A Comparative Analysis of the Japanese and the German Public Banking Systems

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Abstract: The focus of this paper is a comparison between the Japanese Fiscal Investment and Loan Program (FILP), a huge government credit program, and the German system of policy-based finance. We have found the German system to be quite different from that of the Japanese counterpart. While the German institutions provide loans mainly through private banks, leaving the loan default risk with them, the Japanese government banks lend to companies or households directly. We discuss the advantages and the disadvantages of these two systems, the major advantage of the German system being that it offers a better mix of public and private risk taking. We also discuss the reform of the FILP due to come into force in April 2001, which will abolish the compulsory deposit of postal savings and government pension funds to the Trust Fund Bureau of Ministry of Finance and thus to the FILP system, and introduce policy cost analysis. These measures will lead to better accountability of the institutions involved and improve the process of decision-making. In addition, we also consider the guarantee systems which supplement and substitute public sector loans. Analysis reveals that in Japan there are moral hazard problems within this framework. Apart from this, we also look at the role of public financial institutions outside their role in policy-based lending and investment. We argue that nowadays, in the absence of clear public tasks for postal savings in Japan, the savings banks and especially the *Landesbank*s in Germany, it is difficult to justify public guarantees for these institutions. Therefore, measures should be taken to either clearly define their public sector tasks, to clearly limit the activities of these institutions or to abolish the government guarantees.

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1. Introduction

Governments influence economic behaviour not only through their budget (taxation, explicit subsidies etc.) and through regulation. They participate directly in a number of business activities through public enterprises and other institutions outside their normal budgets. Some of these activities cannot be provided by the market, while others can.

The role of the government in banking has recently received great attention in both Germany and Japan. In Germany, the *Landesbank*s (state banks) have been subject to severe criticism by the European Commission because their liabilities are guaranteed by the German states (*Länder*). In Japan, a fundamental reform of the Fiscal Investment and Loan Programme (FILP, a huge credit programme, which is separate from the general account of the central government), came into force in April 2001. Central to this reform are the abolition of the compulsory deposit of postal savings and government pension funds with the Trust Fund Bureau (and thus to the FILP system), which will increase the accountability of the different government funds, and the introduction of policy cost analysis, which will improve the decision-making process regarding which programmes are to be financed.

There has been previous research on postal savings and the Fiscal Investment and Loan Programme (e.g. Johnson 1978, Ogura and Yoshino 1988, Anderson 1990, Calder 1990, Yoshino 1998b, Kuwayama 1999, Cargill and Yoshino 2000). Hilpert (1998) and Laumer (2000) provide overviews of the major institutions promoting foreign trade and small and medium-sized businesses in Japan. Similarly, there are studies on German institutions of policy-based finance (e.g. Dickertmann 1980, Gutschlag 1993) as well as on other public financial institutions (e.g. Cox 1994, Sinn 1997), as well as on guarantees (Dickertmann 1996). There are also a few studies discussing the Japanese FILP in an international comparison (e.g. Takahashi 1998). However, there is no comprehensive comparative study of the German and the Japanese public banking systems as yet.

In this paper we compare the pre- and post-reform Japanese system of policy-based finance with its German counterpart. Our research indicates that the German system is quite different from that of the Japanese. While the Kreditanstalt für Wiederaufbau (KfW) and other German federal and state policy-based lending institutions provide loans mainly through private banks, the Japanese government banks lend to companies or households directly. We discuss the advantages and the disadvantages of these two systems and also consider the guarantee systems which supplement and substitute public sector loans. A further observation is that in Japan there are moral hazard problems within the framework of credit guarantees for small and medium-sized businesses. We also look at public financial institutions outside their role in policy-based lending and investment. Here our focus is on postal savings in Japan and on the savings banks, which both account for a large share of personal savings, as well as on the *Landesbank*s in Germany.

2. Policy-Based Lending

The largest policy-based lending institutions in Germany are the special purpose banks of the federal and the *Länder* governments, most important among them being the KfW and the Deutsche Ausgleichsbank (DtA). In some *Länder* these institutions can be found within the *Landesbank;* alternatively, they take the form of mortgage banks under public law (see *Table 1* for institutions outside *Landesbank*s).

Policy-based finance institutions offer loans for a number of purposes, such as small businesses, export projects, housing, environmental protection, regional development and education. Funds for domestic investment provided by federal institutions are raised mainly through bonds and through funds from the European Recovery Programme (ERP) special fund[2] (see *Table 2*), which also issues bonds on the capital market. The KfW handles two types of loan programmes: 1) loan programmes on behalf of the federal and *Länder* governments, and 2) its own "house programmes" (*Eigenprogramme*). The "house programmes" are refinanced through the issuing of bonds on the capital markets and, thanks to the KfW's AAA rating, it can offer low-interest loans (which in themselves have to be considered a subsidy,[3] even though there may be no explicit subsidy from the federal budget).

The Japanese equivalent to these policy-based lending institutions in Germany are the central government banks and finance corporations (see *Table 3*).[4]

Their areas of lending are very similar to those listed above; namely housing, small businesses, export, environmental protection and others.

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2 The ERP Special Fund and the Japanese Special Account for Industrial Investment both stem from the proceeds of the post World-War II Government Relief in Occupied Areas (GARIOA) funds.

3 The loans have to be considered a subsidy when the rate of interest charged on them is lower than the rate of interest at which the borrower could have borrowed otherwise. This is mostly the case.

4 Apart from the central government banks and finance corporations in Japan, there are other institutions close to the government that engage in lending activities, such as the Special Account for Lending Urban Development Funds,

Name of Financial Institution[1]	Total Assets[2]	Main Tasks	Main Owners/Guarantors
Kreditanstalt für Wiederaufbau (KfW)	196,642	– Loans to the domestic economy (mainly to small and medium-sized enterprises (SMEs), for environmental protection, infrastructure, housing) – Export and project finance, ODA	80% Federal government 20% *Länder* governments
Deutsche Ausgleichsbank (DtA)[3]	46,417	– Major lending institution of the ERP special fund; Main areas of lending: SMEs, environmental protection	53.3% ERP special fund, 40.6% Federal government, 6.1% Lastenausgleichsfonds
Landeskreditbank Baden-Württemberg	34,606	– Development bank of the state (*Land*) of Baden-Württemberg	100% *Land* of Baden-Württemberg
Sächsische Aufbaubank	17,453	– Policy-based finance institution of the *Land* of Saxony	51% *Land* of Saxony, 49% Landeskreditbank Baden-Württemberg
Investitionsbank des Landes Brandenburg	8,572	– Main lending institution of the *Land* of Brandenburg, mainly for housing, small and medium-sized enterprises (SMEs), infrastructure, agriculture, forestry, environmental protection, social facilities	Guarantor: 100% *Land* of Brandenburg; Owners: 50% WestLB, 25% *Land* of Brandenburg, 25% Landesbank Berlin
Bayerische Landesanstalt für Aufbaufinanzierung (LfA)	7,856	– Development bank of the *Land* of Bavaria; support for structural change in the economy, SMEs and tourism	100% *Land* of Bavaria
Hamburgische Wohnungsbaukreditanstalt	4,589	– Housing loans in the *Land* of Hamburg	Guarantor: 100% *Land* of Hamburg Owners: 82% Hamburgische Landesbank, 18% Hamburg Society for Participation Management
Thüringer Aufbaubank	1,119	– Development bank of the *Land* of Thuringia; Mainly promotion of the economy (SMEs), infrastructure and housing	100% *Land* of Thuringia
Investitions- und Strukturbank Rheinland-Pfalz	1,025	– Development Bank of the *Land* of Rhineland-Palatinate, implementation of government and EU programmes	100% *Land* of Rhineland-Palatinate

the Japan Scholarship Foundation, and the General Account of the Japan National Oil Corporation. In Germany, there are some institutions which are not included in the banking statistics, such as the Deutsche Investitions- und Entwicklungsgesellschaft (responsible for the promotion of investments in developing countries) and some special government funds.

Name of Financial Institution[1)]	Total Assets[2)]	Main Tasks	Main Owners/Guarantors
Saarländische Investitionskreditbank	855	– Mid-term and long-term loans for the economy (SMEs) of the *Land* of Saar	51% *Land* of Saar 48.8% Banks
Investitionsbank Hessen	61	– Promotion of the economy of Hesse, projects undertaken for the *Land* of Hesse	50% *Land* of Hesse, 50% Landesbank Hessen-Thüringen

Table 1: **Special Purpose Banks and Mortgage Banks of the Federal and *Länder* Governments (as of 31 Dec., 1999, in Millions of Euro)**

Notes: 1) The financial institutions use their German names abroad and on their English homepages. To avoid confusion, the authors therefore use the German names throughout the text. For reference, however, a translation of these names by the authors is included in the appendix.

2) Excluding Deutsche Siedlungs- und Landesrentenbank, which merged with *Postbank* in May 2000.

3) A transfer of Dta's shares to KfW is planned in 2001.

Source: Banken-Jahrbuch (2001: 113–115, 216–217, 342, 378–382, 393–395, 569–570, 713–714, 717–718, 1075–1076).

What is striking is the large share of housing loans in Japan. As can be seen from *Table 4*, this is also true for the FILP, which serves as the major source of financing for the government banks and finance corporations. However, when comparing these data with German data, one has to take into account that in Germany an important role is played by the building and loan associations (*Bausparkassen*).

Kreditanstalt für Wiederaufbau	1998	1999
Total amount of new commitments	33.1	43.4
– Promotion of the domestic economy	31.4	41.7
Investment promotion (including subsidies)	24.7 (0.1)	32.4 (0.0)
Loans for small and medium-sized enterprises (SMEs)	10.4	12.5
Loans for housing	7.8	11.1
Loans for environmental protection	0.8	0.9
Infrastructure loans to local governments	3.3	3.4
Project finance (transportation, energy etc.)	2.1	3.8
Investment guarantees	0.1	0.6
Export and project finance (including subsidies)	6.7 (0.1)	9.3 (0.1)
– Promotion of developing countries (including subsidies)	1.4 (0.7)	1.6
Sources of funds for domestic investment loans:	24.5	31.7
– Funds of the Kreditanstalt für Wiederaufbau (bonds etc.)	21.8	29.1
– ERP special fund (all for loans to SMEs)	2.5	2.5
– Federal budget	0.2	0.1

Deutsche Ausgleichsbank	1998	1999
Total amount of new loans	8.7	9.5
Promotion of SMEs (start-up loans) (including those refinanced by ERP special fund)	5.2 (2.6)	5.8 (2.1)
Environmental protection measures (including those refinanced by ERP special fund)	2.7 (1.6)	2.9 (1.7)
Education and training (including those refinanced by ERP special fund)	0.3 (0.1)	0.3 (0.1)
Social infrastructure	0.5	0.5

Table 2: **New Commitments by the Major Federal Policy-based Finance Institutions (in Millions of Euro)**

Sources: Kreditanstalt für Wiederaufbau (various issues); Deutsche Ausgleichsbank (various issues).

Name of Financial Institution	Total Assets Billions of Yen	Main Tasks
Housing Loan Corporation (HLC)	76,619	– Housing loans
Japan Finance Corporation for Municipal Enterprises (PEFC)	24,066	– Loans to local public enterprises for purposes defined by the central government
Japan Bank for International Cooperation (JBIC)*	22,839	– Loans for Japanese exports and imports – Loans for Japanese investment abroad – Untied loans to foreign governments and financial institutions – Guarantees for Japanese foreign trade and Japanese investment abroad – ODA
Development Bank of Japan (DBJ)*	19,581	– Long-term loans for the domestic economy; especially for energy, sea transportation, coal mining and steel industry; but also for infrastructure, regional development and environmental protection
National Life Finance Corporation (NLF)*	11,075	– Loans to very small enterprises and to individuals
Japan Finance Corporation for Small Businesses (SBF)	7,737	– Long-term loans for small businesses
Agriculture, Forestry and Fisheries Finance Corporation (AFF)	4,270	– Loans to individuals and enterprises in the agricultural, forestry and fisheries sectors
Okinawa Development Finance Corporation (ODF)	1,870	– Loans for the development of Okinawa Prefecture (combines the functions of DBJ, AFF, HLC, NLF and SBF for Okinawa Prefecture)

Table 3: **Central Government Banks and Finance Corporations in Japan (as of 31 March, 2000)**

Note: * These institutions are the result of mergers in 1999.

Source: Business reports of the institutions.

	FY 1998	FY 1999	FY 2000	FY 2001
Housing-related institutions	10.903	11.093	11.385	9.302
Institutions supporting SMEs	6.271	6.471	6.513	5.445
Other government banks etc.	3.503	6.181	4.868	3.507
Other government enterprises	6.638	6.161	6.088	4.797
Local Governments and Japan Finance Corporation for Municipal Enterprises	9.345	9.445	9.432	9.497
Total	36.659	39.349	38.286	32.547
Portfolio Investment	13.300	13.550	6.210	
Grand Total	49.959	52.899	44.496	

Table 4: **FILP's New Loans and Investments (in Trillions of Yen, Initial Data)**

Source: Ministry of Finance (1999: 94), Ministry of Finance (2000: 1).

Supported by the government mainly through so-called housing construction subsidies (*Wohnungsbauprämien*) and savings promotion subsidies for low-income families (*Arbeitnehmersparzulage*), they provide fixed low-rate housing loans to a large public.

In contrast to Germany, there is massive lending by the FILP to other government enterprises (in Germany government enterprises tend to borrow directly from the capital markets). Moreover, postal savings and government pension funds have to deposit their funds with the Trust Fund Bureau (TFB) of the Ministry of Finance (MOF), which provides most of the FILP funds. Therefore, even for their own fund management, which was started in 1987, they have to re-borrow funds from the TFB. When the FILP reform comes into effect, the TFB's mediation of portfolio investment business will end and, as is the case in Germany, postal savings and government pension funds will directly invest their funds in the capital market. This will make the responsibilities of the different government funds clearer and thus contribute to a situation of increased accountability.

Although in both countries there are exceptions to the rule, in general one can state that Japanese policy-based finance institutions tend to do their own monitoring and extend the loans themselves at their own risk, while in Germany policy-based finance loans to small and medium enterprises are generally made through other banks, with the risk being taken by the latter. Moreover, loans are made only to a certain upper limit, for example a share of total investment in a project, or a share in total assets of an enterprise. In Japan, the Development Bank of Japan (DBJ, the successor of the former Japan Development Bank, or JDB) has developed a fine reputation for monitoring; it has been shown that its lending has a cowbell effect, attracting loans from other banks (Horiuchi and Sui 1993: 457–462). On the other hand, before the recent problems of the private banks, many accused the JDB of competing with the private banks. In Germany, no such criticism can be heard because the loans are made through other banks (so-called "*durchgeleitete Kredite*"). Conversely, the system of premiums makes it a good business for the banks to hand out loans to the policy-based finance institutions. The lending banks receive a margin, which covers their monitoring and risk costs.

There are several advantages to the German system:

1. It provides incentives for efficient monitoring because the default risk remains with the lending banks.
2. There is no default risk for the policy-based finance institutions unless the lending bank goes bankrupt.
3. Errors in the design of overly risky programmes by the public financial institutions can be sorted out by private institutions by simply not handling these programmes.
4. It promotes competition among the banks because the borrower can choose the bank through which he obtains the loan. Additionally, even smaller banks can offer long-term loans.
5. It is cost effective, since the policy-based finance institution has no need to build up its own branch network and thus can take advantage of economies of scale arising from the public lending being handled by the same institutions also responsible for private lending.[5]

But the system also poses some problems:

1. Because monitoring costs are fixed costs and therefore marginally decrease per amount of loan, it is more attractive for the lending banks to handle larger amounts of loans. In order to make smaller-scale loans more attractive for the lending banks, the KfW has introduced a system of margins related to the amount of the loan in recent years.
2. Leaving the risk with the lending bank can make achieving political goals more difficult. Therefore, as an exception, in some programmes it is possible to reduce the risk for the bank through which the loan is made; however, the interest rate rises accordingly. One should, however, be aware that a reduction of the handling bank's risk may lead to moral hazard problems in the selection process on the side of the handling bank.
3. Since the default risk is with the private banks, and since, according to the regulations of the Bank for International Settlements (BIS), loans to enterprises have to be partly secured by equity capital, the lending banks – particularly the big banks – try to receive a higher return on

[5] Given the successful monitoring of the Japanese government banks, the first three advantages do not seem to carry much weight, but the system might be useful for developing countries as a means of preventing corruption in the selection process.

equity in other areas of business, such as in investment banking, and are therefore less willing to handle policy finance loans. As a result, the big banks' share in handling policy loans fell in the 1990s, while the share of the savings banks and credit cooperatives has increased. However, since these institutions also face the problem of policy loans tying up their capital, the KfW is discussing projects for buying policy loans from the institutions handling them, and plans to securitise and resell them on the capital market. The KfW does not, however, want to provide direct lending to small and medium-sized enterprises and thus compete with the banks and credit cooperatives (Gries and von Gaertingen 2000). This seems to be a good way to proceed with the loans already made by the private banks (if all loans made – or all loans made within a certain period of time – are included in the package). It is, however, dangerous to free the handling banks from all risk or to let them select the part of the loans they will sell as securities unless a clear rating of these loans is possible. Both options, in particular freeing the banks from the default risk before the loans to be made are selected (or even letting them know that they will be freed from this risk at some time in the future), may lead to severe moral hazard problems.

All in all, the system is market-enhancing, although it can be more difficult to achieve political goals. There is a trade-off with no ideal solution, but the German approach of indirect lending offers a better mix of private and public risk taking than the Japanese approach of direct lending, where all the risk is public.

In Japan, institutions, financed by the policy-based Fiscal Investment and Loan Programme, often receive subsidies from the budget. Therefore, in discussions about FILP reform, it has been suggested that policy (subsidy) cost analysis of the Fiscal Investment and Loan Programme should be implemented. Policy cost analysis is a way of estimating the total costs of a project that must be borne until its completion. The costs for each year are calculated by adding explicit subsidies from the national treasury and implicit subsidies (such as the opportunity costs of a loan, i.e. the amount of benefit that could have been obtained if these funds had been invested elsewhere) and subtracting payments and dividends that are expected to be received by the national treasury. In order to be able to compare different projects, these annual costs (or revenues) are, for each year, converted to the current discounted value. This kind of analysis was conducted and published for five institutions receiving funds from the Fiscal Investment and Loan Programme in fiscal year 1999 (for the results for four of them see *Table 5*) and for 14 institutions in fiscal year 2000. The results strongly depend on the assumptions made for interest rates and subsidies, etc. that have to be granted each year. However, the assumptions about future interest rates and discount rates used are the same for all institutions, while the estimates for future subsidies etc. were based on each institution's specific situation. The estimates were made for all outstanding loan commitments, including those budgeted for the relevant fiscal year.

Knowing these future costs is important for decision-making, since it allows a comparison of the costs of different policies or institutions and the expected benefits. Since the figures in *Table 5* include only the costs of subsidies provided by the central government, it would be desirable to extend this analysis to include the costs of subsidies by local governments and other sources within the public sector. In addition to information about the expected total costs, it shows what proportion of the costs is covered by the current budget. The fourth column shows the number of years the budget must maintain the same level of subsidy for the institution, given the estimated policy cost. A high figure, such as that for the Japan Highway Public Corporation, therefore indicates that only a small part of the policy costs is covered by the current budget. In Germany, some programmes of the federal government's policy-based finance institutions also receive subsidies from the budget, but the policy cost analysis results are not published.

Name of institution	Policy cost (analysis period) (A)	Subsidy in the initial budget for FY 1999 (B)	(A)/(B) (times)
Housing Loan Corporation	1,238.3 (31 years)	435.0	2.85
People's Finance Corporation	84.6 (21 years)	42.6	1.99
Japan Highway Public Corporation	3,351.3 (43 years)	288.4	11.62
Chubu International Airport Public Corporation	–11.0 (35 years) when excluding revenues from enterprise tax: 34.1 (35 years)	5.1 5.1	– 6.69

Table 5: **Estimate of Policy Costs for Institutions Financed by the FILP for FY 1999 (in Trillions of Yen)**

Source: Yoshino (1999).

3. Guarantees Provided by the Government

Governments not only make loans, but also actively extend guarantees. In Germany this is mainly done by the federal government, but the share of *Länder* governments and municipalities who also extend guarantees has been increasing in recent years (see *Table 6*). About half of the federal guarantees are for exports (see *Table 7*). They usually cover up to 85–95% of the risk. In 1999, 2.7% of total German exports were covered by guarantees from the federal government. Until 1994 there was a fixed-fee system for all countries, but because of huge deficits, a system with different fees for different country groups was introduced. As a result, in 1999, the federal export insurance system showed a positive financial result for the first time since 1982 (Bundesministerium für Wirtschaft 2000: 50).

The Japanese system of public export guarantees, managed by the Trade Insurance Division of the Ministry of Economy, Trade and Industry (the former EID/MITI), also groups countries according to their level of risk. However, in Japan, more than 25% of total exports in fiscal year 1998 were covered by the system – this is a much larger share than in Germany. Such a large figure means that the Japanese government is entering business areas which could also be covered by the private sector.

	End of 1997		End of 1998		End of 1999	
	Billions of DM	Per Cent	Billions of DM	Per Cent	Billions of DM	Per Cent
Federal government	354.138	73.2	366.985	71.9	385.628	70.2
Länder governments	92.909	19.2	101.992	20.0	114.119	20.8
Municipalities	35.063	7.2	39.576	7.8	47.224	8.6
Others	1.969	0.4	1.917	0.4	2.041	0.4
Total	484.079	100.0	510.470	100.0	549.011	100.0

Table 6: **Outstanding Guarantee Liabilities by Level of Government**

Source: Statistisches Bundesamt (2000: 14–19).

	Initial budget 2000 (A)	Losses (B)	Disposable (C)=(B)-(A)	Used by the end of June 2000 (D)	Share (D')
Exports	220.000	1.525	218.475	205.905	49.5
International financial institutions	65.000		65.000	61.267	14.7
Other guarantees extended abroad	57.090	0.975	56.925	50.084	12.0
For investment abroad				27.006	6.5
For untied loans				20.449	4.9
Domestic Economy	136.000	6.604	129.396	96.183	23.1
Trade and industry				28.417	6.8
Housing				21.910	5.3
Transportation				14.877	3.6
Agriculture/food storage				14.870	3.6
Taken over from East Germany and Treuhandanstalt*				8.090	1.9
Successors of Treuhandanstalt*	3.000		3.000	2.354	0.6
Total	481.900	9.104	472.796	415.793	100.0

Table 7: **Guarantees by the Federal Government (Billions of DM, Per cent)**

Note: * The Treuhandanstalt was an institution created for the management and privatisation of East German properties and enterprises.

Source: Bundesministerium der Finanzen (2000: 328–337).

Apart from trade insurance, Japan also has a well-developed system of public guarantees for investments by Japanese enterprises abroad.

In Germany, most of the federal guarantees to the domestic economy are granted for the promotion of trade and industry as well as for housing construction. Among others, they include guarantees for founders of enterprises by the DtA within the ERP-Programme, large-scale guarantees and guarantees for the guarantee banks.

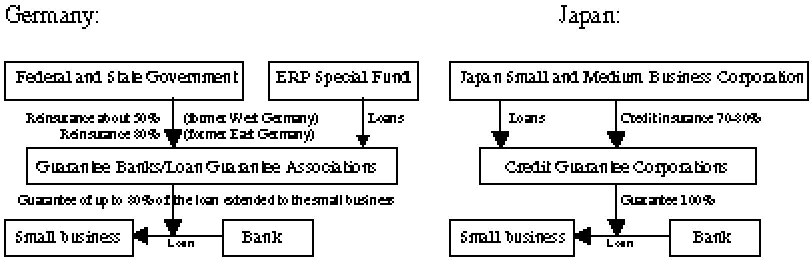

Figure 1: **Credit Guarantee Systems for Small Businesses in Germany and Japan**

Note: The coverage is 50% in the case of insurance contracts between the Japan Small and Medium Business Corporation and authorised support organisations who offer guarantees for corporate bonds issued by venture businesses.

Source: Verband der Bürgschaftsbanken (1998: 9); SBCIC (1997: 5–6).

Guarantee banks and guarantee companies are enterprises founded and owned by the chambers of industry and commerce, banks, insurance companies, etc. They aim at promoting small and medium-sized enterprises. Historically they have been divided by types of industry, but through mergers they are gradually developing into a situation where there is only one institution per *Land*. Their business is the extension of guarantees for loans of up to 1.5 million DM. In order to prevent moral hazard, the guarantees cover up to 80% of the loan amount. The guarantees are reinsured by the *Land* and by the federal government. Through the KfW, the guarantee banks also receive loans from the ERP special fund. Very large guarantees are handled by the state and federal governments, but there are also other important institutions offering guarantees, such as the DtA and the Bayerische Landesanstalt für Aufbaufinanzierung (LfA).

The most striking difference between the German guarantee banks and the Japanese credit guarantee corporations is that the latter offer guarantees of 100% of the bank loans to small business, while in Germany the upper limit is 80% of the loans (see *Figure 1*). A system guaranteeing 100% of the loan value produces moral hazard on the side of the banks, since it does not provide incentives for the banks to efficiently monitor the borrowing company. This may lead to severe losses for the credit guarantee corporations.

4. Government Institutions Collecting Savings from the Public: Postal Savings in Japan, the Savings Banks and the *Postbank* in Germany

A postal savings system based on the British model was established in Japan in 1875 in order to encourage savings by the population. While bank branch offices are concentrated in urban areas, post offices are located all over Japan. With more than 24,500 post offices acting as branches, postal savings collect a considerable share of personal savings (19% of the national total as of 31 March, 2000; for a breakdown of personal savings in Japan and Germany, see *Table 8*). However, the situation is more complex than this may suggest. Postal savings offer a competitive product. *Teigaku* [fixed amount] savings account for 82% of all postal savings deposits and for more than 15% of personal savings. There are several factors, apart from the number of branches, that explain the success of this product:

1. *Teigaku* savings have a fixed interest rate for up to ten years and are attractive when interest rates are expected to decline. Moreover, since withdrawals can be made without penalty after the first six months, they are often compared to a "put" option.
2. Postal savings enjoy a government guarantee.
3. The liberalisation process of interest rates for private financial institutions was completed only in 1993, while the interest rates for postal savings were set by the Ministry of Post and Telecommunication (MPT), independent of the regulations for private financial institutions. It was only in 1994 that the Ministry of Finance (MOF) and the MPT agreed to set postal savings deposit rates closer to those of the private banks.
4. Along with the economy of scale resulting from the huge network of branches and the large volume of deposits, the post office also offers the traditional postal and postal life insurance services. There exists, therefore, an economy of scope, while other banking institutions were not allowed to provide insurance services.

Furthermore, until its abolishment in 1988, the limitations of the tax-free deposit system (the so-called *maruyu* system) that allowed exemptions from income taxation on interest income from savings deposits up to certain limits determined by the government, were not strongly enforced by the post office. Therefore, postal savings enjoyed a *de facto* special treatment regarding income taxation.

Japan	Trillions of Yen	Per Cent	Germany	Billions of DM	Per Cent
Cash and demand deposits	152.0	10.9	Cash and demand deposits	338.1	9.4
Time deposits	592.6	42.6	Time deposits	241.8	6.7
Including those with Postal Savings	228.2	16.4	Savings deposits [1]	685.9	19.1
Including *Teigaku Yokin*	212.4	15.3	Including those with savings banks	363.7	10.2
Insurance and pension reserves	383.6	27.6	Insurance and pension reserves	948.1	26.4
Investment trust	31.9	2.3	Investment fund certificates	377.1	10.5
Bonds	60.5	4.4	Bonds	361.0	10.0
Shares and other equity	116.8	8.4	Shares and other equity	602.5	16.8
Other	49.1	3.5	Other	42.3	1.2
Total	1389.8	100.0	Total	3577.9	100.0

Table 8: **Breakdown of Personal Savings in Japan and Germany**

Notes: [1] Including 79.9 Billions of DM of bank savings bonds (*Sparbriefe*).
[2] Data for Japan is as of 31 March, 2000 and data for Germany is as of 31 December, 1999.

Source: Bank of Japan (various issues); Deutsche Bundesbank: Monatsbericht and Bankenstatistik (various issues).

There have been several changes in the use of postal savings funds over time. Under the current system, most of the postal savings funds are deposited with the TFB and thus serve as the major source of funds for the Fiscal Investment and Loan Programme, which is subject to the authority of the Diet (for an overview of the current structure of the FILP see *Figure* 2). As already mentioned, in April 2001 this system will change to one where institutions are directly funded by the capital market through guaranteed and non-guaranteed bonds, supplemented by borrowing from the new Fiscal Loan Fund Special Account (which will then issue FILP bonds). Postal savings and government pension funds will then invest their funds directly in the capital market[6] (for an overview of the new system of fiscal investments and loans see *Figure* 3). This clarifies the responsibilities of the different government institutions and thus improves the accountability of those institutions. The system will thus more closely resemble the German system of policy-based finance, where the equivalents to postal savings in

[6] Since 1987 postal savings and government pension funds have been investing, to some extent, in the capital market. Technically, this is done through the reborrowing of funds from the Trust Fund Bureau.

Japan – the savings banks and the *Postbank* – are themselves responsible for the management of their funds (see *Figure 4* for an overview of the German system).

In Germany, as in Japan, the financial institution collecting the most savings deposits[7] is the *Postbank*, but at the end of 1999 its share was only about 5% of all savings deposits. At the same time, even though most individual institutions are small, the savings banks (*Sparkassen*) as a group, which like the *Postbank* are present in all regions,[8] collected more than half of all savings deposits and bank savings bonds bought by households. This alone amounted to more than 10% of total personal savings in Germany.

There are two reasons for this, the first of which is historical. Postal savings were only introduced in Germany in 1939, after the annexation of Austria, by allowing the Austrian postal savings system to extend to Germany.[9] In contrast, the savings banks are a very old system, with the first institutions dating back to the second half of the 18th century. They were established in order to give the general public a chance to save in a secure way and to receive interest on it. Later, the savings banks increasingly developed into universal banks, though their main business still is to collect savings from the public. As the population's savings rose, the savings banks started to provide loans to industry, but this kind of business is still restricted to their local region. In exchange for this restriction, there can be only one savings bank per region (municipality, or district). In addition to their many branches, their long history and close relations with their local areas, probably the most important reason that the savings banks collect more savings per branch than the *Postbank* is because their branches offer better service. They are much like other banks and offer the full range of financial services, including securities trading, while postal savings, until

[7] Historically, the aim of savings deposits (*Spareinlagen*) has been to stimulate the collection of savings from individuals. The major characteristic of these savings deposits is that, without an advance notice of three months, it is impossible to withdraw more than 2000 DM within 30 days. In order to withdraw more, a notice of withdrawal has to be given three months in advance. In order to receive a better interest rate, it is possible to agree to provide notice further in advance (e.g. six months).

[8] At the end of 1999 the number of branches by banking groups were: Savings banks: 18,245; credit associations: 17,828; *Postbank*: 14,104; big banks (Deutsche Bank, HypoVereinsbank, Dresdner Bank and Commerzbank): 3,118; building and loan associations: 3,218; regional banks and other commercial banks: 3,681; and other groups: 1,141.

[9] Even before this, German post offices offered cash services (from 1872) and transfer services (from 1909).

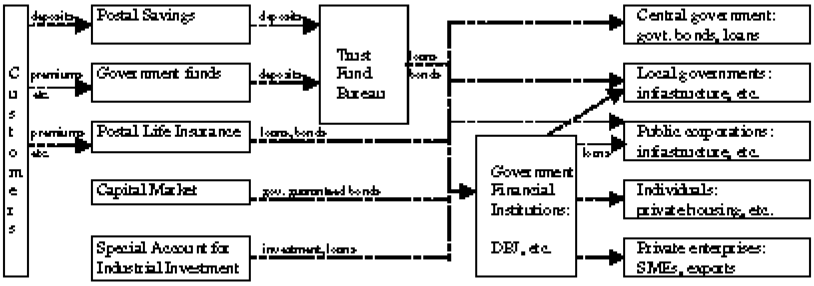

Figure 2: **The Current Japanese FILP (until March 2001)**

Source: Presentation by the authors.

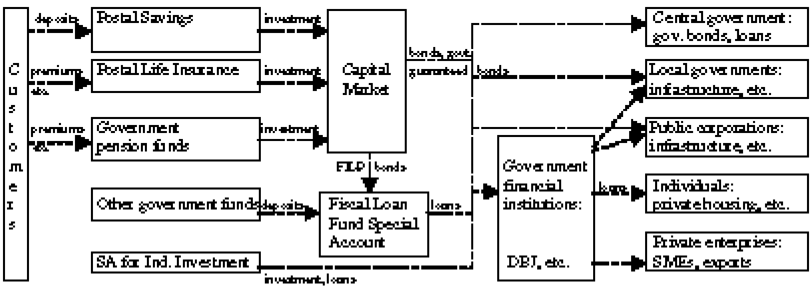

Figure 3: **The New Japanese System of Fiscal and Investment Loans (from April 2001)**

Source: Presentation by the authors.

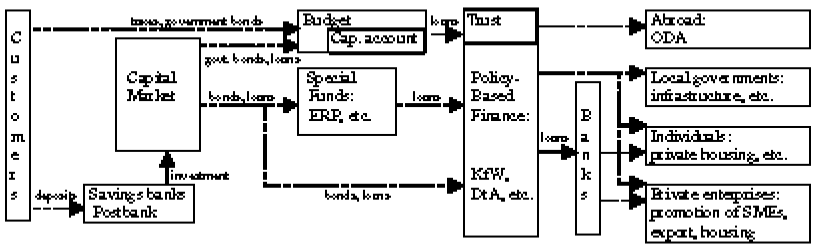

Figure 4: **The German System of Policy-Based Finance**

Source: Adapted by the authors from Fig. 7–5 in Takahashi (1998: 235).

1990, offered only savings and money transfer services. Additionally, the savings deposited with savings banks are *de facto* guaranteed by the local governments.[10]

However, since the three government-owned postal services in Germany (postal services, telecommunications and postal savings) were split up in 1990 and the name of postal savings was changed to *Postbank*, it has begun to enter new business areas and has increasingly developed into a universal bank, offering a wide range of financial services. In 1995, the *Postbank* was formally transformed into a joint-stock corporation and in 1999 became a 100% subsidiary of the Postal Services; the initial public offering of shares by the latter took place at the end of 2000.

In light of their history and in terms of their share in personal savings, the Japanese postal savings are more similar to the German savings banks than to the *Postbank*. On the asset side, however, Japanese postal savings are more similar to the *Postbank* in the sense that they give out very few loans themselves, apart from loans to other financial institutions, while savings banks engage in other areas of business too. But the *Postbank* is also starting to enter other areas of business and, starting in April 2001, the Japanese postal savings will rapidly increase their own fund management, since their funds will no longer have to be deposited with the Fiscal Loan Fund Special Account, the successor of the TFB. Only the lending to local governments by postal savings will remain subject to a decision by the Diet.

Historically, postal savings in Japan and the savings banks in Germany have had an important role in making wide sections of the population aware of the benefits of saving by, most importantly, providing general access to banking services. Nowadays, however, given the large branch networks of private financial institutions and the continuing rise of internet banking, it is questionable whether an additional public branch network is still necessary to fulfill this task. The question, therefore, arises whether they provide any activity that justifies government guarantees. Even the argument of the role of the savings banks in competition cannot explain the need for such a privilege.

[10] Nearly all savings banks are companies under public law. There are, however, six savings banks that are companies under private law. The largest of these are what are called the free savings banks ("*freie Sparkassen*") of the cities of Hamburg, Frankfurt and Bremen. They differ from public law savings banks in that they are not founded by local governments and do not receive guarantees for their liabilities from them.

5. Institutions Engaging in Policy-Based Finance and in Market Operations: The Central Giro Institutions/*Landesbank*s in Germany

There are slight differences from state to state, but the main functions of the German central giro institutions/*Landesbank*s are to act as: a) the central giro institution (*Girozentrale*) for the savings banks, b) a state and municipal bank (*Landesbank*), c) a universal bank, and d) as a building and loan association (*Bausparkasse*). Because of mergers, the number of institutions has decreased and institutions responsible for more than one *Land* have emerged. Among them there are large institutions such as the Westdeutsche Landesbank (WestLB, see *Tab. 9*).

Their role as a central giro institution for the savings banks is mainly as a financial intermediary for adjusting the capital surpluses and deficits of the savings banks; for lending activities – especially long term loans that exceed the financial capability of a single savings bank – securities, and others. As an important means for raising long-term funds in the capital market, they issue bonds. They enjoy the privilege of being allowed to issue mortgage and municipal bonds and, they also support the savings banks in their securities activities, etc. The role of the central giro institutions/*Landesbanks* as state and municipal banks is that of policy-based finance institutions, as, for example, the Investitions-Bank Nordrhein-Westfalen and the Wohnungsbauförderungsanstalt Nordrhein-Westfalen (responsible for the promotion of housing construction), both of which are part of the WestLB. As already mentioned above, in many *Länder* this role is performed by institutions outside the *Landesbank*s.

The role of the central giro institutions/*Landesbank*s as universal banks has gained in importance and it has become the main business of the *Landesbank*s. Although making a profit is not their declared goal, their behaviour as universal banks is not noticeably different from private banks. Moreover, the role of the *Landesbank*s in German financial markets is substantial, overseas business is on the rise, and competition with private banks fierce.

Consequently, private banks are critical of the full liability guarantees given the *Landesbank*s by their owners (*Land* governments, etc.). These guarantees are twofold: (1) there is the principle of guarantor liability (*Gewährträgerhaftung*), meaning that the public sector owners have unlimited liability for the obligations of the banks; and (2), there is the principle of institutional obligation (*Anstaltslast*), meaning that the owners are obliged to furnish the banks with the necessary funds, enabling them to carry out their required functions. Moreover, the private banks accuse the *Landesbank*s of using funds given to them in their role as a state and mu-

Name of bank	State (*Land*)	Total Assets[1]	Guarantors / Owners
Westdeutsche Landesbank (WestLB)	North Rhine-Westphalia	307,755	43.2% *Land* of North Rhine-Westphalia, 33.4% Savings banks assoc. of North Rhine-Westphalia, 23.4% Regional associations of North Rhine-Westphalia
Bayerische Landesbank	Bavaria	263,610	50% *Land* of Bavaria, 50% Savings banks association of Bavaria
Landesbank Baden-Württemberg	Baden-Württemberg	231,412	39.5% *Land* of Baden-Württemberg, 21% City of Stuttgart, 39.5% Savings banks associations of Baden-Württemberg
Norddeutsche Landesbank (NordLB)	Lower Saxony, Saxony-Anhalt, Mecklenburg Western Pomerania	127,416	60% *Länder* of Lower Saxony (40%), Saxony Anhalt (10%) and Mecklenburg Western Pomerania (10%) 40% Savings banks associations of Lower Saxony (26,66%), Saxony Anhalt (6,67%) and Mecklenburg Western Pomerania (6,67%)
Landesbank Hessen-Thüringen	Hesse, Thuringia	102,198	100% Savings banks association of Hesse-Thuringia[2]
Landesbank Berlin	Berlin	91,170	Guarantor: 100% *Land* of Berlin; Owners: 75.01% Bankgesellschaft Berlin, 24.99% *Land* of Berlin (Owners of Bankgesellschaft Berlin: 56.6% *Land* of Berlin, 15.0% NordLB, 10.0% Gothaer Holding AG)
Landesbank Schleswig-Holstein	Schleswig-Holstein	71,584	39.9% WestLB, 10% Landesbank Baden-Württemberg 25.05% *Land* of Schleswig-Holstein 25.05% Savings banks association
Hamburgische Landesbank	Hamburg	74,328	50.5% *Land* of Hamburg 49.5% Landesbank Schleswig-Holstein
DGZ DekaBank – Deutsche Kommunalbank	central bank for the central giro institutions / *Landesbank*s	60,012	50% German association of savings banks 50% *Landesbanks*
Landesbank Rheinland-Pfalz	Rhineland-Palatinate	53,654	50% Savings banks association, 37.5% WestLB, 12.5% Landesbank Baden-Württemberg
Landesbank Sachsen	Saxony	40,479	69.87% Sachsen-Finanzverband 30,13% Savings banks association of Saxony
Bremer Landesbank	Bremen	32,560	92.5% NordLB, 7.5% *Land* of Bremen
Landesbank Saar	Saarland	12,850	Guarantors: savings banks association of Saar Owners: 57.3% Savings banks association of Saar, 25.1% Bayerische Landesbank, 17.6% *Land* of Saar

Table 9: **Central Giro Institutions/*Landesbank*s (End of 1999, in Millions of Euro)**

Notes: [1] Total assets as in the single institution balance.

[2] The *Länder* of Hesse and Thuringia plan to acquire 10% and 5% respectively of the Landesbank Hessen-Thüringen in January 2001 (*Handelsblatt* 22.05.2000)

Source: Banken-Jahrbuch (2001: 115–119, 148–150, 257–260, 338–342, 552–569, 621–623, 714–717, 1350–1353).

nicipal bank for their universal banking business, and thus of unfair competition. In July 1999, the European Commission, deciding against the WestLB, ruled that the transfer of funds from the Wohnungsbauförderungsanstalt to the WestLB, made possible through the merger of the two institutions in 1991, was an illegal subsidy. The argument was that the WestLB had, through this action, received additional equity capital – of which 2.5 trillion German Marks were used for purposes other than the promotion of housing construction.

Surveys also show that the rating of the *Landesbank*s by rating agencies, which largely determines the rate of interest at which banks can borrow funds on the capital markets, is strongly influenced by the fact that they are subject to government guarantees. In this way the government guarantee becomes a subsidy with a monetary value which, in turn, is an issue for competition policy, since the relevant institutions can also use this advantage in normal banking business outside their role as public policy institutions.[11] Problems with this concept are a) that it is not easy to assess the advantage that the public sector banks gain through these mechanisms, and b) that large private financial institutions may also enjoy government support, because they are "too big to fail". A recent example of this problem in Germany, though not with a bank, was the rescue of an insolvent construction company, Philipp Holzmann, by granting loans from the Kreditanstalt für Wiederaufbau and government guarantees at the end of 1999. A constructive solution that could solve the problem of potential unfair competition, which was discussed by the guarantors of WestLB in November 2000, is to split WestLB into two institutions – one responsible for policy-based finance with guarantor liability and institutional obligation, and one without these privileges that would do normal business. In March 2001, it was announced that in Bavaria, where the Landesbank and the state policy-based institution are separate, they plan to abolish the guarantees for the Bayerische Landesbank.

The role of central giro institutions/*Landesbank*s as a building and loan association is to accumulate savings from individuals who wish to build or reconstruct a house or a flat, and to lend them the necessary funds when their savings have reached a certain percentage of the total cost. However, private building and loan associations also play an important role in this type of business. As already mentioned above, building loan agreements

[11] This argumentation is even more convincing in the case of the Westdeutsche Immobilienbank – a mortgage bank founded by some *Landesbank*s which enjoys the advantages of an institution based on public law, but is purely engaged in private business (see Sinn 1997).

with both public and private building and loan associations are encouraged by the government through preferential tax schemes and subsidies.

6. The Size of Public Banking and of Policy-Based Finance in Germany and Japan

In Germany at the end of 1998, public sector banks (savings banks, mortgage banks under public law, building and loan associations under public law and the special purpose banks of the federal and of the state governments) comprised about 40% of the total assets of non-insurance financial institutions (see *Table 10*). Since the financial behaviour of the savings banks and of the *Landesbank*s is to a large extent similar to private banks, only the KfW, the DtA, and the special purpose banks of the *Länder* governments remain as pure policy-based finance institutions. Adding up their total assets and allowing for banks partly engaged in policy-based finance (part of the *Landesbank*s, of the mortgage banks based on public law and other special purpose banks), the share of policy-based finance in the total assets of the German banking system is more than 5%. Because of the practice of lending through other financial institutions, however, this figure somewhat understates the importance of policy-based finance in Germany.

For Japan the figure for the share of public banking is more easily obtained. Public financial institutions have a share of 38.7% in the total assets of all Japanese non-insurance financial institutions (see *Table 11*), but there is a considerable double counting of assets among the public financial institutions. Of course, to some extent, there is also a double counting of assets among the private financial institutions, but for public financial institutions, most postal savings assets are deposited with the TFB and most of the bank and finance corporation funds are loans from the TFB. Taking into account this double counting, the share of public financial institutions in the total assets of Japanese non-insurance financial institutions should, therefore, be adjusted to about 25%. Since a large proportion of these funds are used for housing loans to individuals or are invested in loans to central and local governments, the share in financing private enterprises is even lower.

During the recent weakness of the Japanese financial system, we have seen the injection of public capital into private banks, the temporary nationalisation of some banks (starting in 1998), and the extension of the central government's guarantees for deposits at financial institutions for another year (until March 2002), demonstrating that the government is a very important actor in Japanese financial markets.

	Policy-based finance		Institutions with private behaviour	
	Pure policy-based finance	**Partly policy-based finance**	**Private institutions and institutions with private behaviour**	
Under public law	– Kreditanstalt für Wiederaufbau – Deutsche Ausgleichsbank – Landeskreditbank Baden-Württemberg – Bayerische Landesanstalt für Aufbaufinanzierung – Thüringer Aufbaubank – Investitionsbank des Landes Brandenburg	– *Landesbanks* (17.6%) – Mortgage banks under public law – Deutsche Siedlungs- und Landesrentenbank[3] – Landwirtschaftliche Rentenbank (LWR)	– Savings banks (14.2%)[1] – Building and loan associations under the public law (0.7%)[2]	about 40%
Under private law	– Sächsische Aufbaubank – Saarländische Investitionskreditbank – Investitions- und Strukturbank Rheinland-Pfalz – Investitionsbank Hessen	– AKA Ausfuhrkredit-Gesellschaft	– Private commercial banks (22.2%) – Cooperative banks (11.5%) – Mortgage banks under private law (12.5%) – Building and loan associations under the private law (1.6%)[2] – Investment companies (11.8%) – IKB Deutsche Industriebank	about 60%
	about 4.5%	about 20%	about 75%	

Table 10: **Policy-Based Finance Institutions in the German Financial System (as of 31 Dec., 1999, Per Cent of Total Assets of Non-Insurance Financial Institutions)**

Notes: 1) The savings banks could also be considered as partial policy-based finance institutions because of their loans to municipalities, the legal limitation of their investments to their own locality of their activity and the possible influence of local governments on their business through ownership. However, all in all, they behave largely like private banks and have therefore been included in the column "banks with private behaviour".

2) The building and loan associations are indirectly supported by the government through subsidies to persons who wish to engage in housing construction through housing construction subsidies, etc.

3) In May 2000, Deutsche Siedlungs- und Landesrentenbank merged with *Postbank*, which since 1999 has been included in the banking group called "private commercial banks".

4) Estimates by the authors.

Source: Deutsche Bundesbank, Bankenstatistik, Kapitalmarktstatistik (various issues); Banken-Jahrbuch (2001: 12–13, 113–115, 165–166, 216–217, 243–145, 342, 369–373, 378–382, 393–395, 569–570, 572–574, 706–707, 713–714, 717–718, 1075–1076, 1347–1350), reply to an inquiry of the Bundesbank concerning changes in the composition of the special purpose banks as of 26 Jan., 2000.

	Policy-based finance	Institutions with private behaviour	
Under-public law	Trust Fund Bureau (17.9%) Government financial institutions (8.1%)	Postal savings (12.8%)	38.7%
Under private law		Domestically licensed and foreign banks (31.9%) Cooperative banks (14.6%) Collectively managed trusts (2.5%) Noncollectively managed trusts (1.7%) Securities investment trusts (2.2%) Nonbanks (4.9%) Financial dealers and brokers (4.7%)	61.3%
	26.0%	74.0%	100%

Table 11: **Policy-Based Finance Institutions in the Japanese Financial System (as of 31 Mar., 2000, Per Cent of Total Assets of Non-Insurance Financial Institutions)**

Source: Bank of Japan (9/2000, flow of funds accounts: 20, 23, 24).

7. Summary

Both in Japan and in Germany, public financial institutions play an important role. Although Germany does not have an equivalent to Japan's Fiscal Investment and Loan Programme, there are institutions that play similar roles. In Germany, the functions of the Japanese policy-based finance institutions are performed mainly by the special purpose banks at the federal and the *Land* levels. In contrast to Japan, where the FILP and the budgets of government banks and finance corporations are subject to decisions by the Diet, in Germany – apart from the ERP special fund – these activities are not subject to decisions by the federal parliament. Moreover, policy-based finance institutions exist not only on the federal, but also on the state levels. Thus, policy-based finance is different from *Land* to *Land*, even though recently there has been a tendency to increase cooperation between the federal and state institutions.

On the whole, the areas of lending by policy-based finance institutions in Japan and in Germany are similar. The emphasis in both countries is on loans to small and medium-sized businesses and on housing loans, although the share of the latter is much larger in Japan. Both Japan and Germany have no tradition of policy cost analysis for policy-based finance, though in Japan, the first estimates for some institutions have been published. These estimates of policy cost are important for decision-making, since they allow a comparison of the cost of different policies and their expected benefits.

An important difference between the two countries, which will persist after the reform of the Fiscal Investment and Loan Programme in 2001, is that in Japan the loans are mostly extended directly through policy-based finance institutions which do the monitoring and take the risk. In Germany, however, loans made by policy-based finance institutions are mostly handed out through other financial institutions which receive a premium for handling the loans, but who typically (and most importantly) also take on the risk of the loans. This system is seen to be market-enhancing because it increases the monitoring efforts by the banks through which the loans are handed out.

In addition to their lending activities, the governments extend guarantees. This policy tool is actively used particularly for exports, both in Japan and in Germany. The share of total exports covered by the system is much larger in Japan, indicating that the system also offers some marketable services. The small business credit guarantee systems are similar in Germany and in Japan, but the design of the Japanese system can lead to serious moral hazard problems because of the provision of 100% guarantees through the credit guarantee corporations.

In both countries there are governmental financial institutions that collect savings from the population. The German institutions most similar to the postal savings in Japan are the savings banks. Both collect large portions of the savings of the population through large numbers of branches and are backed by government guarantees (in Japan by the central government, and in Germany by local governments). Their use of funds, however, is different. While under the present system in Japan the funds are deposited with the TFB and are mainly used for policy-based finance and for the purchase of government bonds, the German savings banks behave largely like private banks, the only limitations being the provision that their activities have to remain in their region and some influence from the local governments, who are their owners and guarantors. When the reform of the Japanese FILP (which will abolish the compulsory deposit of postal savings and government pension funds to the TFB and to invest them in the capital market)[12] is put into effect in April 2001, the systems will become even more similar. Government banks, finance corporations and enterprises will then be financed by bonds and by loans from the new Fiscal Loan Fund. This system is superior to the traditional FILP system, which required the compulsory intermediation of the TFB, in the sense that it clarifies, on the one hand, the responsibilities and the performance

[12] Of course, on the capital market, postal savings and government pension funds can still, among others, be invested in FILP bonds and in bonds issued by government financial institutions and enterprises.

of both postal savings and government pension funds, and of government banks, finance corporations and enterprises on the other.

Despite differences in their names and institutional design, all in all, we can state that the public financial institution systems in Japan and Germany perform similar tasks. In both countries there are, however, areas where it is questionable whether these tasks necessarily have to be performed by public financial institutions. This is particularly the case for the market role of the German *Landesbank*s (their role as policy-based finance institutions is small when compared to their total volume of business), and also for the German savings banks and postal savings in Japan. Their backing by the government leads to considerable advantages over their private competitors in acquiring relatively cheap funding. This is hardly a fair competition if they are involved in the same activities as private banks on the assets side of their balance sheets. Therefore, it was fair to privatise the *Postbank* in Germany; the guarantees for other institutions should be limited to policy-based finance activities, which would have to be clearly defined. Another possibility would be to limit investment activities, e.g. to government bonds, and, at the same time, to allow the branch networks to sell financial products of private financial institutions, as Yoshino (1998a) suggested for postal savings in Japan.

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Appendix

The authors' translations of German names of financial institutions appearing in the text:
(Please note that the financial institutions use their German names abroad and on their English homepages)

AKA Ausfuhrkreditanstalt	AKA Export Credit Institution
Bayerische Landesanstalt für Aufbaufinanzierung (LfA)	Bavarian Institution for Reconstruction Financing
Deutsche Ausgleichsbank (DtA)	German Compensation Bank
Deutsche Siedlungs- und Landesrentenbank	German Settlement and State Annuity Bank
Hamburgische Wohnungsbaukreditanstalt	Hamburg Credit Institution for Housing Construction
IKB Deutsche Industriebank	IKB German Industrial Bank
Investitionsbank des Landes Brandenburg	Brandenburg State Investment Bank
Investitionsbank Hessen	Hesse State Investment Bank
Investitions-Bank Nordrhein-Westfalen	North Rhine-Westphalia State Investment Bank
Investitions- und Strukturbank Rheinland-Pfalz	Rhineland-Palatinate State Investment Bank
Kreditanstalt für Wiederaufbau (KfW)	Reconstruction Loan Corporation
Landeskreditbank Baden-Württemberg	Baden-Württemberg State Credit Bank
Landwirtschaftliche Rentenbank	Agricultural Annuity Bank
Saarländische Investitionskreditbank	Saar Bank for Investment Loans
Sächsische Aufbaubank	Reconstruction Bank of Saxony
Thüringer Aufbaubank	Reconstruction Bank of Thuringia
Wohnungsbauförderungsanstalt Nordrhein-Westfalen	North Rhine-Westphalia State Institution for the Promotion of Housing Construction