

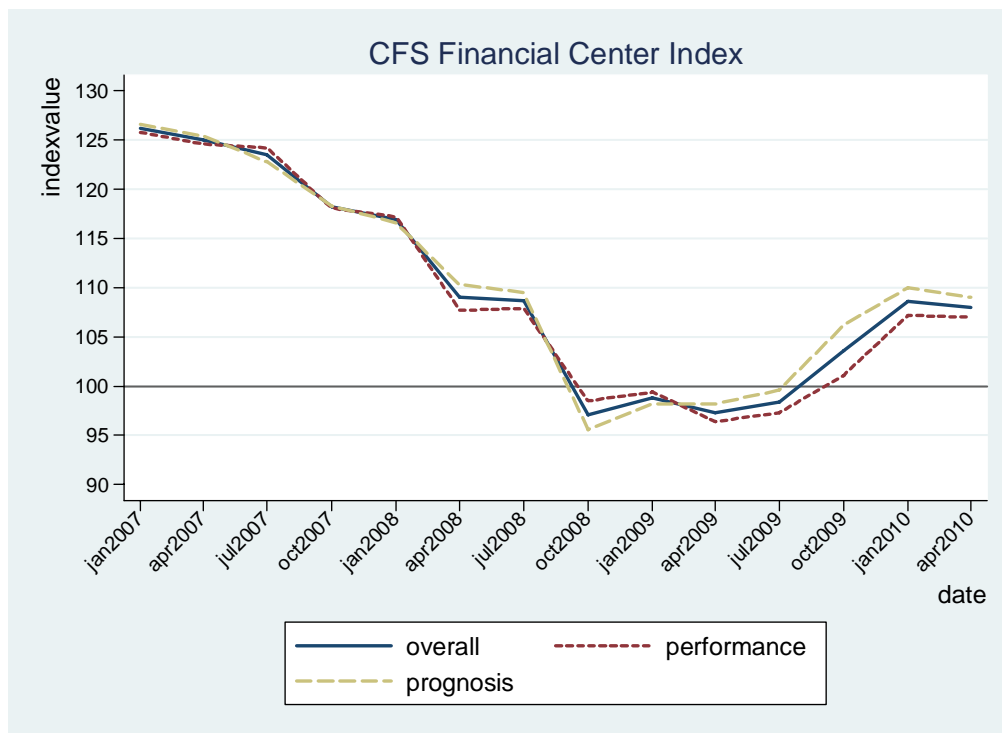
## Press release

### Financial sector hesitant: CFS Financial Center Index remains at pre-quarter level

#### Profit situation improves considerably / Employment stagnates / Bank levy controversial

FRANKFURT, 25 April. With a current value of 108.0 points the CFS Financial Center Index has remained effectively at its pre-quarter level (108.6). With both subindices “Performance” (evaluation of the past quarter) and “Prognosis” (forecast of the upcoming quarter) converging the Index dropped by merely 0.6 points compared to January.

Figure 1:



With respect to the composition of the CFS Financial Center Index, returns and investment move upwards while revenues and employment estimations tend downwards. The groups of the survey (Financial Institutions and Brokerage, Financial Sector Service Providers, Supervisory and Academic Institutions, Connected Enterprises) express also different opinions on the business climate. Financial Institutions register a considerable rise in profits

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(+11.1 points) and thereby surpass their expectations from the last survey 3 months ago. The employment figures, however, show a downward movement, with estimations dropping by 9.0 points for the upcoming quarter. 'The hesitant position with respect to employment figures shows that last quarter's job market expectations have not been fulfilled, yet. While still questioning the sustainability of economic growth the financial sector continues to employ cost discipline,' says CFS Director Professor Dr. Jan Pieter Krahenen.

### **Private and public sector at odds on bank levy**

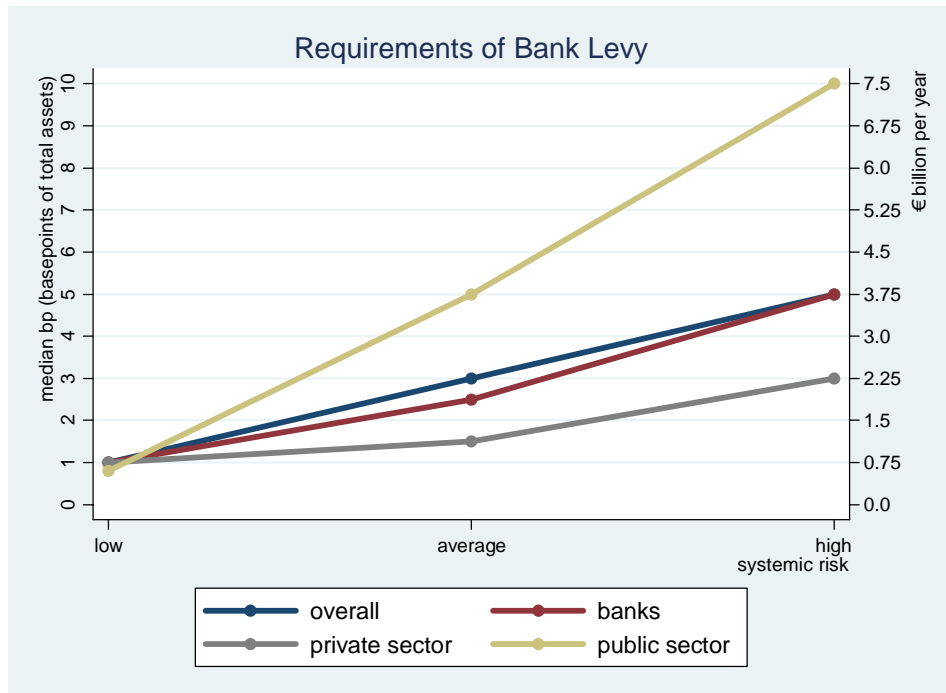
An almost equal amount of respondents are either in favor of or against the bank levy. However, there is an evident discrepancy between private and public banks. While a relative majority of 40 % of the private banks favors the bank levy, 50% of the public banks oppose it.

The respondents agree that the levy should flow into an external fund instead of being included in the state budget. 27 % choose the Deutsche Bundesbank as the institution to propose the yearly amount of the bank levy (while 21 % consider the European Systemic Risk Board the one in charge, in case there is a European solution). 4 % of the respondents think the Finance Minister should decide on the amount. More than the majority of the banks (52 %) express their support for a levy that affects all sorts of financial institutions, including insurance companies and other financial institutions (hedge funds, private equity firms etc.). The insurance companies for their part favor a solution, where only banks are obliged to pay the levy.

With respect to the actual amount of the levy the panelists regard 1 bp (basis points) or 0.01 % of the balance sheet in the case of low systemic risk as appropriate. This can be compared to the 1.6 bp or 0.016 % which arise from taking the amount of € 1.18 billion proposed by the German government in perspective with the aggregate balance sheet of the German banking system of € 7500 billion (Source: February 2010, Deutsche Bundesbank). In case of an average and high systemic risk the levy is considered to be 3 and 5 times higher, respectively. The banks differ in their opinion of how progressive the levy should be designed (see Figure 2). According to banks of the public sector the amount should be more than 3 times higher in case of high systemic risk compared to the amount the private banks regard as appropriate.

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Figure 2:



### Financial transactions tax no alternative

Another measure which has been extensively discussed, the Tobin tax, encounters considerable opposition as 65% of all respondents being against a tax on financial transactions. ‘Whereas the bank levy only has a relative majority among private banks, it seems to be a much more appropriate regulatory instrument than the financial transactions tax’, explains Professor Krahen.

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### Index calculation of the CFS Financial Center Index

The CFS - Financial Center 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. The index is compiled from different sub-indices, as all participants are allocated to branch-specific groups. Within each group, a balance of the share of positive and negative responses is evaluated and transformed into performance data. These performance data are then aggregated in order to constitute the CFS Financial Center Index. 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.

### History and Future prospects

The CFS Financial Center Index is part of the Hessian project "Financial Center Monitoring", which is to measure the competitiveness of the financial center of Germany in a European context. Further partners of the project are Landesbank Hessen-Thüringen (Helaba), Frankfurt Main Finance e.V. and Frankfurt School of Finance and Management. More Information about CFS-Financial Center Index, e.g. an overview of the survey and a broad definition of the German financial center can be found at: [www.financialcenterindex.com](http://www.financialcenterindex.com).

### Profile CFS

The Center for Financial Studies (CFS) is a financially independent research institute, affiliated to Goethe University Frankfurt. CFS conducts independent and internationally-oriented research on financial markets, financial intermediaries and monetary economics and interacts as the German partner with other international research centers specifically on the subject of financial market architecture and the role played by banks and stock exchanges. President of CFS is Prof. Dr. Dr. h.c. mult. Otmar Issing. Chairman of the supporting association: Dr. Rolf-E. Breuer. Overall management of the institute is conducted by the directors Prof. Michael Haliassos, Ph.D., Prof. Dr. Jan Pieter Krahen, Prof. Dr. Uwe Walz.

### Profile Frankfurt Main Finance

In Frankfurt Main Finance, the Financial Industry, the State of Hesse, the City of Frankfurt, as well as scientific institutions and the services sector have joined forces in order to strengthen Frankfurt's position in competition among the world's Financial Centres. As of October 15, 2009, Frankfurt Main Finance has 27 members: Bankhaus Metzler, Commerzbank, Corealcredit Bank, Crédit Agricole Cheuvreux, Deutsche Bank, Deutsche Börse, Dresdner Bank, Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA), DWS Investments, DZ Bank, Fides Falk Financial Services, Frankfurter Sparkasse, Frankfurt School of Finance and Management, Frankfurter Volksbank,

Helaba Landesbank Hessen-Thüringen, House of Finance, ICF Kursmakler, KDB Krall Demmel Baumgarten, the State of Hesse, Morgan Stanley, P. Keppler Verlag, the City of Frankfurt, Tata Consultancy Services Deutschland, vwd Vereinigte Wirtschaftsdienste, White & Case, WHU – Otto Beisheim School of Management and (starting from January 1, 2010) Wolfgang Steubing AG.

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