The performance of German credit institutions in 2009

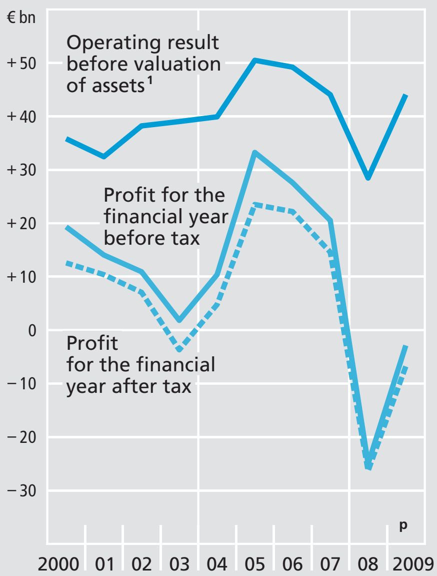
The performance of German credit institutions in the financial year 2009 was characterised mainly by two opposing factors: the rapid recovery in the financial markets that began worldwide in the second quarter of the year and the severe global recession. Overall, a loss for the year before tax of €2.9 billion was shown, although this was €22.1 billion below the extremely large loss in 2008. It is especially notable, however, that this aggregate shortfall was due to losses recorded by a comparatively small number of larger institutions, which were not offset by the profits of the vast majority of the other institutions.

Owing to individual institutions, the big banks, Landesbanken and mortgage banks still recorded large losses for the year before tax, although these were sometimes significantly reduced from the previous year. With the exception of the regional banks, which suffered an almost complete reduction of their profit for the year before tax, all the other categories of banks were able to show sometimes markedly higher pre-tax profits for the year.

The improvement in the profit and loss account – based on the published individual accounts drawn up in accordance with the German Commercial Code (*Handelsgesetzbuch*) – was supported mainly by large profits in own-account trading as well as a marked reduction in net valuation charges, which is likely to have been due to significantly lower risk provisioning for securities of the liquidity reserve. Despite this decline, the markedly lower net valuation charges in comparison with the previous year were still at a high level from a historical perspective. The rise in risk provisioning in lending business due to the recession probably played a key role in this respect. Profitability was also dented by a rise in administrative spending and a perceptible increase in losses in the "extraordinary account". Although, on balance, German banks generated substantial income from the release of reserves, for the second year in succession there was still a significant balance sheet loss (€5.1 billion), although this was concentrated on a few categories of banks and on a small number of banks within those categories.

Despite the current favourable underlying macroeconomic conditions, a rather subdued development in profitability may be assumed for the financial year 2010 so far. It is therefore likely that, owing to the lagged effects of last year's worldwide recession, performance is still being shaped by considerable risk provisioning in lending business. Furthermore, there is still heightened uncertainty in the financial markets and this may markedly restrict the earnings potential, especially in operational business.

The performance of credit institutions



1 Partial operating result plus net profit or net loss on financial operations and net other operating income or charges.

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Income from interest business

Massive decline in interest expenses and interest income but slight increase in net interest received

Mainly on account of the lower general interest rate level, there was a massive reduction in German credit institutions' interest expenses and income in the reporting year. Interest expenses declined more sharply than interest income, resulting in net interest received – ie the difference between interest income and expenses – rising slightly by €0.9 billion to €91.5 billion.

Larger interest margin

Nevertheless, the share of net interest income in operating income[1] fell by 12.1 percentage points to 72.5% – which is near to the average since 1993 – since a large profit was achieved in own-account trading again following the sharp drop in 2008. The interest margin – calculated as net interest received in relation to the average balance sheet total – increased slightly from 1.09% in 2008 to 1.14% in 2009. In consolidated terms – ie after adjustment for interbank business, which has no effect on net interest received – the interest margin went up again for the first time in five years to 1.61%.

Savings banks and credit cooperatives posted significant growth in interest income, ...

The picture across the various categories of banks was fairly mixed in the reporting year. Savings banks and credit cooperatives, in particular, were able to achieve significant growth again. Savings banks' net interest received, for example, grew noticeably by €1.7 billion to €22.6 billion, mainly owing to large profits resulting from maturity transformation. This increased the share of net interest received in their operating income by 2.6 percentage points to 78.6%. Credit cooperatives recorded even stronger growth in their net interest income; their net interest received increased by €1.9 billion to €15.1 billion in the reporting year, which was well above the longer-term average in the period from 1993 to 2008 (€13.3 billion). As a result, there was a clear increase in its share in operating business from 69% to 76.9%. As in the case of savings banks, too, credit cooperatives' interest margin increased for the first time in five years. Perceptible, albeit smaller growth in net interest received was likewise achieved by special purpose banks and mortgage banks.

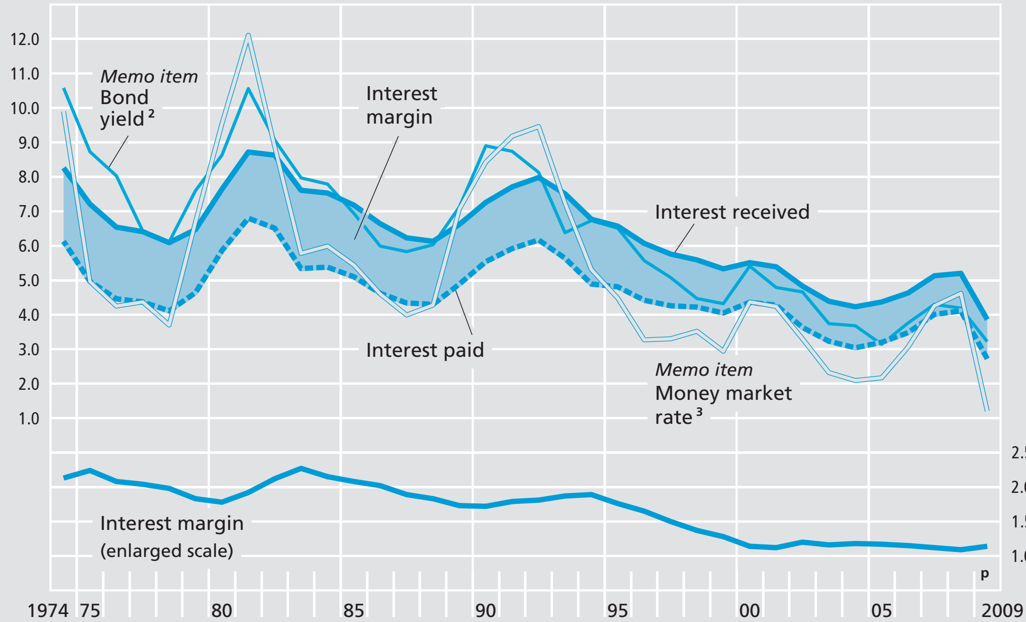
... while nearly all other categories of banks recorded a decline

By contrast, nearly all other categories of banks showed a decline in their net interest received. By far the largest absolute reduc-

1 Sum of net interest and net commissions received, net profit or loss on financial operations, and net other operating income or charges.

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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tion, amounting to €2.2 billion, was recorded by the regional banks, however. The reason for this was an extreme decline in current income of almost 73% due mainly to the reduction in income from shares, which also count as interest income, and from other variable-yield securities. This lowered the share of net interest received in their operating income by a total of 6.6 percentage points to 62.3%. In comparison, at €0.8 billion, the fall in big banks' net interest income was minor. The share of net interest received in total operating income, which has traditionally been comparatively small in the case of big banks, fell noticeably owing to a marked improvement in the own-account trading figures and almost matched the longer-term average of the period from 1993 to 2008 (64.6%). In relation to the volume of business, however, the big banks' interest margin showed a marked increase. There was a slight deterioration in net interest received in the case of Landesbanken and the regional institutions of credit cooperatives, too. This was due mainly to higher costs of own funds and interest rate developments in the capital and money markets (in conjunction with the reduction of interest-dependent portfolios). In the case of Landesbanken, special factors stemming from participating interests had an additional reducing impact.[2] While the inter-

2 Nevertheless, the reduction in net interest received in the case of Landesbanken was also partly offset by the non-servicing of participation rights capital and hybrid capital by some institutions. This special factor was due to the fulfilment of European Commission requirements in the context of EU state aid control procedures due to the stabilisation measures taken by the owners of the Landesbanken concerned and by the Financial Market Stabilisation Fund (*Sonderfonds Finanzmarktstabilisierung,* SoFFin).

est margin of Landesbanken remained constant, it declined markedly in the case of regional institutions of credit cooperatives.

Net commission income

Decline in net commissions received ...

Following the fairly poor results of the previous year, the German banks recorded a further decline in net commission income in the financial year 2009. Owing to a decline in commissions received and an increase in commissions paid, net commissions received fell by €2.4 billion to €27.4 billion. The importance of net commissions received for operational business – measured as the percentage share of this item in total operating income – was not as great as in the previous year. Nevertheless, at 21.7%, it was just above the longer-term average of the period from 1993 to 2008. Thus, despite the reduction, it represented a major source of German credit institutions' income during the reporting period, too.

... lower stock exchange turnover being one of the causes

The less favourable result for net commissions received was due mainly to subdued stock market activity, which hardly picked up despite the fact that stock prices began to go up again from the second quarter of 2009. The volume of sales on the German equity markets in 2009, at €2.9 trillion, was almost 48% down on the year. At the same time, however, bank customers' interest in mutual fund shares picked up again in 2009, which, taken in isolation, buoyed up commission business. It was solely the acquisition of mutual fund shares by domestic non-banks which increased during this period by €32.2 billion to €58.0 billion.

Marked fall in net commissions received in the case of commercial banks and Landesbanken ...

In the reporting year, the decline in net commission received affected nearly all categories of banks, albeit to varying degrees. In particular, commercial banks, which generated almost 55% of net commissions received by domestic credit institutions, saw a marked fall in their income from commission business, although regional banks accounted for the majority of this. The big banks – for which commission business has traditionally played a major role in operational business – and Landesbanken also saw a marked decline in their net commissions received, however.[3]

... and slight decrease at savings banks and credit cooperatives

By contrast, as in the previous reporting year, savings banks and credit cooperatives recorded a comparatively minor decline in their net commissions received. At 20% of their total operating result, this income item is much less important for these institutions than it is, say, for the commercial banks. For savings banks and credit cooperatives, the result for net commissions received is, moreover, significantly less dependent on developments in the stock market – which, over time, is reflected in this income item being less volatile for these categories of banks.

Net profit or net loss on financial operations

Sharp improvement in own-account trading figures ...

Following the dramatic loss of €18.7 billion in 2008 due to the financial crisis, German credit institutions recorded a large profit

3 One of the reasons for this in the case of the Landesbanken was a marked rise in commissions paid for guarantees provided by the Financial Market Stabilisation Fund (SoFFin) in the wake of the financial crisis.

Relative significance of major income and cost items for individual categories of banks in 2009 *

As a percentage of total surplus in operating business

Item	All categories of banks	Big banks	Regional banks	Landes-banken	Savings banks	Regional institutions of credit coopera-tives	Credit coopera-tives	Mortgage banks	Special purpose banks
Net interest received	72.5	63.8	62.3	81.5	78.6	48.2	76.9	96.1	84.0
Net commissions received	21.7	29.0	28.9	8.4	20.4	15.3	19.9	3.3	15.5
Net profit or net loss on financial operations	5.5	12.9	3.3	6.5	0.6	36.2	0.3	– 0.1	0.0
Net other operating income or charges	0.4	– 5.6	5.5	3.6	0.3	0.3	2.9	0.7	0.5
Total surplus in operating business	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General administrative spending	– 65.1	– 76.8	– 68.2	– 51.1	– 66.6	– 43.9	– 68.3	– 36.6	– 33.0
of which									
Staff costs	– 35.6	– 38.8	– 32.4	– 26.1	– 41.5	– 24.5	– 42.3	– 16.3	– 17.8
Other administrative spending	– 29.5	– 38.0	– 35.8	– 25.1	– 25.1	– 19.3	– 26.0	– 20.3	– 15.2
Net income or net charges from the valuation of assets	– 21.4	– 16.1	– 16.6	– 43.5	– 15.6	1.1	– 11.5	– 89.0	– 39.9
Net other and extraordinary income or charges	– 15.8	– 27.4	– 15.2	– 42.7	– 1.4	– 28.7	– 2.7	– 10.7	– 1.4
Memo item									
Profit for the financial year before tax	– 2.3	– 20.3	0.0	– 37.3	16.4	28.6	17.4	– 36.3	25.7
Taxes on income and earnings	– 3.1	2.2	– 2.7	– 1.6	– 7.8	1.5	– 7.6	– 4.2	0.1
Profit for the financial year after tax	– 5.4	– 18.1	– 2.7	– 39.0	8.6	30.1	9.8	– 40.4	25.8

* 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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again in own-account trading in securities (of the trading portfolio), financial instruments, foreign exchange assets and precious metals amounting to €6.9 billion.[4] The only year since 1993 in which German banks achieved better own-account trading figures was 2005.

... owing to significant reduction in financial market risks

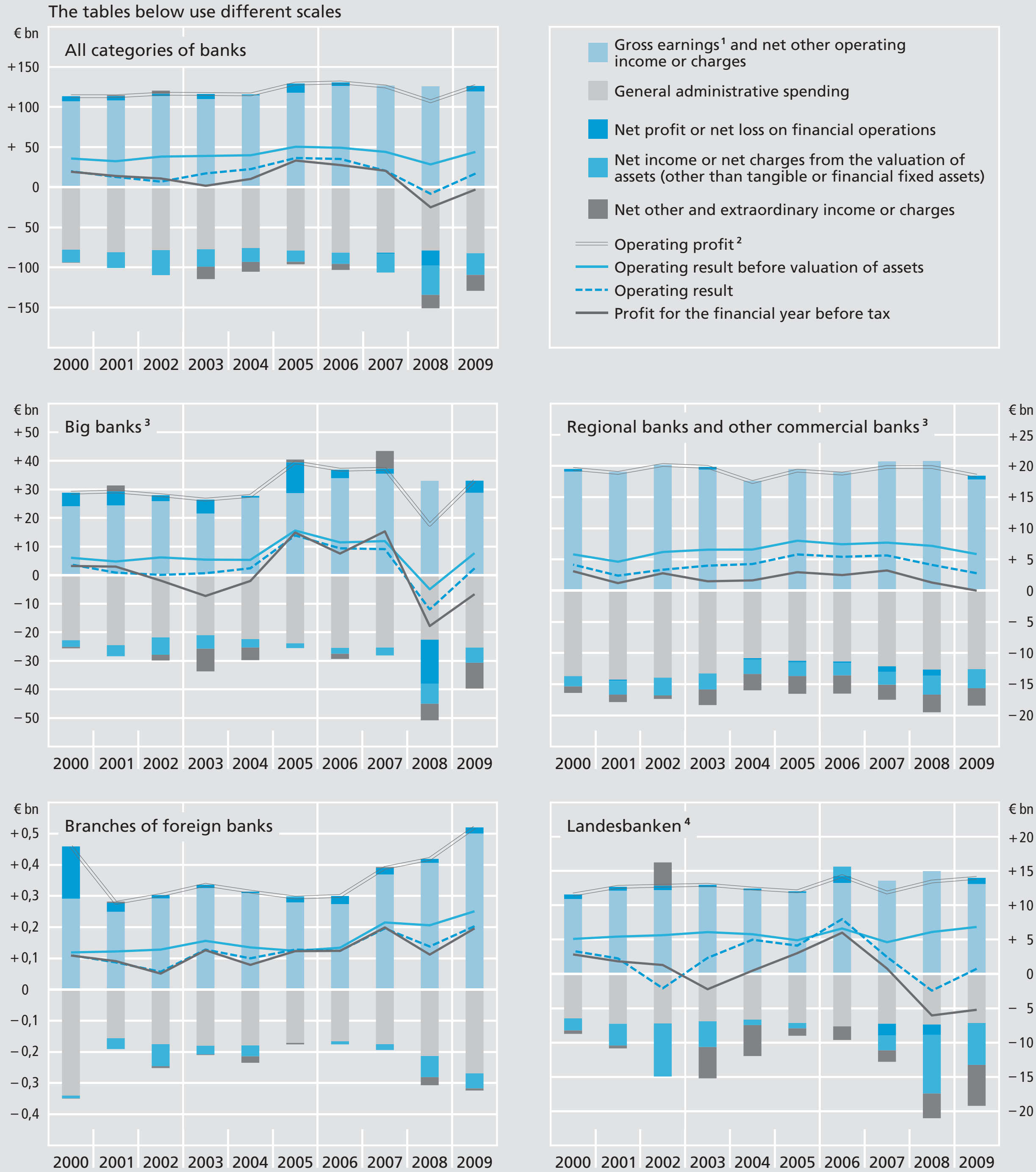
This positive development was due mainly to the marked reduction in risks on the money and capital markets, especially since the second quarter of 2009, which was, in turn, a result of the massive support measures for the financial sector taken by governments worldwide, economic stimulus packages and an expansionary monetary policy. Specifically, according to the published annual reports, it was principally foreign exchange and money market trading as well as business in interest rate products that made clearly positive contributions to income. Owing to further negative valuation adjustments, trading in credit products (including structured products) is, however, likely to have depressed the own-account trading figures, albeit to a far lesser extent than in the previous year.

Profits mainly at those categories of banks which showed the largest losses in 2008

The profits were most pronounced in those categories of banks which had suffered the greatest losses in the previous year as a result of the financial crisis. This applies particularly to the big banks, which accounted for the

4 For information on the categorisation of financial instruments and their valuation pursuant to the German Commercial Code (*Handelsgesetzbuch,* HGB) and the amendment for own-account trading as a result of the Act Modernising Acccounting Law (*Bilanzrechtsmodernisierungsgesetz*, BilMoG), see Deutsche Bundesbank, The Act Modernising Accounting Law from a banking supervision perspective, Monthly Report, September 2010, p 49.

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



* The figures for the most recent date should be regarded as provisional. Excluding building and loan associations, institutions in liquidation, and institutions with a truncated financial year. — **1** Sum of net interest received and net commissions received. — **2** Gross earnings plus net profit or net loss on financial operations and net other operating income or charges. — **3** From 2004, Deutsche Postbank AG

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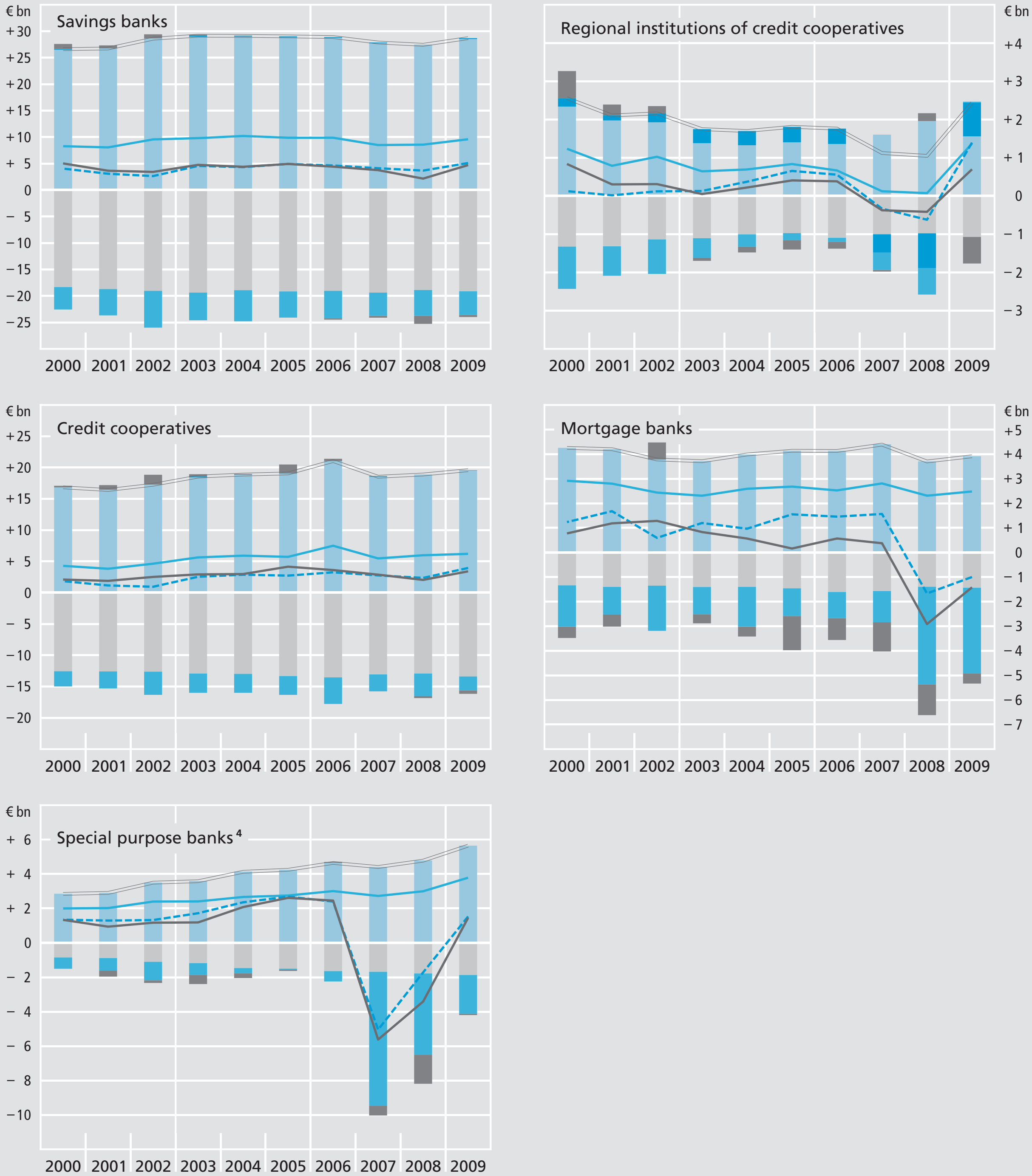

allocated to the category of “Big banks”. — **4** From 2004, NRW.BANK allocated to the category of “Special purpose banks”.

Cost/income ratios, by category of banks *

As a percentage

Category of banks	General administrative spending in relation to ...		
	2007	2008	2009
	... gross earnings 1		
All categories of banks	66.2	65.4	69.1
Commercial banks	67.4	68.6	79.9
Big banks	70.7	71.2	82.8
Regional banks and other commercial banks	61.7	64.5	74.8
Branches of foreign banks	49.4	56.6	69.7
Landesbanken	55.2	51.4	56.8
Savings banks	71.7	70.2	67.2
Regional institutions of credit cooperatives	64.0	51.7	69.1
Credit cooperatives	75.2	74.9	70.6
Mortgage banks	38.3	38.4	36.8
Special purpose banks	39.7	37.9	33.2
	... income from operating business 2		
All categories of banks	64.9	73.4	65.1
Commercial banks	65.5	93.6	73.5
Big banks	68.1	128.2	76.8
Regional banks and other commercial banks	61.2	63.8	68.2
Branches of foreign banks	44.9	50.8	51.7
Landesbanken	61.1	54.6	51.1
Savings banks	69.5	68.8	66.6
Regional institutions of credit cooperatives	89.1	93.1	43.9
Credit cooperatives	70.5	68.3	68.3
Mortgage banks	36.0	37.6	36.6
Special purpose banks	38.2	37.3	33.0

* 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 on financial operations and net other operating income or charges.

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majority of profits in own-account trading. According to the published annual reports, there were, however, very mixed developments within this category of banks.[5] The Landesbanken and regional institutions of credit cooperatives also improved their own-account trading figures, but to a far lesser extent than the big banks. In this respect, too, the published annual reports show some marked differences within these categories. In the case of Landesbanken, what should also be taken into consideration is that the requirements to reduce the balance sheet which the European Commission imposed on some institutions in the context of EU state aid control procedures – including a reduction of or complete withdrawal from own-account trading – are likely to have had a dampening impact on the own-account trading figures of this category of banks.[6]

Administrative spending

Increase in administrative spending ...

For the first time in years, German banks' administrative spending rose clearly in 2009, increasing by 4.4% to €82.2 billion, which is

5 Most of the profits were generated by two institutions, while one bank showed a small loss.
6 In the wake of the financial crisis, a number of institutions in the Landesbanken sector received assistance from their owners (in particular, recapitalisation resources and risk-shielding measures for portfolios) and from the Financial Market Stabilisation Fund (guarantee and risk assumption as well as recapitalisation resources); furthermore, a resolution agency under German federal law ("bad bank") was already set up for one institution for the purpose of unloading risky financial assets which were therefore at risk of severe impairment. State aid control procedures by the European Commission formed the basis for granting this financial assistance. These were linked with far-reaching requirements for balance sheet reduction through a stronger concentration on core business, the sale of participating interests, and giving up entire lines of business.

Structural data on German credit institutions *

Category of banks	Number of institutions [1]			Number of branches [1]			Number of employees [2]		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
All categories of banks	2,012	1,970	1,928	37,976	37,659	37,487	662,650	657,850	646,650
Commercial banks	278	283	288	11,286	11,277	11,496	[3] 190,250	[3] 189,400	[3] 181,900
Big banks	5	5	4	8,568	8,536	8,773	.	.	.
Regional banks	174	173	177	2,628	2,656	2,620	.	.	.
Branches of foreign banks	99	105	107	90	85	103	.	.	.
Landesbanken	12	10	10	485	482	475	39,850	39,250	38,750
Savings banks	446	438	431	13,624	13,457	13,266	253,700	251,400	249,600
Regional institutions of credit cooperatives	2	2	2	11	12	11	4,900	5,100	5,000
Credit cooperatives	1,234	1,199	1,160	12,477	12,344	12,144	[4] 160,750	[4] 159,250	[4] 158,300
Mortgage banks	22	19	18	64	56	65	.	.	.
Special purpose banks	18	19	19	29	31	30	[5] 13,200	[5] 13,450	[5] 13,100
Memo item									
Building and loan associations	25	25	24	1,801	1,872	1,924	[6] 17,000	[6] 16,400	[6] 15,700

***** 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** Excluding Deutsche Bundesbank; sources: data provided by associations. Part-time employees are counted on a per capita basis. — **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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the highest figure so far. This was due primarily to the 7.0% rise in staff costs. Given that there was a further slight decline in the number of persons employed in the banking industry (646,650, compared with 657,850 in 2008), the rise is likely to have been due mainly to the increase in variable and performance-related salary components. By contrast, other administrative spending, which essentially comprises operating expenditure, expenditure on third-party services, as well as write-offs and write-downs of tangible fixed assets, went up only slightly.

... especially at big banks

Here, too, there were heterogeneous developments across the various categories of banks. For example, the increase in administrative spending was, as might be expected, especially pronounced in the case of big banks. More than two-thirds of this increase was due to higher staff costs and the rest was caused by a rise in other administrative spending. The increase in general administrative spending was not quite as marked in the case of credit cooperatives and savings banks, for which the share of administrative spending in the business volume plays a more significant role than for commercial banks. As part of their restructuring programmes, the Landesbanken considerably reduced their total administrative spending.

Net other operating income or charges

German credit institutions' net other operating income or charges showed a marked decline of €5.1 billion to €0.5 billion in the re-

Performance of the various categories of banks in 2008/2009 *

€ million

Category of banks	Operating result before valuation 1		Operating result 2		Profit for the financial year before tax 3	
	2008	2009	2008	2009	2008	2009
All categories of banks	28,460 (0.34)	44,069 (0.55)	– 8,151 (– 0.10)	17,078 (0.21)	– 25,014 (– 0.30)	– 2,870 (– 0.04)
Commercial banks	2,417 (0.08)	13,789 (0.50)	– 7,744 (– 0.26)	5,350 (0.20)	– 16,420 (– 0.55)	– 6,493 (– 0.24)
Big banks	– 4,974 (– 0.22)	7,676 (0.40)	– 12,015 (– 0.54)	2,350 (0.12)	– 17,833 (– 0.81)	– 6,691 (– 0.35)
Regional banks and other commercial banks	7,185 (0.99)	5,862 (0.76)	4,133 (0.57)	2,797 (0.36)	1,301 (0.18)	2 (0.00)
Branches of foreign banks	206 (0.70)	251 (0.66)	138 (0.47)	203 (0.54)	112 (0.38)	196 (0.52)
Landesbanken	6,112 (0.36)	6,847 (0.43)	– 2,435 (– 0.14)	748 (0.05)	– 6,051 (– 0.36)	– 5,229 (– 0.33)
Savings banks	8,573 (0.82)	9,596 (0.90)	3,673 (0.35)	5,105 (0.48)	2,161 (0.21)	4,713 (0.44)
Regional institutions of credit cooperatives	72 (0.03)	1,368 (0.52)	– 622 (– 0.23)	1,395 (0.53)	– 416 (– 0.15)	696 (0.26)
Credit cooperatives	5,980 (0.93)	6,203 (0.92)	2,365 (0.37)	3,948 (0.58)	2,039 (0.32)	3,410 (0.50)
Mortgage banks	2,309 (0.28)	2,481 (0.31)	– 1,668 (– 0.20)	– 1,000 (– 0.12)	– 2,913 (– 0.35)	– 1,419 (– 0.18)
Special purpose banks	2,997 (0.34)	3,785 (0.42)	– 1,720 (– 0.19)	1,532 (0.17)	– 3,414 (– 0.38)	1,452 (0.16)

***** 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. Values in brackets are percentages of the average balance sheet total. — **1** Net interest and net commissions received less general administrative spending plus net profit or net loss on financial operations and net other operating income or charges. — **2** Operating result before the valuation of assets plus net income or net charges from the valuation of assets (other than tangible or financial fixed assets). — **3** Operating result plus net other and extraordinary income or charges.

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Weak development of net other operating income or charges ...

porting year and was therefore below the longer-term average of the period from 1993 to 2008 (€2.8 billion). This fall was due mainly to the sharp rise in other operating charges accompanied by a perceptible decline in income.

... especially at big banks and credit cooperatives

Big banks, in particular, were unable to match their positive result of the previous year and, owing to a marked decline in other operating income along with a considerable rise in other operating charges, recorded a negative balance.[7] The sharp decline experienced by credit cooperatives, on the other hand, was due mainly to a special factor in the previous year now being absent.[8] For all other categories of banks, there were scarcely any changes compared with the previous year.

Operating result before the valuation of assets

Perceptible improvement in operating result before valuation of assets ...

In the financial year 2009, the German banking industry recorded significant growth of €15.6 billion to €44.1 billion in its operating result before the valuation of assets. This increase was due mainly to a sharp improvement in the own-account trading figures. This more than offset the rise in administrative spending as well as the reduction in gross income[9] and in other operating income.

7 According to the data published in the annual reports, a single bank played a dominant part in this outcome.
8 This special factor was linked to higher earnings from the assumption and settlement of deposit protection-based claims within the association of credit cooperatives.
9 Sum of net interest received and net commissions received.

... at almost all categories of banks

Owing to the sharp rise in their own-account trading figures, the improvement in the operating result before the valuation of assets was especially marked in the case of the big banks. The Landesbanken and regional institutions of credit cooperatives also benefited crucially from improved own-account trading figures and were thus able to show a notable increase in their operating result before the valuation of assets in some cases, although the rise was far smaller than that shown by the big banks. In nearly all other categories of banks, growth was due to significantly improved net interest income, even though a number of opposing effects meant that the increase in the operating result before the valuation of assets was not as large for the credit cooperatives and mortgage banks. The regional banks were the sole category of banks to show a marked decline in their operating result before the valuation of assets.

Net income or net charges from the valuation of assets, and operating result

Marked reduction in net valuation charges

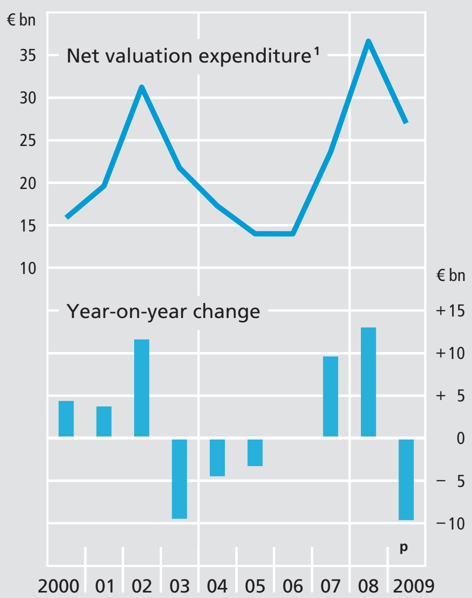
Following a massive rise in 2007 and 2008 as a result of the financial crisis, German credit institutions' net charges from the valuation of securities of the liquidity reserve, claims and loans showed a marked fall of €9.6 billion to €27.0 billion.[10] Nevertheless, risk provisioning remained at a high level compared with the period from 1993 to 2008.[11] Besides the write-downs and transfers to provisions recorded under net income or net charges from the valuation of assets, net resources of €2.1 billion were allocated to the fund for general banking risks (pursuant to section 340 (g) of the German Commercial Code) in the reporting year. These resources do not, however, reduce the profit for the year in the performance analysis presented here, but are allocated to the appropriation of profit as part of the accumulation of reserves.

Decline in charges affects nearly all categories of banks

Looking at the various categories of banks, all of them – with the exception of regional banks and branches of foreign banks, whose risk provisioning remained virtually unchanged – recorded a reduction in their net valuation charges, although the aggregate decline was due, in particular, to big banks, Landesbanken, credit cooperatives and special purpose banks. Despite the sometimes marked decline in risk provisioning, net valuation charges in the reporting year were still well above the longer-term averages of the period from 1993 to 2008 for all categories of banks except savings banks, credit cooperatives and regional institutions of credit cooperatives.[12] Some very mixed developments within the individual categories were behind these movements, too.[13]

According to the published annual reports, the change in risk provisioning in the report-

10 Within this item, the respective institutions had already made use of the cross-offsetting option permissible under section 340 (f) (3) of the German Commercial Code.
11 During the period from 1993 to 2008, average net valuation charges stood at €17.6 billion. In relation to this figure, risk provisioning in the reporting year was 53.1% above the longer-term average.
12 Looking at risk provisioning in relation to the balance sheet total, a similar picture emerges in terms of the deviations in the results for the individual categories of banks in the reporting year from the longer-term averages.
13 According to the data published in the annual reports, risk provisioning by Landesbanken, mortgage banks, special purpose banks and regional banks, in particular, was clearly determined by individual institutions within the respective categories.



1 Excluding investment in tangible and financial fixed assets.

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Recovery in the financial markets with clearly positive impact on risk provisioning ...

ing year is likely to have been shaped, above all, by two opposing factors: the global recovery in the financial markets and the lagged real economic impact of the financial crisis. Risk provisioning in the reporting year appears to have been affected positively – through a reduction in charges – by the result for securities of the liquidity reserve, mainly on account of the recovery in the financial markets that set in especially from the second quarter of 2009. According to the data published in the annual reports, credit institutions recorded positive returns owing to write-ups of securities (including some structured products) whose value had been written down in the previous year as well as capital gains. Probably of even greater significance in this context were the much lower write-downs (-76.5% compared with 2008) on debt securities in domestic credit institutions' portfolios, some of which were recorded under net charges from the valuation of assets. In relation to the period from 2000 to 2008, write-downs on debt securities were thus 26.4% below their medium-term average and showed a decline for the first time since 2005.[14]

... but subject to considerable strain owing to loan losses

Nevertheless, according to the published annual reports, these charge-reducing effects are likely to have been countered by a marked increase in risk provisioning in lending business owing to the global recession[15] and by the resulting deterioration in borrower creditworthiness. Developments in domestic lending show that, despite a comparatively small 5.0% rise[16] in the number of insolvencies, the massive increase in the volume of associated problem loans (from €33.5 billion in 2008 to €85.0 billion in 2009) is very likely to have resulted in significantly higher losses, especially in corporate lending business. Doubtful debt arising from business insolvencies, for example, showed a massive 231.4% rise to €73.1 billion, whereas that of other debtors and consumers went up only slightly by 4.2% and 2.4% to €11.9 billion and €5.8 billion respectively. In relation to the period since 1993, problem loans as a whole reached their absolute peak and were €56.1

14 Between 2005 and 2008, write-downs on debt securities rose annually by an average of roughly 96%, although the financial crisis is likely to have played a key role in this context.
15 In 2009, real GDP contracted by 4.7% in Germany, by 4.2% in the EU (EU 27 including Germany), by 2.6% in the USA, by 5.2% in Japan, and by a total of 3.3% in all the OECD countries.
16 This was due to a marked 11.6% increase in business insolvencies and a comparatively small 3.0% rise in consumer insolvencies.

billion above the longer-term average between 1993 and 2008 (€28.9 billion).[17] Insolvencies in the reporting year were crucially influenced by numerous major insolvencies in the trade, tourism, clothing and textiles sectors, as well as in the automotive industry (especially suppliers of components), shipbuilding and the semiconductor segment.

According to the data in the published annual reports, some strains are likely to have arisen in international lending business owing to the difficult situation on the commercial real estate and housing markets in a number of euro-area and non-euro-area countries, mainly as a result of the drop in the value of collateral due to property price deflation and the growing number of credit defaults.

Marked improvement in the operating result ….

Owing to the substantial €9.6 billion decline in net valuation charges, the improvement in the operating result after valuation in 2009, with growth of €25.2 billion to €17.1 billion – following a negative figure for the previous year of €8.2 billion – was much sharper than the increase in the operating result before the valuation of assets. Despite this significant improvement, it was still below its longer-term average between 1993 and 2008 (€19.5 billion), which was due mainly to the above-average risk provisioning.

… at almost all categories of banks

Looking at the individual categories of banks, apart from regional banks – which recorded a poorer operating result – all the other categories of banks showed sometimes marked improvements in their operating results. Notwithstanding this improvement, the operating results of big banks, Landesbanken, mortgage banks and regional banks in the reporting year were largely at levels well below their multi-year averages, ie in relation to the period from 1993 to 2008. In contrast to this, the operating results of the credit cooperatives and their regional institutions as well as of special purpose banks were noticeably above their longer-term averages. Savings banks were only slightly above their longer-term average, however.

Other and extraordinary income or charges

Further deterioration in the balance of the "extraordinary account" …

The "extraordinary account" placed an exceptionally heavy strain on performance in 2008, resulting in a balance of -€16.9 billion – above all, owing to massive losses in financial investment business due to the financial crisis. This was followed in 2009 by a further deterioration in the annual result with German banks recording a balance of -€19.9 billion. Although net charges in financial investment business were reduced by €5.0 billion in comparison with the previous year, the significant €7.0 billion deterioration in net extraordinary income and charges in the narrower definition[18] as well as the €1.3 billion increase in net loss transfers had a marked negative impact on the "extraordinary account".

17 See Statistisches Bundesamt (Federal Statistical Office), Unternehmen und Arbeitsstätten, Insolvenzverfahren Dezember und Jahr 2008, Fachserie 2, Reihe 4.1, March 2010 (available in German only).
18 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 other and extraordinary income or charges *

€ million

Item	2007	2008	2009
Balance of other and extraordinary income or charges	74	– 16,863	– 19,948
Income (total)	11,168	7,195	3,300
from value adjustments in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	8,970	1,761	1,091
from the release of special reserves	38	121	37
from loss transfers	49	1,705	876
Extraordinary income	2,111	3,608	1,296
Charges (total)	– 11,094	– 24,058	– 23,248
Write-offs and write-downs in respect of participating interests, shares in affiliated enterprises, and securities treated as fixed assets	– 3,929	– 15,288	– 9,612
from loss transfers	– 939	– 3,318	– 3,749
Transfers to special reserves	– 65	– 30	– 23
Extraordinary charges	– 1,274	– 1,938	– 6,619
Profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement	– 4,887	– 3,484	– 3,245

* 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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Charges incurred through derived profits fell only slightly, however.

... particularly at big banks and Landesbanken

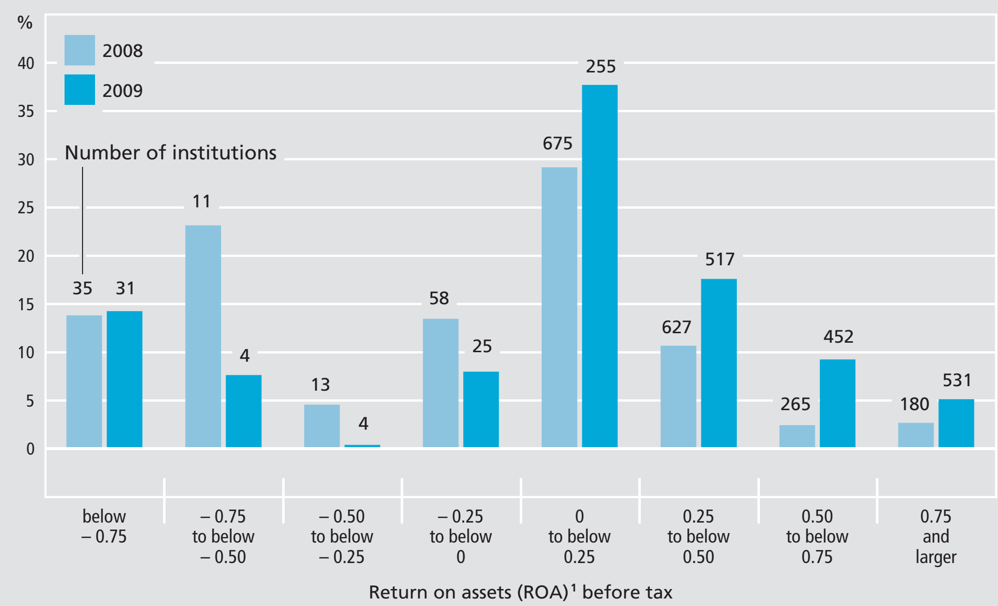
The further deterioration in the "extraordinary account" in 2009 was due to markedly higher losses in the case of big banks, Landesbanken and – to a much lesser extent – at credit cooperatives and regional institutions of credit cooperatives. In the case of big banks, this was essentially due to an increase in losses in the extraordinary profit and loss in the narrower definition, although this was accompanied by a partially offsetting decline in losses in financial investment business. At Landesbanken, the deterioration in the "extraordinary account" was driven mainly by higher extraordinary net charges in the narrower definition, higher net loss transfers as well as higher net charges in financial investment business. The increase in net charges in the "extraordinary account" at credit cooperatives and regional institutions of credit cooperatives resulted to a large extent from higher net charges in financial investment business.[19]

Reduction of losses at other categories of banks

These poorer results for the "extraordinary account" contrasted in part with marked im-

19 According to the data published in the annual reports, the losses in all the cited categories of banks were essentially due to individual institutions within the respective category. The losses at big banks in the reporting year were primarily concentrated on one institution which recorded, *inter alia*, a high loss transfer at a subsidiary as well as a high extraordinary loss in the narrower definition owing to the takeover of another big bank. In the case of Landesbanken, the losses were essentially concentrated on two institutions and were due mainly to loss transfers in the case of subsidiaries or the hiving-off of subsidiaries, write-downs in financial investment business as well as the formation of restructuring provisions in connection with EU state aid control procedures.

Distribution of return on assets (ROA)* before tax



* 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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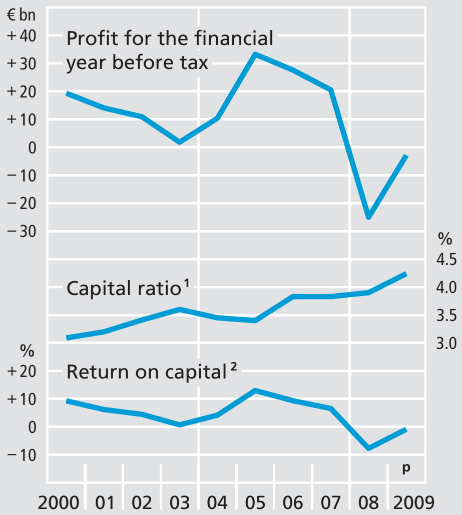
provements in the – nevertheless still negative – balances of the special purpose banks, savings banks and mortgage banks. This development was due, in particular, to a significant reduction in losses in financial investment business, which had been placing the "extraordinary account" under considerable strain in the previous year owing to the financial crisis.

Profit for the financial year, taxes on income and earnings, balance sheet profit

Marked reduction overall in loss for the financial year ...

Despite the marked improvement in the operating result, the further massive losses due to the "extraordinary account" meant that German credit institutions again posted a loss for the financial year before tax in 2009. At €2.9 billion, however, this was significantly lower than the loss of €25.0 billion in 2008. In the reporting year, marked improvements in the annual results and in profits for the year before tax were posted by special purpose banks (€1.5 billion compared with -€3.4 billion), savings banks (€4.7 billion compared with €2.2 billion), credit cooperatives (€3.4 billion compared with €2.0 billion), and regional institutions of credit cooperatives (€0.7 billion compared with €0.4 billion). Despite a clear improvement, big banks again showed a loss for the financial year before tax amounting to €6.7 billion, although the data published in the annual reports reveal that this was essentially due to a single institution. Notwithstanding some marked falls, Landesbanken and mortgage banks still posted

Credit institutions' profit for the financial year and capital



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.

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losses for the financial year before tax of €5.2 billion and €1.4 billion respectively. Here, too, the published annual reports show that the pre-tax losses were due principally to individual institutions. Regional banks were the only category to suffer a marked reduction (of €1.3 billion to €2.0 million) in their result for the financial year before tax. This was due, above all, to a decline in net income in operational business.

... with mixed developments across the individual institutions

Although there was an improvement in the annual results across all categories of banks with the exception of the regional banks, the reduction in the negative aggregate return on assets before tax from -0.30% in 2008 to -0.04% in 2009 was accompanied by very heterogeneous developments among the individual institutions. Grouping the individual banks by profitability classes and looking at the relative size of each category – measured by their percentage share in the balance sheet total of all German banks – shows that there was an improvement on 2008 in all profitability classes with the exception of the bottom class.[20] Nevertheless, it also becomes clear that, in the reporting year, losses were generated by a small number of banks (3.5% of all institutions) which, however, accounted for just under one-third of the aggregate balance sheet total. These losses were not entirely offset by the profits of the majority of banks (96.5% of all institutions), whose share of the aggregate balance sheet total stood at just over two-thirds. Overall, therefore, the losses of a comparatively small number of fairly large institutions were more significant than the profits of the vast majority of the other institutions.

Perceptible improvement in return on equity but still negative

In line with the development in the return on assets, the return on equity before tax was – despite a perceptible improvement of 6.86 percentage points – still negative for German banks as a whole (-0.84%). However, all categories of banks with the exception of regional banks recorded an improvement – in some cases, a marked one – even though the return on equity before tax was still clearly negative for the big banks, Landesbanken and mortgage banks.

20 In comparison with 2008, the relative sizes of all profitability classes with a positive return on assets increased and those of negative profitability classes greater than or equal to -0.75% fell. Furthermore, the number of institutions showing a negative return on assets fell from 117 to 64 and their share of the aggregate balance sheet total of the German banking system declined from 55.0% to 30.3%.

Return on capital of individual categories of banks *

As a percentage

Category of banks	2005		2006		2007		2008		2009	
All categories of banks	13.00	(9.19)	9.35	(7.51)	6.57	(4.66)	– 7.70	(– 8.11)	– 0.84	(– 2.00)
Commercial banks	21.82	(15.52)	11.23	(9.12)	19.13	(15.61)	– 15.49	(– 15.05)	– 5.83	(– 5.69)
of which										
Big banks	31.72	(23.12)	14.01	(12.27)	25.97	(21.64)	– 25.30	(– 23.74)	– 9.10	(– 8.11)
Regional banks and other commercial banks	8.63	(5.43)	6.99	(4.43)	8.51	(6.35)	3.81	(2.14)	0.01	(– 1.37)
Landesbanken	6.44	(5.56)	11.40	(9.73)	1.46	(0.94)	– 11.07	(– 12.22)	– 8.16	(– 8.52)
Savings banks	10.45	(5.60)	8.94	(4.95)	7.24	(4.21)	4.00	(2.12)	8.48	(4.43)
Regional institutions of credit cooperatives	5.25	(5.12)	4.49	(9.51)	– 4.03	(2.94)	– 4.40	(1.50)	7.24	(7.62)
Credit cooperatives	13.79	(9.00)	11.04	(8.51)	8.14	(5.16)	5.53	(3.98)	8.98	(5.05)
Mortgage banks	0.91	(– 0.87)	2.83	(1.85)	1.89	(1.06)	– 15.49	(– 15.98)	– 8.33	(– 9.29)

* 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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Slight increase in taxes on income and earnings

Taxes on income and earnings increased by €2.6 billion to €3.9 billion in 2009, although, among those categories of banks with an aggregate profit for the financial year, significant tax expenses were recorded only by savings banks, credit cooperatives and – albeit to a lesser extent – regional banks. Big banks, by contrast, were the only category of banks with considerable tax receipts; the published annual reports show that this was due to two institutions. For German banks, this resulted in an aggregate loss for the financial year of €6.8 billion, which was due, in particular, to big banks, Landesbanken, mortgage banks and regional banks.

Balance sheet loss despite withdrawals from reserves

To a much greater extent than in the previous year, net losses brought forward of €8.6 billion (compared with €2.3 billion in 2008) had a negative effect on the financial result. As in 2008, these were concentrated solely on mortgage banks, special purpose banks and regional banks.[21] In contrast to the previous year, financial resources were again allocated to the fund for general banking risks – to the value of €2.1 billion net. These consisted of gross transfers in the amount of €2.8 billion as well as income from withdrawals of €0.7 billion. According to the published annual reports, the latter were due solely to one institution within the "big banks" category. The negative factors affecting the result were accompanied by extensive net withdrawals from reserves and participation rights capital

21 According to the published annual reports, the losses brought forward in the categories of mortgage banks and special purpose banks were confined to individual institutions.

in the amount of €12.4 billion. These consisted of gross withdrawals of €14.5 billion – which, according to the data published in the annual reports, were due largely to individual institutions among the big banks and Landesbanken – as well as transfers to reserves and participation rights capital in the amount of €2.1 billion. Net withdrawals from reserves and participation rights capital were €8.2 billion lower than in 2008, however. Overall, there remained a balance sheet loss for the second year in succession; at €5.1 billion, the loss was €0.3 billion higher than in 2008. This was the outcome of balance sheet losses at Landesbanken, mortgage banks, special purpose banks and regional banks, although the losses in each category were concentrated on a small number of institutions. All the other categories of banks showed an aggregate balance sheet profit in 2009.

Outlook

Marked recovery in the performance of large German banking groups in 2010 Q1 …

Owing to the favourable financial market setting and positive global real economic growth, the first quarter of the current financial year 2010 initially saw a marked improvement in the performance of large German internationally active banks, for which intra-year profitability ratios are already available at group level and on an IFRS basis. Following a loss in 2009, the big German banks were thus able to show a strong aggregate profit again in the first quarter of 2010 owing to a marked rise in income from own-account trading, the absence of losses in financial investment business, increased earnings from commission business, and a perceptible reduction in risk provisioning.[22]

… but noticeably slower pace of growth in Q2

Such positive growth was not maintained in the second quarter, however. In this respect, tensions in the financial markets stemming from the escalation of the debt crisis in some euro-area countries seem to have left their mark on the balance sheets. This mainly affected the results in own-account trading; these exerted a considerable dampening impact on the performance of the large German institutions.

Considerable risk provisioning in lending business still expected

Even though the profitability of the big German banking groups in the first half of the current year does not allow any reliable conclusions to be drawn about the performance of the German banking system as a whole in 2010,[23] the intra-year group accounts do provide major clues as to the possible determinants of the German banking industry's future performance. First, the positive development in the real economy in Germany – which is likely to move on to a more moderate path of growth following an extremely dynamic first half of the year – will probably continue to have a positive impact on domestic non-banks' credit quality. Nevertheless, it may be assumed that risk provisioning in domestic lending business – which typically lags behind developments in the real economy to a cer-

22 The aggregate results nevertheless conceal very mixed developments across the individual institutions in some cases.
23 The sample of the large German internationally active banks should not be regarded as representative of the German banking system as a whole, particularly as they differ significantly from many other institutions – especially those in retail business – in terms of their business models, portfolio compositions, financial structures, and accounting standards.

tain extent – will still be shaped by the effects of the 2009 recession.[24] Furthermore, risks still exist, especially in international lending business, as a result of deteriorations in creditworthiness. This applies principally to commercial real estate loans owing to price falls in some overheated property markets inside and outside the euro area. On the other hand, given the robust activity in the world economy and despite existing uncertainties in some countries, there appears to have been a marked reduction in the risk, in particular, of the industrial countries sliding into a further (double-dip) recession and an associated potential increase in risk provisioning.

Earnings potential limited

These reduced real economic risks are, however, still accompanied by financial market risks that are likely to limit future earnings potentials. The currently available data, for example, indicate that the earnings opportunities with regard to securities and other financial instruments held in the institutions' portfolios are likely to have become more restricted owing to the continuing heightened uncertainties in the financial markets. Furthermore, the still ongoing real estate price corrections in some countries could also lead to further losses from write-downs, especially on commercial mortgage-backed securities (CMBS).[25]

Interest rate business, which has benefited recently mainly from low wholesale funding costs, a steep yield curve and low central bank interest rates, is also likely to generate a more limited earnings potential for the financial year 2010. For one thing, it is to be expected that improvements in earnings by expanding the volume of business and, in particular, the volume of credit will be possible only to a limited extent if demand for bank loans remains weak. For another, the potential for expanding the balance sheet in the German banking sector also appears limited at present, especially on account of balance sheet restructuring processes and in view of the higher capital ratios and improved quality of banks' capital called for in the wake of the financial crisis, which will also be a regulatory requirement in the future. Furthermore, the steep yield curve since the beginning of 2009 and the resulting incentives for greater maturity transformation mean that there are higher interest rate risks from a possible flattening of the term structure. Moreover, cost-side risks also exist owing to a possible increase in wholesale funding costs. In this respect, a possible detrimental impact could stem from competition for deposits, possible crowding-out effects due to some countries' future large-scale funding needs in the capital market, higher risk premiums for some government bonds feeding through to bank debt securities, or a preference for longer-term capital market financing in the event of a flatter yield curve. In addition, an exit from providing government guarantees for medium to

24 The volume of problem assets associated with insolvencies fell by 13.2% overall in Germany in the first half of 2010 compared with the same period of 2009. This was due to a marked decline in problem loans in the case of business insolvencies. This was, however, accompanied by a 7.2% rise in the number of insolvencies in Germany during the same period (including business insolvencies +2.0%, consumer insolvencies +11.6%). See Statistisches Bundesamt (Federal Statistical Office), Unternehmen und Arbeitsstätten, Insolvenzverfahren, Fachserie 2, Reihe 4.1, June 2010 (available in German only).
25 Moreover, there would be the risk of rating migration effects, which, owing to external ratings downgrades, would lead to an increase in the risk-weighted assets and, therefore, to higher regulatory capital requirements.

long-term bank debt securities – leading to higher wholesale funding costs – could have the effect of reducing net interest received.

Commission business is likely to benefit from the expected large issuance volume in the capital market. Renewed tensions would dampen capital market activity, however. Cost-side relief in the form of lower staff costs is not to be expected, particularly in view of the job cuts that were already put into effect in 2009.

Rather subdued profitability expected for 2010

In summary, given the current macroeconomic developments in the financial year 2010, it may therefore be assumed at present that profitability will tend to be subdued and that downside risks will dominate. With regard to the associated implications for German banks' capital adequacy, the latest EU-wide stress test[26] has nevertheless shown that the German banking system is in robust shape, not least owing to past balance sheet adjustments and injections of capital, and that it can therefore offset the negative impact of additional downside risks, too.

Against the backdrop of the stricter minimum capital standards for banks[27] that were adopted by the Basel Committee on Banking Supervision in September 2010 and the planned introduction of a bank levy in Germany, the earnings outlook for German credit institutions may be less positive than in the period prior to the financial crisis (for details of the decisions of the Basel Committee, see page 8-9). Ultimately, however, both German banks and all other sectors will benefit from the improved financial stability.

26 See, Deutsche Bundesbank and BaFin, Joint press release of 23 July 2010, Results of the EU-wide stress test for Germany, at http://www.bundesbank.de/download/presse/pressenotizen/2010/20100723.stresstest.en.pdf.
27 Additionally, the introduction of new minimum liquidity requirements, albeit initially only as observation ratios, was decided. See Basel Committee on Banking Supervision, Bank for International Settlements, Group of Governors and Heads of Supervision announces higher global minimum capital standards, press release of 12 September 2010. This was preceded in July 2009 by the decision to enhance the capital requirements for trading, derivate and securitisation activities.

The tables accompanying this article are printed on pages 38-48.

Credit institutions' profit and loss accounts *

Financial year	Interest business			Non-interest business			General administrative spending			Partial operating result (col 1 plus col 4 less col 7)
	Net interest received (col 2 less col 3)	Interest received (total) 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									
2002	85.6	344.5	258.9	24.3	30.2	5.9	78.3	41.6	36.7	31.6
2003	81.7	308.7	227.0	24.4	30.6	6.3	77.3	41.6	35.7	28.8
2004	85.0	303.6	218.6	25.3	32.0	6.8	75.8	41.2	34.6	34.5
2005	88.2	329.1	240.9	27.8	35.4	7.6	78.8	43.4	35.4	37.2
2006	89.1	357.5	268.3	29.9	38.4	8.6	81.5	46.0	35.5	37.5
2007	91.6	418.9	327.4	31.7	42.2	10.5	81.6	44.6	37.0	41.7
2008	90.6	432.8	342.2	29.7	41.1	11.3	78.7	42.0	36.7	41.6
2009	91.5	309.8	218.3	27.4	39.4	12.0	82.2	45.0	37.2	36.7
	Year-on-year percentage change 4									
2003	– 4.5	– 10.4	– 12.3	0.4	1.7	7.2	– 1.2	0.1	– 2.5	– 9.1
2004	4.0	– 1.7	– 3.7	3.8	4.5	7.4	– 2.0	– 0.9	– 3.2	19.9
2005	3.9	8.4	10.2	9.9	10.4	12.0	4.0	5.4	2.4	7.9
2006	1.0	8.6	11.4	7.4	8.7	13.3	3.4	5.9	0.4	0.8
2007	2.8	17.2	22.0	6.1	9.8	22.7	0.1	– 3.0	4.1	11.2
2008	– 0.8	3.4	4.5	– 6.9	– 3.6	6.2	– 3.8	– 6.0	– 1.0	0.3
2009	1.0	– 28.4	– 36.2	– 7.8	– 4.0	5.9	4.4	6.9	1.5	– 11.8
	As a percentage of the average balance sheet total									
2002	1.20	4.83	3.63	0.34	0.42	0.08	1.10	0.58	0.52	0.44
2003	1.16	4.39	3.23	0.35	0.44	0.09	1.10	0.59	0.51	0.41
2004	1.18	4.23	3.04	0.35	0.45	0.09	1.05	0.57	0.48	0.48
2005	1.17	4.37	3.20	0.37	0.47	0.10	1.05	0.58	0.47	0.49
2006	1.15	4.63	3.48	0.39	0.50	0.11	1.06	0.60	0.46	0.49
2007	1.12	5.13	4.01	0.39	0.52	0.13	1.00	0.55	0.45	0.51
2008	1.09	5.20	4.11	0.36	0.49	0.14	0.95	0.50	0.44	0.50
2009	1.14	3.86	2.72	0.34	0.49	0.15	1.02	0.56	0.46	0.46

***** 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

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Net profit or net loss on financial operations	Net other operating income or charges	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 10 to col 13)	Net other and 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 3	
11	12	13	14	15	16	17	18	19	Financial year
								€ billion	
3.0	3.7	– 31.2	7.0	3.9	10.9	3.9	7.1	7,129.1	2002
6.4	3.8	– 21.8	17.3	– 15.5	1.8	5.5	– 3.7	7,038.2	2003
1.3	4.1	– 17.3	22.6	– 12.3	10.4	5.6	4.8	7,183.7	2004
11.4	1.9	– 14.0	36.5	– 3.2	33.2	9.7	23.5	7,524.7	2005
4.4	7.3	– 14.0	35.2	– 7.6	27.6	5.4	22.2	7,719.0	2006
– 1.1	3.5	– 23.6	20.5	0.1	20.5	6.0	14.6	8,158.9	2007
– 18.7	5.6	– 36.6	– 8.2	– 16.9	– 25.0	1.3	– 26.3	8,327.1	2008
6.9	0.5	– 27.0	17.1	– 19.9	– 2.9	3.9	– 6.8	8,021.8	2009
								Year-on-year percentage change 4	
118.6	3.1	30.3	146.1	.	– 84.7	42.9	.	– 1.3	2003
– 80.5	9.0	20.5	31.0	20.7	469.0	1.4	.	2.1	2004
806.3	– 53.9	18.9	61.5	73.6	221.2	75.0	391.6	4.8	2005
– 61.4	291.8	0.0	– 3.5	– 135.2	– 17.0	– 44.4	– 5.6	2.6	2006
.	– 51.9	– 68.6	– 41.9	.	– 25.6	9.8	– 34.3	5.7	2007
– 1 545.1	55.6	– 54.9	.	.	.	– 78.1	.	2.1	2008
.	– 91.1	26.2	.	– 18.4	88.6	196.5	74.2	– 3.7	2009
								As a percentage of the average balance sheet total	
0.04	0.05	– 0.44	0.10	0.06	0.15	0.05	0.10	.	2002
0.09	0.05	– 0.31	0.25	– 0.22	0.03	0.08	– 0.05	.	2003
0.02	0.06	– 0.24	0.31	– 0.17	0.14	0.08	0.07	.	2004
0.15	0.02	– 0.19	0.48	– 0.04	0.44	0.13	0.31	.	2005
0.06	0.09	– 0.18	0.46	– 0.10	0.36	0.07	0.29	.	2006
– 0.01	0.04	– 0.29	0.25	0.00	0.25	0.07	0.18	.	2007
– 0.22	0.07	– 0.44	– 0.10	– 0.20	– 0.30	0.02	– 0.32	.	2008
0.09	0.01	– 0.34	0.21	– 0.25	– 0.04	0.05	– 0.08	.	2009

tangible and intangible assets, but excluding depreciation of and value adjustments to assets leased (“broad” definition). — **3** Excluding the balance sheet total of the foreign branches of savings banks. From 2004, excluding the balance sheet total of the foreign branches of regional institutions of credit cooperatives. — **4** 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			Partial operating result (col 2 plus col 5 less col 8)
		Net interest received (col 3 less col 4)	Interest received (total) 1	Interest paid	Net com-missions received (col 6 less col 7)	Commis-sions received	Commis-sions paid	Total (col 9 plus col10)	Staff costs	Total other adminis-trative spending 2	
	1	2	3	4	5	6	7	8	9	10	11
	All categories of banks										
2004	2,055	84,998	303,615	218,617	25,282	32,039	6,757	75,781	41,223	34,558	34,499
2005	1,988	88,211	329,082	240,871	27,797	35,351	7,554	78,806	43,445	35,361	37,202
2006	1,940	89,124	357,461	268,337	29,852	38,411	8,559	81,474	45,989	35,485	37,502
2007	1,903	91,577	418,933	327,356	31,681	42,179	10,498	81,561	44,604	36,957	41,697
2008	1,864	90,636	432,846	342,210	29,718	41,060	11,342	78,731	42,033	36,698	41,623
2009	1,819	91,504	309,780	218,276	27,364	39,381	12,017	82,195	44,961	37,234	36,673
	Commercial banks										
2004	187	29,471	85,000	55,529	13,430	17,143	3,713	33,386	16,606	16,780	9,515
2005	179	32,585	102,082	69,497	15,370	19,375	4,005	35,259	17,889	17,370	12,696
2006	174	34,584	116,283	81,699	16,504	21,332	4,828	36,939	19,402	17,537	14,149
2007	173	38,076	140,346	102,270	17,757	24,205	6,448	37,623	19,454	18,169	18,210
2008	181	35,704	140,162	104,458	15,994	23,061	7,067	35,444	16,868	18,576	16,254
2009	183	32,770	88,515	55,745	15,058	21,768	6,710	38,194	18,878	19,316	9,634
	Big banks										
2004	5	17,340	58,161	40,821	8,836	11,087	2,251	22,382	11,473	10,909	3,794
2005	5	19,419	73,595	54,176	10,076	12,189	2,113	23,846	12,564	11,282	5,649
2006	5	22,111	87,108	64,997	10,861	13,365	2,504	25,438	13,936	11,502	7,534
2007	5	24,454	104,238	79,784	11,365	14,634	3,269	25,321	13,709	11,612	10,498
2008	5	21,828	100,199	78,371	9,895	13,541	3,646	22,594	10,917	11,677	9,129
2009	4	21,060	56,590	35,530	9,565	13,035	3,470	25,349	12,811	12,538	5,276
	Regional banks and other commercial banks										
2004	163	11,967	26,211	14,244	4,461	5,917	1,456	10,825	5,057	5,768	5,603
2005	155	13,050	27,930	14,880	5,133	7,020	1,887	11,242	5,247	5,995	6,941
2006	152	12,362	28,507	16,145	5,496	7,815	2,319	11,335	5,383	5,952	6,523
2007	151	13,466	35,134	21,668	6,194	9,366	3,172	12,127	5,658	6,469	7,533
2008	158	13,660	38,753	25,093	5,939	9,354	3,415	12,637	5,858	6,779	6,962
2009	161	11,485	31,082	19,597	5,332	8,567	3,235	12,576	5,971	6,605	4,241
	Branches of foreign banks										
2004	19	164	628	464	133	139	6	179	76	103	118
2005	19	116	557	441	161	166	5	171	78	93	106
2006	17	111	668	557	147	152	5	166	83	83	92
2007	17	156	974	818	198	205	7	175	87	88	179
2008	18	216	1,210	994	160	166	6	213	93	120	163
2009	18	225	843	618	161	166	5	269	96	173	117
	Landesbanken										
2004	12	9,886	66,634	56,748	1,718	3,010	1,292	6,660	3,342	3,318	4,944
2005	12	10,019	74,094	64,075	1,933	3,455	1,522	7,140	3,607	3,533	4,812
2006	12	10,030	81,578	71,548	2,206	3,784	1,578	7,646	4,204	3,442	4,590
2007	12	10,877	94,386	83,509	2,247	3,987	1,740	7,248	3,747	3,501	5,876
2008	10	12,161	94,705	82,544	2,177	4,015	1,838	7,364	3,659	3,705	6,974
2009	10	11,420	60,724	49,304	1,181	3,639	2,458	7,159	3,649	3,510	5,442

* For footnotes **1-5**, see pp 42-43.

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Net profit or net loss on financial operations	Net other operating income or charges	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 11 to col 14)	Net other and extra-ordinary income or charges	Profit for the financial year before tax (col 15 plus col 16)	Taxes on income and earnings [3]	Profit or loss (–) for the financial year after tax (col 17 less col 18)	Withdrawals from or transfers to (–) reserves and participation rights capital [4]	Balance sheet profit or loss (–) (col 19 plus col 20)	*Memo item* Average annual balance sheet total [5]	
12	13	14	15	16	17	18	19	20	21	22	Financial year
										All categories of banks	
1,260	4,149	– 17,282	22,626	– 12,254	10,372	5,583	4,789	– 831	3,958	7,183,653	2004
11,421	1,861	– 14,007	36,477	– 3,235	33,242	9,744	23,498	– 14,395	9,103	7,524,722	2005
4,413	7,292	– 14,000	35,207	– 7,610	27,597	5,421	22,176	– 11,818	10,358	7,718,988	2006
– 1,143	3,506	– 23,603	20,457	74	20,531	5,953	14,580	– 1,359	13,221	8,158,884	2007
– 18,718	5,555	– 36,611	– 8,151	– 16,863	– 25,014	1,327	– 26,341	21,549	– 4,792	8,327,069	2008
6,903	493	– 26,991	17,078	– 19,948	– 2,870	3,927	– 6,796	1,702	– 5,094	8,021,799	2009
										Commercial banks	
414	2,117	– 5,302	6,744	– 7,086	– 342	825	– 1,167	615	– 552	2,361,952	2004
10,542	472	– 3,906	19,804	– 1,856	17,948	5,180	12,768	– 8,592	4,176	2,563,063	2005
2,759	2,089	– 4,092	14,905	– 4,761	10,144	1,904	8,240	– 2,867	5,373	2,601,671	2006
884	712	– 4,879	14,927	3,799	18,726	3,450	15,276	– 5,779	9,497	2,935,195	2007
– 16,343	2,506	– 10,161	– 7,744	– 8,676	– 16,420	– 461	– 15,959	16,697	738	2,964,986	2008
4,893	– 738	– 8,439	5,350	– 11,843	– 6,493	– 163	– 6,329	8,564	2,235	2,735,387	2009
										Big banks	
619	907	– 2,947	2,373	– 4,440	– 2,067	– 218	– 1,849	3,337	1,488	1,764,080	2004
10,775	– 846	– 1,713	13,865	1,002	14,867	4,030	10,837	– 7,941	2,896	1,939,373	2005
2,971	920	– 2,073	9,352	– 1,832	7,520	936	6,584	– 2,807	3,777	1,995,918	2006
1,764	– 375	– 2,806	9,081	6,209	15,290	2,549	12,741	– 5,386	7,355	2,240,698	2007
– 15,373	1,270	– 7,041	– 12,015	– 5,818	– 17,833	– 1,096	– 16,737	16,810	73	2,212,741	2008
4,262	– 1,862	– 5,326	2,350	– 9,041	– 6,691	– 724	– 5,966	8,392	2,426	1,931,021	2009
										Regional banks and other commercial banks	
– 210	1,198	– 2,320	4,271	– 2,625	1,646	1,017	629	– 2,722	– 2,093	573,493	2004
– 249	1,316	– 2,197	5,811	– 2,853	2,958	1,098	1,860	– 651	1,209	602,538	2005
– 238	1,153	– 2,009	5,429	– 2,929	2,500	915	1,585	– 60	1,525	586,058	2006
– 901	1,072	– 2,054	5,650	– 2,413	3,237	823	2,414	– 393	2,021	671,668	2007
– 983	1,206	– 3,052	4,133	– 2,832	1,301	572	729	– 113	616	722,740	2008
611	1,010	– 3,065	2,797	– 2,795	2	497	– 495	174	– 321	766,543	2009
										Branches of foreign banks	
5	12	– 35	100	– 21	79	26	53	0	53	24,379	2004
16	2	4	128	– 5	123	52	71	0	71	21,152	2005
26	16	– 10	124	0	124	53	71	0	71	19,695	2006
21	15	– 19	196	3	199	78	121	0	121	22,829	2007
13	30	– 68	138	– 26	112	63	49	0	49	29,505	2008
20	114	– 48	203	– 7	196	64	132	– 2	130	37,823	2009
										Landesbanken	
262	581	– 799	4,988	– 4,516	472	835	– 363	1,161	798	1,519,005	2004
241	– 148	– 782	4,123	– 1,093	3,030	413	2,617	– 1,715	902	1,581,453	2005
1,010	1,026	1,373	7,999	– 1,985	6,014	878	5,136	– 3,835	1,301	1,651,972	2006
– 1,726	474	– 2,163	2,461	– 1,673	788	283	507	400	907	1,668,143	2007
– 1,514	652	– 8,547	– 2,435	– 3,616	– 6,051	629	– 6,680	6,809	129	1,695,465	2008
907	498	– 6,099	748	– 5,977	– 5,229	228	– 5,457	3,119	– 2,338	1,587,259	2009

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 (total) 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: Total other administrative spending 2	Partial operating result (col 2 plus col 5 less col 8)
	1	2	3	4	5	6	7	8	9	10	11
	Savings banks										
2004	477	23,192	48,524	25,332	5,562	5,912	350	18,907	11,587	7,320	9,847
2005	463	22,926	47,328	24,402	5,621	5,996	375	19,146	11,841	7,305	9,401
2006	457	22,449	47,046	24,597	5,854	6,244	390	19,014	11,693	7,321	9,289
2007	446	20,949	48,987	28,038	6,082	6,492	410	19,373	11,338	8,035	7,658
2008	438	20,861	51,861	31,000	5,994	6,416	422	18,865	11,534	7,331	7,990
2009	431	22,570	46,401	23,831	5,857	6,297	440	19,101	11,910	7,191	9,326
	Regional institutions of credit cooperatives										
2004	2	948	6,362	5,414	317	704	387	1,006	518	488	259
2005	2	1,037	6,698	5,661	359	795	436	974	543	431	422
2006	2	1,009	7,439	6,430	336	807	471	1,095	673	422	250
2007	2	1,265	9,044	7,779	298	799	501	1,000	552	448	563
2008	2	1,590	10,671	9,081	299	759	460	976	516	460	913
2009	2	1,175	7,512	6,337	373	798	425	1,069	598	471	479
	Credit cooperatives										
2004	1,336	14,249	27,687	13,438	3,685	4,184	499	12,963	7,677	5,286	4,971
2005	1,292	14,230	27,287	13,057	3,886	4,499	613	13,333	8,013	5,320	4,783
2006	1,257	13,716	27,427	13,711	3,949	4,601	652	13,536	8,250	5,286	4,129
2007	1,232	13,219	29,281	16,062	4,138	4,809	671	13,056	7,807	5,249	4,301
2008	1,197	13,205	31,770	18,565	4,037	4,720	683	12,909	7,874	5,035	4,333
2009	1,157	15,061	29,846	14,785	3,893	4,665	772	13,375	8,281	5,094	5,579
	Mortgage banks										
2004	25	3,847	42,398	38,551	– 31	247	278	1,396	663	733	2,420
2005	24	3,933	42,930	38,997	– 5	331	336	1,458	697	761	2,470
2006	22	3,774	46,761	42,987	285	603	318	1,606	808	798	2,453
2007	22	3,737	60,944	57,207	378	669	291	1,578	751	827	2,537
2008	19	3,213	63,510	60,297	418	787	369	1,393	606	787	2,238
2009	18	3,760	43,235	39,475	129	910	781	1,432	639	793	2,457
	Special purpose banks										
2004	16	3,405	27,010	23,605	601	839	238	1,463	830	633	2,543
2005	16	3,481	28,663	25,182	633	900	267	1,496	855	641	2,618
2006	16	3,562	30,927	27,365	718	1,040	322	1,638	959	679	2,642
2007	16	3,454	35,945	32,491	781	1,218	437	1,683	955	728	2,552
2008	17	3,902	40,167	36,265	799	1,302	503	1,780	976	804	2,921
2009	18	4,748	33,547	28,799	873	1,304	431	1,865	1,006	859	3,756
	Memo item: Banks majority-owned by foreign banks 6										
2004	42	3,931	15,124	11,193	1,724	2,167	443	3,534	1,473	2,061	2,121
2005	41	8,216	29,491	21,275	3,389	4,246	857	7,291	3,416	3,875	4,314
2006	44	8,678	32,318	23,640	3,694	4,867	1,173	7,672	3,711	3,961	4,700
2007	42	10,189	39,607	29,418	4,038	5,725	1,687	8,115	3,927	4,188	6,112
2008	44	10,163	39,246	29,083	3,777	5,911	2,134	8,371	3,947	4,424	5,569
2009	43	9,816	26,104	16,288	3,274	5,225	1,951	8,763	4,445	4,318	4,327

* 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** In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken. — **4** Including profit or loss brought forward and

Deutsche Bundesbank

Net profit or net loss on finan-cial op-erations	Net other operating income or charges	Net income or net charges from the valuation of assets (other than tangible or financial fixed assets)	Operating result (col 11 to col 14)	Net other and extra-ordinary income or charges	Profit for the finan-cial year before tax (col 15 plus col 16)	Taxes on income and earnings 3	Profit or loss (–) for the finan-cial year after tax (col 17 less col 18)	With-drawals from or transfers to (–) reserves and parti-cipation rights capital 4	Balance sheet profit or loss (–) (col 19 plus col 20)	*Memo item:* Average annual balance sheet total 5	
12	13	14	15	16	17	18	19	20	21	22	Financial year
										Savings banks	
159	206	– 5,883	4,329	71	4,400	2,122	2,278	– 885	1,393	985,944	2004
180	299	– 4,947	4,933	– 6	4,927	2,285	2,642	– 1,125	1,517	995,377	2005
176	419	– 5,246	4,638	– 217	4,421	1,973	2,448	– 855	1,593	1,007,033	2006
151	690	– 4,376	4,123	– 364	3,759	1,574	2,185	– 819	1,366	1,019,129	2007
35	548	– 4,900	3,673	– 1,512	2,161	1,016	1,145	– 143	1,002	1,042,947	2008
172	98	– 4,491	5,105	– 392	4,713	2,250	2,463	– 1,310	1,153	1,060,725	2009
										Regional institutions of credit cooperatives	
376	57	– 321	371	– 151	220	– 80	300	– 202	98	194,244	2004
405	7	– 180	654	– 248	406	10	396	– 223	173	219,881	2005
403	13	– 111	555	– 173	382	– 428	810	– 589	221	233,847	2006
– 482	41	– 455	– 333	– 42	– 375	– 649	274	– 38	236	254,397	2007
– 910	69	– 694	– 622	206	– 416	– 558	142	– 41	101	273,650	2008
881	8	27	1,395	– 699	696	– 37	733	– 542	191	263,438	2009
										Credit cooperatives	
40	904	– 3,042	2,873	104	2,977	1,458	1,519	– 437	1,082	567,674	2004
51	891	– 2,999	2,726	1,430	4,156	1,444	2,712	– 1,519	1,193	578,641	2005
57	3,317	– 4,249	3,254	360	3,614	829	2,785	– 1,556	1,229	595,576	2006
52	1,122	– 2,714	2,761	119	2,880	1,054	1,826	– 621	1,205	614,428	2007
10	1,637	– 3,615	2,365	– 326	2,039	571	1,468	– 423	1,045	641,771	2008
52	572	– 2,255	3,948	– 538	3,410	1,493	1,917	– 726	1,191	676,780	2009
										Mortgage banks	
1	169	– 1,625	965	– 399	566	328	238	587	825	875,035	2004
3	206	– 1,128	1,551	– 1,391	160	313	– 153	906	753	879,136	2005
6	65	– 1,067	1,457	– 889	568	196	372	– 119	253	878,310	2006
– 17	289	– 1,244	1,565	– 1,190	375	165	210	– 625	– 415	859,798	2007
– 4	75	– 3,977	– 1,668	– 1,245	– 2,913	93	– 3,006	– 452	– 3,458	821,083	2008
– 3	27	– 3,481	– 1,000	– 419	– 1,419	163	– 1,582	– 3,093	– 4,675	803,949	2009
										Special purpose banks	
8	115	– 310	2,356	– 277	2,079	95	1,984	– 1,670	314	679,799	2004
– 1	134	– 65	2,686	– 71	2,615	99	2,516	– 2,127	389	707,171	2005
2	363	– 608	2,399	55	2,454	69	2,385	– 1,997	388	750,579	2006
– 5	178	– 7,772	– 5,047	– 575	– 5,622	76	– 5,698	6,123	425	807,794	2007
8	68	– 4,717	– 1,720	– 1,694	– 3,414	37	– 3,451	– 898	– 4,349	887,167	2008
1	28	– 2,253	1,532	– 80	1,452	– 7	1,459	– 4,310	– 2,851	894,261	2009
										Memo item: Banks majority-owned by foreign banks 6	
– 85	262	– 612	1,686	– 874	812	494	318	206	524	313,299	2004
345	167	– 1,962	2,864	– 783	2,081	721	1,360	– 537	823	649,254	2005
325	188	– 1,852	3,361	– 1,287	2,074	517	1,557	– 511	1,046	679,356	2006
– 542	421	– 2,204	3,787	5,914	9,701	769	8,932	– 3,885	5,047	766,323	2007
– 3,392	345	– 2,887	– 365	– 1,423	– 1,788	363	– 2,150	2,508	358	732,683	2008
1,278	353	– 2,953	3,005	– 1,816	1,189	495	694	588	1,282	679,248	2009

withdrawals from or transfers to the fund for general banking risks. — **5** Excluding the balance sheet total of the foreign branches of savings banks and of the foreign branches of regional institutions of credit cooperatives. — **6** 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 *

€ million

Financial year	Number of reporting institutions	Charges										
		Total	Interest paid	Commissions paid	Net loss on financial operations	Gross loss on transactions in goods and subsidiary transactions	General administrative spending					
							Total	Staff costs				Other administrative spending [1]
								Total	Wages and salaries	Social security costs and costs relating to pensions and other benefits		
										Total	*of which* Pensions	
2001	2,423	430,361	303,185	5,887	831	0	75,237	43,031	33,766	9,265	3,899	32,206
2002	2,268	400,045	258,904	5,885	884	0	72,472	41,578	32,514	9,064	3,489	30,894
2003	2,128	364,797	227,033	6,289	354	0	71,901	41,585	32,088	9,497	3,946	30,316
2004	2,055	346,700	218,617	6,757	898	0	70,989	41,223	31,626	9,597	4,028	29,766
2005	1,988	372,968	240,871	7,554	637	0	74,459	43,445	33,278	10,167	4,562	31,014
2006	1,940	398,054	268,337	8,559	495	0	77,597	45,989	35,250	10,739	5,007	31,608
2007	1,903	472,921	327,356	10,498	4,479	0	77,810	44,604	35,092	9,512	3,855	33,206
2008	1,864	522,560	342,210	11,342	19,762	0	75,102	42,033	32,794	9,239	4,070	33,069
2009	1,819	378,423	218,276	12,017	1,221	0	78,665	44,961	34,538	10,423	4,746	33,704

Financial year	Income									
	Total	Interest received			Current income				Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	Commissions received
		Total	from lending and money market transactions	from debt securities and Debt Register claims	Total	from shares and other variable yield securities	from participating interests [3]	from shares in affiliated enterprises		
2001	440,741	363,138	298,110	65,028	17,379	9,849	2,169	5,361	1,897	31,236
2002	407,115	323,949	266,031	57,918	17,446	7,226	1,835	8,385	3,077	30,212
2003	361,115	294,244	243,578	50,666	10,975	6,503	1,220	3,252	3,523	30,645
2004	351,489	285,732	235,855	49,877	14,666	9,631	1,212	3,823	3,217	32,039
2005	396,466	306,745	252,604	54,141	17,000	12,365	1,250	3,385	5,337	35,351
2006	420,230	332,763	274,104	58,659	18,807	14,105	1,230	3,472	5,891	38,411
2007	487,499	390,039	318,677	71,362	23,965	17,996	1,933	4,036	4,929	42,179
2008	496,219	408,741	329,973	78,768	18,970	12,413	1,452	5,105	5,135	41,060
2009	371,626	295,331	240,995	54,336	11,388	6,978	896	3,514	3,061	39,381

* 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 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

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Value adjustments in respect of tangible and intangible assets: Total	Value adjustments in respect of tangible and intangible assets: *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 2	Other taxes	Profits transferred under profit pooling, a profit transfer agreement or a partial profit transfer agreement	Financial year
5,975	167	4,237	22,327	1,827	2,785	113	2,221	3,672	215	1,849	2001
5,995	143	4,288	34,213	3,412	4,550	64	2,102	3,850	185	3,241	2002
5,520	125	5,404	23,325	7,480	2,861	63	5,264	5,505	169	3,629	2003
4,904	112	3,763	19,439	1,352	1,427	37	8,893	5,583	176	3,865	2004
4,347	0	5,752	17,917	711	1,398	36	4,688	9,744	202	4,652	2005
3,894	17	4,719	17,880	2,593	796	49	2,656	5,421	191	4,867	2006
3,757	6	5,326	26,492	3,929	939	65	1,274	5,953	156	4,887	2007
3,793	164	5,641	39,116	15,288	3,318	30	1,938	1,327	209	3,484	2008
3,868	338	8,093	28,941	9,612	3,749	23	6,619	3,927	167	3,245	2009

Net profit on financial operations	Gross profit on transactions in goods and subsidiary transactions	Value re-adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments	Value re-adjustments in respect of participating interests, shares in affiliated enterprises and securities treated as fixed assets	Other operating income: Total	Other operating income: *of which* from leasing business	Income from the release of special reserves	Extraordinary income	Income from loss transfers	Financial year
6,201	183	2,711	5,787	7,976	247	1,502	2,378	353	2001
3,834	170	2,996	12,040	8,139	243	889	3,586	777	2002
6,803	165	1,574	2,188	9,341	220	450	1,111	96	2003
2,158	160	2,157	1,070	8,040	239	49	1,716	485	2004
12,058	161	3,910	4,975	7,654	55	83	3,136	56	2005
4,908	172	3,880	2,307	12,047	34	27	946	71	2006
3,336	173	2,889	8,970	8,821	12	38	2,111	49	2007
1,044	177	2,505	1,761	11,392	496	121	3,608	1,705	2008
8,124	157	1,950	1,091	8,934	784	37	1,296	876	2009

broad definition of “other administrative spending”. — **2** In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken. — **3** Including amounts paid up on cooperative society shares.

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

As a percentage of the average balance sheet total o

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks 1	of which: Regional banks and other commercial banks 1	Landesbanken 2	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks 2
	Interest received (total) 3									
2003	4.39	3.82	3.42	4.74	4.25	5.20	3.42	5.12	5.09	4.15
2004	4.23	3.60	3.30	4.57	4.39	4.92	3.28	4.88	4.85	3.97
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	4.05	3.83	4.37	2.85	4.41	5.38	3.75
	Interest paid									
2003	3.23	2.65	2.57	2.83	3.63	2.80	2.96	2.61	4.66	3.60
2004	3.04	2.35	2.31	2.48	3.74	2.57	2.79	2.37	4.41	3.47
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	2.56	3.11	2.25	2.41	2.18	4.91	3.22
	Excess of interest received over interest paid = net interest received (interest margin)									
2003	1.16	1.17	0.85	1.91	0.63	2.40	0.46	2.51	0.43	0.55
2004	1.18	1.25	0.98	2.09	0.65	2.35	0.49	2.51	0.44	0.50
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
	Excess of commissions received over commissions paid = net commissions received									
2003	0.35	0.59	0.54	0.71	0.11	0.53	0.17	0.61	– 0.01	0.09
2004	0.35	0.57	0.50	0.78	0.11	0.56	0.16	0.65	0.00	0.09
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

* 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. — o Excluding the balance sheet total of the foreign branches of savings banks. From 2004, excluding the balance sheet total of the foreign branches of regional institutions of credit cooperatives. — For footnotes **1–3** see p 47.

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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 o

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks 1	of which: Regional banks and other commercial banks 1	Landesbanken 2	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks 2
	General administrative spending									
2003	1.10	1.53	1.37	1.93	0.42	1.97	0.54	2.32	0.16	0.22
2004	1.05	1.41	1.27	1.89	0.44	1.92	0.52	2.28	0.16	0.22
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	1.64	0.45	1.80	0.41	1.98	0.18	0.21
	Partial operating result									
2003	0.41	0.23	0.02	0.69	0.31	0.95	0.09	0.80	0.27	0.42
2004	0.48	0.40	0.22	0.98	0.33	1.00	0.13	0.88	0.28	0.37
2005	0.49	0.50	0.29	1.15	0.30	0.94	0.19	0.83	0.28	0.37
2006	0.49	0.54	0.38	1.11	0.28	0.92	0.11	0.69	0.28	0.35
2007	0.51	0.62	0.47	1.12	0.35	0.75	0.22	0.70	0.30	0.32
2008	0.50	0.55	0.41	0.96	0.41	0.77	0.33	0.68	0.27	0.33
2009	0.46	0.35	0.27	0.55	0.34	0.88	0.18	0.82	0.31	0.42
	Net profit or net loss on financial operations									
2003	0.09	0.24	0.32	0.07	0.02	0.02	0.18	0.02	0.00	0.00
2004	0.02	0.02	0.04	– 0.04	0.02	0.02	0.19	0.01	0.00	0.00
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
	Net income or net charges from the valuation of assets									
2003	– 0.31	– 0.33	– 0.31	– 0.37	– 0.23	– 0.54	– 0.25	– 0.56	– 0.13	– 0.13
2004	– 0.24	– 0.22	– 0.17	– 0.40	– 0.05	– 0.60	– 0.17	– 0.54	– 0.19	– 0.05
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

For footnotes ***, o**, see p 46. — **1** From 2004, Deutsche Postbank AG allocated to the category of "Big banks". — **2** From 2004, NRW.BANK allocated to the category of "Special purpose banks". — **3** Interest received plus current income and profits transferred from profit pooling, a profit transfer agreement or a partial profit transfer agreement.

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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 o

Financial year	All categories of banks	Commercial banks: Total	of which: Big banks 1	of which: Regional banks and other commercial banks 1	Landesbanken 2	Savings banks	Regional institutions of credit cooperatives	Credit cooperatives	Mortgage banks	Special purpose banks 2
	Operating result									
2003	0.25	0.21	0.04	0.58	0.14	0.46	0.06	0.46	0.14	0.33
2004	0.31	0.29	0.13	0.74	0.33	0.44	0.19	0.51	0.11	0.35
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	0.36	0.05	0.48	0.53	0.58	– 0.12	0.17
	Net other and extraordinary income or charges									
2003	– 0.22	– 0.47	– 0.52	– 0.36	– 0.28	0.02	– 0.04	0.07	– 0.04	– 0.10
2004	– 0.17	– 0.30	– 0.25	– 0.46	– 0.30	0.01	– 0.08	0.02	– 0.05	– 0.04
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	– 0.25	– 0.43	– 0.47	– 0.36	– 0.38	– 0.04	– 0.27	– 0.08	– 0.05	– 0.01
	Profit for the financial year before tax									
2003	0.03	– 0.25	– 0.48	0.22	– 0.14	0.48	0.02	0.52	0.09	0.22
2004	0.14	– 0.01	– 0.12	0.29	0.03	0.45	0.11	0.52	0.06	0.31
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	– 0.33	0.44	0.26	0.50	– 0.18	0.16
	Profit for the financial year after tax									
2003	– 0.05	– 0.27	– 0.44	0.11	– 0.17	0.18	0.08	0.26	0.07	0.21
2004	0.07	– 0.05	– 0.10	0.11	– 0.02	0.23	0.15	0.27	0.03	0.29
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	– 0.08	– 0.23	– 0.31	– 0.06	– 0.34	0.23	0.28	0.28	– 0.20	0.16

For footnotes ***, o**, see p 46. — For footnotes **1-2**, see p 47.

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