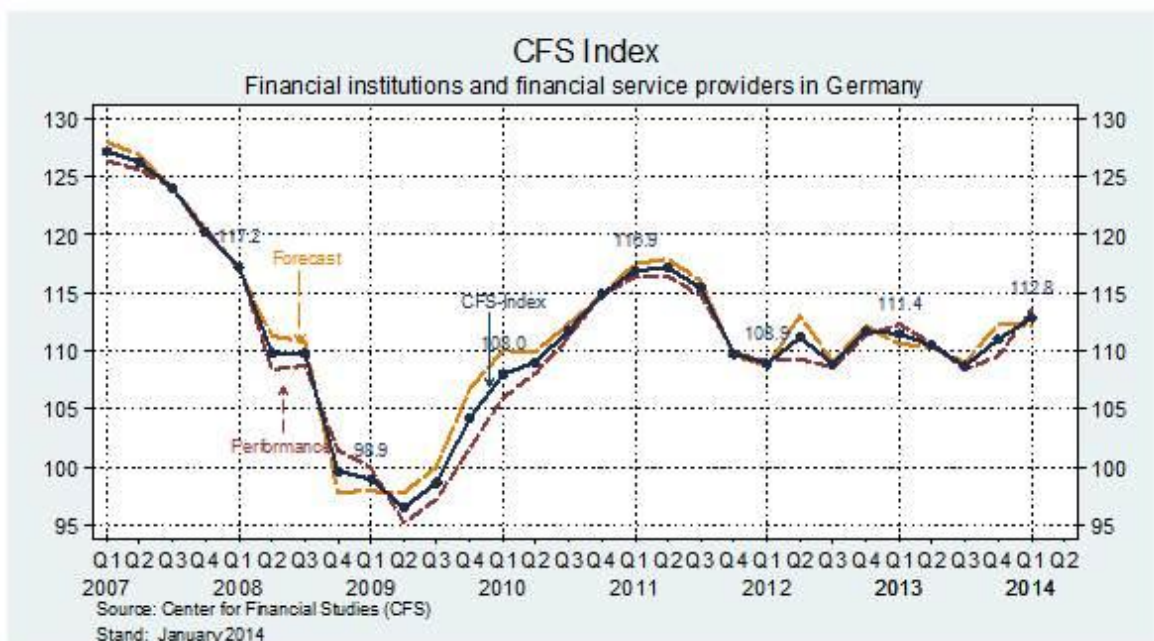


Presse Release

CFS Index Stays on Positive Course

Financial industry increases earnings and revenues at the end of 2013 / Downsizing in the financial sector continues / Investment forecast 2014: Shares top, bonds flop

FRANKFURT, 27. January 2014. The situation at the financial center Germany is further brightening. The CFS Index, which displays the condition of the German financial sector every three month, rose again at the beginning of the year 2014. It increased by 1.8 to 112.8 points, the highest value for more than two years. The rise is first of all due to the significant growth in business volume and earnings of financial institutions and service providers at the financial center. In contrast, downsizing in the financial industry continued during the fourth quarter 2013 contrary to the expectations expressed before. For the whole year 2014, further staff reductions are being expected. Regarding the development of certain asset classes in 2014, more than two thirds of the respondents were convinced that the positive development of shares will continue.



Confidence in the growing importance of the financial center Germany

Regarding the future international importance of the financial center Germany, representatives from financial institutions as well as from financial service providers were very optimistic. The **location index** that is regularly calculated within the framework of the CFS Index since the beginning of 2007 increased to 122.7 points. This is the highest value since the inception of measurement. Especially service providers showed greater confidence in the financial center Germany compared to the last quarter.

Corporate figures: Revenues and earnings rise significantly

Both financial institutions and financial service providers could further increase their **revenues**/business volume in the fourth quarter of 2013. Among financial institutions the corresponding sub-index made up for the decline in the previous quarter with an increase by 7.2 points. With 112.4 points the sub-index is now back to the level where it had started out in 2013. Among financial service providers the sub-index “revenues” gained 6.2 points and reached with 125.2 points the highest level for more than two years – a development that meets the positive expectations expressed before the beginning of the quarter. For the first quarter 2014 financial institutions and financial service providers expect a slightly lower increase in revenues.

Earnings could also rise among both groups during the fourth quarter of 2013. The corresponding sub-index for the financial institutions continued its positive path from the third quarter 2013 with an increase by 3.1 to 111.1 points. The sub-index for service providers gained 6.4 points to reach a value of 122.9 points. The expectations for the first quarter 2014 are again only moderate

The sub-index **investment volume** is slightly decreasing to 104.9 points among financial institutions at the end of the fourth quarter of 2013. For the first quarter of 2014 a stronger growth in investment volume is anticipated. Financial service providers stay on their investment level with a sub-index of 111.7 points. Expectations for the current quarter are clearly optimistic.

Downsizing continues with a negative outlook for the whole year

The sub-index **employment level** stays under the neutral benchmark of 100 points among financial institutions and thus indicates further staff reductions. Contrary to the predictions before the beginning of the fourth quarter 2013 the negative trend could not be reversed. The index stays with 96.9 points on a similar level as in the previous quarter. Predictions for the first quarter 2014 are still moderate and lead to an index level of exactly 100 points. In contrast, financial service providers further increase their headcount with stable expectations for the first quarter of the new year.

Being asked for a forecast for the business development in the banking sector this year, a majority of respondents express the view that headcount will develop negatively. Only 7 percent expect a growth in the employment level of financial institutions. The forecast for the general business development in the banking sector shows a great uncertainty in the industry. Both financial institutions and financial service providers were cautious with a clear trend assessment.

Highest returns predicted with asset management and shares

With regard to the development of earnings and profitability in certain business segments in the banking sector in 2014, survey participants ranked the given segments as follows: Asset management, followed by investment banking, corporate banking and private banking.

Looking at the development of certain asset classes in 2014, two thirds of respondents expressed their conviction that shares will continue to develop positively. Furthermore, a clear majority expects private real estate to develop in a good way. On the contrary, the predictions for the development of fixed-interest securities are extremely pessimistic. 40 percent of the respondents believe that this asset class will develop negatively throughout the year.

Profile CFS

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Financial Stability and Banking Regulation, Household Finance, Law and Economics of Financial Organizations and Trading and Pricing in Financial Markets to Monetary Policy and Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

About the CFS Index

The CFS Index is based on a quarterly management survey of currently 400 enterprises of the financial center of Germany. The survey contains four questions about the participant's view on different business parameters (transaction volume, profits, employment and investment in product- and process innovations). The answers to the questions may be given as "positive", "neutral", or "negative" and a response is requested for the previous and the current quarter. Due to construction, the maximum index value is 150, the minimum index value is 50; a value of 100 signalizes a neutral business sentiment. The survey-panel consists of enterprises and institutions of the financial industry and selected companies, which profit from the financial sector.

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