

# Explanatory notes and glossary of statistics of the banks' profit and loss accounts

## Explanatory notes of statistics of the banks' profit and loss accounts

The results from the profit and loss accounts are based on the published annual reports of the individual institutions in accordance with the provisions set forth in the German Commercial Code (*Handelsgesetzbuch*) and the Regulation on the Accounting of Credit Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute*). They differ in terms of their conception, structure and definitions from the International Financial Reporting Standards (IFRS)<sup>1</sup> for publicly traded banking groups. This means that – from a methodological viewpoint – business performance and certain balance sheet or individual profit and loss items are not comparable across the national and international accounting frameworks. For reasons of comparability within Germany, it is advisable to consider the individual accounts when analysing financial performance. The figures for balance sheet capital (total equity), total assets and other stock variables are not obtained from the annual reports but are taken as annual average values on the basis of the monthly balance sheet statistics reported for the institution as a whole.

The reporting group for statistics on banks' profit and loss accounts (profit and loss statistics) includes all banks which are monetary financial institutions (MFIs) and conform to the definition of a credit institution under the Capital Requirements Regulation (CRR) as defined in Article 4(1) number 1 of Regulation (EU) No 575/ 2013 and are domiciled in Germany. Branches of foreign banks that are exempted from the provisions of Section 53 of the German Banking Act (*Kreditwesengesetz*), banks in liquidation and banks with a financial year of less than 12 months (truncated financial year) are not included in this performance analysis.

As in the monthly balance sheet statistics, a series of re-classifications in the banking categories included in the banking statistics were also carried out in the profit and loss statistics in the 2018 reporting year. This means there is sometimes limited comparability with the prior-year figures for the affected banking groups. "DB Privat- und Firmenkundenbank AG" was created through the merger between "Deutsche Bank Privat- und Geschäftskunden

AG", which had up to now been assigned to the "regional banks and other commercial banks" category, and "Post-bank AG", which had up to now been classified as a "big bank". "DB Privat- und Firmenkundenbank AG" has been assigned to the category of "big banks" as of this reporting year. "DSK Hyp AG" (formerly "SEB AG") is no longer assigned to the "regional banks and other commercial banks" category, and has instead been assigned to the "mortgage banks" category. Two banks have been reassigned from the "Landesbanken" category: "HSH Nordbank" now belongs to the "regional banks and other commercial banks" category and "Landesbank Berlin AG" has been assigned to the "savings banks" category. "Wüstenrot Bank Aktiengesellschaft Pfandbriefbank" no longer belongs to the "mortgage banks" category, and has instead been assigned to the "regional banks and other commercial banks" category.

At the launch of monetary union in 1999, the reporting group relevant for calculating the money supply and for monetary analysis was uniformly defined by the ECB for the euro area as a whole and designated as the monetary financial institutions (MFI) sector. Unlike the population of banks used for the Bundesbank analysis up to that point, building and loan associations are also included. Except where another time period is explicitly mentioned, the calculations with regard to the longer-term average cover the years since the launch of monetary union, i.e. from 1999 to 2023.

## Glossary of statistics of the banks' profit and loss accounts

Information on items of the balance sheet statistics may be found in Special Statistical Publication 1 "Banking statistics guidelines".

### Administrative spending

See "General administrative spending" and "Other administrative spending".

<sup>1</sup> IFRS-based financial statements are of relevance, for instance, to matters of macroprudential analysis and oversight, concentrating on systemically important banks and their international business activities (including their foreign subsidiaries). For details, see Deutsche Bundesbank, Finanzstabilitätsbericht 2013, November 2013.

### Affiliated enterprises

Pursuant to section 271 (2) of the Commercial Code (*Handelsgesetzbuch*), these constitute enterprises which, as parent enterprise or subsidiaries (see section 290 of the Commercial Code), are to be included in the group accounts of a parent enterprise according to the regulations for full consolidation (see sections 300 ff of the Commercial Code).

### Average equity

Annual average value on the basis of the monthly balance sheet statistics reported for the credit institution (balance sheet statistics main template item HV21 310 Capital plus balance sheet statistics main template item HV21 300 Fund for general banking risks). Not included are institutions that are in liquidation or accounting for a truncated financial year. Differing financial years are taken into account.

### Banks majority-owned by foreign banks

Breakdown of legally independent banks that are majority-owned by foreign banks included in the categories "Big banks", "Regional banks and other commercial banks", "Mortgage banks" and "Building and loan associations". See "Banking statistics guidelines" (*Verzeichnis der rechtlich selbständigen Banken (MFIs) im Mehrbesitz ausländischer Banken* <https://www.bundesbank.de/content/611454>).

### Categories of banks

For definitions of the individual categories of banks, see "Banking statistics guidelines" (*Verzeichnis der Banken (MFIs) in Deutschland nach Bankengruppen* <https://www.bundesbank.de/content/611454>).

### Cost-income ratio (CIR)

Indicator of the efficiency of a credit institution. Ratio of administrative spending to gross earnings or operating income. The lower the CIR, the more efficiently the bank generates its earnings.

### Credit institution as a whole

The foreign branches of a given institution are included in the calculation.

### Current income from long-term equity investments

This also includes the dividends from the amounts paid up on cooperative society shares.

### Differing financial years

A period of twelve months is used for accounting purposes in a balance sheet, but the reporting date is not 31 December.

### Equity ratio

Average equity as a percentage of average total assets, up to and including 1998 as a percentage of the average volume of business (balance sheet statistics main template item HV21 360).

### Extraordinary result in the narrower sense

Balance of reported extraordinary income less reported extraordinary charges.

### Figures for the most recent date

The figures for each of the most recent date are to be regarded as initially provisional.

### General administrative spending

Staff costs plus other administrative spending ("broad" definition).

### Gross earnings

The sum of net interest income and net commission income.

### Income from operating banking business

See "Operating income".

### Insolvency

Insolvency describes a natural or legal person's inability to pay. A distinction is made between corporate insolvency (an enterprise's inability to pay pursuant to section 14 of the Civil Code (*Bürgerliches Gesetzbuch*)) and consumer insolvency (a consumer's inability to pay pursuant to section 13 of the Civil Code).

### Interbank transaction

Transaction between credit institutions.

### Interest income (total)

Interest received from lending and money market transactions, debt securities and Debt Register claims plus current income and profits transferred under profit pooling, profit transfer agreements and partial profit transfer agreements.

### Interest income in the narrower sense

Interest received from lending and money market transactions, debt securities and Debt Register claims.

### Interest margin

Net interest income in relation to average total assets.

### Leasing

The basis for this is a leasing contract between a lessee and a lessor. The lessor provides the lessee with the leased

good on a lease or rental basis in return for regular leasing payments.

#### **Long-term equity investments**

Balance sheet statistics main template item HV11 100.

#### **Long-term financial assets**

Pursuant to section 266 of the Commercial Code (*Handelsgesetzbuch*), shares in affiliated enterprises, loans to affiliated enterprises, other long-term equity investments, loans to other long-term investors and investees, long-term securities and other loans.

#### **Net accumulated losses**

Net loss for the financial year plus withdrawals from reserves and participation rights capital less transfers to reserves and participation rights capital. See also "Withdrawals from or transfers to reserves and participation rights capital".

#### **Net commission income**

Commissions received less commissions paid. Also known as non-interest business.

#### **Net income or loss for the financial year after tax**

Net income or loss for the financial year before tax less taxes on income and earnings.

#### **Net income or loss for the financial year before tax**

Operating result plus other and extraordinary result.

#### **Net income from traditional interest business**

See "Net interest income in the narrower sense".

#### **Net interest income (total)**

Interest income (total) less interest paid. Also known as interest business.

#### **Net interest income in the narrower sense**

Interest received from lending and money market transactions, debt securities and Debt Register claims less interest paid.

#### **Net operating income or charges**

Operating income less general administrative spending.

#### **Net retained profits**

Net income for the financial year plus withdrawals from reserves and participation rights capital less transfers to reserves and participation rights capital. See also "Withdrawals from or transfers to reserves and participation rights capital".

#### **Operating banking business**

All activities that serve the business purpose. These are interest and commission business (gross earnings), trading business and activities that have an effect on the other operating result.

#### **Operating expenditure**

General administrative spending less staff costs, including depreciation and write-downs of tangible fixed assets (excluding depreciation and write-downs of leased assets).

#### **Operating income**

Net interest income, net commission income, result from the trading portfolio as well as other operating result.

#### **Operating result**

Operating result before (re-)measurement plus (re-)measurement gains/losses (excluding tangible fixed assets and long-term financial assets).

#### **Operating result before (re-)measurement**

Partial operating result plus result from the trading portfolio as well as other operating result.

#### **Other administrative spending ("broad" definition)**

Other administrative spending ("narrow" definition) plus amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets, but excluding amortisation, depreciation and write-downs of leased assets.

#### **Other administrative spending ("narrow" definition)**

All spending that is required for running the business but is not directly related to the actual business, eg auditing and consultancy costs, costs for premises and postage. "Other administrative spending" is defined in the narrower sense in the table "Credit institutions' charge and income items" only.

#### **Other and extraordinary result (extraordinary result in the broader sense)**

Extraordinary result in the narrower sense plus reversals of write-downs of long-term equity investments, shares in affiliated enterprises and securities treated as fixed assets as well as income from the reversal of special reserves and income from loss transfers less write-downs of long-term equity investments, shares in affiliated enterprises and securities treated as fixed assets as well as charges from loss transfers, transfers to special reserves (up to 2010) and profits transferred under profit pooling, profit transfer agreements and partial profit transfer agreements.

**Partial operating result**

Net interest income and net commission income less general administrative spending.

**Participation certificate**

Securities based on participation rights to a company. Participation certificates are tradable but are not considered shares. The owner does not receive a voting right at annual general meetings; in return, profit participation usually exceeds the return on debt securities. Participation certificates are not regulated by law.

**Participation right**

Instrument of corporate finance that takes an intermediate position between equity capital and debt capital.

**Profit and loss account by category of bank**

The profit and loss account is the comparison of the profit and loss balances (income and expenditure). The annual result of an enterprise is thus shown as either a net surplus (income) or deficit (loss) for the financial year. This applies to enterprises domiciled in Germany that conduct banking business pursuant to section 1 (1) of the Banking Act (*Kreditwesengesetz*) and are defined as monetary financial institutions (MFIs), excluding institutions in liquidation and institutions with a truncated financial year.

**(Re-)measurement gains/losses (excluding tangible fixed assets and long-term financial assets)**

Income from reversals of write-downs of receivables and specific securities as well as from the reversal of loan loss provisions less write-downs of receivables and specific securities as well as transfers to loan loss provisions.

**Reserves, disclosed**

Pursuant to section 340 g of the Commercial Code (*Handelsgesetzbuch*), credit institutions are allowed, subject to reasonable commercial judgement, to accumulate disclosed reserves for bank-specific risk in the fund for general banking risks (balance sheet statistics main template item HV21 300).

**Reserves, undisclosed**

Pursuant to section 340 f of the Commercial Code (*Handelsgesetzbuch*), credit institutions are allowed to accumulate additional undisclosed reserves for the total stock of claims and the securities in the liquidity reserve amounting to no more than 4% of these items. The difference between the book value and the actual market value of a balance sheet item (undervaluation of claims and assets or overvaluation of liabilities) that cannot be seen by the users of financial accounts. This is based on the legal valuation and accounting rules.

**Result from the trading portfolio**

Balance of income and expenditure arising from business involving securities from the trading portfolio, financial instruments, foreign exchange assets and precious metals as well as the associated write-downs and reversals of write-downs and the accumulation of reserves for this business. Up to 2009, result from financial operations. According to the published annual reports, trading business is dominated by customer-initiated business.

**Return**

Ratio of income (price gains and current income) from an investment to capital originally invested.

**Return on equity (RoE)**

Net income for the financial year before or after tax as a percentage of average equity.

**Shares and other variable-yield securities**

Balance sheet statistics main template item HV11 090.

**Special reserves**

As the "tax dictates financial accounting" principle was repealed to the greatest possible extent with the introduction of the Act to Modernise Accounting Law (*Bilanzrechtsmodernisierungsgesetz*), the assumption of purely tax options in financial statements has not been permitted since the 2011 reporting year. It is therefore no longer required to set up a special reserves item in the annual accounts. Consequently, since the 2011 reporting year, it has not been permitted to newly set up or increase special reserves, with the result that the charges item "Transfers to special reserves" and the income item "Income from the reversal of special reserves" have been deleted. Special reserves existing at the time of the changeover to the Act to Modernise Accounting Law can either be reversed or retained.

**Specific securities**

(within the framework of the items "Write-downs of receivables and specific securities as well as transfers to loan loss provisions" and "Income from reversals of write-downs of receivables and specific securities as well as from the reversal of loan loss provisions")

These specific securities are securities in the liquidity reserve, which include shares and bonds as well as other securities that are neither treated as fixed assets nor belong to the trading portfolio. Here it must be taken into account that these securities may be valued below the lower value of their cost or current market value (principle of the lower of cost or market).

### **Tangible fixed assets**

Pursuant to section 266 of the Commercial Code (*Handelsgesetzbuch*), land, land rights and buildings, including buildings on third-party land, technical equipment and machinery, other equipment, operating and office equipment, prepayments and assets under construction.

### **Taxes on income and earnings**

This describes profit-related taxes (corporation tax, possibly also investment income tax, trade earnings tax, as well as comparable foreign taxes). In part, including taxes paid by legally dependent building and loan associations affiliated to Landesbanken.

### **Total assets, average**

Annual average value on the basis of the monthly balance sheet statistics reported for the credit institution as a whole (balance sheet statistic main template item HV21 330). Not included are the foreign branches of savings banks and, as of 2004, the foreign branches of regional institutions of

credit cooperatives as well as those institutions that are in liquidation or accounting for a truncated financial year. Differing financial years are taken into account.

### **Trading result**

See also "Result from the trading portfolio".

### **Truncated financial year**

Period of less than twelve months in a balance sheet.

### **Withdrawals from or transfers to reserves and participation rights capital**

This item includes not only withdrawals from and transfers to reserves (capital and revenue reserves) and participation rights capital but also retained profits and accumulated losses brought forward and withdrawals from and transfers to the fund for general banking risks.

### **Yield**

See also "Return".