



# Bank Profitability

METHODOLOGICAL  
COUNTRY NOTES



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## ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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NOTES MÉTHODOLOGIQUES PAR PAYS

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## **FOREWORD**

This publication provides methodological country notes which complement the statistics published annually under the title Bank Profitability – Financial Statements of Banks. Statistics are based on financial statements of banks in each Member country and are presented in the standard OECD framework. Although the objective is to include in the analysis all institutions which conduct ordinary banking business, namely institutions which primarily take deposits from the public and provide finance for a wide range of purposes, the institutional coverage of banks in the statistics is not the same in each country. Moreover, differences across the countries are due to the availability of the data as well as the structural and regulatory features of national banking systems, accounting rules and practices, and reporting methods.

Considering the difficulties that may be encountered in the international comparability of the statistics, methodological notes were prepared to facilitate the comprehension and the interpretation of the data. In addition, the notes also provide some information on the banking system and the activities of banks in each OECD Member country.

The preparation of this publication benefited from the work of the Financial Affairs Division but could not have been accomplished without the assistance of the members of the OECD Working Party on Financial Statistics and the national administrations which they represent. It is published on the responsibility of the Secretary-General of the OECD.

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## INTRODUCTION

The annual publication *Bank Profitability- Financial Statements of banks*<sup>1</sup> provides statistics on financial statements of banks in OECD countries. National Statistics are re-classified and presented according to a standard framework that was agreed by the OECD Working Party on Financial Statistics. These statistical series also include data on the number of reporting banks, their branches and the staff employed by these institutions. Furthermore, general information is provided for some of the OECD countries regarding the structure of their financial system as well as the share of domestic and foreign currencies in their bank assets and liabilities.

The present volume includes methodological country notes with a view to facilitating the analysis and the interpretation of the quantitative information included in the above publication. The presentation of the notes is, as much as possible, standardised under the following headings.

- Institutional coverage
- Geographical coverage and degree of consolidation
- Structure of the banking system
- Summary description of activities of banks
- Explanations on individual items and/or reconciliation tables between OECD framework and national presentation
- Source of data

### **I. Institutional coverage**

In principle the statistics are intended to cover all institutions which conduct ordinary banking business, i.e. institutions which primarily take deposits from the public and provide finance for a wide range of purposes. Given structural and regulatory differences between national systems, it is not possible to provide statistics based on a uniform concept of the institutional coverage of credit institutions for all OECD countries. Moreover, the availability of the underlying data also has an impact on the coverage of the statistics. It should be noted that, as a result of different reporting methods, these statistics are not compatible with the series published in *Financial Accounts of OECD Countries* while they are not integrated in the System of National Accounts.

Although data are published under the standard framework according to headings listed in section V below, the coverage of banking groups may vary in their composition and definition across the

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<sup>1</sup> *Bank Profitability—Financial Statements of Banks* is available both as paper and electronic editions.

reporting countries. Therefore, the coverage of banking groups is defined following national criteria for each country and described in the individual country notes.

Countries report data for one or more of the following standard banking groups:

- *All banks*
- *Commercial banks*
- Data on *large commercial banks* are provided as a sub-set of commercial banks
- *Savings banks*
- Data on *other groups of banks* are reported for countries where applicable.

## **II Geographical coverage and degree of consolidation**

OECD recommends that data included in these statistics should be consolidated world-wide, i.e. overseas branches of reporting banks as well as domestic/foreign subsidiaries should be included. Country notes provide information regarding the coverage of reporting banks and the statistical treatment of foreign bank branches and/or subsidiaries.

## **III Structure of the banking system**

The country notes include a description of the banking system as well as information on the regulatory framework.

## **IV Summary description of activities of banks**

A description of banks' activities is included, as much as possible, to cover information under the following headings:

- Payment facilities
- Deposit business
- Lending business
- Savings instruments
- Money market business
- Security business
- Foreign exchange business
- Non-bank business
- Other

## **V Reconciliation of national data with the OECD presentation**

To further facilitate the analysis for users of the statistics, this publication provides descriptive notes and/or reconciliation tables describing the correspondence between the standard OECD framework and their national accounting system used in Member countries. They show how national data are grouped and, where necessary, re-classified to fit as far as possible into the following standard framework which described below.

### **OECD framework**

#### ***Income statement***

##### *1. Interest income*

This item generally includes income on interest-bearing assets, fee income related to lending operations, and dividend income on shares and participations. In some cases it may also include income on bonds calculated as the difference between the book value and the redemption value of bonds.

##### *2. Interest expenses*

This item generally includes interest paid on liabilities, fee expenses related to borrowing operations and may include in some cases the difference between the issue price on debt instruments and their par value.

##### *3. Net interest income (item 1 minus item 2)*

##### *4. Non-interest income (net)*

- a. Fees and commissions receivable
- b. Fees and commissions payable
- c. Net profit or loss on financial operations
- d. Other

This item is generally the net result of a number of different income and expense items (other than those included in items 1 and 2) such as the following: commissions received and paid in connection with payments services, securities transactions and related services (new issues, trading, portfolio management, safe-custody) and foreign exchange transactions in the banks own name and on behalf of clients. Other income and expenses resulting from special transactions which do not represent ordinary and regular banking business may also be included. Realised losses and gains on foreign-exchange operations and securities transactions are generally included as well.

##### *5. Gross income (item 3 plus item 4)*

##### *6. Operating expenses*

- a. Staff costs



b. Property costs

c. Other

This item includes all expenses relating to the ordinary and regular banking business other than those included in items 2 and 4, particularly salaries and other employee benefits, including transfers to pension reserves (staff costs), and expenses for property and equipment and related depreciation expenses. Taxes other than income or corporate taxes are also included.

7. *Net income* (item 5 minus item 6)

8. *Provisions (net)*

a. Provisions on loans

b. Provisions on securities

c. Other

This item includes, in part or in full, charges for value adjustments in respect of loans, credits and securities, book gains from such adjustments, losses on loans and transfers to and from reserves for possible losses on such assets. Realised gains or losses from foreign exchange transactions and securities transactions are, however, generally included under *Non-interest income (net)* (item 4).

9. *Profit before tax* (item 7 minus item 8)

10. *Income tax*

11. *Profit after tax* (item 9 minus item 10)

12. *Distributed profit*

13. *Retained profit* (item 11 minus item 12)

## ***Balance sheet***

### ***Assets***

*14. Cash and balance with Central bank*

*15. Interbank deposits*

*16. Loans*

*17. Securities*

*18. Other assets*

### ***Liabilities***

*19. Capital and reserves*

*20. Borrowing from Central bank*

*21. Interbank deposits*

*22. Non-bank deposits*

*23. Bonds*

*24. Other liabilities*

### ***Balance sheet total***

*25. End-year total* (sum of items 14 to 18 or 19 to 24)

*26. Average total*

Method of calculation varies between countries. The majority is the average of two end-year totals. Others are based on 13-month averages.

### ***Memorandum items***

*27. Short-term securities* (included in item 17)

Following the definition used in the European System of Integrated Accounts (paragraph 539), short-term securities with an original maturity of usually up to 12 months, but with a maximum maturity of two years.

28. *Bonds* (included in item 17)

Following the definition of the European System of Integrated Accounts (paragraph 542), this item includes fixed or variable-interest rate securities with an original maturity of several years.

29. *Shares and participations* (included in item 17)

30. *Claims on non-residents* (included in items 15 to 18)

31. *Liabilities to non-residents* (included in items 21 to 24)

### ***Capital Adequacy***

32. *Tier 1 Capital*: paid up shared capital/common stocks, disclosed reserves

33. *Tier 2 Capital*: undisclosed reserves, asset revaluation reserves, general provision/general loan loss reserves, debt/equity capital instruments, subordinated term debt.

34. *Supervisory deductions*

35. *Total net capital resources* (item 32 plus item 33 minus item 34)

36. *Risk-weighted assets*

### ***Supplementary information***

37. *Number of institutions* (covered by the data)

38. *Number of branches* (covered by the data)

39. *Number of staff* ('000) (of the institutions covered by the data)

## **V Sources of data**

These statistics cover data published by banks, central banks and/or statistical offices.

## AUSTRALIA

### I. Institutional coverage

The income statement and balance sheet statistics presented in the OECD publication *Bank Profitability – Financial Statements of Banks* cover the bulk of the banking system. This comprises banks authorised under Commonwealth of Australia legislation (the Banking Act of 1959) and banks established previously under separate Australian State legislation.

Under legislation in force until the end of 1989, banks were granted licences to operate as either savings or trading banks:

- Savings banks were subject to specific regulations [the Banking (Savings Banks) Regulations] which specified the type of assets they could hold including a minimum holding of Australian Government Securities. The regulations also contained a limit on the amount of funds that they could place with other banks.
- Trading banks were also subject to various requirements such as the holding of a minimum proportion of liquid assets and deposits with the Central bank (Reserve Bank of Australia). Trading banks traditionally conducted most of their business with the commercial sector.

Amendments to the Banking Act at the end of 1989 removed the legal distinction between savings and trading banks. Legislation designed to facilitate the integration of former savings bank subsidiaries into the parent trading banks was enacted in 1991.

A range of non-bank financial institutions also operate in Australia, including building societies, credit co-operatives, finance companies, money market corporations and other financial corporations registered under Commonwealth of Australia legislation (Financial Corporations Act of 1974).

### II. Geographical coverage and degree of consolidation

The balance sheet and income statement statistics relate to the global operations of individual banking companies, excluding the domestic and overseas operations of banks' non-bank subsidiaries. The data include domestically owned banks and those banks operating in Australia as subsidiaries of foreign banks. Foreign bank branches operating in Australia are not included in these statistics. The number of institutions represents the number of locally incorporated individual banking companies.

Memorandum items relating to capital and risk-weighted assets refer to global consolidated banking groups including banks' domestic and overseas non-bank subsidiaries.

### **III. Summary description of activities of banks**

#### ***Payment facilities***

Banks play a major role in the payments system in Australia. Apart from transactions involving notes and coins, banks facilitate payments by cheques through the banks' clearing house system. This provides for the exchange and settlement of cheque payments between member banks. Other payment instruments provided by banks include direct entry, credit and debit cards and high value electronic transactions.

#### ***Deposit business***

Since August 1984, there have been no restrictions on banks' acceptance of deposits. Prior to that date, there were controls relating to minimum terms for which deposits could be accepted by banks and interest rates that could be paid on deposits.

The main types of deposit accounts of the former savings banks were investment, statement and passbook savings accounts and term deposits. They also held deposits, both interest and non-interest bearing, on which cheques could be drawn and wholesale deposits raised through the issue of certificates of deposit. The latter deposits could be of various maturities and sometimes in the form of negotiable instruments that could be traded in the market. Trading banks' deposits have historically been term deposits and certificates of deposit and cheque accounts. For many years the substantial part of cheque accounts were non-interest bearing.

In aggregate, banks currently hold 40 per cent of their deposits as term deposits, 25 per cent in cheque accounts and about 20 per cent in passbook and other savings type accounts. Certificates of deposit account for, approximately, a further 15 per cent of total deposits.

In recent years, as a response to increased competition for depositors' funds, banks have offered a wider range of deposit products, *e.g.* cheque accounts which allow withdrawals to be made through automatic teller machines and accounts which attract money market related rates of interest.

#### ***Foreign exchange trading***

Since June 1984, the Central bank has granted to a number of banks and other non-bank financial institutions authority to deal in foreign currencies, including the buying or selling of forward exchange for non-trade related purposes.

Authorised foreign exchange dealers are required, on a continuing basis, to meet standards relating to minimum capital levels, dealing and management resources, and overnight foreign exchange exposure limits.

#### ***Bank lending***

Prior to 1984, maximum interest rates on bank loans were determined by the Central bank. The only remaining ceiling on bank interest rates applies to owner-occupied housing loans that were approved prior to April 1986. Provisions in the Banking Act, which allow the Central bank to regulate bank interest rates and lending policy, remain in force but are no longer used.

The sources of funding differed for trading and savings banks, as did the types of lending historically undertaken by these banks. Trading banks concentrated more on commercial sector

financing including provision of commercial bill facilities. The remainder of their lending was to financial institutions (including other banks), to the government and to households (including a small proportion for housing finance). In contrast, the largest part of savings banks' lending was for housing finance, with the remainder spread between lending to the commercial, household and government sectors. Trading banks granted more overdraft facilities than savings banks, while savings banks provided a greater proportion of loans with fixed repayment schedules.

Largely as a result of the former trading and savings bank separation, fairly wide variations still exist between individual banks in the composition of their lending. For the most part, banks have continued to concentrate or specialise in those areas where they consider their best market opportunities exist and where they are most comfortable. For many of the former savings banks, for instance, this meant a continuation of the focus of their lending in housing although there has been some diversification of their lending portfolio into the commercial sector.

In aggregate, around 30 per cent of bank lending is to the non-financial commercial sector, 45 per cent for housing finance with most of the remainder in other forms of lending to households, to the government sector and to financial institutions.

### ***Non-banking business***

Banking institutions are not expressly prohibited by the Banking Act from engaging in non-banking business. In accordance with prudential supervision policy, however, banks' involvement in non-financial areas should normally be of substantial relevance to banking operations.

## **IV. Reconciliation of national data with the OECD presentation**

### ***Income statement***

*Interest income* includes interest income on loans and advances, income from interest-bearing securities and dividends on redeemable preference shares.

*Interest expenses* include all interest paid on deposits held and banks' other borrowing expenses.

*Non-interest income (net)* includes net earnings from commission and account keeping charges, profits on realisation or redemption of investments or other assets, dividends (other than redeemable preference shares), rents and bad debt recoveries. Realised losses and gains on foreign exchange transactions and income generated from abnormal and extraordinary items are included.

*Operating expenses* generally include all expenses relating to the ordinary and regular banking business other than interest expenses. Covered are salaries and other staff costs and expenses for property and equipment and related depreciation, taxes other than income tax, and losses generated from abnormal and extraordinary items.

*Provisions (net)*: changes in the level of general and specific provisions for bad and doubtful debt are included, as well as any write-offs of assets that are written-off directly to profit and loss and not against provisions.

## ***Balance sheet***

Data are compiled from banks' financial year-end data. The financial year for banks ends in different months, but occurs most frequently either at end-June, end-September or end-December. Data for the financial year ending in the same calendar year are aggregated.

### ***Assets***

*Cash and balance with the Central bank* include balances required to be held with the Reserve Bank under the non-callable deposit arrangements.

*Interbank deposits* include cheques and bills of other banks and balances with and due from other banks.

*Loans* include loans, advances and bills discounted.

*Securities* include Australian government issued securities and securities of State and Local governments.

*Other assets* include bills of exchange assets, bank premises, furniture and sites.

### ***Liabilities***

*Capital and reserves* include paid-up capital, reserve funds, retained earnings and other capital funds.

*Non-bank deposits* include all deposit liabilities of the banks as well as a small amount of interbank deposits. Prior to 1990, *Non-bank deposits* were grouped with *Other liabilities*.

*Other liabilities* include borrowings (other than deposits), bonds and bills of exchange liabilities. Data prior to 1990 included deposits of banks.

### ***Balance sheet total***

*End-year total* is the sum of liabilities (or assets) of the banks at their annual balance date.

*Average total* is the average of two end-year totals.

### ***Memorandum items***

*Short-term securities* are defined as Australian Government Treasury notes with an original maturity of up to six months.

*Bonds* are defined as securities issued by the Australian Government, Australian State Governments, and local and semi-governmental authorities with an original maturity normally greater than 12 months.

*Shares and participations* include shares, debentures and unsecured notes. Excluded are promissory notes and bills of exchange. Data are not separately available after 1989.

### *Capital adequacy*

Capital and risk-weighted assets data refer to the global operations of banks including all banking and non-banking subsidiaries. Data are not available prior to 1990.

*Tier 1 capital* includes the paid-up value of ordinary shares, disclosed reserves and retained earnings, and irredeemable preference shares.

*Tier 2 capital* includes asset revaluation reserves, mandatory convertible notes, perpetual subordinated debt, term subordinated debt and the eligible amount of general provisions for doubtful debt.

*Supervisory deductions* include banks' investments in non-consolidated subsidiaries or associates and holdings of other banks' capital instruments.

*Total net capital resources* (or capital base) comprise total Tier 1 and Tier 2 capital less supervisory deductions.

*Risk-weighted assets* comprise the risk-weighted gross amounts of on-balance sheet assets and the risk-weighted credit equivalent amounts of off-balance sheet business.

### **V. Sources**

The data are compiled from annual and other statistical returns provided by banks to the Reserve Bank of Australia.



## AUSTRIA

### **I. Institutional coverage**

The statistics published in *Bank Profitability – Financial Statements of Banks* comprise all banks which have been granted a license by the Federal Minister of Finance to conduct banking business in Austria or which have the possibility to conduct banking business based on the freedom of settlement.

### **II. Geographical coverage and degree of consolidation**

Data relate to domestic banks including their foreign branches and subsidiaries (on a consolidated basis) and to banks of foreign countries conducting banking business in Austria.

### **III. Summary description of activities of banks**

#### ***Payment facilities***

In general the following payment facilities are offered: current account with overdraft facilities, debit cards, credit cards and cash dispensers.

#### ***Deposit business with non-banks***

All banks, in general, offer a complete range of accounts: sight deposits, time and savings deposits (including savings with premium) at different interest rates.

#### ***Issues of marketable securities by banks***

The Banking Act of 1993 (§ 1) allows the issue of a variety of instruments with various maturities: mortgage bonds, municipal bonds (issued by only a few banks), several kinds of specific assets earmarked in connection with the issuing of bonds, and other bonds. Securities issued by banks have become increasingly important.

#### ***Money market business***

Day-to-day loans/deposits between banks (excluding money market papers), traditionally from the sectors with many retail outlets (especially postal savings banks, savings banks etc.) to the large banks (including head institutions of sectors).

Interbank deposits (claims) (item 15) include interbank loans and deposits. Interbank deposits (liabilities) (item 21) do not include borrowing from the Central bank. The borrowing from the Central bank (against collateral) is shown in item 20.

### ***Various types of lending business***

The Banking Act of 1993 (§ 1) allows banks to engage in all types of lending operations; the maximum amount of lending to one single borrower is regulated by the Banking Act of 1993 (§ 27).

Traditionally, the large banks have concentrated on lending to industry, whereas the savings banks have been heavily involved in lending to local authorities and to private individuals. However, this clear borderline has become increasingly blurred and, in recent years, the savings banks, particularly the large ones, have gained an increasing share of the lending to industry business. Simultaneously, the other large banks have gone into lending to the public sector and private individuals.

For statistical purposes, discounting bills is considered as granting loans and thus included in *Loans* (item 16).

Up to now, banks' foreign business has been a fast growing line of activity.

### ***Security business, portfolio management and trust business***

Banks trade in bonds and shares for clients (including derivative instruments), participate and guarantee the sale of issues and provide management of clients' and the banks' own portfolios.

### ***Other business***

The Banking Act of 1993 (§ 29) stipulates that a bank's non-financial holdings may not exceed 60 per cent of the bank's capital.

## **IV. Reconciliation of national data with the OECD presentation**

### ***Income statement***

#### ***Depreciation and provisions of commercial banks***

Special provisions can be made within the limits set by accounting standards and tax laws.

## **V. Sources**

Austrian National Bank.

## BELGIUM

### I. Institutional coverage

The statistics published in *Bank Profitability - Financial Statement of Banks* relate to credit institutions in Belgium. Belgian legislation on credit institutions is based on the Act of 22 March 1993 on the status and supervision of credit institutions. The Act lays down uniform rules for the establishment, status and supervision of credit institutions operating in Belgium. The term “credit institution” encompasses Belgian and foreign enterprises whose business consists of taking deposits of money or other redeemable funds from the public and making loans for their own account.

Since 1 January 1993, the activities of credit institutions have been supervised with the aid of a periodic financial data reporting sheet, Form A. This form must be submitted, to the National Bank of Belgium and to the Banking and Finance Commission, by Belgian credit institutions and by foreign institutions possessing a registered branch in Belgium, whether headquartered in another European Union country or not.

Form A consists of an accounting summary—including the balance sheet, off-balance-sheet items, the income statement and, once a year, allocations and assessments—and a series of annexes. Apart from reports intended to ensure compliance with capital adequacy regulations, the annexes contain more specific information on interbank transactions and on lending and deposit operations with customers.

The Act of 22 March 1993 is not applicable to the National Bank of Belgium, except for provisions amending Royal Decree No. 29 of 24 August 1939 on the activity, organisation and attributions of the National Bank of Belgium, the Rediscount and Guaranty Institute and the Post Office (Postchèque).

### II. Geographical coverage and degree of consolidation

The periodic reports by credit institutions of their financial positions make a distinction between reports on a territorial basis (operations of Belgian-based units), a corporate basis (operations of Belgian institutions based in Belgium and abroad) and a consolidated basis<sup>1</sup>.

All of the data published by the OECD, under the title *Bank Profitability – Financial Statements of Banks*, are corporate statistics in the case of Belgian credit institutions, and territorial statistics in the case of branches. Figures on Belgian credit institutions are also broken down, as they are in the electronic publications of the National Bank of Belgium, depending on whether or not they refer to the larger banks.

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1. Information reported on a consolidated basis is used essentially for prudential supervision.

### **III. Structure of the banking system**

The Act of 22 March 1993 on the status and supervision of credit institutions transposes, into Belgian legislation, the European Council Directive of 15 December 1989 on the co-ordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions and the Council Directive of 6 April 1992 relating to the supervision of credit institutions on a consolidated basis. Any credit institution licensed in a European Union country may therefore offer its financial services in Belgium, since Belgian law applies the principle of the mutual recognition of status and of authorisation accorded in an institution's country of origin.

At the end of 2001, there were 112 credit institutions active in the Belgian market. Despite a heavy foreign presence (the majority of the credit institutions is under foreign ownership<sup>2</sup>), credit institutions majority-owned by Belgians still accounted for the major part of aggregate banking sector assets as of 31 December 2001. However, this figure is concentrated essentially among the larger Belgian credit institutions (Fortis Bank, KBC Bank, Banque Bruxelles Lambert and Dexia Bank).

The list of Belgian credit institutions drawn up by the Banking and Finance Commission gives a breakdown between banks, savings banks, and, more recently, securities banks<sup>3</sup>. The fact that a credit establishment belongs to one of these categories or another implies only a difference in denomination, since all credit institutions operating in Belgium are subject, under the Act of 22 March 1993, to identical rules with regard to establishment, status and supervision. There were 12173 bank offices in Belgium at 31 December 2001.

### **IV. Summary description of activities of banks**

Credit institutions operating in Belgium may perform all or some of the following activities:

Taking of deposits and other redeemable funds;

Lending business, including consumer credit, mortgage loans, factoring, and financing of commercial transactions;

Leasing;

Payment operations;

Issue and management of means of payment (credit cards, traveller's cheques, etc.);

Provision of guarantees and underwriting of commitments;

Dealings on own account or on behalf of clients in:

- a)* Money market instruments (cheques, bills, certificates of deposit, etc.);
- b)* Foreign exchange markets;

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2. Credit institutions governed by Belgian law but majority-owned by foreigners and branches of institutions governed by foreign law.

3. Act of 20 March 1996 amending the Act of 22 March 1993 on the status and supervision of credit institutions, the Act of 4 December 1990 on financial operations and financial markets and the Act of 6 April 1995 on secondary markets, the status and supervision of investment undertakings, investment intermediaries and advisors and securities banks.

- c) Financial futures and options;
- d) Foreign-exchange and interest-rate instruments;
- e) Securities.

Participation in security issues and performance of related services;

Advice to corporations on capital structure, industrial strategy and related matters, and advice and services relating to corporate mergers and take-overs;

Intermediation in interbank markets;

Asset management and advice on asset management;

Custodial services;

Business intelligence;

Rental of safe deposits.

Under the legislation of 6 April 1995 concerning secondary markets, the status and supervision of investment firms, and investment brokers and advisers, credit institutions also have direct access to the stock exchange (as of 1 January 1996). However, securities banks, so called because they specialise in transactions in securities and financial instruments, are not allowed to perform a number of banking activities. Thus securities banks which take advantage of exemptions from initial capital and capital adequacy requirements are not allowed to conduct payments operations.

## **V. Reconciliation of national data with the OECD presentation<sup>4</sup>**

Data relating to the balance sheet, income statement and capital adequacy come from the periodic financial statements which credit institutions are required to transmit to the National Bank of Belgium and the Banking and Finance Commission. For certain items, branches of foreign credit institutions are not required to supply as much information as Belgian credit institutions. As a rule they give no details of long-term financial assets, tangible assets and capital structure. Furthermore, branches of credit institutions governed by the law of another Member State of the European Union, or treated as such, are not subject to Belgian regulations concerning the capital of credit institutions.

The framework used for these periodic statements is entirely consistent with the booking and valuation requirements laid down in the Royal Order of 23 September 1992 concerning the annual accounts of credit institutions. However, write-downs of interbank claims, claims on clients, investments in short-term negotiable paper, investments in securities and assets making up the statutory reserve constitute an exception. These are not deducted from the assets item to which they relate, but are entered under the liabilities item Write-downs, provisions, contingency fund and deferred tax. Securities not part of the investment portfolio are booked at their market value. In compliance with the rules applying to annual accounts, foreign currency amounts are valued at the exchange rate on the date of the statement (except for long-term financial assets, which may be valued at their purchase price).

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4. See also the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.

Data on the number of bank branches and employees are taken from the *Aspects et documents* brochures published by the Belgian Banking Association. The data are obtained by way of an annual survey conducted by the Association, on a voluntary basis, among its members<sup>5</sup>.

### ***Income statement***

The annual figure is an aggregation of the income statements ended between 1 July and 30 June of the following year.

#### *Interest income*<sup>6</sup>

Interest and related income from interbank claims and lending to clients, interest on financial assets and negotiable securities (including, for the investment portfolio, the difference between the purchase price and redemption value as determined by the actuarial yield), income from hedging operations (currency and interest rate), and interest and other income related to subordinated loans to affiliated enterprises or to other corporations with which there is a participation link.

#### *Interest expenses*<sup>6</sup>

Interest and related expenses payable on interbank debt, debt to clients, securitised debt (including subordinated securities), and fees payable on hedging operations (currency and interest rate).

#### *Net interest income*

This item is the difference between Interest income and Interest expenses.

#### *Non-interest income (net)*

Fees and commissions receivable: Commissions on credit commitments and fees for other financial services (issue and placement of securities, execution of security purchase or sale orders, payment services, asset management, etc.);

Fees and commissions payable: Commissions payable on financial commitments underwritten by third parties on behalf of the credit institution, together with fees for third-party performance of other financial services (credit insurance, purchasing, etc.);

Net profit or loss on financial operations: This item includes dividends and other income from variable-income securities, income from long-term financial assets (excluding interest and other income related to subordinated loans), income/expenses related to foreign exchange transactions (excluding income/expenses related to hedging operations), gains/losses on fixed-income and variable-income securities, net profits/losses on interest-rate operations (with the exception of interest-rate swaps, for which it is necessary to mention gross income/expenses), and net profits/losses on transactions in precious metals (including options and futures);

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<sup>5</sup>. The balance sheet of credit institutions belonging to the Belgian Banking Association represented 98 per cent of the banking sector's overall balance sheet at 31 December 2001.

<sup>6</sup>. Interest refers to fee income receivable or payable in respect of lending/borrowing operations, the amount of interest being a percentage of the amount lent or borrowed determined by lending/borrowing maturity. Related income/expenses refers to the amounts which, in addition to interest, are booked under auxiliary charges for lending/borrowing and for related services.

Other: Income from banking business not covered by the preceding items (payment for services connected with clients' travel, refund of contributions paid under the deposit protection schemes, etc.), and income/expenses related to operations not part of ordinary banking business (write-backs/write-downs on long-term financial assets, write-backs/write-downs on long-term tangible and intangible assets, etc.).

#### *Gross income*

This item is the sum of Net interest income and Non-interest income (net).

#### *Operating expenses*

Staff costs: Staff pay and fringe benefits, employers' social security contributions, employer-paid premiums for non-statutory insurance, pensions, survivors' annuities and provisions/recovery of provisions for pensions and similar obligations;

Property costs: Depreciation and write-downs on initial capital expenses and long-term intangible and tangible assets;

Other: Banking business expenses not covered by the preceding items (advertising costs, taxes such as non-recoverable VAT and vehicle tax, rent paid, contributions paid under the deposit guarantee scheme, etc.).

#### *Net income*

This item is the difference between Gross income and Operating expenses.

#### *Provisions (net)*

Provisions on loans: Write-downs/write-backs on claims, provisions/recovery and use of provisions for credit commitments, and transfers to/withdrawals from the internal prudential fund;

Provisions on securities: Write-downs/write-backs on shares and negotiable securities;

Other: This item includes provisions/recovery and use of provisions for risks related to foreign exchange and securities positions, and transfers to/withdrawals from the fund for general banking risks.

#### *Profit before tax*

This item is the difference between Net income and Provisions (net).

#### *Income tax*

Tax on profits for the current year (advance payments), tax on profits for previous years (additional tax paid or due), and tax adjustments obtained, certified or estimated relative to the amount of tax liability for a previous year.

#### *Profit after tax*

This item is the difference between Profit before tax and Income tax.

### *Distributed profit*

Profits to be distributed as dividends or percentages.

### *Retained profit*

This item is the difference between Profit before tax and Income tax.

## ***Balance sheet***

### ***Assets***

#### *Cash and balance with Central Bank*

Notes and coin, demand deposits with central banks and related institutions, and money reserves held in compliance with domestic and foreign legislation as regards monetary policy.

#### *Interbank deposits*

Claims on post-office banks, credit institutions and official banking establishments (*e.g.* multilateral development banks), and claims on central banks and related institutions other than those covered by Cash and balance with the Central bank (item 14).

Also included are call loans, demand deposits, term deposits, advances and claims resulting from such operations as rediscounting, lending against collateral and onlending.

#### *Loans*

Claims on clients in respect of lending operations, with the exception of uncollectable or doubtful claims. The term “clients” covers all institutional units other than credit institutions.

This item covers, in particular, commercial bills, own acceptances, claims related to capital lease, loans at single-stage rates, mortgage loans, term loans and advances on current account.

#### *Securities*

Security portfolio including long-term financial assets. A distinction is made between the commercial portfolio (securities dealing) and the investment portfolio.

#### *Other assets*

This item includes bills for collection, suspense accounts, precious metals, uncollectable or doubtful claims, expenses carried forward, accrued interest, fixed assets, start-up costs and long-term intangible assets.

### ***Liabilities***

#### *Capital and reserves*

Capital, issue premiums, write-ups, reserves, profit or loss carried forward and profit or loss for the year.



### *Borrowing from the Central Bank*

Current account advances from central banks and related institutions.

### *Interbank deposits*

Debts to credit institutions, with the exception of securitised debt. This item covers, in particular, call borrowing, demand deposits, term deposits, debts related to such operations as rediscounting, lending against collateral and onlending, debts related to current account overdrafts, and contributions paid under the deposit protection scheme.

### *Non-bank deposits*

Debts to clients, with the exception of securitised debt. The term “clients” covers all institutional units other than credit institutions. Included are demand deposits, term deposits with or without notice, special deposits, regulated savings deposits, deposits related to mortgage loans and debts on borrowing against real collateral.

### *Bonds*

This item comprises securitised debt. It includes certificates of deposit, savings bonds and debt issues (subordinated and non-subordinated).

### *Other liabilities*

This item includes the bear position of the commercial security portfolio, suspense accounts, tax debts, write-downs for credit risks, write-downs on securities, provisions, contingency reserves, deferred taxes, charges to be allocated, income to be carried forward, and over-the-counter subordinated borrowing with a fixed term or with notice.

### ***Balance sheet total***

#### *End-year total*

Balance sheet at the end of the calendar year.

#### *Average total*

Average of the monthly balance sheets for the calendar year.

### ***Memorandum items***

#### *Short-term securities*

Negotiable securities with an original maturity of up to and including 12 months.

#### *Bonds*

Negotiable paper with an original maturity of more than 12 months, including constituents of the statutory reserve. Also included are long-term investment certificates, shares in investment trusts, stock warrants and subscription rights.

### *Shares and participations*

Shares, corporate equity and participations in affiliated corporations or corporations with which there is a participation link.

### *Claims on non-residents*

Total claims on non-residents (items 14 to 18).

### *Liabilities to non-residents*

Total liabilities to non-residents (items 19 to 24).

### *Capital adequacy*

Belgian legislation<sup>7</sup> on capital of credit institutions is in conformity with the European Directive of 17 April 1989 on the own funds of credit institutions, the Directive of 18 December 1989 on a solvency ratio for credit institutions, the Directive of 21 December 1992 on the monitoring and control of large exposures of credit institutions, the Directive of 6 April 1992 on the supervision of credit institutions on a consolidated basis and the Directive of 15 March 1993 on the capital adequacy of investments firms and credit institutions.

It applies to Belgian credit institutions and to branches of foreign credit institutions other than branches of credit institutions governed by the law of another Member State of the European Union or assimilated.

### *Risk-weighted assets*

The amount mentioned under this item is the combined result of the two audit procedures used: credit institutions which meet the statutory adequacy requirements on a consolidated basis need fill them only as to 75 per cent on a corporate basis.

### ***Supplementary information***

#### *Number of institutions*

Number of credit institutions which have submitted periodic financial statements to the National Bank of Belgium and the Banking and Finance Commission.

#### *Number of branches*

Number of bank branches (branch offices and outlets represented by bank officers) located in Belgium.

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<sup>7</sup>. Order of the Banking and Finance Commission of 5 December 1995 concerning the regulations pertaining to the capital of credit institutions, repealing the Commission's Order of 19 March 1991 concerning the capital of credit institutions and the capital of credit institutions on a consolidated basis.

### *Number of staff*

Number of employees (x1000) at 1 January, temporary staff included.

## **VI. Sources**

National Bank of Belgium.

Information on credit institutions is widely available from three sources:

The balance sheet for all credit institutions is published monthly in the *Moniteur Belge*;

The balance sheet, off-balance-sheet items and income statement for all credit institutions are published monthly by the National Bank of Belgium or, where appropriate, quarterly through the *Statistical Bulletin* and BELGOSTAT database. The published information also presents a breakdown between the larger Belgian credit institutions, the other Belgian credit institutions, and branches;

Detailed information on the balance sheet, off-balance-sheet items and income statement of credit institutions is also published by the Banking and Finance Commission in its annual report and its half-yearly statistics.

**BELGIUM**  
**Income statement reconciliation <sup>1</sup>**  
**Large commercial banks <sup>2</sup>**  
**1996**

OECD presentation	Million BF	National presentation
<b>1. Interest income</b>	<b>1341374</b>	
	232919	<i>Interest and similar income on interbank claims.</i>
	410122	<i>Interest and similar income on customer loans</i>
	13768	<i>Interest and similar income on shares and negotiable securities to be placed and to be realised</i>
	288082	<i>Interest and similar income on investments in shares and negotiable securities</i>
	396395	<i>Income from hedging operations</i>
	87	<i>Income from subordinated claims</i>
<b>2. Interest expenses</b>	<b>1114836</b>	
	274849	<i>Interest and similar expenses on interbank debt</i>
	212844	<i>Interest and similar expenses on debts to customers</i>
	184595	<i>Interest and similar expenses on securitised debt</i>
	25497	<i>Interest and similar expenses on subordinated debt</i>
	417050	<i>Expenses on hedging operations</i>
<b>3. Net interest income</b>	<b>226538</b>	
<b>4. Non-interest income (net)</b>	<b>108113</b>	
<i>a. Fees and commissions receivable</i>	49616	<i>Commissions received for financial services rendered</i>
<i>b. Fees and commissions payable</i>	18952	<i>Commissions paid for financial services received</i>
<i>c. Net profits or loss on financial operations</i>	73634	
	2813	<i>Income from shares and other variable-income securities</i>
	31436	<i>Other financial income from foreign exchange operations</i>
	25364	<i>Other financial income from trading in shares and fixed-income negotiable securities</i>
	265324	<i>Other financial income from interest-rate swaps</i>
	6051	<i>Other financial income from trading in variable-income securities</i>
	740	<i>Other financial income from precious metals</i>
	28501	<i>Capital gains on the sale of shares and negotiable securities and similar operations</i>
	23561	<i>Income from long-term financial assets</i>
		<i>minus:</i>
	87	<i>Income from subordinated claims</i>
	21434	<i>Other financial expenses from foreign exchange activity</i>
	19070	<i>Other financial expenses from trading in shares and fixed-income securities</i>
	259516	<i>Other financial expenses from interest-rate swaps</i>
	5607	<i>Other financial expenses from trading in variable-income securities</i>
	665	<i>Other financial expenses involving precious metals</i>
	3776	<i>Capital losses on the sale of shares and negotiable securities and similar operations</i>
<i>d. Other</i>	3815	
	8961	<i>Other operating income</i>

**BELGIUM**  
**Income statement reconciliation** <sup>1</sup>  
**Large commercial banks** <sup>2</sup>  
**1996**

OECD presentation	Million BF	National presentation
	4408	Exceptional income
	9554	Minus: Exceptional expenses
<b>5. Gross income</b>	<b>334651</b>	
<b>6. Operating expenses</b>	<b>218834</b>	
<i>a. Staff costs</i>	140160	
		Remuneration, social insurance contributions and pensions
		Provisions for pensions and similar obligations;
		minus:
		Recovery and use of provisions for pensions and similar obligations.
<i>b. Property costs</i>	18135	<i>Depreciation and write-downs on initial capital expenses and long-term intangible and tangible assets</i>
<i>c. Other</i>	60539	<i>Other operating expenses</i>
<b>7. Net income</b>	<b>115817</b>	
<b>8. Provisions (net)</b>	<b>40396</b>	
<i>a. Provisions on loans</i>	29828	Write-downs on claims;
		Provisions for credit commitments;
		Transfers to the internal prudential fund;
		minus:
		Write-backs on claims;
		Recovery and use of provisions for credit commitments;
		Withdrawals from the internal prudential fund.
<i>b. Provisions on securities</i>	77	Write-downs on shares and negotiable securities
		minus:
		Write-backs on shares and negotiable securities.
<i>c. Other</i>	10491	Other contingency provisions (excluding provisions for pensions and similar obligations);
		Transfers to the fund for general banking risks;
		minus:
		Recovery and use of other contingency provisions (excluding provisions for pensions and similar obligations);
		Withdrawals from the fund for general banking risks.
<b>9. Profit before tax</b>	<b>75421</b>	
<b>10 Income tax</b>	<b>24095</b>	
	25473	<i>Taxes</i>
		<i>minus:</i>
	1378	<i>Tax adjustments and recovery of tax provisions</i>
<b>11 Profit after tax</b>	<b>51326</b>	
<b>12 Distributed profit</b>	<b>27683</b>	
<b>13 Retained profit</b>	<b>23643</b>	

1. Period covered by the income statement is the fiscal year ending on 30 June of the following year.

2. 7 large Belgian credit institutions.

**BELGIUM**  
**Balance sheet reconciliation**  
*Large commercial banks*<sup>1</sup>  
**1996**

OECD presentation	Million BF	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>34993</b>	
	29252	<i>Cash</i>
	4639	<i>Cash held by authorised agents</i>
	686	<i>Due from central banks</i>
	416	<i>Money reserves</i>
<b>15. Interbank deposits</b>	<b>4811522</b>	
	1297	<i>Due from post-office banks</i>
	299523	<i>Call loans</i>
	39104	<i>Demand deposits</i>
	3037049	<i>Term deposits</i>
	1434549	<i>Claims resulting from discounting and advances</i>
<b>16. Loans</b>	<b>6390336</b>	
	62841	<i>Commercial bills</i>
	30306	<i>Own acceptances</i>
	18550	<i>Claims related to capital leases and similar claims</i>
	230888	<i>Loans at single-stage rates</i>
	1192798	<i>Mortgage loans</i>
	3988368	<i>Term loans</i>
	518979	<i>Advances on current account</i>
	347606	<i>Other credit</i>
<b>17. Securities</b>	<b>5429732</b>	
	2	<i>Securities and negotiable paper to be placed</i>
	103918	<i>Short-term negotiable paper to be realised</i>
	687338	<i>Investments in short-term negotiable paper</i>
	348478	<i>Securities to be realised</i>
	3998484	<i>Investments in securities</i>
	7523	<i>Constituents of the statutory reserve</i>
	252509	<i>Participations in affiliated corporations</i>
	19802	<i>Participations in other corporations with which there is a participation link</i>
	11679	<i>Other long-term financial assets in the form of shares and corporate equity</i>
<b>18. Other assets</b>	<b>847890</b>	
	112984	<i>Other debit balances</i>
	45813	<i>Other assets</i>
	46884	<i>Uncollectable or doubtful claims</i>
	533236	<i>Adjustment accounts</i>
	1578	<i>Subordinated claims on affiliated corporations</i>
	24	<i>Subordinated claims on other corporations with which there is a participation link</i>
	765	<i>Other long-term financial assets</i>
	106155	<i>Fixed assets</i>
	137	<i>Start-up costs</i>
	294	<i>Long-term intangible assets</i>
	19	<i>Treasury shares</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>451876</b>	
	211915	<i>Capital</i>
	75324	<i>Issue premiums</i>
	1243	<i>Write-ups</i>
	161128	<i>Reserves</i>
	2267	<i>Profit or loss carried forward</i>

**BELGIUM**  
**Balance sheet reconciliation**  
*Large commercial banks <sup>1</sup>*  
**1996**

OECD presentation	Million BF	National presentation
	-	<i>Profit or loss for the year</i>
<b>20. Borrowing from Central bank</b>	<b>2788</b>	<b>Current account advances</b>
<b>21. Interbank deposits</b>	<b>6277841</b>	
	539391	<i>Call borrowing</i>
	94661	<i>Demand deposits</i>
	3909626	<i>Term deposits</i>
	1729429	<i>Debts related to discounting and advances</i>
	4734	<i>Deposit custody system</i>
<b>22. Non-bank deposits</b>	<b>6515317</b>	
	1240354	<i>Demand deposits</i>
	599096	<i>Term deposits or deposits requiring less than 1 month's notice</i>
	1399763	<i>Term deposits or deposits requiring notice of between 1 month and 1 year</i>
	521373	<i>Term deposits or deposits requiring more than 1 year's notice</i>
	101234	<i>Special deposits</i>
	2408549	<i>Regulated savings deposits</i>
	15906	<i>Deposits related to mortgage loans</i>
	229041	<i>Debts on borrowing against real collateral</i>
<b>23. Bonds</b>	<b>2977916</b>	
	194878	<i>Certificates of deposit and similar debt</i>
	2639853	<i>Savings bonds</i>
	44934	<i>Debt issues</i>
	10365	<i>Convertible subordinated debt</i>
	87886	<i>Non-convertible subordinated debt</i>
<b>24. Other liabilities</b>	<b>1288733</b>	
	93057	<i>Bear position of the commercial portfolio of securities and other negotiable paper</i>
	160376	<i>Other debt</i>
	121120	<i>Other liabilities</i>
	146934	<i>Write-downs, provisions, contingency reserves and deferred taxes</i>
	500717	<i>Adjustment accounts</i>
	266529	<i>Other subordinated term borrowings</i>
	-	<i>Subordinated advances</i>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>17514472</b>	

**BELGIUM**  
**Balance sheet reconciliation**  
*Large commercial banks*<sup>1</sup>  
**1996**

OECD presentation	Million BF	National presentation
<b>Memorandum items</b>		
27. <i>Short-term securities</i>	791256	
	-	Public bills to be placed
	-	Other short-term negotiable paper to be placed
	103918	Short-term negotiable paper to be realised
	687338	Investments in short-term negotiable paper
28. <i>Bonds</i>	4292608	
	-	Borrowings of government agencies with maturities exceeding 1 year to be placed
	-	Other borrowings with maturities exceeding 1 year to be placed
	-	Other securities to be placed
	295442	Borrowings of government agencies with maturities exceeding 1 year to be realised
	29667	Borrowings of credit institutions with maturities exceeding 1 year to be realised
	13827	Other borrowings with maturities exceeding 1 year to be realised
	5179	Other securities to be realised
	3086379	Investments in borrowings of government agencies with maturities exceeding 1 year
	425628	Investments in borrowings of credit institutions with maturities exceeding 1 year
	421540	Investments in other borrowings with maturities exceeding 1 year
	7422	Investments in other securities
	7523	Constituents of the statutory reserve
29. <i>Shares and participations</i>	345869	
	2	Shares and corporate equity to be placed
	4363	Shares and corporate equity to be realised
	57514	Investments in shares and corporate equity
	252509	Participations in affiliated corporations
	19802	Participations in other corporations with which there is a participation link
	11679	Other long-term financial assets in the form of shares and corporate equity
30. <i>Claims on non-residents</i>	6240641	<i>Items 14 to 18</i>
31. <i>Liabilities to non-residents</i>	7009011	<i>Items 19 to 24</i>

1. 7 large Belgian credit institutions.



## CANADA

### **I. Institutional coverage**

The statistics published in *Bank Profitability – Financial Statements of Banks* include data for Canada's chartered banks operating under the federal Bank Act. Both domestic banks and foreign bank subsidiaries are covered. These institutions have deposit liabilities that are measured in the monetary aggregates. At the end of 2001, there were 48 chartered banks operating in Canada: 15 Schedule A banks and 33 Schedule Banks. These financial institutions make a variety of business and consumer loans, including mortgages; this activity is financed largely by time and demand deposits.

### **II. Geographical coverage and degree of consolidation**

Data are based on banks' worldwide consolidated results.

### **III. Summary description of activities of banks**

#### ***Loans***

Chartered banks make a number of different types of loans, which include overdraft facilities tied to demand deposits and to lines of credit. Bank loans for other purposes (short- and medium-term) are made to individuals, corporations, governments as well as to non-residents. Best customers, usually large corporations, pay prime rate on their loans. Other customers pay prime plus a mark-up based on assessment of risk, purpose of the loan and extent to which it is secured. Business loans represent the largest single asset on the balance sheet of the banking sector. Individuals making loans to purchase consumer goods and services (consumer credit) typically pay a rate higher than prime. The banks account for approximately two-thirds of the consumer credit extended in Canada. Mortgage lending at banks took on a larger role with the consolidation of their mortgage loan subsidiaries in 1984. The banks currently account for more than half of the mortgage business in Canada, representing mainly residential mortgages.

#### ***Securities***

Chartered banks are active in the Canadian money market, especially with respect to activity in the market for Treasury bills and bankers' acceptances. The banks also hold marketable bonds as assets (especially Government of Canada bonds) as well as shares and investments in foreign securities.

#### ***Deposit business***

Banks accept various types of deposits. Demand deposits (or current accounts) are regarded as "money" in their role as substitutes for currency, given that they are liquid, pay no interest and are transferable by cheque. Personal savings deposits provide the largest single source of funds for the chartered bank sector. There are several types of different savings deposits, all of which pay interest, some with a fixed term to maturity. Some deposits (not fixed-term accounts) are transferable by

cheque. Other notice deposits (fixed-term) are used mainly by corporations, governments and other institutions. Deposit receipts are the major form of this instrument and are sold in large denominations. Finally, the banks also accept foreign currency deposits.

Payment facilities include demand and other chequable deposits, some with overdraft facilities as well as automatic (electronic) transfer services. Other services, national and international transfers of funds and automatic deduction of contractual payments, are available.

### ***Other business***

Canadian chartered banks are involved in international intermediation, with branches/offices in major financial/trading centres in the world. The banks also provide facilities for trade in foreign exchange for clients as well as for their own account.

Banks provide a number of other services, such as suppliers of financial advice and providers of guarantees. In 1988 some of the larger banks acquired and consolidated some of the major investment dealers, which allowed them to offer new services to clients through these subsidiaries.

## **IV. Reconciliation of national data with the OECD presentation<sup>8</sup>**

### **V. Sources**

Statistics Canada and the Office of the Superintendent of Financial Institutions (OSFI).

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8. See the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.

**CANADA**  
**Income Statement Reconciliation**  
**Commercial banks**  
**2001**

	Million C\$	National presentation
<b>1. Interest income</b>	<b>77256</b>	
	3388	<i>Income from deposit with banks</i>
	16454	<i>Securities</i>
	11834	<i>Non-mortgage loans to individuals</i>
	25579	<i>Other non-mortgage loans</i>
	19747	<i>Mortgages</i>
	254	<i>Others</i>
<b>2. Interest expenses</b>	<b>47528</b>	
	3523	<i>Interest on demand deposit</i>
	3227	<i>Interest on notice deposits</i>
	30200	<i>Interest on fixed-term deposits</i>
	10577	<i>Others</i>
<b>3. Net interest income</b>	<b>29728</b>	
<b>4. Non-interest income (net)</b>	<b>31170</b>	
<i>a. Fees and commissions receivable</i>	..	
<i>b. Fees and commissions payable</i>	..	
<i>c. Net profits or loss on financial operations</i>	..	
<i>d. Other</i>	..	
<b>5. Gross income</b>	<b>60898</b>	
<b>6. Operating expenses</b>	<b>41529</b>	
<i>a. Staff costs</i>	22652	
	20113	Salaries
	2538	Pension contributions and other staff benefits
<i>b. Property costs</i>	7222	
<i>c. Other</i>	11656	
<b>7. Net income</b>	<b>19369</b>	
<b>8. Provisions (net)</b>	<b>7032</b>	
<i>a. Provisions on loans</i>	7032	
<i>b. Provisions on securities</i>	..	
<i>c. Other</i>	..	
<b>9. Profit before tax</b>	<b>12336</b>	
<b>10. Income tax</b>	<b>2766</b>	
<b>11. Profit after tax</b>	<b>9570</b>	
<b>12. Distributed profit</b>	..	
<b>13. Retained profit</b>	..	

**CANADA**  
**Balance Sheet Reconciliation**  
**Commercial banks**  
**2001**

OECD presentation	Million C\$	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14 Cash and balance with Central bank</b>	<b>6043</b>	
	4557	<i>Other coin and bank notes</i>
	1486	<i>Deposits with Bank of Canada</i>
<b>15 Interbank deposits</b>	<b>70836</b>	
<b>16 Loans</b>	<b>875701</b>	
	14513	<i>Loans to:</i>
	1826	<i>Regulated financial institutions</i>
	1668	<i>Government</i>
	145531	<i>Foreign governments</i>
	256444	<i>Individuals for non-business purposes</i>
	11731	<i>Individuals for business purposes</i>
	7429	<i>Call and other short loans to investment dealers</i>
	127374	<i>Lease receivables</i>
	291589	<i>Reverse repurchase agreements</i>
	17596	<i>Mortgages, less allowance for credit losses (residential)</i>
		<i>Mortgages, less allowance for credit losses (non-residential)</i>
<b>17 Securities</b>	<b>363627</b>	
	90873	<i>Securities issued or guaranteed by Canada</i>
	16155	<i>Securities issued and guaranteed by a Canadian Province</i>
	979	<i>Securities issued and guaranteed by a Canadian Municipality or School corporation</i>
	255619	<i>Other securities</i>
<b>18 Other assets</b>	<b>192037</b>	
	9416	<i>Accrued interest</i>
	182621	<i>Other assets</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19 Capital and reserves</b>	<b>80249</b>	
	6195	<i>Non-controlling interest in subsidiaries</i>
	9292	<i>Preferred shares</i>
	20538	<i>Common shares</i>
	44225	<i>Retained earnings</i>
<b>20 Borrowing from Central bank</b>	<b>126</b>	<b>Advances from the Bank of Canada</b>
<b>21 Interbank deposits</b>	<b>130951</b>	
	6243	<i>Demand deposits</i>
	3490	<i>Notice deposits</i>
	121218	<i>Fixed-term deposits</i>
<b>22 Non-bank deposits</b>	<b>901940</b>	
	130996	<i>Demand deposits</i>
	196244	<i>Notice deposits</i>
	574700	<i>Fixed term deposits</i>
<b>23 Bonds</b>	<b>27338</b>	
<b>24 Other liabilities</b>	<b>367640</b>	
	12036	<i>Accrued interest</i>
	355604	<i>Other liabilities</i>
<b>Balance sheet total</b>		
<b>25 End-year total</b>	<b>1508244</b>	

## CZECH REPUBLIC

### **I. Institutional coverage**

The statistics presented in *Bank Profitability - Financial Statements of Banks* cover the 54 universal or specialised savings banks operating in the Czech Republic: 24 commercial banks, 24 banks with more than 50% foreign capital and branches of foreign banks, and 6 savings banks (building savings institutions).

All banks – universal or savings banks – operating in the Czech Republic are governed by law.<sup>9</sup>

### **II. Geographical coverage and degree of consolidation**

The data cover all domestic and foreign banks operating in the Czech Republic including branches of domestic banks abroad.

### **III. Summary description of activities of banks**

#### ***Deposits***

All commercial banks have a complete range of deposit accounts in domestic and foreign currency. Demand deposits and sight deposits have lower interest rates; term deposits have a higher interest rate. Some specialised banks accept specific-purpose deposits. Construction savings banks are reserved for Czech nationals permanently domiciled in the Czech Republic and legal entities/residents of the Czech Republic.

#### ***Loans***

Czech banks offer a wide range of credit facilities, in domestic and foreign currency, to corporations, households, local governments as well as to non-residents. Mortgage lending has grown since the establishment of specialised mortgage credit institutions. Another area of lending is to support entrepreneurial activities of efficiently managed companies, particularly smaller and medium-sized enterprises.

#### ***Payment facilities***

All Czech banks offer the totality of standard means of payment. The more developed banks have introduced electronic payment facilities and several types of payment cards. Some banks offer special services such as home banking, etc.

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9. Acts No. 21/92, revised by Acts 264/92, 292/93, 156/94, 83/95, 84/95, 61/96, 306/97, 16/98, 127/98, and 165/98 of the Collection of Laws.

### *Money market business*

Czech banks are active in the domestic and foreign interbank market for short-term loans between banks.

### *Securities business and portfolio management*

Banks operate with securities on the stock exchange, on the primary and secondary markets, under conditions governed by the Central bank. Banks invest part of their working capital in securities. Banks also have an important role as managers of client portfolios. This activity is often performed through investment funds or corporations.

### *Other business*

Banks provide a number of other services, such as foreign exchange operation and hedging in foreign currencies, precious metal and crude oil, consulting and information services, issues of bank guarantees, export and import financing, etc.

## **IV. Reconciliation of national data with the OECD presentation<sup>10</sup>**

### **V. Sources**

Czech National Bank.

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10. See the tables “Income Statement Reconciliation” and “Balance Sheet Reconciliation” that follow.

**CZECH REPUBLIC**  
**Income Statement Reconciliation**  
*All banks*  
**1996**

OECD presentation	Million Ck	National presentation
<b>1. Interest income</b>	<b>167761</b>	
	9023	<i>Interest received from Central bank</i>
	35739	<i>Interest received from other banks</i>
	1734	<i>Interest received from Republic and local authorities</i>
	121265	
<b>2. Interest expenses</b>	<b>113799</b>	
	8204	<i>Interest paid to Central bank</i>
	39239	<i>Interest paid to other banks</i>
	884	<i>Penalty interest</i>
	3708	<i>Interest paid to Republic and local authorities</i>
	60218	<i>Deposit interest paid to clients</i>
	1546	<i>Interest on certificates of deposit and bank bills</i>
<b>3. Net interest income</b>	<b>53962</b>	
<b>4. Non-interest income (net)</b>	<b>152644</b>	
<i>a. Fees and commissions receivable</i>	13357	
<i>b. Fees and commissions payable</i>	1550	
<i>c. Net profits or loss on financial operations</i>	19164	
	41	Financial leasing
	10869	Securities operations
	6882	Foreign exchange operations
	1372	Other operations
<i>d. Other</i>	121673	
	6251	Other income
	39052	Extraordinary income
	76370	Internal income
<b>5. Gross income</b>	<b>206606</b>	
<b>6. Operating expenses</b>	<b>188722</b>	
<i>a. Staff costs</i>	16776	
	12258	Personnel costs
	4518	Social costs
<i>b. Property costs</i>	26024	
	876	Taxes and fees
	18521	Purchases of services
	6627	Depreciation of tangible and intangible assets
<i>c. Other</i>	145922	
	30222	Other general operating costs
	39330	Extraordinary costs
	76370	Internal costs
<b>7. Net income</b>	<b>17884</b>	
<b>8. Provisions (net)</b>	<b>14533</b>	
<i>a. Provisions on loans</i>	..	
<i>b. Provisions on securities</i>	..	
<i>c. Other</i>	..	
<b>9. Profit before tax</b>	<b>3351</b>	
<b>10. Income tax</b>	<b>1542</b>	
<b>11. Profit after tax</b>	<b>1809</b>	
<b>12. Distributed profit</b>	<b>4733</b>	
<b>13. Retained profit</b>	<b>-2924</b>	

**CZECH REPUBLIC**  
**Balance Sheet Reconciliation**  
**All banks**  
**1996**

OECD presentation	Million Ck	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>170233</b>	
	28171	
	142062	<i>Emission banking institute accounts</i>
<b>15. Interbank deposits</b>	<b>398807</b>	
	21655	<i>Postal checking and current accounts - debit balance</i>
	279011	<i>Time deposits deposited</i>
	91993	<i>Credits granted</i>
	6148	<i>Non-liquid credits with other banks</i>
<b>16. Loans</b>	<b>982668</b>	
	17839	<i>Standard credits to Republic and local authorities</i>
	510	<i>Classified credits to Republic and local authorities</i>
	682220	<i>Standard credits to clients</i>
	282099	<i>Classified credits</i>
<b>17. Securities</b>	<b>329832</b>	
	49851	<i>Purchases of state treasury bills</i>
	62830	<i>Purchases of bills and analogous bonds</i>
	177889	<i>Purchases of securities in stock</i>
	23292	<i>Participation</i>
	15970	<i>Repo-operations</i>
<b>18. Other assets</b>	<b>221073</b>	
	21024	<i>Receivables from various debtors</i>
	1393	<i>Assets accepted from correspondents and clients</i>
	57943	<i>Accrual and active suspense accounts</i>
	419	<i>Receivables from shareholders and partners</i>
	21965	<i>Accumulated sales and purchases of securities through the two Czech stock exchanges</i>
	68239	<i>Investments, leasing, property in stock</i>
	3	<i>Own shares to decrease initial capital</i>
	117	<i>Intervention stock of securities</i>
	5473	<i>Outstanding loss from previous year</i>
	16073	<i>Loss from preceding year</i>
	28424	<i>Losses in the current period</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>204772</b>	
	45305	<i>Reserves</i>
	64466	<i>Obligatory reserve fund, as designated by commercial code on profit before tax, and other funds created from profit after tax</i>
	73642	<i>Equity</i>
	21359	<i>Capital funds</i>
<b>20. Borrowing from Central bank</b>	<b>79934</b>	<b>Credits and other resources from Central bank</b>



**CZECH REPUBLIC**  
**Balance Sheet Reconciliation**  
**All banks**  
**1996**

<b>21. Interbank deposits</b>	<b>486023</b>	
	16747	<i>Postal checking accounts</i>
	333634	<i>Time deposits - accepted</i>
	135642	<i>Credits accepted</i>
<b>22. Non-bank deposits</b>	<b>1045616</b>	
	64974	<i>Republic and local authorities deposits</i>
	972952	<i>Client deposits</i>
	5888	<i>Issued deposit certificates and bank treasury bills</i>
	1802	<i>Other deposits</i>
<b>23. Bonds</b>	<b>63656</b>	
	636	<i>Commitments from own securities issues</i>
	63020	<i>Bonds and securities issues</i>
<b>24. Other liabilities</b>	<b>222662</b>	
	41443	<i>Commitments from securities and other values</i>
	63073	<i>Other client commitments</i>
	518	<i>Commitments from correspondents and clients (assets sent for collection)</i>
	80854	<i>Accrual and passive suspense accounts</i>
	4580	<i>Commitments toward stock-exchange subjects and applicants</i>
	21	<i>Commitments unpaid securities</i>
	9362	<i>Credits accepted - specific character</i>
	2451	<i>Long-term commitments of foreign branches toward the head office</i>
	1800	<i>Retained earnings from previous year</i>
	82	<i>Last year earnings</i>
	18428	<i>Retained earnings of current period</i>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>2102613</b>	

## DENMARK

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* cover the activities of Danish banks and savings banks governed by the Act on Commercial Banks and Savings Banks and the Financial Business Act. As from 1974, regulations for commercial banks and savings banks have been identical. A number of banks own non-bank financial subsidiaries such as leasing companies.

### II. Geographical coverage and degree of consolidation

Statistics cover domestic banks with a working capital<sup>11</sup> of more than DKr 250 million (DKr 100 million through 1996). This accounts for 99 per cent of the total balance sheet of the sector. Banks' foreign branches as well as Danish subsidiaries of foreign banks are included. Foreign subsidiaries of Danish banks and Danish branches of foreign banks are excluded. Banks in the Faroe Islands are also excluded. By January 1 2001, 18 foreign banks were operating in Denmark. At the same time, four Danish banks had foreign branches.

### III. Summary description of activities of banks

#### *Deposit taking*

All banks have a complete range of deposit accounts. Cheque accounts and salary accounts are sight deposit accounts, bearing a low interest rate. Long term savings accounts carry a higher interest rate. Deposits on these accounts are in some cases linked to an income tax reduction scheme. Regarding time deposits are deposits where the interest rate is specific to each individual deposit.

#### *Bank lending*

Danish banks offer a wide range of credit facilities. Lending to households consists mainly of personal loans for consumption purposes. Banks' mortgage loans are of minor importance as compared to loans given by the specialised mortgage credit institutions. Lending to the business sector is partly in the form of short-term overdraft facilities, partly as long-term investment financing. Banks participate in financing public-sector debt mainly by buying government bonds and treasury bills. Local governments draw on the same credit facilities as the business sector.

#### *Money market business*

Danish banks are active in the domestic and foreign interbank market for short-term loans between banks.

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11. Working capital consists of deposits, issued bonds, subordinated capital investments and own funds.

### ***Payment facilities***

The cheque, which used to be the main instrument of cashless money transfer, has in the 1990s been surpassed by the Dancard, an electronic payment card. Also, the Banking Payment Service (Pengeinstitutternes Betalingsservice - PBS), an institution fully owned by Danish banks, offers automatic payment services to business and households. The trend is also that micro payment systems are being introduced on the internet.

### ***Security business and portfolio management***

Banks invest a considerable part of their working capital in bonds and shares. By the end of 1997 approximately 31 per cent of their total assets were held in the form of bonds and shares. Banks play an important role as managers of private portfolios. This activity is often performed by bank-owned investment companies or investment funds.

## **IV. Reconciliation of national data with the OECD presentation**

### ***Income statement***

#### ***Liquidity ratio and equity ratio***

The banking law sets standards for required liquid reserves, size of equity capital, etc. The Danish Financial Supervisory Authority controls that all banks comply with these standards.

#### ***Provisions and depreciations***

Banks must record in their books real assets at a value not exceeding either their market value or their acquisition costs, and they must depreciate real estate.

Financial assets must be booked at market value.

Provisions for doubtful debt must be set aside, both for certain and for probable losses. The provisions are deducted from the assets against which the provisions were made, so that the assets are stated at their real value.

Provisions are to be reversed when no longer required. Lost claims must not be taken as extraordinary expenses but as depreciations in the bank's assets. In 2001 provisions were made taxable and approximately 0.609 percent of the provisions is to be paid as tax.

## **V. Sources**

Danish Financial Supervisory Authority.

## FINLAND

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* relate to all deposit banks: commercial banks, the Postipankki or post office bank (which is included in commercial banks since 1988), foreign-owned banks, savings banks and co-operative banks. At the end of 1996, there were 8 domestic commercial banks, 40 savings banks and 298 co-operative banks in Finland. The number of branches of domestic deposit banks was 1409. The number of domestic credit institutions other than domestic banks was 28 and the number of branches of foreign credit institutions was 8 of which 4 were acting as deposit banks. The total financial assets of commercial banks (domestic and foreign) amounted to Mk 483 billion, representing 41 per cent of the total financial assets of all financial institutions. The financial assets of the savings banks amounted to Mk 23 billion, or 2 per cent of the total, and the co-operative banks' financial assets to Mk 115 billion, 10 per cent of the total. One of the commercial banks, the Central Bank of the Co-operative Banks (OKOBank), acts as central monetary institutions for co-operative banks.

#### *Banking business*

The legislation concerning different banks, *i.e.* the laws governing the commercial, savings, co-operative, post office and mortgage banks, was significantly harmonised in 1969. The new Credit Institutions Act came into force in 1994, replacing the 1991 Deposit Bank Act and the 1992 Financial Activities Act. The Credit Institutions Act brought legislation on credit institutions into line with European Community directives. The major part of the lending of the co-operative and savings banks is allocated to households and the agricultural sector. The commercial banks lend mostly to industry and other corporate sector entities but to some extent also households.

#### *Credit institutions and deposit banks*

At present the credit institutions may be either deposit banks or other credit institutions such as finance companies, mortgage banks or credit card companies. Only deposit banks can accept deposits. Deposit banks form the primary reporting group in the compilation of monetary and banking statistics, while the role of other credit institutions remains marginal. Credit institutions and deposit banks are licensed by the Ministry of Finance and supervised by the Financial Supervision Authority. In addition, Finnish credit institutions require special authorisation from the Ministry of Finance in order to be accepted as deposit banks.

The authorised foreign exchange banks (at present mainly commercial banks) are permitted to carry out transactions in foreign currency within the limits set by the Foreign Exchange Regulations and the permits granted by the Bank of Finland. The foreign exchange transactions of the co-operative banks are mostly handled by their central institution, which has commercial bank status.

Finance companies, which provide financial services complementary to bank finance (*e.g.* lease financing, factoring, and hire purchase) are limited companies owned mainly by banks.

There are six mortgage banks in Finland. The mortgage banks raise the bulk of their funds on domestic securities markets, but to some extent also on foreign markets. A permit from the relevant authorities is required to issue bonds. Mortgage banks grant long-term loans primarily against mortgages.

The development credit institutions grant long-term credits, often at very low rates of interest, for projects for which it is difficult to obtain adequate financing through ordinary sources. These credits are intended, among other things, to support business and investment activity in development regions.

### ***Collective investment institutions***

Mutual funds started operating in Finland in 1987, when a law governing such funds was enacted. At the beginning of 1994 the mutual funds legislation was revised in accordance with the European Union (EU) directive on Undertakings for Collective Investment in Transferable Securities (UCITS).

A mutual fund is allowed to invest only 10 per cent of its funds in assets other than publicly traded securities, *e.g.* bank deposits. Money market instruments are not classified as publicly traded securities and thus money market funds have not been permitted. However, because of an amendment in the Mutual Funds Act, effective August 1, 1996, it is now possible, with the permission from the Council of State, to establish money market mutual funds which focus their investment on money market instruments.

### ***Other financial institutions***

The financing of property, or sale of services of the provider of financing, or of an undertaking belonging to the same group, are not subject to Credit Institutions Act, nor is the financing of an undertaking belonging to the same group. Corporations specialising in these types of business are not licensed and are not under the supervision of the Financial Supervision Authority.

### ***Insurance institutions***

The insurance companies are either joint-stock or mutual companies. The bulk of their surplus money is invested as credits to their clients. The credits granted by life and general (non-life) insurance companies are mainly long-term investment credits, which are only available to the clients of these companies. In addition to insurance companies, there are several insurance institutions, which function primarily as pension foundations. Under a re-lending arrangement, loans granted by pension funds are usually made to those firms having paid premiums. At present a great part of insurance business (employment pension schemes) is classified to the institutional sector "Social security funds".

## **II. Geographical coverage and degree of consolidation**

The statistics cover only domestic banks and do not include domestic or foreign subsidiaries. The branches set up by commercial banks abroad have been included in the balance sheet and income statement data for commercial banks since 1984.

Foreign banks have been permitted to operate in Finland since 1982, when several foreign banks established subsidiaries in Helsinki, each with commercial bank status. Hence, data on these banks are included as from 1983. All foreign banks in Finland were branches at the end of 1996.

### **III. Summary description of activities of banks**

#### ***Liabilities***

Both enterprises and households use banks in most of their financial business and transactions. Practically all wage and salary earners have their salary credited directly to bank accounts. The banks' payment systems are highly developed in Finland. Most domestic transfers of funds are effectuated by the bank and postal giro systems. In addition, the use of bank and other debit cards is very common. Many Automated Teller Machines (ATMs) handle funds transfers between accounts and some of them have also been equipped with bar code readers which simplify the payment of bills via an ATM. Data links between banks and customers have expanded very rapidly.

Deposit banks are the only credit institutions allowed to accept deposits and issue certificates of deposits. Deposits are the principal form of funding for the Finnish deposit banks. Taxation of deposit has played an important role in the development of deposits and their division into categories. Of the bank accounts intended for physical persons, most transaction accounts and certain fixed-term deposits are currently tax-exempt. Provisions on the tax-exempt accounts are contained in the Income Tax Act. The current tax-exempt deposit rate ceiling is 2 per cent. Approximately two-thirds of deposits are tax-exempt. Taxable bank accounts held by physical persons are subject to the withholding tax. The tax rate is currently 28 per cent *i.e.* the same as the capital income tax rate. Approximately one-fifth of deposits come under this category. Deposits held by corporate entities are neither tax-exempt nor subject to withholding tax. The income on these accounts is regarded as regular taxable income. Approximately one-fifth of total deposits are corporate deposits. Approximately one-half of the deposits are tied to market rates, to Bank of Finland base rate, or to banks' own reference rates. Some 15 per cent of deposits are fixed-rate deposits.

#### ***Issue of saving instruments***

Deposit banks are not allowed to issue public bonds but they may issue debentures. Subject to permission from the Ministry of Finance, they can issue certificates of deposit payable to bearers. Such permission has been granted to banks within certain limits.

#### ***Money market***

The interbank money market consists of transactions in call money loans and deposits both at the Central bank and between banks. There has recently been a strong increase in negotiable short-term money market instruments. The most important instruments in this market are bank certificates of deposit and treasury notes, although commercial papers and local government papers are actively traded as well.

#### ***Assets***

Less than 10 per cent of bank loans are fixed-rate loans. The majority of loans are tied to either market rates (usually the 12-month HELIBOR rate) or to banks' own reference rates. There are still some loans that are tied to the Bank of Finland base rate. However, the significance of the Bank's base rate is diminishing as no new loans are tied to it. About 10 per cent of banks' lending is denominated in foreign currency, the rest is markka denominated.

Deposit banks' markka-denominated advances to the public consist mainly of promissory note loans to enterprises and households. The business sector also makes use of cheque account credits and short-term bills. Banks lend directly to firms and local authorities, although issues of

bonds and debentures and other long-term bearer instruments by these sectors have increased recently. Government financing takes place mainly outside the banking sector, primarily in the form of long-term bonds sold to the public and abroad. The Central bank and deposit banks have granted loans to the government only exceptionally and on a short-term basis.

The banks' lending in foreign currency is linked to, among others, the refinancing of exports and imports, foreign loan arrangements for different entities, forward operations and interest rate arbitrage. The firms are allowed to take long-term foreign loans directly or through authorised banks, and with permission of the Bank of Finland, short-term loans. The Finnish Export Credit Ltd. grants loans to domestic export firms for financing export credits granted to foreign buyers. The Export Guarantee Office provides various kinds of guarantees so as to reduce export-related risks.

### *Securities*

The banks are permitted to own and deal in shares within limits set by the banking law. However, commercial banks are not allowed to acquire their own shares. Banks can buy and sell bonds and shares for their clients, assist in share issues and in portfolio management and offer services for the safekeeping and management of securities.

### *Foreign exchange operations and foreign payments*

The Bank of Finland has granted permission to foreign exchange banks (primarily commercial banks) to deal in foreign currency within the limits set by the Foreign Exchange Regulations. Current foreign exchange transactions, as well as an increasing number of capital transactions, can be effected without special permission. However, a permit from the Central bank is required for certain capital movements. The Banks do not deal in gold or other metals.

### *Non-banking business*

Banks are not allowed to carry on non-banking business except to mediate real estate stocks and shares in the context of home saving.

## **IV. Reconciliation of national data with the OECD presentation<sup>12</sup>**

### *Income statement*

#### *Provisions*

According to the Act on the Taxation of Business and Professional Income, provisions can be made for, among others, dealing assets, investment and lending (the so called reserves for bad debt losses). Provisions and reserves must be booked as separate items on the liabilities side of the balance sheet. Changes in provisions and reserves are recorded on the income statement.

Banks may also depreciate claims and assets. Depreciations of loans are based on the bad debt losses that a bank has incurred. The limits for the depreciation of real estate connected with investment and fixed assets are determined in the taxation laws; the limits vary according to the nature of assets. When the depreciation recorded exceeds actual depreciation of property, real estate may

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12. See also the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.

include undisclosed equity capital. With consent from the authorities, it is possible to use the appreciation of real estate to increase equity to a limited extent.

### ***Balance sheet***

#### *Capital and reserves*

According to the commercial Bank Act a commercial bank must appropriate at least 10 per cent of its annual profit to a reserve fund when the ratio of its equity capital to outstanding claims to the public is less than the statutory minimum of 4 per cent. If the ratio is 4 per cent or more but less than 5 per cent then 5 per cent of the profits must be transferred to the reserve fund. When computing this ratio, half of the reserves for bad debt losses may be regarded as equity capital.

According to the law governing the co-operative and savings banks, the equity capital of these banks must amount to at least 2 per cent of the bank's outstanding claims to the public. If this ratio is less than 3 per cent, at least 80 per cent of the annual profit must be transferred to the reserve fund and, thereafter, at least 70 per cent for as long as this ratio is under 4 per cent. When the ratio is 4 per cent or more, the minimum amount to be transferred is 50 per cent of annual profit.

#### *Valuation*

According to the law, the assets shown in a bank's balance sheet must be recorded at nominal value but not to exceed their actual value. Securities included under dealing assets and investments are recorded at acquisition cost or at the lower likely surrender price. Liabilities are recorded at nominal value. Assets in foreign currency are converted into Finnish markkaa at rates which do not exceed the buying rates quoted by the Bank of Finland on the date of closing of accounts, and liabilities are converted at the selling rate on that day.

## **V. Sources**

Statistics Finland.



**FINLAND**  
**Income statement reconciliation**  
**All Banks**  
**1996**

OECD presentation	Million Mk	National presentation
<b>1. Interest income</b>	<b>30752</b>	<b>Interest income</b>
	4966	<i>From claims on credit institutions and central</i>
	18301	<i>From claims on the public and public sector entities</i>
	7232	<i>From debt securities</i>
	253	<i>Other interest income</i>
<b>2. Interest expenses</b>	<b>19749</b>	<b>Interest expenses</b>
	4094	<i>On liabilities to credit institutions and central banks</i>
	7974	<i>On liabilities to the public and public sector entities</i>
	5478	<i>On debt securities issued to the public</i>
	1628	<i>On subordinated liabilities</i>
	334	<i>On capital investments</i>
	241	<i>Other interest expenses</i>
<b>3. Net interest income</b>	<b>11003</b>	<b>Interest earnings, net</b>
<b>4. Non-interest income</b>	<b>10783</b>	<b>Other earnings</b>
	2	<i>Net income from leasing operations</i>
	538	<i>Divident income</i>
	4811	<i>Commission income</i>
	1914	<i>Net income from securities transactions</i>
	972	Debit securities
	825	Shares and participations
	117	Other
	328	
	1566	<i>Other operating income</i>
	1624	<i>Extraordinary income</i>
<b>5. Gross income</b>	<b>21786</b>	<b>Total earnings</b>
<b>6. Operating expenses</b>	<b>19302</b>	
	411	<i>Comission expenses</i>
	9336	<i>Administrative expenses</i>
	6118	Staff costs
	4670	<i>Wages and salaries</i>
	735	<i>Pension costs</i>
	471	<i>Social security costs</i>
	242	<i>Other staff-related costs</i>
	3218	Other administrative expenses
	951	<i>Depreciations</i>
	4230	<i>Other operating expenses</i>
	3238	<i>Loan and guarantee losses</i>
	480	<i>Write-downs on non-transferable securities</i>
	656	<i>Extraordinary expenses</i>
<b>7. Net income</b>	<b>2484</b>	<b>Profit/loss before appropriations and taxes</b>
<b>8. Provisions (net)</b>	<b>-156</b>	<b>Increase or decrease in voluntary provisions and depreciation difference</b>
<b>9. Profit before tax</b>	<b>2640</b>	
<b>10. Income tax</b>	<b>488</b>	<b>Direct taxes</b>
<b>11. Profit after tax</b>	<b>2152</b>	<b>Net earnings/loss for the accounting period</b>
<b>12. Distributed profit</b>	<b>592</b>	<b>Dividends</b>
<b>13. Retained profit</b>	<b>1560</b>	

**FINLAND**  
**Balance sheet reconciliation**  
*All banks*  
**1996**

OECD presentation	Million Mk	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>10692</b>	
	8675	<i>Cash</i>
	2017	<i>Receivables from the Bank of Finland</i>
<b>15. Interbank deposits</b>	<b>17458</b>	<b>Deposits in other banks</b>
<b>16. Loans</b>	<b>315679</b>	
	292486	<i>Domestic advances</i>
	252040	Advances to the public in Finnish currency
	11645	<i>Overdrafts</i>
	628	<i>Bills</i>
	206473	<i>Ordinary loans</i>
	27675	<i>Interest subsidy loans</i>
	5619	<i>Loans granted from state funds</i>
	23429	Foreign currency
	3273	Advances to other banking institutions
	13744	Advances to other financial institutions
	361	<i>Advances to the central government</i>
	22832	<i>Advances to foreign borrowers</i>
<b>17. Securities</b>	<b>149908</b>	
	51120	<i>Short-term securities</i>
	72428	<i>Bonds, book value</i>
	26450	<i>Shares and partnerships</i>
	5434	Shares and partnerships
	14905	Shares and participations in associated undertakings
	6111	Shares and participations in subsidiaries
<b>18. Other assets</b>	<b>135109</b>	
	63	<i>Leasing assets</i>
	445	<i>Intangible assets</i>
	16609	<i>Tangible assets</i>
	4792	Land and buildings
	9948	Shares and participations in real estate corporations
	1245	Machinery and equipment
	624	Other tangible assets
	17654	<i>Accrued income and prepayments</i>
	11332	Interest
	6322	Other
	10974	<i>Other assets</i>
	2486	Cash items in the process of collection
	2093	Guarantee claims
	6395	Other claims
	89364	<i>Not allocable</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>33159</b>	
	2900	<i>Provisions</i>
	1013	Compulsory provisions
	89	Pension provisions
	924	Other provisions
	1887	Voluntary provisions and depreciation difference
	30259	<i>Equity capital</i>
	39045	Restricted equity
	13957	<i>Share, cooperative or basic capital</i>

**FINLAND**  
**Balance sheet reconciliation**  
*All banks*  
**1996**

OECD presentation	Million Mk	National presentation
	-	<i>Investment share capital/original fund/additional capital</i>
	8762	<i>Reserve fund</i>
	232	<i>Revaluation reserve</i>
	16094	<i>Capital investments</i>
	-8786	<i>Distributable equity</i>
	-10938	<i>Profit or loss brought forward</i>
	2152	<i>Profit or loss for the financial year</i>
<b>20. Borrowing from Central bank</b>	<b>12609</b>	
<b>21. Interbank deposits</b>	<b>20185</b>	
<b>22. Non-bank deposits</b>	<b>364036</b>	
	285437	<i>Domestic deposits by the public in Finnish currency</i>
	188708	<i>Tax-exempt</i>
	13025	<i>Cheque accounts</i>
	119024	<i>Current accounts</i>
	27902	<i>24 month deposits</i>
	1770	<i>36 month deposit</i>
	26987	<i>Other deposit accounts</i>
	35784	<i>Subject to withholding tax</i>
	3041	<i>Cheque accounts</i>
	7607	<i>Current accounts</i>
	13227	<i>Time deposits</i>
	11909	<i>Other deposit accounts</i>
	60945	<i>Other taxable</i>
	41950	<i>Cheque accounts</i>
	5001	<i>Current accounts</i>
	6927	<i>Time deposits</i>
	7067	<i>Other deposit accounts</i>
	12358	<i>Domestic deposits by the public in foreign currency</i>
	2186	<i>Deposits by other financial institutions</i>
	830	<i>Deposits by the central government</i>
	63225	<i>Deposits held by foreign</i>
<b>23. Bonds</b>	<b>32698</b>	<b>Bonds</b>
<b>24. Other liabilities</b>	<b>166159</b>	<b>Residual</b>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>628846</b>	
<b>Memorandum items</b>		<b>Memorandum items</b>
27. <i>Short-term securities</i>	51120	<i>Short-term securities</i>
	10138	<i>Certificates of deposits of the Bank of Finland</i>
	20375	<i>Certificates of deposits of other banks</i>
	845	<i>Commercial papers</i>
	19756	<i>Treasury notes</i>
28. <i>Bonds</i>	72428	
29. <i>Shares and participations</i>	26450	
30. <i>Claims on non-residents</i>	125158	
	81521	<i>Claims on credit institutions and central banks</i>
	16337	<i>Claims on the public and public sector entities</i>
	15673	<i>Bonds and short-term securities</i>
	307	<i>Shares</i>
	11320	<i>Others</i>
31. <i>Liabilities to non-residents</i>	120205	
	62401	<i>Liabilities to credit institutions and central banks</i>
	5901	<i>Liabilities to the public and public sector entities</i>
	35091	<i>Debt securities issued to the public</i>
	16812	<i>Others</i>

## FRANCE

### **I. Institutional coverage**

The statistics published in *Bank Profitability – Financial Statements of Banks* cover all financial institutions and each of the main categories of banks. The figures are taken from corporate annual reports.

The Banking Act of 25 July 1984 extended the supervisory authority of the Banking Commission (Commission bancaire) to all legal entities engaging in the banking business on a regular basis.

The financial institutions encompassed by this definition include commercial banks, co-operative banks, savings banks, municipal financial institutions, finance companies and specialised financial institutions. As from the 1<sup>st</sup> January 2000, savings banks have taken on the legal status of co-operative banks and are from now on included in this category.

Statistics on the large commercial banks cover the five main banking groups having commercial banks as their parent companies (Société Générale, Crédit Lyonnais, BNP-Paribas, Crédit Agricole SA, Dexia Credit Local). These figures are taken from published consolidated annual reports.

### **II. Geographical coverage and degree of consolidation**

Corporate data—presented for all financial institutions and for each of the main categories of banks—cover the activities and results of foreign branches of banks with headquarters in France but exclude subsidiaries outside France.

Consolidated data for the large commercial banks cover all branches and subsidiaries, including non-financial agencies, in France and abroad. Accordingly, they are not comparable with the corporate data for commercial banks.

Foreign-controlled banks operating in France, in the form of branches or subsidiaries, are dealt with in the same way as banks under French control. However, branches of banks with headquarters in another European Union country are excluded.

### **III. Summary description of the activities of banks**

Banking operations include deposit-taking, lending and managing or providing customers with payment facilities. Also included in the lending category are leasing arrangements and any leases incorporating a purchase option.

Financial institutions can also carry out the following: operations involving foreign exchange, gold, precious metals, coins, securities or any other financial product; counselling and assistance with asset or financial management; financial engineering; and all services intended to facilitate the creation or expansion of enterprises, the leasing of securities or real estate or equity investments in existing businesses or start-ups. Other activities may be carried out, but only on an occasional basis and on a limited scale.

Finance companies may transact only such banking operations as are stipulated in their licensing agreements or authorised under the relevant legislation or regulations. Specialised financial institutions are those that the State has invested with an ongoing public-service mission. They may conduct no other banking business outside the confines of that mission. Unless specifically authorised to do so, finance companies and specialised financial institutions may not take demand deposits or time deposits having maturities of less than two years.

French financial institutions therefore cover a wide range of activities that transcend categories of banks. The large French banking groups, which are set up as universal banks, have therefore branched out into the most highly specialised operations—in most cases as subsidiaries. As a result, the growth of capital markets in the 1980s (with money-market reform, creation of forward financial markets and the liberalisation of foreign exchange) was conducive to the emergence of market banks and securities firms. As a result of the 2 July 1996 act on the modernisation of financial activities, securities firms had until 31 December 1997 to choose between the status of financial institution and that of Investment Company.

#### **IV. Reconciliation of national data with the OECD presentation<sup>13</sup>**

##### ***Income statement***

The data shown are taken from published income statements, which are established in accordance with the European Council Directive of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions. Since 2000, the published statements have been modified. The income statement now includes some management performance measures. As a result, however a few items are no longer broken down, which explains the unavailability of some information.

*Interest income* and *Interest expenses* encompass all operating income and operating expenses in the form of interest or flows treated as interest received or paid in connection with cash transfers to or from financial institutions, operations with customers, including leasing arrangements and ordinary leases, and the safekeeping or issuance of fixed-income securities.

*Non-interest income (net)* includes revenue from variable-income securities, net commissions and net gains on financial operations (involving securities, forward financial instruments or foreign exchange). It also includes other net operating income and exceptional profit or loss, as well as profit or loss on fixed assets starting in 2000.

*Operating expenses* include staff costs (these are no longer distinguished since 2000), other overheads and depreciation allowances.

*Provisions (net)* are made up of net additions to provisions on claims and off-balance-sheet items, net additions to funds for general banking risks, and net additions to provisions on financial fixed assets. (Only until 1999 for provisions on financial fixed assets).

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13. See also the tables “Income Statement Reconciliation” and “Balance Sheet Reconciliation” that follow.

## ***Balance sheet***

### ***Assets***

*Interbank deposits* include claims on financial institutions in connection with cash operations.

*Loans* to customers encompass all direct lending to customers, including leasing arrangements and ordinary leases.

*Securities* booked as assets include those held in portfolio as well as minority shareholdings and shares in affiliated enterprises.

*Other assets* include fixed assets, real estate promotion, adjustment accounts, unpaid capital and treasury stock.

### ***Liabilities***

*Capital and reserves* contains subscribed capital and paid-in surplus, reserves, retained earnings and funds for general banking risks.

*Interbank deposits* include debts to financial institutions in connection with cash operations.

*Non-bank deposits* represent deposits taken in from customers, in particular in the form of deposits and certificates of deposit. (Until 1999 for certificates of deposits)

*Bonds*: securities booked as liabilities consist of interbank securities, bonds, debentures and negotiable claims issued by the institutions. (Also including the certificates of deposit since 2000).

*Other liabilities* include contingency provisions, investment subsidies, co-operative security, adjustment accounts, revaluation differentials and loss for the year.

### ***Changes in methodology***

The reform of data collection from French financial institutions, which entered into force on 1 January 1993, entailed a modification of accounting documents. The series shown, available from 1988 onwards, have been adjusted in order to ensure consistency over time, in respect of both balance sheets and income statements.

The published statements (on a corporate basis as well as on a consolidated basis) have been modified in 2000. Compared to previous exercise, some items do not show a detailed breakdown (such as overheads that are not split up between personal expenses and other administrative costs).

## **V. Sources**

Banking Commission.

All financial institutions are required to publish their balance sheets and income statements in official notice gazettes. In addition, the documents are available in simplified form from the server of the Banking Commission's General Secretariat which publishes them annually. Aggregate balance

sheets and income statements for the various types of banks are presented and analysed in the annual collections that the General Secretariat also publishes.

The Committee on Bank Regulation (Comité de la réglementation bancaire) updates and edits a yearly collection of legislation and regulations concerning the banking business.

The monthly, quarterly and yearly statistics of the Bank of France, as well as the annual reports of the Bank of France, the Banking Commission, the Committee on Bank Regulation, the Committee on Financial Institutions and the National Credit Council contain information on the currency, on credit and on the activities of the various components of the French banking system.

**FRANCE**  
**Income Statement reconciliation**  
**Commercial Banks**

*2001*

OECD presentation	National presentation – Until 1999	National presentation – As from 2000	million euros
<b>1. Interest income</b>			<b>137 925</b>
	<i>Operations with financial institutions</i>	<i>Other interest and similar income</i>	134 309
	<i>Operations with customers</i>	<i>Income from leasing arrangements operations and similar operations</i>	3 090
	<i>Bonds and fixed-income securities</i>	<i>Income from ordinary leases operations</i>	526
	<i>Leasing arrangements and ordinary leases</i>		
	<i>Other interest and similar income</i>		
<b>2. Interest expenses</b>			<b>125 645</b>
	<i>Operations with financial institutions</i>	<i>Interest and similar expenses</i>	122 564
	<i>Operations with customers</i>	<i>Expenses from leasing arrangements operations and similar operations</i>	2 647
	<i>Bonds and fixed-income securities</i>	<i>Expenses from ordinary leases operations</i>	434
	<i>Leasing arrangements and ordinary leases</i>		
	<i>Other interest and similar expenses</i>		
<b>3. Net interest income</b>			<b>12 280</b>
<b>4. Non interest income (Net)</b>			<b>31 570</b>
<i>a. Fees and commissions receivable</i>	<i>Commissions received (income)</i>	<i>Commissions received (income)</i>	15 226
<i>b. Fees and commissions payable</i>	<i>Commissions paid (expenses)</i>	<i>Commissions paid (expenses)</i>	3 907
<i>c. Net profits or loss on financial</i>	<i>Net income from financial operations</i>	<i>Profit or loss on portfolio activities</i>	11 234
<i>d. Other</i>		<i>Profit or loss on placement portfolio activities</i>	693
	<i>Income from variable-income securities</i>	<i>Income from variable-income securities</i>	5 355
	<i>Other net operating income</i>	<i>Other net operating income</i>	1 564
	<i>Net exceptional income</i>	<i>Net exceptional income</i>	-224
		<i>Profit or loss on fixed assets</i>	1 628
<b>5. Gross income</b>			<b>43 850</b>



**FRANCE**  
**Income Statement reconciliation**  
**Commercial Banks**  
**2001**

OECD presentation	National presentation – Until 1999	National presentation – As from 2000	million euros
<b>6. Operating expenses</b>	<b>Operating overheads</b>	<b>Operating overheads</b>	<b>28 466</b>
<i>a. Staff costs</i>	<i>Staff costs</i>	<i>Overheads expenses</i>	27 012
<i>b. Property costs</i>	<i>Depreciation and provisions on other administrative expenses</i>	<i>Depreciation and provisions on other administrative expenses</i>	1 453
<i>c. Other</i>	<i>Other administrative expenses</i>		
<b>7. Net income</b>			<b>15 384</b>
<b>8. Provisions (net)</b>			<b>3 728</b>
<i>a. Provisions on loans</i>	<i>Net additions to provisions on loans and</i>	<i>Cost risk</i>	3591
<i>b. Provisions on securities</i>	<i>Net additions to provisions on fixed assets</i>		
<i>c. Other</i>	<i>Net additions to funds for general banking risks</i>	<i>Net additions to funds for general banking risks and to regulated provisions</i>	137
<b>9. Profit before tax</b>			<b>11 656</b>
<b>10 Income tax</b>	<b>Profit tax</b>	<b>Profit tax</b>	<b>1 337</b>
<b>11 Profit after tax</b>			<b>10 319</b>
<b>12 Distributed profit</b>			<b>5 629</b>
	<i>Funds paid to associates, managers</i>	<i>Funds paid to associates, managers</i>	133
	<i>Funds paid to shareholders</i>	<i>Funds paid to shareholders</i>	5 443
	<i>Funds paid to beneficiaries</i>	<i>Funds paid to beneficiaries</i>	54
<b>13 Retained profit</b>			<b>4 690</b>

**FRANCE**  
**Balance Sheet reconciliation**  
**Commercial Banks**  
**2001**

OECD presentation	National presentation – Until 1999	National presentation – As from 2000	million euros
<b>14. Cash and balance with Central bank</b>	<b>Cash, central banks, postal current accounts</b>	<b>Cash, central banks, postal current accounts</b>	<b>31 936</b>
<b>15. Interbank deposits</b>	<b>Claims on financial institutions</b>	<b>Claims on financial institutions</b>	<b>691 274</b>
<b>16. Loans</b>			<b>752 431</b>
	<i>Commercial claims</i>	<i>Operations with customers</i>	745 216
	<i>Other receivables from customers</i>	<i>Leasing and renting with call option</i>	6 387
	<i>Ordinary accounts in debit</i>	<i>Ordinary renting</i>	828
	<i>Factoring</i>		
	<i>Leasing arrangements and ordinary leases</i>		
<b>17. Securities</b>			<b>538 613</b>
	<i>Government bills and similar securities</i>	<i>Government bills and similar securities</i>	151 408
	<i>Bonds and other fixed-income securities</i>	<i>Bonds and other fixed-income securities</i>	236 741
	<i>Shares and other variable-income securities</i>	<i>Shares and other variable-income securities</i>	59 318
	<i>Participations and portfolio activities</i>	<i>Participations and portfolio activities</i>	9 886
	<i>Investment in affiliates</i>	<i>Investment in affiliates</i>	81 261
<b>18. Other assets</b>			<b>342 828</b>
	<i>Real estate promotion</i>		9 469
	<i>Long-term tangible and intangible assets</i>	<i>Long-term tangible and intangible assets</i>	42
	<i>Unpaid capital</i>	<i>Unpaid capital</i>	1 888
	<i>Treasury stock</i>	<i>Treasury stock</i>	114 886
	<i>Adjustment accounts</i>	<i>Adjustment accounts</i>	216 543
			<b>90 222</b>
<b>Liabilities</b>	<b>Liabilities</b>		
<b>19. Capital and reserves</b>			<b>90 222</b>
	<i>Subscribed capital and issue premiums</i>	<i>Subscribed capital and issue premiums</i>	59 583
	<i>Reserves</i>	<i>Reserves</i>	21 286
	<i>Retained earnings</i>	<i>Retained earnings</i>	5 528
	<i>Funds for general banking risks</i>	<i>Funds for general banking risks</i>	3 824
<b>20. Borrowing from Central bank</b>	<b>Central banks, postal current accounts</b>	<b>Central banks, postal current accounts</b>	<b>2 166</b>

**FRANCE**  
**Balance Sheet reconciliation**  
**Commercial Banks**

2001

OECD presentation	National presentation – Until 1999	National presentation – As from 2000	million euros
<b>Liabilities</b>	<b>Liabilities</b>		
<b>21. Interbank deposits</b>	<b>Debts to financial institutions</b>	<b>Debts to financial institutions</b>	<b>757 310</b>
<b>22. Non-bank deposits</b>			<b>587 355</b>
	<i>Due to customers</i>	<i>Operations with customers</i>	587 355
	<i>Savings bonds</i>		
<b>23. Bonds</b>			<b>501 941</b>
	<i>Interbank market securities and negotiable claims</i>	<i>Securitised debts</i>	452 168
	<i>Debt issues</i>	<i>Subordinated debt</i>	49 773
	<i>Subordinated debt</i>		
	<i>Other securitised debt</i>		
<b>24. Other liabilities</b>			<b>418 088</b>
	<i>Adjustment accounts</i>		89 343
	<i>Contingency provisions</i>	<i>Contingency provisions</i>	15 479
	<i>Investment subsidies</i>	<i>Revaluation differentials</i>	131
	<i>Co-operative security</i>	<i>Regulated provisions and Investment subsidies</i>	803
	<i>Revaluation differentials</i>	<i>Profit or loss for the year</i>	10 321
	<i>Profit or loss for the year</i>	<i>Other liabilities</i>	302 011
	<i>Other liabilities</i>		
<b>Balance sheet total</b>	<b>Balance sheet total</b>	<b>Balance sheet total</b>	
<b>25. End-year total</b>	<b>Total</b>	<b>Total</b>	<b>2 357 083</b>
<b>Memorandum items</b>	<b>Memorandum items</b>	<b>Memorandum items</b>	
27. <i>Short-term securities</i>			
28. <i>Bonds</i>	<i>Bonds and other fixed-income securities</i>	<i>Bonds and other fixed-income securities</i>	<b>236 741</b>
29. <i>Shares and participations</i>			<b>91 146</b>
	Participations and portfolio activities	Participations and portfolio activities	9 886
	Investment in affiliates	Investment in affiliates	81 261
30. <i>Claims on non-residents</i>			
31. <i>Liabilities to non-residents</i>	<i>Debts to non-residents</i>		
<b>Information</b>			
<b>37. Number of institutions</b>			<b>355</b>
<b>38. Number of branches</b>			<b>10065</b>
<b>39. Number of employees (x 1000)</b>			<b>212</b>

## GERMANY

### I. Institutional coverage

Statistics published in *Bank Profitability – Financial Statements of Banks* relate to all universal banks operating in Germany (with the exception of the legally dependent branches of foreign banks). These include the following categories:

- Commercial banks<sup>14</sup> including the subsidiaries of foreign banks.
- Large commercial banks (a sub-category of Commercial banks).
- Regional giro institutions (from 1999 called Land banks).
- Savings banks.
- Regional institutions of credit co-operatives.
- Credit co-operatives<sup>15</sup>.

Large commercial banks comprise only the category "big banks" from the German statistics. These are the Deutsche Bank, the Dresdner Bank, the Commerzbank and (since 1999) the Bayerische Hypo- und Vereinsbank - other major banks are not included in this category. Statistics are based on the data provided by individual banks and not by banking groups. The number of banks in each of the banking categories and their volume of business are presented in the table "Structure of the Financial System".

### II. Geographical coverage and degree of consolidation

The published data relate to German banks including their branches at home and abroad, but not to their foreign subsidiaries. The branches of foreign banks in Germany are not covered whereas the data of domestic subsidiaries of foreign banks are included in the statistics. Since 1993, the eastern German banks are included.

### III. Summary description of activities of banks

In principle, the universal banks in Germany are permitted to carry out all banking business with domestic and foreign customers, *i.e.* with other banks as well as with enterprises, individuals and

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14. As from the financial year 1986, including instalment sales financing institutions (see also Section III).

15. Up to 1984, this group included only those credit co-operatives with a balance sheet total on 31 December 1972 of DM 10 million or more, and smaller institutions which were already subject to reporting requirements on 31 November 1973; as from 1985 all credit co-operatives are included.

public authorities. Banking business comprises, besides the acceptance of deposits (including savings deposits) and the granting of loans of all kinds (including the purchase of bills), the raising of funds (also through the issuing of bonds), the purchase and sale of securities for the account of others (securities business), the safe custody and administration of securities for the account of others (safe custody business), the assumption of guarantees on behalf of third parties (guarantee business) and the handling of cashless payments (giro business). In addition, major banks, in particular, also engage in money market and foreign exchange dealings. The banks are not generally prohibited from conducting business other than bank business, but such business must be reported to the banking supervisory authorities. Business of this kind is, however, of virtually no significance.

Certain focal points have developed by tradition: the commercial banks are more active in the short-term lending and deposit business, in securities and in international business. Since the end of 1986, commercial banks also include the former category of specialised banks (instalment sales financing institutions), which have developed into universal banks.

Savings banks usually specialise in long-term business and hold a substantial part of their assets and liabilities in the form of mortgage credit and savings deposits, respectively. At local level, they are closely related to the region's giro institution. They also have a central institution at federal level. Regional institutions, which act as bankers to State governments, and the central institution have the right to issue bonds.

Credit co-operatives conduct banking business primarily, but not exclusively, for their members. Similar to savings banks, credit co-operatives have regional institutions and one central institution.

The following categories of banks (specialised banks) are not counted among the universal banks:

- Mortgage banks specialise mainly or wholly in extending mortgage loans and distributing communal loans, *i.e.* loans granted to or guaranteed by a public entity. They raise the greater part of their funds through mortgage and communal bond issues and long-term credit, partly financed by government authorities.
- Banks with special functions carry out their activity in specific fields of the private or public sector.
- The building and loan associations, which grant housing credit to depositors out of the savings they accumulate.
- Investment companies, which work on a trust basis investing, on behalf of depositors, the funds deposited with them.
- The postal giro bank and the postal savings bank were until the end of 1991 institutions of the Federal Post Office and constituted an autonomous banking category. From 1992 until the end of 1998, the Deutsche Postbank AG was included in the category of banks with special functions. Since 1999 the Deutsche Postbank is included in the category “regional banks and other commercial banks” and therefore counted among the universal banks.

#### IV. Reconciliation of national data with the OECD presentation<sup>16</sup>

##### *Income statement*

##### *Risk provisioning*

Regarding the risk provision of banks, German accounting legislation distinguishes between:

- Specific provisions.
- Global loan loss provisions.
- Provisions for contingencies.
- Post-tax general provisions ("undisclosed reserves").
- Fund for general banking risks.

*Specific provisions (Einzelwertberichtigungen)* must be created for acute and identified losses on individual loans. Claims considered irrecoverable must be written off directly.

*Global loan loss provisions (Pauschalwertberichtigungen)* should be set against the latent risks which exist - from experience - in any bank's claims but which are not yet individually identifiable. They do not refer to individual loans but to the total lendings. The same applies to provisions for individual country exposures; these are provisions not intended to cover the risk of losses on loans to individual borrowers, but the general payment risk arising from loans to borrowers in a particular country.

*Risks from off-balance-sheet activities (e.g. guarantees, indemnities, endorsement liabilities, forward foreign exchange transactions, derivatives)* must be included in the provisions for contingencies and for potential losses from pending transactions (*Rückstellungen*).

*Post-tax general provisions (undisclosed reserves)*: Banks may attribute a value to their lendings and securities of the liquidity reserves which is (not more than 4 per cent) lower than the value required by the Commercial Code, provided this is necessary according to reasonable commercial judgement as a safeguard against the specific risks of the banks' line of business. The formation as well as the cancellation of such risk provisions is not disclosed to the public.

Regardless of existing undisclosed reserves, the liability item *fund for general banking risks* may be openly appropriated.

In the statistical reports, specific provisions are always to be deducted from the corresponding asset items (as in the annual balance sheet); by contrast, all other provisions must be shown on the liabilities side of the statistical reports (notwithstanding the rules for the annual balance sheet) and do not affect the size of the asset items.

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16. See also the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.

## ***Balance sheet***

The stock of short-term securities shown under *Memorandum items* does not only include securities with maturities of up to one year, but also those with maturities of up to and including five years.

In Germany, the banks' capital and reserves comprise the capital shown, *i.e.* the capital stock and the published reserves (including the fund for general banking risks). In certain circumstances the capital also includes the funds contributed by silent partners and participation rights. Provisions (see the section *Risk provisioning* above) are not counted as part of the capital. Furthermore, subordinated bonds in circulation and other subordinated liabilities are not regarded as part of the capital either.

## **V. Sources**

The responsibility for compiling the statistics lies with the Deutsche Bundesbank, Statistics Department, Frankfurt am Main. The data for the profit and loss accounts derive from the annual accounts which banks are required to submit to the Deutsche Bundesbank under Section 26 of the Banking Act. The data on assets and liabilities are taken from the monthly balance sheet statistics collected by the Deutsche Bundesbank. The figures of the monthly balance sheet statistics are published regularly in the *Monthly Report of the Deutsche Bundesbank* and in the statistical supplement, *Banking Statistics*. Every year, usually in August, an article on the results of the statistics on banks, profit and loss accounts appears in these *Monthly Reports* under the title "The performance of German credit institutions in [year]".

**GERMANY**  
**Income statement reconciliation**  
**All Banks**  
**1996**

OECD presentation	Million DM	National presentation
<b>1. Interest income</b>	<b>404646</b>	<b>Interest receivable</b>
	390176	<i>Interest receivable from:</i>
	319922	lending and money market transactions
	70254	fixed-income securities and Dept Register claims
	12518	<i>Current income from:</i>
	5798	shares and other variable-yield securities
	2087	participating interests
	4633	shares in affiliated undertakings
	1952	<i>Receipts from profit-pooling and profit transfer agreements</i>
<b>2. Interest expenses</b>	<b>277931</b>	<b>Interest payable</b>
<b>3. Net interest income</b>	<b>126715</b>	<b>Net interest received (1 minus 2)</b>
<b>4. Non interest income (net)</b>	<b>33647</b>	
<i>a. Fees and commissions receivable</i>	31294	<i>Commissions receivable</i> <sup>1</sup>
		<i>minus:</i>
<i>b. Fees and commissions payable</i>	3452	<i>Commissions payable</i> <sup>1</sup>
<i>c. Net profits or loss on financial</i>	3919	<i>Net profit or net loss on financial operations</i>
	4283	net profit on financial operations
		<i>minus:</i>
	-364	net loss on financial operations
<i>d. Other</i>	1886	
	548	Gross profit on transactions in goods or subsidiary transactions <sup>2</sup>
	2488	Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments <sup>3</sup>
	1138	Value re-adjustments in respect of participating interests, shares in affiliated undertakings and transferable securities held as financial fixed assets <sup>4</sup>
	8436	Other operating income (including income from leasing business) <sup>2</sup>
	335	Income from release of special reserves <sup>4</sup>
	836	Extraordinary income <sup>4</sup>
	1191	Income from loss transfers <sup>4</sup>



**GERMANY**  
**Income statement reconciliation**  
**All Banks**  
**1996**

OECD presentation	Million DM	National presentation
		minus:
	-	Gross loss on transactions in goods or subsidiary transactions <sup>5</sup>
	-439	Value adjustments in respect of assets leased <sup>5</sup>
	-5015	Other operating charges <sup>5</sup>
	-1993	Charges incurred through loss transfers <sup>6</sup>
	-330	Transfers to special reserves <sup>6</sup>
	-969	Extraordinary charges <sup>6</sup>
	-2395	Other taxes (including taxes on net assets) <sup>5</sup>
	-1945	Profits transferred under profit-pooling and profit transfer agreements <sup>6</sup>
<b>5. Gross income</b>	<b>160362</b>	
<b>6. Operating expenses</b>	<b>102235</b>	<b>General administrative expenses</b>
<i>a. Staff costs</i>	60689	<i>Staff costs</i>
	47353	wages and salaries
	13336	social security costs and costs relating to pensions
<i>b. Property costs</i>	..	
<i>c. Other</i>	41546	<i>Other administrative expenses</i>
	32283	Other administrative expenses
	9702	Value adjustments in respect of intangible assets and tangible assets
		minus:
	-439	Value adjustments in respect of assets leased
<b>7. Net income</b>	<b>58127</b>	
<b>8. Provisions (net)</b>	<b>22696</b>	
<i>a. Provisions on loans</i>	22165	<i>Value adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments</i> <sup>7</sup>
<i>b. Provisions on securities</i> <sup>8</sup>	..	
<i>c. Other</i>	531	<i>Value adjustments in respect of participating interests, shares in affiliated undertakings and transferable securities held as financial fixed assets</i> <sup>9</sup>
<b>9. Profit before tax</b>	<b>35431</b>	<b>Profit for the financial year before tax</b>
<b>10 Income tax</b>	<b>18670</b>	<b>Taxes on income and earnings</b>
<b>11 Profit after tax</b>	<b>16761</b>	<b>Profit or loss for the financial year after tax (9 minus 10)</b>
.		
<b>12 Distributed profit</b>	<b>10795</b>	<b>Balance sheet profit or loss (11 minus 13)</b>

**GERMANY**  
**Income statement reconciliation**  
**All Banks**  
**1996**

OECD presentation	Million	National presentation
<b>13. Retained profit</b>	<b>5966</b>	<b>Withdrawals from or transfers to reserves and participation rights capital including profit or loss brought forward and withdrawals from or increases in the fund for general banking risks</b>
	491	<i>Withdrawals from:</i>
	1	capital reserve
	4	legal reserve
	-	reserve for own shares
	-	reserves provided for by the articles of association
	472	other revenue reserves
	14	participation rights capital
	9	<i>Withdrawals from the fund for general banking</i>
	586	<i>Profit brought forward</i>
		minus:
	6352	<i>Transfers to:</i>
	2449	legal reserve
	134	reserve for own shares
	293	reserves provided for by the articles of association
	3470	other revenue reserves
	6	replenishment of participation of rights capital
	578	<i>Increases in the fund for general banking risks</i>
	122	<i>Loss brought forward</i>

1. Net commissions received.
2. Other operating income.
3. Net income or net charges from valuation of assets (other than tangible or financial fixed assets).
4. Other and extraordinary income.
5. Other operating charges.
6. Other and extraordinary charges.
7. In national presentation contained in net income or net charges from valuation of assets (other than tangible or financial fixed assets).
8. Included under provisions on loans (item 8.a.).
9. In national presentation contained in other and extraordinary charges.

**GERMANY**  
**Balance Sheet reconciliation**  
**All Banks**  
**1996**

OECD presentation	Million DM	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>83492</b>	
	27900	
	55592	<i>Balances (giro account deposits) with Central banks</i>
<b>15. Interbank deposits</b>	<b>1587652</b>	
	1562236	<i>Balances and loans (including balances on postal giro accounts and claims in respect of registered bonds)</i>
	19863	<i>Bills discounted</i>
	5553	<i>Loans on a trust basis</i>
<b>16. Loans</b>	<b>3791309</b>	
	3582728	<i>Bank credits and loans, total</i>
	828880	up to 1 year
	2753848	over 1 year
	48724	<i>Bills discounted</i>
	76216	<i>Loans on a trust basis</i>
	83641	<i>Equalisation and covering claims</i>
<b>17. Securities</b>	<b>1447453</b>	
	35859	<i>Treasury bills and discountable Treasury bonds (including mobilisation and liquidity paper)</i>
	1127971	<i>Domestic securities</i>
	635975	Bank bonds
	225873	Public bonds
	180076	Industrial and other bonds
	86047	Shares and participations
	283623	<i>Foreign securities</i>
	252684	Bonds
	30939	Shares and participations
<b>18. Other assets</b>	<b>173477</b>	
	3173	<i>Cheques and paper for collection (including matured bonds, interest and dividend coupons)</i>
	22259	<i>Bonds from own issues</i>
	148045	<i>Other assets (including land and buildings, equipment, unpaid capital, own shares and shares of a controlling company)</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>287905</b>	
	62657	<i>Capital</i>
	191900	<i>Published reserves (according to section 10 of the Banking Act)</i>
	1861	<i>Fund for general banking risks</i>
	31487	<i>Participation rights capital</i>
<b>20. Borrowing from Central bank</b>	<b>197512</b>	

**GERMANY**  
**Balance Sheet reconciliation**  
**All Banks**  
**1996**

OECD presentation	Million DM	National presentation
	57952	<i>Bills rediscounted at the Bundesbank</i>
	3849	<i>Loans of the Bundesbank against collateral</i>
	135711	<i>Open market transactions in bills and securities under repurchase agreements</i>
<b>21. Interbank deposits</b>	<b>1881722</b>	
	1837742	<i>Deposits and borrowing from banks (including liabilities for registered bonds and non-marketable bearer savings bonds), total</i>
	418759	<i>Sight deposits and borrowed funds</i>
	1418983	<i>Time deposits and borrowed funds</i>
	20520	<i>Bills sold and rediscounted</i>
	23460	<i>Loans on a trust basis</i>
<b>22. Non-bank deposits</b>	<b>3285972</b>	
	843293	<i>Sight deposits</i>
	1030490	<i>Time deposits and borrowed funds (including liabilities for registered bonds)</i>
	248867	<i>Bank saving bonds (including non-marketable bearer saving bonds)</i>
	1104997	<i>Saving deposits</i>
	58325	<i>Loans on a trust basis</i>
<b>23. Bonds</b>	<b>1086703</b>	
<b>24. Other liabilities</b>	<b>343569</b>	
	65530	<i>Provisions</i>
	15383	<i>Accumulated depreciations reserves</i>
	262656	<i>Other</i>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>7083383</b>	

## GREECE

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statistics of Banks* relate only to commercial banks incorporated in Greece (Greek commercial banks). Separate data are also provided for the largest banks in this group, which at the end of 2001 extended more than 80 per cent of total credit by Greek commercial banks. However, after a reclassification starting from 2000 which affected the “commercial banks” category and following a number of mergers and acquisitions that took place in the past few years and affected the composition of the group of “large commercial banks”, data series from 2000 onwards are not comparable with those of earlier years. As of this year the large commercial banks data refer to the top-five banks.

Greek commercial banks play a dominant role in the Greek credit system. They provide about 82 per cent of total bank credit to the economy, while 83 per cent of total deposits with the credit system are deposited with them. Their total assets and liabilities account for 79 per cent of total assets and liabilities of all credit institutions operating in Greece.

### II. Geographical coverage and degree of consolidation

The balance sheet and the income statement do not include data of the subsidiaries of the aforementioned banks. They include, however, data concerning the operations of Greek commercial bank branches located abroad.

### III. Summary description of activities of banks

#### *Payment facilities*

All commercial banks offer checking accounts, but the use of these accounts is relatively limited. Salary accounts and automated fund transfers as well as national and international credit-cards, Automated Teller Machines (ATMs) and Electronic Fund Transfer (EFT) are constantly increasing.

#### *Deposit from the public*

Commercial banks accept all types of deposits. A large majority (more than 85 per cent) of deposits is in the form of savings and time deposits. The banks are free to set interest rates on deposits.

#### *Money market business*

The interbank money market consists mainly of transactions involving day-to-day loans between banks at freely determined rates and is used to smooth out discrepancies between the demand for and the supply of liquid assets in the day-to-day business of banks. In addition to interbank deposits, banks can also utilise the two standing facilities of the Bank of Greece:

- Deposit facility.
- Lombard facility.

Another standing facility was available to banks until March 2000. They could make overdrafts, at a penalty rate, from their current accounts with the Bank of Greece.

### ***Lending business and credit exposure***

Commercial banks are allowed to engage in all kinds of lending operations. Most of their financing (more than 90 per cent of total commercial bank lending) is granted to the private sector and the remaining part to public enterprises and entities. Commercial banks provide primarily short or medium-term credit to industrial and commercial companies, but they are also involved in long-term financing. During the last few years, credit to households, in the form of consumer credit and housing loans, has become increasingly widespread.

As from 1992 the European Union (EU) Second Banking Directive has been transposed into Greek Legislation. Consequently, no credit institution may maintain a qualifying holding (10 per cent or more of another firm's equity) in a non-bank enterprise that exceeds 15 per cent of the credit institution's own funds. As to the total amount of a credit institution's qualifying holdings in non-bank enterprises, it may not exceed 60 per cent of the credit institution's own funds. Moreover, in the context of prudential supervision, a credit institution's exposure to a client or group of connected clients can not exceed 25 per cent of the credit institution's own funds. Also, a credit institution may not incur large exposures (10 per cent or more of its own funds) which, as a total, exceed 800 per cent of its own funds.

### ***Foreign exchange trading and foreign payments***

All commercial banks operating in Greece have been authorised by the Bank of Greece to trade in foreign exchange on both the spot and forward markets, for their own account as well as for their customers.

### ***Security business, portfolio management and trust business***

All commercial banks are allowed to trade in shares and bonds for their clients, assist in share and bond issues, and offer portfolio management assistance to their clients and safekeeping services for securities. Banks are also allowed to underwrite new issues of securities.

### ***Non-banking business***

Commercial banks are not allowed to engage in commercial and industrial activities for their own account.

## **IV. Reconciliation of national data with the OECD presentation**

The reconciliation is shown in the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow. It should however be noted that information included in these tables in the column entitled "National presentation" does not refer to any specific publication since data grouped in this manner are not as yet published in Greece. In fact, under this title appear the particular items that have been grouped together so as to give the corresponding item in the OECD publication.

## ***Income statement***

### *Provisions*

According to Greek law, banks must set aside general provisions to cover bad and doubtful debt. A general annual provision expense of up to 1 per cent of total outstanding loans is recognised as tax deductible in the case of commercial banks. Specific provision charges for loan losses or identified individual bad debts which are on a non-accrual status may be deducted from taxable income, provided that the corresponding loans are written off against such provisions within eight years of the charge.

## ***Balance sheet***

### *Capital and reserves*

According to Greek legislation a commercial bank must allocate at least 5 per cent of its annual profit to the ordinary reserve fund. This requirement applies until the ordinary reserve fund reaches at least one-third of the share capital. Additional reserves can also be created but always within the limits imposed by the statute of each bank and the Greek legislation concerning the distribution of profits.

### *Total assets/liabilities*

This item reports the gross and not the consolidated total of the banks.

## **V. Sources**

The responsibility for collecting and compiling the statistics lies with the Bank of Greece, Economic Research Department, Athens.

**GREECE**  
**Income statement reconciliation**  
**Commercial banks <sup>1</sup>**  
**1996**

OECD presentation	Million Dr	National presentation
<b>1. Interest income</b>	<b>1904113</b>	<b>Interest received from:</b>
	817491	<i>Lending to non-bank public</i>
	158110	<i>Deposits with the Bank of Greece</i>
	220777	<i>Deposits with other banks</i>
	35932	<i>Treasury bills</i>
	671803	<i>Bonds</i>
<b>2. Interest expenses</b>	<b>1555322</b>	<b>Interest paid on/to:</b>
	1505036	<i>Deposits by non-bank public</i>
	2041	<i>Loans by the Bank of Greece</i>
	48245	<i>Other loans</i>
<b>3. Net interest income</b>	<b>348791</b>	
<b>4. Non-interest income (net)</b>	<b>434834</b>	
<i>a. Fees and commissions receivable</i>	230186	
<i>b. Fees and commissions payable</i>	12403	
<i>c. Net profits or loss on financial operations</i>	138709	
<i>d. Other</i>	78342	<i>Other (including dividend income on shares and participations)</i>
<b>5. Gross income</b>	<b>783625</b>	
<b>6. Operating expenses</b>	<b>533402</b>	
<i>a. Staff costs</i>	368584	
<i>b. Property costs</i>	40880	
<i>c. Other operating expenses</i>	123938	
<b>7. Net income</b>	<b>250223</b>	
<b>8. Provisions (net)</b>	<b>102027</b>	
<i>a. Provisions on loans</i>	97497	
<i>b. Provisions on securities</i>	328	
<i>c. Other</i>	4202	
<b>9. Profit before tax</b>	<b>148196</b>	
<b>10. Income tax</b>	<b>55248</b>	
<b>11.</b>	<b>92948</b>	
<b>12. Distributed profit</b>	<b>50649</b>	
<b>13. Retained profit</b>	<b>42299</b>	

1. Commercial banks incorporated in Greece.



**GREECE**  
**Balance Sheet reconciliation**  
*Commercial banks*<sup>1</sup>  
**1996**

OECD presentation	Million Dr	National presentation
<b>14.</b>	<b>3522883</b>	
	195311	<i>Cash</i>
	1304284	<i>Deposits with the Bank of Greece</i>
	2023288	<i>Redeposits in foreign exchange with the Bank of Greece</i>
<b>15. Interbank deposits</b>	<b>2109612</b>	
	1187089	<i>Deposits with local banks</i>
	922523	<i>Deposits with banks abroad</i>
<b>16. Loans</b>	<b>6262746</b>	
		<i>Short term</i>
		<i>Long term</i>
<b>17. Securities</b>	<b>6502602</b>	
	120035	<i>Treasury bills</i>
	5408790	<i>Bonds</i>
	973777	<i>Shares and participations</i>
<b>18. Other assets</b>	<b>1467686</b>	<b>Other assets (residual)</b>
<b>19. Capital and reserves</b>	<b>888234</b>	
<b>20. Borrowing from Central bank</b>	<b>140586</b>	
<b>21. Interbank deposits</b>	<b>1224518</b>	
	1208043	<i>Deposits of other commercial banks</i>
	16475	<i>Deposits of specialised credit institutions</i>
<b>22. Non-bank deposits</b>	<b>14942536</b>	
		<i>Sight deposits</i>
		<i>Savings deposits</i>
		<i>Time deposits</i>
		<i>Foreign currency deposits</i>
		<i>Other deposits</i>
<b>23. Bonds</b>	<b>23523</b>	
<b>24. Other liabilities</b>	<b>2646132</b>	<b>Other liabilities (residual)</b>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>19865529</b>	

1. Commercial banks incorporated in Greece.

## HUNGARY

### **I. Institutional coverage**

The statistics in *Bank Profitability – Financial Statements of Banks* cover all financial institutions (commercial banks, investment banks, off-shore banks, and other financial institutions) except for savings and credit co-operatives which account for about 6 per cent of total assets of the banking sector. At the end of 1996 the banking act was modified. The new regulation distinguishes three types of credit institutions: banks, specialised credit institutions (other financial institutions), and co-operatives. These types differ from each other in the required registered capital and in the scope of their activities.

### **II. Geographical coverage and degree of consolidation**

The data of subsidiaries of foreign banks operating in Hungary are included in the statistics. Foreign banks were authorised to open branches in Hungary beginning 1 January 1998. As from 1996, Hungarian banks have branches and subsidiaries abroad. However, the results of their activities are not included in the statistics.

### **III. Summary description of activities of banks**

Banks in Hungary are universal in nature, *i.e.* they are permitted to carry out all banking activities. Prior to 1 January 1997, banks were not allowed to trade in securities. Since then, they can sell and buy State securities. Banks used to trade in securities through their specialised subsidiaries. But as from 1998, banks may perform the full range of investment services and activities auxiliary to investment services.

For foreign exchange activities, banks needed a licence from the National Bank of Hungary. In order to obtain this permission, they had to provide evidence of sufficient resources, both personnel and material. The majority of banks was authorised to engage in foreign exchange business. From 2002, foreign exchange activities are not subject to licensing control.

The activities of specialised credit institutions are limited and regulated by special laws.

#### **IV. Reconciliation of national data with the OECD presentation**

##### ***Income statement***

##### *Interest income*

From lending activities:

- Treasury bills, net of rediscountable other securities.
- Receivables from financial institutions.
- Receivables from customers including rediscountable other securities.
- Bonds and other securities providing equity proportionate yields.

Interest type income resulting from market price changes.

Commissions relating to lending activities.

Interest-type income from future transactions.

Other interest-type income

##### *Interest expenses*

On liabilities to financial institutions.

On liabilities to customers:

- Demand deposits.
- Short-term deposits.
- Long-term deposits.
- Demand and short-term savings deposits.
- Long-term savings deposits.
- Other deposits.

Interest payments on bonds and other securities.

Other interest-type payments.

##### *Non-interest income (net)*

Net profit or loss on financial operations:

- Securities issue.
- Trading in securities.
- Trading in foreign exchange.
- Other .

Other non-interest income.

- Dividends, participations received from:

- a) Participations in enterprises involved in consolidation.
- b) Participation in associated enterprises.
- c) Participation in other enterprises.
- Profit or loss from financial leasing.
  - a) Income from financial leasing.
  - b) Less: Costs of financial leasing.
- Other income.
- *Less:* Other expenditures.

*Operating expenses*

Staff costs:

- Wage costs.
- Other personnel-type payments.
- Payments to social security system.

Property costs:

- Rental fees paid.
- Depreciation of tangible and intangible assets.
- Other depreciation of business value or goodwill of enterprises involved in consolidation.

*Profit before tax*

Includes extraordinary profit (or loss) not included in Net interest income, Non-interest income, and Operating expenses (items 3, 4 and 6). The net amount of extraordinary profit (or loss) is shown separately.

*Profit after tax*

Profit before tax (item 9) less Income tax (item 10)

*Distributed profit*

Paid (approved) dividends, participation.

*Retained profit*

Profit after tax (item 11) less Distributed profit (item 12).

## **V. Sources**

National Bank of Hungary based on the 1996-1997 *Annual Report of the Hungarian Banking and Capital Market Supervision* and on the 1997 *Annual Report of the State Insurance Supervision*.

## ICELAND

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* refer exclusively to commercial banks and savings banks. As from 1986, legislation for commercial banks and savings banks is identical. However, for the earlier years, the laws and regulations for the two banking groups were very similar. At the end of 2001, there were four commercial banks and 24 savings banks in Iceland. Several other institutions, apart from commercial banks and savings banks, play an important role in the Icelandic financial system<sup>17</sup>.

Other financial institutions of the financial system<sup>18</sup> are comprised of several types of investment credit funds, which are primarily The Housing Financing Fund, the development credit fund, ten investment credit funds, three leasing companies and the Student Loan Fund.

Insurance institutions are comprised of 64 pension funds and 14 insurance companies at the end of 2001. The pension funds are the most important source of long-term finance in Iceland. Three of the insurance companies are life-insurance companies, representing only 5 per cent of total assets of the insurance companies. One reason for the small share of life insurance is most likely the compulsory nature of employees' membership in pension funds.

Over the last decade the Icelandic financial system has undergone a period of important transition, generated by liberalisation and legislative reforms. The current Central Bank Act was adopted in 1993. In the mid-1980s the Iceland Stock Exchange was established, securities companies emerged and mutual funds were established. Towards the end of the decade a process of rationalisation in the banking sector took place through mergers. A new Foreign Exchange Act entered into force in 1992, implementing a policy of a phased elimination of foreign exchange restrictions by the beginning of 1995. The Bank for International Settlements (BIS) standard for rules on capital adequacy of commercial and savings banks became effective in the beginning of 1993.

In connection with the agreement on the European Economic Area (EEA), a new legislation was enacted in 1993, including acts on commercial and savings banks, other credit institutions, securities transactions, mutual funds and the Iceland Stock Exchange. The general impact of this legislation has been twofold. First, more stringent rules have been adopted to ensure the economic health of banks and other financial institutions, including rules on a minimum capital ratio and exposure to risk. Bank supervision has been extended and strengthened at the same time. Second, the new legislation lays important groundwork for the deregulation process that has been under way for some time, with the most important changes being the abolition of centralised control over interest rates in 1986 and the gradual liberalisation of capital movements in the beginning of 1995. In 1996 the

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17. See the table "Structure of the Financial System", *Bank Profitability – Financial Statements of Banks*, OECD, Paris, 2001.

18. *Idem*.

legislation which covers the financial sector underwent some modifications in line with changes in EU directives.

## **II. Geographical coverage and degree of consolidation**

The data covers only domestic banks and their domestic branches. No foreign banks have subsidiaries or branches in Iceland. Two of the commercial banks own financial subsidiaries such as investment credit funds, leasing companies and securities companies. The statistics presented in *Bank Profitability – Financial Statements of Banks*, however, are based on non-consolidated accounts for the banks. Total assets of consolidated accounts for the banks are only 2 per cent greater than for non-consolidated accounts at the end of 2001, so there is only a minor difference between non-consolidated and consolidated accounts.

## **III. Structure of the banking system**

The activities of commercial banks and savings banks are regulated pursuant to the Act on Commercial Banks and Savings Banks. Detailed rules regarding the establishment of banks, their controlling bodies, activities, accounts and auditing, deposit guarantee funds, supervision, etc., are stipulated in the above-mentioned act. As Iceland has been a member of the EEA since January 1993, the Icelandic legislation regarding the financial market has been adopted to the European Union (EU) directives covering the financial sector. The Icelandic banks are subject to reserve requirements, according to rules issued by the Central Bank.

## **IV. Summary description of activities of banks**

### ***Payment facilities***

Commercial banks and savings banks play a key role in payment intermediation. In addition to notes and coins, cheques, debit cards, credit cards and giros are the main payment instruments. The dominant credit cards are VISA and EuroCard, which are offered by separate companies totally owned by the commercial and savings banks. All these instruments, especially debit cards and credit cards, have taken on increased importance relative to the use of notes and coins in recent years. The commercial banks and savings banks have co-ordinated their systems for cards so that customers of each bank can use their cards to receive money from automatic cash dispensers of every other bank. Internationally accepted credit and debit cards can be used in these cash dispensers.

Together with Central Bank of Iceland, the banks operate a clearing system through the Banks' Data Centre. The net positions resulting from the daily clearing are settled on the participants' accounts with the Central Bank the same day.

### ***Deposit business***

All banks have a complete range of deposit accounts. Cheque accounts and salary accounts are sight accounts, bearing a low interest rate. Long-term savings accounts carry a higher interest rate. All banks offer long-term index-linked deposits accounts which also carry an interest rate. Recently the banks began to offer deposit accounts bearing interest at a rate linked to the money market.

### ***Lending business***

Icelandic banks offer a wide range of credit facilities. Lending to households mainly consists of personal loans for consumption purposes. Banks' mortgage loans are of minor importance as

compared to loans given by the specialised State House Funds. Lending to the business sector is in the form of short-term overdraft facilities as well as long-term investment financing. Banks participate in financing public sector debt mainly by buying government bonds and treasury bills. Local governments draw on the same credit facilities as the business sector. A great deal of the banks' long term loans is index-linked.

### ***Money market business***

Icelandic banks are active in the domestic market for short-term loans between banks.

### ***Security business***

Securities trading/management are included as a part of a bank's ordinary operations.

### ***Foreign exchange business***

The banks deal in foreign exchange and maintain accounts with correspondent banks abroad. The banks are subject to a currency exposure regulation.

## **V. Reconciliation of national data with the OECD presentation<sup>19</sup>**

The annual accounts of Icelandic banks are prepared according to rules on annual accounts of banks which are based on the Bank Accounting Directive of the European Union.

## **VI. Sources**

The statistics for the Icelandic banks are based on their annual accounts and annual reports collected by the Financial Supervisory Authority. The statistics were compiled from returns collected by the Bank Inspectorate Department of the Central Bank of Iceland.

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19. See the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.



**ICELAND**  
**Income Statement Reconciliation**  
**Commercial banks and savings banks**  
**2001**

OECD presentation	Million IKr	National presentation
<b>1. Interest income</b>	<b>103414</b>	<b>Interest receivable</b>
<b>2. Interest expenses</b>	<b>73609</b>	<b>Interest payable</b>
<b>3. Net interest income</b>	<b>29804</b>	<b>Net interest income</b>
<b>4. Non-interest income (net)</b>	<b>10154</b>	
<i>a. Fees and commissions receivable</i>	12740	<i>Commissions receivable</i>
<i>b. Fees and commissions payable</i>	2302	<i>Commissions payable</i>
<i>c. Net profits or loss on financial operations</i>	-1098	
	-1098	Value adjustments of other financial operations
	-	Profit/loss on extraordinary activities
<i>d. Other</i>	813	
	-855	Dividends from shares and other holdings
	1668	Other operating income
	-	Profit/loss on extraordinary activities
<b>5. Gross income</b>	<b>39959</b>	
<b>6. Operating expenses</b>	<b>25171</b>	
<i>a. Staff costs</i>	13016	
	13016	Wages and wage-related expenditure
	-	Profit/loss on extraordinary activities
<i>b. Property costs</i>	10062	
	1741	Depreciation of tangible assets
	8321	Other administrative costs
<i>c. Other</i>	2093	
	2093	Other administrative costs
	-	Other operating expenses
<b>7. Net income</b>	<b>14788</b>	
<b>8. Provisions (net)</b>	<b>8481</b>	
<i>a. Provisions on loans</i>	8481	<i>Provisions for bad and doubtful debts</i>
<i>b. Provisions on securities</i>	-	
<i>c. Other</i>	-	
<b>9. Profit before tax</b>	<b>6307</b>	
<b>10.</b>	<b>-376</b>	
	-376	<i>Taxes</i>
	-	<i>Profit/loss on extraordinary activities</i>
<b>11. Profit after tax</b>	<b>6683</b>	
<b>12. Distributed profit</b>	<b>1340</b>	
<b>13. Retained profit</b>	<b>5343</b>	

**ICELAND**  
**Balance Sheet Reconciliation**  
**Commercial banks and savings banks**  
**2001**

OECD presentation	Million IKr	National presentation
		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>22078</b>	
	4334	<i>Cash in hand and demand deposits with Central banks</i>
	17744	<i>Required deposits with Central banks</i>
<b>15. Interbank deposits</b>	<b>118954</b>	<b>Loans and advances to credit institutions</b>
<b>16. Loans</b>	<b>697605</b>	<b>Loans and advances</b>
<b>17. Securities</b>	<b>148936</b>	
	10492	<i>Treasury bills</i>
	74676	<i>Bonds and other fixed rate securities</i>
	42212	<i>Shares and other variable-yield rate securities</i>
	12498	<i>Shares in associated undertakings</i>
	9058	<i>Shares in affiliated undertakings</i>
<b>18. Other assets</b>	<b>26414</b>	
	73	<i>Intangible assets</i>
	12951	<i>Tangible assets</i>
	6665	
	6725	<i>Prepayments and accrued income</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>68284</b>	<b>Owners' equity</b>
<b>20. Borrowing from Central bank</b>	<b>50020</b>	<b>Amounts owed to credit institutions</b>
<b>21. Interbank deposits</b>	<b>40442</b>	
<b>22. Non-bank deposits</b>	<b>333264</b>	<b>Deposits</b>
<b>23. Bonds</b>	<b>197602</b>	<b>Debts securities in issue</b>
<b>24. Other liabilities</b>	<b>324375</b>	
		<i>Amounts owed to credit institutions</i>
		<i>Securities owed to credit institutions</i>
		<i>Other debts evidenced by certificates</i>
		<i>Other liabilities</i>
		<i>Accruals and deferred income</i>
		<i>Provisions for liabilities and charges</i>
		<i>Subordinated liabilities</i>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>1013986</b>	

## IRELAND

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* refer to banks, building societies, and a state-owned bank. At the end of 2001, there were 55 banks licensed under Section 9 of the Central Bank Act, 1971. When banks with the same beneficial ownership are considered as one entity, the number of banks is reduced to 45. Of this 45, 31 are engaged exclusively in International Financial Services Centre (IFSC)<sup>20</sup> business. There were also three building societies and one state-owned bank. As the Irish banking system has developed, barriers between sectors have become less distinct for the above institutions (excluding IFSC), as they operate in much the same markets and are collectively regarded as credit institutions.

Most institutions have sought to defend their position by broadening their range of services and, to some degree, by foreign expansion. There has also been an expansion of activities including underwriting of life assurance, Undertakings for Collective Investment in Transferable Securities (UCITS), asset management, corporate banking, sophisticated treasury operations and technology driven processes, e.g., Automated Teller Machines (ATMs), debit cards, etc., 24-hour and home banking and stock broking.

In addition to credit institutions, the Bank also supervises other financial institutions including collective investment schemes, stockbrokers, money brokers, investment intermediaries, IFSC companies, the Irish Stock Exchange and futures exchanges.

### II. Geographical coverage and degree of consolidation

The data are based on:

- Branches and subsidiaries of Irish-authorised credit institutions;
- Branches of non-EEA credit institutions;
- Subsidiaries of international banks;
- Building societies;
- 1 state-owned credit institution ;
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The data are based on the consolidated accounts of the institutions concerned.

### III. Structure of the banking system

The Central Bank of Ireland is the supervisory authority for credit institutions deriving its powers from the Central Bank Acts, 1971, to 1989, the Building Societies Act, 1989, the Trustee

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<sup>20</sup>. IFSC was established in 1988.

Savings Bank Act, 1989, the Agricultural Credit Corporation (ACC)<sup>21</sup> Bank Act, 1992, and various provisions implementing European Union (EU) directives.

The Bank also supervises other non-bank financial institutions and its main powers to do so are derived from the Central Bank Act, 1989, Investment Intermediaries Act, 1995, Stock Exchange Act, 1995, Companies Act, 1990, EU directive on UCITS, 1989 (as amended), Unit Trusts Act, 1990, Investment Limited Partnerships Act, 1994, Investor Compensation Act, 1998, Insurance Act 2000 and various provisions implementing EU directives.

#### **IV. Summary description of activities of banks**

##### ***Payment intermediation***

Large-value payments and interbank settlements are effected using a Real-Time Gross Settlement (RTGS) System known as IRIS that is managed and operated by the Central Bank of Ireland in cooperation with the participating credit institutions. Three separately incorporated clearing companies that are owned by the main domestic banks carry out retail payment clearing functions. The use of electronic means of payment such as payment cards, ATM, telephone banking and internet banking continues to rise, while there has been some decline in the use of traditional banking methods such as cheques.

##### Deposit business

All domestic banks and building societies offer a full range of deposit accounts to customers.

IFSC banks are not involved in the small depositor market.

##### ***Lending business***

All domestic banks offer a wide range of credit activities. Building societies traditionally were only involved in the mortgage lending business but now compete with banks offering a full range of services. IFSC banks and the corporate lending divisions of the larger domestic groups are involved in international and syndicated lending to various corporates, sovereign and regional authorities.

##### Other activities include:

- Treasury business;
- Money market;
- Life insurance and pension broking;
- Funds management;
- Leasing;
- Venture capital;
- Credit cards.

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21. ACC is a state-owned Irish credit institution.

## **V. Sources**

The data are compiled by the Central Bank of Ireland based on the published annual accounts of the credit institutions concerned.

No reconciliation is included in respect of the Income Statement or the Balance Sheet since only published data have been used.

## ITALY

### 1. Institutional coverage

Up to 1989, the statistics published in *Bank Profitability – Financial Statements of Banks* relate to a sample of banks. Since 1990 data refer to the Italian Banking System. Former Special Credit Institutions (SCIs), previously lending only at long-term, are considered as banks according to the new Banking Code of 1993. Since 1995 SCIs submit the same reports as all other banks. The inclusion of the former SCIs for the previous periods did not introduce significant breaks in the series. In each year, the data include those banks which have produced complete records for the income statement.

#### *Definition of a credit institution*

The 1993 Banking Code has confirmed the traditional definition of banking business as the joint activity of raising funds from the public and granting credit (Art. 10). It likewise restricts this activity to banks.

As regards the fund raising from the public (Art. 11), the Code clarifies that companies other than banks are prohibited from engaging in this activity, even if it is conducted separately from the granting of credit. There are some limited exceptions.

#### *Universal banks*

The Banking Code states that banks' corporate business comprises not only typical banking operations but "all other financial activities", as well as "related and instrumental activities" (Art. 10). Hence, universal banks can operate free of maturity constraints and carry on all the financial operations that are not restricted by law. Prudential supervision regulates maturity transformation and sets limits to banks' industrial share-holding.

#### *Other types of credit institutions*

The Code requires banks to be chartered in the form of a company or co-operative limited by shares. Banks established as co-operatives may only take the form of co-operative bank (*banca popolare*) or mutual bank (*banca di credito cooperativo*) (Arts. 14 and 28). Operationally there is no difference between co-operative banks and banks in the form of a company limited by shares (Arts. 29-32). In contrast, for mutual banks (formerly rural and artisans' banks) specific local and mutual assistance assignments apply.

### II. Summary description of activities of banks

#### *Liabilities*

The types of deposits issued by Italian banks are:

- Interest yielding checking accounts.

- Passbook accounts, on which the client can freely draw without notice.
- Time deposits.

The last two categories are indicated with the usual definition of savings deposits. Certificate of Deposits (CDs) are retail market instruments. Banks may also issue bonds.

### *Assets*

According to the 1993 Banking Code, banks can offer directly all kinds of banking business listed in the Second European Banking Co-ordination Directive, provided that their Charter does not limit the scope of their activity.

## **III. Reconciliation of national data with the OECD presentation<sup>22</sup>**

### *Available information from profit and loss accounts*

The Bank of Italy collects data on profit and loss accounts of credit institutions. These data are collected quarterly (only for the major items up to net income), semi-annually and annually. Information is provided by banks on an individual basis. Foreign branches of Italian banks submit separate data on profit and losses. The banks' profit and loss accounts are currently published in the *Annual Report* of the Bank of Italy and in the "Supplement to Statistical Bulletin – Monetary Financial Institution: Banks and Money Market Funds".

### *Income statement*

*Interest income* includes interest income on deposits with the Bank of Italy – Italian Exchange Office (BI-UIC) and with the Treasury, on domestic lending to customers, repos, securities, interbank claims and external assets. In *Bank Profitability – Financial Statements of Banks*, the data for interest and dividend income on shares and participations is also included; in the *Annual Report* of the Bank of Italy they are included in non-interest income. Interests accruing on bad loans are excluded. Information on interest income on repos is included since 1993 while for the former SCIs, the information is available since 1994.

*Interest expenses* include interest paid on domestic deposits, bonds, repos, BI-UIC financing, interbank liabilities, external liabilities. Information on interest expenses on repos is available since 1993 and for the former SCIs since 1994. In the *Annual Report* net interest income comprises, since 1993, the balance of derivative hedging contracts, which is included in non-interest income in the OECD presentation.

*Non interest income* includes net earnings from trading (securities, foreign currencies, other assets), net earnings from services (such as payments services, safe custody of securities), net earnings from other financial operations (such as merchant banking activity), and other earnings. Net income on derivative contracts is included in this item since 1993; previously this information was not available.

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22. See also the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.

*Operating expenses* include total staff costs (salaries and other staff costs, including the extraordinary costs incurred in connection with early retirement incentive schemes), indirect taxation, expenses related to banking business, ordinary depreciation expenses.

*Net provisions* include charges for value adjustments in loans, in securities and in other assets, book gains from such adjustments, reserves against possible losses and net extraordinary income.

*Income tax* consists of income tax and, since 1994, the property tax.

### ***Balance sheet***

*Cash and balance with the Central bank* includes required reserves, free reserves, and collateral for banker's drafts.

*Securities* are stated at book value. They include government issued securities and other securities issued by residents denominated in euros and in other currencies.

*Interbank deposits* include the liquid balances on correspondent accounts.

*Non-bank deposits* refer to deposits in lire until 1998. As of 1999 the data also include deposits in euros and other euro area currencies.

*Loans* do not include those granted to residents by branches abroad.

*Other assets* include, *inter alia*, repo operations, bad loans at nominal value and assets vis-à-vis non residents.

*Capital and reserves* consist of share capital, fund for general banking risks, revaluation reserves and other equity reserves.

*Other liabilities* include, *inter alia*, repo operations and liabilities vis-à-vis non residents.

Interest-earning external assets and liabilities refer to aggregates that do not coincide exactly with those included in the foreign exchange statistics.

*Average total assets* are calculated as a weighted average of monthly data, with weights equal to 1 for December of the current and the previous year, and equal to 2 for the remaining months.

## **IV. Sources**

Bank of Italy.



**ITALY**  
**Income statement reconciliation**  
*All banks*  
**2001**

OECD presentation	Million E	National presentation
<b>1. Interest income</b>	100299	<b>Interest income on:</b>
	900	<i>Deposits with Bank of Italy – Italian Exchange Office (BI UIC) and Treasury</i>
	62197	<i>Domestic lending</i>
	9063	<i>Securities</i>
	8731	<i>Interbank claims</i>
	7893	<i>Claims on non-residents</i>
	11515	<i>Dividend income on shares and participations</i>
<b>2. Interest expenses</b>	51357	<b>Interest paid on:</b>
	14218	<i>Domestic deposits</i>
	14745	<i>Bonds <sup>1</sup></i>
	580	<i>BI UIC financing</i>
	8905	<i>Interbank liabilities</i>
	12909	<i>Liabilities to non-residents</i>
<b>3. Net interest income</b>	48942	<b>Net interest income</b>
<b>4. Non interest income</b>	20807	<b>Non interest income</b>
	2440	<i>Trading</i>
	12925	<i>Services</i>
	5442	<i>Other financial operations</i>
<b>5. Gross income</b>	69749	<b>Gross earning income</b>
<b>6. Operating expenses</b>	38534	<b>Operating costs</b>
	21147	<i>Staff costs</i>
	2340	<i>Indirect taxation</i>
	15047	<i>Other expenses</i>
<b>7. Net income</b>	31215	<b>Operating surplus</b>
<b>8. Provisions (net)</b>	12491	<b>Depreciation and provisions</b>
<i>a. Provisions on loans</i>	6977	
<i>b. Provisions on securities</i>	952	
<i>c. Other</i>	4562	
<b>9. Profit before tax</b>	18724	<b>Profit before tax</b>
<b>10. Income tax</b>	7429	
<b>11. Profit after tax</b>	11295	<b>Profit after tax</b>
<b>12. Distributed profits</b>	7428	
<b>13. Retained profits</b>	3867	<b>Retained profits</b>

1. The item includes subordinated liabilities.

**ITALY**  
**Balance Sheet reconciliation**  
*All banks*  
**2001**

OECD Presentation	Million Euros	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14 Cash and balance with Central bank</b>	27396	
	8108	<i>Cash and liquid assets</i>
	19288	<i>Compulsory reserves</i>
<b>15 Interbank deposits</b>	155225	<b>Interbank claims</b>
<b>16 Loans</b>	923053	
	892395	<i>Loans in domestic currency to residents</i>
	30658	<i>Loans in foreign currency to residents</i>
	445	<i>of which: Bankers' acceptances</i>
<b>17 Securities</b>	157694	
	12010	<i>Treasury bills</i>
	145684	<i>Long-term securities</i>
<b>18 Other assets</b>	692809	
	158770	<i>Claims on non-residents, including assets with respect to bank branches</i>
	69701	<i>Shares and participations</i>
	45252	<i>Bad debts and protested bills</i>
	419086	<i>Other assets</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19 Capital and reserves</b>	133626	
	50933	<i>Capital</i>
	18069	<i>Legal reserves</i>
	3879	<i>Asset revaluation reserves</i>
	60745	<i>General provisions</i>
<b>20 Borrowing from Central bank</b>	617	<b>Borrowing from Central bank</b>
<b>21 Interbank deposits</b>	148022	<b>Interbank deposits</b>
<b>22 Non-bank deposits</b>	535325	
	64142	<i>Saving deposits</i>
	37181	<i>CD's</i>
	434002	<i>Current account deposits</i>
<b>23 Bonds</b>	294643	<b>Bonds</b>
<b>24 Other liabilities</b>	843944	
	14824	<i>Foreign currency accounts of residents</i>
	76511	<i>Domestic currency accounts of residents</i>
	299686	<i>Liabilities to non-residents, including liabilities to bank branches</i>
	452923	<i>Other liabilities</i>
<b>Balance sheet total</b>		
<b>25 End-year total</b>	1956177	

## JAPAN

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* relate to those banks classified as "ordinary banks" (city banks, regional banks, regional banks II [former *sogo* banks]). The number of ordinary banks has increased from 76 (13 city banks and 63 regional banks) at end-March 1984 to 136 (9 city banks, 64 regional banks and 63 regional banks II) at end-March 1998 reflecting the conversion of *sogo* banks (designated to finance small businesses) to regional banks II in February 1989.

Ordinary banks engage in loans and securities investments as their main activities, their major source of funds being deposits from enterprises and individuals. These lending and deposit activities are also conducted by other financial institutions such as long-term credit banks, trust banks, and *shinkin* banks. These three institutions, however, are not classified as ordinary banks since they were established by special laws to provide a specific type of financing: long-term financing (long-term credit banks and trust banks) and extending finance to small businesses (*shinkin* banks).

City banks are large-scale banks with headquarters established in major cities and which have nation-wide networks. Regional banks and regional banks II mostly have their headquarters in regional cities and their operations concentrated in the respective prefectures.

### II. Geographical coverage and degree of consolidation

Coverage includes overseas branches of Japanese banks but exclude affiliates. Foreign banks are also excluded from the coverage.

### III. Structure of the banking system

Japanese financial institutions are segregated in many ways according to terms of activity and business purposes. Also, banking and securities activities are strictly separated under Article 65 of the Securities Exchange Law. However, recent financial innovation has rendered these regulatory barriers less distinct.

In June 1992, an act reforming the financial system was implemented permitting banks and securities houses to enter one another's sector through subsidiaries.

In October 1993, several types of financial institutions enter the trust business under the Financial System Reform Law. Those institutions establishing trust bank subsidiaries are Bank of Tokyo and the four biggest securities companies (Nomura, Nikko, Yamaichi, and Daiwa).

In October 1993, the guidelines on bank deposits were revised to approve the introduction of medium to long-term deposits and floating-rate deposits, enabling the introduction of four-year time deposits and floating-rate time deposits with maturity up to three years.

#### **IV. Summary description of activities of banks**

##### ***Deposit business and savings instruments***

Deposits accepted by ordinary banks are classified as follows: current deposits, ordinary deposits, time deposits, deposits at notice, deposits for tax payments, special deposits, and negotiable certificates of deposit (NCDs). Current and ordinary deposits are demand deposits to effect fund transfer payments. NCDs are a major source of short-term funding for city banks.

Since 1985, interest rates on deposits have been increasingly liberalised:

- Time deposits of 3 million yen or more have been completely deregulated since November 1991.
- Interest rates on small time deposits have been deregulated since June 1992.
- Interest rates on time deposits have been fully liberalised since June 1993.
- Interest rates on demand deposits excluding current deposits have been deregulated since October 1994.

##### ***Lending business***

Ordinary banks extend loans to business enterprises and individuals, as well as to municipal governments. Loans take the form of discounts on bills, loans on bills and deeds, and overdrafts.

##### ***Securities activities***

The securities activities of Japanese banks have been limited to such activities as over-the-counter sales of newly issued public bonds and public bonds in the secondary market.

##### ***Other***

###### ***Issuance of bank debentures***

Among city banks, only the Bank of Tokyo-Mitsubishi is authorised to issue debentures to supplement its fund-raising. Long-term credit banks, the Norinchukin Bank, and the Shokochukin Bank are also authorised to issue debentures.

###### ***Settlement systems***

Bills and checks are cleared by local clearing houses established by local bankers' associations, and other fund transfers are made through the domestic fund transfer system (the Zengin system), which processes a large number of remittances for almost all banks in Japan. Daily fund transfers among banks and other Bank of Japan reserve account holders (securities houses, money market brokers, etc.) are mostly settled via the Bank of Japan's electronic-based BOJ-NET settlement system.

## V. Reconciliation of national data with OECD presentation<sup>23</sup>

### *Income statement*

#### *Provisions*

Provision on loans (item 8.a) is the net value of transfers to/from reserves for possible loan losses. Provision on securities (item 8.b) is the net value of transfers to/from reserves for government securities price fluctuation, to/from reserves for possible losses on trading account securities transactions, to/from reserves for financial futures transaction liabilities, and to/from reserves for securities transaction liabilities.

Explanations of each item above:

- *Transfer to reserves for possible loan losses:* Banks earmark certain amounts for possible losses on loans and other related assets. This amount is the maximum allowed by Japanese tax regulations and is calculated according to outstanding loans at the end of the term under Bank Accounting Rules. This reserve account includes, among others, Asset Depreciation Special Account and Specified Overseas Asset Reserve Account.

#### *a) Asset Depreciation Special Account*

A reserve for the indirect depreciation of assets (the amount is entered as a liability while book value on the asset side remains the same).

#### *b) Specified Overseas Asset Reserve Account*

Established in March 1983 to set aside a certain amount for possible loan losses and the rescheduling of loans to developing countries.

- *Reserves for government securities price fluctuation:* Banks set aside reserves to cover possible losses as a result of a drop in the price of government bonds which are sensitive to economic conditions. The amounts are the maximum allowed by Japanese tax regulations and are transferred under Bank Accounting Rules at the end of the term. Only deposits can be made to this account; withdrawals are not permitted. When facing losses from depreciation, sales, or redemption, banks withdraw a fixed amount from the reserves at the end of the term according to Bank Accounting Rules.
- *Reserve for possible losses on trading account securities:* Banks are required to set aside reserves to maintain a sound financial condition if they engage in securities activities such as selling and dealing in public bonds. The amount is proportional to the gain on trading account securities transactions.
- *Reserve for financial futures transaction liabilities:* According to Article 82 of the Financial Futures Transaction Law, financial futures dealers must deposit reserves to

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23. See also the tables “Income Statement Reconciliation” and “Balance Sheet Reconciliation” that follow.

cover accidental trading losses. The amount is proportional to the amount of the transactions for the period.

- *Reserve for securities transaction liabilities:* In May 1989, banks were approved to engage in securities futures activities. The banks must deposit reserves to cover accidental losses.

## ***Balance sheet***

### *Capital and reserves*

This item includes only stockholders' equity, being the aggregate of common stock, new stock subscription, legal reserves and earned surplus as detailed hereafter:

- *Common stock:* Account for entering the total face value of issued shares.
- *New stock subscription:* Account for advance payments to new stock subscription. Advances are transferred to the Capital Account (any premium to the Capital Reserve Account) on the day of capital increase.
- *Legal reserves:* Account for entering any reserves according to the provisions of the law. Legal reserves consist of:

#### *a) Capital surplus*

Account for entering reserves stemming from sources other than earned profits, any premium on face value stock (amount in excess of face value), and profits from capital reduction and surpluses from mergers.

#### *b) Legal earned reserves*

Appropriated from profits earned during each business term. Under the law, more than 20 per cent of cash dividends must be accumulated up to 100 per cent of paid-up capital.

- *Earned Surplus:* Account for retained profits accruing from banking activities. The earned surplus consists of:

#### *a) Voluntary reserves*

Appropriated voluntarily from the surplus in accordance with the articles of incorporation or decision at a shareholders' meeting.

#### *b) Unappropriated profits at each end of term*

Account for entering the aggregate of unappropriated profit at the beginning of the term, transfer from voluntary reserves, interim dividends, and transfer to earned surplus reserves.

## **VI. Sources**

Organisation responsible for the collection and publication of financial data:

Federation of Bankers' Associations of Japan  
3-1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo

Title: *Analysis of financial statements of all banks*, published each August.

**JAPAN**  
**Income Statement Reconciliation**  
**Commercial banks**  
**1996**

OECD presentation	100 million ¥	National presentation
<b>1. Interest income</b>	<b>246651</b>	
	132340	<i>Interest on loans and discounts</i>
	33640	<i>Interest and dividends on securities</i>
	80671	<i>Other interest income</i>
	2200	Call loans
	8	Bills bought
	78463	Sundry interest income
<b>2. Interest expenses</b>	<b>148631</b>	
	67896	<i>Interest on deposits</i>
	1331	<i>Interest on debentures</i>
	-	<i>Amortization of discount on debentures</i>
	79404	<i>Other interest expenses</i>
	5699	NCD
	5335	Call money
	495	Bills sold
	6693	Borrowing and rediscount
	61182	Sundry interest expenses
<b>3. Net interest income</b>	<b>98020</b>	
<b>4. Non-interest income (net)</b>	<b>-6773</b>	
a. Fees and commissions receivable	15039	
b. Fees and commissions payable	5587	
c. Net profits or loss on financial operations	-16328	
	45615	Income
	1826	<i>Foreign exchange transaction gains</i>
	314	<i>Gains on trading account securities</i>
	12068	<i>Gains on sales of bonds</i>
	562	<i>Gains on redemption of bonds</i>
	28054	<i>Gains on sales of stocks and other</i>
	565	<i>Gains on money held in trust</i>
	2226	<i>Sundry income</i>
	61938	Expense
	59	<i>Foreign exchange transaction losses</i>
	4344	<i>Write-off of loans</i>
	38	<i>Losses trading account securities</i>
	6419	<i>Losses on sales of bonds</i>
	1610	<i>Losses on redemption of bonds</i>
	173	<i>Losses on revaluation of bonds</i>
	489	<i>Losses on sales of stocks and other securities</i>
	19694	<i>Losses of devaluation of stocks and other</i>
	350	<i>Losses on money held in trust</i>
	14	<i>Amortization of debentures expenses</i>
	28748	<i>Sundry expense</i>
d. Other	103	
	1285	Profits on disposal of property
	1100	Sundry extraordinary income
	2282	Sundry extraordinary losses



**JAPAN**  
**Income Statement Reconciliation**  
**Commercial banks**  
**1996**

OECD presentation	100 million ¥	National presentation
<b>5. Gross income</b>	<b>91247</b>	
<b>6. Operating expenses</b>	<b>69111</b>	
<i>a. Staff costs</i>	34418	<i>Personnel expenses</i>
<i>b. Property costs</i>	30986	
<i>c. Other</i>	3704	<i>Tax</i>
<b>7. Net income</b>	<b>22136</b>	
<b>8. Provisions (net)</b>	<b>20329</b>	
<i>a. Provisions on loans</i>	20148	<i>Transfer to reserve for possible loan losses</i>
<i>b. Provisions on securities</i>	181	
	226	Transfer to reserve for price fluctuation of government bonds
	31	Transfer to reserve for possible losses on trading account securities
	60	Transfer from reserve for price fluctuation of government bonds
	14	Transfer from reserve for possible losses on trading account securities transaction
	-	Transfer from reserve for securities transaction liabilities
<i>c. Other</i>	-	
	-	Transfer to reserve for financial futures transaction liabilities
	-	Transfer from reserve for financial futures transaction liabilities
<b>9.</b>	<b>1806</b>	
<b>10. Income tax</b>	<b>2310</b>	<b>Provision for income taxes</b>
<b>11. Profit after tax</b>	<b>-503</b>	
<b>12. Distributed profit</b>	<b>1695</b>	<b>Dividends</b>
<b>13. Retained profit</b>	<b>-2199</b>	

**JAPAN**  
**Balance Sheet Reconciliation**  
**Commercial banks**  
**1996**

OECD presentation	100 million ¥	National presentation
<b>Assets</b>		<b>Assets</b>
14 Cash and balance with Central bank <sup>1</sup>	..	
15 Interbank deposits	<b>432901</b>	Cash and due from banks
16 Loans	<b>4071724</b>	Loans and bills discounted
	158232	<i>Bills discounted</i>
	744534	<i>Loans on bills</i>
	2373913	<i>Loans on deeds</i>
	795045	<i>Overdrafts</i>
17 Securities	<b>970177</b>	
	11885	<i>Trading account securities</i>
	958292	<i>Investment securities</i>
	216079	Government bonds
	88889	Local government bonds
	173028	Corporate bonds
	331926	Stocks
	147439	Other securities
	931	Securities loaned
18 Other assets	<b>673466</b>	<b>Residual</b>
19 Capital & reserves	<b>238571</b>	
	67198	<i>Common stock</i>
	736	<i>New stock subscription</i>
	66455	<i>Legal reserves</i>
	104180	<i>Earned surplus</i>
20 Borrowing from Central bank	<b>3970</b>	
21 Interbank deposits <sup>2</sup>	..	
22	<b>4735852</b>	<b>Deposits and negotiable certificates of deposit</b>
	4442179	<i>Deposits</i>
	293673	<i>Negotiable certificates of deposit</i>
23 Bonds	<b>5728</b>	
24 Other liabilities	<b>1134146</b>	
Balance sheet total		
25. End-year total	<b>6118269</b>	

1. Included with Interbank deposits.
2. Included with Non-bank deposits.

## KOREA

### **I. Institutional coverage**

The statistics published in *Bank Profitability – Financial Statements of Banks* relate to commercial banks, which consist of nation-wide commercial banks and regional banks, and domestic branches of foreign commercial banks. These banks are established and operate according to the provisions of the General Banking Act of Korea.

### **II. Geographical coverage and degree of consolidation**

Data included in these statistics are not on a consolidated basis: the trust accounts of the banks as well as the activities and results of their subsidiaries in and outside Korea are excluded. However, the activities and results of overseas branches of the banks are included in these statistics and net income and net provisions on trust accounts are included in the income statement.

### **III. Structure of the banking system**

The banking system may be broadly classified into two categories based on their establishment:

Commercial banks established under the General Banking Act including nation-wide commercial banks, regional banks and domestic branches of foreign commercial banks

Specialised banks established under their own acts in order to increase capital mobilisation and to strengthen financial support for underdeveloped or strategically important sectors.

The legal authority to supervise commercial banks, including domestic branches of foreign commercial banks is given to the Financial Supervisory Commission (FSC) which was established 1 April 1998 as the supreme policy-making body for the supervision of financial institutions in Korea. Some specialised banks and non-bank financial institutions are subject to the supervision of the Department of Finance and Economy or the Board of Audit and Inspection.

### **IV. Summary description of activities of banks**

Commercial banks in Korea including domestic branches of foreign commercial banks may, as in most countries, engage in a wide range of business. Their core activities are the taking of deposits, the extension of loans and discounts, remittances, and collections. They also handle such business as guarantees and acceptances; own-account securities investment; negotiable certificates of deposits business; the mutual instalment deposits and mutual remuneration loans; foreign exchange transactions; factoring business; safe custody and such securities business as sales of commercial bills discounted by banks, cover bills issued on the basis of underlying primary bills accepted and held by banks and government, public and corporate bonds under repurchase agreements; the acceptances, discounts and sales of trade bills.

The legislative framework for their operations is provided by the General Banking Act and other pertinent legislation. Specific authorisation is required for each area of non-bank business in which they engage; for example, trust business, credit card business, and some aspects of securities business.

Specialised banks, which function as deposit money banks alongside commercial banks, conduct a similar range of business in addition to that related to their own area as authorised by their respective special acts.

**V. Reconciliation of national data with the OECD presentation<sup>24</sup>**

**VI. Sources**

Bank Financial Statistics, 1997.

Financial Supervisory Commission (FSC), 1998.

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24. See the tables “Income Statement Reconciliation” and “Balance Sheet Reconciliation” that follow.

**KOREA**  
**Income Statement Reconciliation**  
**Commercial banks**  
**1996**

OECD presentation	Billion W	National presentation
<b>1. Interest income</b>	<b>21755.8</b>	
	14455.2	<i>Interest income on loans</i>
	4389.7	<i>Income on securities</i>
	1264.7	<i>Income on foreign exchange</i>
	1646.2	<i>Others</i>
<b>2. Interest expenses</b>	<b>15696.3</b>	
	10758.4	<i>Interest expenses on deposits</i>
	2578.0	<i>Interest expenses on borrowings</i>
	19.2	<i>Expenses on securities</i>
	112.6	<i>Expenses on foreign exchange</i>
	2228.1	<i>Others</i>
<b>3. Net interest income</b>	<b>6059.5</b>	
<b>4. Non-interest income (net)</b>	<b>4358.7</b>	
<i>a. Fees and commissions receivable</i>	2281.0	
	321.1	Gain on sales of securities
	895.3	Gain on foreign exchange
	1064.6	Others
<i>b. Fees and commissions payable</i>	650.0	
	101.2	Loss on sales of securities
	452.1	Loss on foreign exchange transactions
	96.7	Others
<i>c. Net profits or loss on financial operations</i>	2569.1	
	1227.3	Net income on credit card business
	1341.8	Net income on trust business
<i>d. Other</i>	158.6	
<b>5. Gross income</b>	<b>10418.0</b>	
<b>6. Operating expenses</b>	<b>6982.0</b>	
<i>a. Staff costs</i>	4964.4	
<i>b. Property costs</i>	2017.6	
<i>c. Other</i>	-	
<b>7. Net income</b>	<b>3436.0</b>	
<b>8. Provisions (net)</b>	<b>2342.0</b>	
<i>a. Provisions on loans</i>	1547.7	
<i>b. Provisions on securities</i>	895.0	
<i>c. Other</i>	-100.7	
<b>9. Profit before tax</b>	<b>1094.1</b>	
<b>10. Income tax</b>	<b>247.2</b>	
<b>11. Profit after tax</b>	<b>846.9</b>	
<b>12. Distributed profit</b>	<b>367.1</b>	
<b>13. Retained profit</b>	<b>479.8</b>	

**KOREA**  
**Balance Sheet Reconciliation**  
**Commercial banks**  
**1996**

OECD presentation	Billion W	National presentation
<b>14. Cash and balance with Central</b>	<b>24179.6</b>	
	17602.5	
	6577.1	<i>Deposits with the Bank of Korea</i>
<b>15. Interbank deposits</b>	<b>15342.9</b>	
	5564.4	<i>Interbank deposits in won</i>
	9778.5	<i>Interbank deposits in foreign currency</i>
<b>16. Loans</b>	<b>163458.4</b>	
	116404.8	<i>Loans in won</i>
	47053.6	<i>Loans in foreign currency</i>
<b>17. Securities</b>	<b>52291.0</b>	
	41164.4	<i>Securities in won</i>
	11126.6	<i>Securities in foreign currency</i>
<b>18. Other assets</b>	<b>56888.6</b>	
<b>19. Capital and reserves</b>	<b>20106.0</b>	
	9192.8	<i>Paid in capital</i>
	10913.2	<i>Reserves</i>
<b>20. Borrowing from Central bank</b>	<b>5273.7</b>	
	5239.9	<i>Borrowing from the Bank of Korea in won</i>
	33.8	<i>Borrowing from the Bank of Korea in foreign currency</i>
<b>21. Interbank deposits</b>	<b>2747.1</b>	
	2120.3	<i>Interbank deposits</i>
	626.8	<i>Interbank CDs</i>
<b>22. Non-bank deposits</b>	<b>184124.5</b>	
	164172.9	<i>Non-bank deposits</i>
	19951.6	<i>Non-bank CDs</i>
<b>23. Bonds</b>	<b>8816.7</b>	
<b>24. Other liabilities</b>	<b>91092.5</b>	
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>312160.5</b>	

## LUXEMBOURG

### I. Institutional coverage

The statistics published in *Bank Profitability - Financial Statements of Banks* relate to credit institutions in Luxembourg. The right to establish and operate a credit institution is governed by the Act of 5 April 1993 on the financial sector, which distinguishes between:

- Luxembourg banks and credit institutions. This category also includes savings banks and credit unions set up as agricultural associations or as co-operatives;
- Branches of foreign credit institutions. This category makes a distinction between branches of European Union (EU) credit institutions and branches of non-EU credit institutions.

The aforementioned Act theoretically makes all of the establishments cited above subject to the same legal requirements. For this reason, the data published in the quarterly bulletin of the Central Bank of Luxembourg make no distinctions by category of bank. It should be noted, however, that the published figures do not include local rural savings banks.

### II. Geographical coverage and degree of consolidation

The data in *Bank Profitability – Financial Statements of Banks* are taken from the quarterly bulletin of the Central Bank of Luxembourg and cover all banks established or incorporated in Luxembourg, including branches of foreign banks. Foreign-based subsidiaries and branches of Luxembourg banks are included in the figures for the profit and loss account.

As of 31 December 2001, the financial sector comprised 189 credit institutions. The largest group, in terms of numbers, was made up by the 58 German institutions. There were also 24 Luxembourg and Belgian and 15 French institutions, including nearly all those active in the domestic market. The 21 Italian institutions were set up in Luxembourg more recently, with a certain growth between 1990 and 1999.. In contrast, the number of Scandinavian institutions has fallen to 10 (). At present, there are 9 US and 13 Swiss banks. Among the 39 other institutions are banks from Bermuda, Brazil, Greece, Hong Kong, Israel, Japan, Liechtenstein, Netherlands, the People's Republic of China, , Portugal, the Republic of Korea, Russia, United Kingdom, Iceland and Turkey. In this connection, it can also be noted that many banks in Luxembourg hold their capital in euro.

### III. Summary description of activities of banks

Inasmuch as all banks are subject to the same legal requirements, they are authorised to carry out all routine banking transactions. It is obvious, however, that not all banks are able to offer a full range of banking services. The focus here will be limited to an overview of bank activities and the distinguishing features of the Luxembourg financial sector.

The banks' primary activities are carried out in Euro markets, and most of their assets and commitments are denominated in this currency.. Nevertheless, some banks, and the Banque et Caisse d'Épargne de l'État (State Savings Bank) in particular, transact a portion of their business with the resident non-bank sector.

Geographically speaking, the assets and commitments of Luxembourg establishments are heavily concentrated in the western economies, and particularly in those of the OECD Member countries. The Member States of the European Economic Area are the main providers of funds to establishments in Luxembourg. Nearly 78 per cent of the deposits made in Luxembourg originate in these countries, versus only 48,1 per cent for Euro-markets in the aggregate. In contrast, Luxembourg establishments receive only 1.1 per cent of their deposits from the Middle East, whereas that region accounts for 3.4 per cent of aggregate Euro-currency deposits. The distribution of bank assets reflects the same orientation towards European countries, to which more than 78,5 per cent of the loans granted by Luxembourg establishments are directed.

The dimensions attained by the Luxembourg financial market attributed a certain independence, which is illustrated, *inter alia*, by the emergence in Luxembourg of an interbank market linking Euro-banks with traditional banks and enabling the latter to invest their surplus cash in international markets. In addition, recent years have seen a trend towards diversification of the activities of credit institutions in Luxembourg. Indeed, when the first symptoms of trouble on the Euro-market arose in the late 1970s, many banks came to realise that their activities were too concentrated on Euro-transactions. Thereafter, they refocused on banking activities having more to do with a private clientele. This shift was supported by a variety of legislative measures, especially in the areas of fiduciary operations, transactions involving precious metals and issuance of certificates of deposit.

These developments were reflected in the decline of the interbank market as a source of funds. This can be illustrated by the ratio of commitments to banks and to commitments to private clients, which dropped from 4.5 at the end of 1979 to 3.2 at year-end 1984, 1.2 by the end of 1996 and 1.4 on 31 December 2001.

All banks are authorised to conduct transactions in foreign currencies.

Lastly, it is important to grasp the monetary situation in Luxembourg in order to understand the activities of Luxembourg banks. Conditions have been regulated during many years by a protocol of monetary association between Belgium and Luxembourg. Under the terms of association, the Grand-Ducal Regulation of 31 March 1979 had stipulated the parity of exchange between the Belgian and Luxembourg currencies. It was the National Bank of Belgium that intervened in the foreign-exchange markets to maintain the value of the Belgian franc. There was no intervention in respect of the Luxembourg franc *per se*, and there was no separate trading of the Luxembourg franc on foreign-exchange markets : its external value was maintained indirectly by the action of the National Bank of Belgium insofar as its exchange rate vis-à-vis the Belgian franc was fixed.

It should be noted, however, that a Central Bank of Luxembourg was created by the Act of 22 April 1998. On 1 June 1998, the Luxembourg Monetary Institute (Institut Monétaire Luxembourgeois), creation of which dates back to 20 May 1983, was in effect replaced by the Central Bank of Luxembourg (Banque Centrale du Luxembourg). The setting up of a new institution was a necessary consequence of requirements laid down by the Maastricht Treaty, which entered into force on 1 November 1993. Articles 107 and 108 of the Treaty establishing the European Community, as amended, respectively emphasise the independence of each national central bank (NCB) vis-à-vis all political power, and the compatibility of each Member State's national legislation with this principle, to be achieved at the latest at the date of the establishment of the European System of Central Banks (ESCB), which was ultimately set up on 1 June 1998—coinciding with the creation of the Central Bank of Luxembourg.



The main objective of the Central Bank of Luxembourg is to maintain price stability and, without prejudice to that first objective, to support overall economic policy. It is responsible for issuing money in the form of banknotes and for introducing coins, which are issued by the Treasury, into circulation.

#### **IV. Reconciliation of the national data with the OECD presentation**

##### ***Income statement***

##### *Luxembourg practices in respect of provisions and depreciation*

The supervisory authority issues instructions on valuation adjustments and provisions for claims. These instructions are consistent with the general principles of accounting law.

- Valuation adjustments and provisions must satisfy the criteria of prudence, sincerity and good faith;
- They must be constituted systematically;
- They must take all foreseeable risks into account.

Pursuant to the aforementioned instructions, banks constitute depreciation allowances and make valuation adjustments by debiting their profit and loss accounts, and they cancel provisions by crediting those accounts.

Distinctions are made between three categories of provisions and valuation adjustments: contingency provisions, the fund for general banking risks, and valuation adjustments. Within these categories there may be further subdivisions.

##### Contingency provisions

This item includes contingency provisions to cover:

- Losses or debts that are of a clearly defined nature and, at the date the balance sheet is established, either probable or certain, but the amount or date of occurrence of which is indeterminate;
- Expenses accruing in the current year or a prior year that are of a clearly defined nature and, at the date the balance sheet is established, either probable or certain, but the amount or date of occurrence of which is indeterminate.

Credit institutions may maintain their provisions in the currency in which their accounts are denominated, or in the currency in which the corresponding contingencies are denominated. Adjustments to provisions on account of exchange rate fluctuations are charged to the relevant items of the profit and loss account.

It should also be noted that contingency provisions may not exceed needs.

### *Fund for general banking risks*

This heading includes sums that an institution sets aside to cover general banking risks when prudence dictates that allowance be made for special risks inherent in banking operations. Amounts credited to the fund may be included in Tier 1 capital.

### *Valuation adjustments*

The term Valuation adjustment relates to any adjustment intended to reflect the depreciation—permanent or not—of assets as of the date on which the balance sheet is established.

Valuation adjustments, with the exception of those within the meaning of Section 62 of the Act on the accounts of banks and standard provisions, are to be made and maintained in the same currency as the corresponding assets. While the adjustments are a component of the foreign-exchange position in that currency, the general rules for assessing foreign-currency transactions are applicable thereto. Changes to valuation adjustments as a result of exchange rate fluctuations are posted to the relevant items of the profit and loss account.

Valuation adjustments within the meaning of Section 62 of the Act on the accounts of banks and standard provisions are to be maintained in the same currency as share capital.

– Valuation adjustments within the meaning of Section 62 of the Act on the accounts of banks. This section includes valuation adjustments that a credit institution may apply to the following asset items if prudence vis-à-vis the special risks inherent in banking operations so require:

- a) Claims on credit institutions and on clients, as well as leasing arrangements. Note that the Central Bank of Luxembourg oversees the adequacy of valuation adjustments in respect of doubtful claims;
- b) Securities not constituting investments and not belonging to the commercial portfolio. A capital loss or depreciation of a security is booked as the excess of cost over market value. Any capital loss must give rise to a valuation adjustment to depreciate the securities portfolio by that same amount. Valuation adjustments are calculated separately for each distinct issue. This means that capital gains on some securities may not be used to offset capital losses on others. A valuation adjustment constituted earlier but no longer corresponding to a capital loss, because the market value of the issue in question has increased, may be maintained as long as the corresponding securities are kept in the bank's portfolio;

– Standard provisions: These are tax-deductible provisions set up by virtue of the Instructions from the Tax Director of 16 December 1997 concerning the tax treatment of standard provisions for non-recovery of the claims of credit institutions.

Such provisions are restricted to assets to which no specific or foreseeable risk can be assigned, and for which no special provision has been constituted.

– Other valuation adjustments: These include valuation adjustments for specific and clearly specified risks, and thus for reflecting the depreciation (permanent or not) of assets at the date accounts are closed. Depreciation allowances for fixed assets are also taken into account.

### ***Balance sheet***

For some banks, the financial year does not correspond to the calendar year. The method adopted to incorporate figures from these establishments into the statistics is to include, in respect of a given year, all establishments closing their accounts in the last three quarters of the year in question and the first quarter of the year thereafter. Thus, for example, 2001 figures encompass financial years ending on 30 June 2001, 30 September 2001, 31 December 2001 and 31 March 2002. In recent years a very limited number of banks have changed their closing dates by inserting a financial year that was either shorter or longer than 12 months. Similarly, some new banks have opted to begin their activities with an initial financial year shorter or longer than 12 months. The resulting effects to some extent cancel each other out and have no significant impact on statistical orders of magnitude.

The figures presented are based on banks' year-end balance sheets. It should be noted that this method differs from the one used to compile the operating accounts of credit institutions.

### ***Cash and cash equivalents***

This line includes:

- Coins and banknotes that are legal tender in their respective countries of issue.
- Coins and medals made of precious metals and kept on hand to satisfy clients' routine needs.
- Claims receivable on demand from the postal cheque office serving an area in which an establishment has an operating entity.
- Claims available on demand from central banks in countries in which an establishment has an operating entity.

### ***Capital and reserves***

In addition to capital, this line includes paid-in surplus and reserves.

### ***Average total assets/liabilities***

This is the average calculated over 12 months.

## **IV. Sources**

Central Bank of Luxembourg.

- *Quarterly bulletin.*
- *Annual report.*

## MEXICO

### **I. Institutional coverage**

The statistics published in *Bank Profitability – Financial Statements of Banks* cover 33 commercial banks, of which 15 are subsidiaries of foreign banks.

### **II. Geographical coverage and degree of consolidation**

The data cover transactions by banks in Mexico and by branches of Mexican banks abroad. For transactions abroad, the data are expressed in line with reporting criteria used in Mexico. The consolidated results of banks and their subsidiaries have not been included.

### **III. Summary description of activities of banks**

Lending business by commercial banks is subdivided by purpose as follows:

- Commercial credit, to support the industrial and commercial sector; the majority of such business is with enterprises.
- Housing loans, with mortgage guarantees, are for both individual home buyers and housing construction firms;
- Loans to individuals for durable consumer goods are granted to stimulate consumption;
- Intermediation business, with securities and derivatives, is also conducted.

Commercial banks provide electronic transfer services within Mexico and abroad, have branches in commercial centres with long opening hours, and have a network of Automated Teller Machines (ATMs) at which customers can carry out all kinds of transactions 24 hours a day throughout the year.

Commercial banks conduct deposit business with a wide range of terms and rates, both for individuals and for enterprises and other banks. These deposits are wholly guaranteed by the Bank Fund for the Protection of Savings (Instituto de Protección al Ahorro Bancario - IPAB), an agency of the Central bank.

**IV. Reconciliation of national data with the OECD presentation<sup>25</sup>**

**V. Sources**

National Banking and Securities Commission, from financial information reported quarterly by banks.

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25. See the tables “Income Statement Reconciliation” and “Balance Sheet Reconciliation” that follow.

**MEXICO**  
**Income Statement Reconciliation**  
**Commercial banks**  
**1996**

OECD presentation	Million pesos	National presentation
<b>1. Interest income</b>	<b>244677</b>	
	120137	<i>Interest on credit portfolio</i>
	3210	<i>Commission on credit portfolio</i>
	108269	<i>Interest on securities</i>
	13060	<i>Revenue from securities lending</i>
<b>2. Interest expenses</b>	<b>209147</b>	
	170815	<i>Interest payments</i>
	204	<i>Commission to intermediaries</i>
	38128	<i>Charges from securities lending</i>
<b>3. Net interest income</b>	<b>35530</b>	<b>Financial margin</b>
<b>4. Non-interest income (net)</b>	<b>28593</b>	
<i>a. Fees and commissions receivable</i>	6625	
<i>b. Fees and commissions payable</i>	1677	
<i>c. Net profits or loss on financial operations</i>	22542	
	2639	<i>Dealings in foreign exchange, gold and silver</i>
	1179	<i>Covering exchange risks</i>
	2804	<i>Other items</i>
	15024	<i>Other operating income</i>
	7762	
	7263	<i>Other income</i>
	5952	<i>Recoveries</i>
	5057	<i>less:</i>
	1103	<i>Other expenses</i>
<i>d. Other</i>	5838	<i>Non-operating income</i>
	241	<i>Dividends</i>
	143	<i>UDIS<sup>1</sup></i>
	177	<i>less:</i>
	4941	<i>Penalties</i>
	4941	<i>Failures</i>
<b>5. Gross income</b>	<b>64123</b>	
<b>6. Operating expenses</b>	<b>40828</b>	
<i>a. Staff costs</i>	15953	<i>Staff costs</i>
<i>b. Property costs</i>	22594	<i>Administration</i>
<i>c. Other operating expenses</i>	2280	<i>Depreciation and amortisation</i>
<b>7. Net income</b>	<b>23295</b>	
<b>8. Provisions (net)</b>	<b>29998</b>	
<i>a. Provisions on loans</i>	29998	<i>Provision for credit portfolio</i>
<i>b. Provisions on securities</i>	-	
<i>c. Others</i>	-	
<b>9. Profit before tax</b>	<b>-6703</b>	<b>Profit before ISR<sup>2</sup> and PTU<sup>3</sup></b>
<b>10. Income tax</b>	<b>614</b>	<b>ISR<sup>2</sup></b>
<b>11. Profit after tax</b>	<b>-7318</b>	
<b>12. Distributed profit</b>	<b>180</b>	<b>PTU<sup>3</sup></b>
<b>13. Retained profit</b>	<b>-7498</b>	

1. Unidades de inversión (UDIS trust outturn).

2. ISR - Impuesto sobre la renta (income tax).

3. Participación de los trabajadores en las utilidades (employee profitsharing).

**MEXICO**  
**Balance Sheet Reconciliation**  
**Commercial banks**  
**1996**

OECD presentation	Million pesos	National presentation
<b>Assets</b>		<b>Assets</b>
14. Cash and balance with Central bank	16186	<b>Cash</b>
15. Interbank deposits	24169	<b>Cash</b>
16. Loans	699242	
	651739	<i>Current credit portfolio</i>
	47503	<i>Matured credit portfolio</i>
17. Securities	245179	
	226253	<i>Current security portfolio</i>
	18927	<i>Institutional security portfolio</i>
18. Other assets	190945	
	67121	<i>Debtors (securities lending)</i>
	10895	<i>Sundry debtors</i>
	5386	<i>Assigned property (net)</i>
	12734	<i>Fixed assets</i>
	62378	<i>Futures receivable</i>
	218	<i>Exchange cover receivable</i>
	13559	<i>Other assets</i>
	18655	<i>Deferred expenses</i>
<b>Liabilities</b>		<b>Liabilities</b>
19. Capital & reserves	70743	<b>Book capital</b>
	33111	<i>Paid up capital</i>
	20684	<i>Capital reserves</i>
	-969	<i>Profits from previous years</i>
	24779	<i>Surplus (asset revaluation)</i>
	-7498	<i>Results for the year</i>
	553	<i>Undistributed profits or uncharged losses of subsidiaries (net)</i>
	85	<i>Unrealised profit or loss on valuation of futures</i>
	-2	<i>Unrealised profit or loss on valuation of interest-rate futures</i>
20. Borrowing from Central bank	19831	<b>Loans from government agencies</b>
21. Interbank deposits	122260	
22. Non-bank deposits	793182	
	643615	<i>Direct deposits</i>
	149566	<i>Creditors (securities lending)</i>
23. Bonds	..	
24. Other liabilities	169705	
	50524	<i>Other sight and term liabilities</i>
	53811	<i>Provision for credit risks</i>
	62442	<i>Futures deliverable</i>
	379	<i>Exchange cover deliverable</i>
	863	<i>Securities deliverable (securities lending)</i>
	41	<i>Other liabilities</i>
	1645	<i>Deferred credits</i>
<b>Balance sheet total</b>		
25. End-year total	1175722	

## NETHERLANDS

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* cover, as from 1989, universal banks, banks organised on a co-operative basis, savings banks, mortgage banks, other capital market institutions and security credit institutions. These institutions constitute the most important sectors of the Dutch banking system. As a result of the process of despecialisation, the Netherlands Bank (the Bank), - the central bank and banking supervisory authority - no longer distinguishes between these groups for statistical purposes. Before 1989 the data include only universal banks and banks organised on a co-operative basis.

Since January 1979, the size and structure of the banking system are largely determined by the subsequent acts on banking supervision. The Act on the Supervision of the Credit System 1978 confined the banking system to the so-called credit institutions and capital market institutions. These institutions are those defined as legal entities, partnerships, limited partnerships and individuals whose business is to obtain funds, withdrawable at less than two years' notice (credit institutions) or at two years' notice or more (capital market institutions). They also grant credits and make investments on their own account. The current Act on the Supervision of the Credit System 1992 (the Act), which implemented the Second European Union (EU) Banking Directive, took effect on 1 January 1993. Under the Act, capital market institutions no longer form a separate category.

An enterprise or institution is permitted to conduct banking business only after it has been granted a license from the Bank. An institution which has obtained a license is then recorded in a Register (the Register) maintained by the Bank, as stipulated in the Act on the Supervision of the Credit System, 1992. It is explicitly stated that enterprises and institutions which have not been registered may not use the word "bank" and are not allowed to approach the public or to act as intermediary in any way for the purpose of commercially soliciting deposits. Exemptions or dispensations from some of the relevant sections, which are incorporated in the Act or granted by the Minister of Finance, having consulted the Bank, are limited and only relate to enterprises or institutions with a special character.

### II. Geographical coverage and degree of consolidation

The data include all banks operating within the country, *i.e.* domestic banks, as well as branches and subsidiaries of foreign banks. Exception to this is the memorandum items on capital adequacy, for which the data for branches from EU credit institutions are excluded.

If a credit institution has a majority participation in a financial institution which is also a subsidiary and a group company, the assets and liabilities and the results of the participation are included for 100 per cent in the consolidated balance sheet and the consolidated profit and loss account, respectively. Any interest of third parties must then be shown separately.

Participations in non-financial institutions must be treated as set out above, unless their business activities differ so markedly from the group's other activities that consolidation would not contribute to the insight into the financial statements. The financial statistics of joint ventures must, where financial institutions are concerned, be included proportionally in the credit institution's consolidated annual accounts, to the extent that this is conducive to the insight into the financial statements.



### **III. Summary description of activities of banks**

The activities of banks in the Netherlands can be classified broadly into three groups.

#### ***On-balance sheet activities***

One salient feature of the banking business, mentioned in the definition of a credit institution in the Act, is to grant credits and to make investments on the bank's own account.

The granting of credits consists of all kinds of lending facilities, i.e. lending with a national and an international character for short (including current account and overdraft credits as well as bill and acceptance finance), medium and long periods to all possible debtors: governments, banks, the non-bank business sector and the households sector. It concerns lending with guarantees or lending covered by marketable securities or real estate (mortgage lending) as well as lending without guarantee or cover. Investing relates to all sorts of financial assets such as cash, call money, treasury paper, certificates of deposit, securities, bills, promissory notes as well as investments in financial and non-financial participations, real estate, equipment and precious metals. It should be noted that all these activities are subject to the prudential supervision of the banking system.

According to the definition of a credit institution in the Act, the second salient feature of a credit institution is to obtain funds. Besides long-term financing, which consists of share capital, subordinated loans, notes, bonds and other loans with an original term of at least two years, most funds have been obtained from banks and the non-bank private sector (both business and households) in the form of deposits and cash balances, or borrowed in the money market. The deposit business includes temporary investment of money of business clients that is not immediately required for production purposes in the business sector of the economy as well as savings mostly from the households sector. The accounts consist of private checking accounts (transfer accounts and salary accounts) and savings accounts, notice savings accounts and fixed-term savings accounts. In addition, marketable savings instruments have been issued in the form of savings certificates and notes (security-like documents of value). In the money market, the most important participants are the Bank and the credit institutions.

#### ***Off-balance sheet activities***

Besides lending and deposit business, banks provide a wide range of services which are not reflected in their balance sheets. These services concern lending-related business (documentary credits, several kinds of commitments, guarantees, etc.) as well as other business (interest rate and foreign exchange transactions, derivative transactions, securities services, trustee activities, brokerage activities for certain types of insurance and for travel and holiday arrangements, etc).

#### ***Intermediation in the payment system***

The banks in the Netherlands offer facilities for national and international payments. By means of a giro-transfer system, each account holder can transfer money from his account to another account with the same bank or another credit institution by completing a pre-printed transfer form or by using issued payment orders or cards for automatic funds transfer. As a result of these developments, payments in the Netherlands take place largely through a transfer system.

#### **IV. Reconciliation of the national data with the OECD presentation<sup>26</sup>**

##### ***Income statement***

As from the 1997 edition of *Bank Profitability – Financial Statements of Banks*, income statement data have been taken from and are represented according to Table 7.2 of the Statistical Bulletin of the Bank (prior to 1999 Table 1.3 in the *Annual Report*), unless specified otherwise.

##### ***Interest income, interest expenses and net interest income***

Interest income relates to interest income on loans and bonds, the investment portfolio and the result of interest rate arbitrage (interest plus or minus forward premium or discount in respect of swaps, mismatching forward transactions or other cover operations). Interest expenses relate to interest in respect of (subordinated) loans, money borrowed and deposit liabilities.

##### ***Non-interest income***

Non-interest income comprises Commission, , Results on financial transactions, Other income, Extraordinary income and expenses and Income from securities and participating interests.

##### ***Commission***

These items comprise income in the form of fees received or receivable in the instance of services performed for third parties and charges in the form of fees paid or to be paid on account of services rendered by third parties, to the extent that such income and charges do not constitute interest (such as lending commission calculated on the basis of the maturity or amount of the debt).

##### ***Results on financial transactions***

This item comprises the following income and charges:

- All price and valuation differences in respect of shares and other variable-yield securities as well as debt securities including fixed-income securities not held as financial fixed assets.
- All exchange rate differences in respect of the holding of assets, liabilities and forward contracts and the results of the related hedging transactions, in currencies other than that in which the annual accounts are drawn up. Excluded are exchange rate differences in respect of capital invested in foreign establishments and the related hedging transactions. These exchange rate differences and the results of the related hedging transactions are to be debited or credited, whichever is appropriate, to a separate reserve for exchange rate differences.
- All price and valuation differences in respect of trading in other financial instruments.
- Results of trading in precious metals.

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26. See also the tables “Income Statement Reconciliation” and “Balance Sheet Reconciliation” that follow.

### *Other income*

This item comprises income not classifiable elsewhere and not constituting extraordinary income.

### *Extraordinary income and expenses*

Relates to income and expenditure not ensuing from normal banking operations.

### *Income from securities and participating interests*

This item comprises income from shares and other variable-yield securities, income from group companies, income from participating interests and profit/loss on sale of participating interests not classified as extraordinary income or extraordinary charges.

### *Staff costs*

This item comprises staff costs, such as salaries, social security costs and costs in respect of pensions, as well as other administrative expenses.

### *Operating expenses, other*

This item comprises all charges not classifiable elsewhere and not constituting extraordinary charges.

### *Provisions (net)*

This item comprises Value adjustments to receivables, Value adjustments to financial fixed assets and Transfers to and from the Fund for general banking risks.

### *Value adjustments to receivables*

This item comprises all value adjustments in respect of loans and advances to credit institutions and to customers, as well as value adjustments in respect of provisioning for some off-balance-sheet items. (Up to and including 1992, this item comprises “Value adjustments to financial fixed assets” and “Transfer to provision for loan losses and/or country risk”).

### *Value adjustments to financial fixed assets*

This item comprises all value adjustments in respect of Debt securities including fixed-income securities and Shares and other variable-yield securities (held as financial fixed assets), of Participating interests in group companies and Other participating interests, to the extent that the value adjustments are not charged to the revaluation reserve.

### *Transfers to and from the Fund for general banking risks*

This item comprises the balance of transfers to and from the Fund for general banking risks to the extent that such transfers are required by prudential policy in view of the general risks inherent in banking.

### *Income tax*

This item comprises the tax liability on the pre-tax profit or loss on ordinary activities.

### ***Balance sheet***

Balance sheet data have been derived from Table 7.1 of the Statistical Bulletin of the Bank (balance sheets of registered credit institutions, micro-economic classification ) or internal calculations by the Bank.

### *Borrowing from Central bank and Interbank deposits*

While Borrowing from Central bank (item 20) data have been derived from Table 1 of the *Annual Report* of the bank, Interbank deposits are derived from Table 7.1. As opposed to the national framework in Table 7.1, Interbank deposits (item 21) excludes Borrowing from Central bank which is recorded separately under item 20.

### *Capital adequacy*

Data on items 32 up to and including 36 pertain to the institutions which have been registered in sections I and II of the Register, *i.e.* capital adequacy data on branches of credit institutions established in European Union (EU) countries (section III) are not included. Data have been derived from internal calculations by the Bank.

### *Risk-weighted assets*

As of 1996, capital requirements have been imposed for market risks under the EU Capital Adequacy Directive. The figure for Risk-weighted assets is therefore calculated as the total of credit risk and market risk capital requirement, multiplied by 12.5, in order to obtain the correct capital adequacy ratio for the banks concerned as published by the Bank.

### *Number of institutions and Number of branches*

Number of institutions (item 37) includes branches of foreign banks and has been derived from the Register (Sections I, II and III); as from 1999 the number of independently reporting institutions only are presented. Number of branches (item 38) reflects the total number of bank offices in the sense of selling points.

## **V. Notes on the national reporting framework.**

As from 1993, the model for the profit and loss account has been adjusted to reflect the requirements of banks' annual accounts legislation as referred to in section 415 of Volume 2 of the Civil Code. The new model applies to the financial years commencing on or after 1 January 1993. Data for years prior to 1993 have been restated in conformity with the structure of the new model. When interpreting the statistics, allowance should be made for the fact that the differences between the 1992 and 1993 data reflect not only the movements in the various variables but also the changes in the system.

With regard to the national reporting framework for balance sheet data, the following can be observed:

For the valuation of assets and liabilities detailed recommendations have been given. The most important elements can be summarised as follows:

- Claims, certificates of deposits, commercial paper and Euronotes, to be valued at face value less any write-downs which are considered necessary.
- Bonds included in the investment portfolio to be valued at redemption value less any write-down reflecting a permanent decline in value.
- Bonds included in the dealing portfolio, shares, options and premiums to be valued at the last known quotation at balance sheet date less any write-down reflecting reduced marketability.
- Bank premises and premises let by way of long-term investment to be valued at current value (replacement value and possible selling price respectively).
- Premises and ships obtained from public sale, buildings under construction and development projects to be valued at cost.

Compensation of debit and credit balances is not allowed in principle, except in the cases listed below. Compensation of balances is compulsory for current account balances and for balances at a fixed equal term, provided that:

- The accounts belong to the same holder or group.
- The accounts belong to different holders. Compensation of balances in this case is allowed if one of the following arrangements has been made:
  - a) The credit balance is formally pledged to the bank as security for the debit balance.
  - b) The debit balance is for account and risk of the creditor, or the creditor is guarantee for the debtor, or the creditor and the debtor are jointly and severally liable for the debit balance; while at the same time the credit balance is formally pledged to the bank as security for the creditor's liability. In cases where the relationship between the bank and the creditor is subject to General Conditions and these already provide for such a pledge, no separate pledge agreement need be concluded.
  - c) The bank is empowered to obtain full discharge vis-à-vis the creditor at any time by assigning its claim on the debtor to the creditor.

## **VI. Sources**

The Netherlands Bank.

The statement below is for your convenience presented in NLG in line with data reported to the OECD.

**NETHERLANDS**  
**Income Statement Reconciliation**  
*All banks*  
**2001**

OECD presentation	Million Eur	National presentation <sup>1</sup>
<b>1. Interest income</b>	<b>99561</b>	<b>Interest income [1.1.1]</b>
<b>2.</b>	<b>74660</b>	<b>Interest expense [1.1.2]</b>
<b>3. Net interest income</b>	<b>24901</b>	
<b>4. Non-interest income (net)</b>	<b>20766</b>	
<i>a-b. Fees and commissions (net)</i>	11456	Commission [1.3]
<i>c. Net profits or loss on financial operations</i>	3478	<i>Results on financial transactions [1.4.1]</i>
<i>d. Other</i>	5832	
	3107	
	876	Extraordinary income and expenses [6]
	1849	Income from securities and participating interests [1.2]
<b>5. Gross income</b>	<b>45667</b>	
<b>6. Operating expenses</b>	<b>31785</b>	
<i>a. Staff costs</i>	18415	<i>Staff costs [2.1.1]</i>
<i>b. Property costs</i>	2016	<i>Depreciation [2.1.3]</i>
<i>c. Other</i>	11354	
	11334	Other administrative expenses [2.1.2]
	20	Other operating expenses [2.1.4]
<b>7. Net income</b>	<b>13882</b>	
<b>8. Provisions (net)</b>	<b>3552</b>	
<i>a. Provisions on loans</i>	3220	<i>Value adjustments to receivables [2.2]</i>
<i>b. Provisions on securities</i>	96	<i>Value adjustments to financial fixed assets [2.3]</i>
<i>c. Other</i>	236	<i>Transfer to/from fund for general banking risks [2.4]</i>
<b>9. Profit before tax</b>	<b>10330</b>	
<b>10. Income tax</b>	<b>2302</b>	<b>Taxation on operating result [4]</b>
<b>11. Profit after tax</b>	<b>8028</b>	
<b>12. Distributed profit</b>	..	
<b>13. Retained profit</b>	..	

1. The numbers in square brackets correspond to the item numbers of Table 7.2 in the Statistical Bulletin of the Netherlands Bank (also downloadable from [www.dnb.nl](http://www.dnb.nl), Statistics).

**NETHERLANDS**  
**Balance Sheet Reconciliation**  
*All banks (consolidated balance sheet)*  
**2001**

OECD presentation	Million Eur	National presentation <sup>1</sup>
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>33359</b>	<b>Cash [1]</b>
<b>15. Interbank deposits</b>	<b>201317</b>	<b>Banks [3]</b>
<b>16. Loans</b>	<b>1033476</b>	<b>Loans and advances [4]</b>
<b>17. Securities</b>	<b>408480</b>	
	23994	<i>Short-dated government paper [2]</i>
	327506	<i>Interest-bearing securities [5]</i>
	51907	<i>Shares [6]</i>
	5073	<i>Participating interests [7]</i>
<b>18. Other assets</b>	<b>85280</b>	
	128	<i>Intangible assets [8]</i>
	18408	<i>Property and equipment [9]:</i>
	42814	<i>Prepayments and accrued income [12]</i>
	23930	<i>Other assets [10]</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>67732</b>	
	5287	<i>Share capital [22]</i>
	52757	<i>Reserves</i>
	15305	<i>Share premium reserve [23.1]</i>
	1587	<i>Revaluation reserve [23.2]</i>
	1686	<i>Reserves prescribed by law and articles of association [23.3]</i>
	34179	<i>Other reserves [23.4]</i>
	67	<i>Undistributed profit [24]</i>
	9621	<i>Third-party interests [25]</i>
<b>20. Borrowing from Central bank</b>	<b>3394</b>	<b>Lending to euro area credit institutions [5*]</b>
<b>21. Interbank deposits</b>	<b>377822</b>	
	381216	<i>Banks [14]</i>
	-3394	<i>less: Borrowing from Central bank [5*]</i>

**NETHERLANDS**  
**Balance Sheet Reconciliation**  
**All banks (consolidated balance sheet)**  
**2001**

OECD presentation	Million Euros	National presentation <sup>1</sup>
<b>22. Non-bank deposits</b>	<b>817263</b>	<b>Funds entrusted</b>
	257416	<i>Savings accounts [15.1]</i>
	559847	<i>Other funds entrusted [15.2]</i>
<b>23. Bonds</b>	<b>305392</b>	<b>Debt securities [16]</b>
<b>24. Other liabilities</b>	<b>190310</b>	
	81206	<i>Other liabilities [17]</i>
	40339	<i>Accruals and deferred income [18]</i>
	31422	<i>Provisions [19]</i>
	5323	<i>Fund for general banking risks [20]</i>
	32020	
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>1761912</b>	
<b>Memorandum items</b>		<b>Memorandum items</b>
27. <i>Short-term securities (assets)</i>	23994	<i>Short-dated government paper[2]</i>
28. <i>Bonds (assets)</i>	327506	
29. <i>Shares and participations (assets)</i>	56980	:
	51907	Shares [6]
	5073	Participating interests [7]
30. <i>Claims on non-residents</i>	..	
31. <i>Liabilities to non-residents</i>	..	

1. The numbers in square brackets correspond to the item numbers of Table 7.1 in the Statistical Bulletin of the Netherlands Bank. The number with an asterisk corresponds to an item number in Table 1 of the Annual Report (also downloadable from [www.dnb.nl](http://www.dnb.nl), Statistics)



## NEW ZEALAND

### **I. Institutional coverage**

The statistics published in *Bank Profitability – Financial Statements of Banks* cover the New Zealand banks registered under the Reserve Bank of New Zealand Act 1989.

### **II. Geographical coverage and degree of consolidation**

These statistics include subsidiaries and branches of overseas banks. As at 31 December 1996 there were nine branches, seven locally incorporated but overseas-owned banks, and one New Zealand owned bank.

### **III. Structure of the banking system**

From the beginning of 1996 the Reserve Bank introduced a public disclosure regime whereby all banks are required to publish financial and other information on a quarterly basis. These public documents have replaced private returns to the Reserve Bank. While the disclosure framework is specified by the Reserve Bank, much of the accounting information is based on New Zealand's generally accepted accounting standards. The detail of the accounting information is therefore much less prescriptive than in the past.

### **IV. Summary description of activities of banks**

For banking supervision purposes the Reserve Bank stores information relating to registered banks only. New Zealand does not license the function of deposit taking. The only legal benefit from registration is the ability to use the word "bank" in a business name. Thus other non-bank institutions can take deposits and carry on other banking business without supervision from the Reserve Bank.

### **V. Reconciliation of national data with the OECD presentation**

#### ***Income statement***

Income statement amounts are (based on 12-month running totals) for the twelve months ending 31 December. A 12-month running total is achieved by adding the income items for the period to December for the current year to the income items at the last balance date and then deducting income items for the period to December of the previous year.

In New Zealand there are two income statement items (abnormal and extraordinary items) which are used to report items that do not normally occur or are large enough to require separate disclosures. These items are included in non-interest income when they generate income and in operating expenses when they are a cost. When an extraordinary item applies to provisioning, the amount concerned is added to provisions.

*Interest income* includes all interest and discount income and dividends received but does not include fee income related to lending operations.

*Interest expenses* include all interest and discount expenses (including interest on subordinated debt) but do not include fee expenses related to borrowing operations.

*Non-interest income (net)* includes: abnormal and or extraordinary items (net) that result in an increase in a bank's profit, income/losses from associates and minority interest, fee income related to lending operations (fee income is not regarded as interest income in New Zealand), and losses and gains on trading activities. Fees and commissions payable are excluded.

*Operating expenses* include fees and commissions payable, fee expenses related to borrowing operations, abnormal and extraordinary items (net) that result in a decrease in a bank's profit (except where they were known to relate to loan losses), staff and property costs.

*Provisions (net)*: charges against profits for loan losses and provisioning for future possible loan losses less any recoveries of previous charges. From 1994 to 1996 the value of recoveries exceeded the value of new provisions, resulting in increased profits.

*Distributed profit*: dividend payments or profit repatriations by branches to their head offices.

### ***Balance sheet***

All balance sheet figures are as at 31 December for each year.

### ***Assets***

*Cash and balance with Central bank*: Cash and current account balance with Central bank.

*Interbank deposits*: All funds with other banks including subordinated debt and securities.

*Loans*: All other financial assets not included elsewhere net of provisions.

*Securities*: Securities issued by and deposits placed with Central Government, local authorities, the Central bank plus any other financial securities except those related to banks.

*Other assets*: Assets not included elsewhere.

### ***Liabilities***

*Capital and reserves*: Equity of non branches plus difference between assets and liabilities of branches.

*Borrowings from Central bank*: (included under Non-bank deposits)

*Interbank deposits*: (included under Non-bank deposits)

*Non-bank deposits*: A breakdown of borrowings is not available. This item represents total borrowings and will include: interbank deposits, bonds, and borrowings from Central bank as well as non bank deposits.

*Bonds:* (included under Non-bank deposits)

*Other liabilities:* Liabilities not included elsewhere.

### ***Balance-sheet total***

*End of year total:* Total assets (sum of Cash and balance with Central bank, Interbank deposits, Loans, Securities, and Other assets).

*Average total:* Average assets is calculated as the average of the beginning of year and end of year assets adjusted for any take-overs or mergers during the year. From 1996 the average is calculated using the quarterly total asset figures reported in registered banks' General Disclosure Statements.

### ***Memorandum items***

*Shares and participations:* Shares in New Zealand companies sourced from the Reserve Bank's Economic Department's M3 survey.

*Claims on non-residents:* Sum of NZ dollar claims and foreign dollar claims on non residents from the M3 survey.

*Liabilities to non-residents:* Sum of NZ dollar funding and foreign dollar funding from non residents from the M3 survey.

### ***Capital adequacy***

*Tier 1 capital:* For banks incorporated in New Zealand (non-branches).

*Total net capital resources:* For banks incorporated in New Zealand (non-branches).

*Risk-weighted assets:* Sum of both on and off balance sheet exposures for banks incorporated in New Zealand (non-branches).

### ***Supplementary information***

*Number of institutions (covered by the data):* The number of banks registered on 31 December of the year. Much of the movement in bank numbers between 1990 and 1996 has been due to mergers and acquisitions.

## **VI. Sources**

Reserve Bank of New Zealand.

From 1990 to 1995, the main source of the data is a supervision database recording income statements, balance sheets, arrears data and capital adequacy for registered banks collected by way of a formal return either quarterly or semi-annually. Whenever possible, this source was used rather than the annual accounts of the individual banks. After 1996, data has been collected from registered banks publicly available General Disclosure Statements. As a result of this change, some of the data prior to 1996 data may not be totally comparable with information in the following years.

## NORWAY

### 1. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* refer exclusively to commercial banks (including the Postal savings bank – Postbanken - from 1994) and savings banks. At the end of 2001, there were 22 commercial banks and 129 savings banks in Norway. They accounted for approximately 70 per cent of aggregate outstanding loans to the private sector and municipalities. Several other institutions, apart from commercial banks and savings banks, play an important role in the Norwegian monetary and credit system<sup>27</sup>.

The State lending institution (also called State banks) system is well developed. There were three state lending institutions at the end of 2001. These banks are primarily meant to ensure a reasonable credit supply to specific sectors of the economy, according to social, industrial or regional criteria. The state lending institution system has largely been built up since the Second World War, particularly in connection with counter-cyclical policy in the latter half of the 1970s, when it was provided with substantial funds. Since 1992 the state lending institutions' share of total credit supply has declined from approximately 22 per cent of outstanding loans to the private sector and municipalities to 12 per cent. Credit extended by the state lending institutions is mainly to households in the form of housing loans and loans for education, but loans are also granted to municipalities and enterprises. The state lending institutions primarily acquire lendable funds on the bond market, either through direct bond issues or through government issues.

Private finance companies render financial services in the same way as the banks in the form of loans against promissory notes and mortgages. On the whole, they offer complementary services such as leasing, factoring and instalment credits. Finance companies are, to a large extent, owned by foreign and domestic credit institutions or insurance companies. They obtain funds primarily by borrowing on the money market, partly in competition with commercial banks and savings banks, or from the parent company.

The bond market, including mortgage companies, also represents an important segment of the Norwegian monetary and credit system. It is an essential source of credit for industrial and housing construction, shipbuilding and export credits.

Insurance companies, pension funds etc. are likewise important domestic sources of credit. They obtain funds in the form of premium payments and deposits to pension schemes. These funds are mainly used for the purchase of bearer bonds and for loans to individuals or to institutions that have insurance policies or pension agreements with the companies.

In the 1980s, an increasing proportion of the domestic credit supply was intermediated outside the regular credit system, due to strict regulation of the financial institutions. These regulations caused increasing problems in credit market supervision and policy. From 1985 the credit supply regulations were gradually abolished, and most of the credit supply was again intermediated inside the regular credit system.

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27. See the table "Structure of the Financial System", *Bank Profitability – Financial Statements of Banks*, OECD, Paris, 1998.

## **II. Geographical coverage and degree of consolidation**

The income statement and balance sheet figures in this publication refer to Norwegian commercial banks (from 1994 including Postbanken) and savings banks, including all branches in Norway, but excluding their foreign subsidiaries and branches. Foreign banks' subsidiaries and branches are regarded as Norwegian commercial banks.

## **III. Structure of the banking system**

The activities of commercial banks and savings banks are regulated pursuant to four acts: The act relating the supervision of Credit Institutions, Insurance Companies and Securities Trading (The Banking, Insurance and Securities Commission - BISC), the Act relating to Savings Banks, the Act relating to Commercial Banks, and the Monetary and Credit Policy Act.

The BISC ensures that banks function in an appropriate and satisfactory manner in compliance with legal provisions and regulations, and that they operate in accordance with their founding principles, objectives and articles of association. The examination of accounts is a key feature in the supervision of all commercial and savings banks.

Detailed rules regarding the establishment of banks, their controlling bodies, activities, accounts and auditing, etc., are stipulated in the Act relating to Commercial Banks and the Act relating to Savings Banks. Statutory provisions require the banks to be members of guarantee funds.

The Monetary and Credit Policy Act authorises the adoption of measures for banks to ensure that, at any time, the credit supply is reasonably consistent with the desired real economic development. Examples of such measures are liquidity reserve requirements and bond-investment obligations. Central Bank of Norway is responsible for ensuring that provisions pursuant to the Monetary and Credit Policy Act are observed. In order to enable the BISC and the Central Bank of Norway to carry out their surveillance tasks, banks submit various statements on a regular basis. Central Bank of Norway and Statistics Norway use parts of the same statements in their Credit Market Statistics publications.

Since 1981 the number of savings banks has been reduced from 308 to 129, while the number of commercial banks has varied from 22 in 1981, to 29 in 1988 and back to 22 in 2001.

Norwegian savings and commercial banks were subject to strict credit supply regulations in the 1980s. Non-regulated credit market institutions thus increased their share of the total credit market. As from 1985/86 credit supply regulations were gradually eased and in 1990 all credit supply regulations were abolished.

## **IV. Summary description of activities of banks**

### ***Deposits from customers***

Commercial banks and savings banks offer their customers many different types of deposit accounts. Traditionally, deposits on three or twelve months' notice were the main types of deposit. In more recent years, a greater proportion of deposits has carried interest at a rate linked to the money market rate. This refers to deposits on special terms, which the banks obtain in the money market in competition with other banks, finance companies and brokers. Another feature is that demand deposits (for example, employee accounts with cheque or card privileges) account for a growing proportion of deposits. Several banks pay interest on such accounts at a rate progressing with the size

of the deposit, the top rate often being closely linked to the money market rate. Many banks also provide special savings instruments offering a high interest rate combined with a lock-in period, and savings accounts which, according to special rules, ensure the depositor the right to obtain loans, for example, for housing. All banks can offer saving with tax deductions, as long as the savings are used to pay for housing loans granted after the tax- deductible savings have been accumulated.

### ***Loans to the public***

Loan structures, traditionally different for commercial banks and savings banks, are becoming more and more similar. Commercial banks grant more overdraft facilities than savings banks while the proportion of loans with fixed repayment schedules is greater in savings banks. The reason is that, traditionally, commercial banks catered to the business sector to a greater extent than savings banks. Overdraft facilities are used by enterprises and self-employed persons in particular; within the scope of the loan, they can draw on it whenever necessary. As regards house-building loans, they are normally converted into a mortgage with a floating interest rate and repayable in instalments when the building is completed.

### ***Foreign exchange***

Banks in Norway have to be authorised by the Central Bank of Norway to engage in foreign exchange transactions. Today all commercial banks and the largest savings banks are authorised, and are subject to a currency exposure regulation.

### ***Money market***

Banks have access to the following segments of the Norwegian money market:

- Interbank market in kroner, including borrowing facilities at the Central Bank of Norway.
- Swap market.
- Market for deposits on special terms.
- Certificate market (CDs, treasury bills and commercial paper).

### ***Payments intermediation***

Commercial banks and savings banks play a key role in payments intermediation. In addition to notes and coins, cheques, bank cards and giros are the main payment instruments. All these instruments, especially bank cards, have taken on increased importance relative to the use of notes and coins in recent years. Commercial banks and savings banks have co-ordinated their systems for bank cards, so that customers of either type of bank can use their cards to receive money from automatic teller machines at any time. One can normally use internationally accepted credit and debit cards in these machines. The bank cards can also be used in payment terminals in shops, petrol stations etc. Even though other types of cards have shown rapid growth in recent years, the above-mentioned instruments are clearly predominant.

## ***Other activities***

Apart from the tasks already mentioned, banks are involved in activities which may be grouped under the following headings:

- Guarantees: according to certain rules, banks can grant guarantees for loans, securities, payments etc.
- Accounting: some banks have set up separate accounting offices which take care of the book-keeping, for instance, for self-employed persons.
- Counselling: several banks offer financial consultancy services both for businesses and private persons.
- Estate agent services and property management: some banks engage in such activities in the same way as regular estate agents.
- Securities trading/management are included as a part of a bank's ordinary operations.
- Participation in derivative markets, as a part of banks' hedging and trading strategies.

## **V. Reconciliation of national data with the OECD presentation<sup>28</sup>**

### ***Income statement***

Net interest income represents the most important component in the profit and loss accounts of the banks. In addition to interest on outstanding loans, such income includes commissions on overdrafts and building loans as well as float earnings. Share dividends are another income item, which have varied considerably in recent years. Other important income items are guarantee commissions, fees and capital gains on securities and foreign exchange. On the expenditure side, interest on deposits from customers and banks are important. Salaries, depreciation and capital losses are other important expenditure items. From 1987 up to 1991 the loan losses increased substantially, while a major part of the loan losses has been recovered in the later years.

In the future, net interest income might account for a smaller share of banks' income. Both publicly appointed commissions and the banks themselves have concluded that the pricing of the banks' services should reflect the costs. This will result in a better allocation of resources, both for the banks and the economy as a whole, since the prices charged will encourage the customers to use payment services that require fewer resources. Accordingly, the banks have introduced fees on most banking services, while the interest float and the interest margin income has been reduced.

## **VI. Sources**

Central Bank of Norway.

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28. See also the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.

**NORWAY**  
**Income Statement Reconciliation**  
**Commercial banks**  
**2001**

OECD presentation	Million NKr	National presentation
<b>1. Interest income</b>	<b>62967</b>	
	60430	<i>Interest income</i>
	1050	<i>Credit commission income</i>
	-	<i>Leasing income</i>
	1487	<i>Share dividend</i>
<b>2. Interest expenses</b>	<b>46423</b>	<b>Interest expenses (including intermediation commissions)</b>
<b>3. Net interest income</b>	<b>16544</b>	
<b>4. Non-interest income (net)</b>	<b>7984</b>	
<i>a. Fees and commissions receivable</i>	5600	
	5119	Other commissions and charges
	481	Underwriting commissions
<i>b. Fees and commissions payable</i>	-1370	
	-1171	Commission expenses, charges and broker commissions
	-199	Underwriting commissions
<i>c. Net profits or loss on financial operations</i>	1767	
	32258	Capital gains
	-30491	Capital losses
<i>d. Other</i>	1987	
	131	Operating income real property
	1856	Other operating income
<b>5. Gross income</b>	<b>24528</b>	
<b>6. Operating expenses</b>	<b>15730</b>	
<i>a. Staff costs</i>	8125	<i>Wages and salaries, fees and other personnel expenses</i>
<i>b. Property costs</i>	1297	
	400	Operating expenses real property
	897	Depreciation of capital assets
<i>c. Other</i>	6308	
	5757	Other operating expenses
	551	Premium to the guarantee fund
<b>7. Net income</b>	<b>8798</b>	
<b>8. Provisions (net)</b>	<b>2957</b>	
<i>a. Provisions on loans</i>	2452	
	2418	Losses on loans (net)
	34	Losses on guarantees (net)
<i>b. Provisions on securities</i>	-	<i>Losses on securities</i>
<i>c. Other</i>	505	
	583	Write-down of capital assets (net)
	73	Losses on sale of capital assets
	-	Extraordinary expenses and losses
	-	less:
	-112	Gains on sale of capital assets
	-39	Extraordinary income
<b>9. Profit before tax</b>	<b>5841</b>	
<b>10. Income tax</b>	<b>244</b>	<b>Taxes</b>
<b>11. Profit after tax</b>	<b>5597</b>	
<b>12. Distributed profit</b>	<b>4973</b>	
<b>13. Retained profit</b>	<b>624</b>	



**NORWAY**  
**Balance Sheet Reconciliation**  
**Commercial banks**  
**2001**

OECD presentation	Million Nkr	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14 Cash and balance with Central Bank</b>	<b>20604</b>	
	2219	<i>Notes and coin</i>
	18385	<i>Deposits, sector 150 - Central Bank of Norway</i>
<b>15 Interbank deposits</b>	<b>48780</b>	<b>Deposits, excluding sector 150 - Central Bank of Norway</b>
.		
<b>16 Loans</b>	<b>620206</b>	<b>Loans (including loss provisions)</b>
<b>17 Securities</b>	<b>91317</b>	
	17384	<i>Treasury bills and notes, negotiable certificates, commercial papers</i>
	19351	<i>Shares, participations and primary capital certificates</i>
	54582	<i>Bearer bonds</i>
<b>18 Other assets</b>	<b>45345</b>	<b>Residual</b>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19 Capital and reserves</b>	<b>49661</b>	<b>Equity capital</b>
<b>20 Borrowing from Central bank</b>	<b>10445</b>	<b>Other loans, sector 150</b>
<b>21 Interbank deposits</b>	<b>113552</b>	<b>Deposits sectors 150, 210-259, 910-929 (i.e. bank</b>
<b>22 Non-bank deposits</b>	<b>523897</b>	<b>Deposits non-bank sectors</b>
<b>23 Bonds</b>	<b>135322</b>	<b>Bearer bonds</b>
<b>24 Other liabilities</b>	<b>95575</b>	
	37450	<i>Negotiable certificates etc.</i>
	10592	<i>Other loans</i>
	-	<i>Trust/participation certificates</i>
	47533	<i>Other liabilities</i>
	-	<i>Preference capital</i>
<b>Balance sheet total</b>		
<b>25 End-year total</b>	<b>826252</b>	
<b>Memorandum items</b>		<b>Memorandum items</b>
<b>27 Short-term securities</b>	<b>17384</b>	<i>Treasury bills and notes, negotiable certificates, commercial papers</i>
.		
<b>28 Bonds</b>	<b>54582</b>	<i>Bearer bonds</i>
<b>29 Shares and participations</b>	<b>19351</b>	<i>Shares, participations and primary capital</i>
<b>30 Claims on non-residents</b>	<b>120577</b>	<i>Assets (foreign institutional sectors plus foreign notes and coins)</i>
.		
<b>31 Liabilities to non-residents</b>	<b>252413</b>	<i>Liabilities ( foreign institutional sectors excluding share capital)</i>
.		

## POLAND

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* relate to Polish banks (excluding bankrupt banks, banks in liquidation and the National Bank of Poland) since 1993. Data available for previous years are not comparable. At the end of 1996 there were 81 commercial banks (56 banks with majority Polish equity and 25 banks with majority foreign equity) and 1394 co-operative banks in Poland. Net assets of co-operative banks accounted for 4.6 per cent of total net assets of all banks, which is 2 per cent less than at the end of 1993.

Commercial banks in Poland are of a universal nature: they accept deposits and grant loans. There is no group of banks conducting operations typical of savings banks. However, the character of Powszechna Kasa Oszczednosci Bank Pastwowy (PKO BP) is similar to that of a savings bank because of its large portfolio of individuals' deposits. The PKO BP also grants loans on a large scale. Because of banking confidentiality, it is not possible to present data for individual banks.

Data on Other financial institutions<sup>29</sup> relate to trust funds. At the end of 1996 there were five trust funds managed by three trust fund corporations. According to existing regulations, trust funds are unincorporated institutions. They conduct their activity in the form of an economically distinct joint estate of the participants. Trust funds are formed as open-end funds. They are managed by trust fund corporations, established as joint-stock companies legally based in the territory of Poland. A trust fund corporation can conduct its activities only after the authorisation from the Polish Securities Commission (PSC). The PSC is a central government body in charge of public trading in securities and is responsible for supervision of trust fund corporations, of which the assets are held by custodian banks.

In February 1998, the new Act on Investment Funds became effective. The Act specifies the principles of creation and operation of investment funds as either one of the following:

- Open-end fund;
- Specialised open-end fund;
- Closed-end fund;
- Mixed fund.

Trust funds established prior to the Act are to be transformed into open-end investment funds within a period of 3 years. According to the new regulations, an investment fund is an incorporated institution and is managed and represented by an investment fund corporation acting as its executive body.

As of end-1996, the total number of insurance companies licensed by the Ministry of Finance amounted to 45 (15 life and 30 non-life). The data presented in the table "Structure of

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29. See the table "Structure of the Financial System", *Bank Profitability – Financial Statements of Banks*, OECD, Paris, 1998;

financial system” in *Bank Profitability – Financial Statements of Banks* refer to the 41 insurance companies (13 life and 28 non-life) submitting their financial statements to the State Office for Insurance Supervision. The non-life insurance companies include one reinsurance company.

Pursuant to the Polish Insurance Law, foreign insurance companies (branches and agencies of foreign undertakings) are entitled to conduct insurance activities in the territory of Poland starting 1 January 1999.

## **II. Geographical coverage and degree of consolidation**

Income statement and balance sheet figures published in *Bank Profitability – Financial Statements of Banks* relate to banks in Poland, including all domestic branches, but excluding their foreign subsidiaries and branches. Foreign banks’ branches and subsidiaries are regarded as commercial banks with a majority of foreign equity.

## **III. Structure of the banking system<sup>30</sup>**

All banks in Poland are covered under the supervision of the General Inspectorate of Banking Supervision (since 1998, executive body of the Commission for Banking Supervision). Bank surveillance is of an analytical as well as supervisory character. Supervising the operations of Polish banks is performed through on-site examinations, permanent analysis of the state of individual banks (based on prudential reports filed by the banks), identification and verification of hazards to and compliance with current safety regulations.

Banks quoted on the stock exchange and bank-operated brokerage houses are also under the supervision of the Securities and Exchange Commission.

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30 . The activity of Polish banks in 1996 was subject to the following regulations: the Banking Act of 31 January 1989 (N.B.: on 1 January 1998, the Banking Act of 19 August took effect; the Banking Act of 1989 thus became void). The Act on the National Bank of Poland of 31 January 1989 (N.B.: on 1 January 1998, the Act on the National Bank of Poland of 29 August 1997 took effect; the Act on the National Bank of Poland of 1989 thus became void); the Act on Public Trading in Securities and on Trust Funds of 22 March 1991 (N.B.: on 4 January 1998, the Act on Public Trading in Securities of 21 August 1997 took effect; the 1991 Act thus became void); the Commercial Code of 27 June 1934, issued as an Ordinance of the President of the Republic of Poland; the Act on the Financial Restructuring of Enterprises and Banks and on Amendments to Certain Legislation of 3 February 1993; the Act on the Amalgamation and Consolidation of Certain Joint-Stock Banks of 14 June 1996; the Co-operatives Act of 16 September 1982; the Act on the Restructuring of Co-operative Banks and Bank Gospodarki Zywnosciowej and on Amendments to Certain Legislation of 24 June 1994; the Act on the Bank Guarantee Fund of 14 December 1994; the Foreign Exchange Act of 2 December 1994; the Act on Certain Forms of Support to Residential Construction and on Amendments to Certain Legislation of 26 October 1995; the Act on State Assistance in the Repayment of Certain Home Loans and the Reimbursement of Banks for Guarantee Premiums Disbursed and on Amendments to Certain Legislation of 30 November 1995; the Act on Co-operative Savings and Loan Associations of 14 December 1995; Accounting Act of 29 September 1994; the Act on Certified Auditors and their Self-Regulatory Body of 13 October 1994.

In the period 1993-1996, the ownership structure of the commercial banks has changed. The number of banks with majority foreign equity, *i.e.* those institutions where foreign parties (physical or legal persons) held equity entitling them to exercise 50 per cent plus one voting rights at a shareholders general meeting, increased from 10 in 1993 to 25 at the end of 1996. The increase was due to establishment of seven new banks wholly owned by foreign capital and the acquisition by foreign investors of controlling interests in eight banks which previously had majority of Polish equity (including Bank Slaski SA and Wielkopolski Bank Kredytowy SA). Within the same period, the number of banks with a majority of Polish capital decreased by 21 (from 77 in 1993 to 56 in 1996).<sup>31</sup> This resulted in an increase of foreign banks' share of total banks' assets from 2.6 per cent in 1993 to 13.7 per cent in 1996.

As a result of privatisation, the number of banks with majority public interest fell from 29 to 24, their share in total bank assets decreasing from 80 to 66.5 per cent. Included in this group are banks directly owned by the Treasury, the number of which fell from 16 to 8, their percentage of total bank assets decreasing from 76 to 51 per cent.

#### **IV. Summary description of activities of banks**

##### ***Deposits***

Commercial banks and co-operative banks offer their customers many different types of savings accounts and deposit transaction accounts, demand and term deposits. Commercial banks accept deposits in domestic and foreign currencies. The share of foreign deposits is steadily declining (currently they account for only 20 per cent of total deposits). Banks offer their clients debit and credit cards, for which popularity has increased due to rapid development of the Automated Teller Machine (ATM) network and the significant increase in the number of trade and service outlets accepting payment by card.

##### ***Loans***

Banks grant credits and loans, both in Polish zloty and in foreign currencies. They also offer their clients loan guarantees and endorsements and provide them with such services as factoring and leasing. In instances of loans for large investment projects, banks establish credit consortia for joint client financing.

The share of claims on clients and government has been steadily increasing. At year-end 1996, loans accounted for over 34 per cent of banks' total assets.

##### ***Capital and money markets***

Banks remain major participants in the domestic money market. They actively deal in Treasury bills and the National Bank's money market bills that account for 80 per cent of banks' securities portfolio. At the end of 1996 total securities of all banks accounted for 31 per cent of their net assets.

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<sup>31</sup>. In eight banks controlling interest was acquired by foreign capital, eight banks were acquired by banks with majority Polish capital, three banks were declared bankrupt and two banks were put under liquidation.

Brokerage houses provide services of buying and selling securities quoted on the Stock Exchange for their clients. At the end of 1996 there were 21 banking brokerage houses and 29 brokerage firms (of which 10 were owned by banks) operating in Poland.

### ***Foreign exchange***

Authorisation from the National Bank of Poland is required for banks to engage in foreign exchange transactions; currently, 61 commercial banks are authorised to do so.

### **V. Reconciliation of national data with the OECD presentation<sup>32</sup>**

### **VI. Sources**

National Bank of Poland.

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32. See the tables “Income Statement Reconciliation” and “Balance Sheet Reconciliation” that follow.

**POLAND**  
**Income Statement Reconciliation**  
**All banks**  
**1996**

OECD presentation	Million PLN	National presentation
<b>1. Interest income</b>	<b>26182</b>	
	2733	<i>Operations with financial entities</i>
	13030	<i>Operations with non-financial entities</i>
	473	<i>Operations with state and local budgets</i>
	9946	<i>Securities operations</i>
<b>2. Interest expenses</b>	<b>15861</b>	
	2582	<i>Operations with financial entities</i>
	12358	<i>Operations with non-financial entities</i>
	602	<i>Operations with state and local budgets</i>
	320	<i>Securities operations</i>
<b>3. Net interest income</b>	<b>10320</b>	
<b>4. Non-interest income (net)</b>	<b>3261</b>	
<i>a. Fees and commissions receivable</i>	2092	
<i>b. Fees and commissions payable</i>	212	
<i>c. Net profits or loss on financial operations</i>	707	
<i>d. Other</i>	674	
	123	Net income of brokerage office
	510	Net income on incidental operations
	41	Net income on extraordinary operations
<b>5. Gross income</b>	<b>13581</b>	
<b>6. Operating expenses</b>	<b>6922</b>	
<i>a. Staff costs</i>	3756	
<i>b. Property costs</i>	711	
<i>c. Other</i>	2454	
<b>7. Net income</b>	<b>6660</b>	
<b>8. Provisions (net)</b>	<b>257</b>	
<i>a. Provisions on loans</i>	-12	
<i>b. Provisions on securities</i>	-23	
<i>c. Other</i>	291	
<b>9. Profit before tax</b>	<b>6403</b>	
<b>10. Income tax</b>	<b>1983</b>	
<b>11. Profit after tax</b>	<b>4420</b>	
<b>12. Distributed profit</b>	..	
<b>13. Retained profit</b>	..	

**POLAND**  
**Balance Sheet Reconciliation**  
**All banks**  
**1996**

OECD presentation	Million PLN	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>14423</b>	
	5347	<i>Cash</i>
	9076	<i>Operations with Central bank</i>
<b>15. Interbank deposits</b>	<b>25641</b>	
	23466	<i>Operations with financial entities: term and demand due</i>
	2175	<i>Current accounts</i>
<b>16. Loans</b>	<b>77025</b>	
	74709	<i>Due from non-financial entities</i>
	2317	<i>Due from government entities</i>
<b>17. Securities</b>	<b>61942</b>	
<b>18. Other assets</b>	<b>18046</b>	
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>14142</b>	
<b>20. Borrowing from Central bank</b>	<b>9397</b>	<b>Operations with Central bank</b>
<b>21. Interbank deposits</b>	<b>15666</b>	<b>Operations with banks</b>
	14054	<i>Term and demand loans and deposits</i>
	1612	
<b>22. Non-bank deposits</b>	<b>118894</b>	
	111678	<i>Deposits of non-financial entities</i>
	7216	<i>Deposits of government entities</i>
<b>23. Bonds</b>	<b>1156</b>	<b>Securities</b>
<b>24. Other liabilities</b>	<b>37822</b>	
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>197077</b>	

## PORTUGAL

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* refer to financial statements of all (universal) banks with their head-offices in national territory, and to some resident bank-like institutions. By the end of 1997 this comprised 42 banks and two bank-like credit institutions. One of the latter is the state-owned Caixa Geral de Depósitos, the biggest monetary institution in Portugal.

Excluded from these statistics are the following two types of credit institutions:

- Savings banks: a small group of mutual savings institutions, (6 at end-December 1997), with limited banking activity, in the form of credit granted against pledges or mortgages.
- Mutual agricultural credit banks: a group of relatively small size institutions (170 at end-December 1997), established as co-operatives for extending agricultural credit to their members and to undertake other operations inherent to banking activity.

Although these two types of institutions are allowed to receive deposits from the public, they are not included in the statistics since available data are incomplete.

Excluded also are data on non-monetary financial institutions: other financial intermediaries (*e.g.* financial leasing companies, factoring companies, investment companies, credit-purchase financing companies, regional development societies and security-dealer companies), financial auxiliaries, insurance companies and pension funds.

### II. Geographical coverage and degree of consolidation

As from 1992, these statistics are consolidated world-wide and reported on a home-country basis. Data concerning institutions with their head-offices in national territory are on a consolidated basis: assets and liabilities of their subsidiaries and branches abroad are consolidated with their reciprocals.

There is a structural break in series in 1990 due to the adoption of a new accounting framework for the Portuguese banking sector, significantly different from the previous one.

### III. Structure of the banking system

Up to its revision at the end of 1992, when an overall legal framework was created and the Portuguese financial sector reorganised, a large part of the legislation governing the activity of credit institutions dated from 1957.

Following the 1974 April revolution, all the Portuguese banks were nationalised. In 1983 the sector was re-opened to private investors. These developments and the accession to the European



Community in 1986 were the major factors behind the process of innovation and deregulation of financial activities in Portugal. Consequently, the existing legal framework became obsolete. Furthermore, certain European Community Directives had to be transposed into the national law, particularly the Second Banking Co-ordination Directive.

Therefore, at the end of 1992, new regulations were issued for the sector: Credit Institutions and Financial Companies - Legal Framework, Decree-Law N° 292/92, of 31 December 1992. This law provides for two types of financial institutions (other than insurance companies and pension funds), namely credit institutions and financial companies.

Credit institutions receive deposits and other repayable funds from the public and invest them on their account, by granting credit. In Portugal, the following institutions are legally considered as credit institutions: banks, savings banks, mutual agricultural credit banks, investment companies, financial leasing companies, factoring companies and credit-purchase financing companies. Out of these, only banks may carry out all types of activities foreseen by the law. The other types of credit institutions may only carry out a limited number of transactions, according to the specific legislation governing their activities.

### ***Banks***

The 1992 legislation transformed the definition of a bank in Portugal. Presently, banking activity is ruled by a concept of universal banking, whereby every bank can operate in any of the credit areas, including factoring and financial leasing contracts. The former practice of categorising banks according to their legally authorised operations is no longer valid.

The core of the new regulatory framework governing banking activity is defined in Decree-Law N° 298/92, of 31 December 1992, with the amendments introduced by Decree-Law N° 246/95, of 14 September 1995 and by Decree-Law N° 232/96, of 5 December 1996. Banking activity is also regulated by other legal documents issued by the Government or by the Bank of Portugal.

Some other financial institutions, owing to their relevance in the Portuguese financial system, are also considered as universal banks. Such is the case of:

- Caixa Geral de Depósitos: a State-owned institution, established in 1876, with a status of a savings bank operating at the national level. Its scope of activity is similar to that of a universal bank (according to Decree-Law N° 287/93, of 20 August 1993).
- Caixa Económica Montepio Geral: also a savings bank that was developed as a mutual aid association. It can engage in a limited number of banking operations.

### ***Other monetary financial institutions***

Besides universal banks, the monetary institutions include the following institutions that can normally perform only a limited number of the banking operations:

- *Savings banks (Caixas Económicas)*

Savings banks emerged in Portugal in the 19th century, associated with mutual savings institutions, and had a larger development in the autonomous region of the Azores Islands, where few banks were established and where they could therefore carry out a

wider range of activities. On the whole, their number has been decreasing due to the widening of the banking network.

Savings banks are characterised by their limited banking activity in the form of credit granted against pledges or mortgages. In certain cases, restricted foreign exchange operations may also be carried out. They are allowed to carry out a wider scope of operations if so authorised.

– *Central mutual agricultural credit bank (Caixa Central de Crédito Agrícola Mútuo)*

The Caixa Central de Crédito Agrícola Mútuo, created in 1984, is the core institution within the mutual agricultural credit system and has the aim of managing and co-ordinating its liquidity.

The new regulatory framework<sup>33</sup> specific to the mutual agricultural credit system extended its range of activities, making it possible to perform all bank operations, whether by means of these legal documents, or by authorisation from the Bank of Portugal.

This institution is presently considered together with all mutual agricultural credit banks.

– *Mutual agricultural credit banks (Caixas de Crédito Agrícola Mútuo)*

Mutual agricultural credit banks are institutions set up as co-operatives for extending agricultural credit to their members (farmers and agricultural associations) and to undertake other operations inherent to banking activity. In particular, they are allowed to accept securities, administrate real estate, mediate in payments, and carry out foreign exchange operations.

The mutual agricultural credit banks can be divided in two groups: those institutions that belong to the mutual agricultural credit system (most mutual agricultural credit banks are in this category); and those institutions that do not belong to the system. The latter group, which has to comply with some of the banking rules, at present, comprises three institutions that are among the larger mutual agricultural credit banks.

The number of these institutions is diminishing following a number of mergers organised as part of a plan for a global re-organisation of the mutual agricultural credit system, aiming at a re-dimensioning of the individual institutions.

#### **IV. Summary description of activities of banks**

As mentioned earlier, the reported data are derived from the financial statements of banks and bank-like credit institutions. The differences in the operations of these two types of institutions, once significant, have virtually disappeared as a consequence of the recent move towards universal banking.

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33. Decree-Law N° 298/92 of 31 December 1992, and Decree-Law N° 24/91 of 11 January 1991, with the amendments introduced by Decree-Law N° 230/95 of 12 September 1995 and by the Decree-Law N° 320/97 of 25 September 1997.

### ***Payment facilities***

Banks provide to their customers a wide range of payment services either free of charge or at a fee established between the bank and their clients. The range of such services includes payment services, issue of debt cards and credit cards, and transfers between accounts.

### ***Deposit business***

The main types of deposits existing in Portugal are:

Demand deposits: sight deposits, in domestic or foreign currencies, which can be converted into currency without restriction or cost and can be transferred by cheque or other means of payment;

Time deposits and deposits with periods of notice: deposits for a fixed period, denominated in escudos or foreign currencies, which may or may not be withdrawn before maturity, and do not constitute an immediate means of payment unless previously converted into cash or sight deposits;

Savings deposits: special deposits in escudos in savings accounts or savings book accounts, of all maturities, and intended for the investment of households' savings, usually under the terms defined in specific legislation;

Certificates of deposit (CDs): securities representing deposits for a fixed term;

Repurchase agreements: banks' liabilities that are created from a simultaneous agreement to sell financial assets (which remain in banks' portfolio) and to repurchase them at a date and price specified by contract. These operations have a cash collateral.

### ***Lending business***

All banks may place funds as:

Loans: credit where the maturity, interest rate, repayment and interest schedules are defined in a contract;

Discount: credit secured by commercial trade bills with upfront interest payment;

Current account credit, bank overdrafts and credit lines, as well as other types of credit secured by collateral;

Factoring and financial leasing operations;

Reverse repos: purchase of assets with a simultaneous agreement to reverse the transaction at a future date and price specified by contract.

### ***Savings instruments***

Banks can provide instruments that are regulated by specific legislation and that have fiscal or other benefits. Some of these instruments are savings deposits already mentioned. Some insurance type products having capitalisation possibilities are also sold at bank agencies.

## ***Money market business***

In Portugal there are two interbank money markets:

Interbank Money Market (IMM) – Through this system, the authorised institutions exchange funds represented either by balances on their demand deposit accounts, or by dematerialised transferable securities registered in the institutions' accounts, both categories of accounts constituted with the Bank of Portugal. One of the main purposes of this market is to allow institutions to balance their base money needs in order to meet reserve requirements.

The maturities of operations carried out on the IMM range from overnight to one year. According to the new market system, which emerged in 1993, these operations may or may not be guaranteed by securities purchased, under a resale agreement to the Bank of Portugal.

Interventions Transactions Market (ITM) – The Bank of Portugal intervenes in the ITM with a view to maintaining rates within spreads consistent with the equilibrium of the different markets. These objectives have mainly emerged since most interest rates ceased to be administratively fixed, and have been consolidated with the establishment of the system of indirect monetary control.

Currently operations can be done through the outright sale or purchase or transactions with resale agreement of discount paper and at an interest rate established by the Bank of Portugal, according to bids received and type of transaction to be carried out.

Since their creation, the types of securities traded on the ITM have widened. Presently, the most preferred are government paper, central bank's securities and dematerialised securities held in custody accounts opened with the Bank of Portugal.

Government paper includes Treasury bills (created in 1985 and with maturities of 91, 182 and 364 days), and fixed-rate Treasury bonds — *i.e.*, medium-term securities created in 1987 (currently with maturities up to ten years).

Securities issued by the Bank of Portugal are: central bank's monetary certificates (TRM) with maturities ranging from overnight to 14 days; central bank's intervention bills (TIM) issued at 4, 9, 13, 26 or 52 weeks; and central bank securities (TD), securities issued in 1994 to neutralise the excess deposits that banks had with the Bank of Portugal when the reserve regime was changed.

Besides these two organised markets, money market business should include commercial paper. These securities are issued either in national or foreign currencies and must have a maturity shorter than one year.

## ***Security business***

Banks can raise funds through the issue of cash certificates, bonds or other debt instruments, both in national or foreign currencies. Their capitals are normally collected through the issue of shares or debt instruments with subordinate provisions.

In this field banks can perform transactions, on their own behalf or that of clients, on securities, units on Undertakings for Collective Investment in Transferable Securities (UCITS) or derivatives. Banks can belong to financial syndicates that place securities in the primary market and

help other entities organising issuing processes. These institutions can also carry out other services related to securities operations.

### ***Foreign-exchange business***

Banks can do transactions in foreign currencies either at the foreign-exchange market or over the counter. In this regard, banks can also contract forward operations and negotiate on travel cheques and other forms of internationally accepted payment systems.

Since the 1992 foreign exchange liberalisation, banks can accept deposits or grant loans denominated in foreign currencies both to residents or non-residents.

### ***Non-bank business***

Banks can also deal in precious metals and stones as well as insurance contracts. Other authorised activities are rental of safes and selling consulting services in the area of financial organisation.

### ***Other***

Banks may detain participations in other institutions and perform services in the area of managing portfolios on clients' behalf.

## **V. Reconciliation of national data with the OECD presentation<sup>34</sup>**

### **VI. Sources**

The data are derived from annual accounting reports of the banks and the other bank-like credit institutions. To a small extent, statistics are completed with other data: data available at the Bank of Portugal, data provided by the Portuguese Banks Association in its biannual bulletin and the data of the Portuguese Insurance Institution in its annual bulletin.

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34. See the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.

**PORTUGAL**  
**Income statement reconciliation**  
**Commercial Banks**  
**1996**

OECD presentation	Million ESC	National presentation <sup>1</sup>
<b>1. Interest income</b>	<b>2543853</b>	
	2501569	<i>Interest and other profit-like revenues (80)</i>
	42284	<i>Securities revenues (81)</i>
<b>2. Interest expenses</b>	<b>1859601</b>	<b>Interest and other cost-like expenses (70)</b>
<b>3. Net interest income</b>	<b>684253</b>	
<b>4. Non-interest income (net)</b>	<b>309239</b>	
<i>a. Fees and commissions receivable</i>	118467	<i>Commissions received (82)</i>
<i>b. Fees and commissions payable</i>	20034	<i>Commissions paid (71)</i>
<i>c. Net profits or loss on financial operations</i>	131789	
	632600	Profits on financial transactions (83)
	500812	Losses on financial transactions (72)
<i>d. Other</i>	79017	<i>Other income (89)</i>
<b>5. Gross income</b>	<b>993491</b>	
<b>6. Operating expenses</b>	<b>639027</b>	
<i>a. Staff costs</i>	347656	<i>Personnel costs (73)</i>
<i>b. Property costs</i>	72260	<i>Appropriations for depreciation (78)</i>
<i>c. Other</i>	219111	
	200166	Supplies and services of third parties (74)
	6368	Taxes (76)
	12577	Other costs (77)
<b>7. Net income</b>	<b>354465</b>	
<b>8. Provisions (net)</b>	<b>126694</b>	
<i>a. Provisions on loans</i>	155127	
	153559	Provisions for bad debt on loans (790)
	12017	Provisions for bad debt on other applications (793)
	41281	Provisions for other bad debts (799)
	-36261	Repositions and cancellations on provisions for bad debt on loans (-840)
	-1213	Reposit. and cancel. on provisions for bad debt on other applications (-843)
	-14257	Reposit. and cancel. on provisions for other bad debts (-849)
<i>b. Provisions on securities</i>	-3293	
	598	Provisions bad debt on negotiable securities (791)
	13495	Provisions for bad debt on investment securities (792)
	10398	Provisions for bad debt on long term investment in securities (794)
	-254	Repositions and cancellations on provisions for bad debt on negociable securities (-841)
	-14126	Repositions and cancellations on provisions for bad debt on investment securities (-842)
	-13405	Reposit. and cancel. on provisions for bad debt on long term invest. in securities (-844)
<i>c. Other</i>	-25140	
	28999	Non-expected losses (671)
	-57428	Non-expected incomes (-672)
	10509	Provisions for country-risk (795)
	-7220	Repositions and cancellations on provisions for country-risk (-845)
<b>9. Profit before tax</b>	<b>227771</b>	
<b>10. Income tax</b>	<b>47521</b>	<b>Income taxes (68)</b>
<b>11. Profit after tax</b>	<b>180250</b>	
<b>12. Distributed profit</b>	..	
<b>13. Retained profit</b>	..	

1. The numbers in parentheses correspond to the item numbers of the Portuguese Chart of Accounts for the Banking System.

**PORTUGAL**  
**Balance Sheet reconciliation**  
**Commercial Banks**  
**1996**

OECD presentation	Million Esc	National presentation <sup>1</sup>
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with central Bank</b>	<b>1902491</b>	
	144890	<i>Escudos notes and coins (10)</i>
	365368	<i>Demand deposits at the Bank of Portugal (11)</i>
	1392233	<i>Credit with Bank of Portugal (200)</i>
<b>15. Interbank deposits</b>	<b>9438058</b>	
	458011	<i>Liquid assets on national credit institutions (12)</i>
	123115	<i>Liquid assets on foreign credit institutions (13)</i>
	3820069	<i>Credit with national credit institutions except Bank of Portugal (20-200)</i>
	5010812	<i>Credit with foreign credit institutions (21)</i>
	242	<i>Bad debt credit with national credit institutions (280)</i>
	25718	<i>Bad debt credit with foreign credit institutions (281)</i>
	-	<i>Non-paid interest on credit with national credit institutions (2880)</i>
	91	<i>Non-paid interest on credit with foreign credit institutions (2881)</i>
	-	<i>Expenses with bad debt credit with national credit institutions (2890)</i>
	-	<i>Expenses with bad debt credit with foreign credit institutions (2891)</i>
<b>16. Loans</b>	<b>11631400</b>	
	-	<i>Liquid assets with the Treasury (16)</i>
	10161232	<i>Domestic credit (22)</i>
	868362	<i>Cross border credit (23)</i>
	579984	<i>Bad debt domestic credit (282)</i>
	11321	<i>Bad debt cross border credit (283)</i>
	2684	<i>Other bad debt credits (287)</i>
	5957	<i>Non-paid interest on domestic credit (2882)</i>
	29	<i>Non-paid interest on cross border credit (2883)</i>
	-	<i>Non-paid interest on other credits (2887)</i>
	1821	<i>Expenses with bad debt domestic credit (2892)</i>
	-	<i>Expenses with bad debt cross border credit (2893)</i>
	10	<i>Expenses with other bad debt (2897)</i>
<b>17. Securities</b>	<b>7807854</b>	
	1053936	<i>Negotiable securities (24)</i>
	5716863	<i>Investment securities (25)</i>
	35294	<i>Securities held until its maturity (26)</i>
	10742	<i>Bad debt on securities (284)</i>
	280	<i>Non-paid interest on securities (2884)</i>
	-	<i>Expenses with bad debt securities (2894)</i>
	254768	<i>Participations (400)</i>
	735971	<i>Affiliated enterprises capital shares (401)</i>

**PORTUGAL**  
**Balance Sheet reconciliation**  
**Commercial Banks**  
**1996**

OECD presentation	Million Esc	National presentation <sup>1</sup>
<b>18. Other assets</b>	<b>4792517</b>	
	2416	Gold (14)
	1112	Other precious metals, numismatic and medals (15)
	15542	Other liquid assets (19)
	332167	Debtors and other assets (27)
	14	Amounts allocated to foreign representations (402)
	446529	Other financial long-term assets (409)
	88654	Non-tangible fixed assets (41)
	971601	Fixed assets (42)
	72398	Non-finished fixed assets (46)
	440774	Income to be received (51)
	71087	Expenses already paid which represents future costs (55)
	5763	Exchange rate fluctuations (56)
	359548	Other regularization accounts (58)
	3060792	Other internal accounts (59)
	-557434	Accumulated provisions (-29)
	-468465	Accumulated appropriations for depreciations (-48)
	-49981	Accumulated provisions for long term financial assets
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>2953656</b>	
	616246	Participation bonds and subordinated loans (60)
	248214	Provisions (61)
	1419345	Capital (62)
	586131	Reserves (63)
	-96530	Previous years profits (66)
	180250	Current year profits (item 11 - income statement)
<b>20. Borrowing from Central bank</b>	<b>222730</b>	<b>Liabilities to the Bank of Portugal (300)</b>
<b>21. Interbank deposits</b>	<b>10034919</b>	
	3839033	Liabilities to national credit institutions except Bank of Portugal (30-300)
	6195886	Liabilities to foreign credit institutions (31)
<b>22. Non-bank deposits</b>	<b>17430248</b>	
	17286369	Deposits (32)
	143879	Certificates of deposit (340)
<b>23. Bonds</b>	<b>547176</b>	<b>Securities' liabilities except Certificates of deposit (34-340)</b>
<b>24. Other liabilities</b>	<b>4383592</b>	
	16823	Loans (33)
	375589	Other liabilities (35)
	81826	Creditors (36)
	73796	Liabilities waiting to be paid (39)
	447857	Cost due (52)
	56765	Income already received but referring to a future moment (54)
	8176	Exchange rate fluctuations (56)
	279261	Other regularization accounts (58)
	3043499	Other internal accounts (59)
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>35572320</b>	



**PORTUGAL**  
**Balance Sheet reconciliation**  
**Commercial Banks**  
**1996**

OECD presentation	Million Esc	National presentation <sup>1</sup>
<b>Memorandum items</b>		<b>Memorandum items</b>
27. <i>Short-term securities</i>	902358	
	260261	Treasury bills - negotiation (24000)
	-	CLIPs - negotiation (24001)
	263	Foreign Treasury bills - negotiation (24100)
	641765	Treasury bills - investment (25000)
	-	CLIPs - investment (25001)
	68	Foreign Treasury bills - investment (25100)
	-	Treasury bills - held until maturity (26000)
	-	CLIPs - held until maturity (26001)
	-	Foreign Treasury bills - held until maturity (26100)
28. <i>Bonds</i>	4774768	
	214383	Treasury bonds - negotiation (24005)
	197	Other bonds issued by the General Government - negotiation (24006)
	5833	Bonds issued by other public issuers - negotiation (24010)
	2025	Cash certificates issued by other residents - negotiation (24020)
	178324	Other bonds issued by other residents - negotiation (24021)
	28942	Bonds issued by foreign General Governments - negotiation (24101)
	7177	Bonds issued by international financial entities - negotiation (24110)
	-	Cash certificates issued by other non-residents - negotiation (24120)
	15649	Other bonds issued by other non-residents - negotiation (24121)
	2112027	Treasury bonds - investment (25005)
	241345	Other bonds issued by the General Government - investment (25006)
	104309	Bonds issued by other public issuers - investment (25010)
	-	Other bonds issued by other public issuers - investments (25011)
	257643	Cash certificates issued by other residents - investment
	558794	Other bonds issued by other residents - investment (25021)
	357935	Bonds issued by foreign General Governments - investment (25101)
	270490	Bonds issued by international financial entities - investment (25110)
	1679	Cash certificates issued by other non-residents - investment (25120)
	382722	Other bonds issued by other non-residents - investment (25121)
	35294	Treasury bonds - held until maturity (26005)
	-	Other bonds issued by the General Government - held until maturity (26006)
	-	Bonds issued by other public issuers - held until maturity (26010)
	-	Other bonds issued by other public issuers - held until maturity (26011)

**PORTUGAL**  
**Balance Sheet reconciliation**  
**Commercial Banks**  
**1996**

OECD presentation	Million Esc	National presentation <sup>1</sup>
	-	Bonds issued by other residents - held until maturity (26021)
	-	Bonds issued by foreign General Governments - held until maturity (26101)
	-	Bonds issued by international financial entities - held until maturity (26110)
	-	Bonds issued by other non-residents - held until maturity (26121)
29. <i>Shares and participations</i>	1550402	
	11196	Shares issued by residents - negotiation (2430)
	-	Participation bonds issued by residents - negotiation (2431)
	111302	Trust units issued by residents - negotiation (2432)
	543	Shares issued by non-residents - negotiation (2440)
	-	Participation bonds issued by non-residents - negotiation (2441)
	73616	Trust units issued by non-residents - negotiation
	216	Subordinated bonds - negotiation (245)
	141	Own shares - negotiation (24810)
	8	Own participation bonds -negotiation (24811)
	105779	Shares issued by residents - investment (2530)
	7460	Participation bonds issued by residents - investment
	173758	Trust units issued by residents - investment (2532)
	12704	Shares issued by non-residents - investment (2540)
	-	Participation bonds issued by non-residents - investment (2541)
	22759	Trust units issued by non-residents - investment
	38458	Subordinated bonds - investment (255)
	1713	Own shares - investment (25810)
	10	Own participation bonds - investment (25811)
	254768	Participations (400)
	735971	Affiliated enterprises capital shares (401)
30. <i>Claims on non-residents</i>	7525190	
31. <i>Liabilities to non-residents</i>	7635503	

1. The numbers in parentheses correspond to the item numbers of the Portuguese Chart of Accounts for the Banking

## SLOVAK REPUBLIC

### I. Institutional coverage

The statistics presented in *Bank Profitability – Financial Statements of Banks* cover banks operating in the Slovak Republic: commercial banks with universal license,<sup>35</sup> including home savings banks<sup>36</sup> and foreign banks or branch offices of foreign banks as from 1995 to 2001. At the end of 2001 there were 21 commercial banks (13 banks with majority foreign equity and 3 banks with majority Slovak equity).

All banks are governed by law,<sup>1</sup> operating in the Slovak Republic. A bank is a legal entity with its registered office in the territory of the Slovak republic, founded as a joint stock company, which accepts deposits and provides loans and which holds banking license to perform payments and settlements, clearing and investments in securities for the bank's own account. There is a group of banks conducting operations typical of savings banks according to the act on building savings; however they have universal license according to the act on banks.

### II. Geographical coverage and degree of consolidation

The data cover all domestic and foreign banks operating in the Slovak Republic excluding branches of domestic banks abroad.

### III. Summary description of activities of banks

#### *Deposits*

All commercial banks have a complete range of deposit accounts in domestic and foreign currency, i.e. demand deposits, sight deposits, term deposits, deposit certificates and specific-purpose deposits. Deposit means entrusted funds that represent an obligation towards the depositor to repay them. There are four types of deposit protection: state guarantees, reserve funds created by banks and centralized in Deposit Protection Fund, insurance of deposits and banking supervision.

Home savings banks are reserved for the Slovak residents permanently domiciled in the Slovak Republic and legal entities or entrepreneurs permanently domiciled in the Slovak Republic.

#### *Loans*

Slovak banks offer credit facilities, in domestic and foreign currency, to corporations, households, local governments and non-residents. They also offer loan guarantees and endorsements and provide factoring and leasing. Eight mortgage banks provide mortgage lending.<sup>37</sup>

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<sup>35</sup>. Act No. 483/2001, revised by Acts 430/2002, 510/2002 of the Collection of Laws.

<sup>36</sup>. No. 310/1992, revised by Acts 386/1996, 242/1999, 443/2000 of the Collection of Laws.

<sup>37</sup>. Act No. 58/1996, revised by Acts 62/1996, 256/1999 of the Collection of Laws.

### ***Payment facilities***

Slovak banks offer the totality of standard means of payment. The more developed banks have introduced electronic payment facilities and several types of payment cards. Some banks provide clients with special services such as home banking.

### ***Money Market business***

Slovak banks participate on:

- Interbank deposit and securities market
  1. Operation with bank's deposits in domestic and foreign currency
  2. Guarantee's operations in securities form
- Intervention operation market

Slovak banks are active in the domestic and foreign interbank market.

### ***Securities business and portfolio management***

Banks operate with securities on the stock exchange, on the primary and secondary markets, under conditions governed by the central bank. Banks invest part of their working capital in securities. Banks manage client's portfolios as well. This is often performed through investments funds or corporations.

### ***Other business***

Banks provide other services such as foreign exchange operations, consulting and information services, export and import financing, bank guarantees, hedging in foreign currencies, etc.

## ***IV Reconciliation of national data with the OECD presentation<sup>38</sup>***

### ***V Sources***

National Bank of Slovak Republic.

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<sup>38</sup>) See the tables Income Statement Reconciliation and Balance Sheet Reconciliation that follow.

**SLOVAK REPUBLIC**  
**Income statement reconciliation**  
*All Banks*  
**2001**

OECD presentation	Million SKK	National presentation
<b>1. Interest income</b>	<b>61277634</b>	
	2976628	<i>Interest received from Central bank</i>
	9590958	<i>Interest received from other banks</i>
	1474748	<i>Interest received from Republic and local authorities</i>
	31942735	<i>Interest received from granted clients credits</i>
	15292565	<i>Interest received from securities operations</i>
<b>2. Interest expenses</b>	<b>37678282</b>	
	2388701	<i>Interest paid to Central bank</i>
	5399898	<i>Interest paid to other banks</i>
	2003	<i>Penalty Interest</i>
	25991712	<i>Deposit interest paid to clients</i>
	794632	<i>Interest paid from certificate deposits</i>
	2350226	<i>Interest paid to Republic and local authorities</i>
	556138	<i>Interest paid from issued bonds</i>
	194972	<i>Interests paid from securities operations</i>
<b>3. Net interest income</b>	<b>23599352</b>	
<b>4. Non-interest income (net)</b>	<b>10343262</b>	
<i>4. a. Fees and commissions receivable</i>	6482209	
<i>4. b. Fees and commissions payable</i>	1060852	
<i>4. c. Net profits or loss on financial operations</i>	4698648	
	12544760	<i>Securities operations</i>
	71105331	<i>Foreign exchange operations</i>
	968933	<i>Other operations</i>
<i>4. d. Other</i>	223257	
	146802	<i>Other general operating income</i>
	76455	<i>Extraordinary income</i>
<b>5. Gross income (item 3 plus item 4)</b>	<b>33942614</b>	
<b>6. Operating expenses</b>	<b>35748033</b>	
<i>6. a. Staff costs</i>	8684729	
<i>6. b. Property costs</i>	13207214	
	126319	<i>Taxes and fees</i>
	8887221	<i>Purchases of services</i>
	3054750	<i>Depreciation of tangible assets</i>
	1138924	<i>Depreciation of intangible assets</i>
<i>6. c. Other</i>	13856090	
	13178790	<i>Other general operating costs</i>
	677300	<i>Extraordinary costs</i>
<b>7. Net income (item 5 minus item 6)</b>	<b>-1805419</b>	
<b>8. Provisions (net)</b>	<b>-11113907</b>	
<i>8. a. Provisions on loans</i>	-12470011	
<i>8. b. Provisions on securities</i>		
<i>8. c. Other</i>	1356104	
<b>9. Profit before tax (item 7 minus item 8)</b>	<b>9308488</b>	
<b>10. Income tax</b>	<b>237487</b>	
<b>11. Profit after tax (item 9 minus item 10)</b>	<b>9071001</b>	
<b>12. Distributed profit</b>		
<b>13. Retained profit (item 11 minus item 12)</b>	<b>7800859</b>	

**SLOVAK REPUBLIC**  
**Balance Sheet reconciliation**  
*All banks*  
**2001**

OECD presentation	Million SKK	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>110256444</b>	
	12613311	<i>Issue of banking institute accounts</i>
	22202770	<i>Required deposits with Central Bank</i>
	51365614	<i>Credits granted to the central bank</i>
	24074749	<i>Cash desk values</i>
<b>15. Interbank deposits</b>	<b>126834180</b>	
	5771999	<i>Current accounts - credit balance</i>
	151644	<i>Current accounts - debit balance</i>
	3002678	<i>Credits granted</i>
	111827940	<i>Time deposits deposited</i>
	1917546	<i>Postal checking</i>
	4162373	<i>Non-liquid credits with other banks</i>
<b>16. Loans</b>	<b>277186990</b>	
	190260167	<i>Standard credits to clients</i>
	7491156	<i>Other borrowers</i>
	14759546	<i>Clients current accounts</i>
	38333169	<i>Special mention claims</i>
	12941468	<i>Classified loans</i>
	351	<i>Other purposes claims</i>
	13401133	<i>Standard credits to Republic and Local Authorities</i>
<b>17. Securities</b>	<b>268914296</b>	
	268406387	<i>Purchases of bonds</i>
	507909	<i>Other securities</i>
<b>18. Other assets</b>	<b>145616712</b>	
	238433	<i>Inventory</i>
	11656682	<i>Other claims</i>
	585318	<i>Claims from securities operations</i>
	105177352	<i>Investment securities and deposits</i>
	26205644	<i>Material investment property</i>
	1753283	<i>Non-material investment property</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>78150653</b>	
	22893959	<i>Reserves</i>
	55256694	<i>Equity and capital funds</i>
<b>20. Borrowing from Central bank</b>	<b>21231981</b>	
<b>21. Interbank deposits</b>	<b>142144624</b>	
	128363	<i>Current accounts in other banks</i>
	22341564	<i>Current accounts of other banks</i>
	3186671	<i>Conversions on accounts among banks</i>
	3629689	<i>Credits accepted</i>
	112858337	<i>Time deposits of other banks</i>
<b>22. Non-bank deposits</b>	<b>664469311</b>	
	52556443	<i>Issued deposit certificates and bank treasury bills</i>
	567759393	<i>Clients deposits</i>
	12898361	<i>Other deposits</i>
	31255114	<i>Republic and local authorities deposits</i>
<b>23. Bonds</b>	<b>26352751</b>	
	26057880	<i>Bonds and securities issues</i>
	294871	<i>Commitments from own securities issues</i>
<b>24. Other liabilities</b>	<b>-3540698</b>	
	-3540698	<i>Cumulative profit/loss</i>
<b>25. End-year total</b>	<b>928808622</b>	

## SPAIN

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* cover "all banks" encompassing commercial banks, savings banks and credit co-operatives. The credit institutions included are characterised by the fact that customers' deposits represent a large part of their liabilities. However, the importance of other substitute financial instruments has been growing in recent years as a result of the ongoing financial innovation in the Spanish economy.

The institutions known under Spanish legislation as "credit institutions" (*entidades de crédito*) comprise, in addition to the institutions mentioned in the previous paragraph (commercial banks, saving banks and credit co-operatives) the official credit institute (*Instituto de crédito oficial*) and "specialised credit institutions" (*establecimientos financieros de crédito*). Official credit institute and specialised credit institutions are not included in the statistics published in *Bank Profitability – Financial Statements of Banks*.

A brief description is given in section III below regarding the scope of each of these groups, summarising their main features and the recent changes in their legal status. An explanation is also provided on the exclusion of official credit institutions and specialised credit institutions from the statistics published in *Bank Profitability – Financial Statements of Banks*.

### II. Geographical coverage and degree of consolidation

The income statement and balance sheet information presented in *Bank Profitability – Financial Statements of Banks* is based on residence criteria, *i.e.*, the data relate to Spanish banks and their activity in Spain (thus, excluding their foreign branches and subsidiaries) and to foreign banks (branches and subsidiaries) operating in Spain. However, due to several exceptional cases, these criteria could not be applied to all years covered by the series:

*Commercial banks:* Exceptionally, data from 1979 to 1982 include the branches (not subsidiaries) of Spanish banks located abroad. In this period, institutions reported their domestic and foreign business in a consolidated form, thus preventing a separation of the data between the two segments. However, activities of banks abroad were not significant at that time.

*Savings banks:* For the same reason, data for 1979 and 1980 relate to resident Spanish savings banks (there were no branches or subsidiaries of foreign savings banks) and their foreign branches.

These exceptions introduce a discontinuity in the data for 1983. However, the break in the case of savings banks is insignificant (in 1979 and 1980 there was only one small branch abroad).

### **III. Structure of the banking system**

#### ***All banks***

The institutional grouping "all banks" encompasses three types of institutions – commercial banks, savings banks and credit co-operatives. The main feature, distinguishing them from the other institutions of the credit system, is the authority to grant financing to, and raise funds from, all sectors through any type of financial instrument at terms without limitations. More concretely, they are the only institutions authorised to take sight deposits transferable through cheques. A large part of their liabilities represents the deposits of other sectors. In the past, the regulations governing the three groups tended to be complex and disparate, although the first initiatives aimed at aligning their legal status were taken in the mid-1970s to promote greater competition among these institutions. At present, these three types of institution have the same operating possibilities, differing only in their individual bylaws or founding structures. These legal differences not only affect their governing bodies but also their distribution of profit and the channels available to them for increasing their own funds.

In terms of assets, commercial banks are the most important of the three groups of institutions, accounting for around 58 per cent of the total assets held by this group of institutions, followed by savings banks with a 38 per cent share and credit co-operatives with 4 per cent.

#### ***Commercial banks***

Commercial banks are the major component in the total group, although in recent years their relative weight has diminished. They have the legal status of a Spanish limited liability company (*sociedad anónima*) and are allowed to engage in all activities proper to their business with the exception of specific operations (such exceptions are relatively few and include, for example, business dealings in precious metals, asset management and insurance transactions). Under Law 26/1988 of July 29 1988 which regulates the activities of credit institutions, commercial banks are authorised to engage in financial leasing operations and to issue mortgage bonds.

According to their nationality, banks are classified as foreign or Spanish. In the past, the operational differences between the two were significant, particularly with respect to deposit customers. Foreign banks were limited in their ability to raise funds on the Spanish market (with the exception of the interbank market) and to expand through the creation of new branches. In 1993 these restrictions were lifted, thus providing the same possibilities to national and foreign banks for financing and for their expansion. Nonetheless, these former restrictions determined the characteristics of foreign banks: they were specialised in raising funds on the interbank market and in lending transactions primarily aimed at large corporations, since they are not equipped to compete for individual customers due to the extensive branch networks built up by Spanish banks in the past.

#### ***Savings banks***

The savings bank sector encompasses the institutions belonging to the Spanish Confederation of Savings Banks and the Confederation itself. The latter is the representative body of the savings banks and conducts clearing and credit transactions for the group. It also functions as a financial institution engaged in lending and liabilities transactions with the general public. Savings institutions, whether created under official or private initiative, are non-profit institutions that are considered to be in the public interest, although they are of a private nature. In the use of their profits they are social welfare institutions, but in their operations they follow normal business practices. They have no capital in the form of shares; instead they have a foundation fund. As a result, they are unable



to strengthen their own funds through capital increases, although they can issue participation units that any investor can acquire.

Their governing bodies, as established in Law 31/1985, are:

- General assembly, the highest decision-making and governing body<sup>39</sup>;
- Board of directors, with the same representative structure as the general assembly, and whose functions are the administration and management of the institution;
- Control committee, elected by the General assembly, and whose basic task is to supervise the activities of the Board.

Initially, savings banks were limited in their operating scope, but they are now allowed to engage in the same transactions as commercial banks. Their business focuses mainly on retail activity, holding the deposits of a large number of small customers in savings accounts and fixed-term deposits.

### ***Credit co-operatives***

Credit co-operatives are formed by partners, which may be business co-operatives or individuals (known as “single partners”). They are classified as farm (rural savings banks) and non-farm institutions. The activity of rural savings banks is related to the agricultural, forestry and livestock sectors, as well as work focusing on social conditions in rural areas.

Credit co-operatives are companies with their own legal status and whose corporate purpose is to finance the activities of members of the co-operative and third parties. They can engage in any type of lending, liabilities transaction or service transaction open to any other deposit money institution. Altogether, total lending operations with third parties cannot exceed 50 per cent of the institution's total funds. This percentage does not take into account transactions with the partners of associated co-operatives, the placement of surplus cash on the interbank market, or the acquisition of securities and other assets purchased to cover legal reserve requirements or related to the investment of surplus cash.

### ***Official credit institutions***

Official credit institutions include the Official Credit Institute (Instituto de Crédito Oficial). Currently, its nature, legal regime and functions are regulated by Royal Decree-Law 12/1995 of 28 December and by the Royal Decree-Law 706/1999 of 30 April. Until June 1994, official credit banks (Banco de Crédito Agrícola, Banco Hipotecario de España, Banco de Crédito Industrial and Banco de Crédito Local) were also included. These are all public institutions created to complement private initiative via medium and long-term financing to specific sectors of the Spanish economy and to act as the government's financial agent. Until 1988 they raised funds chiefly through privileged financing channels, mainly in the form of government loans, and compulsory placement of certain securities (government investment bonds) with other credit institutions.

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<sup>39</sup> . The structure of the General Assembly: 40 per cent of its members represent municipal corporations, 44 per cent depositors, 11 per cent founders, and 5 per cent employees. This composition applies to saving banks from those Regional (autonomous) Governments adopting State legislation. Nonetheless, the Regional (autonomous) Governments are free to set different proportions for those groups, and some have, in fact decided to do so.

The Law 3/1994 of 14 April 1994, adapting Spanish legislation on credit institutions to the second EU directive on banking co-ordination, considerably changed the structure of the Spanish credit institutions. This law gives official credit banks the legal status of banks, and to all intents and purposes they now form part of the banking group, while the Official Credit Institute remains the only entity in the official credit category. Under the new law, this Institute functions as a financial agency of the government, in charge of covering the long-term financing required for promoting the competitiveness of Spanish enterprise, the development of certain areas and regions of the Spanish economy, and the financing of government-approved aid programs for developing countries. The statistics in the Banco of España's *Boletín Estadístico* reflect these changes as of June 1994. Thus, the information for Commercial banks includes official credit banks (now simply banks) as from 1994, *i.e.*, the historical series have not been modified to include these entities.

### ***Specialised credit institutions***

Specialised credit institutions form a heterogeneous group whose common and basic characteristic - which in turn distinguishes them from deposit money institutions - is their specialisation in lending operations. In addition, the specialised credit institutions are clearly restricted in their capacity to raise funds: they were not allowed to take funds from the public in the form of deposits, loans, repos or other similar categories. However, they are able to raise funds on securities markets through any instrument at any term. This group comprises: "mortgage loan companies", "financial leasing companies", "finance companies", and "money-market intermediary companies" (the latter were phased out in May 1995 following the creation of securities-dealer companies and securities agencies in 1988).

### ***Exclusion of official credit institutions and specialised credit institutions from "All banks"***

Even though these institutions engage in activities typical to the banking business, the statistics presented in *Bank Profitability – Financial Statements of Banks* do not include official credit institutions<sup>40</sup> and specialised credit institutions, for two reasons:

The treatment of these institutions as credit institutions and their supervision and control by the Banco de España started in 1988 (Law 26/1988). The lack of reliable time series, in addition to the particularities of their lending and borrowing transactions, as the determinant factor to exclude these institutions from the publication.

Commercial banks, saving banks and credit co-operatives were, and are, by far the most important component in the credit system. Their assets represent approximately the 95 per cent of the system's total assets, and they provide 94 per cent of credit to "other resident sectors"<sup>41</sup>. Regarding the liabilities, this observation is further underscored while they absorb 97 per cent of the funds raised by credit institutions from other resident sectors and 97 per cent of funds from the external sector.

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<sup>40</sup>. With the aforementioned exception of the inclusion of official credit banks under Commercial banks since 1994.

<sup>41</sup>. Throughout the text, "other resident sectors" refers to resident sectors other than the Central bank, credit institution and General Government (including Social Security funds).

#### **IV. Summary description of activities of banks<sup>42</sup>**

Commercial bank, saving banks and credit co-operatives engage in a very wide range of activities. The most important ones are described below:

##### ***Payment facilities***

All these institutions accept sight deposits, which represent 25 per cent of the total deposits with other resident sectors. Sight deposits can be transferred by cheque or credit card. Overdraft facilities can be provided and are treated as a normal credit operation, although higher interest rates are applied than in the case of other lending transactions. Interest rates on sight deposits were fully liberalised in 1987.

##### ***Deposit business***

This category includes savings deposits, time deposits and other similar instruments.

In Spain, savings accounts, which represent 22 per cent of total deposits with other resident sectors, are under a contract similar to that of sight deposits but implemented via passbooks. In practice, the same transactions as in the case of sight deposits can be carried out, but without the use of cheques. Time deposits, representing 35 per cent of total deposits, are bank contracts under which the customer agrees to keep the amount of the deposit at the bank until its maturity. If the customer wishes to withdraw it before maturity, the bank can provide the amount in cash, normally at a penalty in terms of interest accrued, or it can extend credit with the deposit amount as the guarantee.

Additionally the banking system has increasingly used an instrument (very similar to deposits) that came into effect in 1984 and now accounts for 18 per cent of deposits with other resident sectors: repo asset sales. Repo asset sale is a transaction whereby a deposit money institution sells a negotiable security from its portfolio and agrees to repurchase it on a given date. Rather than eliminating the asset from its balance sheet, the institution enters the amount received as a liability in a special account.

##### ***Other savings instruments***

All the institutions included in "all banks" are authorised to issue securities, long-term and short-term, similar to those issued by non-financial enterprises. Medium and long-term issues can include bank bonds, treasury bonds and mortgage securities. Bank bonds, issued in the past by investment banks, are increasingly rare. Treasury bonds can be issued only by banks and savings banks. Mortgage securities, which can be issued by all these institutions, are of three types: mortgage bonds, which are guaranteed by specific mortgage loans; mortgage certificates, which are guaranteed by all the mortgage loans granted by the issuing institution as a whole; and mortgage participations, formed by sales to third parties of all or part of the mortgage loans granted by the institution. Institutions can also issue subordinated financing, which first appeared in 1986 and consists of securities and loans that are considered as own funds in the calculation of certain ratios.

Deposit money institution activities also include the issue of CDs (whose main feature is their negotiability, which distinguishes them from time deposits), and non-tradable banking notes. All are included in the accounts under time deposits.

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<sup>42</sup>. Unless otherwise specified, all ratios given in this item refer to December 2001.

### ***Money market business***

Through the interbank market, deposit money institutions (as well as the other credit institutions) borrow and lend deposits and other financial assets overnight and for longer terms. The financial assets traded on the interbank market comprise deposits, repurchase agreements, and the Banco de España certificates (CBEs) issued in 1990 and fully redeemed in the year 2000. As from 1999, the domestic interbank market has seen its importance diminish owing to the new operational framework for the implementation of the single monetary policy in the euro area and the establishment of the TARGET system for routing liquidity transfers. These new arrangements have provided for an effective, integrated European interbank deposit market.

### ***Lending business***

All these credit institutions are allowed to engage in the same lending business, although credit co-operatives primarily operate with their associates. About 90 per cent of assets vis-à-vis other resident sectors are extended in the form of credit.

Transactions involving variable interest rates, fairly insignificant in the past, are now increasingly frequent. Transactions of this type currently represent nearly 53 per cent of total credit extended. Particularly notable in the area of secured loans is the weight of mortgage loans, primarily for housing purchases.

### ***Securities business***

In addition to the aforementioned transactions, a large portion of private portfolios is deposited with these institutions, in particular with the major banks and the Confederation of Savings Banks. These institutions participate actively in the issuance, trading and management of their customers' securities. Since 1989 securities-dealer companies and securities agencies (*sociedades y agencias de valores*) have become increasingly active on securities markets at the expense of banks, although the latter own large stakes in these companies.

### ***Foreign exchange business***

Throughout the late 1980s and early 1990s, Spanish laws governing exchange controls were gradually lifted. As from February 1992, transactions between residents and non-residents were liberalised. Nonetheless, despite the elimination of prior official authorisation, parties are still required to report the related information for statistical and fiscal purposes.

### ***Non-banking business***

Banking institutions are not expressly prohibited by law from engaging in non-banking business. As is included in Non-interest income (item 4), they receive non-banking income from real estate (earnings on sales and rentals) and, more recently, from the rental of computers and other equipment.

### ***Deposit guarantee funds***

Each group (commercial banks, savings banks and credit co-operatives) is covered by its own guarantee fund. All such funds operate in the same way and are, in practice, compulsory. The funds are financed from annual contributions made by their member institutions (based on a variable percentage of their deposits) and until 1996 an annual contribution from the Banco de España.

The function of the funds is twofold:

To guarantee deposits to a maximum amount of EUR 20,000 per depositor;

To resolve problematic asset situations of ailing institutions: when, at the request of the Banco de España, an institution in crisis increases its capital to regain its soundness, the corresponding fund may subscribe the portion of the issue not covered by shareholders. If this subscription entails a controlling position in the institution, the fund takes over the management of the bank until its recovery. The fund must then sell the bank to the highest-bidding institution (or group of institutions).

## V. Reconciliation of national data with the OECD presentation<sup>43</sup>

### *Income statement*

In *Bank Profitability – Financial Statements of Banks*, information on income statement is presented in cascade form, with each of the most relevant margins for the analysis of banking business and the principal components, up to the figures for Profit after tax (item 11) and Retained profits (item 13). In addition, Staff costs (item 6.a), Provisions on loans and country risks (item 8.a), and Provisions on securities (item 8.b) are included to reflect three significant income statement captions.

The contents of each item are described below:

#### *Interest income*

This item includes amounts accrued from interest and similar income generated by credit transactions and securities portfolios, as well as the income adjustments related to hedging operations (exchange rate differences adjusted for interest and future hedges) and other financial income.

#### *Interest expenses*

Included here is any type of interest accrued as a return in cash or in kind, paid to creditors or other financial intermediaries for borrowed funds, as well as the cost adjustments related to hedging operations, commissions, and costs taken to internal pension funds for employees<sup>44</sup>.

#### *Non-interest income (net)*

This includes the income and expenses related to services rendered or received and the typical banking results from financial transactions not directly related to intermediation:

Fees and commissions receivable;

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<sup>43</sup>. See also the tables “Income Statement Reconciliation” and “Balance Sheet Reconciliation” that follow.

<sup>44</sup>. Since the entry in force of Banco de España Circular 4/1991, income generated by the investment of an institution’s internal pension funds must be treated as a financial cost of the institution. Until then, this cost was included under allocations to the funds and, therefore, figured as a personnel expense. For the period prior to 1992, an estimate was made of this cost (applying to pension funds the average interest rate of the loan transactions in the balance sheet), and this figure was then deducted from the amount assigned to the pension fund, thus ensuring the homogeneity of the series.

Fees and commissions payable;

Net profits or loss on financial operations: gains or losses on transactions in foreign currency, gains or losses on the trading of fixed-income securities held in the investment portfolio, gains or losses on other financial transactions and on non-hedging transactions, and the extraordinary results generated by the purchase and sale of securities (other than those held in the investment portfolio);

Other: extraordinary results generated by the purchase and sale of property and other extraordinary income and expenses not related to personnel.

#### *Operating expenses*

Staff costs includes costs of both a compulsory and voluntary nature, social security contributions, retirement pensions, profit-sharing, and net allowances to provision funds set up by the institutions to cover future pension payments, except for the costs related to internal pension funds;

Property costs: overhead costs covering service maintenance, insurance, employee travel expenses, depreciation of fixed assets, amortisation of start-up and formation expenses and of other intangible assets and contributions paid to deposit guarantee funds by member institutions;

Other expenses: taxes on banking business that cannot be transferred to customers and property taxes.

#### *Provisions (net)*

This includes net allocations (allocations less uses and less disposable funds or surplus allocations) to provisions for: a) bad debts, b) country risk, c) losses from price fluctuations of securities, d) exchange rate risk related to tangible assets (denoted as transactions in foreign currency until the entry into effect of Banco de España Circular 4/1991) and transactions in futures and other specific and generic instruments. In addition, this item reflects the year's write-offs and depreciation charged directly to the income statement and the recuperation of losses on loans and securities. The main features of provisions (items 8.a to 8.c) are as follows:

- *Provisions on loans:* allowances must be transferred to this provision irrespective of the results at the close of the financial year. Included are allowances for covering the institutions' credit exposure. To calculate these provisions, assets are classified in several categories, depending on the cause of their doubtful payment. Each of the categories has a coverage ratio that must be strictly respected. In the case of loans classified as doubtful because of default, this coverage is basically set according to the length of the period the loan is considered in default.
- *Provisions on securities:* under criteria established by the Bank de España, institutions are required to assign funds to a provision for securities to cover possible losses arising from the decline in the value of their portfolios.
- The securities price fluctuation fund not only includes net allocations but also the write-downs of securities in the income statement.

- *Other provisions*: provision for exchange-rate risk related to tangible assets (previously Exchange-rate fluctuation provision) and for future and other specific and generic instruments.

### *Income tax*

Since 1992 corporate tax has been recorded in the income statement under expenses. Also since 1992 the income tax series has included tax on the activity in Spain of resident entities. Due to the lack of information, until that year the series encompassed total tax, *i.e.*, tax on business in Spain and abroad.

### *Distributed profit*

In the case of commercial banks, this item includes the total profits to be distributed to shareholders, even though partial payments may have already been made. For savings banks, which have no share capital due to their special legal status, this item records their contributions to social and welfare activities. In the case of credit co-operatives, this item includes contributions to social and cultural activities, interest paid to associates on capital contributions and the co-operative's returns.

### *Retained profit*

The institution included in "all banks" must assign the following compulsory reserves:

Commercial banks: as in the case of all joint-stock companies, commercial banks are required to assign at least 10 per cent of their liquid surplus to a reserve, which must equal at least 20 per cent of share capital;

Savings banks: as a general rule, savings banks are required to set aside at least 50 per cent of their liquid surplus to reserves before establishing welfare fund provisions;

Credit co-operatives: credit co-operatives must assign at least 20 per cent of their liquid surplus to a compulsory reserve fund and 10 per cent to an education and welfare fund. The rest remains at the disposal of the general assembly, which can distribute it among members or use it to enlarge its compulsory reserve fund.

In addition, all institutions must comply with the capital adequacy ratio. If an institution presents a deficit in its eligible own funds of more than 20 per cent of the minimum compulsory funds, it must assign to reserves all net profit or liquid surplus. If the deficit is 20 per cent or less, the institution must submit its proposal for profit distribution for prior authorisation by the Banco de España, which then sets the minimum percentage -in no case less than 50 per cent- that must be assigned to reserves.

### ***Balance sheet***

*Bank Profitability – Financial Statements of Banks* also includes the components of the balance sheet (items 14 to 39). The contents of each item are:

#### *Cash and balance with Central bank*

This reflects the cash in pesetas and other claims on the Banco de España in the form of compulsory sight deposits, asset purchases with resale agreements, and CBEs (until the year 2000).

### *Interbank deposits*

Included here are the outstanding balances of correspondent accounts, time deposits, repos, and other accounts vis-à-vis resident credit institutions.

### *Loans*

This item includes the amounts withdrawn or other debtor balances related to the credits and loans extended to customers, both resident (General Government and other sectors) and non-resident: trade credit, secured loans, other non-secured loans, repos, sight and sundry debtors, financial leasing, etc. Doubtful loans are also included.

### *Securities*

This reflects the portfolio of fixed-income securities and shares issued by credit institutions, General Government and other resident and non-resident sectors. Also included are own securities held in the portfolio.

### *Other assets*

This item covers a heterogeneous group of assets that do not fit into the previous items, including among others: foreign banknotes, claims on other central banks and non-resident credit institutions, fixed assets, welfare activities, and accrual and sundry accounts.

### *Capital and reserves*

Included here are the entries for capital, reserves, provisions, and the profits and losses of previous years and the current year.

Capital: in the case of savings banks and credit co-operatives, this item includes the contributions of promoters and associates, respectively. The participation units issued by savings banks also figure here;

Reserves: this item includes share issue premiums, compulsory and voluntary reserves, and accumulated reserves derived from the revaluation of assets (buildings, securities, etc.), as allowed under legislation on the restatement (revaluation) of balance sheets (Laws 2432/1979, 621/1981, 382/1984);

Provisions: included here are all the specific funds, with the exception of pension funds, and provisions whose regulatory framework is described above,. In general, it reflects movements in operating accounts, although occasionally these movements stem from the use of other reserves. Pension funds are not considered as such, and their net allowances are included in staff expenses (outlay overrun on returns from investment of the fund) or in financial costs (returns from investment of the fund). They are recorded in Other liabilities (item 24), as in the case of savings banks' welfare funds;

Profits: includes the profits of the current year and the undistributed profits of previous years;

Losses: includes the losses of the current year and of previous years, as well as losses offset under balance-sheet restatements allowed by law.



### *Borrowing from Central bank*

All liabilities to the Banco de España, in any form, are included under this item.

### *Interbank deposits*

This encompasses the debit balances of interbank deposits, correspondent accounts, time deposits, repos, and other accounts vis-à-vis other resident credit institutions.

### *Non-bank deposits*

Included here are the credit balances in pesetas and foreign currencies vis-à-vis General Government (including tax-collection accounts), other resident and non-resident sectors for sight, savings and time accounts, participations, repo asset sales, and insurance transactions.

### *Bonds*

This item covers issues of bonds and other negotiable assets (including those held by the institution itself) and subordinated financing.

### *Other liabilities*

This encompasses the other liabilities that do not figure in the previous items, including the special creditor accounts of other resident sectors, the internal pension fund, accounts with non-resident credit institutions, and accrual and sundry accounts.

### ***Memorandum items***

#### *Short-term securities*

This includes the short-term securities issued by all resident sectors that are held by deposit money institutions: General Government bills and notes; commercial paper, notes and other instruments of official credit institutions.

#### *Bonds*

Included here are the medium and long-term securities issued by all resident and non-resident sectors that are held by institutions: General Government bonds, fixed-income portfolios of credit institutions (except notes and other instruments of official credit institutions), bonds of other resident sectors, and the total fixed-income portfolio of non-residents.

#### *Shares and participations*

This encompasses the participations, shares and variable-yield securities issued by credit institutions and other resident and non-resident sectors that are held by deposit money institutions.

#### *Claims on non-residents*

This item covers the total claims on non-residents: foreign banknotes, claims on non-resident credit institutions, claims on other central banks, and fixed assets in foreign currency, all of which figure in Other assets (item 18); the doubtful loans of non-residents and of non-resident credit

institutions and credit extended to non-bank non-residents reflected in Loans (item 16); the portfolio of fixed-income securities and shares included in Securities (item 17).

#### *Liabilities to non-residents*

This encompasses all liabilities to non-residents: the liabilities to non-resident credit institutions included in Other liabilities (item 24); the deposits of non-bank non residents in Non-banks deposits (item 22), and the subordinated financing in foreign currency included in Bonds (item 23).

#### *Capital adequacy*

##### *Tier 1 Capital*

Essentially capital and reserves, from which are deducted negative results and losses at consolidated companies.

##### *Tier 2 Capital*

The most significant components are subordinated financing, savings banks' welfare funds and credit co-operatives' education and welfare funds, and generic and statistical (dynamic) provisions.

#### *Supervisory deductions*

Essentially the surplus of participations in financial and non-financial institutions.

## **V. Sources**

All information is drawn from the statements presented by institutions to the Banco de España for supervisory purposes. Balance sheets and income statements are published in the *Boletín Estadístico* of the Banco de España (chapter 8.bis, [www.bde.es](http://www.bde.es)). These balance sheets and income statements were used to derive the statistics published in *Bank Profitability – Financial Statements of Banks*, although not all the data are published in the *Boletín Estadístico* (e.g. capital adequacy).

**SPAIN**  
**Income Statement Reconciliation**  
**All banks**  
**2001**

OECD presentation		National presentation <sup>1</sup>
<b>1. Interest income</b>	<b>61765</b>	<b>Interest income 71.1</b>
<b>2. Interest expenses</b>	<b>33966</b>	<b>Interest expenses 71.2</b>
<b>3. Net interest income</b>	<b>27798</b>	<b>Net interest income 71.3</b>
<b>4. Non-interest income (net)</b>	<b>10629</b>	<b>Non interest income (net)</b>
<i>a. Fees and commissions receivable</i>	9145	<i>Fees and commissions receivable 75.3</i>
<i>b. Fees and commissions payable</i>	1643	<i>Fees and commissions payable 75.5</i>
<i>c. Net profits or loss on financial operations</i>	2202	<i>Net profits or loss on financial operations</i> 75[7-8+11+12+13+14] + 71.9 (p)
<i>d. Other</i>	925	<i>Other 71.9 (p) + 71.12 (p)</i>
<b>5. Gross income</b>	<b>38427</b>	<b>Gross income</b>
<b>6. Operating expenses</b>	<b>21336</b>	<b>Operating expenses</b>
<i>a. Staff costs</i>	13067	<i>Staff cost</i>
	12302	General staff cost 71.7
	765	Extraordinary staff cost 71.12 (p)
<i>b. Property costs</i>	8035	<i>General expenses 71.6 (p)</i>
<i>c. Other</i>	235	<i>Non-income tax 71.6 (p)</i>
<b>7. Net income</b>	<b>17090</b>	<b>Net income</b>
<b>8. Provisions (net)</b>	<b>7332</b>	<b>Provisions (net)</b>
<i>a. Provisions on loans</i>	3171	<i>Provisions on loans 71.10</i>
<i>b. Provisions on securities</i>	3375	<i>Provisions on securities 71.11 (p)</i>
<i>c. Other</i>	786	<i>Other 71.11 (p) + 75 [9+15]</i>
<b>9. Profit before tax</b>	<b>9758</b>	<b>Profit before tax 71.13</b>
<b>10. Income tax</b>	<b>1171</b>	<b>Income tax 71.14</b>
<b>11. Profit after tax</b>	<b>8587</b>	<b>Profit after tax 71.15</b>
<b>12.</b>	<b>4580</b>	<b>Distributed profit</b>
<b>13. Retained profit</b>	<b>4007</b>	<b>Retained profit</b>

1. The numbers correspond to the tables and columns of chapter 89 in the *Boletín Estadístico* of the Banco de España (www.bde.es).

(p) Parcial. Only part of this item is included

**SPAIN**  
**Balance Sheet Reconciliation**  
**All banks**  
**2001**

OECD presentation	Euro Million	National presentation <sup>1</sup>
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>20539</b>	<b>Cash and balance with Central bank 11.2 (p) + 21.2 (p) + 31.2 (p)</b>
<b>15. Interbank deposits</b>	<b>131451</b>	<b>Interbank deposits 11.2 (p) + 21.2 (p) + 31.2 (p)</b>
<b>16. Loans</b>	<b>641105</b>	<b>Loans</b>
	31269	<i>Credit to General Government 11.4+21.4+ 31.4</i>
	586010	<i>Credit to other resident sectors 11.8+21.8+31.8</i>
	23826	<i>Credit to external sector 11.13 (p) + 21.13 (p) +31.13 (p)</i>
<b>17. Securities</b>	<b>246380</b>	<b>Securities</b>
	102572	<i>General Government debt 11[5+6]+21[5+6]+ 31[5+6]</i>
	143808	<i>Others 11[2 (p) + 9 + 13 (p)] + 21[2 (p)+ 9 + 13 (p)] + 31[2 (p) + 9 + 13 (p)]</i>
<b>18. Other assets</b>	<b>156345</b>	<b>Other assets</b>
	72858	<i>External sector 11.13(p)+21.13 (p) + 31.13(p)</i>
	20442	<i>Fixed and welfare assets 11.14+21.14+31.14</i>
	63045	<i>Miscellaneous 11.15 + 21.15 + 31.15</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>105348</b>	<b>Capital Accounts 12.13(p)+22.13(p)+32.13(p)</b>
<b>20. Borrowing from Central bank</b>	<b>10547</b>	<b>Borrowing from Central Bank 12.2(p)+22.2(p) + 32.2 (p)</b>
<b>21. Interbank deposits</b>	<b>126881</b>	<b>Interbank deposits 12.2(p)+22.2(p)+32.2(p)</b>
<b>22. Non-bank deposits</b>	<b>680747</b>	<b>Non-bank deposits</b>
	41899	<i>General Government sector deposits 12.3+22.3 +32.3</i>
	549621	<i>Other resident sector deposits 12[5+6] + 22 [5+6] + 32 [5+6]</i>
	89227	<i>External sector 12.11(p)+ 22.11(p)+ 32.11(p)</i>
<b>23. Bonds</b>	<b>83670</b>	<b>Bonds</b>
	39347	<i>Bonds 12[2 (p)+7]+22[2(p)+7]+32[2 (p)+7]</i>
	44322	<i>Subordinating financing 12[10 (p) + 11 (p)] + 22 [10 (p)+ 11 (p)] + 32 [10 (p) + 11 (p)]</i>
<b>24. Other liabilities</b>	<b>188628</b>	<b>Other liabilities</b>
	127908	<i>External sector 12.11 (p)+22.11 (p)+32.11 (p)</i>
	13147	<i>Pensions funds 12.13 (p)+22.13 (p)+32.13 (p)</i>
	47573	<i>Miscellaneous 12[10(p)+14]+22[10(p)+14+15] +32[10 (p)+14]</i>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>1195821</b>	<b>11.1 + 21.1 + 31.1</b>

1. The numbers correspond to the tables and columns of the chapter 89 in the *Boletín Estadístico* of the Banco de España. (www.bde.es)

(p) Partial. Only part of this item is included

## SWEDEN

### **I. Institutional coverage**

The statistics published in *Bank Profitability – Financial Statements of Banks* relate to commercial banks, savings banks, and co-operative banks. Co-operative banks were transformed into a limited company at the end of 1991. Thereafter these banks are included with commercial banks. Further, a number of significant savings banks were transformed into a limited company, Sparbanken Sverige AB, at the end of 1992 and this is also included in the commercial banks from 1993. Foreign owned banks were allowed in Sweden in 1986.

At the end of 1996, there were 15 Swedish commercial banks and their assets amounted to SEK 1730 billion. The total number of foreign commercial banks and branches were 21 and their assets amounted to SEK 56 billion. Savings banks numbered 88 and their total assets amounted to SEK 75 billion.

According to the Banking Business Act of 1987, banking business is defined as “the acceptance of deposits from the public on accounts”. Commercial banks and large savings banks are authorised exchange banks. Many of the financial enterprises are owned by banks as subsidiaries. They grant credit in forms similar to those of the banks, but they also provide additional services which banks are not authorised to provide.

### **II. Geographical coverage and degree of consolidation**

Data covered in *Bank Profitability – Financial Statements of Banks* refer to domestic banks excluding their foreign subsidiaries. Foreign banks and foreign branches operating in Sweden are included.

### **III. Summary description of activities of banks**

#### ***Payment facilities***

All accounts are in practice sight deposit accounts and they can be linked with the bank giro system and automated cash dispensers. Accounts with the government-owned Nordbanken can be linked to the postal giro system. Many accounts also include overdraft facilities.

#### ***Deposit business with non-banks***

Banks market a wide range of accounts for enterprises and households, both transactions and savings accounts. Many bank accounts offer features which are typical of both types of accounts.

#### ***Issues of non-marketable and/or marketable savings instruments***

Banks are allowed to issue bank bonds with maturity not exceeding seven years and CDs not exceeding one year. Bank bonds may be issued up to a limited amount and should strengthen a bank's ability to grant medium-term credits to the business sector. CDs are bought by the non-household private sector and other banks.

### ***Money market business***

The interbank money market consists of transactions in daylight and overnight loans between banks, transactions in CDs, borrowing from and repurchase agreements with the Central bank, and short-term deposits with the National Debt Office. The money market comprises furthermore short-term deposits with special terms from the non-financial sector, *i.e.* enterprises and local authorities, and transactions in Treasury bills and commercial papers.

### ***Various kinds of lending business***

Banks grant construction loans to housing but mortgage lending for housing is handled by specialised institutions, often owned by banks. Lending to the government consists of investments in Treasury bills and government bonds. Lending to the business sector is formally short-term, although the banks are allowed to grant loans on longer terms within certain limits. Lending to households is mainly in the form of personal loans. Banks do not grant instalment credits; such credits are granted by the finance companies.

Banks' international lending is mainly related to export/import financing. About 40 per cent of bank lending is made in foreign currencies. Government guarantees for export financing are provided by the Swedish Export Credit Guarantee Board.

### ***Security business, portfolio management, and trust business***

Banks are not allowed to invest in shares or trade in shares in their own name. For clients, the banks trade in bonds and shares, assist in issuing securities, and provide portfolio management.

### ***Foreign exchange trading and foreign payments***

Commercial banks and large savings banks are authorised by the Central Bank to trade in foreign exchange.

### ***Non-banking business***

Banks are not allowed to perform non-banking business.

## **IV. Reconciliation of national data with the OECD presentation <sup>45</sup>**

### ***Income statement***

#### ***Depreciation and provisions of commercial banks***

According to the Banking Business Act, banks have to set aside at least 10 per cent of their annual profit to a legal reserve fund, until the fund has reached a sum corresponding to 20 per cent of the share capital. The law stipulates further that assets may not be booked at a value exceeding either their true value or acquisition cost. Uncertain claims may be booked to a value not exceeding what can be expected to be repaid. In principle, provisions are differentiated according to risk but similar for domestic and foreign assets unless special agreements exist between the banks and the Financial Supervisory Authority.

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45. See also the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.

The Financial Supervisory Authority requires the banks to maintain a general level of solvency in accordance with the provisions of the Banking Business Act. Thereby, it is stipulated that banks must maintain certain asset/capital ratios, which are different for assets with different risks. Capital adequacy rules in accordance with the Basle standard was fully implemented for all banks from 1 January 1993.

The depositors position have been further strengthened by the new legislation about depositors' guarantee whereby the depositor is guaranteed the amount deposited, including interest accrued; maximum amount guaranteed is SEK 250 000.

#### Credit losses

Net income (item 7) has been charged with actual and possible credit losses and are included under Operating expenses (item 6). As from 1991 onwards the reserve for possible credit losses is shown as a deduction from the lending/loan item on the asset side. Previously this was shown gross included under liabilities.

#### Provisions

Up to 1990 the Swedish tax system made it possible to make provisions for lending etc. by making transfers to untaxed reserves. This was a method to balance the tax expenses over the years for the banks. These provisions have been reflected in Provisions net (item 8). As the tax system changed in 1991 these accumulated untaxed reserves had to be dissolved. This is the main reason to the substantial (negative) figures shown in 1991 and 1992 under Provisions net (item 8)

### **V. Changes in accounting principles as from 1996**

New accounting principles were introduced in Sweden on 1 January 1996 based on the Annual Accounts Act (1995:1559) for Credit Institutions and Securities Brokerage Companies.

Before 1996, holdings of interest-bearing securities and their associated derivatives were divided into an investment portfolio (long-term holdings) and a trading portfolio (short-term holdings). Investment- and trading portfolios were valued at the lower of acquisition price and market value. The operating profit was consequently influenced by net changes in unrealised losses but not in unrealised gains. The changes in unrealised losses in the trading portfolio were included in the net interest income, thereby influencing the operating profit, whereas the corresponding loss in the investment portfolio was reported as appropriations.

The new accounting principles introduced in 1996 imply that securities intended to be kept to maturity are reported at their accrued acquisition price, whereas other securities are valued at market value. Derivative instruments with positive/negative market values are now reported gross in the balance sheet as other assets/other liabilities, respectively.

### **VI. Sources**

Statistics Sweden.

**SWEDEN**  
**Income Statement Reconciliation**  
**Commercial banks**  
**1996**

	Million SKr	National presentation
<b>1. Interest income</b>	<b>106585</b>	
	11786	<i>Swedish financial institutions</i>
	13705	<i>Foreign banks</i>
	23879	<i>Securities</i>
	54931	<i>Non-bank public</i>
	549	<i>Leasing (net)</i>
	1735	<i>Others</i>
<b>2. Interest expenses</b>	<b>71623</b>	
	33463	<i>Non-bank public</i>
	8839	<i>Swedish financial institutions</i>
	17051	<i>Foreign banks</i>
	9208	<i>Securities</i>
	3063	<i>Others</i>
<b>3. Net interest income</b>	<b>34962</b>	
<b>4. Non-interest income (net)</b>	<b>26222</b>	
<i>a. Fees and commissions receivable</i>	14547	
		Brokerage commission
		Commissions, fees, agio (net)
<i>b. Fees and commissions payable</i>	2254	
<i>c. Net profits or loss on financial operations</i>	9415	
<i>d. Other</i>	4514	
	2792	Dividends
	1722	Other items
<b>5. Gross income</b>	<b>61184</b>	
<b>6. Operating expenses</b>	<b>39361</b>	
<i>a. Staff costs</i>	17442	
<i>b. Property costs</i>	..	
<i>c. Other</i>	21919	
	2590	Rents paid
	4422	Credit losses
	1623	Depreciation including real estate
	13284	Other items
<b>7. Net income</b>	<b>21823</b>	
<b>8. Provisions (net)</b>	<b>94</b>	
<i>a. Provisions on loans</i>	..	
<i>b. Provisions on securities</i>	..	
<i>c. Other</i>	..	
<b>9. Profit before tax</b>	<b>21729</b>	
<b>10. Income tax</b>	<b>5004</b>	
<b>11. Profit after tax</b>	<b>16725</b>	
<b>12. Distributed profit</b>	<b>17356</b>	
<b>13. Retained profit</b>	<b>-631</b>	



**SWEDEN**  
**Balance Sheet Reconciliation**  
**Commercial banks**  
**1996**

OECD presentation	Million SKr	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>18476</b>	
	8281	<i>Cash</i>
	842	<i>Swedish financial institution: the Riksbank</i>
	9354	<i>Other accounts</i>
<b>15. Interbank deposits</b>	<b>331813</b>	
	691	<i>Clearing claims with the Riksbank</i>
	63435	<i>Swedish banks</i>
	267687	<i>Foreign banks</i>
<b>16. Loans</b>	<b>650554</b>	<b>Advances to non-bank public</b>
<b>17. Securities</b>	<b>532871</b>	
	7325	<i>Swedish financial institution: National Debt</i>
	99419	<i>Mortgage institutions and finance companies</i>
	10628	<i>Insurance companies</i>
	424	<i>Securities brokerage companies</i>
	210	<i>Other financial institutions</i>
	137696	<i>Instruments eligible with the Central bank</i>
	230168	<i>Bonds and other interest bearing instruments</i>
	9671	<i>Shares, current assets</i>
	37331	<i>Group- and associated companies</i>
<b>18. Other assets</b>	<b>196668</b>	<b>Residual</b>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>84965</b>	
	14084	<i>Untaxed reserves</i>
	70881	<i>Equity</i>
<b>20. Borrowing from Central bank</b>	<b>9563</b>	<b>Swedish financial institution: the Riksbank</b>
<b>21. Interbank deposits</b>	<b>419539</b>	
	76865	<i>Swedish banks</i>
	342674	<i>Foreign banks</i>
<b>22. Non-bank deposits</b>	<b>788295</b>	
	702265	<i>Deposits by non-bank public</i>
	86030	<i>Loans from non-bank public</i>
<b>23. Bonds</b>	<b>161975</b>	
	107795	<i>Bonds and CDs</i>
	54181	<i>Debenture loans</i>
<b>24.</b>	<b>266046</b>	<b>Residual items</b>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>1730382</b>	

## SWITZERLAND

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statement of Banks* relate to five categories of banks: i) cantonal banks; ii) major banks; iii) regional banks and savings banks; iv) mutual loan banks and Raiffeisen banks (co-operative banks); v) the other banks, both Swiss and foreign-owned. The transactions of branches of foreign banks and private bankers are not covered by these data.

Article 1 of the law on banks contains a comprehensive list of the enterprises Switzerland governs. Thus the law applies in particular to banks, private bankers and savings banks. One particularity of Swiss banks is that they usually perform all banking transactions, *i.e.* they are universal (general-purpose banks), although certain types of activities predominate in each category of bank.

### II. Geographical coverage and degree of consolidation

The statistics provided in this publication relate to the transactions of legally dependent branches of Swiss and foreign-owned banks in Switzerland and abroad. It therefore excludes the transactions of subsidiaries. A foreign-owned bank is authorised to operate in Switzerland only if reciprocity is guaranteed by the countries in which the natural or legal persons controlling it are domiciled.

### III. Summary description of activities of banks

The main banking transactions can be divided into two categories, the importance of which varies according to the type of bank, namely transactions which are shown in the balance sheet and those which are not.

Of the transactions which affect the balance sheet, the foremost are those concluded with customers (the non-bank sector) involving interest margins. These transactions consist of accepting deposits from the public, on the one hand, and granting credits, on the other. Credits are granted in the form of discounts (purchase of bills of exchange and cheques, after deduction of interim interest), advances against collateral (credits granted against movables as security), current account advances (overdrafts both secured and unsecured), fixed-term advances and loans, mortgage lending (credits granted against real estate) and personal loans (credits not covered by collateral security corresponding to banking practices and repayable in instalments).

Transactions with no direct effect on the balance sheet refer here to security business (purchase and sale of paper securities for third parties), issues (share and bond placings with syndicates formed with the object of underwriting the amounts offered for subscription), foreign currency and precious metals business, wealth management, the renting of safe-boxes, transactions of a conditional nature (guarantees, letters of credit) and fiduciary transactions (investments and credits that the bank makes or grants in its own name, but on behalf of the client and at his risk).

Transactions with entities abroad are of particular importance for Swiss banks. These activities result from the close links of the Swiss economy with non-residents, the high level of domestic saving, the inflow of foreign capital - because of the central role of the Swiss financial market - and Swiss banks' extensive network of branches abroad.

#### **IV. Reconciliation of national data with the OECD presentation<sup>46</sup>**

#### **V. Sources**

*Statistical Yearbook of the Swiss Banks*, an annual publication produced by the Statistics Division of the Swiss National Bank.

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46. See the tables “Income Statement Reconciliation” and “Balance Sheet Reconciliation” that follow.

**SWITZERLAND**  
**Income Statement Reconciliation**  
*All banks*<sup>1</sup>  
**2000**

OECD presentation	Million SF	National presentation
<b>1. Interest income</b>	<b>93277</b>	
	87934	<i>Interest receivable:</i>
		Including net income from call loans
		Excluding interest whose collection is doubtful
	3321	<i>Income from securities (interest and dividends)</i>
	2023	<i>Income from permanent participations</i>
<b>2. Interest expenses</b>	<b>68014</b>	<b>Interest payable</b>
<b>3. Net interest income</b>	<b>25264</b>	
<b>4. Non-interest income (net)</b>	<b>42485</b>	<b>Property and non-interest income (net)</b>
<i>a. Fees and commissions receivable</i>	29718	<i>Including:</i>
		safe deposit fees
		safe deposit box rental fees
		brokerage
		income from the security issuing business
<i>b. Fees and commissions payable</i>	3313	<i>Commission expenses may be offset against</i>
		<i>commission income only to the extent that it</i>
		<i>concerns retrocession agreed upon in advance</i>
<i>c. Net profits or loss on financial operations</i>	11946	<i>Income from trading in foreign exchange and</i>
		<i>precious metals:</i>
		foreign exchange profits
		income from foreign bank note and coin trading
		income from trading precious metals
		<i>less:</i>
		exchange rate losses and write-offs
<i>d. Other</i>	4135	<i>Including:</i>
		income from coupon accounts
		rental income after deduction of maintenance
		costs, including capital gains from the sale of
		real estate holdings less capital losses
<b>5. Gross income</b>	<b>67749</b>	
<b>6. Operating expenses</b>	<b>37898</b>	
<i>a. Staff costs</i>	22680	<i>Bank directors and staff</i>
		attendance fees and fixed emoluments for bank
		officers
		salaries, allowances, social security, disability
		and other statutory contributions including to
		staff welfare funds
<i>b. Property costs</i>	..	
<i>c. Other</i>	..	
<b>7. Net income</b>	<b>29851</b>	
<b>8. Provisions (net)</b>	<b>8241</b>	
<i>a. Provisions on loans</i>	..	
<i>b. Provisions on securities</i>	..	
<i>c. Other</i>	..	
<b>9.</b>	<b>21609</b>	
<b>10. Income tax</b>	<b>3289</b>	<b>Taxes (including allocations to provisions for</b>
<b>11. Profit after tax</b>	<b>18321</b>	
<b>12. Distributed profit</b>	<b>7853</b>	<b>Distributed profit</b> <sup>2</sup>
<b>13. Retained profit</b>	<b>10467</b>	<b>Retained profit</b> <sup>3</sup>

1. All banks include the following five groups: Large banks, Cantonal banks, Regional and Savings banks, Loan associations and

2. Dividends, interests paid to the appropriation capital and transfers to the canton or the municipality.

3. Allocation to reserves and amount carried forward.

**SWITZERLAND**  
**Balance sheet reconciliation**  
*All banks*<sup>1</sup>  
**2000**

OECD presentation	Million SF	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>14978</b>	<b>Cash on hand, giro-account deposits with the National Bank and deposits with the Post Office</b>
<b>15. Interbank deposits</b>	<b>521298</b>	<b>Balances with other banks on sight and time deposits</b>
<b>16. Loans</b>	<b>921633</b>	<b>Loans to non-banking sector</b>
	512262	<i>of which: mortgages</i>
<b>17. Securities</b>	<b>414021</b>	
<b>18. Other assets</b>	<b>215682</b>	
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>125762</b>	
	30241	<i>Capital</i>
	49373	<i>Statutory reserves</i>
	46148	<i>Other reserves</i>
<b>20. Borrowing from Central bank</b>	<b>..</b>	
<b>21. Interbank deposits</b>	<b>586473</b>	
		<i>Balances of other banks on sight and on time</i>
		<i>Borrowing from Central bank</i>
<b>22. Non-bank deposits</b>	<b>871672</b>	
	147926	<i>Sight deposits</i>
	435128	<i>Time deposits</i>
	211473	<i>Savings deposits</i>
	77145	<i>Deposits on deposit books and investment saving books</i>
<b>23. Bonds</b>	<b>184537</b>	
	37896	<i>Medium-term notes and cash bonds</i>
	101084	<i>Bonds</i>
	45557	<i>Mortgage bond loans</i>
<b>24. Other liabilities</b>	<b>319169</b>	
	54061	<i>Money market papers</i>
	265107	<i>Other liabilities (also included value adjustments, transitory liabilities)</i>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>2087613</b>	

1. All banks include the following five groups: Large banks, Cantonal banks, Regional and Savings banks, Loan associations and agricultural credit co-operatives, Other Swiss and foreign-controlled banks.

## TURKEY

### I. Institutional coverage

The statistics published in *Bank Profitability – Financial Statements of Banks* relate to all commercial banks operating in Turkey. There were 46 commercial banks as of end-2001<sup>47</sup>.

The financial system comprises the Central Bank, commercial banks, investment and development banks, special finance houses, leasing companies, credit co-operatives, social security institutions, insurance companies, capital market intermediaries, factoring companies and finance companies. The banking sector dominates the financial system in Turkey. As concerns GDP calculations for 2001, the banking sector (including commercial banks and investment and development banks) holds 89,8 . per cent of the GDP.

The table "Structure of the Financial System" in *Bank Profitability – Financial Statements of Banks* is compiled using the unadjusted<sup>48</sup> data from the BRSA , which supervises<sup>49</sup> all banks and special finance houses<sup>50</sup>.

### II. Geographical coverage and degree of consolidation

The data cover all commercial banks operating in Turkey including foreign branches of domestic banks and foreign banks established in Turkey. Domestic or foreign financial or non-financial subsidiaries are not covered by the data.

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47 . Iller Bankasi, which is not a full commercial bank, is included in these statistics until 1988 when it ceased accepting deposits.

48 As of end December 2001, financial statements of 25 privately owned commercial banks were adjusted within the scope of recapitalization program through a special audit process. However in order to keep the data on a same base, unadjusted financial statements are taken into account for this particular report.

49 All banks in Turkey were supervised by the Treasury according to Banks Act no. 3182, and the Central Bank of Turkey according to Central Bank Act no.1211 of Turkey. Special Finance Houses were carrying out business in accordance with the 'Decree of Ministry on Establishment of Special Finance Houses' and the Communiques of Treasury and Central Bank. According to this Decree, fundamental principles and methods of Special Finance Houses were regulated by the Prime Ministry with the advice of the Central Bank. But, after the Banking Regulation and Supervision Agency starts its operations by the 31.8.2000, the regulating and supervising functions (on banks and special finance houses) are carried out only by this institution according to new Banks Act no. 4389 which came into force in June 1999 and amended in December 1999 by the Act no. 4491, in May 2001 by the Act no. 4672, in January 2002 by the Act no. 4743.

50. Special finance houses are financial institutions operating on a non-interest basis. Supervision of these institutions is executed by the Banking Regulation and Supervision Agency. As of end-2001, their balance sheet total is only 1, 44 per cent of the total for the banking system.

### **III. Summary description of activities of banks**

Banks covered in this publication are allowed to engage in most of the activities that universal banks perform. These activities are listed below.

#### ***Payment facilities***

All commercial banks offer sight deposits, some with overdraft facilities. Credit cards and cheques are the main instruments of cashless money transfer. Automated Teller Machines (ATMs) are being used extensively. All cashless money transfers are made through Electronic Fund Transfer (EFT) which has been administered by the Central Bank since 1992.

#### ***Deposit taking***

Commercial banks offer interest bearing sight and time deposits to their customers both in Turkish lira and in foreign exchange. Time deposits have maturities of up to 1 month, 1-3 months, 3-6 months, 6-12 and over 12 months. Seven-day-notice deposits are also available.

#### ***Lending***

Most types of lending facilities are available to all types of debtors. However, there are prudential limits on large exposures and concentration of credit as well as on insider borrowing and connected lending. Bank lending is mostly short-term.

Banks may provide both cash and non-cash credit to their customers. Banks may not provide credit to physical and legal persons who are engaged exclusively in the trade of real estate.

Investment and development banks are free to engage in leasing business. However, insurance business and leasing is not authorised for the institutions covered in this publication. There are specialised public banks that provide credits to agriculture, industrial artisans and housing sectors.

Banks' off-balance sheet activities and especially forward foreign exchange transactions have considerably decreased in 2001.

#### ***Participations in corporations***

According to the new Banking Law; banks can participate to any financial and non-financial institution and acquisition of participation shall be considered as a credit. However, according to the Act no.4672, acquisition of single non financial participation by banks can not exceed 15 per cent its own funds. And, any non financial participation by banks can not exceed 60 per cent of banks own funds.

#### ***Securities business***

Banks' activities in the securities market are regulated by the Capital Market Law. Banks can buy and sell securities at the stock exchange directly on their own account. However, according to the new legislation dated 15 August 1996, banks can manage security portfolios for their customers through intermediary institutions. A large portion of banks' securities portfolios is made up of

government bonds and bills. Banks can establish and manage mutual funds and can underwrite securities.

### ***Foreign exchange trading***

Banks can engage in foreign exchange operations and maintain foreign exchange positions. The Foreign Exchange and Banknotes Market was established at the Central Bank in 1988 for the purpose of determining exchange rates under market conditions. On the other hand, as a change of policy, the Central Bank has started to phase out its intermediary role in the Foreign Exchange and Banknotes Markets during 2002. The interbank transactions carried out among the market participants were terminated in the FX deposits against TL deposits (swap) market and forward FX purchase/sale against TL (forward) market on March 1, 2002 and in the foreign banknotes purchase/sale against TL market on July 1, 2002. The Central Bank also began to phase out its intermediary function in the foreign exchange deposits market starting on July 1, 2002 to be completely terminated on December 2, 2002. In September 2, 2002 FX purchase/sale against TL market with the intermediation of the Central Bank was terminated. In 1989, foreign exchange operations and international capital movements were entirely liberalised. The Turkish lira was declared, in 1990, convertible with regard to Article 8 of the International Monetary Fund (IMF). Banks are required to maintain a foreign exchange risk ratio between 80 and 110 per cent calculated by dividing foreign exchange assets by foreign exchange liabilities, a ratio of maximum 20 per cent calculated by dividing their net foreign exchange position by equity capital, and a foreign exchange liquidity ratio of 10 per cent

### ***Money market business***

The Central Bank initiated the Interbank Money Market in 1986. Although the type of maturities in the market includes overnight, 1-4 weeks and 1-3 months, most of the transactions undertaken are overnight. Banks also hold a large portfolio of government securities which are subject to repurchase agreements. The Central Bank began to phase out its intermediary function in the TL market starting on July 1, 2002 to be completely terminated on December 2002.

## **IV. Reconciliation of the national data with the OECD presentation**

In the tables that follow, "Income Statement Reconciliation" and "Balance Sheet Reconciliation", the national presentation information provided is based on two prudential reports submitted to the Central Bank. Statistics in published financial reports may vary slightly.

### ***Income statement***

The Central Bank did not have to pay interest on Turkish lira required reserves, a policy which started in 1986. This point should be taken into consideration when comparing interest income items of the income statement for pre-1986 and post-1986 periods. However, The Central Bank has started to pay interest on Turkish Lira Required reserves in 2001. Fees and commissions receivable (item 4.a) includes gains on foreign-exchange claims and operations. Fees and commissions payable (item 4.b) includes losses on foreign-exchange liabilities and operations. Operating expenses (item 6) does not include rents in years 1981 to 1985. Beginning 1998, "Extraordinary incomes" and "Extraordinary expenses" are taken into account in 'other item (4.d)' due to new reporting package.

The year-end income statement sheet, which is sent to the Central Bank, includes some items showing the provisions for taxes, but not the actual amount of taxes paid. In order to collect the information required for Income tax, Profit after tax, Distributed profit and Retained profit (items 10 through 13), each bank was asked to provide information for taxes actually paid and distributed profits



but after the end of 1997, dividend is taken as distributed profit.. For the year 2001, tax provision is taken into account as income tax and dividend is taken as distributed profit.

### ***Balance sheet***

Until 1997, items in the OECD balance sheet presentation such as Borrowing from Central bank (item 20), Interbank deposits (item 21) and Non-bank deposits (item 22) were not separate items in the national presentation. For example, "Deposits" in the national presentation equals the sum of Interbank and Non-bank deposits (items 21 and 22) in the OECD presentation. Borrowing from Central Bank, which was shown in item "Loans used" in the national presentation, was subtracted from Loans used and shown as a separate item for the purpose of reconciliation. For the year 2001, loan used is added to interbank deposits. Data related to the above-mentioned items, not separately shown in the national balance sheet, were extracted from other prudential reports. After 1997, all mentioned items are shown in balance sheet. Additionally up through 1996, banks do not report short and long-term securities separately. After 1997, the term of securities are derived from securities form. According to this form short term securities (item 27) includes treasury bills, Asset Backed Securities, Bank Notes and Bank Guaranteed Notes and Investment Fund Participations Certificates.

### **V. Sources**

The figures compiled by the Undersecretariat of Treasury and Foreign Trade were used for the years 1981-1985. Central Bank data was used for succeeding years. On the other hand, for the year 2001, both Central Bank and BRSA data was used. In obtaining the total figures for commercial banks, data for investment and development banks were subtracted from the overall figures.

**TURKEY**  
**Income statement reconciliation**  
**Commercial banks**  
**2001**

OECD presentation	Billion TL	National presentation
<b>1. Interest incomes</b>	<b>45582136</b>	
	13037690	<i>Interest received on loans</i>
	244182	<i>Interest received on past-due loans</i>
	27660	<i>Premiums received on the Resource Utilization Support Fund</i>
	224906	<i>Interest received on required reserves</i>
	5485531	<i>Interest received from banks</i>
	17697593	<i>Interest received on securities portfolio</i>
	7641520	<i>Other interest incomes</i>
	585662	<i>Fees and commissions received on loans</i>
	637392	<i>Dividend incomes</i>
<b>2. Interest expenses</b>	<b>30883784</b>	
	27529670	<i>Interest paid for deposits</i>
	1618612	<i>Interest paid for loans</i>
	38610	<i>Interest paid for bonds</i>
	940905	<i>Other interest expenses</i>
	755987	<i>Fees and commissions paid</i>
<b>3. Net interest income</b>	<b>14698352</b>	
<b>4. Non-interest income (net)</b>	<b>(7178890)</b>	
		<i>Non-interest income:</i>
	3367998	Profits from capital market transactions
	1619417	Incomes from banking services
	78832892	Profits from foreign exchange transactions
	1799998	Others
		less:
		<i>Non-interest expenses:</i>
	3605117	Losses from capital market transactions
	86645804	Losses from foreign exchange transactions
	2548274	Others
<b>5. Gross income</b>	<b>7519462</b>	
<b>6. Operating expenses</b>	<b>3967201</b>	
<i>a. Staff costs</i>	2563364	<i>Personnel expenses</i>
<i>b. Property costs</i>	535431	
	242219	Rent expenses
	293212	Depreciation
<i>c. Other</i>	868406	
<b>7. Net income</b>	<b>3552261</b>	
<b>8. Provisions (net)</b>	<b>6270990</b>	<b>Provisions (net)</b>
	5318436	<i>Provisions for past-due loans</i>
	84402	<i>Provision on securities</i>
	868152	<i>Other provisions</i>
<b>9. Profit before tax</b>	<b>(2718729)</b>	
	(2718729)	Profit before tax
<b>10. Income tax</b>	<b>827154</b>	
<b>11. Profit after tax</b>	<b>(3545883)</b>	
<b>12. Distributed profit</b>	<b>223068</b>	
<b>13. Retained profit</b>	<b>(3768951)</b>	

**TURKEY**  
**Balance Sheet reconciliation**  
*Commercial banks*  
**2001**

OECD presentation	Billion TL	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>480651428544</b>	
	2526074	<i>Cash assets</i>
	2280440	<i>Balance with Central bank</i>
<b>15. Interbank deposits</b>	<b>25601824</b>	
<b>16. Loans</b>	<b>32848125</b>	<b>Loans</b>
<b>17. Securities</b>	<b>64814226</b>	<b>Securities portfolio</b>
<b>18. Other assets</b>	<b>35717221</b>	
	7741232	
	2260290	<i>Past-due loans (net)</i>
	11006018	<i>Interest and income accruals</i>
		<i>Bonds held against legal reserves</i>
		<i>Equity participations (net)</i>
	3587439	<i>Fixed assets (net)</i>
	849856	<i>Prepaid taxes</i>
	10272386	<i>Other</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>15183331</b>	<b>Equity capital</b>
	12806385	<i>total equity</i>
	2376946	<i>profit</i>
<b>20. Borrowing from Central bank</b>	<b>184011</b>	
<b>21. Interbank deposits</b>	<b>22196068</b>	<b>Deposits</b>
<b>22. Non-bank deposits</b>	<b>109512216</b>	
<b>23. Bonds</b>	<b>447125</b>	<b>Bonds</b>
<b>24. Other liabilities</b>	<b>16265158</b>	
	60381	<i>Debts from capital leases</i>
	3258836	<i>Funds</i>
		<i>Import deposits and transfer orders</i>
	579741	<i>Taxes, duties, charges and premiums payable</i>
	2571466	<i>Interest and expense rediscounts</i>
	2321087	
	39111	<i>Deferred taxes</i>
	7434536	<i>Others</i>
		<i>Profit for the period</i>
		<i>Profit for the previous years</i>
		<i>Fixed asset revaluation fund</i>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>163787909</b>	

## UNITED KINGDOM

### I. Institutional coverage

The statistics published in *Bank Profitability -- Financial Statements of Banks* cover the world-wide operations of nine major British banking groups.

The primary regulation governing banking in the United Kingdom is the Banking Act 1987, which requires *inter alia* that companies seeking to obtain deposits from the public should be authorised to do so by the Financial Services Authority, the UK's industry regulator which operates independently of the Bank of England. At end-February 2002, 296 institutions (either incorporated in the UK or branches of overseas institutions) were authorised under The Banking Act. In addition, 89 European authorised institutions (from the European Economic Area) were operating through branches in the UK under The Banking Co-ordination (Second Council Directive) Regulations 1992, having been authorised to do so by the relevant supervisory authority in their home state.

Banking operations in the Channel Islands and the Isle of Man are not subject to the Banking Act but to the relevant enactments by the local legislatures. Nevertheless, prior to September 1997, some banks in the offshore islands agreed to observe the 1981 Monetary Control Provisions and provide statistics to the Bank of England and were included in the United Kingdom banking sector. Banks in the offshore islands are no longer able to take this option and are now classified as "non-resident" banks in United Kingdom statistics. All United Kingdom national banking statistics cover the institutions within the sector, either in total or by sub-divisions according to the nationality of the parent companies. The balance sheet totals at end-2001 for each of the sub-divisions is presented in Table 2 below, "Structure of banks in the United Kingdom".

Retail banks offer a wide range of services, in particular money transmission facilities, to the general public through their extensive branch networks (nearly 12 000 in the United Kingdom at end-2001). They also have large international operations or branch networks outside the United Kingdom. Their subsidiary companies, sometimes themselves banks, tend to concentrate on offering specialised services or facilities such as insurance broking, unit trust and merchant banking services, or leasing and consumer credit.

Besides retail banks, banks in the United Kingdom include the investment banks, other United Kingdom-owned banks, branches and subsidiaries of overseas banks and consortium banks; these generally specialise in certain areas, such as bill finance, new issues, company finance, and instalment credit, or they may have been established in the United Kingdom to operate in the wholesale markets through sterling and foreign currency deposits and certificates of deposit. Unlike retail banks, most of these institutions do not seek to provide a regular domestic money transmission service but prefer to deal in larger sums of money, sometimes on behalf of relatively few customers. Outside the banking sector, the National Savings Bank remains primarily a holder of longer-term personal savings deposits. Although the range of institutions offering retail banking or similar services to the general public is increasing, the data in *Bank Profitability - Financial Statements of Banks* cover the bulk of those services in the United Kingdom.

The other main deposit-taking institutions in the United Kingdom are the building societies. Unlike banks, these take the form of mutual associations and have historically been governed by their own Acts of Parliament. Until the Building Societies Act 1986, the range of permitted activities was restricted almost exclusively to accepting deposits from members and making loans to finance the

purchase of residential property by members and others. The 1986 Act allowed a wider range and a larger amount of non-retail funding; it also permitted new types of lending and a wider range of mortgage products. Building societies can become public limited companies, a course followed by The Abbey National Building Society which was authorised under the Banking Act from July 1989, followed since by the Alliance & Leicester, Bradford & Bingley, Halifax, Northern Rock and Woolwich building societies, whilst some societies have been acquired by banks.

A breakdown by type of financial institution and corresponding balance-sheet total is presented in Table 3 below, "Structure of the financial system". The banks were dominant with an aggregate balance sheet of £3 145 billion at end-2000. The other major financial institutions are the insurance companies and pension funds whose balance sheets totalled £933 billion and £765 billion respectively. The building societies' balance sheet totalled £159 billion.

## **II. Geographical coverage and degree of consolidation**

The data cover the operations, both within the United Kingdom and abroad, of the nine major British banking groups<sup>51</sup>. It thus includes the business of:

- The parent and other banks in each group;
- Other domestic and foreign subsidiaries in each group;
- The group share of the net tangible assets and of the contributions of associate companies.

## **III. Summary description of activities of banks**

### ***Deposit-taking***

The retail banks traditionally accepted deposits on non-interest-bearing chequable sight accounts and on interest-bearing time deposit accounts. Until the new system of credit control was introduced in 1971, the latter were nearly all at seven days' notice. After 1971, however, these banks were able to expand profitably their activities into other fields and to accept longer-term deposits and issue time certificates of deposits. They also increased their foreign currency business. In the mid-1980's, the retail banks introduced a number of high interest-bearing chequable and other sight accounts, most of which were initially aimed at customers who could maintain a relatively high minimum balance on their accounts (in the case of personal customers, typically between £1 000 and £2 500). Subsequently, retail banks expanded their range of deposit products to offer tiered interest rates dependant on the account balance, automated transfers between accounts and, encouraged by government policy, a range of investment accounts which are exempt of tax.

### ***Payment facilities***

The cheque, the main instrument of cashless money transmission in the United Kingdom, has been eclipsed in recent years by giro credits (paper and electronic) and automated payments.

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51. The Abbey National Group; The Alliance & Leicester Group (included in the coverage beginning 1996); ; The Barclays Group; The Bradford & Bingley Group (included in the coverage beginning 1999); The HBOS Group (included in the coverage beginning 1996); The Lloyds TSB Group; The HSBC Group; The Northern Rock Group (included in the coverage beginning 1997); The Royal Bank of Scotland Group. Prior to the 1996 data, the Standard Chartered Group was included.

Banks and building societies process the majority of paper-based payments affecting their customers' accounts through their membership of three operational clearing companies overseen by the Association for Payment Clearing Services (APACS). These are the Cheque and Credit Clearing Company which operates high volume paper (cheque and credit) clearings; the Bankers' Automated Clearing System (BACS), which carries out electronic clearing of direct debits, standing orders, etc; and the Clearing House Automated Payment System (CHAPS) Clearing Company Ltd., which operate all high-value same day electronic credit transfer and paper debit clearings.

### ***Lending***

Customers of the main retail banking groups have a very wide range of financing facilities open to them. Fluctuations in working capital requirements may be accommodated by an agreed overdraft limit on a current account. Longer term financing requirements, particularly for corporate customers, may be met by contractual term loans, sometimes for up to ten years or more. The banks also carry out bill and acceptance financing. Personal customers' facilities include overdrafts and loans, and also revolving credit and budget accounts; additionally, the banks have traditionally been the sources of bridging finance for those exchanging housing, and, since the early 1980s, have significantly increased their share of the mortgage market, advancing considerable sums in long-term loans for actual house purchase or improvements. Other credit facilities are normally provided to clearing bank customers via subsidiaries, *e.g.* factoring (invoice discounting), and finance for specific acquisitions of fixed assets through instalment credit, consumer credit, and finance leasing contracts.

The provision of finance to central government is mainly in the form of investment in Treasury bills and central government bonds, but current account advances are also made. Similarly, lending to local government takes the form of advances and investment in bills and securities, while funds are also lent to local government through the wholesale markets. Public sector enterprises also maintain current accounts with the clearing banks, on which advances may be made. Much of the international business undertaken by the clearing banks in the United Kingdom is international trade finance, conducted on "open account" terms or through trade bills (letters of credit, acceptance credits, bill negotiation). Special schemes exist for lending to small business under a UK government guarantee and for the provision of fixed-rate export finance in co-operation with the Export Credits Guarantee Department.

### ***Money market business***

The main retail banks are major participants in the markets in wholesale sterling deposits, Eurocurrency deposits, and both sterling and eurocurrency certificates of deposit. Sterling deposits made with the banks may be lent in the markets at call or for a variety of fixed terms up to one year, either via the discount market or directly, through the offices of brokers, to other banks. The banks also deal in the various types of money market paper and are major holders of Treasury, local authority, and commercial bills, central government bonds, and other short-term securities. In the Eurocurrency market the banks borrow predominantly at short-term but lend under various arrangements for periods up to five years.

### ***Securities, portfolio management, and trust business***

Apart from investment activity on their own account, the banks have traditionally offered executor and trustee services, from which has developed a role as investment managers of private portfolios. They also now are active in the management of unit trusts and of institutional funds such as pension funds.

### ***International business***

The banks provide various means of effecting international payments arising from trading and tourists' requirements. Overseas business may be undertaken locally, by means of branch networks, or through co-operative relationships with local banks. Traditional retail banking services are offered in some territories, but the banks' presence overseas is largely in order more easily to deal with the needs of large international corporate customers.

### ***Other business***

Other services provided by the clearing banks include acting as insurance brokers, tax advisers, corporate finance advisers, company registrars, new issues receivers, and providers of guarantees, indemnities and performance bonds on behalf of customers.

## **IV. Reconciliation of national data with the OECD presentation<sup>52</sup>**

The United Kingdom national banking statistics, drawn from special returns made by banking sector institutions, cannot be reconciled with the statistics in *Bank Profitability – Financial Statements of Banks*, compiled from nine main retail banking groups' published reports and accounts, because:

- The coverage of national statistics does not extend to foreign branches and subsidiaries of banks incorporated in the United Kingdom;
- For operating account statistics: the United Kingdom does not publish operating account data for the banking sector nor for any component groups of banks (though some data is published for "financial companies", which comprises both the banking and other financial institutions sectors).
- For balance sheet statistics,

Data for subsidiaries of the retail banks outside the banking sector are not included in the banking statistics but, depending on the nature of the business, in those for other financial institutions or for private non-financial enterprises.

(See Table 2 below, "Structure of banks in the United Kingdom", for data of the balance sheet totals of the groupings referred to above.).

### ***Income statement***

*Provisions:* No breakdown is available of provisions into those on loans and those on securities.

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52. See also the tables "Income Statement Reconciliation" and "Balance Sheet Reconciliation" that follow.

## ***Balance sheet***

### ***Assets***

*Inter-bank deposits:* money at call and short notice, certificates of deposit, and placings with banks.

*Loans:* advances to customers less provision.

*Securities:* British Treasury bills and other bills, and investments (including trade investments).

### ***Liabilities***

*Borrowing from Central bank* is not applicable.

*Deposits* comprise deposit, current and other accounts.

*Bonds* comprise loan capital.

### ***Memorandum items***

*Short-term securities:* British Treasury bills and other bills.

*Bonds, Shares and participations, Claims on non-residents, and Liabilities to non-residents,* are not available.

### ***Supplementary information***

*Number of institutions:* the ten parent retail banks and their United Kingdom banking sector subsidiaries.

*Number of branches:* the branches of the ten parent retail banks in the United Kingdom, together with certain subsidiaries.

## **V. Sources**

The data in *Bank Profitability -- Financial Statements of Banks* has been compiled by the British Bankers' Association from the published reports of the nine banking groups covered. As explained in Section IV above, official data published in the United Kingdom do not have the same coverage as that included in *Bank Profitability – Financial Statements of Banks*<sup>53</sup>.

All statistical returns by banks in the United Kingdom for official purposes are made to the Bank of England. Balance sheet data for monthly reporting banks, analysed by nationality of ownership groupings, are published in *Monetary and Financial Statistics* each month and reproduced in an annual publication *The Bank of England Statistical Abstract*. The Abstract contains quarterly consolidated banking sector information and some information on the income and expenses of the UK

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53. An income statement for the major British banking groups is included in their Banking Business: an *Annual Abstract of Banking Statistics* .



offices of the UK banking sector. The Office for National Statistics also publishes banking sector information in *Financial Statistics* and other periodicals.

Table 1. **Structure of the banking system**  
*Commercial banks* <sup>(1)</sup>

	<i>Number of institutions</i>
<b>Incorporated in the United Kingdom</b>	184
<b>Branches of banks incorporated in the EEA</b>	89
<b>Branches of banks incorporated elsewhere</b>	<u>112</u>
	<u>385</u>

**Geographical origins of United Kingdom banks whose parent is incorporated abroad**

Country of ownership at end-February 1996 (breakdown no longer available)	Branches of overseas banks	UK incorporated subsidiaries with overseas parents <sup>(2)</sup>	Total
European Community (other than UK)	94	16	122
Other Europe	15	8	22
North America	36	20	47
Japan	28	10	38
Australian and New Zealand	8	5	10
Other Asia	33	8	47
Middle East	25	7	29
Other	15	5	23
	254	79	338

1. Institutions authorised under the Banking Act 1987 and European authorised institutions at end February 2002.  
 Excluding small banks reporting quarterly.

2. Including participation by 9 countries in 7 Consortium banks.

Source: Central bank (Banking Department of the Bank of England)

**Table 2. Structure of banks in the United Kingdom**  
*Balance Sheet totals at end-2001*

<i>£ billion</i>		
<b>Central Bank</b>		
UK banks		1610.1
Other EU banks	901.8	
American banks	294.4	
Japanese banks	141.8	
Other developed countries	435.7	
Other	42.9	1816.5
		3426.7
<hr/>		
<i>Analysis of aggregated balance sheet of all banks in United Kingdom other than the Central Bank at end-2001 <sup>(1)</sup></i>		
<i>£ billion</i>		
<b>Assets</b>		
<i>Cash and balances with Central Bank</i>		8.1
<i>UK loans to monetary financial institutions</i>		480.1
<i>UK non- monetary financial institutions loans</i>		1136.5
<i>Non-resident loans</i>		1142.0
<i>Securities</i>		486.7
<i>Other assets</i>		173.3
<i>Total</i>		3426.7
<b>Liabilities</b>		
<i>UK deposits from monetary financial institutions</i>		412.9
<i>UK non- monetary financial institutions deposits</i>		910.4
<i>Non-resident deposits</i>		1371.8
<i>Other liabilities</i>		731.7
<i>Total</i>		3426.7

1. Business of offices in the UK only.

Table 3. **Structure of the financial system**

<i>£ billion</i>	
End-December 2000	
Central Bank	40
Banks	3145
Building societies	159
Non-bank credit companies	35
Insurance companies	933
Pension funds	765
Unit trusts	223
Investment trust companies	61
Property unit trusts	4
National Savings Bank	62

**UNITED KINGDOM**  
**Income Statement Reconciliation**  
**Commercial banks<sup>1</sup>**  
**2001**

OECD presentation	Million £	National presentation
<b>1. Interest incomes</b>	<b>80235</b>	
	12291	<i>Interest receivable and similar income from debt securities</i>
	67944	<i>Other interest receivable</i>
<b>2. Interest expenses</b>	<b>50392</b>	
<b>3. Net interest income</b>	<b>29843</b>	
<b>4. Non-interest income (net)</b>	<b>23095</b>	
<i>a. Fees and commissions receivable</i>	18343	
<i>b. Fees and commissions payable</i>	3398	
<i>c. Net profits or loss on financial operations</i>	8150	
	98	Dividend income
	40	Income from associated undertakings
	-648	Minority interests
	429	Disposal profits
	3370	Dealing profits
	771	Net insurance income
	4090	Other income
<i>d. Other</i>	-	
<b>5. Gross income</b>	<b>52938</b>	
<b>6. Operating expenses</b>	<b>30379</b>	
<i>a. Staff costs</i>	14851	
<i>b. Property costs</i>	7721	
	3388	Property and equipment
	4333	Depreciation and amortisation
<i>c. Other</i>	7807	
<b>7. Net income</b>	<b>22560</b>	
<b>8. Provisions (net)</b>	<b>4189</b>	
<i>a. Provisions on loans</i>	..	
<i>b. Provisions on securities</i>	..	
<i>c. Other</i>	..	
<b>9. Profit before tax</b>	<b>18370</b>	
<b>10. Income tax</b>	<b>5707</b>	
<b>11. Profit after tax</b>	<b>12663</b>	
<b>12. Distributed profit</b>	<b>8544</b>	
<b>13. Retained profit</b>	<b>4120</b>	

1. Major British banking groups.

**UNITED KINGDOM**  
**Balance Sheet Reconciliation**  
**Commercial banks<sup>1</sup>**  
**2001**

OECD presentation	Million £	National presentation
<b>Assets</b>		<b>Assets</b>
<b>14. Cash and balance with Central bank</b>	<b>9145</b>	
<b>15. Interbank deposits</b>	<b>160988</b>	
<b>16. Loans</b>	<b>935876</b>	<b>Loans and advances to customers</b>
<b>17. Securities</b>	<b>375540</b>	
	335162	<i>Debt securities</i>
	8598	<i>Equity securities</i>
	31780	<i>Treasury and other bills</i>
<b>18. Other assets</b>	<b>299421</b>	
	10800	<i>Items in course of collection</i>
	21453	<i>Tangible fixed assets</i>
	136616	<i>Long-term assurance fund assets</i>
	500	<i>Interest in associated undertakings</i>
	17534	<i>Prepayments and accrued income</i>
	112518	<i>Other assets</i>
<b>Liabilities</b>		<b>Liabilities</b>
<b>19. Capital and reserves</b>	<b>91605</b>	
	7078	
	27688	<i>Share premium account</i>
	309	<i>Revaluation reserve</i>
	14265	<i>Other capital reserve</i>
	42265	<i>Profit and loss account</i>
<b>20. Borrowing from Central bank</b>	-	
<b>21. Interbank deposits</b>	<b>219316</b>	<b>Deposits by banks</b>
<b>22. Non-bank deposits</b>	<b>859612</b>	<b>Customer accounts</b>
<b>23. Bonds</b>	<b>300171</b>	
	19178	<i>Dated loan capital</i>
	13349	<i>Undated loan capital</i>
	19987	<i>Other subordinated liabilities</i>
	247658	<i>Debt securities in issue</i>
<b>24. Other liabilities</b>	<b>310264</b>	
	4388	<i>Deferred taxation</i>
	8076	<i>Minority interests</i>
	136616	<i>Long-term assurance fund liabilities</i>
	5863	<i>Items in course of collection</i>
	27133	<i>Accruals and deferred income</i>
	4662	<i>Other provisions</i>
	123526	<i>Other liabilities</i>
<b>Balance sheet total</b>		
<b>25. End-year total</b>	<b>1780968</b>	

1. Major British banking groups.

## UNITED STATES

### **I. Institutional coverage**

The statistics published in *Bank Profitability – Financial Statements of Banks* relate to domestic commercial banks and Federally insured savings institutions (savings banks and savings and loan associations). All of these institutions have deposit liabilities that are included in the national monetary aggregates. At the end of 1996 there were approximately 9500 domestic commercial banks and 1924 savings institutions. Commercial banks make a variety of business, real estate, and personal loans, financed mainly by time, savings, and demand and other checkable deposits. Savings institutions lend primarily for housing; their funding sources are similar to those for banks. Before 1980, only banks that were members of the Federal Reserve System were subject to its reserve requirements. Under the Monetary Control Act of 1980, all depository institutions, including U.S. branches and agencies of foreign banks, are subject to reserve requirements set by the Federal Reserve. The Monetary Control Act also provides that all institutions subject to reserve requirements have access to the Federal Reserve's discount window and its payment services.

### **II. Geographical coverage and degree of consolidation**

These statistics cover the consolidated domestic and foreign financial statements of domestically chartered banks. Data for foreign-controlled banks that are chartered under United States laws are included. Institutions operating in the United States as branches and agencies of foreign banks are not included, nor are banks operating in United States overseas possessions.

### **III. Summary description of activities of banks**

#### ***Payment facilities***

Payment vehicles include non-interest-bearing demand or sight deposits, with optional overdraft facilities offered by many institutions, and interest-bearing other checkable deposits, consisting of negotiable orders of withdrawal (NOW) and automatic transfer service (ATS) accounts. These accounts appear in the M1 monetary aggregate published by the Federal Reserve Board. Interest-bearing savings accounts allow a limited number of transactions each month. Along with small time deposits, they are included in M2. Funds in savings and checkable accounts may be accessed by Automated Teller Machines (ATMs). A growing number of banks offer arrangements whereby excess funds in demand accounts are automatically transferred into savings accounts. In addition, other services such as wire transfer of funds, automatic deduction of personal contractual payments, payroll account services, and interbank correspondent services are widely available.

#### ***Deposit business with non-banks***

Deposits of all types are offered to individuals, businesses, and governmental units. A large variety of types of deposits, maturities, and rate structures are available. Large time certificates of deposit (\$100 000 or more) are often negotiable and can be sold in a secondary market. The terms of accounts, such as minimum balance requirements, and the interest rates paid, if any, depend on the size of the account and the liquidity of the funds.

### ***Issues of non-marketable and/or marketable savings instruments***

Savings bonds are not issued by private financial institutions in the United States. Both commercial banks and savings institutions issue marketable bonds and debentures as part of their long-term financing arrangements, but these are not understood as savings instruments, which take the form of non-negotiable certificates and deposits.

### ***Money market instruments***

Both commercial banks and savings institutions are active as lenders in the market for "federal funds", amounts that are available immediately rather than on the next business day and are generally borrowed for very short periods of time, principally by commercial banks.

In addition, both of these institutions deal in various types of money market paper. They are major purchasers of short-term Treasury securities and Federal agency securities and hold bankers' acceptances and commercial paper. Commercial banks invest in state and local government short-term securities.

### ***Various types of lending business***

Savings institutions are primarily engaged in mortgage lending but also make smaller amounts of personal loans both on instalment and non-instalment bases. Commercial banks make many different types of loans, including overdraft facilities or lines of credit connected with demand deposits and acceptance financing. They make short and medium-term commercial and industrial loans; commercial, residential, and agricultural mortgages; instalment and non-instalment personal loans; agricultural loans; loans to other financial institutions including banks in foreign countries; and loans to finance the purchase of securities. Banks also provide lease financing.

Some banks specialise in certain types of loans: banks in rural areas hold high proportions of agricultural loans, for instance, while other banks have emphasised loans to large business. Banks in the United States do not make direct loans to the public sector, but instead contribute to public sector finance by the purchase of public securities.

### ***Security business, portfolio management, and trust business***

Many commercial banks provide trust services for clients. As part of these services they purchase and sell securities and administer clients' portfolios. Trust operations, however, are completely separate from lending and deposit operations of banks, although fees generated from trust services are part of bank income reported here.

In the United States there is a tradition going back to the 1930s of separation of commercial banking from investment banking. Commercial banks themselves are not allowed to underwrite securities, except those issued by state and local governments, and they may not invest in equity securities for their own account. However, bank holding companies may underwrite corporate bonds and equities, under certain restrictions, through "section 20"<sup>54</sup> subsidiaries.

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54. Glass-Steagall Act, 1933.



## ***Foreign exchange trading and foreign payments***

Commercial banks provide facilities for trading in foreign exchange and in gold and other precious metals, both for their own account and for client.

## **IV. Reconciliation of national data with the OECD presentation**

### ***Income statement***

*Non-interest income:* total non-interest income, *i.e.* gains or losses on securities held in investment accounts, and extraordinary items.

Fees and commissions include service charges on deposit accounts in domestic offices, income from fiduciary activities, and other fee income;

Net profit or loss on financial operations includes trading revenue, and gains (losses) on securities held in investment accounts;

Other: residual.

*Operating expenses:* total non-interest expenses, excluding provisions and taxes.

Staff costs include salaries and employee benefits;

Property costs include cost of premises and fixed assets;

Other: residual.

*Provisions (net):*

Provisions on loans include provision against loan and lease losses (includes any provisions against losses on securities), and provision for allocated transfer risk;

Provisions on securities are included with Provisions on loans.

*Income tax:* taxes on ordinary and extraordinary income.

*Distributed profits:* cash dividends.

*Retained profit:* retained income.

### ***Balance sheet***

#### ***Assets***

*Cash and balance with Central bank:* cash and non-interest earning balances due from depository institutions less non-interest earning balances due from depository institutions in the U.S.

*Interbank deposits:* interest earning balances due from depository institutions and non-interest earning balances due from depository institutions in the U.S.

*Loans:* interest earning loans less loss reserves, and Federal funds sold.

*Securities:* securities held in investment accounts and securities held in trading accounts.

*Other assets:* residual.

### ***Liabilities***

*Capital and reserves:* capital account (limited life preferred stock and related surplus plus total equity capital).

*Interbank deposits:* demand and non-transaction deposits at commercial banks and other depository institutions in the U.S. and at banks in foreign countries.

*Non-bank deposits:* deposits less interbank deposits.

*Bonds:* subordinated notes and debentures.

*Other liabilities:* total liabilities plus capital, less deposits, bonds and capital.

### **V. Sources**

Authority that collects or publishes the data: Commercial banks -- Federal Reserve Board, Federal Deposit Insurance Corporation, Controller of the Currency; Savings institutions -- Federal Deposit Insurance Corporation and the Office of Thrift Supervision.

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