

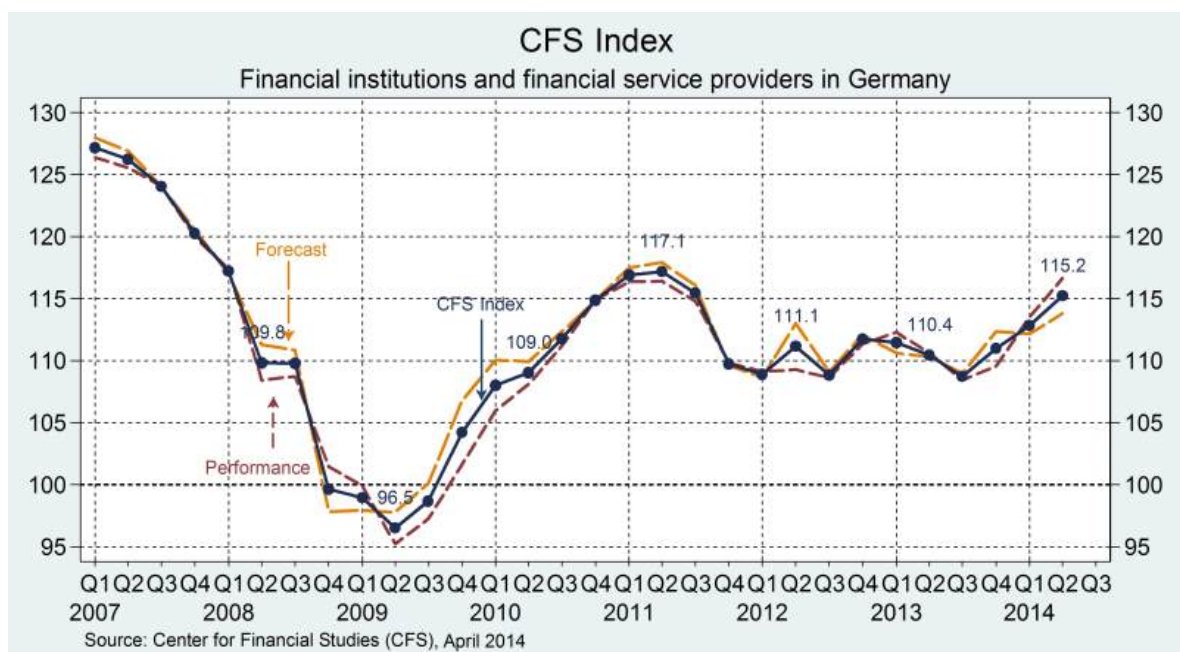
Press release

CFS Index continues to rise

Financial institutions expand revenues significantly during the first quarter 2014 / For the first time since early 2013 banks create new jobs

FRANKFURT, 14 April 2014. German financial institutions and financial service providers started the year 2014 very successfully. In the first quarter 2014, the CFS Index, which quarterly aggregates the state of the German financial sector, continued its rise that had started in mid-2013. The index increased significantly by 2.4 to 115.2 points, the highest value in almost three years. The index increase is particularly due to the positive development among financial institutions which report a high rise in revenues, a positive development of earnings as well as – for the first time in over a year – an increase in their headcount. The surveyed service providers can maintain their high level.

“Surprisingly, banks could increase revenues and earnings during the first quarter 2014, despite the currently high pressure on their capitalization and risk structure,” Jan Pieter Krahen, Director of the Center for Financial Studies and academic head of the survey, said. “The newly created jobs could also be attributed to the additional regulatory demands.”



Financial institutions expand revenues and earnings significantly

The surveyed financial institutions were able to substantially increase **revenues**/business volume in the first quarter 2014. Contrary to rather restrained expectations in the previous quarter, the corresponding sub-index rose by 7.1 to 119.5 points – the highest value since early 2011. Expectations for the second quarter remain on a high level, although below the index value in the first quarter. Service providers could again slightly exceed their high revenues' level from the previous quarter, now reaching 125.7 index points. For the second quarter 2014 they expect a similarly positive development.

Financial institutions were also able to raise **earnings**. The corresponding sub-index shows a constant upward trend since the second quarter 2013, now adding up to 113 points. For the second quarter 2014 financial institutions only expect slight increases in earnings. Among financial service providers the sub-index earnings shows a small decrease but stays on a high level with 119.6 points, which indicates strong increases in earnings in the previous quarter. Expectations for the current quarter are very optimistic.

Financial institutions have slightly increased their **investment volume** during the first quarter 2014. The corresponding sub-index rose by 3.6 to 108.5 points. Service providers could maintain the level of the previous quarter at 111.8 points. Expectations for the current quarter are stable in both sectors.

Banks create new jobs again

For the first time since early 2013, financial institutions report an increase in their headcount. In the first quarter 2014 the sub-index **employment level** increased by 8.1 to 105 points and, hence, crossed the neutral benchmark of 100 points, which marks the threshold between downsizing and job growth. With that, financial institutions could exceed their positive expectations from the previous quarter. However, for the second quarter 2014, they only expect an index value of 98.8 points which would display an, again, slight job reduction. Service providers continue to significantly extend their workforce with a stable outlook for the second quarter 2014.

About the Center for Financial Studies

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 survey among 400 decision makers in the German financial industry (return about 50% on average). 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 that profit from the financial sector.

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