Helaba Research



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Financial Centre Frankfurt:
A Magnet for Foreign Banks

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Preface



Hans-Dieter Brenner
Chairman of the Board of Managing Directors of Landesbank Hessen-Thüringen

Dear reader,

as a leading regional bank in the economic region of Hesse, promoting the financial centre Frankfurt is one of our main concerns. This is also documented by the areas of emphasis within our Research Division. In addition to regional economic and real estate analyses, for years we have also been conducting intensive research on the international competitive position of the financial centre Frankfurt. Moreover, we support the Center for Financial Studies' Financial Centre Index and the Initiative Frankfurt Main Finance, which seeks to promote Frankfurt as a business location through targeted financial centre marketing.

Frankfurt has established itself as an international financial centre, it is globally interconnected, and has pronounced advantages as a business location. And none of that has been changed by the recent years of the financial and economic crisis. On the contrary: the financial crisis has highlighted the advantages of the financial centre Frankfurt, which is seen as conservative. The banking location Frankfurt, which is characterized by the presence of universal banks, has proven exceedingly stress-resistant in the crisis. Moreover: Frankfurt has a good chance to emerge as a relative winner from the adjustment process in the financial world triggered by the crisis.

An important success factor in the global competition among financial centres is internationality and thus also the attractiveness of the location to foreign banks. The new Helaba Financial Centre Study therefore concentrates on two questions: Which location qualities are crucial for the decision by foreign banks to locate in Frankfurt what are Frankfurt's prospects in the international competition? We have examined these questions with the help of a survey among foreign banks newly arrived in Frankfurt that we conducted in collaboration with the Association of Foreign Banks in Germany.

The findings of the survey confirm that the leading German financial centre is highly attractive to foreign players. From their perspective, Frankfurt scores highly especially in the areas 'Reputation of the financial centre and the national economy,' 'Proximity to important players,' 'Function as a hub,' and 'Location-specific qualities'. With all this going for it, Frankfurt's prospects as a financial centre are promising. However, the intensely competitive world of finance requires constant development so as not only to do justice to the international demands, but also to set the standards.

Yours sincerely,



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Summary

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Foreign banks take a lively interest in Germany's financial centre

The consolidation process in the financial world, sparked by the financial crisis, is not yet finished, though in Germany's banking centre it has been a restrained process. The total number of financial institutions in Frankfurt declined by 5 %, while the shrinkage among foreign banks represented in this city on the Main was 4 %. Around 200 foreign banks from 40 different countries are present here – and not only as representative offices, but for the most part as operating units. This strengthens the Main metropolis, since internationality is a basic prerequisite for the sustained success of a financial centre. Some foreign banks have stated that they will expand their local business activity, and additional players have announced the opening of branches in Frankfurt. This attests to Frankfurt's attractiveness to players in the international financial market place. So much for the bare facts – but what were the central reasons that prompted foreign banks to locate in Germany's financial centre?

Collaborative survey among new foreign banks

To identify what foreigners see as the German financial centre's key qualities as a business location, the Landesbank Hessen-Thüringen (Helaba), in cooperation with the Association of Foreign Banks in Germany, conducted a survey among foreign banks newly arrived in Frankfurt. The participation rate was high. In recent years, the financial centre Frankfurt has attracted numerous foreign banks, who gave positive reports about the development of their business in this city. In addition, during the interviews many managers had an optimistic view of the future, with regard to both their own office and the financial centre Frankfurt as such.

Numerous qualities of Frankfurt as a business location highlighted even more

Many assets of the German financial centre in both the professional and private spheres were mentioned in the survey, and we can group them into four categories (see the synopsis on p. 18): reputation of the financial centre and the German economy; proximity to important players; function as a hub; location-specific qualities (such as low costs of living and office rents, as well as quality of life). These location advantages of Frankfurt, which already emerged about three years ago in a survey by Helaba, were confirmed in these recent interviews and for the most part emphasized even more strongly. Now by far the most important motive for the presence of foreign banks – Frankfurt's reputation within the financial world – did not play such a prominent role in that earlier survey. And the attractiveness of the highly regarded German economy also played a greater role this time. After all, Germany is coming out of the global crisis with some vigour and dynamism. This benefits the financial centre Frankfurt, where many financiers of the strong-growth German companies are located, and opens up business potential for domestic and foreign banks.

Taking advantage of the good development opportunities in the German financial centre

When it comes to Frankfurt's positioning in the future, there was an unequivocal sentiment shared by both surveys: the financial metropolis on the Main will retain its uncontested leadership position in Germany. As for cross-border competition, Frankfurt continues to be seen as the leading financial centre in Continental Europe. This time, just over half of those polled gave the German financial centre good prospects for development – also in relation to its chief British rival. It is thus up to the financial centre Frankfurt to make active use of its opportunities by continuing to sharpen its profile and taking a more offensive stance in the international competition for the best places to do business.

1 A multitude of foreign banks in Frankfurt

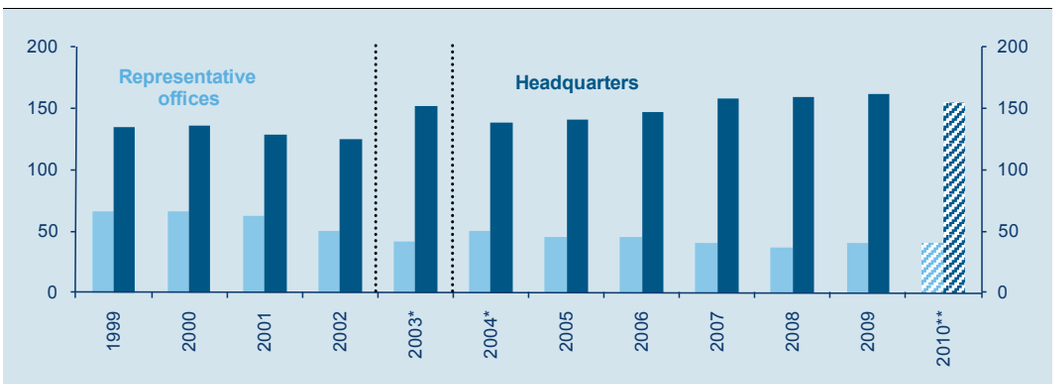
Internationality is a fundamental prerequisite for the sustained success of a financial centre in the global competition, as Helaba already noted in its Financial Centre Study 2006.[1] After all, a financial centre must meet certain criteria, among which the degree of internationality plays an important role. The indispensable criteria of a financial centre include especially the banks as central players. The more domestic and foreign financial specialists interact in a location, the more hustle and bustle exists, and the more business can be generated.

Moderate consolidation among Frankfurt's banks

A consolidation process can be observed in the number of banks in Frankfurt, but in view of the magnitude of the global economic and financial crisis, that process is rather moderate. In the fall of 2010, almost 220 domestic and foreign financial institutions were headquartered in the city on the Main, which is 11 fewer than at the peak at the end of 2008 (-5 %). On the one hand, one must take into account when looking at these numbers that the trend in the number of banks during the year does not necessarily allow conclusions about the level at the end of the year (e.g., at the end of 2009 there was a rise on the heels of a downtrend over the previous quarters). On the other hand, the adjustment process in the financial world prompted by the financial crisis is not yet over.

Foreign banks show lively interest in the German financial centre

Number of foreign banks in Frankfurt (end-of-year level)



Sources: Deutsche Bundesbank, Helaba Research; * statistical break, ** Q3 2010

Foreign banks as important players in the German financial centre

One particularly positive factor for the internationally important financial centre Frankfurt is that the interest of foreign banks in this location has not abated. Foreign banks continue to be important players in the German financial centre – about three-quarters of all institutions headquartered in Frankfurt are foreign. Many new banks from abroad have settled on the Main during the last few years. All told, in the third quarter of 2010, nearly 200 foreign banks were represented in Frankfurt; the pull-back to domestic markets prompted by the economic and financial crisis was merely 4 % in the Main metropolis (8 foreign banks) and was thus somewhat smaller than for the total number of banks. In addition to the respectable number of 154 foreign institutions engaged in business, most of which operate in the form of a branch office, most recently there were 40 representative offices on the Main.

With 40 different nationalities, the spectrum of Frankfurt's foreign banks is very broad:[2] we are talking primarily of institutions from Western Europe as well as North and South America and Asia. In addition, a few banks from Eastern Europe, the Middle East, and Africa are also repre-

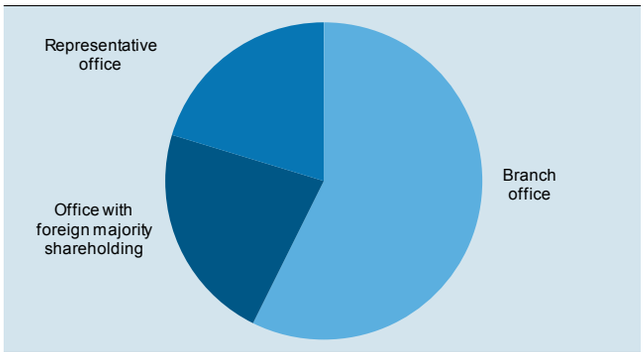
[1] See Helaba Research (2006): 'Frankfurt: The Financial Centre – A City on the Move'

[2] The Bundesbank's list of foreign banks was modified here in that banks from non-EU countries that operate in Germany via a subsidiary established in another EU country (i.e. via the so-called 'EU passport' in accordance with § 53b of the German Banking Act) were assigned to the nationality of the parent institution.

sented. The number of banks from the US, France, the UK, and the Netherlands in the German financial centre is in each instance in the double digits.

Largely commercially active foreign banks on the Main

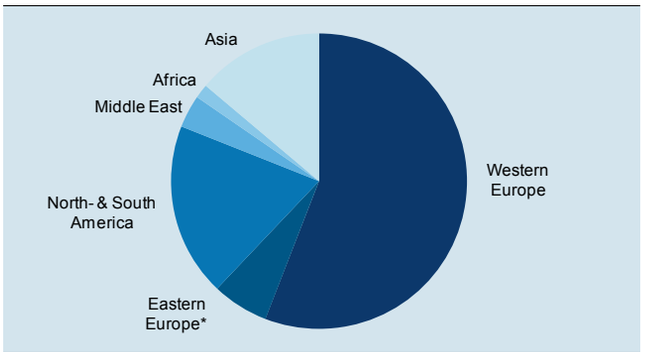
Type of the 200 foreign banks* in Frankfurt, %, end of 2009



Sources: Deutsche Bundesbank, Helaba Research;
* incl. securities trading companies etc. and possibly several licenses of a single bank

Many banks from neighbouring countries as well as from America and Asia

Region of origin of the 200 foreign banks in Frankfurt, %, end of 2009**



Sources: Deutsche Bundesbank, Helaba Research;
* incl. the former Soviet Union;
** nationalities of the Bundesbank list have been modified

The 'kaleidoscope' of the German financial centre is shimmering in gloriously multi-hued colour: the international business community is reflected in the Main metropolis in multifarious activities (e.g. conferences, trips by delegations, economic agreements), numerous institutions (such as consulates and associations), and the broad spectrum of around 170 different nationalities among residents. Many highly qualified foreigners congregate in Frankfurt.

New banks and expansions in Frankfurt

Even in the recent crisis, the Main metropolis has demonstrated its attractiveness for many players and affirmed its far-reaching importance within the European financial system. Not only the still substantial number of foreign banks in Frankfurt speaks for itself. In addition, there are by now additional foreign players in the financial market who plan to open a representative office here or have already taken steps in that direction (e.g. players from the Arab and Asian regions). Moreover, some foreign banks in Frankfurt are reporting the expansion of their business activities. So much for the facts – but what were the central reasons that prompted foreign banks to locate in Germany's financial centre? Which of Frankfurt's location factors are especially important from the perspective of foreign banks?

2 Survey among new foreign banks

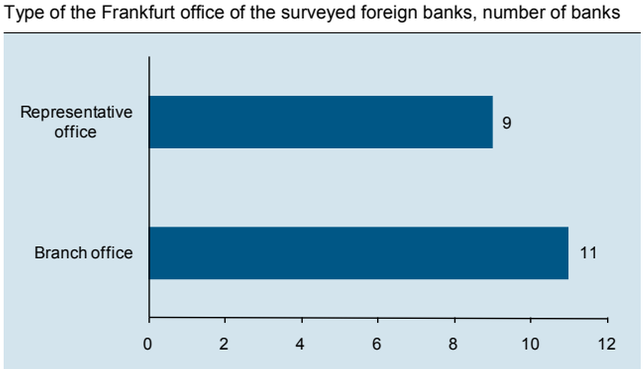
2.1 Active participation

Proven survey methodology

To identify what foreigners see as the central location qualities of the German financial centre, we conducted a survey in collaboration with the Association of Foreign Banks in Germany among new foreign banks in the fall/winter of 2010. The participation rate was high. The starting point for identifying the foreign banks that opened a representative office in the financial centre region of Frankfurt between 2003 and 2009 was the Bundesbank's annual list of foreign banks in Germany. Our goal was to survey only the truly new banks. To that end, name changes, mergers of already resident players, and spin-offs of certain company segments (e.g. asset management) were not considered, nor were institutions that do not constitute a bank in the classic sense (e.g. securities trading firms). Of the approximately thirty banks identified in this way, a few were no longer present in Frankfurt at the time of the survey, and some declined to participate. On the whole, however, there was a great willingness to provide detailed information, not least because the interviews were conducted in person, the questions were open-ended, and the answers were given a guarantee of anonymity. The basis for the personal interviews was the concept that had already been employed during the survey among Frankfurt's Asian banks for Helaba's Financial Centre Study 2008.[3]

Broad spectrum of new foreign banks on the Main …

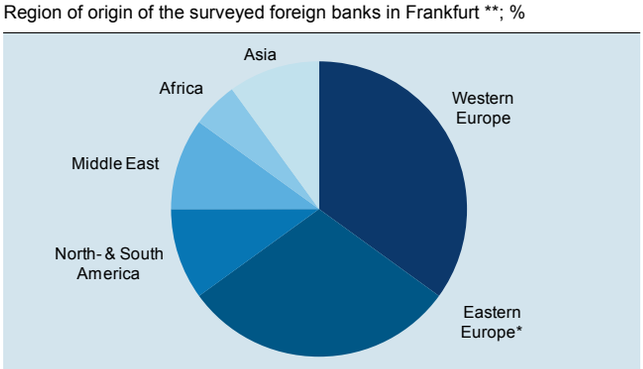
Type of the Frankfurt office of the surveyed foreign banks, number of banks



Sources: Deutsche Bundesbank, Helaba Research

… from many different countries

Region of origin of the surveyed foreign banks in Frankfurt **; %



Source: Helaba Research;
* incl. the former Soviet Union;
** classification according to parent bank

Already many branch offices

Of the twenty participating institutions, which covered a broad spectrum in terms of nationalities, a good half were represented with a branch office on the Main (full banking license), and the rest with a representative office.[4] Two-thirds of the representative offices already have the option of turning themselves into a branch at the German financial centre over the medium term. While 70 % of the Frankfurt foreign banks that were surveyed are directly associated with the parent company, 30 % belong legally to a subsidiary in another European country like the UK or France.[5] In spite of the emphasis on local support for company headquarters, the specific business areas within the panel are quite heterogeneous, ranging, for example, from trade financing to the business of commercial real estate all the way to infrastructure projects.

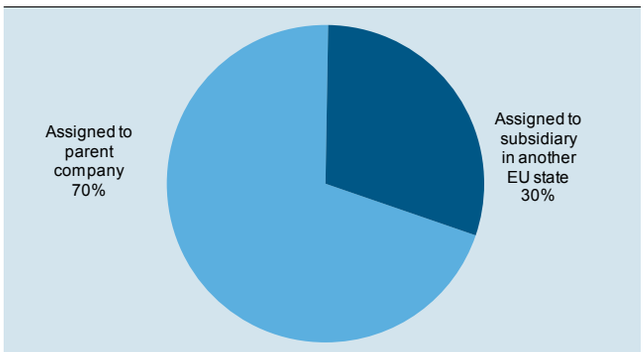
[3] See Helaba Research (2008): 'Financial Centre Frankfurt and Asia – A Growing Relationship'

[4] That is, no license for banking business in accordance with § 53a of the German Banking Act.

[5] So-called 'EU passport' in accordance with § 53b of the German Banking Act

Status of the bank in Frankfurt

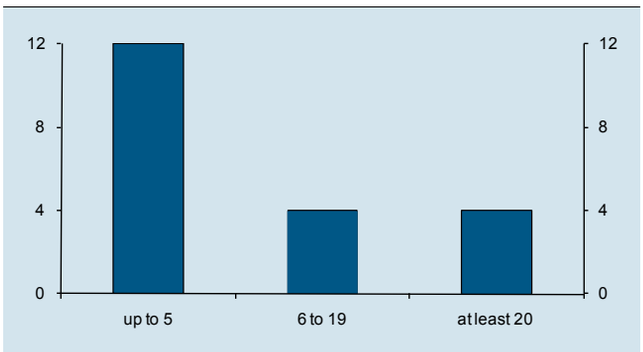
Percentage of surveyed foreign banks



Source: Helaba Research

Initially a manageable number of employees

Number of surveyed foreign banks



Source: Helaba Research

Most foreign banks start with a manageable number of up to five employees, only a few institutions have twenty or more employees. To head the office, the companies either dispatch managers from the home country to Frankfurt (as was the case with a solid half of the institutions in the panel), or they recruit German bankers with long-time experience in the local market.

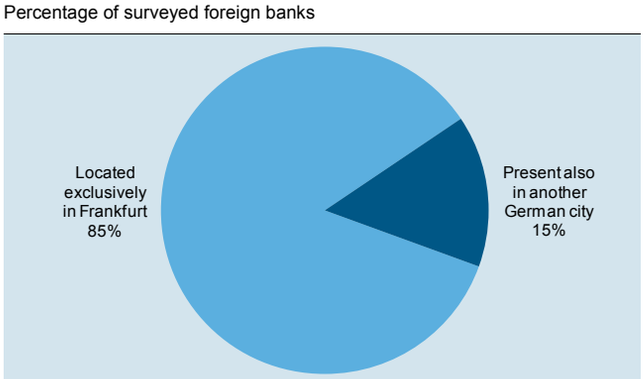
2.2 Great geographical reach

Focus on Frankfurt

For the surveyed banks, within Germany it was a clear decision to settle in the Main metropolis. 85 % maintained an office solely in Frankfurt, the others had a second one in another German city, namely for back office activities or with a different regional focus.

Clear decision for Frankfurt within Germany

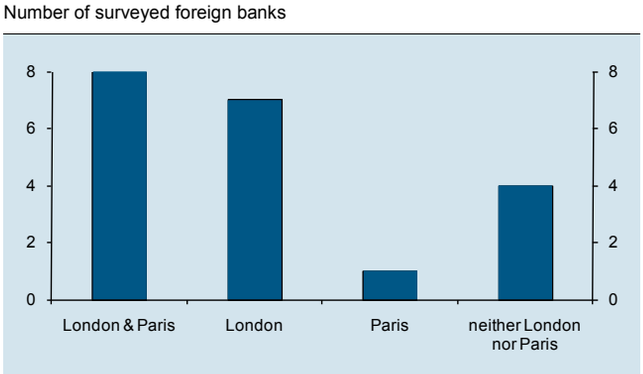
Percentage of surveyed foreign banks



Source: Helaba Research

Presence also in other European financial centres

Number of surveyed foreign banks



Source: Helaba Research

Simultaneously in several locations in Europe

Most foreign banks conduct their business simultaneously in several locations in Europe, often times in their neighbouring countries and at the large European financial centres. Three-quarters of the panel are also represented in London, and more than half of them additionally in Paris. For some of these banks, the offices in the other large financial centres are more important, for some Frankfurt ranks equal in importance or is even more significant. In addition, there are also a few new foreign banks with a focus solely on the Main metropolis: these financial institutions from Eastern Europe are found neither on the Thames or the Seine, and they use the Frankfurt location as their first and sole representation in Western Europe.

Business in most of Continental Europe conducted from Frankfurt



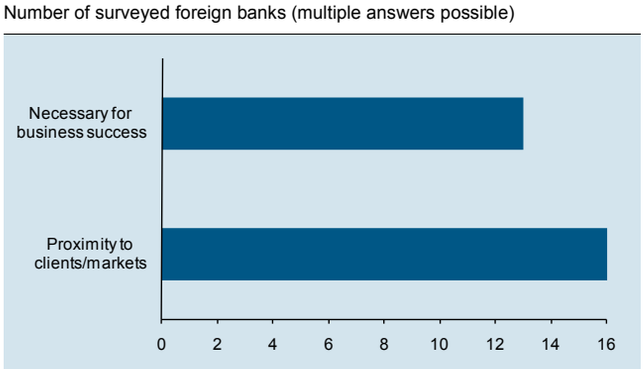
Source: Helaba Research

Great reach from Frankfurt

Not least because of its central location within Europe and its function as a transportation hub, Frankfurt plays an important role for business activities far beyond the borders of Germany. Thus, banking business throughout Continental Europe is conducted from the German financial centre: depending on the origins of the foreign financial institution, it is not only the German-speaking region that is serviced from the Main metropolis, but the range of the Frankfurt office extends also to other European countries in all four directions of the compass. For banks from other continents, the German financial centre even serves as a launching pad into all of Continental Europe.

Office in Frankfurt indispensable

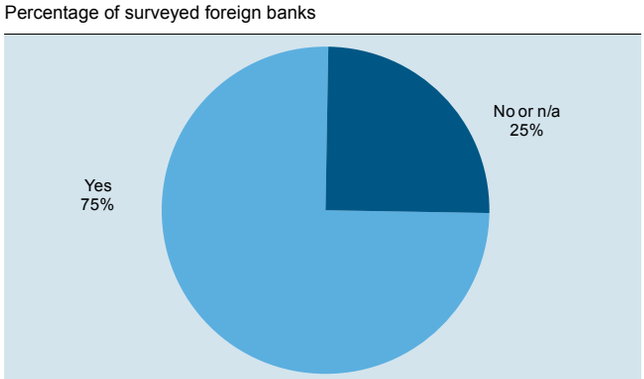
Number of surveyed foreign banks (multiple answers possible)



Source: Helaba Research

Clients expect the presence in Frankfurt

Percentage of surveyed foreign banks



Source: Helaba Research

Frankfurt office necessary for business success

It is thus no accident that two-thirds of the panel regard their presence in Frankfurt as necessary to their business success. Without an office of their own in the Main metropolis many of their business deals would not have come about or would have been done by their competitors. As another central and thus connected reason why the activities of the Frankfurt office are not managed from another location, 80 % mentioned the indispensable proximity to clients or the market. The banks maintained that establishing and cultivating contacts was feasible only directly on site, just as local peculiarities (e.g. in business customs or in market conditions) are difficult to assess from a distance. They believe that potential cultural or linguistic barriers are easier to overcome by reducing the physical distance. Three-quarters of the managers answered in the affirmative also to the supplementary question whether their clients virtually expect their bank to be present at the German financial centre.

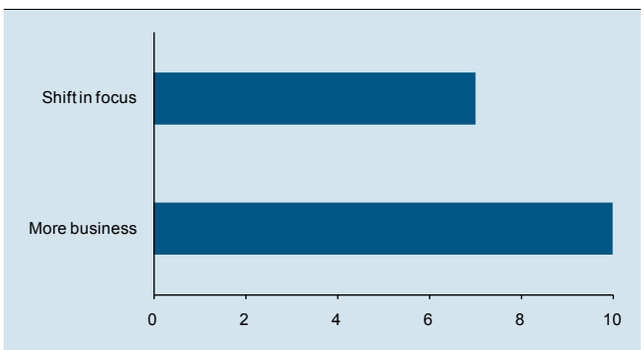
2.3 Successful business development

Satisfied with the business development in Frankfurt

The foreign banks that arrived in Frankfurt during the last few years spoke positively about both their past and future business development: in spite of the changes in the market prompted by the crisis, 90 % of the panel looked back with satisfaction upon the development of their own business activity in the German financial centre. Half of the banks indicated that they had expanded their activities in the Main metropolis or that they were now conducting more business here than at the outset. 35 % reported that the focus of their activities had shifted over time – whether in regard to their customer structure, business content, or by completing their unavoidable administrative and organisational start-up phase. For one quarter of the participants in the survey, the time that has elapsed since the opening of the Frankfurt office is still too short to identify lasting changes.

Development of business activity in Frankfurt

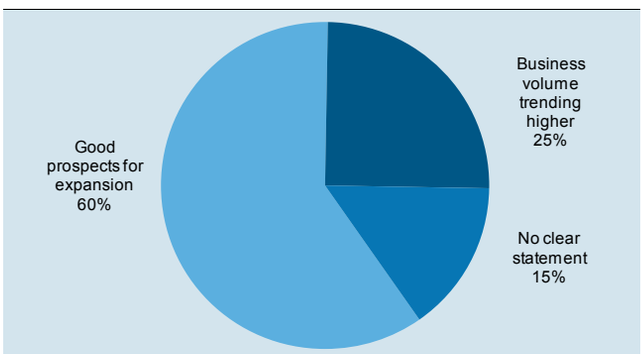
Number of surveyed foreign banks (multiple answers possible)



Source: Helaba Research

Prospects for business volume in Frankfurt: expansion

Percentage of surveyed foreign banks



Source: Helaba Research

Majority optimistic about their future in Frankfurt

The majority of the interviewed bankers were optimistic about the further development of their business in the German financial centre: 60 % expected an expansion over the medium term, another 25 % looked for at least a slight rise in their business volume in the coming years, 15 % were unable to come to a final conclusion about their prospects in Frankfurt, for example because of their dependence on the guidelines laid down by the parent company. Added to the overwhelmingly positive assessment of the future at the financial centre Frankfurt is that two-thirds of the representative offices newly established on the Main are aiming for a full banking license over the medium term or at least regard the future change in their legal form as conceivable. The employment outlook at the surveyed banks is accordingly good. A majority sees staffing levels trending higher for the next few years; a few managers even spoke of an immediate need for new employees.

Whether other banks from the respective home markets will be motivated by the good assessment of business at the German financial centre and thus boost the number of banks of a particular nationality represented here over the next few years could not be answered so clearly. After all, conditions in the domestic market play a crucial role in this regard: two-thirds of the foreign banks expect no meaningful change for now when it comes to the number of institutions of their own nationality. This depends e.g. on the size or structure of the domestic banking market. For example, if all significant banks are already represented in Frankfurt or conduct their business through partner institutions located here, the potential is accordingly small. Adjustments within the respective banking landscapes also influence the likelihood of expansion abroad. Still, a quarter of the panel sees a possibility that the number of banks of their own nationality on the Main could increase. A further rising interest in a presence in the financial centre Frankfurt is attested above all to banks from the emerging countries of China and India.

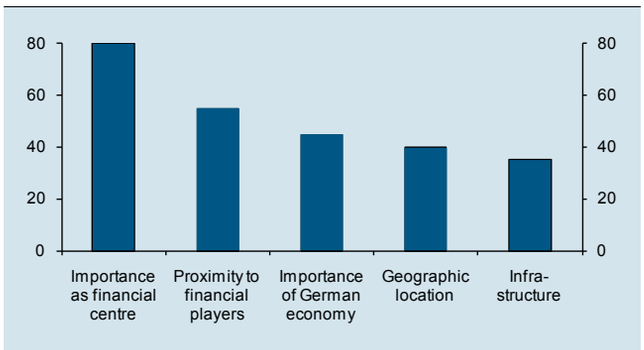
2.4 Numerous location qualities of Frankfurt

Central assets in the choice of a location …

There are many reasons for foreign banks to maintain an office in the Main metropolis. The following five arguments were most frequently mentioned within the framework of the survey for the decision to come to Frankfurt: the great significance of the German financial centre within the world of finance (80 %), the immediate proximity to other players, as for example business and central banks or the stock exchange (55 %), the international role of the German economy or intensive trade links with the home country (45 %), the ease of reaching the city and its function as a hub thanks to its central geographical location and superb infrastructure (40 % and 35 %). Not infrequently, the financial centre Frankfurt was regarded as a 'brand' that speaks for itself, and the presence of one's institution therefore as self-evident. A few managers also indicated that personal preferences had played a role in the decision, or that existing contacts to the city or the region had favoured locating here. Now and then, the availability of qualified personnel was mentioned.

Main reasons for locating in Frankfurt

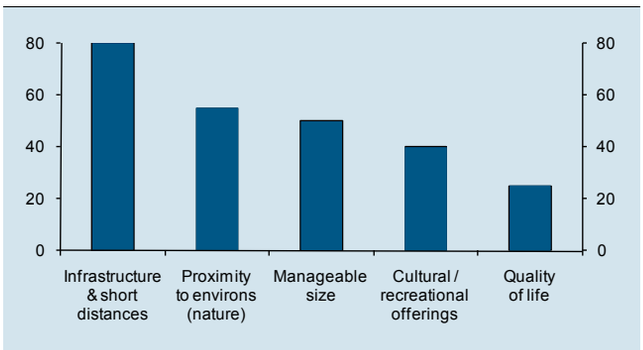
Percentage of surveyed foreign banks (multiple answers possible)



Source: Helaba Research

Advantages of Frankfurt from a personal perspective

Percentage of surveyed foreign banks (multiple answers possible)



Source: Helaba Research

… and from a personal perspective

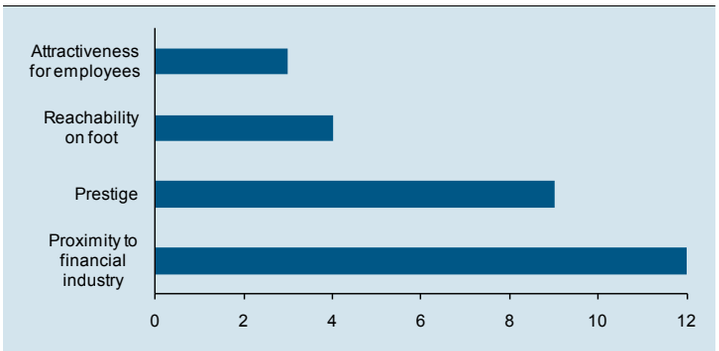
The working and living conditions in the Frankfurt region were given a mostly positive rating: managers consistently noted that they liked working in Germany's financial centre. Nearly all of them appreciated living in Frankfurt or its environs. Among the five most important location qualities of the Main metropolis from the personal perspective of the survey participants, the good infrastructure, with short commuting distances, was at the top (85 %). Not only the aspect of quick and efficient movement plays a role in this assessment, but also the comparatively contained traffic volume. 55 % stated that they were pleased with the nearby green environs or the good state of the environment. Half of the panel praised Frankfurt's manageability as a city, with mention made, alongside the city's compact size (also referred as 'ideal'), of the positive transformation of the cityscape, for example along the river bank. Another recurring theme was the appeal of cultural and recreational offerings, as well as the generally high quality of life in Frankfurt (40 % and 25 %, respectively). As positive factors some also mentioned the high standard of personal safety, the reasonable price level, or the good shopping opportunities. Another central location quality for Frankfurt is its internationality (25 %). However, it is difficult to assess how pronounced the element of internationality is, since this location quality may rank differently for many of the surveyed managers because of their German nationality than it does for their foreign colleagues.

Little criticism

Points of criticism or suggestions for improvements were only occasionally voiced: Frankfurt could benefit within the international competition for business locations if it secured more talent through a more liberal grant of residency permits, or if even more institutionalised industry meetings could be organized. More flexibility instead of the entitlement thinking and the detailed planning so widespread in Germany would also benefit the activities at the financial centre. According to these comments, compared with foreign metropolises, life in Frankfurt initially requires some getting used to. However, language barriers tended to be reported more in the private sphere.

Motivation for central office location

Number of surveyed foreign banks (multiple answers possible)



Source: Helaba Research

Offices in central location

A few location qualities of the German financial metropolis were also addressed in connection with the question of why the office of the foreign bank was located in or near downtown Frankfurt: 60 % valued the immediate proximity to the local financial industry, with the element of being able to get around on foot also factoring in for some. Right around half of the panel considered it self-evident, for reasons of prestige, that their own – and for the most part only – office in Germany be in a prestigious location. Another consideration in selecting their offices was for some of the foreign banks that they wanted to create a pleasant work atmosphere for their employees through a location in the center of the city. Thus, the offices of the surveyed foreign banks are mostly found in the financial district and the Westend – Frankfurt's two central locations, home also to Helaba and the Association of Foreign Banks in Germany.

Concentration of the panel in the financial district and Westend



Source: Helaba Research,© Stadtvermessungsamt Frankfurt (No. of licence: 6233-81.10-D); The red diamonds indicate the location of the surveyed foreign banks, the blue dots Helaba and the Association of Foreign Banks in Germany.

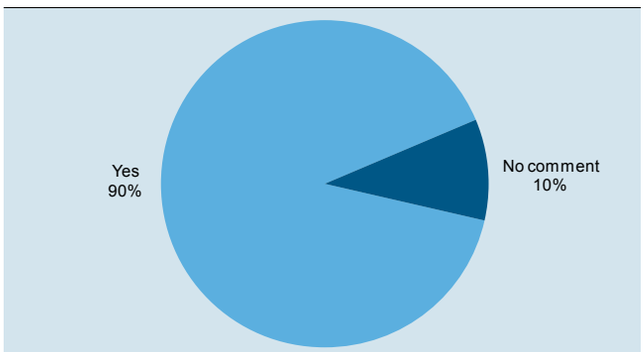
2.5 Vibrant banking community

Hustle and bustle, intensive exchange

The German financial centre is characterised by hustle and bustle and an intensive exchange between the many players, whether as part of the numerous industry events or during the meet and greet in the 'Fressgass', whose role in successful financial business should not be underestimated. With two exceptions, the surveyed managers were unanimous that Frankfurt has an active banking community. In addition, many a national network is developing in the Main metropolis, with the focal point of the activities more often in the private than the commercial sphere so far. However, because of the large number of German interview partners, the survey was able to provide only limited informational content in this regard.

Frankfurt has an active banking community

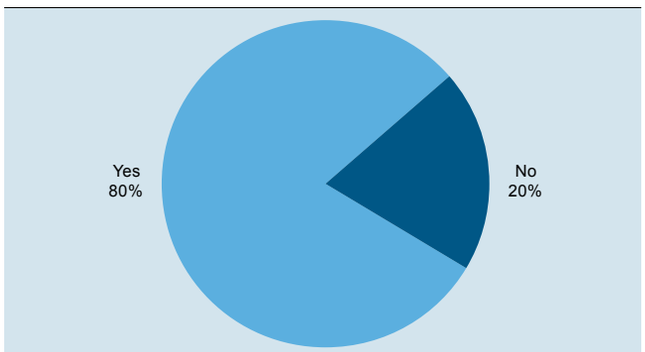
Percentage of surveyed foreign banks



Source: Helaba Research

Cooperation with German banks

Percentage of surveyed foreign banks



Source: Helaba Research

That the new foreign banks are already integrated into the community of the German financial centre is also evident from the many instances of cooperation with local financial institutions (80 % of the panel). The majority of foreign banks was able to fall back on existing networks to establish new business contacts. Moreover, about two-thirds used their membership in industry-specific associations and events, and more than a third also benefited from recommendations through business partners. Of course, the reputation and marketing of the foreign institutions also play a role.

2.6 Good prospects for Germany's financial centre

Frankfurt remains top in Germany

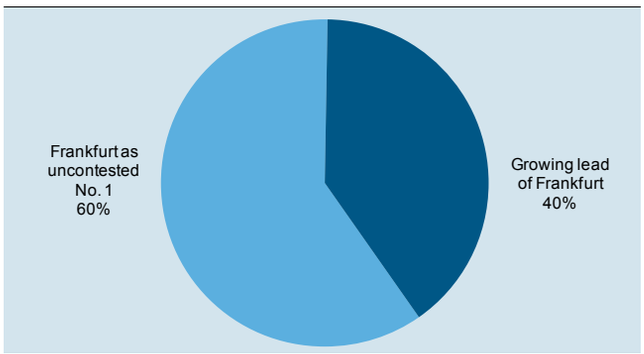
The Main metropolis is firmly anchored within the national and international financial activities. It was the unanimous opinion of the survey participants that the financial centre Frankfurt will maintain its leadership position within the German financial system. While 60 % described this as an uncontested position, 40 % even expected that the Main metropolis would be able to further consolidate its clear lead over other German cities with financial centre players.

London before Frankfurt before Paris

Not only the future status of the financial centre Frankfurt within Germany is indisputable, but so are its prospects within the competition among European financial centres: although the German financial centre remains second to the British centre, it ranks ahead of the French. Some explained London's dominant position within the European financial system by maintaining that this location is more international, liberal, dynamic, or better positioned in certain business areas, such as investment banking. Paris consistently ranged in third position, for example because of its lesser reputation or disadvantages regarding English as a business language. Most survey participants found it difficult to assess whether there would be any changes in the distance separating Europe's large financial centres over the next few years.

Frankfurt remains Germany's top financial location

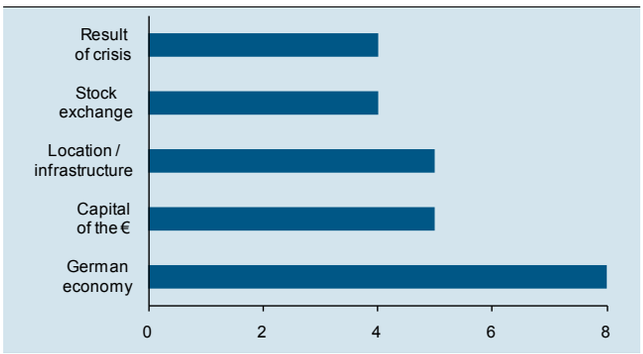
Percentage of surveyed foreign banks



Source: Helaba Research

Frankfurt's assets in the competition of financial centres

Number of surveyed foreign banks (multiple answers possible)



Source: Helaba Research

After all, this will depend – to a not inconsiderable degree – on the policies and the regulatory framework, which are subject to large changes in the wake of the financial crisis. However, from a competitive perspective the regulatory adjustment process could in the end weigh less heavily on the German banking centre than on London, for example, which has less regulation, at least until now. Thus the global financial and economic crisis creates an opportunity for a relative strengthening of the financial centre activities in Continental Europe precisely in Frankfurt.

Even better position possible

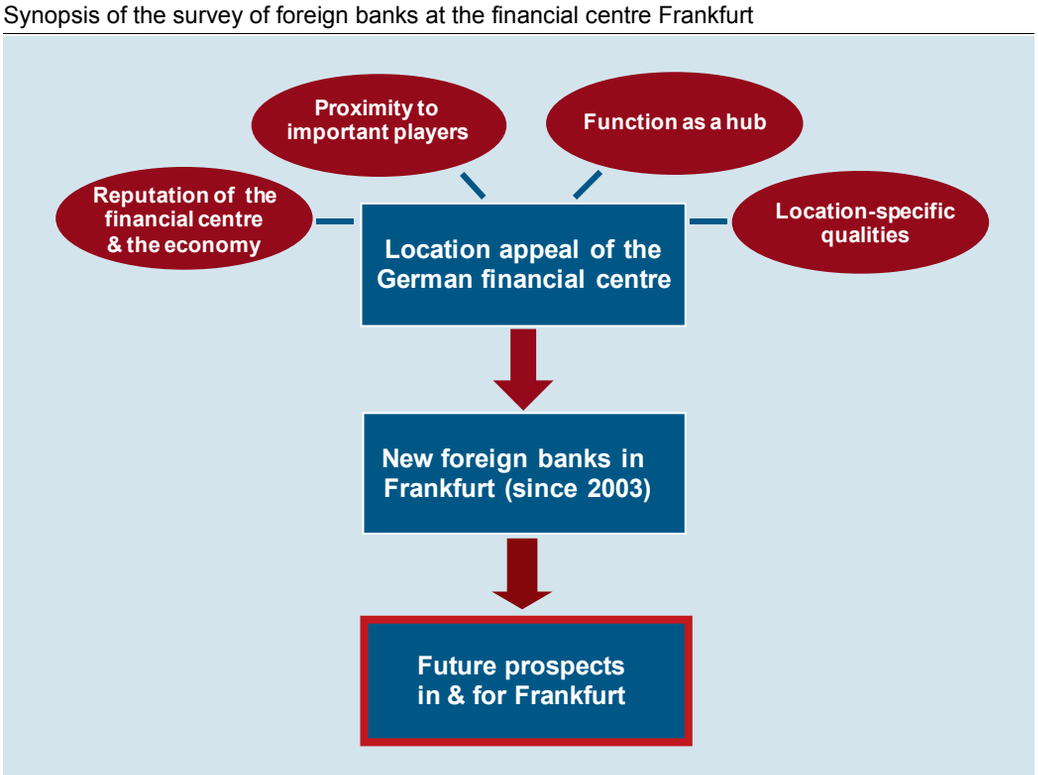
All told, just about half of the surveyed managers saw a chance that the financial centre activities in Frankfurt could gain in importance in the future. As the reason for the good prospects of the German financial centre, survey participants mentioned most frequently (eight times) the great significance of the German economy. In addition, Frankfurt could benefit as much from its role as the capital of the euro and the seat of the ECB, as from its function as a transportation hub (five times each). This is the result of a central location within Europe in combination with outstanding infrastructure. Another factor that was singled out as positive with a look to the future was the 'asset' Deutsche Börse (four times). That all this should still not amount to a reason for Frankfurt to rest on its laurels is made clear by references to Asia and the Middle East, where stronger competitors to the long-standing European financial centers are emerging.

3 Financial centre Frankfurt very attractive

Frankfurt has great attractiveness for foreign banks

The German financial center plays an important role in the financial world and exhibits a strong attraction for foreign players. This is attested not only by the considerable number of foreign banks in the Main metropolis, but also by the joint survey by Helaba and the Association of Foreign Banks in Germany: with its manifold location qualities, the financial centre Frankfurt has attracted many new foreign banks over the last few years, and they reported positively about the development of their business here. Moreover, many of the polled managers looked positively into the future, with regard to both their own office and the location of Frankfurt as a whole. In addition, more foreign players signalled their interest in having a presence in the German financial centre or in expanding their business activities.

Synopsis of the survey of foreign banks at the financial centre Frankfurt



Source: Helaba Research

Central location qualities of the 2008 study confirmed

The numerous location advantages of the German financial centre in the professional as well as private spheres can be subsumed under four categories (see the red ellipses in the chart): the reputation of the financial centre and the economy; proximity to important players; function as a hub; location-specific qualities (such as low cost of living and office rent, as well as the quality of life). These four central categories encompass all location qualities of Frankfurt that were mentioned by the foreign banks in the most recent survey, and which had already emerged in the survey as part of the Helaba Financial Centre Study 2008.[6] Thus the characteristics that made up Frankfurt's attractiveness for the Asian banks interviewed back then have now been confirmed by a broader spectrum of foreign banks. On the whole, the location qualities of the German financial centre were in fact emphasized for the most part even more in the current survey than they had been in the earlier one.

[6] See Helaba Research (2008): 'Financial Centre Frankfurt and Asia – A Growing Relationship'. The two surveys were based on the same methodology; in each case 20 managers of foreign banks participated.

Reasons for presence in Frankfurt even more pronounced this time

The decisive reasons for the presence of foreign banks on the Main were nearly identical in the two surveys. But by far the most important motivation this time – Frankfurt's reputation in the world of finance – did not have this outstanding importance back then. The immediate proximity to other players in the financial centre continues to exert a significant influence on the choice of a location in favour of Frankfurt, though this aspect was slightly more pronounced in the earlier survey. Most recently, the attractiveness of the renowned German economy as well as the prominent hub function of the Main metropolis were listed by more survey participants as an argument for their presence.

It is no accident that the reputation of the financial centre and the German economy was mentioned so frequently during the interviews: after all, Germany, Europe's largest economy, came out of the economic crisis in 2010 with greater dynamism than all other large member states of the euro zone and also the UK (GDP increase estimated at 3.5 % over the previous year versus 1.7 % for the euro zone as a whole and 1.8 % for the UK)[7]. This benefits the financial centre Frankfurt, where many financiers of the strongly growing German companies are located, and it opens up the potential for business for domestic and foreign banks.

As is the case with the business-related assets of Frankfurt, similar factors were also mentioned when it came to the favourable points from the personal perspective of survey participants; in fact, this time with even greater emphasis – e.g. the infrastructure aspect, combined with short commutes or the proximity to the environs and nature. While most recently the manageability of the city of Frankfurt was praised, previously the emphasis was often placed on the city's good working atmosphere. The internationality of the Main metropolis was underscored once again by some survey participants. And in both surveys, nearly all of those interviewed affirmed that they liked living and working in Frankfurt.

Apart from the central appeal of the German financial centre as a location, there were some parallels between the aggregated statements of the most recently surveyed foreign banks of the most diverse nationalities and the Asian banks interviewed previously: the development of business was given a similarly positive assessment. From the financial centre Frankfurt, which is unquestionably the focal point within Germany, business is conducted in many other countries of Continental Europe. In addition, the proximity to business partners is a central motivation for foreign banks to locate on the Main. Their clients often expect immediate services in Frankfurt, and personal contacts are indispensable for business success. Thus, many foreign institutions continue to derive a benefit from the vibrant banking community at the German financial centre by engaging in frequent cooperation with other banks, with networks playing a central role for the establishment of new business contacts.

Make use of good prospects

When it comes to Frankfurt's future positioning, there was a clear, unanimous statement in both surveys: it goes without saying that the financial metropolis on the Main will maintain its undisputed top position in Germany. Within the cross-border competition, survey participants continue to regard Frankfurt as the leading financial centre of Continental Europe. This time, however, right around half of those surveyed accorded the German financial centre good development prospects – also in relation to its chief British rival. And so it is now up to the financial centre Frankfurt to make active use of its possibilities by sharpening its profile further and becoming a more offensive player in the international competition among locations where to do business.

[7] See Helaba Research (26th November 2010): „Capital Market Outlook 2011: Variety in Bitter-Sweet"

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