

FINANCIAL CENTRE FOCUS

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The largest banks in Frankfurt financial centre

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This study, for the first time, makes available a ranking of the largest banks by employee numbers in the financial centre of Frankfurt. The league table, based on a survey by Helaba Landesbank Hessen-Thüringen and Hessen Agentur, comprises the twelve biggest banks as well as three central financial institutions. All of these players are of significant importance for the development of employment in the German financial centre. Together, they make up more than three quarters of local banking sector employment – a broad basis for our employment forecast:

The consolidation-driven reduction in staffing levels in the Frankfurt banking hub should remain limited, not least thanks to new recruitment in the wake of more stringent regulation. By the end of 2015, we anticipate that staff levels in Frankfurt will be around 61,300 banking employees, which translates into a bottom line reduction of about 1,000 jobs, or 1.5 % fewer than in the first quarter of the current year. Crisis-induced adjustments to personnel capacity since the end of 2008 would thus amount to a fall of merely 3,500 jobs.

Ranking Frankfurt	Banks	Number of employees 2012				Outlook Hesse
		Frankfurt	Hesse	Germany	Worldwide	
1	Commerzbank AG	13 300	16 000	42 900	53 600	n.a.
2	Deutsche Bank AG*	9 700	10 300	46 300	98 200	n.a.
3	DZ Bank Gruppe*	5 900	11 800	25 200	28 600	→
4	Helaba Konzern	5 000	5 400	6 000	6 300	→
5	KfW Bankengruppe	3 350	3 350	5 400	5 400	→
6	DekaBank Dt. Girozentrale	3 000	3 000	3 200	3 700	→
7	ING-DiBa AG	1 650	1 650	3 050	3 200	↑
8	Frankfurter Volksbank eG	1 400	1 400	n.a.	n.a.	→
9	SEB AG	950	950	1 050	n.a.	↓
10	UBS Deutschland AG	750	n.a.	1 150	62 600	→
.	BNP Paribas	750	750	3 400	200 000	→
12	BHF-Bank AG	600	950	1 050	1 150	→
	Central Financial Institutions					
	Deutsche Bundesbank	3 650	3 750	10 300	n.a.	→
	European Central Bank	1 650	1 650	1 650	1 650	↑
	Group Deutsche Börse	1 600	1 600	1 600	3 700	→

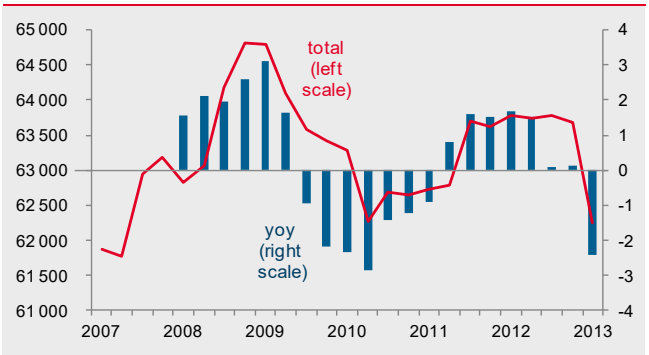
Sources: Hessen Agentur, Helaba Research; * Staff capacities

This publication was very carefully researched and prepared. However, it contains analyses and forecasts regarding current and future market conditions that are for informational purposes only. The data is based on sources that we consider reliable, though we cannot assume any responsibility for the sources being accurate, complete, and up-to-date. All statements in this publication are for informational purposes. They must not be taken as an offer or recommendation for investment decisions.

The global financial crisis did not trigger a massive wave of layoffs in the banking centre of Frankfurt. The fact that staff reductions have been modest up to the present day is evidenced by data for the Frankfurt employment agency district, both in its new and old catchment areas.[1]

"Bankfurt": Significant hiring in recent years

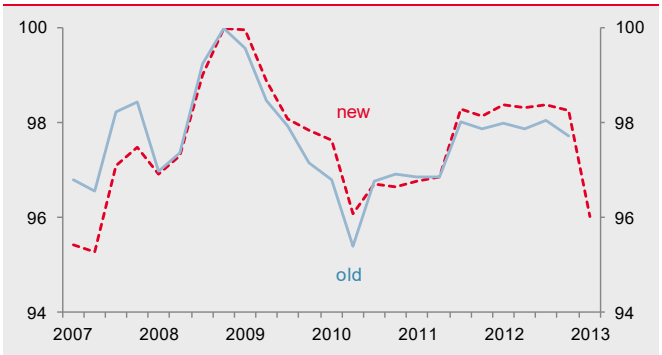
Banking sector employees, City of Frankfurt



Sources: Federal Employment Agency, Helaba Research

Similar development of old and new data series

Banking employment in Frankfurt employment agency district, Q4 2008 = 100



Sources: Federal Employment Agency, Helaba Research

In the relevant Frankfurt city area, there were 62,250 bank employees in the first quarter of this year – only 4 % fewer than at the peak at the end of 2008. Downsizing was an immediate reaction to the crisis here, too, and employment in the banking sector fell by 2,500 from the end of 2008 until the middle of 2010. After that, however, hiring of new staff by the banks increased, resulting in a net gain of 1,500 until well into last year. In the course of 2012, banking employment in Frankfurt stabilised in a range of roughly 63,700 to 63,800. It was not until the start of the current year that significant job cuts took hold so that most recent employment levels have returned to those of 2010. So much for the banking location of Frankfurt as a whole – what about the employment situation at the largest banks in the city?

New: Ranking of the largest banks in the Frankfurt financial centre

Survey: Banks with the largest workforces in the financial centre of Frankfurt

Helaba, Landesbank Hessen-Thüringen, and the HA Hessen Agentur recently once again compiled a list of the 100 biggest companies in Hesse.[2] The decisive value measured in the 2012 financial year was that of workforce size and this ensured that the response rate was high. A special feature of this survey was that it requested detailed information about banks' staff numbers – in Frankfurt, Hesse, Germany and worldwide. In this way, it was possible to identify and rank the largest commercial banks in Frankfurt's financial centre according to their employee numbers.

Preparations for the ranking involved a variety of preliminary work and various company ranking lists served as a basis. Only banks with more than 500 employees were taken into account (definition of a large company according to the Institut für Mittelstandsforschung, a research institute for the business sector). After examining the data each individual bank was contacted. We would like to thank all the banks in Frankfurt for their co-operation in this respect! The main survey period extended from February to September 2013 so that, in most cases, the last full financial year, upon which the statistics were based, was 2012. Finally, the statistics were rounded, in the case of banks with 5,000 or more employees to one hundred, with others to fifty.

Our innovative ranking (see page 1) comprises the twelve largest banks in the German financial centre. Furthermore, the Deutsche Bundesbank, the European Central Bank and the Deutsche Börse are also included as central institutions in the financial centre that have close connections to

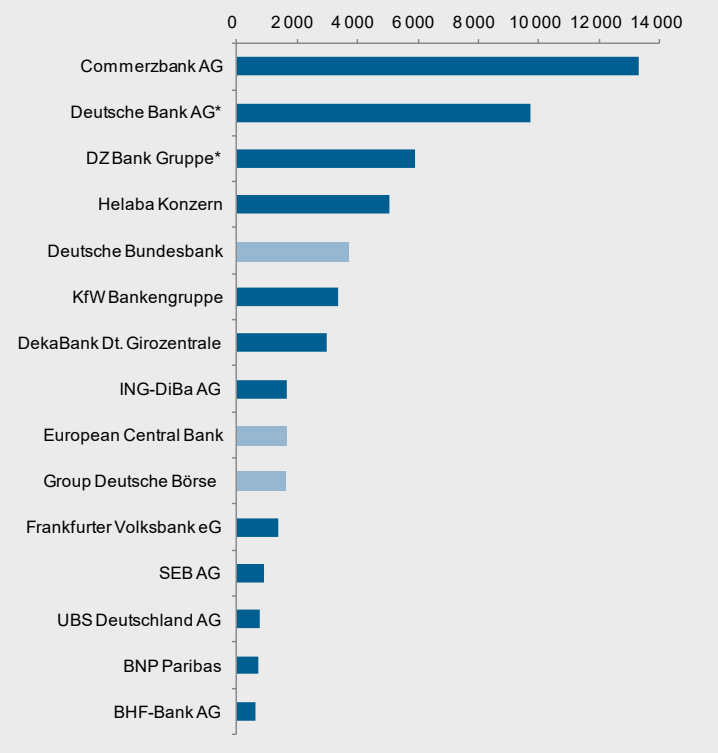
[1] In line with the new catchment areas of the employment agencies, the Frankfurt agency lost responsibility for nearby districts at the turn of the year, so its catchment area is now identical to Frankfurt's city limits. The total number of employees paying social insurance contributions has therefore fallen to a lower level (end of 2012: new level 63,690 versus old level 74,277).

[2] See Helaba Research "The 100 largest companies in Hesse" (October 2013)

local banks. This has made it possible for the first time to measure the importance of banks and financial institutions for the financial location of Frankfurt by way of their employee numbers.

The largest players in the German banking centre

Number of bank employees of commercial bank or financial institution in Frankfurt



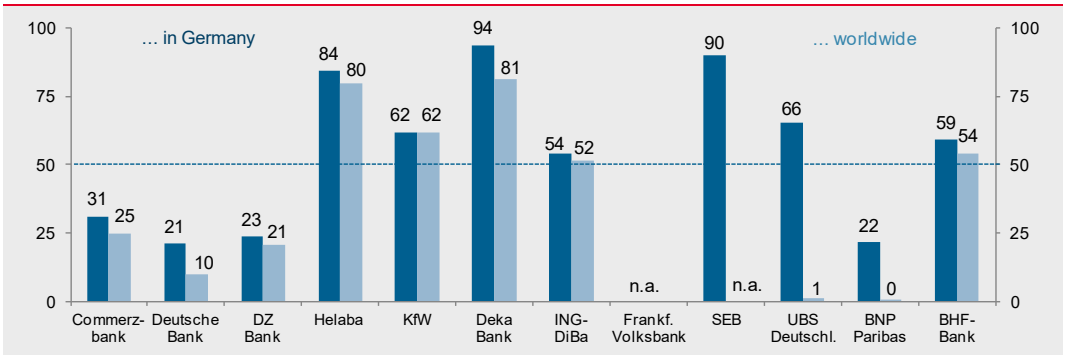
Source: Helaba Research; * Staff capacities

Survey participants provide majority of local bank employment

In the German financial centre, Commerzbank and Deutsche Bank have the largest workforces, followed by DZ Bank and Helaba. In terms of their staff numbers, these four banks alone employ a total of around 34,000 people in Frankfurt – more than half of total employment in Frankfurt's banks. In comparison to this, the four largest banks with a non-German background represent a total of less than 10 %. All fifteen participants in the survey provide considerably more than three quarters of overall banking-sector employment in Frankfurt – a broad basis for our employment forecast (see page 6). The outlook for the current year, for which most of the institutions surveyed anticipate a more or less stable development in staff numbers, is factored into this.

Frankfurt's proportion of total workforce for each bank…

%



Source: Helaba Research

But it is not only the top-placed market participants that have a significant impact on the employment trend in the German financial centre. Whilst only a fraction (10-30 %) of the three largest

banks' global and German workforces is based in Frankfurt, it is the employment focus for many of the commercial banks surveyed. In many cases, Frankfurt's share of a bank's German workforce is the same as that of its global workforce.

Central financial institutions have a prominent place in the German financial centre: The expanding European Central Bank (ECB), with its growing array of tasks, concentrates entirely on Frankfurt. This is symbolised by its new headquarters in Frankfurt's East End, into which it will move in 2014 and which is already considered one of the city's landmark buildings. The Deutsche Bundesbank, which already has a strong presence on the Main river, is in the midst of an on-going process of centralisation. And the Deutsche Börse does not have anywhere on the world near as many staff at other locations as in the German financial centre, either. Overall, our ranking reflects the far-reaching significance of the largest players for the Frankfurt banking hub and vice versa.

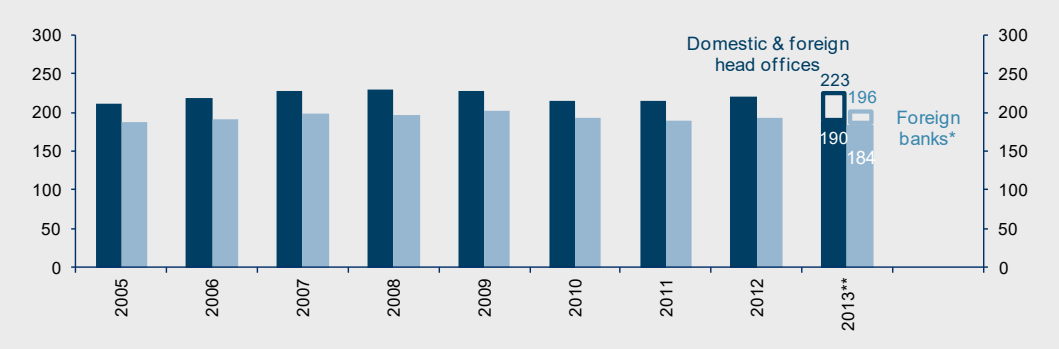
Frankfurt has a strong appeal for domestic and foreign banks

Growing number of banks after crisis-related dip

Regardless of the continuing pressure for consolidation in the financial industry and associated refocusing on the home market, numerous banks still maintain a presence in the German financial centre. Frankfurt has not been affected by the long-term European trend of a noticeable decline in numbers of banks. Frankfurt's status as a highly attractive financial location, after the crisis-induced dip of 2008-2010, has even led to an appreciable increase in the numbers of banks once again. Adjusted for a one-off statistical effect, there were a total of 223 bank headquarters located in Frankfurt in the middle of 2013, two thirds of which were of foreign origin.[3]

Interest in Frankfurt as a banking location unwavering

Number of banks in Frankfurt (at year-end)



Sources: Deutsche Bundesbank, Helaba Research; * Headquarters and representative offices; ** Mid-year 2013 and statistical break

The strong appeal of Frankfurt for foreign banks manifests itself, on an adjusted basis, in 160 foreign headquarters and 36 representative offices – a significant growth in international players over the last few years. Further, market participants are coming to Frankfurt for the first time in order to leverage business potential or are converting their local office into an operational branch. This reflects the important role that Frankfurt has in the global financial community. After all, to many banks Frankfurt is considered the place to be to do business in Germany and the surrounding countries. So, despite the impact of the global financial crisis, there is no question for many that they would retain their local office. Rather, a number of levers are being pulled in order to reduce costs and thus also personnel. How far has this process of adjustment in the towers of Frankfurt's banks, which has been going on for years, already advanced? And what exactly can be expected for the further development in the employment situation?

[3] Since 2013, capital management companies have no longer been subject to banking supervision and, since the beginning of the year, have no longer been included in bank statistics for Frankfurt collected by the Deutsche Bundesbank. Without these companies, the most recent number of banks in Frankfurt was 190, of which 42 domestic and 148 foreign headquarters.

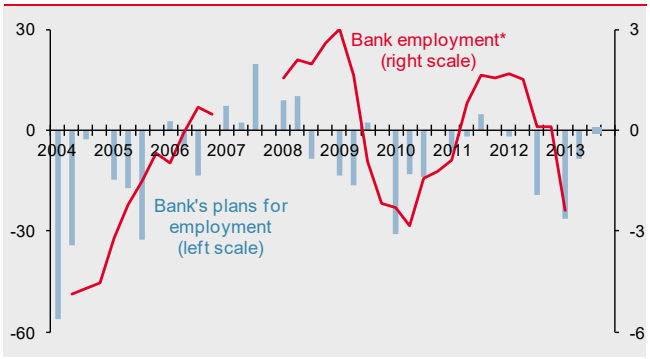
Modest staff reductions in Frankfurt's financial centre

Is the tide turning?

Apart from the results of our survey, sentiment indicators from the Chamber of Commerce and Industry (IHK) and Center for Financial Studies (CFS) also give an insight into the personnel situation of Frankfurt's banks. These indicators are unanimous in signalling a gradual trimming in staff numbers in the financial centre over the course of 2013. In the most recent survey in autumn, however, the tide turned for the better. However, it remains to be seen as to how sustainable this improved sentiment will be. Both indicators have now returned to a level pointing to unchanged employment (IHK employment balance of Frankfurt's banks: 0; subcomponent of the CFS financial centre index for banking employment: almost 100). The remarkable thing is not just that the majority of those surveyed expect no change in staff numbers and that fewer and fewer redundancies are planned; by now, there is even a small increase in the willingness of banks to hire new staff.

Frankfurt's banks successively cut jobs…

IHK survey balance — % yoy



Sources: IHK, Deutsche Bundesbank, Helaba Research; *2007 statistical break

… as previously envisaged in personnel plans

Subcomponents of CFS financial centre index for banks



Sources: CFS, Helaba Research

The mood in the banking centre, therefore, seems to be turning a corner. Meanwhile, the bulk of the financial press, which only a few months ago was full of horror stories about wide-ranging redundancy measures in the global financial sector, echoes this impression. Although there are still reports about job cuts as a consequence of shrinking balance sheets, for example in various large German banks, at the same time, however, positive news is multiplying about banks relocating business units to Frankfurt, expanding their activities here or even establishing a completely new presence in the German financial centre.

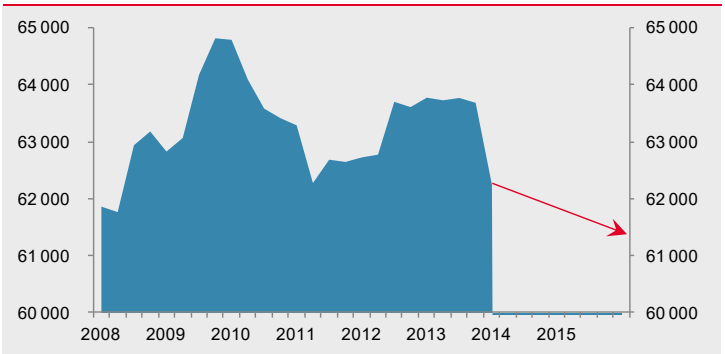
Demand for highly qualified personnel

In any case, consolidation-driven downsizing stands in stark contrast to significant demand for highly qualified personnel. It is not only a case of business units with potential for growth, in the context of the economic recovery, expressing a need for more staff; indeed, it is particularly the more complex regulatory side of banking that requires more specialists. On the one hand, commercial banks need more staff in order to fulfil the raft of detailed regulatory requirements. This will, however, mean additional costs for the banks.

On the other hand, European banking supervision, which is being established under the umbrella of the ECB, is a central pillar of the regulatory framework that has been restructured due to the crisis. In preparation for assuming their new role, the ECB plans to recruit a further 1,000 staff by the end of next year, 800 of whom are specifically destined for supervisory activities. This will lead to the importance of the ECB on the global financial arena growing even further and, in the same way, it will enhance the profile of the German financial centre as a European centre for supervision. With this significant image boost for the financial centre of Frankfurt, its appeal to domestic as well as international players, who want to have a presence in the city and want to foster a direct exchange with the local banking community, will increase. In this sense, at least, Frankfurt's financial centre is a beneficiary of the global crisis.

Only around 1,000 fewer bank employees at the end of 2015

Number of bank employees in the City of Frankfurt



Sources: Deutsche Bundesbank, Helaba Research

Frankfurt in moderate consolidation process

The bottom line is that staff reductions in the German financial centre should, therefore, remain limited, not least thanks to new recruitment as a result of a move towards more stringent regulation. For the end of 2015 we expect total employment to reach approximately 61,300 in Frankfurt's bank towers. On the basis of the latest available statistics (Q1 2013: 62,250), this would represent a "net" decline of only around 1,000 jobs, or a fall of 1½ %. Since the end of 2008, personnel changes in the German financial centre due to the crisis would thus only amount to just over -5 %, (-3,500 jobs). As awful as this may have been for some of the individuals concerned, the adjustment process in Frankfurt's financial centre as a whole is progressing at a moderate speed and will remain limited for years to come. ■