

Banking Industry Performance.

The economic recovery, which had a particularly exonerating effect on domestic losses on loans and advances, and the favorable refinancing conditions in light of the supportive monetary policy put some wind in the sails of the German banking industry in 2010 and had a positive effect on results of operations. A stable operating business overall characterized the sector's position.

Most negative effects for the banks resulted from the European debt crisis. The associated strain on the financial markets mainly affected trading profits of banks, which were marked by high volatility.

On the whole, the situation in the sector stabilized year-on-year in 2010 given this situation, but remained subject to a certain amount of uncertainty.

A topic of some importance for the banks in 2010 continued to be the impending changes to the regulatory landscape such as the introduction of Basel III, the bank levy in Germany and the planned reform of deposit protection at a European level.