> B2B business line

Business development in the B2B business line

In its tenth anniversary year, ebase continued its positive development as a leading B2B direct bank. In the insurance and investment company segment in particular, it recorded an increase in the number of custody accounts and assets under management. One important event in this regard in 2012 was the takeover of custody account management for Generali Investments. At the same time, ebase successfully implemented a substantial expansion of its range of products and services in banking and brokerage in order to be able to react flexibly to market requirements and meet the needs of its different target segments.

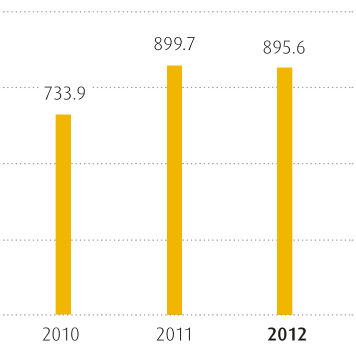
Custody accounts and portfolio volume

At the end of 2012, ebase maintained 895.6 thousand custody accounts (previous year: 899.7 thousand). There was a disproportionately sharp increase in assets managed by ebase to €20.85bn (previous year: €16.56bn). The rise is due to price effects and to fund inflows from institutional customers. The average portfolio volume was up by 26.4% to €23.3 thousand (previous year: €18.4 thousand).

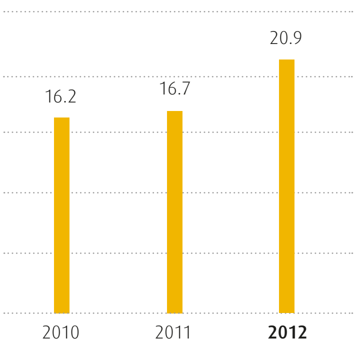
The customer segment comprising IFAs, asset managers and "liability umbrellas" reflected weak sales in investment funds; the number of end customers fell slightly, while moderate outflows in assets under management were more than offset by positive price effects. The funds volume attributable to custody accounts for company pensions (bAV) increased over the course of the year by 20.0% to €1.45bn (end 2011: €1.21bn).

The standardised asset management product launched in the reporting year in the shape of the ebase Managed Depot custody account was still in the pilot phase at the end of the year, and consequently did not have any notable impact on the portfolio volume or customer numbers.

Custody accounts B2B as of 31.12.
(in thousand)



Total assets under custody B2B as of 31.12.
(in € billion)



At the end of the year, over 85% of the custody accounts and account products were offered in a partner-specific configuration; the proportion has therefore increased slightly by comparison with the previous year (around 83%). The weighting here continued to shift further towards white label products for insurance companies.

Accounts and deposit volume

At €97m, the deposit volume at the end of 2012 did not quite equal the previous year's figure (€134m). This was essentially due to the fact that a large portion of fixed-term deposits were not renewed because of the intervening adjustment to basic terms and conditions in line with the development in market interest rates. Consequently, most of the deposit volume was attributable to the settlement accounts linked with the custody account (Flex account). At the moment, these accounts are still primarily being used for revenue from fund sales, but are also available to accept monies from expiring insurance policies and as a fully fledged online-type account for payment transactions. The deposit volume increased here to €52m (previous year: €50m). In light of the current low interest rate environment, the partners made little use of the option of interest rate sponsoring offered by ebase.

Earnings situation in the B2B business line

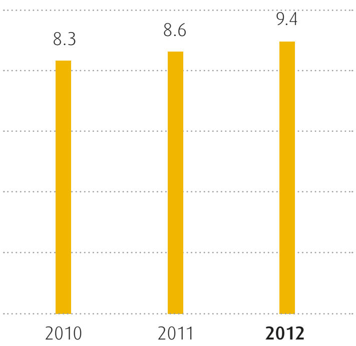
Pre-tax profit in the B2B business line stood at €9.4m, up 9.3% on the previous year's figure (€8.6m). Earnings rose to €47.6m (previous year: €43.4m), while administrative expenses increased to €38.2m (previous year: €34.8m). The cost/income ratio remained virtually stable at 80.3% compared with 80.2% in financial year 2011.

As a result of the increased funds volume, net commission income climbed by 11.9% to €46.1m (previous year: €41.2m). In contrast, the custody account fees were slightly down on the respective figure for 2011. Net interest income declined to €666 thousand because of the fall in interest rates (previous year: €888 thousand).

The decrease in the other operating result to €1.0m (previous year: €1.5m) was particularly due to lower earnings from the reversals of unutilised provisions and accruals. In contrast, a higher volume of IT services were charged to partners.

The increase in administrative expenses stemmed from the rise in other administrative expenses and personnel expenses. Other administrative expenses includes higher consulting in respect of product-related development projects and higher postage and shipping costs in relation to a revision of our forms. Processing-related costs were also up on the previous year's figure. The main reasons here were the connection of an additional outsourcing partner to make the business model more flexible, as well as higher expenses relating to the partial liquidation of some open-ended property funds. The increase in personnel costs from €15.2m to €16.5m results from the rise in the number of employees on average for the year and higher fixed salaries.

Pre-tax profit B2B
(in € million)



Cost/income ratio B2B
(in %)