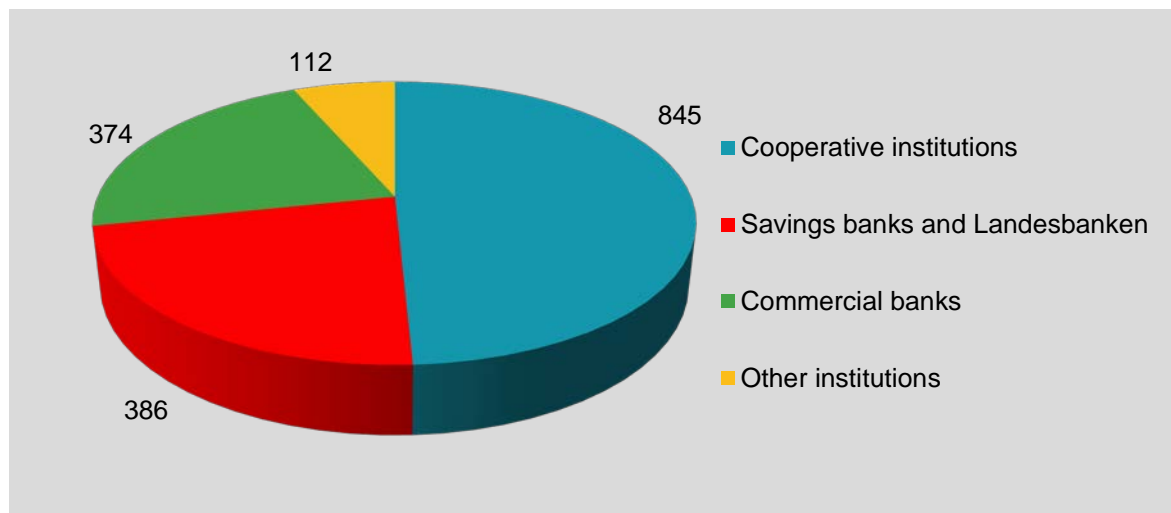


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¹ The bank office statistics and bank office report comprise credit institutions which conduct at least one of the types of banking business listed in Section 1(1) sentence 2 of the German Banking Act (*Kreditwesengesetz*). By contrast, monetary financial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

Sectoral distribution and distribution by individual category of banks

Number of credit institutions (total as at 31 December 2019: 1,717 institutions)



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In terms of the individual categories of banks, the largest decrease – 34 institutions – was, as in previous years, in the cooperative sector. The number of cooperative institutions declined by 3.9% during the course of the year from 879 to 845 institutions. This contraction was thus more moderate than in previous years (2018: 40 institutions, or 4.4%; 2017: 57 institutions, or 5.8%). The decline was experienced exclusively by primary credit cooperatives, the number of which fell from 864 to 830 institutions due to mergers.

In the savings bank sector (Landesbanken and savings banks), there were six departures due to mergers in 2019 (2018: also six departures; 2017: 14 departures; 2016: ten departures). As a result, there were 380 savings banks and six Landesbanken (unchanged) at the end of 2019 – 386 institutions in total.

The number of commercial banks decreased significantly in net terms by 24 to 374 institutions (2018: eight departures; 2017: nine additions; 2016: nine departures). This group comprises four big banks, 185 regional and securities trading banks and other commercial banks, and 185 branches of foreign banks and securities trading banks.

In the commercial bank sector, the largest numerical change was again recorded among branches of foreign banks and securities trading banks, which saw 40 (previous year: ten; 2017: 15) departures. Of these, 30 (previous year: nine) were attributable to British securities trading firms alone, and a further seven to British banks. This category of banks also registered 13 (previous year: 22; 2017: 16) additions, meaning that the total number of these branches decreased significantly in net terms (by 27 to 185). Most of this decline is related to the United Kingdom's withdrawal from the European Union on 31 January 2020. The departures of British

credit institutions' branches from the banking statistics does not necessarily mean that these institutions have ceased their business operations in Germany, as in some cases these activities have been taken over by branches which the same group of enterprises operates in Germany from an EU Member State. Furthermore, some British banking groups have converted their German branches into branches of foreign investment management companies, meaning that they no longer count as credit institutions.

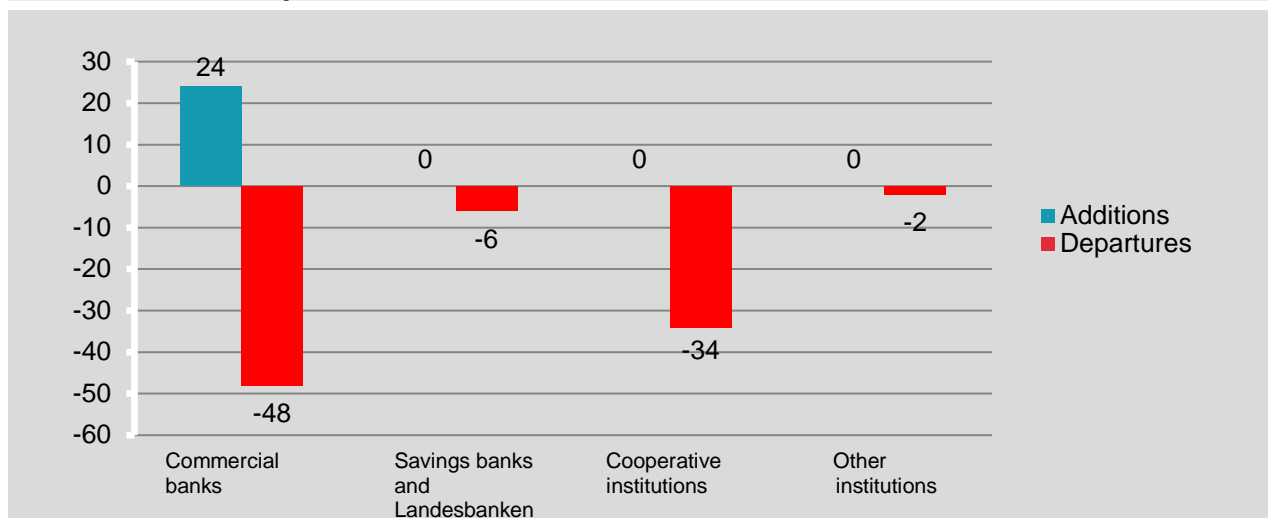
At 185 institutions, the number of regional and securities trading banks and other commercial banks increased slightly over the course of 2019 – there were 11 additions versus eight departures (of which four were mergers and four were cases of institutions relinquishing their licences). Some international banks shifted the focus of their European operations to Germany in anticipation of Brexit, with the result that departures are overrepresented in this category.

The number of big banks remained unchanged at four. One departure in this category is on the horizon for May 2020 due to the merger of DB Privat- und Firmenkundenbank AG (the successor to Postbank) with its parent company Deutsche Bank AG.

In net terms, the total number of other banks fell by two to 112 institutions. As at the end of 2019, following one departure resulting from a merger, these included 11 private building and loan associations and eight public building and loan associations, unchanged from the previous year.² In the mortgage banks category, a closure took the figure down to 11 institutions. There was no change in the number of special purpose banks (19), housing enterprises with savings facilities (47), guarantee banks (16) and central securities depositories (one).

Altogether, there were 24 additions versus 90 departures in 2019, but no reclassifications to other categories.

Additions and departures of credit institutions in 2019



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

Regional distribution

Bavaria, the largest Federal state by area, is still home to the most credit institutions (384 banks in total) despite seeing 13 (previous year: 12) departures and only one addition – that of a branch of a Luxembourg bank. This decline was due to mergers in the cooperative category (nine) and the savings banks (one) category, one regional bank surrendering its licence and the closure of two branches of a foreign securities trading firm.

Hesse recorded the most new additions by far, with an increase of 24 (previous year: 21) institutions. Of these, 11 (previous year: 16) were newly opened branches of foreign credit institutions or securities trading banks, including only one (previous year: seven) British bank. Luxembourg banks are the most heavily represented here, with four new branches. Furthermore, seven (previous year: two) securities trading banks and two (previous year: one) regional banks were newly established in connection with Brexit. Two regional banks, one securities trading bank and one branch of a foreign securities trading bank relocated their head offices from other Federal states to Hesse. Of the 43 (previous year: 19) departures, 35 (previous year: eight) were in the category of branches of foreign banks or securities trading banks (including 34 from the United Kingdom alone, compared with six in the previous year) and four (previous year: two) were in the credit cooperative category owing to mergers. Two regional banks surrendered their licences and one was part of a cross-border merger with a foreign credit institution. One credit cooperative is now domiciled in Lower Saxony. The total number of institutions in this Federal state stood at 304 (previous year: 323) at the end of the year.

North Rhine-Westphalia, the most populous Federal state, remains in third place in terms of the number of banks, with 270 (previous year: 285) institutions. This corresponds to a net decrease of 15 (previous year: eight) institutions (two additions and 17 departures). The decline was due to mergers in the cooperative category (seven), the savings banks category (four) and the regional banks category (one). Furthermore, one regional bank, one mortgage bank and one branch of a Dutch credit institution ceased their business activities in North Rhine-Westphalia. A securities trading bank that had only opened in 2019 relocated its head office to Hesse, whilst another moved from Bavaria to North Rhine-Westphalia.

Baden-Württemberg recorded no additions and five (previous year: 11) departures. Three (previous year: nine) of these were attributable to mergers of credit cooperatives, whilst one regional bank underwent a merger and another relocated its head office to Hesse. At the end of 2019, there were a total of 265 banks in Baden-Württemberg.

Lower Saxony recorded the addition of one credit cooperative from Hesse as well as four (previous year: seven) departures owing to three mergers of cooperative banks and one

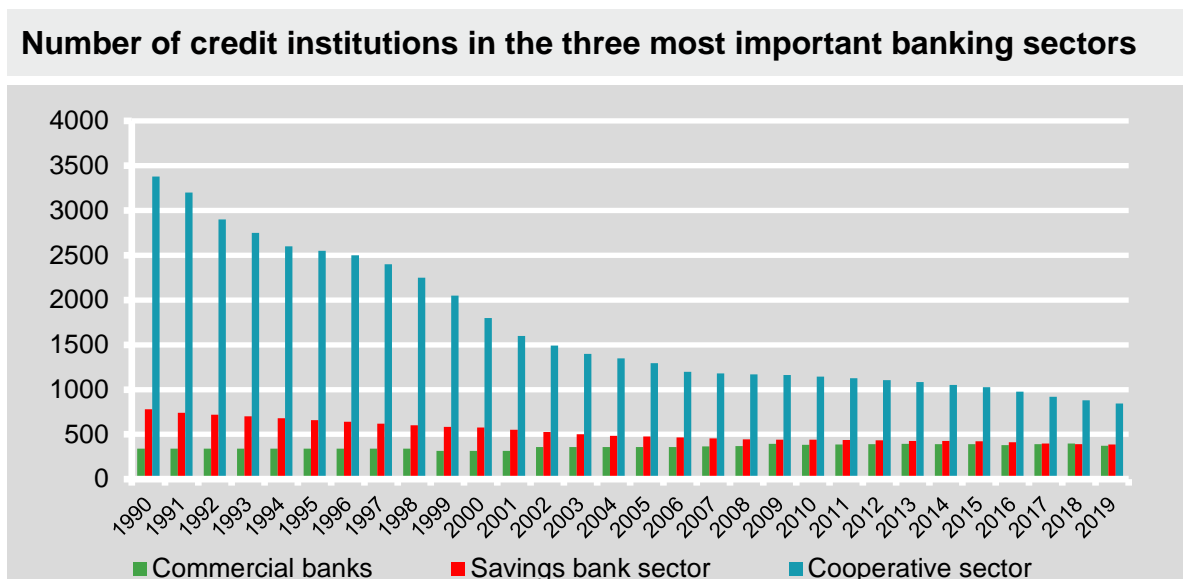
merger of savings banks, meaning that as at 31 December 2019, 154 institutions were domiciled in this Federal state.

The other **Federal states** each have fewer than 100 resident banks. At the end of 2019, Rhineland-Palatinate had 77 institutions (loss of two), Schleswig-Holstein had 47 (loss of three), Hamburg had 39 (loss of one), Saxony had 36 (unchanged), Thuringia had 34 (unchanged), Saxony-Anhalt had 31 (unchanged), Berlin had 27 (a loss of two in net terms – two additions and four departures in the commercial bank sector), Brandenburg had 26 (unchanged), Mecklenburg-West Pomerania had 18 (loss of two), Saarland had 16 (loss of two), and Bremen had nine (unchanged).

Of the 96 (previous year: 76) departures recorded in the statistics, 46 (previous year: 56) were attributable to mergers and ten to takeovers by other institutions. Of these, five branches of British securities trading firms were converted into branches of investment management companies and thus no longer count as banks. The high number of relinquished licences (34) is striking. In addition, six technical departures were registered on account of head office relocations to other Federal states.

Overall development in the three most important banking sectors

The diagram below charts developments in Germany's three most important banking sectors by number of institutions since 1990. With 845 banks and a share of 49.2% (previous year: 879 banks, or 49.3%), the cooperative sector remains the largest category of banks by number of institutions. The savings bank sector follows by a relatively wide margin, with 386 institutions and a share of 22.5% (previous year: 22.0%) compared with 392 institutions at the end of 2018. The 374 commercial banks accounted for a share of 21.8% (by comparison, end of 2018: 398 institutions, or 22.3%). The 112 (previous year: 114) other banks (= 6.5%) are not considered in this comparison.



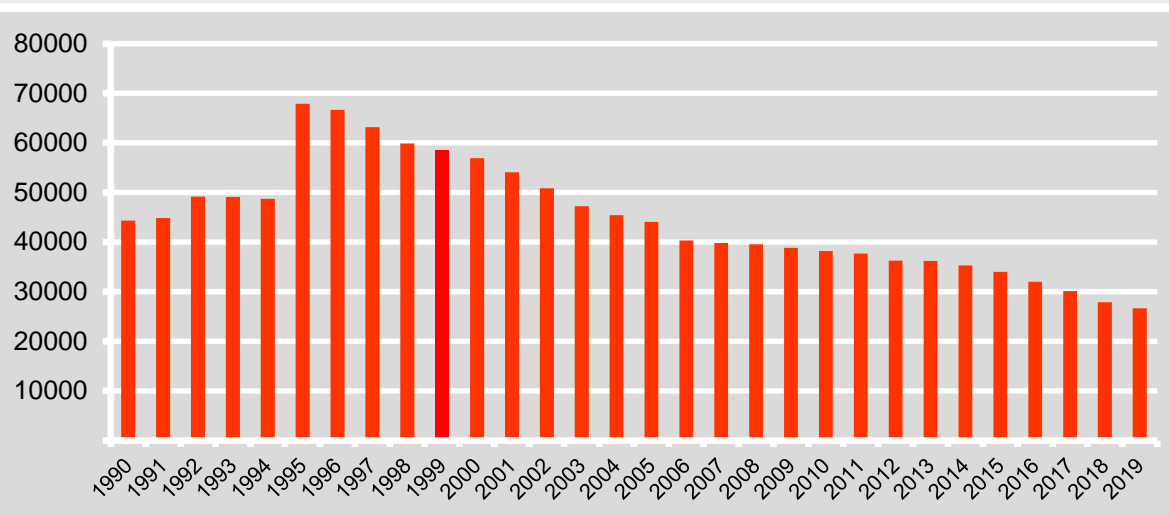
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In 1990, there were still 3,377 cooperative banks and 782 institutions in the savings bank sector, but only 341 commercial banks. Twenty years ago, 2,039 credit cooperatives including central institutions, 578 savings banks and 315 commercial banks were recorded in Germany. Consolidation progressed at a steady pace up to 2006 – ten years ago, 1,162 credit cooperatives, 431 savings banks and 389 commercial banks in Germany remained as a result of this development. The decline initially decelerated significantly as from 2006, but accelerated again from 2013 to 2017. The consolidation trend weakened again slightly in 2018 and 2019 as a result of a numerous additions in the context of international banks preparing for Brexit; however, this was largely offset in 2019 by the high number of closures among branches of British institutions. Bucking the general trend in the sector, the number of commercial banks declined to a moderate extent in a ten-year comparison, decreasing by only 15 institutions to 374 since 2009.

II Branches of credit institutions (see Annex 2)

The total number of branches in Germany continued to fall very sharply in 2019. While 27,887 branches were registered at the end of 2018, this number dropped by 1,220 over the course of 2019 to a new total of 26,667 branches. This corresponds to a decline of 4.4%. In 2017 and 2018, the number of branches decreased by 5.9% and 7.4% respectively. Branches are defined pursuant to Section 24(1a) number 4 of the German Banking Act. Branches that do not have staff offering advisory services or in which only ATMs or statement printers are provided are not included in this figure. According to data in the Bundesbank’s payment statistics, around 58,600 ATMs and 27,900 self-service terminals with a credit transfer function have been installed in banks in Germany over the past few years.

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



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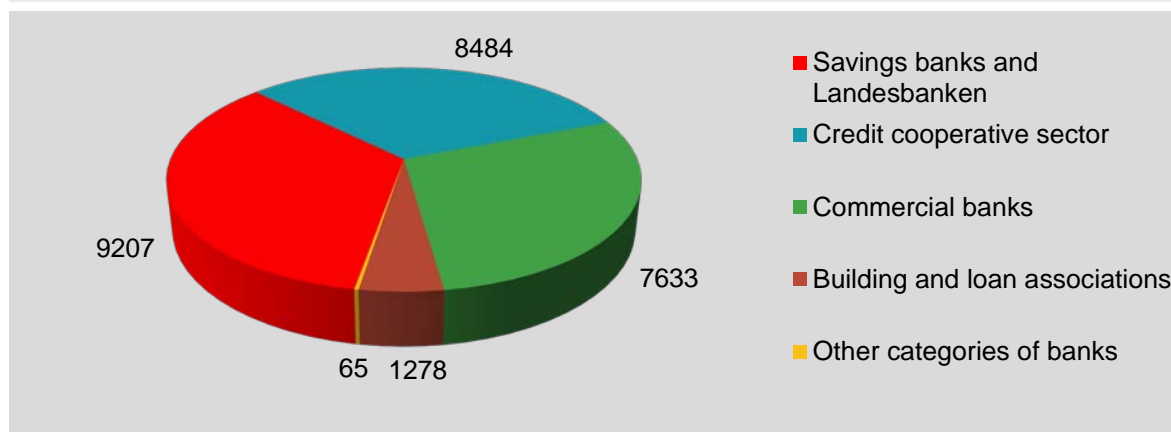
Looking at the overall development of branch numbers since 1999, a continual thinning-out of the branch network is discernible in the German banking sector, which still comprised 58,546 branches at that time (including 14,103 branches of Deutsche Postbank AG). With a decrease of 54.5%, this means that the number of branches has more than halved since 1999 (ten-year comparison: -31.4%; five-year comparison: -24.5%); the decline was significant in the years up to 2006, in particular, and has been intensifying again since 2015. Over the past 20 years up to 2019, the Postbank and savings bank networks alone each saw a loss of over 9,000 branches overall, while the number of credit cooperative branches was cut by more than 7,000.

Sectoral distribution of branches

The ongoing trend of thinning out the branch network is affecting every category of banks. Savings banks and Landesbanken closed 525 branches in 2019 (-5.4%; previous year: -442 = -4.3%), leaving 9,207 branches at the end of 2019. However, with a share of 34.5%, this sector still has the largest number of domestic branches. In the cooperative sector, 471 branches (= -5.3%; previous year: -500 = also -5.3%) were closed. At the end of 2019, a total of 8,484 branches thus remained, corresponding to 31.8% of all domestic branches. Commercial banks cut their branch numbers by only 137 (previous year: -1,272, or 14.1%) to 7,633 in 2019, representing an overall share of 28.6%. With 6,219 (-79; previous year: -522) branches, big banks still have the largest share of all commercial banks. Following a significant contraction of the branch network in previous years, only a slight decline was observed amongst all big banks in 2019. The branch network of regional banks and other commercial banks was also scaled back moderately, losing 63 branches to leave just 1,240 branches (= -4.8%; previous year: -750 = -36.5% on account of DB Privat- und Firmenkundenbank AG, the legal successor to Deutsche Postbank AG, being reclassified to the big banks category in 2018). Foreign banks and securities trading banks maintained 174 branches (an increase of five).

Building and loan associations reduced their branch network to a comparatively significant extent overall, with a drop of 69 to 803 branches in the private sector and of 10 to 475 branches in the public sector. The number of branches operated by the other categories of banks stands at 65 (loss of eight); these comprise 38 branches of mortgage banks (loss of six), 12 branches of special purpose banks (loss of two) and 15 branches of housing enterprises with savings facilities (unchanged).

Number of branches (total as at 31 December 2019: 26,667)



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Regional distribution of branches

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

III Bank offices

During the 2019 reporting period, the number of bank offices, i.e. all legally independent credit institutions (head offices) including their branches, once again decreased very significantly (though less than in previous years) by a total of 1,286 (previous year: 2,279) offices, falling from 29,670 to 28,384. This represents a drop of 4.3%. Even higher rates of bank office closures were recorded in 2017 and 2018 (decreases of 5.8% and 7.1% respectively). This means that the bank office network has been thinned out by more than 30% over the last ten years. Compared with the end of 1999, the number of bank offices has even dropped by more than one-half, declining by 33,330 (-54.0%).

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

Category of banks	31.12.2018	31.12.2019	Absolute change	%
Savings bank sector	10,124	9,593	-531	-5.2
Cooperative sector	9,834	9,329	-505	-5.1
Commercial banks	8,168	8,007	-161	-2.0
Building and loan associations	1,377	1,297	-80	-5.8
Other banks	167	158	-9	-5.4

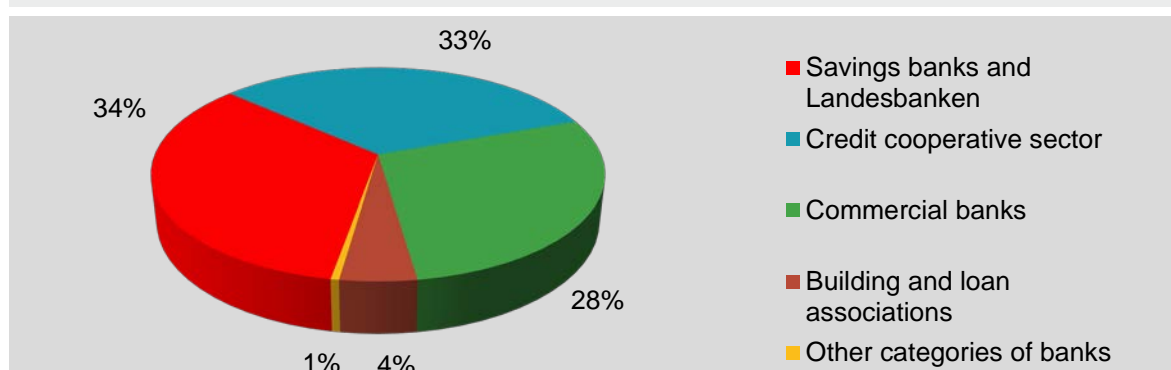
Total	29,670	28,384	-1,286	-4.3
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With a total of 9,593 bank offices, including 386 head offices, savings banks remain the largest sector in the Federal Republic of Germany, though they fell under the 10,000 mark for the first time in 2019. Credit cooperatives follow by a very small margin, with 9,329 bank offices, including 845 head offices. As at 31 December 2019, the commercial banks category operated 8,007 bank offices, including 374 head offices. Building and loan associations come fourth, with 1,297 bank offices, including 19 head offices. The other categories of banks reported 158 bank offices as at 31 December 2019, of which 93 were head offices.

The decline in the number of bank offices reflects altered customer behaviour and the need to cut costs as a result of tough competitive conditions, in particular.

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

Bank offices in Germany as at 31 December 2019



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Bank office density

The bank office density denotes the average number of inhabitants served by a bank office; an increasing value reflects a greater number of inhabitants using a bank office. With 28,384 bank offices and a population of around 83.2 million in Germany,³ the resulting **bank office density** for the 2019 reporting year was approximately 2,931 (previous year: 2,797). This means that, as in previous years, the bank office density continued to fall; five years ago, the bank office density was still as high as 2,174 (ten-year comparison: 1,969; 15-year

³ Federal Statistical Office: *Bevölkerung auf Grundlage des Zensus 2011 – Deutschland* (accessed on 9 April 2020), as at 31 December 2019.

Link: https://www.destatis.de/EN/Themes/Society-Environment/Population/Current-Population/_node.html

Note: The crucial finding of the 2011 microcensus was that the population in Germany as at 31 December 2011 was smaller than previously extrapolated (just 80.2 million instead of 82.0 million); this analysis therefore made use of the current figures (latest estimate as at 31 December 2019).

comparison: 1,724; 20-year comparison: 1,331 – including Deutsche Postbank AG in each case.)³

IV Branches abroad (see Annex 3)

The years-long downward trend in German credit institutions' foreign presence did not continue in the year under review. While foreign subsidiaries of German banks recorded only a slight decline to 92 (loss of five – see Section V), the number of foreign branches of German credit institutions rose very sharply by 25 to 251 (+11.1%) in 2019.

This increase is connected to Brexit, which saw some international banks relocate their European headquarters to Germany and open branches, primarily in other European countries, in 2019. The commercial bank sector comprises by far the greatest number of foreign branches (207; previous year: 181). Of these, 92 (previous year: 93) are branches of big banks and 115 (previous year: 88) are branches of regional and other commercial banks. The number of Landesbanken branches remained the same, at 21. Since 2015, savings banks (excluding Landesbanken) have no longer reported any foreign branches; in the cooperative sector, there are now only ten (previous year: 11), including the four branches of the DZ BANK regional institution of credit cooperatives. The number of foreign branches maintained by mortgage banks was unchanged at eight, as was the number of foreign branches operated by other institutions (at five).

Geographically speaking, credit institutions' foreign branches are still concentrated mainly in Europe. Of the 251 branches in total, almost three-quarters (72.5%) are domiciled in Europe, with as many as 173 (previous year: 147) of the 182 (previous year: 156) European branches located within the European Union, and of these, 139 (previous year: 115) domiciled in euro area countries. The key foreign location for German institutions in 2019, one year before Brexit, is still the United Kingdom, with 29 branches (previous year: 27). In addition, there are 25 branches of German banks located in France, 18 in Italy, 17 in Spain, 15 in Luxembourg, 13 in the Netherlands and 11 in Austria.

Asia, too, continues to play an important role in the foreign activities of German credit institutions. The number of branches there dropped by only one, to 52. The bulk of these bank offices belong to big banks (41 branches, or 79%). The number of foreign branches in the Americas remained at 13 (of which 11 are in the United States and Canada). The German banking industry is represented in Australia and New Zealand, with three foreign branches (unchanged). There is only one branch in Africa.

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

As at 31 December 2019, German credit institutions reported just 92 subsidiaries – institutions in which they hold a participating interest of more than 50% – domiciled abroad. Compared

⁴ Due to a cleansing of the database, a total of 14 subsidiaries that no longer exist were recorded as departures in 2018. These comprised eight subsidiaries of big banks, two of regional banks, two of Landesbanken, one of DZ BANK, and one of a mortgage

with 2018, this represents a slight decrease of five institutions, or 5.2% (previous year: -27 institutions, or 21.8%⁴). There were still 275 subsidiaries prior to the financial crisis.

Within the commercial banks category, the number of majority stakes held by big banks fell slightly by one institution to 67. Among regional banks, this figure declined by four to 11 subsidiaries. In the savings bank sector, the number of foreign subsidiaries of Landesbanken remained at five.

The number of foreign subsidiaries owned by the DZ BANK regional institution of credit cooperatives was also unchanged at eight. As before, savings banks maintained only one foreign subsidiary. German primary credit cooperatives have had zero foreign presence since 2015. Mortgage banks and special purpose banks also no longer have any foreign subsidiaries.

Geographically speaking – as is also the case with the foreign branches – foreign activity is focused on other European countries, with 43 subsidiaries (previous year: 47), in spite of the significant decline. Of these subsidiaries, 39 (previous year: 44) are located in EU Member States; of this figure, 32 (previous year: 36) are based in euro area countries, with ten in Luxembourg alone, as before, and five in the United Kingdom (previous year: six).

German credit institutions now maintain just 28 (previous year: 29) foreign subsidiaries in the Americas. Of these, 18 (unchanged) are in the United States. With 25 (previous year: 26) participating interests, by far the most foreign subsidiaries in the Americas are owned by big banks, of which 17 are in the United States (previous year: 22) and three are in the Caribbean.

As before, there are 12 subsidiaries of German banks domiciled in Asia and nine (unchanged) in Australia or New Zealand. No subsidiaries have been maintained in African countries since 2018.

Annexes:

[Bank office statistics 2019](#)

[Brief overview of changes in bank office statistics in 2019](#)

bank. By country, four of these departures were in Ireland, two in the Cayman Islands, and one each in Australia, Brazil, Japan, Luxembourg, the Netherlands, Norway, Singapore, and Spain. The year-on-year comparison is based on the revised figures.