



German bank lending: Market share developments in individual sectors

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The German banking sector is highly segmented with its traditional three-pillar structure of (private) commercial banks, cooperative banks and public-sector institutions, plus a number of other banks. In corporate lending, the role played by these banking groups varies considerably between individual industries. For instance, a relatively large share of loans to the manufacturing sector – and particularly the “core” of German industry, mechanical engineering and automotives – is provided by the commercial banks. Lending to construction and agricultural firms, on the other hand, is dominated by savings banks and cooperative banks.

Market shares in the services sector are quite evenly distributed. Over the past 10 years, however, savings banks and cooperative banks have gained significant ground. They have a particularly prominent position in tourism/catering and the healthcare sector, respectively.

From an individual banking group’s perspective, the commercial banks’ main strength (weakness) is the manufacturing (services) sector. For savings banks, it is largely the other way round. Landesbanks have only two strongholds, utilities/mining and transport, in contrast to the cooperative banks which have the most balanced portfolio across different sectors of all banking groups.

Overview: Relative strengths and weaknesses of the different banking groups in individual sectors

Deviation of market share from the average of the respective banking group for all loans to enterprises & self-employed persons*

	Manufacturing, total	Chemicals	Metals	Mechanical engineering/Automotive	Electrical engineering	Food	Utilities/Mining	Construction	Retail & wholesale trade	Agriculture	Transport	Services, total	Housing enterprises	Commercial real estate	Tourism/Catering	Telecom/Consulting/Advertising	Healthcare
Lending volume since 2005**	↗	↘	↕	↕	↗	↘	↕	↕	↗	↕	↕	↗	↕	↘	↗	↕	↗
Domestic commercial banks	+	+	+	+	+	+	+	-	+	-	0	0	-	-	-	+	-
Foreign banks	0	0	0	+	0	0	-	-	+	0	0	0	-	0	-	+	0
Savings banks	0	-	+	-	-	0	-	+	0	-	-	0	0	+	+	+	0
Landesbanks	0	0	-	0	-	0	+	-	-	-	+	0	0	0	-	-	-
Cooperative banks	0	-	0	-	0	+	0	+	0	+	-	0	-	-	+	0	+
Development banks	0	+	0	+	0	0	0	-	-	-	0	0	+	-	-	-	0

* "-" < Deviation -3 pp ≤ "0" ≤ Deviation +3 pp < "+"

** Lending volume:

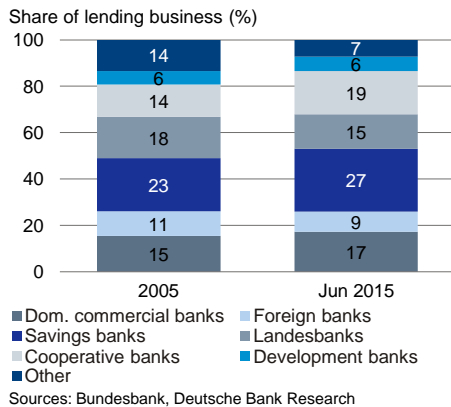
↘ Growth < -10%
↗ -10% ≤ Growth ≤ +10%
↕ Growth > +10%

Sources: Bundesbank, Deutsche Bank Research



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Enterprises & self-employed persons, total 1

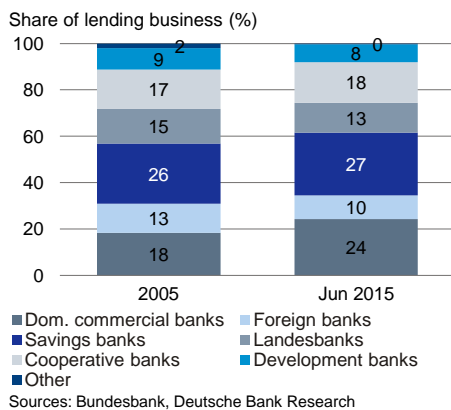


Traditionally, the German banking market has always been highly segmented and featured a three-pillar structure consisting of private, cooperative and public-sector banks. Public development banks and other special purpose banks play a role as well. Within the pillar of the private commercial banks a distinction can be made between domestic institutions and banks that are majority-owned by foreign entities. The cooperative banks in turn comprise locally focused credit cooperatives – *Volksbanken* and *Raiffeisenbanken* – and the two regional institutions of the credit cooperatives. Finally, the public-sector pillar is composed of savings banks and Landesbanks (development banks are not included).

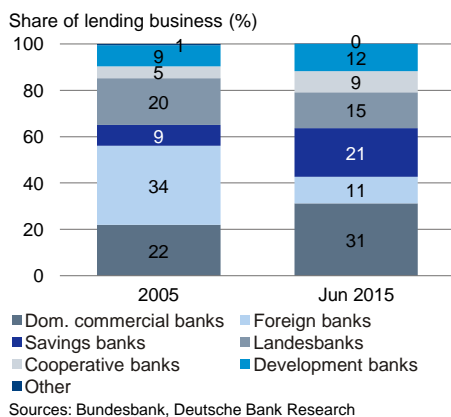
The current breakdown of lending to the overall corporate sector in Germany, i.e. enterprises and self-employed persons (total volume: EUR 1,309 bn), across the pillars is as follows: public-sector banks 42%, commercial banks 26% and cooperative banks 19%. The most striking changes in the past ten years were in the growth of the networks of savings banks and cooperative banks. This came mainly at the expense of the special purpose banks (mortgage banks in particular) and the Landesbanks. Year-end 2005 will be taken as the starting basis for a meaningful comparison. This prevents significant distortions resulting from the takeover in autumn 2005 of one of Germany's large banks by a foreign competitor (which triggered a substantial shift in market shares away from the domestic commercial banks over to the foreign banks).

Within the corporate sector in Germany, the manufacturing industries are of particular importance (lending volume: EUR 128 bn). Here too, the market presence of the different banking groups is relatively even. However, the domestic private-sector banks do claim a slightly bigger share (and one that has grown over time), whereas the special purpose banks are virtually absent from this segment.

Manufacturing, total 2



Chemicals 3

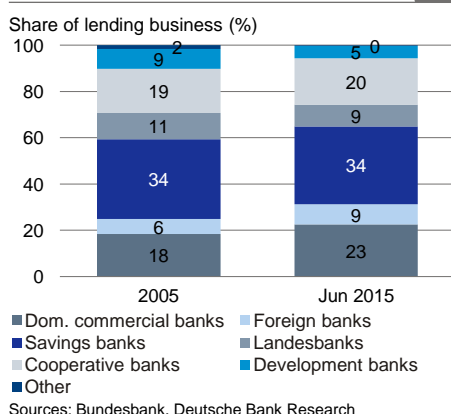


Lending to the chemicals industry (EUR 9 bn), a key sector for the German economy, has seen major changes over the past ten years. In the past, foreign banks were dominant here. Today's biggest lenders are the domestic commercial banks. In the same period the savings banks managed to more than double their share to 21%.

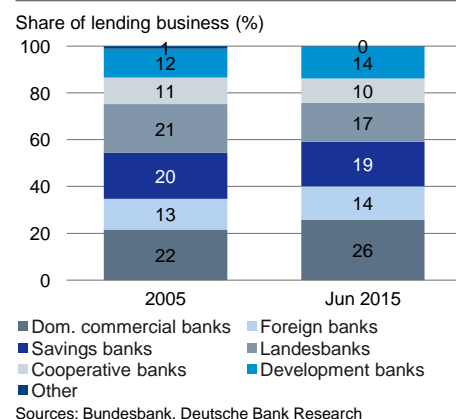
The situation in the metals industry (EUR 24 bn) proved more stable, with the savings banks maintaining their leading position in this area.

The different banking groups' market shares are spread pretty evenly with regard to those two sectors which are probably the most important ones for the German economy. In the banking statistics they are combined under mechanical engineering/automotive industry (EUR 34 bn). Nonetheless, one striking aspect is the unusually large role played in this field by the development banks. In addition, they have slightly expanded their share since 2005.

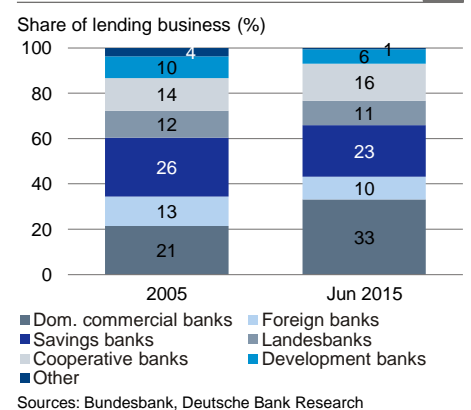
Metals 4



Mechanical engineering/Automotive 5



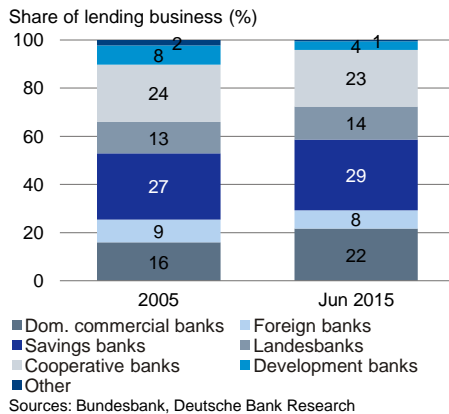
Electrical engineering 6





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Food 7

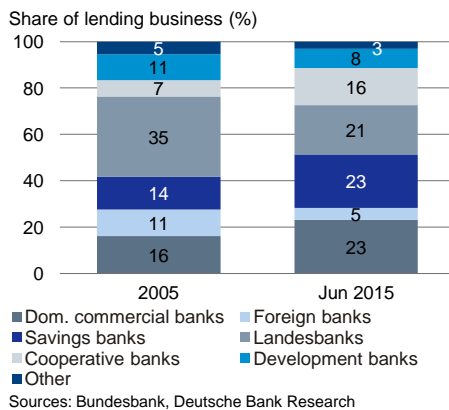


In electrical engineering (EUR 13 bn) the domestic commercial banks have now taken over the lead and claim one-third of the loan-book in this sector.

In the last of the manufacturing sectors discussed here – that is, the food industry (EUR 16 bn) – the picture presented is relatively uniform since all three traditional pillars are similarly well represented. Not even the two market leaders, the savings banks and the commercial banks, can claim 30% of the total market apiece.

Outside the manufacturing sector and the services sector, which is analysed on the next page, the situation is generally much more mixed. In the area of utilities/mining (EUR 99 bn – nearly a trebling of the 2005 level) the networks of the savings banks and cooperative banks as well as domestic commercial banks have made huge advances over the past few years, whereas the Landesbanks have lost their lead and the foreign banks have fallen to the ranks of the “also rans”.

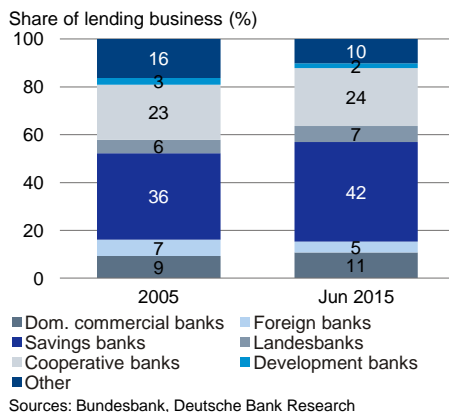
Utilities/Mining 8



The shifts in the construction sector (EUR 61 bn) in the given period were much less dramatic. The dominance of the savings banks and, to a lesser extent, the cooperative banks is particularly noticeable here, with their organisations together accounting for two-thirds of total lending. The share of the private commercial banks, by contrast, is a long way below average by their standards.

In retail & wholesale trade (EUR 123 bn) changes have been less spectacular. The situation has been relatively constant over the past ten years and even today the market shares are still divided quite evenly.

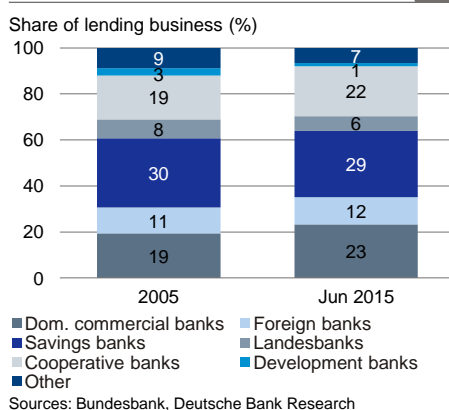
Construction 9



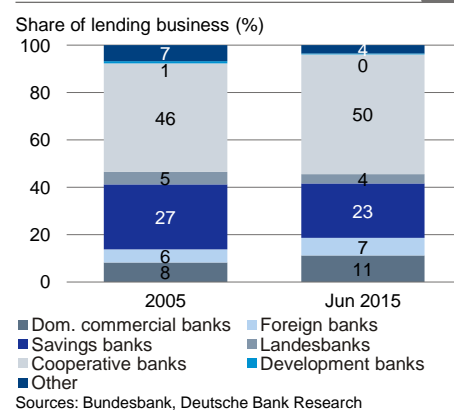
Agriculture (EUR 49 bn, following strong growth in recent years) has traditionally been the domain of the cooperative banks, which partly trace their roots back to the Raiffeisen banks that were set up by farmers to afford themselves mutual support. Half of the lending market for agricultural operations is claimed by the credit cooperatives, with the savings banks coming a distant second. The private commercial banks, by contrast, are under-represented (their market share is increasing nevertheless).

The transport sector (EUR 67 bn) has traditionally been a stronghold of the Landesbanks. Little has changed in this respect since 2005 either, even though the domestic commercial banks have gained considerable ground. The market position of the savings banks and the cooperative banks is underdeveloped by their standards.

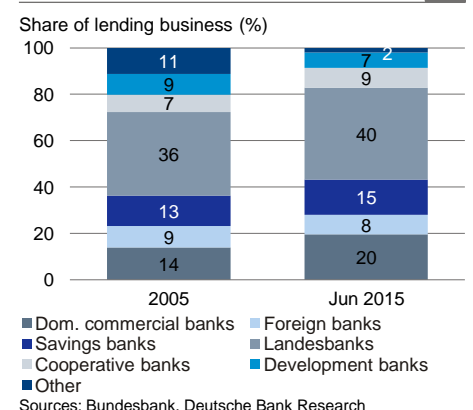
Retail & wholesale trade 10



Agriculture 11



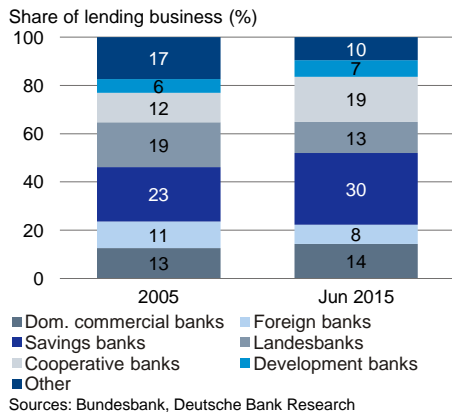
Transport 12





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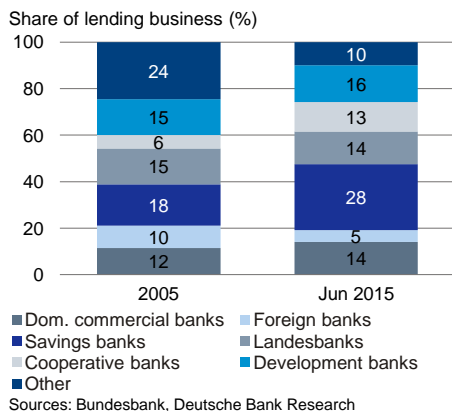
Services, total 13



The services sector (as defined in the Bundesbank statistics), with a combined volume of EUR 651 bn, accounts for exactly half of the total market for loans to enterprises and self-employed persons in Germany and is therefore of outstanding importance to the banking industry. On aggregate, all banking groups are represented relatively uniformly, with commercial bank performance somewhat weak. The networks of the savings banks and cooperative banks have made the strongest advances here over the past few years (at the expense of special purpose banks and Landesbanks). Therefore, they cover nearly half of the lending business with service providers today.

Within this sector, firms with real estate activities hold a prominent position as they account for over 50% of the total portfolio. Among others, these firms include housing enterprises (EUR 191 bn). Here, too, the market shares are more or less evenly distributed by banking group at present since the mortgage banks have relinquished their formerly dominant role over the past few years, ceding it in some ways to the savings banks.

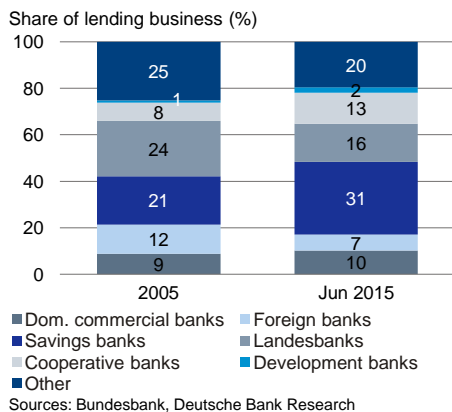
Housing enterprises 14



Furthermore, companies from the commercial real estate segment account for a similarly large loan volume of EUR 175 bn. This is one area where the special purpose banks have still largely managed to hold their own, even though they had to cede top spot to the savings banks as well.

The savings banks and cooperative banks – mainly locally focused institutions – have a truly overwhelming position in the tourism/catering sector. In fact they have even expanded their shares slightly since 2005. They account for more than three-quarters of related lending business (totalling EUR 22 bn); by contrast, all the other banking groups have been virtually marginalised.

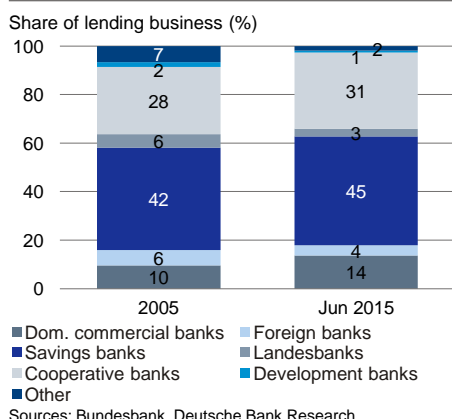
Commercial real estate 15



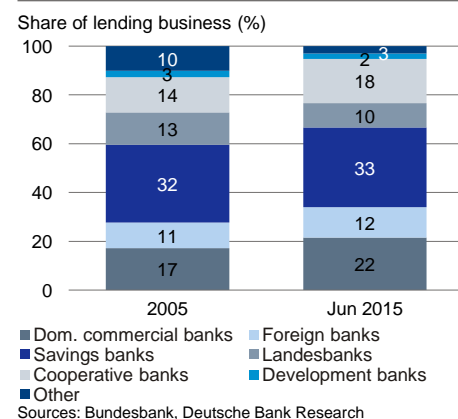
The private commercial banks as well as the Landesbanks are better represented in one of the German economy's most prominent sectors of all, with its significant growth potential: telecom/consulting/advertising, i.e. business-related services. Of total loans outstanding of EUR 97 bn roughly one-third each is held by the two market leaders, the commercial banks and the savings banks.

Healthcare is also a structural growth sector, especially in an ageing society such as Germany. However, this increase in significance is proceeding practically without credit financing: the lending volume has essentially stagnated since 2005, totalling some EUR 77 bn today. The health sector has traditionally been a preserve of the cooperative banks, which have also succeeded in boosting their share of this market.

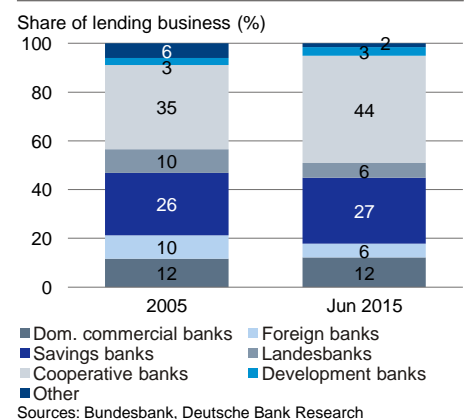
Tourism/Catering 16



Telecom/Consulting/Advertising 17



Healthcare 18





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Not only an analysis from a sector perspective but also a breakdown of lending by the individual banking group offers interesting insights into the relative strengths and weaknesses of the banks in the individual sectors. In this context, the market share of a banking group in a given sector is taken and compared with this banking group's market share in total lending to enterprises and self-employed persons.

All in all, the following table shows that the domestic commercial banks have (by their standards) a stronger position in the manufacturing industry and a relatively weaker position in services. The opposite tends to apply to the savings banks. The Landesbanks have only two distinct strong points, these being utilities/mining and transport, and they tend to fall short of their own sector-overarching average in both the manufacturing and the services segments. The cooperative banks can generally claim to have the most evenly balanced lending portfolio; their relative market positions show the best "mix" vis-à-vis the other banking groups. The development banks are clearly focused on certain segments of the manufacturing industry and housing enterprises. In turn, they are under-represented by their own standards in the sectors other than manufacturing and service provision as well as within services apart from the housing enterprises market.

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Cooperative banks	0	-	0	-	0	+	0	+	0	+	-	0	-	-	+	0	+
Development banks	0	+	0	+	0	0	0	-	-	-	0	0	+	-	-	-	0

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