



# The Finance Sector in Germany

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**Germany is a major international financial center and the leading location in continental Europe. Five German cities regularly rank within the top 50 of the Global Financial Centres Index.**

Germany is the largest economy and the largest market in the EU-27, accounting for 25 percent of EU GDP and 19 percent of total population. All European markets can be served from Germany. The country is also one of the world's leading export nations. The finance sector is a strong partner and facilitator for actors in the thriving domestic economy. Internationally active banks and insurance companies support businesses in international markets and help company growth and expansion.

### **Financial center Germany**

Banks, insurance companies and other financial service providers like stock exchanges represent the three core pillars of the financial system in Germany. The country's financial system is both unique and supportive of the domestic economy thanks to its size and highly decentralized nature. This means that the structures of the financial system – with regional centers and institutions – are important instruments that align with the requirements of business, "hidden champions" and small and medium-sized companies.

### **Opportunities for international players**

The United Kingdom's "Brexit" departure from the EU has redrawn the European map for financial services. London remains an important financial hub, but the loss of EU passporting rights is seeing many international financial service providers shift their businesses to locations within the EU. German financial centers – and Frankfurt in particular – are benefiting from this development; one that will manifest the country as the most important financial center in continental Europe. The Trade and Cooperation Agreement with the UK covers financial services in the same way as with other free trade agreements with third countries.

## *Germany's Finance Sector in Numbers*

**1,500+**

banks and saving banks nationwide  
operating in German banking market

**500+**

insurance companies operating  
in German insurance market

**Number 2**

re-insurance location  
worldwide after the USA

**63%**

cumulative growth in Fintech equity  
transactions between 2018 and 2020

**EUR 3.4 trillion**

in assets managed by fund companies in  
the EU's largest fund market

→ **Further information**  
[www.gtai.com/financial-services](http://www.gtai.com/financial-services)

# Finance Sector Market Composition

**All of the major financial subsectors are represented in Germany. They are supported by a strong ecosystem of consulting, auditor, academic, and regulatory actors that allow the financial marketplace to thrive.**

Banks play a central role as conveyor belts to markets and companies and channel investments. A strong banking sector is also important for Germany's strongly export-oriented economy.

## Banking Sector Structure

There are more than 1,500 credit institutions active in Germany, of which more than 250 are private banks. The banking sector has a workforce of more than 500,000 people. The total assets of the German banking industry amount to more than EUR 9 trillion. The banking sector in Germany consists of three pillars: commercial banks, the public banking sector (Sparkassen and Landesbanken – Germany's decentralized network of independent regional commercial and savings banks) and cooperative banks (Volks- und Raiffeisenbanken). This is a special characteristic of the German market, as private banks only cover part of the market. Large sections of the market are served by the network of savings and cooperative banks. Germany's universal banking system is another unique feature of the German market.

## Internationally Leading Insurance Sector

Germany is one of the largest insurance markets in the world and the second largest reinsurance location worldwide. Two of the five largest international reinsurance groups are based in Germany. Many international insurance companies are also active in the German market. Almost 500,000 people work in the insurance industry. Together, they provide coverage for business and private risks without which normal life would be inconceivable. With investments of around EUR 1.75 trillion, insurers are among the largest institutional investors in Germany and thereby predestined partners for the green transformation of the economy.

## Highly Differentiated Trading Centers

Various stock exchanges in Germany count amongst the oldest in the world. Today, stock exchanges in Berlin, Dusseldorf, Frankfurt, Hamburg, Hanover, Munich, and Stuttgart (and the European Energy Exchange for energy and commodities in Leipzig) provide a differentiated and competitive platform for companies and private investors. In Frankfurt, *Deutsche Börse* operates the fully electronic XETRA system, one of the world's highest turnover cash markets for securities. Of more than 150 market participants, roughly half are from countries other than Germany. The turnover of Germany's stock exchanges is the highest in Europe.

## Europe's Largest Asset Management Funds Market

Germany's funds market comprises EUR 3.4 trillion of Europe's EUR 12.8 trillion total, making the country Europe's largest market with the highest annual growth rate of 9.3 percent.

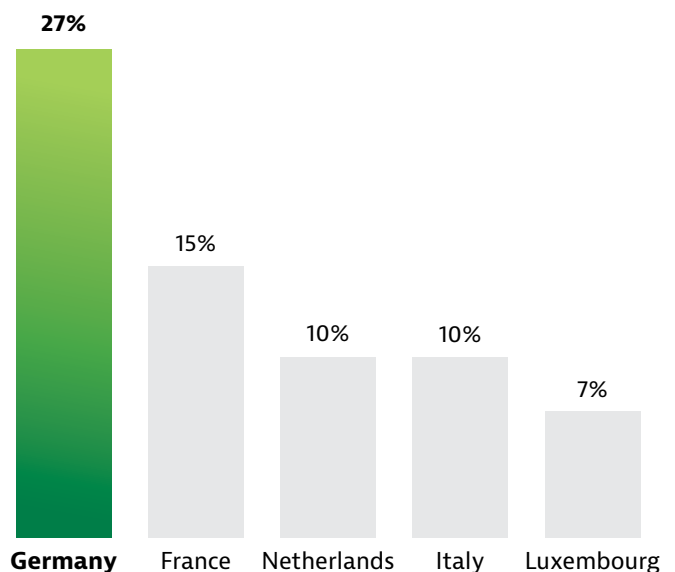
Around 700 fund companies are active in Germany, ranging from independent fund boutiques to group-owned banking or insurance subsidiaries. The EUR 3.4 trillion assets managed is almost as high as German GDP. In addition to a large number of retail funds and individual special funds for institutional investors, closed-end or alternative investment funds for financing individual tangible assets are a key focus of asset management. More than 25 percent of investors in Germany are private. The funds industry is an indispensable intermediary, bringing together the liquidity of millions of savers and investors with the capital needs of companies and governments.

## Thriving Private Equity Sector

There are around 400 private equity firms that invest in more than 1,000 companies per year resident in Germany. More than 5,500 companies are managed in the portfolios in total. In 2020, private equity investment totaled EUR 12.6 billion. Venture capital was invested in more than 60 percent of the companies financed with equity capital.

## Fund Assets of investors in the EU

TOP 5 markets in percent



Source: BVI/ECB June 2021

# Market Trends: FinTech and Sustainability

**Digitalization of the financial services market has received an indirect boost from the global coronavirus pandemic, with acceptance of digital solutions (e.g. contactless payment solutions) now enjoying greater widespread acceptance.**

Germany's FinTech market of more than 630 active FinTechs is now one of the biggest in the world, and the strongest sector in the country's start-up ecosystem (55 percent of FinTechs are five years or younger). According to the FinTech Report 2021, single service providers constitute the largest group (230 companies) with financing activity increasing by an average of six percent over the last twelve business quarters. FinTech and InsurTech companies have enjoyed substantial VC funding in recent years, securing record VC investment of EUR 3.7 billion in 2021.

## Sustainable Finance

Sustainable financial investments are booming in Germany, with funds recording an annual increase of 69 percent – to more than EUR 330 billion under management – in 2020. The EU Commission wants Europe to be the first continent to become climate neutral by 2050 as part of its "European Green Deal." Sustainable finance has an important role to play in this program. In Germany, sustainable transformation requires an investment of around EUR 322 billion per year. Neither the "Sustainable Development Goals" nor the objectives of the "Paris Agreement" could be accomplished without fundamental change within the national and international capital allocations framework.

Germany adopted its first sustainable finance strategy in 2021. The German Sustainable Finance Strategy seeks to mobilize urgently needed climate protection and sustainability investment while addressing the increasing climate risks for the financial system. The portfolio of measures – including funding for sustainable forms of investment, sustainability labeling and new sustainability reporting requirements – will help establish Germany as a leading sustainable finance location.

## Germany's FinTechs and InsurTechs in Numbers

**639 active FinTechs**

one of the biggest FinTech markets worldwide

**FinTechs raised most financing**

in Germany's start-up ecosystem

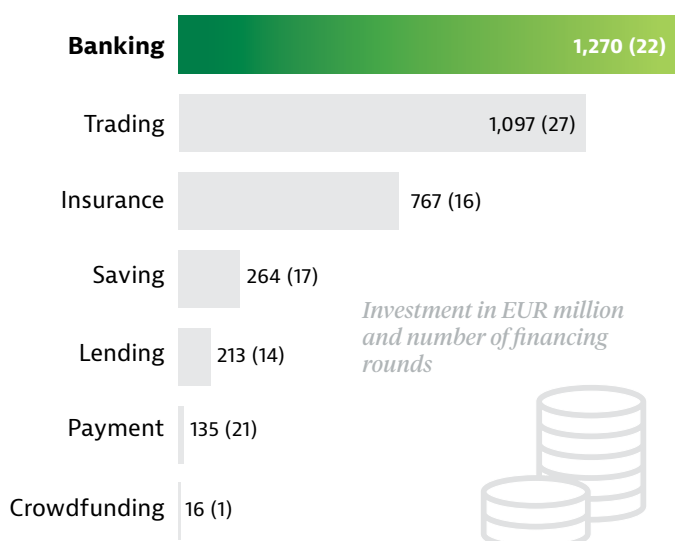
**230 single service companies**

from largest Fintech group with financing activity

**EUR 3.7 bn VC investment**

for FinTechs and InsurTechs in 2021

## Venture Capital Investment in FinTech/InsurTech 2021



Source: EY Start-Up Barometer Deutschland, January 2022

## Digital Hub Initiative

A series of regional digital hubs have been established in Germany as part of an initiative of the Federal Ministry for Economic Affairs and Climate Action. Start-ups, science, SMEs, industry, and local administrations join together to become centers of digital transformation. The cities of Berlin and Frankfurt are home to one FinTech hub respectively and the cities of Cologne and Munich both have an InsurTech hub. These hubs offer excellent opportunities for start-ups to network with market incumbents. Other strong FinTech clusters are established in the cities of Hamburg and Stuttgart.

➔ [www.de-hub.de/en](http://www.de-hub.de/en)

# German Financial Centers

Germany is one of the world's strongest financial centers. Boasting Frankfurt as one of the leading international financial centers and strong regional centers – in Berlin, Hamburg, Munich, Stuttgart, and North Rhine-Westphalia – Germany guarantees international con-

nections and diverse financial services. Differing from other global financial centers that are heavily centralized, a hybrid form of large and smaller financial centers has established itself in Germany.

## Germany's Decentralized Financial Center Landscape

### HAMBURG

- Leading in foreign trade finance, transport insurance and coverage of special risks.
- High expertise in wealth management
- Highest number of foundations in Germany

### BERLIN

- Germany's FinTech capital
- High expertise in neo banking, insurance, crypto and asset management, digital infrastructure

### NORTH RHINE-WESTPHALIA

- Leading innovation, transformation and science ecosystem
- Large insurance sector
- Second largest banking centre

### FRANKFURT AM MAIN

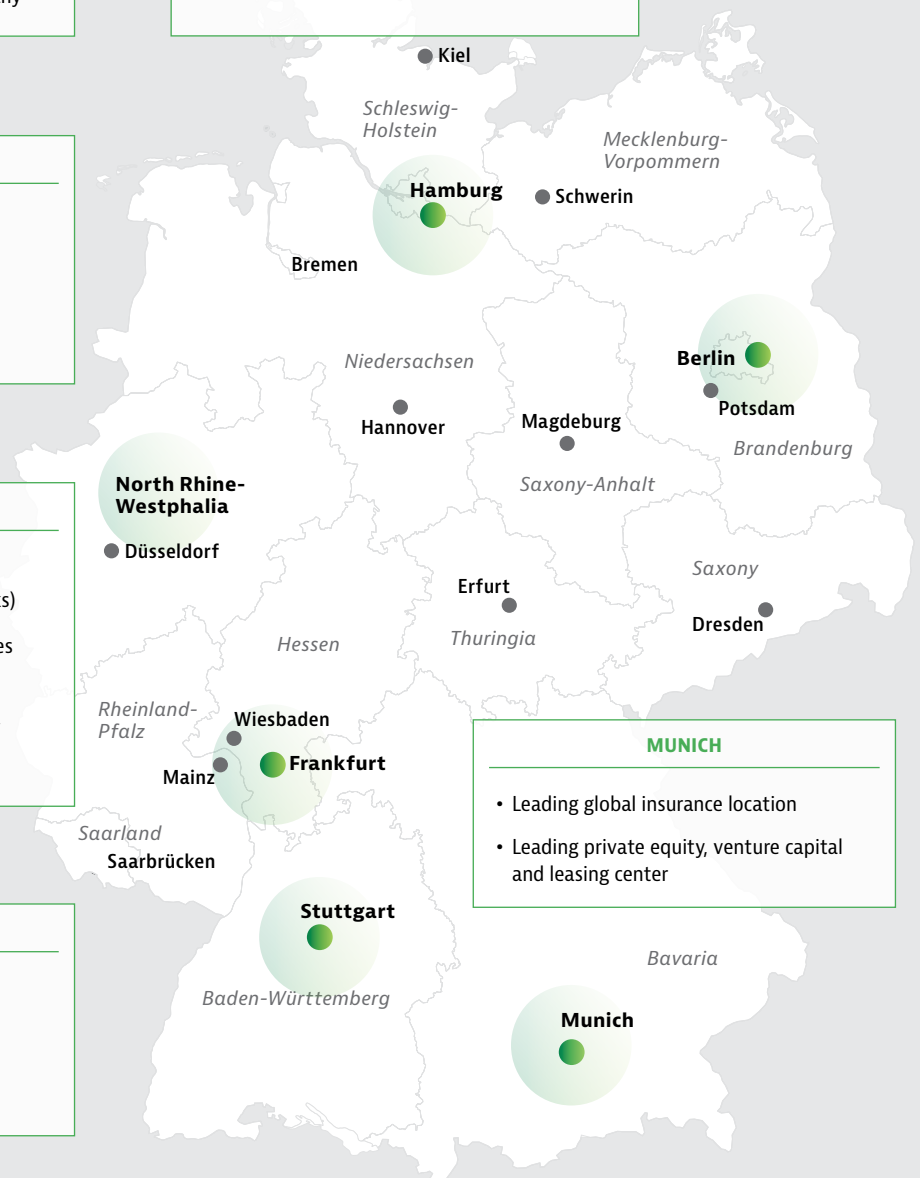
- More than 200 financial institutions (of which more than 160 are foreign banks)
- Workforce of more than 70,000 employees in sector
- Home to a dense network of supervisory, regulatory and scientific bodies (ECB and EIOPA, among others)

### STUTTGART

- Diversified financial center with strong real economy ties
- Largest digital and crypto business of the European exchange groups

### MUNICH

- Leading global insurance location
- Leading private equity, venture capital and leasing center



# Germany Finance – The Financial Center Network



**Jörn Le Cerf**

*Finanzplatz Hamburg*

*Spokesperson Germany Finance 2022*

**Germany Finance is an initiative to promote Germany as a European and international financial center. The initiative is the joint platform of the leading German financial centers: Frankfurt, Berlin, Hamburg, North Rhine-Westphalia, and Stuttgart. It works in close cooperation with the German Federal Ministry of Finance and Germany Trade & Invest (GTAI). Jörn Le Cerf, Germany Finance Spokesperson, outlines the aims and objectives of the Germany Finance initiative.**

## **What are the goals of Germany Finance?**

The common goal of Germany Finance is to strengthen Germany as a financial center within Europe and internationally. The platform provides a strong brand identity and acts as a point of contact for everyone interested in Germany as a financial center.

## **How does Germany Finance work?**

The initiative addresses economically important issues and their potential effects on the financial sector. These include location factors and sustainability as well as human resources, digital transformation, and innovation (the latter two having significant relevance for the FinTech and InsurTech sectors). We seek to address the challenges of the day and highlight industry performance in international comparison. Germany Finance has published a study analyzing the specific features of Germany's financial system in European comparison – highlighting the role and benefits of the country's system and the challenges and opportunities ahead.


## **Why Germany?**

Germany is the largest economy in Europe – measured in terms of GDP and population – and is an international export leader. The domestic financial sector has two defining characteristics: economic clusters spread across the country and a diverse economic ecosystem led by strong and innovative SMEs. There is a welcoming regulatory level playing field – meaning that companies providing the same financial services

with the same risks are subject to the same level of supervision and regulation. The Federal Financial Supervisory Authority (BaFin) offers transparent, reliable operations and communication in English to support international companies entering the German market. European Union passporting allows companies regulated in one EU country to access the entire EU market and its 320 million consumers.

The country also boasts a well-functioning supporting ecosystem of companies in the consulting and services sectors, excellent digital infrastructure and business development agencies in every region. Frankfurt has the second-highest data center density level in Europe with DE-CIX – Germany's most important internet exchange node and the world's largest and most reliable data exchange point.

Germany is also home to a highly skilled and well-educated workforce. Thanks to its excellent quality of life, international professional talent is easy to attract to the country. Join us and be a part of Europe's financial hotspot.

 **Link to study: [germany-finance.com/cornerstone](https://germany-finance.com/cornerstone)**

## **Germany Finance – Our Mission**

Germany Finance is a platform of all leading German financial centers in close cooperation with the German Federal Ministry of Finance and Germany Trade & Invest. The common goal is to strengthen Germany as a major financial center in European and international context, to provide the financial services sector with a recognizable face and be the first address for all parties interested in Germany as a financial center.

Discover the diversity of Germany's financial centers, the breadth of services offered in the German financial sector, regional focal points, and current topics of our joint work.

 **Contact: [info@germany-finance.com](mailto:info@germany-finance.com)**

# Our Support for Your Business in Germany

Germany Trade & Invest (GTAI) is the foreign trade and inward investment agency of the Federal Republic of Germany. We advise and support foreign companies planning to expand into the German market and assist German companies seeking to enter global markets.

## Investor Consulting

Our Investor Consulting division of specialist industry teams provide international investors in all sectors with comprehensive consultancy services specific to each individual investment project. Services include:

- Market and industry reports
- Market entry analyses
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