

Bank office report 2018

Development of the bank office network in 2018

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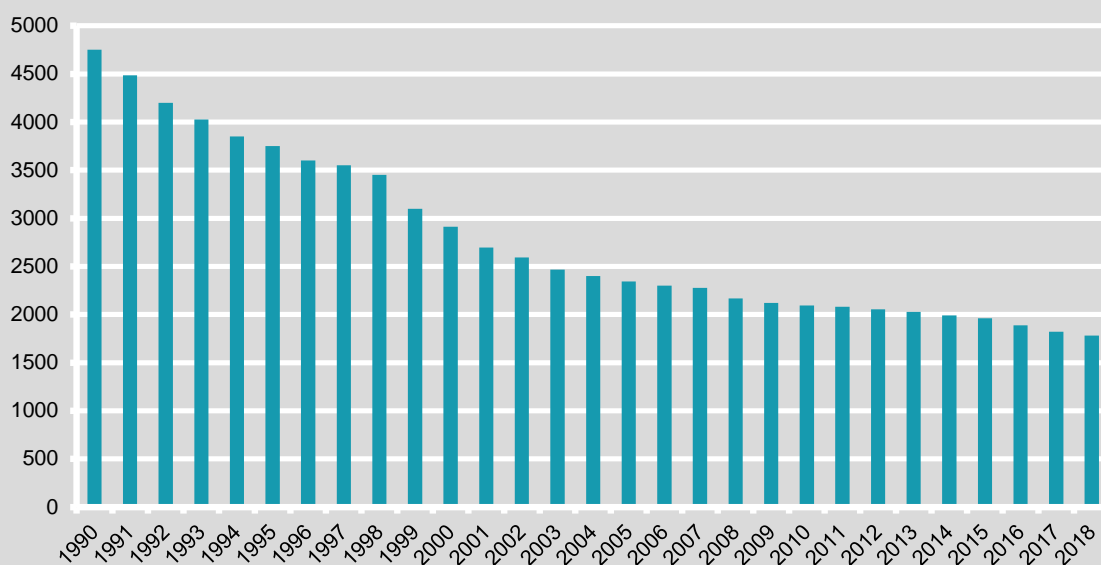
I Number of credit institutions (see Annex 1)

The consolidation process in the German banking sector continued in 2018, although the number of institutions did not fall as steeply as in the year before on account of new additions as banks operating in Europe and on the international stage prepare for Brexit.

The **total number of credit institutions**¹ in Germany (including legally dependent building and loan associations) has fallen since 2017 by 40, or 2.2%, from 1,823 to 1,783 institutions (by comparison: 2015: 1,960 institutions; 2013: 2,029 institutions; 2008: 2,169 institutions; 2003: 2,466 institutions; 1998: 3,404 institutions; 1993: 4,038 institutions).

Whereas, especially in the 1990s and the first half of the following decade, the number of credit institutions fell sharply, the consolidation process has been muted since then, especially since 2008; however, it has been undergoing a trend resurgence since 2013. As described above, the decline was more moderate in 2018.

Developments in the total number of credit institutions

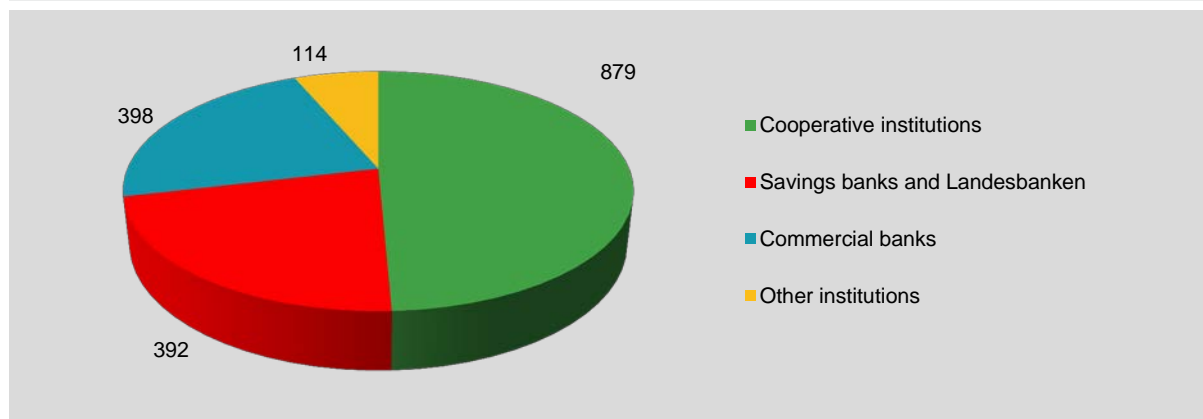


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¹ The bank office statistics and bank office report comprise credit institutions which conduct at least one of the types of banking business listed in section 1 (1) sentence 2 of the German Banking Act (Kreditwesengesetz). By contrast, monetary financial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

Sectoral distribution and distribution by individual category of banks

Number of credit institutions (total as at 31 December 2018: 1,783 institutions)



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In terms of the individual categories of banks, the largest decrease – 40 institutions – was, as in previous years, in the cooperative sector. The number of cooperative institutions declined by 4.4% during the course of the year from 919 to 879 institutions. This contraction was more moderate than in the preceding year (57 institutions, or 5.8%). The decline was experienced exclusively by primary credit cooperatives, the number of which fell from 904 to 864 institutions due to mergers.

In the savings bank sector (Landesbanken and savings banks), there were only six departures in 2018, five of which were attributable to mergers (2017: 14 departures; 2016: ten departures). One Landesbank was reclassified as a regional bank in 2018, and another as a savings bank. As a result, 386 savings banks and only six Landesbanken – 392 institutions in total – remained at the end of 2018.

The number of commercial banks rose in net terms by eight to 398 institutions (2017: nine additions; 2016: nine departures). This group comprises the four big banks, 182 regional and securities trading banks as well as other commercial banks and 212 branches of foreign banks and securities trading banks. In the commercial banking sector, the largest numerical change was again recorded among branches of foreign banks and securities trading banks, which saw 22 (previous year: 16) additions, of which nine (previous year: four) were UK securities trading firms and three new branches of Irish commercial banks which took over responsibility for branches of UK banks. By contrast, ten (previous year: 15) departures were reported, meaning that the total number of these branches rose considerably in net terms by 12 to 212. This growth must mainly be seen in anticipation of the United Kingdom's impending exit from the EU.

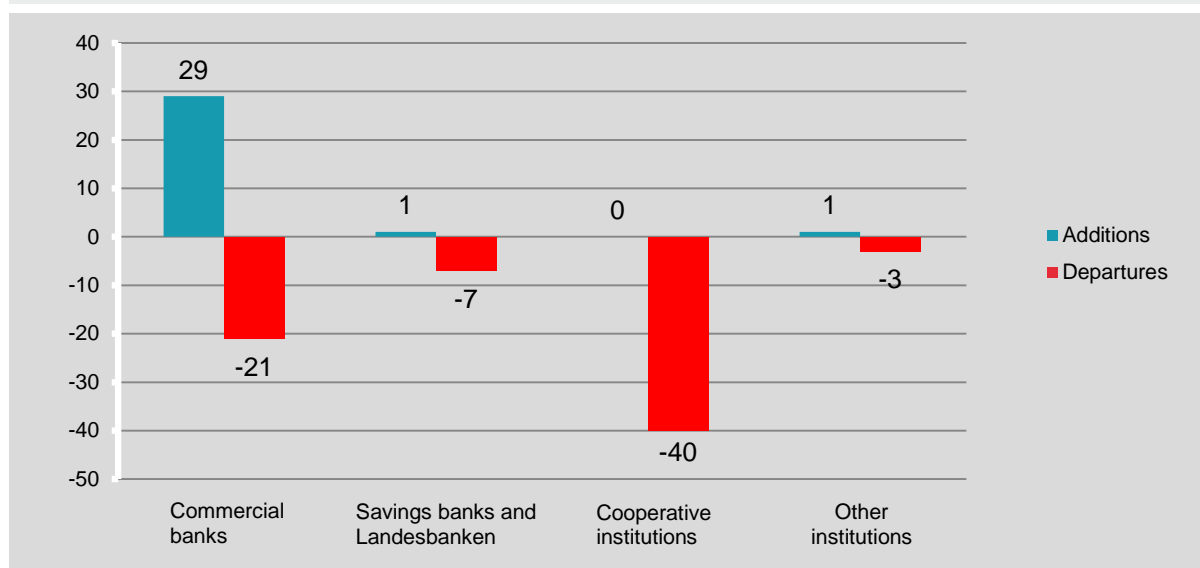
With 182 institutions, the number of regional and securities trading banks as well as other commercial banks fell slightly over the course of 2018 – there were six additions compared with ten departures.

The number of big banks remained unchanged at four. Previously recorded as a regional bank, DB Privat- und Firmenkundenbank AG, a subsidiary of Deutsche Bank AG, has since been reclassified as a big bank following the merger with Deutsche Postbank AG in May 2019. This addition contrasted with the departure of Deutsche Postbank AG from the category of big banks.

In net terms, the total number of other banks fell by two to 114 institutions. As at the end of 2018, these included 12 private building and loan associations and eight public building and loan associations, unchanged from the previous year². Due to one closure and one merger, mortgage banks saw a decline of two to now 11 institutions. Furthermore, there was one addition and one departure owing to a reclassification from/to the group of regional banks. There was no change in the number of special purpose banks (19), housing enterprises with savings facilities (47), guarantee banks (17) – and there is still just one central securities depository.

Altogether, there were 31 additions versus 71 departures, including five reclassifications to other categories.

New additions and departures of credit institutions in 2018



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

Regional distribution

Bavaria, the largest Federal state by area, is still home to the most credit institutions (376 banks in total) despite seeing a decline of 12 (previous year: 23) institutions (compared with three additions, all of which were foreign branches). The cause of this was mergers in the cooperative (eight) and savings banks (one) categories, the insolvency of a regional bank and one branch of a foreign securities trading bank relocating to Hesse. Furthermore, one branch of an Italian credit institution ceased its business activities.

Hesse recorded by far the most new additions, with an increase of 21 (previous year: 11) institutions. Of these, 16 (previous year: ten) were newly opened branches of foreign banks or securities trading banks (including a total of seven (previous year: six) UK institutions), two were newly established securities trading banks and one was a new regional bank. Of the 19 departures (previous year: eight), eight (previous year: three) were in the category of branches of foreign banks or securities trading banks (including six UK institutions, compared with one in the previous year) and eight (previous year: two) in the credit cooperative category owing to mergers. DB Privat- und Firmenkundenbank AG, which was previously classified as a regional bank, was reclassified as a big bank following the merger with Deutsche Postbank AG; another bank was assigned to the mortgage bank category. Furthermore, one regional bank became insolvent. The total number of institutions in this Federal state stood at 323 (previous year: 321) at the end of the year.

North Rhine-Westphalia, the most populous Federal state, remains in third place in terms of the number of banks, with 285 (previous year: 293) institutions. This corresponds to a net decrease of eight (previous year: 19) institutions (six additions and 14 departures). This decline was due to mergers in the cooperative banks category (five), savings bank category (three), regional banks and mortgage banks categories (one in each case) and the merger of Deutsche Postbank AG with the Hessian DB Privat- und Firmenkundenbank AG. Furthermore, one regional bank and one mortgage bank ceased their business activities in North Rhine-Westphalia. Four additions were also recorded among branches of foreign banks and securities trading banks.

Baden-Württemberg recorded two additions and 11 departures, of which nine were due to mergers of credit cooperatives and one to the merger of a regional bank with a non-bank, which led to expiry of the banking licence. Furthermore, one institution previously classified as a mortgage bank has now been assigned to regional banks; for statistical purposes this is treated as an addition and departure. In return, an addition of a new branch of a Luxembourg credit institution was recorded. At the end of 2018, there were a total of 270 banks in Baden-Württemberg.

In **Lower Saxony**, seven departures were recorded owing to five mergers of cooperative banks and one merger of savings banks. One regional bank relocated its headquarters to

North Rhine-Westphalia, which meant that 157 institutions were still located in the Federal state as at 31 December 2018.

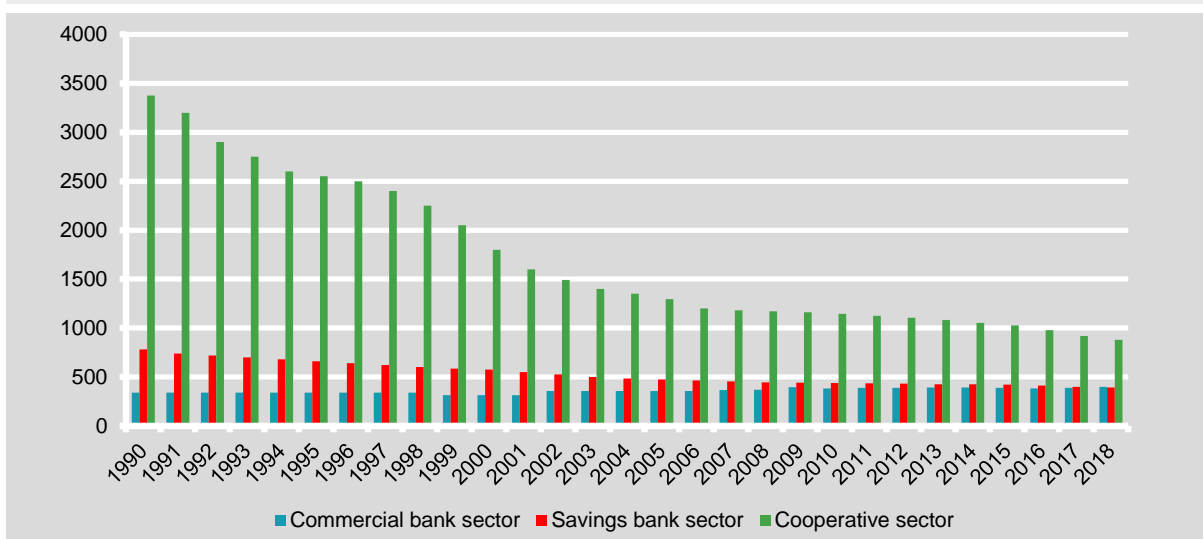
The **other Federal states** each have fewer than 100 resident banks. At the end of 2018, Rhineland-Palatinate had 79 institutions (loss of one), Schleswig-Holstein had 50 (loss of three), Hamburg had 40 (net loss of one), Saxony had 31 (unchanged), Thuringia had 34 (loss of one), Saxony-Anhalt had 31 (unchanged), Berlin had 29 (unchanged, the Landesbank located there is now classified as a savings bank), Brandenburg had 26 (unchanged), Mecklenburg-West Pomerania had 20 (unchanged), Saarland had 18 (loss of one), and Bremen had nine (loss of two regional banks due to mergers).

Of the total figure of 76 departures (previous year: 86) recorded in the statistics, 56 (previous year: 77) were due to mergers or takeovers by other institutions.

Overall development in the three most important banking sectors

The diagram below charts developments in Germany's three most important banking sectors by number of institutions since 1990. With 879 banks and a share of 49.3% (previous year: 919 banks = 50.4%), the cooperative sector remains the largest category of banks by number of institutions. The savings bank sector follows by a relatively wide margin, with 392 institutions and a share of 22.0% (previous year: 21.8%), compared with 398 institutions at the end of 2017. The 398 commercial banks accounted for a share of 22.3% (by comparison, end of 2017: 390 institutions = 21.4%). The 114 (previous year: 116) other banks (= 6.4%) are not considered in this comparison.

Number of credit institutions in the three most important banking sectors

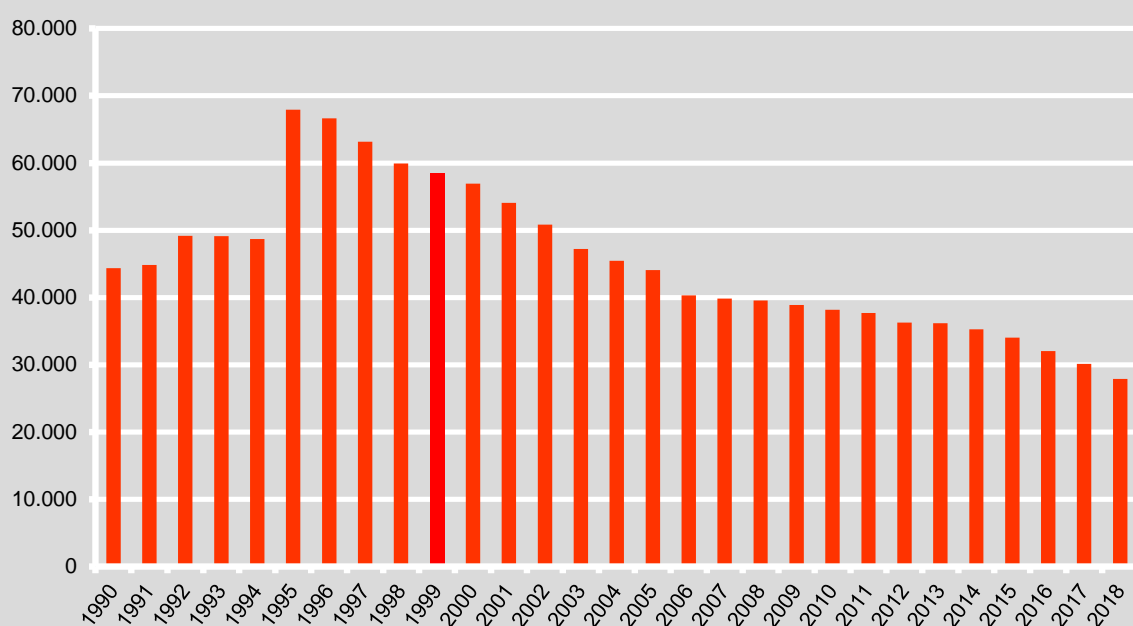


In 1990, there were still 3,377 cooperative banks and 782 institutions in the savings bank sector, but only 341 commercial banks. The consolidation progressed constantly up to 2006 – ten years ago, there were still no fewer than 1,199 credit cooperatives, 438 savings banks and 390 commercial banks in Germany as a result of this development. Initially, the downward trend decelerated significantly as from 2006, yet reaccelerated from 2013 to 2017. The consolidation trend softened again slightly in 2018 as a result of a number of additions as international banks prepare for Brexit. Bucking the general trend in the sector, the number of commercial banks even rose slightly in a ten-year comparison; since 2008, they have seen an increase of eight to 398 institutions.

II Branches of credit institutions (see Annex 2)

The total number of branches in Germany continued to fall very sharply in 2018. While 30,126 branches were reported at the end of 2017, this number dropped by 2,239 over the course of 2018 to a new total of 27,887 branches. This corresponds to a decline of 7.4%. There was a decline of 5.9% in both 2016 and 2017. Branches are defined pursuant to section 24(1a) number 4 of the German Banking Act. Branches that do not have staff offering advisory services and/or only provide ATMs or statement printers are not included in this figure (according to official data provided in the Deutsche Bundesbank’s payment statistics, German banks have been operating around 58,000 ATMs in Germany over the past few years).

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



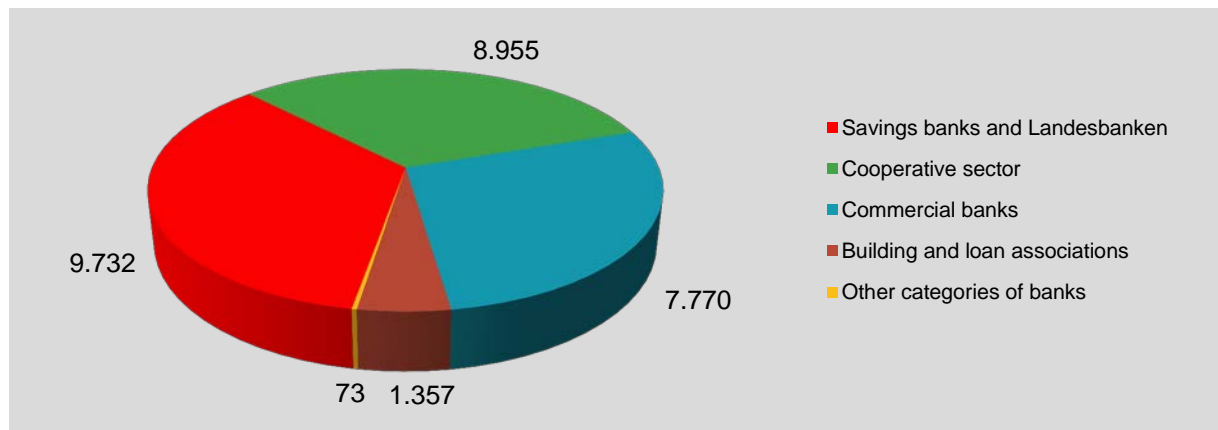
Looking at the overall development of branch numbers since 1998, a continual thinning-out of the branch network is discernible in the German banking sector, which still comprised 59,929 branches at that time (including 14,702 branches of Deutsche Postbank AG). Compared with 1998, the number of branches has thus gone down by more than half, declining by 53.5% (ten-year comparison: -29.5%; five-year comparison: -23.0% – the rapid decrease occurred mainly in the years up to 2006). Over the past 20 years up to 2018, the Postbank network alone declined by 10,000 branches overall, the savings bank sector saw a decrease of just under 9,000 and credit cooperatives did away with more than 7,000 branches.

Sectoral distribution of branches

The continually persistent trend of thinning out the branch network is affecting every category of banks. The savings banks and Landesbanken closed 442 branches in 2018 (-7.0%, previous year: -765 = -7.0%), leaving 9,732 branches at the end of 2018, falling below the 10,000 mark for the first time. However, with a share of 34.9%, this sector still has the largest number of domestic branches. In the cooperative sector, exactly 500 branches were closed in 2018 (= -5.3%, previous year: -765 = -7.0%). At the end of 2018, a total of 8,955 branches thus remained. Commercial banks made the biggest cuts to their branch numbers, reducing them by 1,272 (-14.1%) to 7,770, leaving them with an overall branch share of just 27.9%. With 6,298 (-522) branches, big banks still have the largest share of all commercial banks. Divergent developments were observed here. On the one hand, DB Privat- und Firmenkundenbank AG, which was previously classified as a regional bank, was reclassified as a big bank following its merger with Deutsche Postbank AG. This raised the number of big bank branches. On the other hand, the two merged institutions closed 1,085 domestic branches overall. As a result, the branch network of regional banks and other commercial banks contracted relatively sharply, losing 750 branches (= -36.5%; previous year: -222 = -9.8%) to leave just 1,303 branches. The number of branches at the other big banks remained virtually constant. The number of branches at foreign banks and securities trading banks remained unchanged at 169.

Building and loan associations reported only small declines overall, with a drop of 44 to 485 in the public sector and an increase of 16 to 872 in the private sector. The number of branches operated by the other categories of banks stood at 73 (gain of three); these comprise 44 branches of mortgage banks (gain of six), 14 branches of special purpose banks (loss of two) as well as 15 branches of housing enterprises with savings facilities (loss of one).

Number of branches (total as at 31 December 2018: 27,887)



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Regional distribution of branches

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

III Bank offices

During the 2018 reporting period, the number of bank offices, i.e. all legally independent credit institutions (head offices) including their branches, once again decreased very significantly by a total of 2,279 offices, falling from 31,949 to 29,670, representing a drop of 7.1%. A high rate of bank office closures was recorded as early as 2016 and 2017 (-5.8% in both cases). This means that the bank office network has been thinned out by almost one-quarter over the last ten years. Compared with the end of 1998, the number of bank offices has even dropped by more than one-half, declining by 34,815 (-52.1%).

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

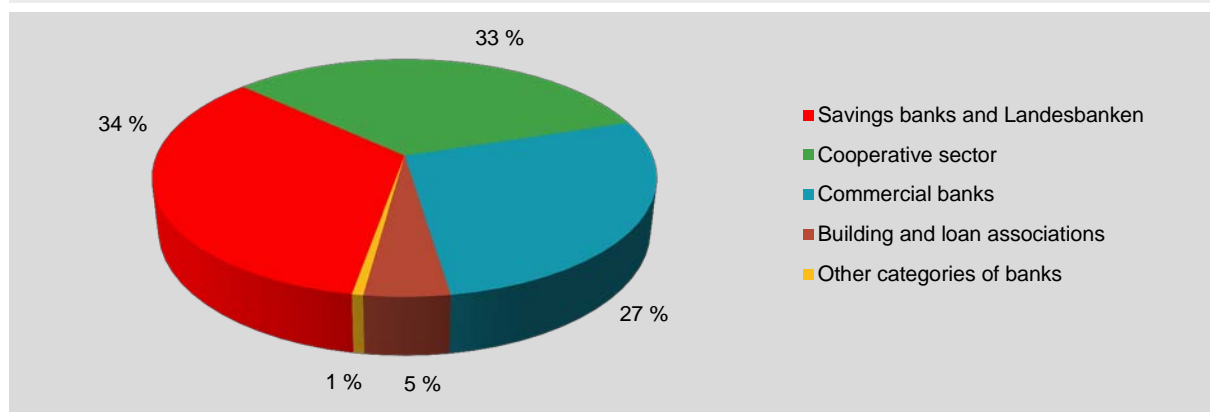
Category of banks	31.12.2017	31.12.2018	Absolute change	%
Savings bank sector	10,572	10,124	- 448	- 4.2
Cooperative sector	10,374	9,834	- 540	- 5.2
Commercial banks	9,432	8,168	- 1,264	- 13.4
Building and loan associations	1,405	1,377	- 28	- 2.0
Other banks	166	167	+ 1	+ 0.6
Total	31,949	29,670	- 2,279	- 7.1

Savings banks just about remain the largest sector in the Federal Republic of Germany, with a total of 10,124 bank offices, including 392 head offices. The credit cooperatives follow by a very small margin, with 9,834 bank offices, including 879 head offices. As at 31 December 2018, the commercial banks category operated only 8,168 bank offices, of which 398 were head offices. The building and loan associations come fourth, with 1,377 bank offices, including 20 head offices. The other categories of banks reported 167 bank offices as at 31 December 2018, of which 94 were head offices.

The decline in bank offices also reflects the trend towards greater digitalisation (with the associated change in distribution channels) and mergers.

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

Bank offices in Germany as at 31 December 2018



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Bank office density

The bank office density denotes the average number of inhabitants served by a bank office; an increasing value reflects a greater number of inhabitants using a bank office. With 29,670 bank offices and a population of around 83.0 million³ in Germany, the resulting **bank office density** for the 2018 reporting year was approximately 2,797 (previous year: 2,589). This means that, as in previous years, the bank office density continued to fall; five years ago, the bank office density was still as high as 2,112 (ten-year comparison: 1,967; fifteen-year comparison: 1,660; twenty-year comparison: 1,331 – including the Deutsche Postbank AG in each case.³

³ Federal Statistical Office: Bevölkerung auf Grundlage des Zensus 2011 – Deutschland (accessed on 5 July 2019), as at 31 December 2018.

Link: <https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/Bevoelkerung/Bevoelkerung.html>

Notes: The crucial finding of the 2011 microcensus was that the population in Germany as at 31 December 2011 was smaller than previously extrapolated (just 80.2 million instead of 82.0 million); this analysis therefore made use of the current figures (latest estimate as at 31 December 2018).

IV Branches abroad (see Annex 3)

The downward trend in the foreign presence of German credit institutions continued across almost every category of banks, in particular among foreign subsidiaries of German banks (loss of 27 – see section V), whilst foreign branches of German banks recorded a slight increase (gain of two).

In total, the number of foreign branches of German credit institutions rose by 0.9% over the course of 2018 from 224 branches to 226 foreign branches. The commercial banks category remains the most heavily represented abroad, with a total of 181 branches (previous year: 177). Of this figure, 93 are branches of big banks (unchanged) and 88 (previous year: 84) are branches of regional and other commercial banks. The number of branches of Landesbanken contracted slightly by two branches to 21 due to the reclassification of a Landesbank with international operations to a regional bank. Since 2015, the savings banks (excluding Landesbanken) have no longer reported any foreign branches; in the cooperative sector, there are now only 11, as in the previous year; this includes the four branches of the DZ BANK regional institution of credit cooperatives. The number of foreign branches of the mortgage banks was unchanged at eight and no change was recorded either in the number of foreign branches operated by the other institutions (five).

Geographically speaking, the credit institutions' foreign branches are still concentrated mainly in Europe. Of the 226 branches in total, almost 70% are domiciled in Europe, with as many as 147 of the 156 European branches located within the European Union. The key foreign location for German institutions is still the United Kingdom, which hosts 27 branches (previous year: 26). As well as in the United Kingdom, branches of German banks are also present in France (17), Italy (16), Luxembourg (15), Austria (13), Spain (11), and the Netherlands (ten).

Asia, too, continues to play an important role in the foreign activities of German credit institutions. The number of branches there dropped only slightly to 53. The bulk of these bank offices belong to the big banks (42 branches, or 79%). The number of foreign branches in the Americas rose slightly by one to 13 (of which 11 in the USA and Canada). The German banking industry is represented in Australia and New Zealand, with three foreign branches (unchanged). Only one branch is maintained in Africa.

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

As at 31 December 2018, German credit institutions reported just 97 subsidiaries – institutions in which they hold a participating interest of more than 50% – domiciled abroad. Compared with the previous year, this represents a decrease of 27 institutions, or 21.8%. There were still 204 subsidiaries in 2013.

Within the commercial banks category, the number of majority stakes held by the big banks fell considerably by 18 institutions to 68. Among the regional banks, this figure declined by four to 15 subsidiaries.

In the savings bank sector, the Landesbanken significantly reduced their number of foreign subsidiaries by four to five. The number of foreign subsidiaries owned by the DZ BANK regional institution of credit cooperatives dropped slightly by one to eight. The savings banks maintained only one foreign subsidiary. The German primary credit cooperatives have not had any foreign presence since 2015. The mortgage banks and special purposes banks also no longer have any foreign subsidiaries.

Geographically speaking – as is also the case with the foreign branches – foreign activity is still focused on other European countries, with 47 subsidiaries (previous year: 66), in spite of the significant decline. Of these subsidiaries, 36 are located in EU member states (previous year: 52), with ten in Luxembourg alone (previous year: 16) and six in the United Kingdom (previous year: nine).

German credit institutions now maintain just 29 foreign subsidiaries in the Americas, five fewer than just one year previously. Of these, 18 (previous year: 23) are in the United States. With 26 participating interests (previous year: 31), most foreign subsidiaries in the Americas are owned by big banks (22 of which are in the USA (previous year: 29) and four in the Caribbean). 12 (previous year: 13) subsidiaries of German banks are domiciled in Asia and nine (unchanged) in Australia or New Zealand. There are no longer any subsidiaries maintained in African countries (previous year: two).

Annexes:

[Bank office statistics 2018](#)

[Brief overview of changes in bank office statistics in 2018](#)

⁴ Due to a cleansing of the database, a total of 14 subsidiaries that no longer exist were recorded as departures in 2018. These comprised eight subsidiaries of the big banks, two of regional banks, two of Landesbanken, one of DZ BANK, and one of a mortgage bank. By country, four of these departures were in Ireland, two in the Cayman Islands, and one each in Australia, Brazil, Japan, Luxembourg, the Netherlands, Norway, Singapore, and Spain. The year-on-year comparison is based on the revised figures.