The performance of German credit institutions in 2011

In 2011, the setting was complex with robust domestic activity in the German economy, which was in sound shape, accompanied by ongoing major challenges and risks facing the financial markets under the impact of a deepened sovereign debt crisis in Europe. Given this environment and a virtually unchanged volume of balance sheet business, German banks just about managed to maintain, at around €125 billion, the previous year's level of operating income.

Interest and commission business – the two major pillars and stability factors in the return profile – accounted for roughly 96% of total operating income in the reporting year. Given historically low rates of return in the money and capital markets as well as an ongoing reduction in risk-bearing assets on the banks' balance sheets, aggregate net interest received showed a moderate 0.8% decline to €91 billion, whereas net commissions received increased slightly by 0.6% to €29 billion.

There were varying developments, too, in the other sources of income for the operating result before the valuation of assets. Following a loss in 2010, net other operating income, for example, made a small positive contribution, although this was largely offset by a deterioration in the net profit from the trading portfolio. The key factors in this context were large valuation haircuts in the trading portfolio and declining activity in own-account trading due to the restructuring of the business strategy, especially in the Landesbanken sector. The operating result before the valuation of assets remained largely stable overall.

Net income or net charges from the valuation of assets (valuation result), which had a clearly negative impact on the result in the preceding year, showed a positive balance for the first time in the observation period since 1993. This swing is likely to have been due mainly to the conversion of undisclosed reserves into disclosed reserves in preparation for Basel III ("reallocation effect"), which was especially prevalent in the case of savings banks and the regional institutions of credit cooperatives.

As in previous years, the "extraordinary account" put a considerable strain on profitability. Given higher expenses and declining income, the balance worsened by €4.5 billion to -€17.0 billion. The main reason for this was a marked rise of €8 billion to €10.4 billion in net charges in financial investment business: according to the published annual reports, this was due chiefly to extraordinary write-downs on Greek sovereign bonds.

Overall, there was a marked increase in the profit for the financial year, although this would have been somewhat less positive without the "reallocation effect". While income from the liquidation of undisclosed reserves is recorded in the valuation result, transfers to disclosed reserves do not reduce the profit for the financial year in the performance analysis presented here; instead, they are allocated to the accumulation of reserves as part of the appropriation of profit. On the aggregate level, there was a balance sheet loss for the fourth time in succession (€1.1 billion, compared with €0.8 billion in 2010).

Complex setting affecting performance

Favourable underlying real economic conditions

The Bundesbank's statistics of the banks' profit and loss accounts for 2011 reflected very different, and sometimes conflicting influencing factors. In their domestic markets, the credit institutions were able to continue operating in a favourable macroeconomic climate marked by robust activity. There were also no indications that the German business sector's demand for credit could not be covered adequately on the supply side. Not least, generally very low interest rates in Germany and matching attractive financing costs buoyed the external demand for funds for private domestic fixed capital formation.

Tough restructuring requirements

This contrasted with renewed tensions in the financial markets owing to the re-emergence of doubts about the long-term debt sustainability of some EU countries. At the same time, banks were generally endeavouring to adjust or correct their risk profile in lending business and giving high priority to credit quality and liquidity provisioning, even at the cost of forgoing profit opportunities and growth in profitability. In the strategic review of their business models, the domestic core business areas therefore took pride of place. In this connection, a particular role was also played by European Commission requirements for some larger banks as well as transfers of severely distressed assets to resolution agencies, which are assigned to the government sector rather than the banking sector. Not least, a lot of time and energy was taken up with preparing for the new regulatory requirements concerning the more stringent capital and liquidity standards of Basel III, which are being phased in from 2013.[1]

Methodological principles

The results – described in detail below – of the statistics on the banks' profit and loss accounts are based on the published annual reports of all banks (monetary financial institutions) domiciled in Germany in accordance with the accounting rules of the Act Modernising Accounting Law *(Bilanzrechtsmodernisierungsgesetz; BilMoG)*, which came into force in 2010.[2] Building and loan associations, institutions in liquidation as well as institutions with a truncated financial year are not covered in the performance analysis presented here. The published individual accounts drawn up in accordance with the German Commercial Code *(Handelsgesetzbuch)* used as a basis here differ in terms of their conception, structure and definitions from the internationally customary IFRS accounting standards for publicly traded banking groups,[3] which means that the business results and certain balance sheet or individual profit/loss items are not (directly) comparable for methodological reasons.

Largely stable net interest received

Slight increase in interest paid and received (adjusted)

In the reporting year, reported interest received showed a sharp rise of €33.9 billion to €296.1 billion, as did interest paid, going up by €34.6 billion to €204.7 billion, although this stood in striking contrast to the low level of debit and credit interest and the declining volume of interest business. The main reason for this discrepancy, according to the published annual report of one Landesbank, was that a change in reporting practice had been made in the reporting year for interest income and expense from trading activities, which led to a jump in level of just under €30 billion in both interest flows. Adjusted for this purely accounting effect, there was no more than a slight rise. Overall, net interest received showed a marginal decline of €0.7 billion to €91.4 billion and

1 Moreover, the higher capital requirements, in particular for the trading book, to be met under Basel II.5 since the end of 2011 have affected the relevant operations of the banks concerned.
2 For more details, see Deutsche Bundesbank, The performance of German credit institutions in 2010, Monthly Report, September 2011, Annex, pp 38-46.
3 IFRS-based accounts are of relevance to matters of microprudential analysis and oversight, concentrating on systemically important banking groups and their international business activities (including their foreign subsidiaries). For details, see Deutsche Bundesbank, Financial Stability Review 2011, November 2011.

matched the average level of the past five years.

Credit volume did not boost earnings

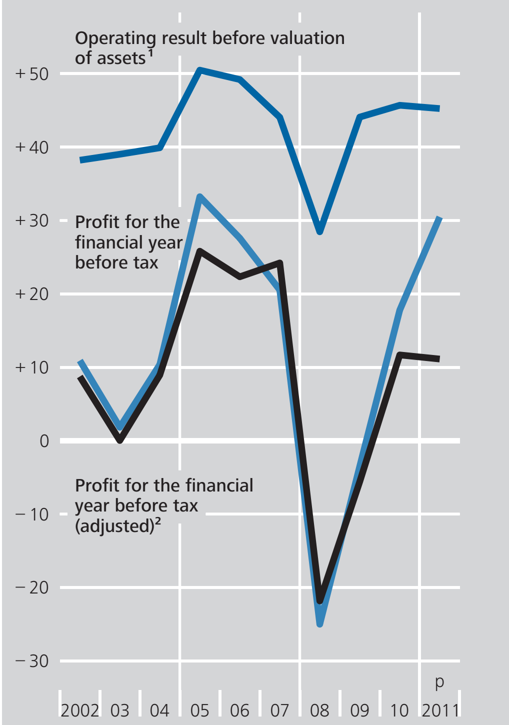
On the basis of the information collected for the banking statistics, there was an obvious decline in German banks' overall lending business (loans and securitised lending) in 2011, which was detrimental to an improvement in profitability borne by the volume of credit. This was due, in particular, to a sharp reduction in loans to public authorities, which were reassigned to the government sector in the preceding year in the course of establishing two resolution agencies *(Abwicklungsanstalten).* Added to this was the fact that the government's budgetary situation had eased: given a deficit ratio of 4.3% in 2010, it had to cover a funding shortfall of only 1% of gross domestic product (GDP). This contrasted with marked growth in lending to the domestic private sector. Most of this increase was due to the private financial sector, with a prominent role being played by exposures to central counterparties (CCPs) from repo operations. A positive underlying trend could also be seen in loans to the private non-financial sector, however. Loans to households by savings banks and cooperative banks were the key factor here, with such lending continuing the previous year's moderate rise. This development was due almost exclusively to loans for house purchase. Their growth became recognisably stronger, although comparatively low margins meant that the inherent potential for earning interest was stable but only moderate.

Structural component has dampening impact

Moreover, the stricter regulatory capital requirements under CRD IV (Basel III),[4] which are to be observed from 2013, are likely to have already affected net interest received in the reporting year. For example, German banks taking part in the Bank Lending Survey (BLS) stated that they had increased their regulatory capital ratio not least by reducing their exposure to risky loans. Portfolio shifts to loans with lower risk weights or with a zero weighting – such as Bunds – do lower the prudential capital requirements, but they also reduce short-term profitability since they generate a smaller default and risk premium than riskier forms of investment.

The performance of credit institutions

€ billion



1 Operating income less general administrative expenditure. 2 Less net transfers to the fund for general banking risks.

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Income from maturity transformation lacking momentum

Given the prevailing interest rate constellation, income from maturity transformation – an important source of income mainly for savings banks and credit cooperatives (for details, see the notes on pages 16-17) – is unlikely to have provided any additional momentum. Smaller interest rate differentials than in 2009 and 2010 meant that there was, at least, considerably reduced scope for generating a (term-) structural contribution.

German banks' funding situation remains favourable

The deterioration in European banks' wholesale funding conditions in the wake of the renewed disruptions in the financial markets is unlikely to have placed a perceptible strain on the German banking industry's net interest received on

4 The Basel III regulations are to be introduced in the EU in 2013 in the context of Capital Requirements Directive amendment IV (CRD IV).

The impact of maturity transformation on the earnings situation of German banks

Net interest received is by far the most important source of earnings for banks in Germany. For theoretical considerations, this item can be broken down into different components. Banks take credit risks and are compensated for this assumption of risk. They likewise have – varying degrees of – leeway when it comes to shaping terms and conditions. One factor in this context is that small investors usually have no direct access to the capital market, which is why they leave their deposits at the bank even when deposit rates are lower than the interest on comparable investments in the capital market. The same applies, conversely, to lending.[1]

A further component of net interest received stems from maturity transformation, which is closely connected with banking business. In their traditional business, banks typically issue long-term illiquid loans and refinance themselves through short-term customer deposits. Maturity transformation therefore entails two risks: the risk of holding barely tradeable loans and the risk owing to an asymmetrical interest rate fixation period, known as "interest rate risk". The difference between these two risks can be illustrated by two examples. A ten-year Bund can – under normal circumstances – be sold on the capital market at any given time without affecting the price; however, its interest rate risk is high because the nominal interest rate is fixed for ten years. In contrast to this would be, say, a ten-year loan to a small or medium-sized enterprise with an interest rate which is regularly adjusted to a short-term reference rate (eg Euribor).

Interest rate risk ranks foremost among risks resulting from maturity transformation. Interest rates generally rise in relation to the length of time to maturity (normal term structure), resulting in a positive return on average if loans with long rate fixation periods are issued and funded by deposits with short rate fixation periods. However, if interest rates rise (across all maturities), banks' interest income barely increases (as lending rates increase only in new business), whereas deposits are rapidly adjusted to the higher interest rate level owing to their shorter rate fixation period and become more expensive accordingly. Moreover, the empirical finding is that interest rates at the short end of the yield curve are more volatile than those at the long end. In other words, given an increase in interest rates, short-term rates will rise more sharply than long-term rates. Owing to these two factors, a rising interest rate level *per se* will initially lead to a decline in net interest received. This effect will be all the stronger, the more a bank performs maturity transformation without hedging the interest rate risk by means of appropriate derivative transactions via the market.

The banking supervisors regularly monitor banks' interest rate risk;[2] such information was used as part of an empirical study to gauge the importance of earnings from assuming interest rate risk.[3] For this purpose, a calculation was made of the earnings that

1 For more information, see O Entrop, C Memmel, B Ruprecht and M Wilkens, Determinants of bank interest margins: impact on maturity transformation, Bundesbank Discussion Paper 17/2012.
2 For more information, see Deutsche Bundesbank, The role of the "Basel interest rate shock" in the supervisory assessment of interest rate risks in the banking book, Monthly Report, June 2012, pp 51-60.
3 For more information see C Memmel (2011), Banks' exposure to interest rate risk, their earnings from term transformation, and the dynamics of the term structure, Journal of Banking and Finance, Vol 35(2), pp 282-289.

Earnings from interest rate risks

Category of bank[1]	2005	2006	2007	2008	2009	2005 to 2009
	in relation to the corresponding balance sheet total (in basis points; median)					
Private commercial banks	20.2	12.6	3.7	2.6	16.2	6.9
Savings banks	54.2	36.2	11.6	8.5	51.8	29.2
Credit cooperatives	61.0	40.8	13.3	10.1	59.4	30.2
Other banks	16.8	11.6	3.5	2.2	11.9	6.8
All banks	56.1	37.7	12.3	9.2	54.9	26.3
	in relation to the corresponding net interest income (as a percentage; median)					
Private commercial banks	11.2	6.2	1.8	1.4	8.7	4.6
Savings banks	25.8	18.2	6.5	4.8	24.9	14.6
Credit cooperatives	23.5	16.8	5.9	4.7	24.8	12.7
Other banks	21.3	15.4	5.6	2.9	13.5	8.7
All banks	23.8	16.9	5.9	4.6	24.3	12.3

1 The breakdown by category of bank differs from the analysis presented in the main article.
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would be generated by a passive Bund trading strategy showing the same interest rate risk as that of the studied banks. For the observation period from 2005 to 2009, the following main results were derived for the 1,562 banks involved (see also the table above).

– The contribution made by interest rate risks to total net interest received amounts to a share of just over 12% across all categories of banks on a long-term average.

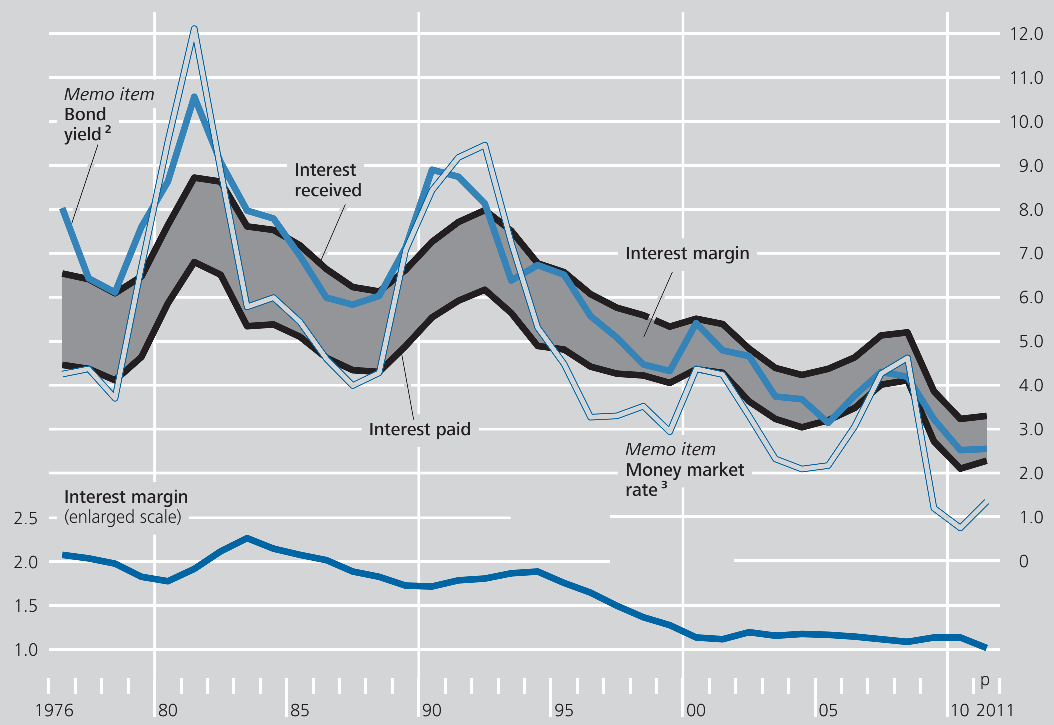
– This share fluctuates strongly over time; depending on the steepness of the yield curve, up to one-fourth of annual net interest income can be attributed to earnings from interest rate risk.

– A cross-section analysis of banks shows that earnings from assuming interest rate risk are an important source of income mainly for savings banks and credit cooperatives owing to their specific customer structure; private commercial banks, however, are less exposed to interest rate risk, and assuming interest rate risk therefore makes a correspondingly smaller contribution to their earnings.

– The contribution to earnings made by interest rate risk is a volatile income component. Changes to the timing of this contribution explain up to one-third of the changes in net interest income.

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

As a percentage of the average balance sheet total[1]



1 Up to end-1998, as a percentage of the average volume of business. **2** Overall yield on debt securities outstanding. **3** Money market rate for three-month funds in Frankfurt.

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balance. While banks in many EU countries were faced with massive liquidity shortages and outflows of capital, especially in the second half of the year, the German banking system benefited from the "safe haven effect" against the backdrop of a stable economic situation at home and the high level of confidence in the debt sustainability of the German government. On the whole, high inflows of deposits meant that German banks tended to be less reliant on the bond market as a source of funding. The loan-to-deposit (LTD) ratio[5] was 150% at the end of 2011 and thus 12 percentage points lower than one year earlier.

Interest margin still narrow

The share of net interest received in operating income (net interest received and net commissions received plus net profit or loss from the trading portfolio and net other operating income or charges) declined by 0.3 percentage points to 72.9% and was thus, for the third time in succession, roughly at the level of the long-term average in the observation period since 1993. The interest margin, ie net interest received in relation to the average balance sheet total, fell slightly by 0.1 percentage point to 1.0%,[6] which was, however, due to a sharp rise of almost 11% in the balance sheet total to nearly €9 trillion. This increase was essentially caused by the application of the provisions of the Act Modernising Accounting Law, one of which requires the reporting of derivative financial instruments in the trading portfolio from the financial year 2010. The associated increase in the balance sheet total, especially in the case of the big banks, as of the balance sheet date 31 December 2010 had no more than a minor effect on the calculation of the balance sheet total on an annual average for 2010, but had a marked effect on the calcula-

5 Domestic non-banks' total loans divided by their total deposits (excluding financial corporations, including general government).

6 After adjustment for interbank business, which has no effect on net interest received, the interest margin fell by 0.2 percentage point to 1.3%.

tion for 2011.[7] After adjustment for the effect of the Act, the figure probably showed hardly any change in comparison with the previous year, with the interest margin remaining virtually stable. This view is also supported by the banks' gross interest margin in existing business with loans and deposits of the domestic private non-financial sector. Despite growing downward pressure over the course of the year, the difference between the volume-weighted average interest rates for loans and deposits in existing business declined by no more than 0.1 percentage point in annual terms.[8] This also shows that the net interest received of any given period is, to a large extent, determined by business transactions in earlier financial years, while new business only gradually has an impact on the income statement.

Differing developments in net interest received by category of banks

Net interest received presents a mixed picture across the various categories of banks in the reporting year. In the case of commercial banks, it increased slightly by €0.1 billion to €32.6 billion. Within this category, big banks' earnings from this source were €0.5 billion lower at €19.1 billion, whereas regional banks, given diverse developments across these institutions, were able to record a slight increase of €0.5 billion to €13.2 billion. In the case of big banks, the share of net interest received in operating income was 57.5%; for regional banks, the figure was 63.6%. Savings banks and credit cooperatives, for which deposit and lending business are traditionally of major importance, were again able to report increases, albeit slight ones, to €23.8 billion and €16.3 billion respectively. In the case of savings banks, net interest received accounted for 79.6% of the surplus in operating business. For credit cooperatives, the figure was 78.0%. In the Landesbanken category, net interest received – their most important earnings item with a 94.5% share in operating income (compared with 84.4% in 2010) – went up slightly by €0.2 billion to €10.5 billion. According to the published annual reports, one positive factor in the case of some Landesbanken was not servicing hybrid capital instruments. In the case of regional institutions of credit cooperatives, net interest received was virtually unchanged at €1.2 billion. Despite this, its share in operating income went up by 9.9 percentage points to 70.4%. For both the Landesbanken and the regional institutions of credit cooperatives, the identifiable increase in this ratio was due to declining operating income mainly as a result of marked losses in the net profit or net loss from the trading portfolio. Mortgage banks, on the other hand, suffered a considerable decline in net interest received of €0.9 billion to €2.6 billion. Even so, its share in operating income went up by more than 43 percentage points as total operating income in this category of banks was lower than net interest received, mainly because of the large negative balance in net other operating income or charges. The published figures show that this decline was essentially due to two institutions affected by the restructuring requirements imposed in the context of EU state aid control procedures. The reasons given for this decline included a smaller loan portfolio and more difficult financial market conditions, especially in unsecured wholesale funding.

Slight improvement in net commissions received

Improvement in net commissions received …

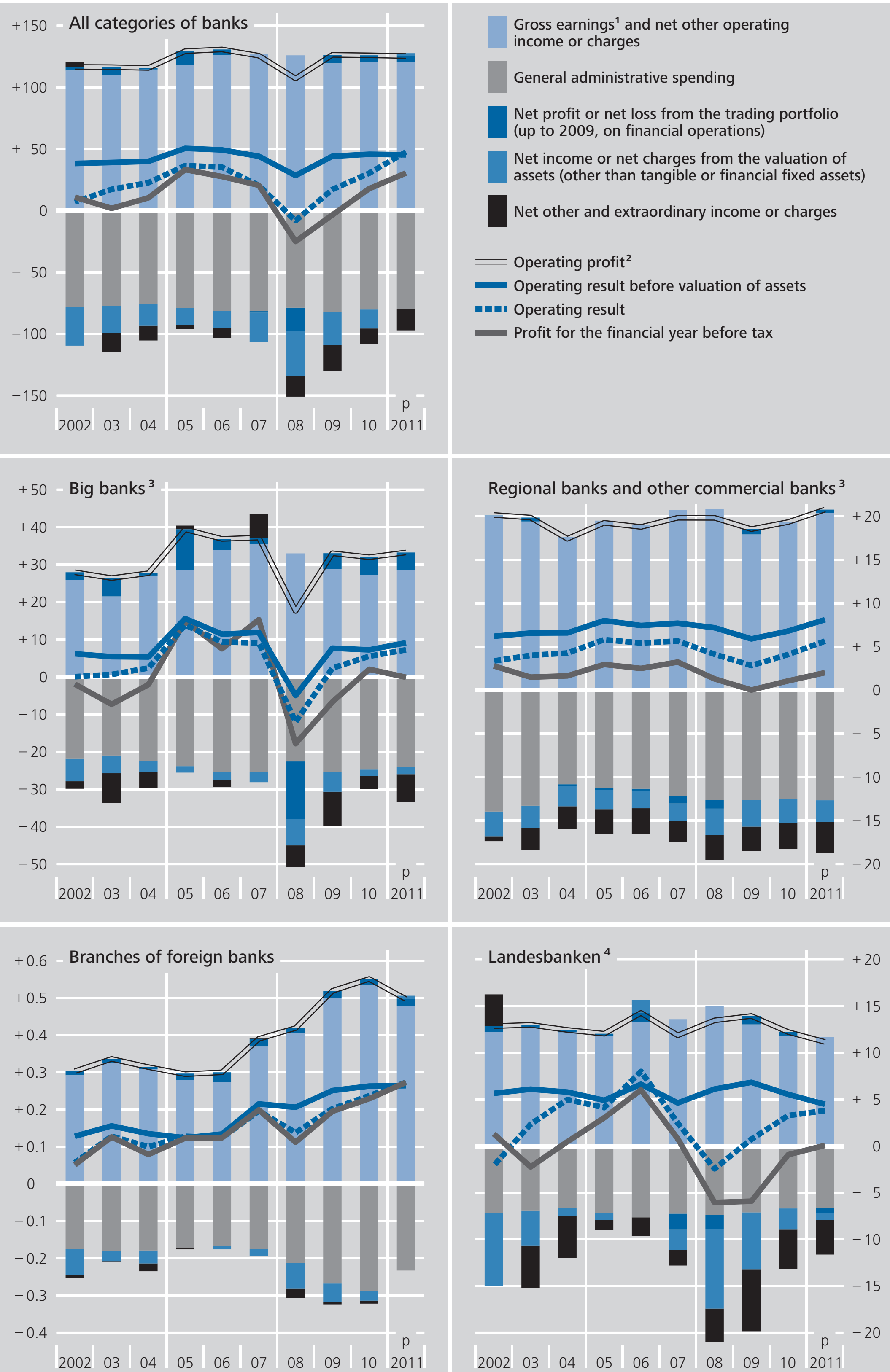
Following a slight recovery in 2010, the persistent trend of declining commission income between 2007 and 2009 continued in the financial year 2011. Even so, net commissions received showed a slight rise of €0.2 billion to €28.8 billion. As a result, the importance of net commissions received for operating business

7 When calculating the average balance sheet total for the profit and loss statistics, the figures on the balance sheet total for the institution as a whole, which are reported for the monthly balance sheet statistics, are used as a basis. The markedly higher balance sheet totals resulting from the provisions of the Act Modernising Accounting Law had an effect for the first time in December 2010; only one-twelfth of these was thus incorporated into the average for the financial year 2010.

8 See Deutsche Bundesbank, Extended MFI interest rate statistics: methodology and first results, Monthly Report, June 2011, pp 45-57.

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

€ billion, the tables below use different scales



1 Sum of net interest received and net commissions received. 2 Gross earnings plus net profit or net loss from the trading portfolio (up to 2009, on financial operations) and net other operating income or charges. 3 From 2004, Deutsche Postbank AG allocated to the category of "Big banks". 4 From 2004, NRW.BANK allocated to the category of "Special purpose banks".

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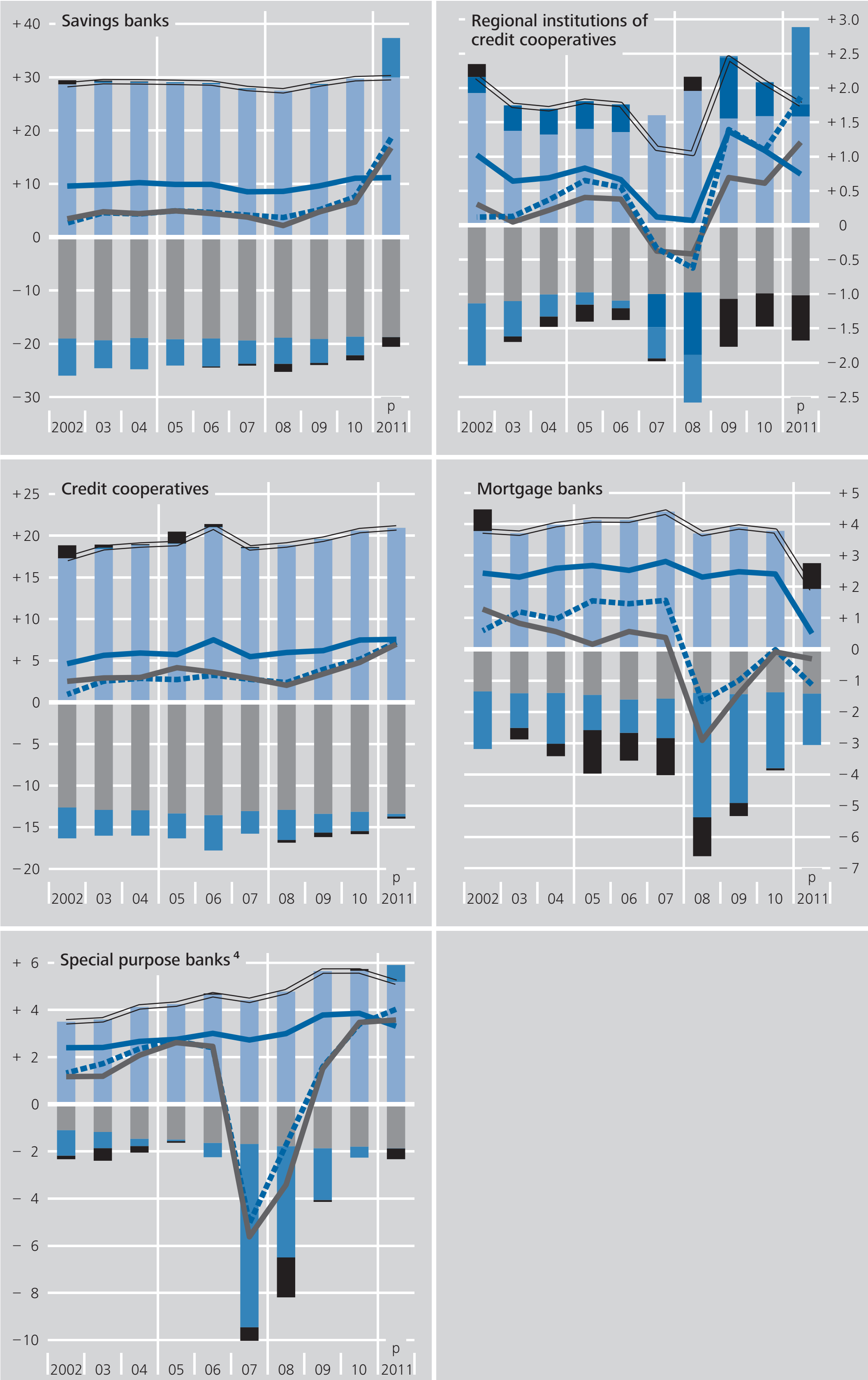
€ billion, the tables below use different scales



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Major income and cost items for individual categories of banks in 2011*

As a percentage of operating profit

Item	All categories of banks	Big banks	Regional banks	Landesbanken	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks
Net interest received	72.9	57.5	63.6	94.5	79.6	70.4	78.0	135.9	81.8
Net commissions received	23.0	31.9	26.2	10.0	20.7	20.0	19.5	7.2	14.8
Net profit or net loss from the trading portfolio	3.7	13.8	1.9	− 4.8	− 0.1	10.2	0.1	− 0.2	− 0.2
Net other operating income or charges	0.4	− 3.2	8.3	0.4	− 0.2	− 0.6	2.4	− 42.9	3.6
Operating profit	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General administrative spending	− 63.9	− 72.5	− 61.0	− 59.8	− 62.7	− 57.7	− 63.9	− 73.6	− 36.1
of which									
Staff costs	− 33.3	− 33.4	− 27.1	− 28.7	− 38.7	− 30.1	− 38.1	− 28.7	− 19.9
Other administrative spending	− 30.6	− 39.2	− 33.9	− 31.2	− 24.0	− 27.7	− 25.8	− 44.9	− 16.1
Net income or net charges from the valuation of assets	1.8	− 5.7	− 11.9	− 6.1	24.8	63.8	− 1.6	− 85.2	13.9
Net other and extraordinary income or charges	− 13.6	− 22.1	− 17.4	− 33.4	− 6.1	− 37.4	− 1.2	42.9	− 8.8
Memo item									
Profit for the financial year before tax	24.3	− 0.3	9.7	0.6	56.1	68.6	33.3	− 15.9	69.1
Taxes on income and earnings	− 5.5	− 1.7	− 3.1	− 6.2	− 9.2	− 5.2	− 9.2	− 3.8	− 1.0
Profit for the financial year after tax	18.8	− 2.0	6.6	− 5.6	46.9	63.5	24.1	− 19.8	68.1

***** The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation and institutions with a truncated financial year.

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increased by 0.3 percentage point to 23%. This means that, overall, gross earnings[9] with a total share of 95.9% in the operating income is still the key source of income for German credit institutions.

… despite difficult market environment

Commission income is likely to have been affected negatively by the marked preference for commission-free, highly liquid forms of investment, restraint in purchasing and risk aversion on the part of bank customers as well as falling stock market prices as a result of the difficult market environment. Moreover, the volume of trading on the German stock markets declined by more than one-third. This was offset in part by larger trading volumes owing to shifts into more crisis-proof forms of investment as well as by net acquisitions of investments in securities and financial derivatives shown at €8.3 billion in the reporting year in connection with financial transactions with non-residents; net disposals of €145 billion were reported for this in 2010.

Looking at the individual categories of banks, commercial banks, which generated 56.1% of net commissions received by German credit in-

9 Sum of net interest received and net commissions received.

Mixed developments in net commissions received by categories of banks

stitutions, showed an improvement of €0.4 billion to €16.2 billion. Most of this was due to the category of big banks, for which commission business traditionally represents a large part of operating business. With almost unchanged commissions received and slightly lower commissions paid, big banks increased their net commissions received by €0.4 billion, or 3.7%, to €10.6 billion. This meant that, in the big banks sector, the share of net commissions received in operating income, at 31.9%, roughly matched its 2010 level. Savings banks' net commissions received showed a slight increase to €6.2 billion. Credit cooperatives reported a moderate decline to €4.1 billion. For both categories of banks, the share of net commissions received in operating income showed hardly any change. In the case of the regional institutions of credit cooperatives, net commissions received remained at virtually the same level as in the year before, although their share in operating income increased by 3.3 percentage points to 20.0%. Commission business plays a comparatively minor role in the case of Landesbanken; they reported a decline in their net commissions received of 9.1% to €1.1 billion. According to the published annual reports, this was due, among other things, to commissions paid for public guarantees as well as lower commissions received owing to restructuring efforts and concentration on core business areas. The share in operating income, at 10%, showed no change.

Declining net profit from the trading portfolio

Own-account trading makes lower contribution to earnings

Net income in banks' own-account trading (including customer-induced business) fell for the third year in succession, although it was still clearly in positive territory, at €4.6 billion, despite the difficult market setting. The result was adversely affected mainly by losses on the sale and revaluation of bonds of public issuers, falling stock prices as well as negative valuation adjustments in respect of derivative financial instruments. Furthermore, income was reduced by transfers to the special item pursuant to section 340e (4) of the German Commercial Code, which were booked as an expense in the net profit or net loss from the trading portfolio. It should be noted in this context, however, that the own-account trading figures were considerably dented in 2010 by a large transfer to the special item in the case of one of the big banks, which was not repeated on this scale in the reporting year. The decline in the own-account trading results would have been much larger after adjustment for this exceptional effect. The published annual reports show that, in the reporting year, there were also isolated cases of amounts being withdrawn from the special item and booked as income in the net result in order to offset a negative balance.

Trading result by category of banks

The category of commercial banks increased its profit from own-account trading by €0.3 billion to €5.0 billion. A large part in this was played by regional banks, for which own-account trading is normally of minor importance in operating business. Following a negative result in 2010, they reported a slight profit of €0.4 billion. Big banks recorded a marginal decline to €4.6 billion. The decline was relatively clear in the case of Landesbanken and the regional institutions of credit cooperatives, however. Landesbanken made a loss, in fact, with a €1.0 billion fall in their net result to -€0.5 billion. A particular point to note here is that the requirements to reduce the balance sheet (including a reduction of or complete withdrawal from own-account trading), which were imposed by the European Commission on some institutions in the context of EU state aid control procedures, had a dampening impact on the own-account trading figures of this category of banks. Regional institutions of credit cooperatives saw a €0.3 billion reduction in their own-account trading profit to €0.2 billion. According to the published annual reports, this was attributed primarily to the difficult market environment. As in earlier years, own-account trading played virtually no part for the other categories of banks.

Structural data on German credit institutions*

End of year

Category of banks	Number of institutions[1]			Number of branches[1]			Number of employees[2]		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
All categories of banks	1,935	1,920	1,899	36,927	36,463	36,027	646,650	642,050	637,700
Commercial banks	295	300	299	10,936	10,826	10,725	[3] 181,900	[3] 179,000	[3] 176,500
Big banks	4	4	4	8,213	8,132	8,012	.	.	.
Regional banks	177	180	179	2,620	2,583	2,595	.	.	.
Branches of foreign banks	114	116	116	103	111	118	.	.	.
Landesbanken	10	10	10	475	471	463	38,750	38,300	37,750
Savings banks	431	429	426	13,266	13,025	12,810	249,600	248,150	245,950
Regional institutions of credit cooperatives	2	2	2	11	11	11	5,000	4,900	5,000
Credit cooperatives	1,160	1,141	1,124	12,144	12,046	11,938	[4] 158,300	[4] 158,200	[4] 158,250
Mortgage banks	18	18	18	65	54	51	.	.	.
Special purpose banks	19	20	20	30	30	29	[5] 13,100	[5] 13,500	[5] 14,250
Memo item									
Building and loan associations	24	23	23	1,924	1,686	1,648	[6] 15,700	[6] 15,400	[6] 15,250

***** The figures for the most recent date should be regarded as provisional in all cases. **1** Source: Bank office statistics, in Deutsche Bundesbank, Banking statistics, Statistical Supplement to the Monthly Report 1, p 104 (German edition). The term "credit institution" is used as in the Banking Act, resulting in divergences from data in "Balance sheet statistics" and "Statistics on the profit and loss account". **2** Number of full-time and part-time employees excluding Deutsche Bundesbank; sources: data provided by associations. **3** Employees in private banking, including mortgage banks established under private law. **4** Only employees whose primary occupation is in banking. **5** Employees at public mortgage banks (mortgage banks established under public law) and special purpose banks established under public law. **6** Only office-based employees.

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Slight profit in net other operating income or charges

Result down on multi-year average

This item essentially comprises expenses and earnings from leasing business, the gross result for transactions in goods and subsidiary business as well as other operating income or charges. A marked increase was reported in both other operating income and charges, although this was due mainly to appreciably higher leasing expenses and earnings of individual institutions in the category of regional banks, which largely offset each other. Although it was possible to show a positive result in net terms in the reporting year at €0.6 billion – in 2010, a negative balance was recorded for the first time in the observation period since 1993 –, the figure was still clearly down on the multi-year average of €2.7 billion.

Mixed developments across categories of banks

There were differing developments in net other operating income or charges across the individual categories of banks. Both big banks and regional banks improved their net result. Regional banks were able to further improve their positive figure from the previous year by €0.5 billion to €1.7 billion. Big banks again posted a negative balance, although this was €1.4 billion better than in 2010, at €1.1 billion. In aggregate, commercial banks significantly improved their net result from -€1.2 billion to €0.7 billion. According to the published annual report, the perceptible deterioration in the case of mortgage banks from €0.1 billion to -€0.8 billion was due chiefly to a single institution.

Administrative spending and cost/income ratio

Administrative spending stable despite bank levy charged for the first time

German banks' administrative spending (€80.1 billion) was kept at virtually the same level as in the previous year. While staff costs fell by €0.6 billion to €41.7 billion, there was a slight increase to €38.4 billion in other types of costs – mainly other operating expenditure, expenditure on third-party services, as well as depreciation of tangible fixed assets. According to the published annual reports, the bank levy,[10] which was charged for the first time in the reporting year, was also recorded chiefly under other administrative spending, although it generated only €0.6 billion for the Restructuring Fund instead of the expected €1.2 billion. The amount of the bank levy depends on the paying institution's business volume, size and interconnectedness in the financial market. The levy is collected with due regard to a bank's economic performance based on a reasonable limit or contribution ceiling. A lump-sum allowance regulation means that banks with a balance sheet total, less the deductible positions pursuant to section 1 (2) of the restructuring fund directive, amounting to less than €300 million are excepted if an obligation to pay the levy does not arise owing to the nominal volume of derivatives also covered by the banking levy. Smaller institutions – mostly in the savings banks and credit cooperatives sector – are likely to be unaffected by the levy owing to their small volumes of derivatives. The current underlying economic conditions – including the major need for write-downs on Greek sovereign bonds – are cited as a further reason for the rather small sum.

Falling staff costs

Declining staff costs were due mainly to savings in variable and performance-related salary components. According to the published annual reports, this mostly affected the big banks sector. The reduction in staff continued at a moderate pace. Moreover, the 2010 pay settlement, which provided for a linear 1.6% increase in remuneration in the 2011 reporting year, probably had no more than a moderate impact.

Cost efficiency

German credit institutions nevertheless did not entirely match the previous year's figure for the cost/income ratio, which is often used as an indicator of cost efficiency. There were marginal increases of 0.2 percentage point in both the ratio of administrative spending to gross earnings (66.6%) and the ratio of administrative spending to total operating income (63.9%). Mortgage banks were especially affected by this. Owing to the marked decline in net interest received and heavy strains placed on other operating income or charges, both ratios were at a considerably higher level than in the previous year; the share of administrative spending

Cost/income ratios, by category of banks*

As a percentage

Category of banks	General administrative spending in relation to …		
	2009	2010	2011
	… gross earnings[1]		
All categories of banks	69.2	66.4	66.6
Commercial banks	79.8	77.8	75.8
Big banks	82.8	83.1	81.1
Regional banks and other commercial banks	74.8	69.2	67.9
Branches of foreign banks	69.6	68.7	54.3
Landesbanken	56.7	57.9	57.3
Savings banks	67.2	63.0	62.5
Regional institutions of credit cooperatives	69.1	61.6	63.9
Credit cooperatives	70.6	64.5	65.5
Mortgage banks	36.8	37.1	51.5
Special purpose banks	33.2	32.2	37.3
	… operating profit[2]		
All categories of banks	65.1	63.7	63.9
Commercial banks	73.4	72.5	67.9
Big banks	76.8	77.4	72.5
Regional banks and other commercial banks	68.1	64.8	61.0
Branches of foreign banks	51.6	52.3	46.9
Landesbanken	51.0	54.7	59.8
Savings banks	66.6	62.8	62.7
Regional institutions of credit cooperatives	43.9	47.6	57.7
Credit cooperatives	68.3	63.7	63.9
Mortgage banks	36.6	36.3	73.6
Special purpose banks	33.0	31.8	36.1

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. **1** Aggregate net interest and net commissions received. **2** Gross earnings plus net profit or net loss from the trading portfolio/on financial operations (up to 2009) and net other operating income or charges.

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10 The bank levy has been charged since 2011 so that the banking sector participates in the costs of future measures to rescue banks in crisis. The levy contributes to a restructuring fund managed by the Financial Market Stabilisation Agency (Bundesanstalt für Finanzmarktstabilisierung, FMSA). Contributions are to be paid by all credit institutions as defined in section 1 (1) of the German Banking Act (Kreditwesengesetz, KWG) with the exception of promotional banks and bridge institutions.

in gross earnings went up by 14.4 percentage points to 51.5% and its share in total operating income by as much as 37.3 percentage points to 73.6%. By contrast – mainly as a result of reduced administrative spending with virtually unchanged gross earnings – big banks reported an improvement in this ratio of 2 percentage points to 81.1%. The ratio of administrative expenditure to total operating income was even more favourable in this category of banks; owing to a marked year-on-year decline in the negative balance reported in other operating income in the year under review, the ratio fell by as much as 4.9 percentage points to 72.5%.

Valuation result boosts operating result

Positive valuation result …

In the reporting year, the net result incorporated income from value adjustments in respect of securities in the liquidity reserve and of loans and advances as well as from the liquidation of provisions in lending business amounting to €14.2 billion – the highest figure so far in the observation period since 1993. This contrasted with charges from write-offs and write-downs of these items and from transfers to provisions in lending business amounting to €11.9 billion. For the first time in the observation period since 1993, this resulted in a positive outcome of €2.3 billion for net income or charges from the valuation of securities in the liquidity reserve, loans and advances; in the previous year, a figure of –€15.4 billion was reported for this item. According to the published data, the valuation result[11] was positively affected by income generated by the reallocation of undisclosed reserves pursuant to section 340f of the German Commercial Code into disclosed reserves pursuant to section 340g of the German Commercial Code (fund for general banking risks). In the present analysis of performance, income from the liquidation of undisclosed reserves pursuant to section 340f of the German Commercial Code is recorded under the valuation result and increases the profit for the year, whereas transfers to the fund for general banking risks do not reduce the profit for the year but are allocated to the accumulation of reserves as part of appropriation of profit (for details, see the box on pages 27-28).

… and massive transfers to the fund for general banking risks

In the reporting year, €19.4 billion on balance was allocated to the fund for general banking risks,[12] which was by far the largest amount in the observation period since 1993. The savings banks sector accounted for €12 billion of this sum. The associated strengthening of the tier 1 capital base is due to the more stringent capital and liquidity regulations at the European level (CRD IV) scheduled for 2013. A capital deduction item for certain indirect holdings is one of the measures to be implemented. In the savings banks sector, this concerned participating interests held indirectly – via their associations, for example – in Landesbanken, insurance companies, and building and loan associations; if no exemptions can be claimed, such a deduction item would place a considerable strain on the savings banks' capital base. There were also larger net transfers to the fund for general banking risks than in the previous year in the case of the regional institutions of credit cooperatives (€1.0 billion), credit cooperatives (€3.0 billion), and special purpose banks (€2.1 billion).

Broad-based improvement in the valuation result

All categories of banks with the exception of big banks reported an improvement in their valuation result. Big banks suffered a slight fall; savings banks, the regional institutions of credit cooperatives, special purpose banks and branches of foreign banks even reported a net valuation income. Savings banks, in particular, achieved their best result in the observation period since 1993 with an increase of €10.9 billion to €7.4 billion. Regional institutions of credit cooperatives considerably increased their net valuation income by €1.1 billion. According

11 Within this item, use had already been made of the cross-offsetting option permissible under section 340f (3) of the German Commercial Code.
12 The net transfers mentioned here do not include the net transfers to the special item pursuant to section 340e (4) of the German Commercial Code.

The effect of reallocating undisclosed reserves pursuant to section 340f of the German Commercial Code as disclosed reserves pursuant to section 340g of the German Commercial Code on the annual profit in the profit and loss statistics

Due to the specific risks to which banks are exposed in the macroeconomic and international environment, and given the particular macroeconomic importance of banking, banks are permitted to make use of special risk provisioning options. To a certain degree, these options help to ensure that a stable overview of their net assets and profitability can be provided, with the objective of maintaining confidence, particularly in crisis situations.

To make provisions for the particular risks of the banking business, credit institutions are therefore allowed to form disclosed reserves pursuant to section 340g of the German Commercial Code *(Handelsgesetzbuch).* These reserves are taxable and must be disclosed and recorded on the liabilities side of the balance sheet in the special item fund for general banking risks. Transfers to and withdrawals from the fund for general banking risks must be shown separately in the profit and loss account. There is no predefined cap on the amounts that can be transferred, subject to the principles of prudent commercial judgment. Because this special item is disclosed and can be compared with the retained profits, it is allocated to regulatory core tier 1 capital. By transposing the EC Bank Accounts Directive into German law (Act (1993) Implementing the EC Bank Accounts Directive (*Bankbilanzrichtlinie-Gesetz*)), the Bundesbank underlined the fact that the fund for general banking risks is closely related to the retained profits by ensuring that entries related to this fund do not have an effect on income in the performance analysis, but are allocated instead to the accumulation of reserves through the appropriation of profit.

As well as allowing banks to form unlimited disclosed reserves, section 340f of the German Commercial Code also permits the formation of undisclosed reserves. However, the total amount must not exceed 4% of the claims on credit institutions and customers and of the securities in the liquidity reserve. In contrast to the disclosed reserves, income and expenditure linked to the formation and release of these contingency reserves may be offset against certain other expenditure and income components and reported as a net amount in the net valuation result in the profit and loss account (cross-offsetting). The formation or release of these reserves is therefore no longer apparent from the profit and loss account, so that, to some extent, certain losses could be balanced discreetly. The undisclosed reserves held are not apparent from the balance sheet either, because they are recorded through direct write-downs on the corresponding asset items. Therefore, although they are otherwise identical to disclosed reserves, they do not meet the regulatory quality requirements for core tier 1 capital and, if they are unappropriated, are considered as tier 2 capital at most.

The hidden reporting method also means that undisclosed reserves and disclosed reserves cannot be treated equally for the purposes of the profit and loss statistics. Reallocating undisclosed reserves as disclosed reserves, which is primarily an accounting measure and has no effect on earnings, is therefore reflected in the Bundesbank's performance analysis as follows: income from releasing undisclosed reserves is recorded in the net valuation result and increases the profit for the year. Expenditure from transfers to the fund for general banking risks does not reduce the profit for the year. Instead, it is allocated to the appropriation of profit (accumulation of reserves).

Until now, reallocations of this type have not played a major role and have not had a noticeable impact on the annual profit, nor therefore on the analysis on profitability. However, it is highly likely that the planned changes to capital and liquidity rules at European level (CRD IV), which come into force in EU member states in 2013, will no longer allow contingency reserves to be recognised as tier 2 capital. To strengthen their core capital base and in anticipation of the planned tightening of regulatory requirements, several institutions have therefore already begun the full or partial reclassification of undisclosed reserves as disclosed reserves as part of their annual accounting process for 2011. In the profit and loss statistics, the release of undisclosed reserves, which was carried out on a large scale in certain categories of banks, has pushed up the reported profit for the year accordingly ("reallocation effect"). In order to prevent misinterpretations, it is therefore necessary to view releases of undisclosed reserves that are recognised as income in connection with the transfers to the fund for general banking risks booked as appropriation of profit.

to the published data, undisclosed reserves were reallocated to disclosed reserves on a large scale in these two categories. Credit cooperatives clearly reduced their net valuation charges by €2.0 billion to €0.3 billion. The €2.3 billion fall in net valuation charges to €0.7 billion at the Landesbanken was due not only to successful restructuring measures but also to the hedging effect of a second loss guarantee provided by the relevant public institutions in the case of one Landesbank.[13] Mortgage banks, too, markedly reduced their net valuation charges by €.0.8 billion to €1.6 billion. According to the published annual reports, this was essentially due to a small number of institutions. The slight fall in the valuation result in the case of the big banks – their net valuation charges went up by €0.2 billion to €1.9 billion – was due to mixed developments within this category of banks.[14]

According to the published data, the development of the valuation result on the securities in the liquidity reserve chiefly had a negative impact. Losses on sales owing to sharp falls in prices as well as large write-downs – particularly in the case of government bonds from the euro crisis countries – are likely to have played a large part in this.

Risk provisioning for securities in the liquidity reserve

Risk provisioning in lending business

Given robust domestic economic activity and a high level of employment as well as rising real incomes, it was again possible to make a marked reduction in risk provisioning (comprising write-downs and write-offs as well as provisions) in lending business. This was also reflected by overall developments in private and

13 According to the published annual report, this positive effect was dampened by the one-off payment to the public bodies set in the context of the EU state aid procedures, which was recorded as a charge in the extraordinary result.
14 While the published data show that one big bank reported a marked increase in net valuation charges owing to a large transfer to risk provisions for a single credit exposure, another big bank stated that a marked reduction of risk provisioning in lending business and successful restructuring measures were the main reasons for a net valuation income.

commercial insolvencies in Germany, which decreased by 5.4% in the reporting year. The total volume of outstanding claims in these insolvency proceedings was down by as much as 19%.[15] Greater capital adequacy and generally problem-free access to external financing meant that the number of large-scale insolvencies fell in the corporate sector, too.

The considerable improvement in the valuation result led to the operating result being higher for the first time than the operating result before the valuation of assets. At €47.5 billion, it was an impressive €17.2 billion better than in the previous year and was thus the highest figure in the observation period since 1993.

Major strains on the extraordinary result

Massive non-scheduled write-downs

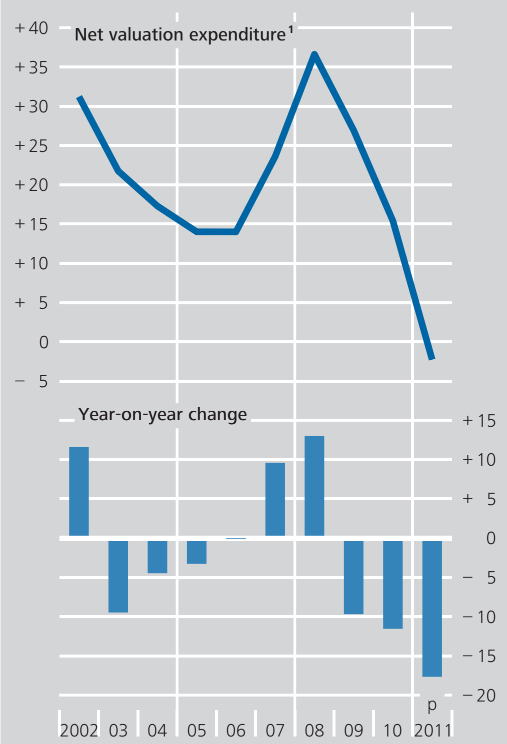
As in the three preceding years, the extraordinary account impaired profitability in 2011 on a major scale, however. The negative balance grew by €4.5 billion to €17.0 billion caused mainly by a sharp rise of €8 billion to €10.4 billion in net charges in financial investment business. According to the published annual reports, this was due chiefly to the extraordinary write-downs on Greek government bonds that became necessary in connection with the sovereign debt crisis and which affected almost all categories of banks.[16] At €4.2 billion, write-downs were at a very high level in the category of mortgage banks, although these were concentrated on a small number of institutions, according to the published data.

Large charges and income from loss transfers

Charges and income from loss transfers, which largely offset each other on balance, showed the largest increase in the observation period since 1993. According to the published annual reports, this was due mainly to one large loss transfer by a big bank for a subsidiary from the category of mortgage banks. For the mortgage banks, the matching income from loss transfers was perceptibly higher than the write-downs on financial investment, which was the key factor in this being the sole category of banks to post a net profit in the extraordinary account.

Risk provisioning of credit institutions

€ billion



1 Excluding investment in tangible and financial fixed assets.
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The reduction in net extraordinary income and charges in the narrower definition[17] had an alleviating effect on the extraordinary account. The improvement in the balance of the extraor-

15 See Statistisches Bundesamt (Federal Statistical Office), Unternehmen und Arbeitsstätten, Fachserie 2, Reihe 4.1, Insolvenzverfahren Dezember und Jahr 2010, March 2011, and Insolvenzverfahren Dezember und Jahr 2011, March 2012 (both available in German only).

16 In a statement of 7 February 2012, the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) made clear that, in the light of current findings, there existed a need for write-downs on Greek government bonds of well over 50% and that these are to be taken into account with retroactive effect as of the balance sheet date (31 December 2011) in accordance with the principle *(Wertaufhellungsprinzip)* which requires the inclusion of all risks and losses that have arisen in the past financial year but only become known between the cut-off date and the time the annual accounts are prepared.

17 Only extraordinary events which interrupt the normal financial year are recorded in this item. This includes merger gains and losses, reorganisation gains and losses, debt forgiveness in restructurings, as well as charges for redundancy programmes and restructuring.

Breakdown of the extraordinary profit and loss*

€ million

Item	2009	2010	2011
Balance of other and extraordinary income or charges	– 20,648	– 12,525	– 17,039
Income (total)	3,279	8,870	6,624
from value adjustments in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	1,093	1,630	669
from the release of special reserves	37	0	0
from loss transfers	879	1,181	5,208
Extraordinary income	1,270	6,059	747
Charges (total)	– 23,927	– 21,395	– 23,663
Write-offs and write-downs in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	– 9,621	– 4,010	– 11,109
from loss transfers	– 3,750	– 3,941	– 6,581
Transfers to special reserves	– 23	0	0
Extraordinary charges	– 7,292	– 10,370	– 2,583
Profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement	– 3,241	– 3,074	– 3,390

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year.

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Clear improvement in the balance of the extraordinary account in the narrower definition

dinary account was due chiefly to a marked reduction (of €1.5 billion to €1.2 billion) in net losses at the Landesbanken. In 2010, this item was strongly affected by one special factor.[18]

Profit for the financial year and balance sheet profit

Adjusted profit for the year marginally down on the previous year's level

Against the backdrop of the planned tightening of regulatory requirements in some categories of banks, undisclosed reserves were liquidated – sometimes on a large scale – in the reporting year in order to transfer them to the fund for general banking risks for strengthening the tier 1 capital base. As a result of this measure, which was undertaken largely for balance sheet motives, there was a sharp rise in the profit for the financial year before tax to €30.5 billion in the present performance analysis. The reporting year thus showed the largest profit for the financial year before tax since 2005. The return on equity likewise increased by 3.2 percentage points to 8.4% (see the chart on page 31). To avoid misinterpretations, liquidations of undisclosed reserves recognised as income have to be seen in connection with the net transfers to the fund for general banking risks booked as appropriation of profit (for more details, see the box on pages 27-28). The aggregate profit for the financial year before tax less net transfers to the fund for general banking risks (adjusted profit for the financial year) amounted to no more than €11.1 billion and was thus €0.6 billion down on the year. The return on equity, which is calculated on the basis of the adjusted profit for the financial year, fell from 3.4% to 3.1%.

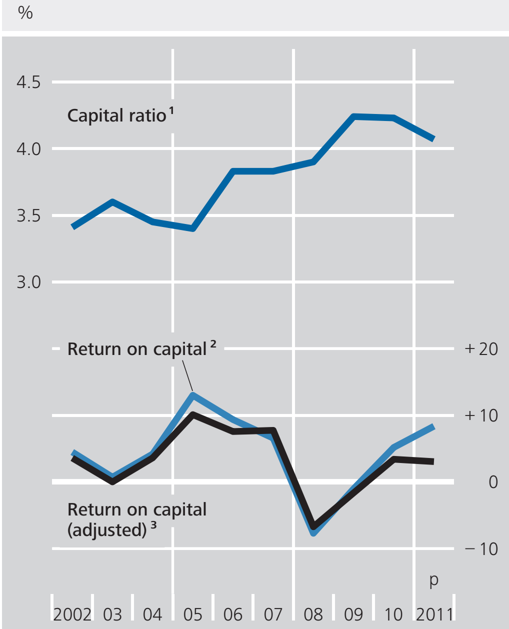
Despite high income from loss transfers, the annual loss for the financial year before tax worsened by €0.2 billion to €0.3 billion at the

18 In 2010, this balance was depressed considerably by an extraordinary charge to be booked in connection with the transfer of non-strategic business lines to a resolution agency under German federal law.

Profit for the financial year and return on equity by category of banks

mortgage banks; the return on equity fell by 1.2 percentage points to -1.7%. Big banks posted a loss for the financial year before tax, albeit only a slight one,[19] compared with a profit of €2.0 billion generated in the previous year. This was due mainly to the loss in the extraordinary account as a result of high charges from loss transfers. Regional banks nearly doubled their profit for the financial year to €2.0 billion, mainly owing to the improvement in their net interest income, thus shaping the positive outcome in the category of commercial banks, which showed a profit for the financial year of €2.2 billion (compared with €3.3 billion in the year before). In line with this, the return on equity at commercial banks showed a decline on the year, falling by 1.2 percentage points to 1.8%. After making a loss for three years in succession, Landesbanken again showed a small profit for the financial year before tax of €0.1 billion. This result was due mainly to a decline in net valuation charges, although this was partly offset by a marked deterioration in the net trading result. The return on equity in this category of banks was 0.1% (compared with -1.5% in the year before). Credit cooperatives showed a marked improvement to €7.0 billion in their profit for the financial year before tax, particularly as a result of declining net valuation charges; the return on equity went up by 4.3 percentage points to 16.4%. Savings banks and regional institutions of credit cooperatives recorded very large increases, however. Principally as a result of the "reallocation effect", savings banks substantially increased their profit for the financial year before tax to €16.8 billion (compared with €6.6 billion in the previous year) and regional institutions of credit cooperatives' profit for the financial year before tax went up to €1.2 billion (compared with €0.6 billion in the previous year). Savings banks' adjusted profit for the financial year amounted to only €4.8 billion (compared to €4.4 billion in the previous year). At €0.2 billion, the corresponding figure for the regional institutions of credit cooperatives was nearly at the same level as in 2010. Savings banks' return on equity amounted to 27.3% (compared with 11.4% in the previous year), which was the highest figure in the observation period since 1994; calculated on the basis of the adjusted profit for the financial year, the return on equity was only 7.8% (compared with 7.6% one year earlier). The regional institutions of credit cooperatives reported an increase of 4.5 percentage points to 10.3%, thus achieving a double-digit return on equity for the first time since 2001; based on the adjusted profit for the financial year, the return on capital was no more than 1.7%, which was, in fact, 0.6 percentage points down on the year.

Credit institutions' capital and profit for the financial year



1 Capital (including fund for general banking risks but not participation rights capital) as a percentage of the balance sheet total; annual average. **2** Profit for the financial year before tax as a percentage of the capital. **3** Profit for the financial year before tax less net transfers to the fund for general banking risks (adjusted profit for the year) as a percentage of average capital.
Deutsche Bundesbank

Return on assets

The marked improvement in the aggregate annual result before tax (as defined in the statistics on the profit and loss accounts), which was principally concentrated on the savings banks sector, was also reflected by the change in the

19 It should be stressed again here that this performance analysis is based on published individual accounts drawn up in accordance with the German Commercial Code.

Return on capital of individual categories of banks*

As a percentage

Category of banks	2007		2008		2009		2010		2011	
All categories of banks	6.57	(4.66)	– 7.70	(– 8.11)	– 0.83	(– 1.98)	5.18	(3.67)	8.36	(6.47)
Commercial banks	19.13	(15.61)	– 15.49	(– 15.05)	– 5.82	(– 5.67)	3.01	(2.01)	1.79	(0.74)
of which Big banks	25.97	(21.64)	– 25.30	(– 23.74)	– 9.10	(– 8.11)	2.88	(2.19)	– 0.12	(– 0.83)
Regional banks and other commercial banks	8.51	(6.35)	3.81	(2.14)	0.06	(– 1.32)	2.78	(1.39)	4.87	(3.34)
Landesbanken	1.46	(0.94)	– 11.07	(– 12.22)	– 8.18	(– 8.53)	– 1.47	(– 1.31)	0.12	(– 1.02)
Savings banks	7.24	(4.21)	4.00	(2.12)	8.48	(4.44)	11.42	(7.07)	27.29	(22.82)
Regional institutions of credit cooperatives	– 4.03	(2.94)	– 4.40	(1.50)	7.24	(7.62)	5.77	(5.83)	10.27	(9.50)
Credit cooperatives	8.14	(5.16)	5.53	(3.98)	8.96	(5.04)	12.12	(8.02)	16.38	(11.85)
Mortgage banks	1.89	(1.06)	– 15.49	(– 15.98)	– 8.33	(– 9.29)	– 0.50	(– 0.40)	– 1.72	(– 2.14)

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. 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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distribution of the return on assets before tax. A matching shift to the right in the positive area was apparent, above all, in the best profitability category (return on assets of 0.9% or more), where the number of institutions almost doubled to 941. Although this meant that more than half of all the institutions in the reporting population – in 2011, this consisted of 1,778 institutions – were in this profitability category, their share in the aggregate balance sheet total of the German banking system, at 13.0% (compared with 5.5% in the previous year) was still comparatively small. In the area of negative return on assets, there was a small increase of three to 59, although their weight, measured by the aggregate balance sheet total, was virtually unchanged at 20.4%. Overall, these institutions had to cope with a considerable loss for the financial year before tax of €6.4 billion.

Aggregate balance sheet loss again

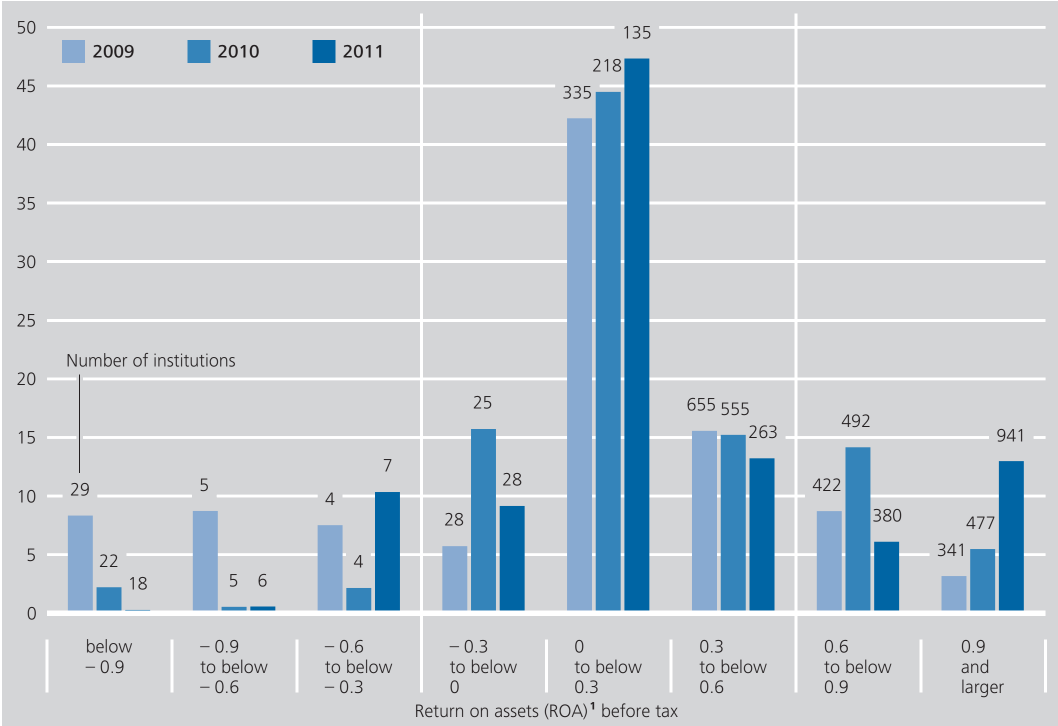
Taking due account of higher taxes on income and earnings and after appropriation of profit (before distribution), there was an aggregate balance sheet loss for the fourth time in succession; at €1.1 billion, this was €0.3 billion more than in the previous year. As in 2010, the aggregate balance sheet loss was due, first and foremost, to losses of the mortgage banks (€4.7 billion), special purpose banks (€0.8 billion) as well as, to a lesser extent, to losses of regional banks (€0.5 billion) and Landesbanken (€0.4 billion); according to the published annual reports, the negative balance sheet results were concentrated – as in the previous year – on a small number of institutions. By contrast, all other categories of banks showed an aggregate balance sheet profit of €5.2 billion.

Large net transfers to the fund for general banking risks

Marked effects were produced by net transfers to the fund for general banking risk amounting to €19.4 billion (after €6.1 billion in 2010). In the reporting year, such transfers were much in evidence in the case of savings banks (€12.0 billion after €2.2 billion in 2010) and the regional institutions of the credit cooperatives (€1.0 after €0.4 billion in 2010). Despite their

Distribution of return on assets (ROA)* before tax

As a percentage



* Balance sheet total of the institutions in the respective ROA before tax category as a percentage of the balance sheet total of all German banks. **1** Profit for the financial year before tax as a percentage of the average balance sheet total.

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large profit for the financial year, savings banks' balance sheet profit (€1.6 billion) showed only a marginal improvement on the year; the regional institutions of credit cooperatives' balance sheet profit fell by as much as €0.2 billion to €0.1 billion. Furthermore, net losses brought forward of €7.4 billion (compared with €8.6 billion in 2009 and €9.1 billion in 2010) placed a strain on the aggregate financial result, although – as in earlier years – such losses were essentially concentrated on individual mortgage banks, special purpose banks and regional banks. As in 2010, these negative factors affecting the result were accompanied by comparatively small net withdrawals from reserves and participation rights capital in the amount of €2.0 billion. A stabilisation of the earnings situation was thus becoming apparent in the second year following the crisis years of 2008 and 2009 – in 2008 and 2009, net withdrawals amounted to €20.6 billion and €13.1 billion respectively. Even so, the tensions in the financial markets, the uncertain global economic setting and the fallout from the sovereign debt crisis were clearly reflected in the profit and loss account, as net transfers were usual in most cases before the crisis years.

Outlook

German banking groups' results in the first half of 2012

The first half of the current financial year saw a noticeable weakening in the performance of large German banks with an international focus[20] which report under the IFRS and for which consolidated quarterly reports are available. The half-year results before tax still clearly showed a profit at €6.6 billion, but were €3.5 billion down on the comparable period in 2011. The key factors behind this development were the trend decline in the level of interest rates, pronounced buying restraint in customer busi-

20 This sample comprises 11 institutions (big banks as well as selected Landesbanken and mortgage banks). (There were 12 institutions in this sample up to the third quarter of 2010.)

ness as well as continuing risk aversion owing to the, as yet, unresolved sovereign debt crisis. Added to this, risk provisioning in lending business was almost doubled.

Subdued outlook

Given the continuing tense situation in the international financial markets and the associated considerable market uncertainties that can be observed at present, this basic constellation is unlikely to change substantially as the year progresses. Increased risk provisioning is due, not least, to the current crisis in the shipbuilding market. Furthermore, the macroeconomic outlook in Germany makes a trend increase in such provisioning appear likely. Although economic activity in Germany has been robust so far, there are recognisable signs of a slowdown; this is also evident from the recently published sentiment indicators. In particular, economic activity could be impaired on the external side more strongly than hitherto by developments in the euro area. Nor is it possible to rule out additional impairments in securities activities later in the year; as in the 2011 financial year, this would probably affect own-account trading and securities in the liquidity reserve. German banks do not expect a marked deterioration in credit quality, however. Given largely unchanged credit standards, the domestic banking sector's lending to non-financial corporations and households has remained in expansionary territory in the year so far, with loans for house purchase increasing even more strongly than before. Under the impact of a further fall in interest rates in the money and capital markets, bank interest rates have now hit new lows. Although conditions for deposits have been adjusted downwards sharply against the backdrop of an almost incessant inflow of funds, overall there is still a trend decline in the gross interest margin in existing business, which provides an indication of the trend in the interest margin. In view of the rather subdued outlook for earnings potential in core business areas as well as persistent uncertainty, there are growing reports that the earnings situation is to be stabilised by a reduction in costs, say, by means of further cuts in staff.

The trend towards shifting activities into low-risk and low-margin business areas is likely to continue; this is to be supported not least from a macropudential standpoint in terms of safeguarding the required future tier 1 capital ratios, even though it might limit earnings potentials in the short term.

The tables accompanying this article are printed on pages 35-45.

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

As a percentage of the average balance sheet total°

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks	of which: Regional banks and other commercial banks	Landesbanken	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks
	Interest received[1]									
2005	4.37	3.98	3.79	4.64	4.69	4.75	3.05	4.72	4.88	4.05
2006	4.63	4.47	4.36	4.86	4.94	4.67	3.18	4.61	5.32	4.12
2007	5.13	4.78	4.65	5.23	5.66	4.81	3.56	4.77	7.09	4.45
2008	5.20	4.73	4.53	5.36	5.59	4.97	3.90	4.95	7.73	4.53
2009	3.86	3.24	2.93	4.07	3.82	4.37	2.85	4.41	5.38	3.75
2010	3.23	2.60	2.19	3.74	3.21	4.02	2.27	4.03	4.47	2.96
2011	3.30	2.02	1.56	3.79	5.39	4.04	2.14	3.93	4.96	3.05
	Interest paid									
2005	3.20	2.71	2.79	2.47	4.05	2.45	2.57	2.26	4.44	3.56
2006	3.48	3.14	3.26	2.75	4.33	2.44	2.75	2.30	4.89	3.65
2007	4.01	3.48	3.56	3.23	5.01	2.75	3.06	2.61	6.65	4.02
2008	4.11	3.52	3.54	3.47	4.87	2.97	3.32	2.89	7.34	4.09
2009	2.72	2.04	1.84	2.57	3.11	2.25	2.41	2.18	4.91	3.22
2010	2.10	1.45	1.24	2.05	2.52	1.82	1.79	1.69	4.02	2.45
2011	2.28	1.17	0.93	2.09	4.69	1.83	1.69	1.63	4.56	2.59
	Excess of interest received over interest paid = net interest received (interest margin)									
2005	1.17	1.27	1.00	2.17	0.63	2.30	0.47	2.46	0.45	0.49
2006	1.15	1.33	1.11	2.11	0.61	2.23	0.43	2.30	0.43	0.47
2007	1.12	1.30	1.09	2.00	0.65	2.06	0.50	2.15	0.43	0.43
2008	1.09	1.20	0.99	1.89	0.72	2.00	0.58	2.06	0.39	0.44
2009	1.14	1.20	1.09	1.50	0.72	2.13	0.45	2.23	0.47	0.53
2010	1.14	1.14	0.95	1.69	0.68	2.20	0.48	2.33	0.44	0.51
2011	1.02	0.85	0.64	1.70	0.70	2.21	0.45	2.30	0.41	0.46
	Excess of commissions received over commissions paid = net commissions received									
2005	0.37	0.60	0.52	0.85	0.12	0.56	0.16	0.67	0.00	0.09
2006	0.39	0.63	0.54	0.94	0.13	0.58	0.14	0.66	0.03	0.10
2007	0.39	0.60	0.51	0.92	0.13	0.60	0.12	0.67	0.04	0.10
2008	0.36	0.54	0.45	0.82	0.13	0.57	0.11	0.63	0.05	0.09
2009	0.34	0.55	0.50	0.70	0.07	0.55	0.14	0.58	0.02	0.10
2010	0.35	0.56	0.50	0.72	0.08	0.57	0.13	0.59	0.02	0.09
2011	0.32	0.42	0.35	0.70	0.07	0.57	0.13	0.58	0.02	0.08

***** The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation and institutions with a truncated financial year. ° Excluding the balance sheet total of the foreign branches of savings banks and of the foreign branches of regional institutions of credit cooperatives. For footnote **1** see p 36.

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

As a percentage of the average balance sheet total°

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks	of which: Regional banks and other commercial banks	Landesbanken	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks
	General administrative spending									
2005	1.05	1.38	1.23	1.87	0.45	1.92	0.44	2.30	0.17	0.21
2006	1.06	1.42	1.27	1.93	0.46	1.89	0.47	2.27	0.18	0.22
2007	1.00	1.28	1.13	1.81	0.43	1.90	0.39	2.12	0.18	0.21
2008	0.95	1.20	1.02	1.75	0.43	1.81	0.36	2.01	0.17	0.20
2009	1.02	1.40	1.31	1.65	0.45	1.80	0.41	1.98	0.18	0.21
2010	0.99	1.32	1.20	1.67	0.44	1.74	0.38	1.88	0.17	0.19
2011	0.89	0.97	0.80	1.63	0.44	1.74	0.37	1.88	0.22	0.20
	Net profit or net loss from the trading portfolio 2									
2005	0.15	0.41	0.56	– 0.04	0.02	0.02	0.18	0.01	0.00	0.00
2006	0.06	0.11	0.15	– 0.04	0.06	0.02	0.17	0.01	0.00	0.00
2007	– 0.01	0.03	0.08	– 0.13	– 0.10	0.01	– 0.19	0.01	0.00	0.00
2008	– 0.22	– 0.55	– 0.69	– 0.14	– 0.09	0.00	– 0.33	0.00	0.00	0.00
2009	0.09	0.18	0.22	0.08	0.06	0.02	0.33	0.01	0.00	0.00
2010	0.07	0.17	0.23	0.00	0.03	0.00	0.19	0.00	0.00	0.00
2011	0.05	0.13	0.15	0.05	– 0.04	0.00	0.06	0.00	0.00	0.00
	Operating result before the valuation of assets									
2005	0.67	0.93	0.80	1.33	0.31	0.99	0.38	0.99	0.30	0.39
2006	0.64	0.73	0.57	1.27	0.40	0.98	0.28	1.26	0.29	0.40
2007	0.54	0.67	0.53	1.14	0.27	0.84	0.05	0.89	0.33	0.34
2008	0.34	0.08	– 0.22	0.99	0.36	0.82	0.03	0.93	0.28	0.34
2009	0.55	0.51	0.40	0.77	0.43	0.90	0.52	0.92	0.31	0.42
2010	0.56	0.50	0.35	0.91	0.37	1.03	0.42	1.07	0.30	0.42
2011	0.50	0.46	0.30	1.04	0.30	1.03	0.27	1.06	0.08	0.36
	Net income or net charges from the valuation of assets									
2005	– 0.19	– 0.15	– 0.09	– 0.36	– 0.05	– 0.50	– 0.08	– 0.52	– 0.13	– 0.01
2006	– 0.18	– 0.16	– 0.10	– 0.34	0.08	– 0.52	– 0.05	– 0.71	– 0.12	– 0.08
2007	– 0.29	– 0.17	– 0.13	– 0.31	– 0.13	– 0.43	– 0.18	– 0.44	– 0.14	– 0.96
2008	– 0.44	– 0.34	– 0.32	– 0.42	– 0.50	– 0.47	– 0.25	– 0.56	– 0.48	– 0.53
2009	– 0.34	– 0.31	– 0.28	– 0.40	– 0.38	– 0.42	0.01	– 0.33	– 0.43	– 0.25
2010	– 0.19	– 0.16	– 0.08	– 0.36	– 0.15	– 0.33	0.00	– 0.33	– 0.31	– 0.05
2011	0.03	– 0.11	– 0.06	– 0.32	– 0.05	0.69	0.41	– 0.05	– 0.25	0.08

For footnotes *, °, see p 35. **1** Interest received plus current income and profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement. **2** Up to 2009, net profit or net loss on financial operations.

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

As a percentage of the average balance sheet total°

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks	of which: Regional banks and other commercial banks	Landesbanken	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks
	Operating result									
2005	0.48	0.77	0.71	0.96	0.26	0.50	0.30	0.47	0.18	0.38
2006	0.46	0.57	0.47	0.93	0.48	0.46	0.24	0.55	0.17	0.32
2007	0.25	0.51	0.41	0.84	0.15	0.40	− 0.13	0.45	0.18	− 0.62
2008	− 0.10	− 0.26	− 0.54	0.57	− 0.14	0.35	− 0.23	0.37	− 0.20	− 0.19
2009	0.21	0.20	0.12	0.37	0.05	0.48	0.53	0.58	− 0.12	0.18
2010	0.37	0.35	0.27	0.55	0.22	0.71	0.42	0.74	0.00	0.37
2011	0.53	0.34	0.24	0.72	0.25	1.72	0.68	1.02	− 0.18	0.43
	Net other and extraordinary income or charges									
2005	− 0.04	− 0.07	0.05	− 0.47	− 0.07	0.00	− 0.11	0.25	− 0.16	− 0.01
2006	− 0.10	− 0.18	− 0.09	− 0.50	− 0.12	− 0.02	− 0.07	0.06	− 0.10	0.01
2007	0.00	0.13	0.28	− 0.36	− 0.10	− 0.04	− 0.02	0.02	− 0.14	− 0.07
2008	− 0.20	− 0.29	− 0.26	− 0.39	− 0.21	− 0.14	0.08	− 0.05	− 0.15	− 0.19
2009	− 0.26	− 0.43	− 0.47	− 0.37	− 0.42	− 0.04	− 0.27	− 0.08	− 0.05	− 0.01
2010	− 0.15	− 0.23	− 0.17	− 0.40	− 0.28	− 0.09	− 0.18	− 0.05	− 0.01	0.01
2011	− 0.19	− 0.29	− 0.24	− 0.47	− 0.25	− 0.17	− 0.24	− 0.03	0.13	− 0.05
	Profit for the financial year before tax									
2005	0.44	0.70	0.77	0.49	0.19	0.49	0.18	0.72	0.02	0.37
2006	0.36	0.39	0.38	0.43	0.36	0.44	0.16	0.61	0.06	0.33
2007	0.25	0.64	0.68	0.48	0.05	0.37	− 0.15	0.47	0.04	− 0.70
2008	− 0.30	− 0.55	− 0.81	0.18	− 0.36	0.21	− 0.15	0.32	− 0.35	− 0.38
2009	− 0.04	− 0.24	− 0.35	0.00	− 0.37	0.44	0.26	0.50	− 0.18	0.17
2010	0.22	0.12	0.10	0.14	− 0.06	0.62	0.23	0.69	− 0.01	0.38
2011	0.34	0.06	0.00	0.26	0.00	1.55	0.44	0.98	− 0.05	0.39
	Profit for the financial year after tax									
2005	0.31	0.50	0.56	0.31	0.17	0.27	0.18	0.47	− 0.02	0.36
2006	0.29	0.32	0.33	0.27	0.31	0.24	0.35	0.47	0.04	0.32
2007	0.18	0.52	0.57	0.36	0.03	0.21	0.11	0.30	0.02	− 0.71
2008	− 0.32	− 0.54	− 0.76	0.10	− 0.39	0.11	0.05	0.23	− 0.37	− 0.39
2009	− 0.09	− 0.23	− 0.31	− 0.06	− 0.39	0.23	0.28	0.28	− 0.20	0.17
2010	0.16	0.08	0.08	0.07	− 0.05	0.38	0.24	0.45	− 0.01	0.37
2011	0.26	0.02	− 0.02	0.18	− 0.04	1.30	0.41	0.71	− 0.06	0.38

For footnotes *, °, see p 35.
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Credit institutions' profit and loss accounts*

Financial year	Interest business			Non-interest business			General administrative spending			Net profit or net loss from the trading portfolio[3]
	Net interest received (col 2 less col 3)	Total interest received[1]	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[2]	
	1	2	3	4	5	6	7	8	9	10
	€ billion									
2004	85.0	303.6	218.6	25.3	32.0	6.8	75.8	41.2	34.6	1.3
2005	88.2	329.1	240.9	27.8	35.4	7.6	78.8	43.4	35.4	11.4
2006	89.1	357.5	268.3	29.9	38.4	8.6	81.5	46.0	35.5	4.4
2007	91.6	418.9	327.4	31.7	42.2	10.5	81.6	44.6	37.0	– 1.1
2008	90.6	432.8	342.2	29.7	41.1	11.3	78.7	42.0	36.7	– 18.7
2009	91.5	309.9	218.4	27.4	39.4	12.0	82.2	45.0	37.2	6.9
2010	92.1	262.2	170.0	28.6	40.6	12.0	80.2	42.3	38.0	5.7
2011	91.4	296.1	204.7	28.8	39.7	10.9	80.1	41.7	38.4	4.6
	Year-on-year percentage change[5]									
2005	3.9	8.4	10.2	9.9	10.4	12.0	4.0	5.4	2.4	806.3
2006	1.0	8.6	11.4	7.4	8.7	13.3	3.4	5.9	0.4	– 61.4
2007	2.8	17.2	22.0	6.1	9.8	22.7	0.1	– 3.0	4.1	.
2008	– 0.8	3.4	4.5	– 6.9	– 3.6	6.2	– 3.8	– 6.0	– 1.0	– 1,545.1
2009	0.9	– 28.4	– 36.2	– 7.7	– 4.0	5.8	4.4	7.0	1.5	.
2010	0.7	– 15.4	– 22.1	4.5	3.1	– 0.2	– 2.4	– 6.0	2.0	– 17.3
2011	– 0.8	12.9	20.4	0.6	– 2.3	– 9.2	– 0.2	– 1.4	1.2	– 19.4
	As a percentage of the average balance sheet total									
2004	1.18	4.23	3.04	0.35	0.45	0.09	1.05	0.57	0.48	0.02
2005	1.17	4.37	3.20	0.37	0.47	0.10	1.05	0.58	0.47	0.15
2006	1.15	4.63	3.48	0.39	0.50	0.11	1.06	0.60	0.46	0.06
2007	1.12	5.13	4.01	0.39	0.52	0.13	1.00	0.55	0.45	– 0.01
2008	1.09	5.20	4.11	0.36	0.49	0.14	0.95	0.50	0.44	– 0.22
2009	1.14	3.86	2.72	0.34	0.49	0.15	1.02	0.56	0.46	0.09
2010	1.14	3.23	2.10	0.35	0.50	0.15	0.99	0.52	0.47	0.07
2011	1.02	3.30	2.28	0.32	0.44	0.12	0.89	0.46	0.43	0.05

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. **1** Interest received plus current income and profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement. **2** Including depreciation of and value adjustments to tangible and intangible assets, but excluding depreciation of and value adjust-

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Net other operating income or charges	Operating result before the valuation of assets (col 1 plus col 4 less col 7 plus col 10 plus col 11)	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 12 plus col 13)	Net other and extra-ordinary income or charges	Profit for the financial year before tax (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* Balance sheet total as an annual average[4]	
11	12	13	14	15	16	17	18	19	Financial year
								€ billion	
4.1	39.9	– 17.3	22.6	– 12.3	10.4	5.6	4.8	7,183.7	2004
1.9	50.5	– 14.0	36.5	– 3.2	33.2	9.7	23.5	7,524.7	2005
7.3	49.2	– 14.0	35.2	– 7.6	27.6	5.4	22.2	7,719.0	2006
3.5	44.0	– 23.6	20.5	0.1	20.5	6.0	14.6	8,158.9	2007
5.6	28.5	– 36.6	– 8.2	– 16.9	– 25.0	1.3	– 26.3	8,327.1	2008
0.5	44.1	– 26.9	17.2	– 20.6	– 3.5	3.9	– 7.4	8,022.1	2009
– 0.6	45.7	– 15.4	30.3	– 12.5	17.8	5.2	12.6	8,105.2	2010
0.6	45.3	2.3	47.5	– 17.0	30.5	6.9	23.6	8,968.7	2011
								Year-on-year percentage change[5]	
– 53.9	26.7	18.9	61.5	73.6	221.2	75.0	391.6	4.8	2005
291.8	– 2.5	0.0	– 3.5	– 135.2	– 17.0	– 44.4	– 5.6	2.6	2006
– 51.9	– 10.6	– 68.6	– 41.9	.	– 25.6	9.8	– 34.3	5.7	2007
55.6	– 35.3	– 54.9	.	.	.	– 78.1	.	2.1	2008
– 90.6	55.1	26.4	.	– 18.6	88.8	195.6	74.4	– 3.7	2009
.	3.6	42.9	76.6	39.3	.	32.6	.	1.0	2010
.	– 1.0	.	56.8	– 36.0	71.4	32.3	87.5	10.7	2011
								As a percentage of the average balance sheet total	
0.06	0.56	– 0.24	0.31	– 0.17	0.14	0.08	0.07	.	2004
0.02	0.67	– 0.19	0.48	– 0.04	0.44	0.13	0.31	.	2005
0.09	0.64	– 0.18	0.46	– 0.10	0.36	0.07	0.29	.	2006
0.04	0.54	– 0.29	0.25	0.00	0.25	0.07	0.18	.	2007
0.07	0.34	– 0.44	– 0.10	– 0.20	– 0.30	0.02	– 0.32	.	2008
0.01	0.55	– 0.34	0.21	– 0.26	– 0.04	0.05	– 0.09	.	2009
– 0.01	0.56	– 0.19	0.37	– 0.15	0.22	0.06	0.16	.	2010
0.01	0.50	0.03	0.53	– 0.19	0.34	0.08	0.26	.	2011

ments to assets leased ("broad" definition). **3** Up to 2009, net profit or net loss on financial operations. **4** Excluding the balance sheet total of the foreign branches of savings banks and of the foreign branches of regional institutions of credit co-operatives. **5** Statistical changes have been eliminated.

Profit and loss accounts, by category of banks*

€ million

Financial year	Number of reporting institutions	Interest business			Non-interest business			General administrative spending			Net profit or net loss from the trading portfolio3
		Net interest received (col 3 less col 4)	Total interest received1	Interest paid	Net commissions received (col 6 less col 7)	Commissions received	Commissions paid	Total (col 9 plus col 10)	Staff costs	Other administrative spending2	
	1	2	3	4	5	6	7	8	9	10	11
	All categories of banks										
2006	1,940	89,124	357,461	268,337	29,852	38,411	8,559	81,474	45,989	35,485	4,413
2007	1,903	91,577	418,933	327,356	31,681	42,179	10,498	81,561	44,604	36,957	– 1,143
2008	1,864	90,636	432,846	342,210	29,718	41,060	11,342	78,731	42,033	36,698	– 18,718
2009	1,819	91,472	309,873	218,401	27,402	39,405	12,003	82,207	44,964	37,243	6,906
2010	1,798	92,136	262,181	170,045	28,639	40,614	11,975	80,229	42,259	37,970	5,712
2011	1,778	91,397	296,082	204,685	28,797	39,674	10,877	80,104	41,686	38,418	4,602
	Commercial banks										
2006	174	34,584	116,283	81,699	16,504	21,332	4,828	36,939	19,402	17,537	2,759
2007	173	38,076	140,346	102,270	17,757	24,205	6,448	37,623	19,454	18,169	884
2008	181	35,704	140,162	104,458	15,994	23,061	7,067	35,444	16,868	18,576	– 16,343
2009	183	32,803	88,667	55,864	15,095	21,816	6,721	38,241	18,904	19,337	4,896
2010	183	32,525	73,870	41,345	15,799	22,770	6,971	37,580	17,407	20,173	4,706
2011	183	32,634	77,273	44,639	16,155	22,764	6,609	37,002	16,823	20,179	4,987
	Big banks										
2006	5	22,111	87,108	64,997	10,861	13,365	2,504	25,438	13,936	11,502	2,971
2007	5	24,454	104,238	79,784	11,365	14,634	3,269	25,321	13,709	11,612	1,764
2008	5	21,828	100,199	78,371	9,895	13,541	3,646	22,594	10,917	11,677	– 15,373
2009	4	21,060	56,590	35,530	9,565	13,035	3,470	25,349	12,811	12,538	4,262
2010	4	19,584	45,236	25,652	10,215	13,552	3,337	24,754	11,873	12,881	4,706
2011	4	19,121	47,102	27,981	10,591	13,399	2,808	24,107	11,095	13,012	4,576
	Regional banks and other commercial banks										
2006	152	12,362	28,507	16,145	5,496	7,815	2,319	11,335	5,383	5,952	– 238
2007	151	13,466	35,134	21,668	6,194	9,366	3,172	12,127	5,658	6,469	– 901
2008	158	13,660	38,753	25,093	5,939	9,354	3,415	12,637	5,858	6,779	– 983
2009	161	11,519	31,235	19,716	5,369	8,615	3,246	12,624	5,997	6,627	614
2010	161	12,664	28,097	15,433	5,442	9,068	3,626	12,538	5,441	7,097	– 16
2011	161	13,213	29,519	16,306	5,435	9,219	3,784	12,662	5,621	7,041	392
	Branches of foreign banks										
2006	17	111	668	557	147	152	5	166	83	83	26
2007	17	156	974	818	198	205	7	175	87	88	21
2008	18	216	1,210	994	160	166	6	213	93	120	13
2009	18	224	842	618	161	166	5	268	96	172	20
2010	18	277	537	260	142	150	8	288	93	195	16
2011	18	300	652	352	129	146	17	233	107	126	19
	Landesbanken										
2006	12	10,030	81,578	71,548	2,206	3,784	1,578	7,646	4,204	3,442	1,010
2007	12	10,877	94,386	83,509	2,247	3,987	1,740	7,248	3,747	3,501	– 1,726
2008	10	12,161	94,705	82,544	2,177	4,015	1,838	7,364	3,659	3,705	– 1,514
2009	10	11,354	60,664	49,310	1,181	3,614	2,433	7,111	3,622	3,489	907
2010	10	10,325	48,471	38,146	1,225	3,379	2,154	6,689	3,261	3,428	472
2011	10	10,548	81,148	70,600	1,113	3,037	1,924	6,681	3,202	3,479	– 541

For footnotes *****, **1-6**, see p 42 and p 43.
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Net other operating income or charges	Operating result before the valuation of assets (col 2 plus col 5 less col 8 plus col 11 plus col 12)	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 13 plus col 14)	Net other and extraordinary income or charges	Profit for the financial year before tax (col 15 plus col 16)	Taxes on income and earnings[4]	Profit or loss (–) for the financial year after tax (col 17 less col 18)	Withdrawals from or transfers to (–) reserves and participation rights capital[5]	Balance sheet profit or loss (–) (col 19 plus col 20)	*Memo item* Average annual balance sheet total[6]	Financial year
12	13	14	15	16	17	18	19	20	21	22	
										All categories of banks	
7,292	49,207	– 14,000	35,207	– 7,610	27,597	5,421	22,176	– 11,818	10,358	7,718,988	2006
3,506	43,999	– 23,603	20,457	74	20,531	5,953	14,580	– 1,359	13,221	8,158,884	2007
5,555	28,460	– 36,611	– 8,151	– 16,863	– 25,014	1,327	– 26,341	21,549	– 4,792	8,327,069	2008
518	44,091	– 26,930	17,161	– 20,648	– 3,487	3,915	– 7,402	2,432	– 4,970	8,022,116	2009
– 559	45,699	– 15,389	30,310	– 12,525	17,785	5,192	12,593	– 13,423	– 830	8,105,203	2010
558	45,250	2,270	47,520	– 17,039	30,481	6,869	23,612	– 24,734	– 1,122	8,968,671	2011
										Commercial banks	
2,089	18,997	– 4,092	14,905	– 4,761	10,144	1,904	8,240	– 2,867	5,373	2,601,671	2006
712	19,790	– 4,879	14,927	3,799	18,726	3,450	15,276	– 5,779	9,497	2,935,195	2007
2,506	2,417	– 10,161	– 7,744	– 8,676	– 16,420	– 461	– 15,959	16,697	738	2,964,986	2008
– 725	13,828	– 8,442	5,386	– 11,860	– 6,474	– 162	– 6,312	8,568	2,256	2,735,704	2009
– 1,165	14,285	– 4,434	9,851	– 6,512	3,339	1,104	2,235	– 241	1,994	2,845,575	2010
719	17,493	– 4,346	13,147	– 10,953	2,194	1,282	912	768	1,680	3,825,768	2011
										Big banks	
920	11,425	– 2,073	9,352	– 1,832	7,520	936	6,584	– 2,807	3,777	1,995,918	2006
– 375	11,887	– 2,806	9,081	6,209	15,290	2,549	12,741	– 5,386	7,355	2,240,698	2007
1,270	– 4,974	– 7,041	– 12,015	– 5,818	– 17,833	– 1,096	– 16,737	16,810	73	2,212,741	2008
– 1,862	7,676	– 5,326	2,350	– 9,041	– 6,691	– 724	– 5,966	8,392	2,426	1,931,021	2009
– 2,529	7,222	– 1,714	5,508	– 3,469	2,039	488	1,551	837	2,388	2,061,016	2010
– 1,057	9,124	– 1,887	7,237	– 7,331	– 94	563	– 657	2,645	1,988	3,010,173	2011
										Regional banks and other commercial banks	
1,153	7,438	– 2,009	5,429	– 2,929	2,500	915	1,585	– 60	1,525	586,058	2006
1,072	7,688	– 2,054	5,650	– 2,413	3,237	823	2,414	– 393	2,021	671,668	2007
1,206	7,185	– 3,052	4,133	– 2,832	1,301	572	729	– 113	616	722,740	2008
1,023	5,901	– 3,067	2,834	– 2,812	22	497	– 476	178	– 298	766,860	2009
1,248	6,800	– 2,694	4,106	– 3,035	1,071	536	535	– 1,068	– 533	751,218	2010
1,727	8,105	– 2,468	5,637	– 3,622	2,015	634	1,381	– 1,835	– 454	778,662	2011
										Branches of foreign banks	
16	134	– 10	124	0	124	53	71	0	71	19,695	2006
15	215	– 19	196	3	199	78	121	0	121	22,829	2007
30	206	– 68	138	– 26	112	63	49	0	49	29,505	2008
114	251	– 49	202	– 7	195	65	130	– 2	128	37,823	2009
116	263	– 26	237	– 8	229	80	149	– 10	139	33,341	2010
49	264	9	273	0	273	85	188	– 42	146	36,933	2011
										Landesbanken	
1,026	6,626	1,373	7,999	– 1,985	6,014	878	5,136	– 3,835	1,301	1,651,972	2006
474	4,576	– 2,163	2,461	– 1,673	788	283	507	400	907	1,668,143	2007
652	6,112	– 8,547	– 2,435	– 3,616	– 6,051	629	– 6,680	6,809	129	1,695,465	2008
501	6,832	– 6,096	736	– 6,649	– 5,913	223	– 6,136	3,791	– 2,345	1,587,259	2009
205	5,538	– 2,270	3,268	– 4,197	– 929	– 101	– 828	690	– 138	1,512,276	2010
44	4,483	– 684	3,799	– 3,727	72	697	– 625	267	– 358	1,504,774	2011

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

€ million

Financial year	Number of reporting institutions	Interest business: Net interest received (col 3 less col 4)	Interest business: Interest received[1]	Interest business: Interest paid	Non-interest business: Net commissions received (col 6 less col 7)	Non-interest business: Commissions received	Non-interest business: Commissions paid	General administrative spending: Total (col 9 plus col 10)	General administrative spending: Staff costs	General administrative spending: Other administrative spending[2]	Net profit or net loss from the trading portfolio[3]
	1	2	3	4	5	6	7	8	9	10	11
	Savings banks										
2006	457	22,449	47,046	24,597	5,854	6,244	390	19,014	11,693	7,321	176
2007	446	20,949	48,987	28,038	6,082	6,492	410	19,373	11,338	8,035	151
2008	438	20,861	51,861	31,000	5,994	6,416	422	18,865	11,534	7,331	35
2009	431	22,570	46,406	23,836	5,858	6,298	440	19,109	11,912	7,197	172
2010	429	23,506	43,023	19,517	6,124	6,591	467	18,665	11,546	7,119	46
2011	426	23,791	43,556	19,765	6,183	6,575	392	18,736	11,562	7,174	– 20
	Regional institutions of credit cooperatives										
2006	2	1,009	7,439	6,430	336	807	471	1,095	673	422	403
2007	2	1,265	9,044	7,779	298	799	501	1,000	552	448	– 482
2008	2	1,590	10,671	9,081	299	759	460	976	516	460	– 910
2009	2	1,175	7,512	6,337	373	798	425	1,069	598	471	881
2010	2	1,259	5,958	4,699	347	828	481	990	545	445	491
2011	2	1,242	5,912	4,670	352	766	414	1,018	530	488	179
	Credit cooperatives										
2006	1,257	13,716	27,427	13,711	3,949	4,601	652	13,536	8,250	5,286	57
2007	1,232	13,219	29,281	16,062	4,138	4,809	671	13,056	7,807	5,249	52
2008	1,197	13,205	31,770	18,565	4,037	4,720	683	12,909	7,874	5,035	10
2009	1,157	15,062	29,842	14,780	3,893	4,665	772	13,380	8,283	5,097	52
2010	1,138	16,264	28,085	11,821	4,114	4,926	812	13,134	7,940	5,194	10
2011	1,121	16,331	27,941	11,610	4,090	4,936	846	13,384	7,985	5,399	11
	Mortgage banks										
2006	22	3,774	46,761	42,987	285	603	318	1,606	808	798	6
2007	22	3,737	60,944	57,207	378	669	291	1,578	751	827	– 17
2008	19	3,213	63,510	60,297	418	787	369	1,393	606	787	– 4
2009	18	3,760	43,235	39,475	129	910	781	1,432	639	793	– 3
2010	18	3,505	35,431	31,926	197	800	603	1,374	533	841	– 6
2011	18	2,616	32,015	29,399	138	373	235	1,417	552	865	– 4
	Special purpose banks										
2006	16	3,562	30,927	27,365	718	1,040	322	1,638	959	679	2
2007	16	3,454	35,945	32,491	781	1,218	437	1,683	955	728	– 5
2008	17	3,902	40,167	36,265	799	1,302	503	1,780	976	804	8
2009	18	4,748	33,547	28,799	873	1,304	431	1,865	1,006	859	1
2010	18	4,752	27,343	22,591	833	1,320	487	1,797	1,027	770	– 7
2011	18	4,235	28,237	24,002	766	1,223	457	1,866	1,032	834	– 10
	Memo item: Banks majority-owned by foreign banks[7]										
2006	44	8,678	32,318	23,640	3,694	4,867	1,173	7,672	3,711	3,961	325
2007	42	10,189	39,607	29,418	4,038	5,725	1,687	8,115	3,927	4,188	– 542
2008	44	10,163	39,246	29,083	3,777	5,911	2,134	8,371	3,947	4,424	– 3,392
2009	43	9,831	26,212	16,381	3,311	5,272	1,961	8,811	4,471	4,340	1,277
2010	42	9,104	22,602	13,498	3,331	5,236	1,905	7,618	3,432	4,186	371
2011	39	9,899	23,941	14,042	3,252	4,954	1,702	7,946	3,552	4,394	– 173

***** The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation and institutions with a truncated financial year. **1** Interest received plus current income and profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement. **2** Including depreciation of and value adjustments to tangible and intangible assets, but excluding depreciation of and value adjustments to assets leased ("broad" definition). **3** Up to 2009, net profit or net loss on financial operations. **4** In part, including taxes paid by legally dependent building

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Net other operating income or charges	Operating result before the valuation of assets (col 2 plus col 5 less col 8 plus col 11 plus col 12)	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 13 plus col 14)	Net other and extraordinary income or charges	Profit for the financial year before tax (col 15 plus col 16)	Taxes on income and earnings[4]	Profit or loss (–) for the financial year after tax (col 17 less col 18)	Withdrawals from or transfers to (–) reserves and participation rights capital[5]	Balance sheet profit or loss (–) (col 19 plus col 20)	*Memo item* Average annual balance sheet total[6]	Financial year
12	13	14	15	16	17	18	19	20	21	22	
										Savings banks	
419	9,884	– 5,246	4,638	– 217	4,421	1,973	2,448	– 855	1,593	1,007,033	2006
690	8,513	– 4,376	4,123	– 364	3,759	1,574	2,185	– 819	1,366	1,019,129	2007
548	8,573	– 4,900	3,673	– 1,512	2,161	1,016	1,145	– 143	1,002	1,042,947	2008
105	9,596	– 4,484	5,112	– 402	4,710	2,245	2,465	– 1,201	1,264	1,060,725	2009
31	11,042	– 3,493	7,549	– 963	6,586	2,513	4,073	– 2,555	1,518	1,070,231	2010
– 60	11,158	7,426	18,584	– 1,824	16,760	2,744	14,016	– 12,403	1,613	1,078,852	2011
										Regional institutions of credit cooperatives	
13	666	– 111	555	– 173	382	– 428	810	– 589	221	233,847	2006
41	122	– 455	– 333	– 42	– 375	– 649	274	– 38	236	254,397	2007
69	72	– 694	– 622	206	– 416	– 558	142	– 41	101	273,650	2008
8	1,368	27	1,395	– 699	696	– 37	733	– 542	191	263,438	2009
– 17	1,090	7	1,097	– 483	614	– 6	620	– 402	218	262,437	2010
– 10	745	1,124	1,869	– 659	1,210	91	1,119	– 1,018	101	275,900	2011
										Credit cooperatives	
3,317	7,503	– 4,249	3,254	360	3,614	829	2,785	– 1,556	1,229	595,576	2006
1,122	5,474	– 2,714	2,761	119	2,880	1,054	1,826	– 621	1,205	614,428	2007
1,637	5,980	– 3,615	2,365	– 326	2,039	571	1,468	– 423	1,045	641,771	2008
574	6,201	– 2,258	3,943	– 539	3,404	1,490	1,914	– 724	1,190	676,780	2009
226	7,480	– 2,316	5,164	– 375	4,789	1,620	3,169	– 1,796	1,373	697,694	2010
505	7,553	– 329	7,224	– 247	6,977	1,930	5,047	– 3,664	1,383	711,046	2011
										Mortgage banks	
65	2,524	– 1,067	1,457	– 889	568	196	372	– 119	253	878,310	2006
289	2,809	– 1,244	1,565	– 1,190	375	165	210	– 625	– 415	859,798	2007
75	2,309	– 3,977	– 1,668	– 1,245	– 2,913	93	– 3,006	– 452	– 3,458	821,083	2008
27	2,481	– 3,481	– 1,000	– 419	– 1,419	163	– 1,582	– 3,093	– 4,675	803,949	2009
86	2,408	– 2,423	– 15	– 71	– 86	– 17	– 69	– 4,494	– 4,563	793,476	2010
– 825	508	– 1,641	– 1,133	826	– 307	74	– 381	– 4,321	– 4,702	645,145	2011
										Special purpose banks	
363	3,007	– 608	2,399	55	2,454	69	2,385	– 1,997	388	750,579	2006
178	2,715	– 7,772	– 5,047	– 575	– 5,622	76	– 5,698	6,123	425	807,794	2007
68	2,997	– 4,717	– 1,720	– 1,694	– 3,414	37	– 3,451	– 898	– 4,349	887,167	2008
28	3,785	– 2,196	1,589	– 80	1,509	– 7	1,516	– 4,367	– 2,851	894,261	2009
75	3,856	– 460	3,396	76	3,472	79	3,393	– 4,625	– 1,232	923,514	2010
185	3,310	720	4,030	– 455	3,575	51	3,524	– 4,363	– 839	927,186	2011
										Memo item: Banks majority-owned by foreign banks[7]	
188	5,213	– 1,852	3,361	– 1,287	2,074	517	1,557	– 511	1,046	679,356	2006
421	5,991	– 2,204	3,787	5,914	9,701	769	8,932	– 3,885	5,047	766,323	2007
345	2,522	– 2,887	– 365	– 1,423	– 1,788	363	– 2,150	2,508	358	732,683	2008
370	5,978	– 2,953	3,025	– 1,816	1,209	496	713	592	1,305	679,565	2009
28	5,216	– 1,697	3,519	– 1,439	2,080	550	1,530	– 34	1,496	666,637	2010
437	5,469	– 2,127	3,342	– 1,543	1,799	289	1,510	– 396	1,114	756,406	2011

and loan associations affiliated to Landesbanken. **5** Including profit or loss brought forward and withdrawals from or transfers to the fund for general banking risks. **6** Excluding the balance sheet total of the foreign branches of savings banks and of the foreign branches of regional institutions of credit cooperatives. **7** Separate presentation of the (legally independent) credit institutions majority-owned by foreign banks and included in the categories "Big banks", "Regional banks and other commercial banks" and "Mortgage banks".

Credit institutions' charge and income items*

€ billion

Financial year	Number of reporting institutions	Charges: Total	Interest paid	Commissions paid	Net loss from the trading portfolio 1)	Gross loss on transactions in goods and subsidiary transactions	General administrative spending: Total	Staff costs: Total	Wages and salaries	Social security costs and costs relating to pensions and other benefits: Total	of which Pensions	Other administrative spending2
2003	2,128	364.8	227.0	6.3	0.4	0.0	71.9	41.6	32.1	9.5	3.9	30.3
2004	2,055	346.7	218.6	6.8	0.9	0.0	71.0	41.2	31.6	9.6	4.0	29.8
2005	1,988	373.0	240.9	7.6	0.6	0.0	74.5	43.4	33.3	10.2	4.6	31.0
2006	1,940	398.1	268.3	8.6	0.5	0.0	77.6	46.0	35.3	10.7	5.0	31.6
2007	1,903	472.9	327.4	10.5	4.5	0.0	77.8	44.6	35.1	9.5	3.9	33.2
2008	1,864	522.6	342.2	11.3	19.8	0.0	75.1	42.0	32.8	9.2	4.1	33.1
2009	1,819	379.1	218.4	12.0	1.2	0.0	78.7	45.0	34.5	10.4	4.7	33.7
2010	1,798	319.6	170.0	12.0	0.7	0.0	76.8	42.3	34.5	7.8	2.3	34.5
2011	1,778	358.8	204.7	10.9	1.2	0.0	76.7	41.7	34.0	7.7	2.4	35.0

Financial year	Income: Total	Interest received: Total	from lending and money market transactions	from debt securities and Debt Register claims	Current income: Total	from shares and other variable yield securities	from participating interests4	from shares in affiliated enterprises	Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	Commissions received
2003	361.1	294.2	243.6	50.7	11.0	6.5	1.2	3.3	3.5	30.6
2004	351.5	285.7	235.9	49.9	14.7	9.6	1.2	3.8	3.2	32.0
2005	396.5	306.7	252.6	54.1	17.0	12.4	1.3	3.4	5.3	35.4
2006	420.2	332.8	274.1	58.7	18.8	14.1	1.2	3.5	5.9	38.4
2007	487.5	390.0	318.7	71.4	24.0	18.0	1.9	4.0	4.9	42.2
2008	496.2	408.7	330.0	78.8	19.0	12.4	1.5	5.1	5.1	41.1
2009	371.7	295.4	241.0	54.4	11.4	7.0	0.9	3.5	3.1	39.4
2010	332.2	248.0	205.4	42.6	12.1	6.9	0.9	4.3	2.1	40.6
2011	382.4	282.1	240.2	41.9	11.0	6.5	1.2	3.3	3.0	39.7

* The figures for the most recent date should be regarded as provisional in all cases. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. **1** Up to 2009, net loss on financial operations. **2** Spending item does not include depreciation of and value adjustments to tangible and intangible assets, shown net of depreciation of assets leased ("narrow" definition). All other tables are based on a broad definition of

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Value adjustments in respect of tangible and intangible assets											
Total	*of which* Assets leased	Other operating charges	Value adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments	Value adjustments in respect of participating interests, shares in affiliated enterprises and securities treated as fixed assets	Charges incurred from loss transfers	Transfers to special reserves	Extraordinary charges	Taxes on income and earnings[3]	Other taxes	Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	Financial year
5.5	0.1	5.4	23.3	7.5	2.9	0.1	5.3	5.5	0.2	3.6	2003
4.9	0.1	3.8	19.4	1.4	1.4	0.0	8.9	5.6	0.2	3.9	2004
4.3	0.0	5.8	17.9	0.7	1.4	0.0	4.7	9.7	0.2	4.7	2005
3.9	0.0	4.7	17.9	2.6	0.8	0.0	2.7	5.4	0.2	4.9	2006
3.8	0.0	5.3	26.5	3.9	0.9	0.1	1.3	6.0	0.2	4.9	2007
3.8	0.2	5.6	39.1	15.3	3.3	0.0	1.9	1.3	0.2	3.5	2008
3.9	0.3	8.1	28.8	9.6	3.8	0.0	7.3	3.9	0.2	3.2	2009
3.9	0.5	11.2	18.2	4.0	3.9	0.0	10.4	5.2	0.3	3.1	2010
5.4	2.0	17.0	11.9	11.1	6.6	0.0	2.6	6.9	0.6	3.4	2011

Net profit from the trading portfolio[5]	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 enterprises and securities treated as 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				
6.8	0.2	1.6	2.2	9.3	0.2	0.5	1.1	0.1	2003
2.2	0.2	2.2	1.1	8.0	0.2	0.0	1.7	0.5	2004
12.1	0.2	3.9	5.0	7.7	0.1	0.1	3.1	0.1	2005
4.9	0.2	3.9	2.3	12.0	0.0	0.0	0.9	0.1	2006
3.3	0.2	2.9	9.0	8.8	0.0	0.0	2.1	0.0	2007
1.0	0.2	2.5	1.8	11.4	0.5	0.1	3.6	1.7	2008
8.1	0.2	1.9	1.1	9.0	0.8	0.0	1.3	0.9	2009
6.4	0.2	2.8	1.6	11.2	0.9	0.0	6.1	1.2	2010
5.8	0.2	14.2	0.7	19.9	6.3	0.0	0.7	5.2	2011

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