Netherlands

I. Institutional coverage

The statistics published in *Banking Statistics – 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 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.

The group "Large commercial banks" represent the four largest banks. They represent more than 80 per cent of the balance sheet total. Savings banks, co-operative banks and other miscellaneous monetary institutions are included within the group "Commercial banks". Most of these institutions do not report separately because they are consolidated (as a subsidiary) in the group company.

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 of 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, 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, by using cards for automatic funds transfer or by internet 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*

Income statement

As from the 1997 edition of *Banking Statistics – Financial Statements of Banks*, income statement data have been taken from and are represented according to one of the Banks quarterly report forms. The yearly reporting form which is used in Table 5.7 of the Statistical Bulletin of the Bank, does not contain all the required details of Table 1.

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.

Net non-interest income

Net 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).

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

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.

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.

Other operating expenses

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

Net provisions

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 one of the Banks quarterly report forms. The yearly reporting form which is used in Table 5.6 of the Statistical Bulletin of the Bank, does not contain all the required details of Table 1.

Borrowing from Central bank and Interbank deposits

While Borrowing from Central bank (item 20) data have been derived from DNB's Balance Sheet (which is published in the *Annual Report* of the bank), Interbank deposits are derived from Table 5.6. As opposed to the national framework in Table 5.6, Interbank deposits (item 21) excludes Borrowing from Central bank which is recorded separately under item 20.

Memorandum items

As from 2005 data, short-term securities cannot be calculated separately. The short-term securities are included in the items "Bonds" and "Shares and participations".

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 of 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.

Supplementary information

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. This 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.

As from December 2004, institutions are able to report new forms based on IAS/IFRS. These forms make it more difficult to fit in the data within the model of Table 1. Therefore, some items show breaks in series. The year 2005 is the first year that includes data based on IAS/IFRS.

The IAS/IFRS model of the balance sheet, which is used for our publications, cannot be directly linked to the OECD model. Therefore, the data presented below in the balance sheet table, as well as in the income statement table, relate to 2005.

As from 2008, the FINREP model is applied by the Dutch reporting entities. The FINREP model is developed by the Committee of European Banking Supervisors (CEBS). This organisation consists of most of the supervisional autorities and is trying to make an universal reporting model. The changes in the model are as many as possible redressed to the existing banking profitability model.

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 data in *Banking Statistics – Financial Statements of Banks* has been compiled by the Netherlands Bank (De Nederlandshe Bank – DNB).

Netherlands

Income statement reconciliation – *All banks* – 2005*

OECD presentation		Million EUR	National presentation*
1.	**Interest income**	**125 373**	**Interest income**
2.	**Interest expenses**	**95 638**	**Interest expense**
3.	**Net interest income**	**29 736**	
4.	**Net non-interest income**	**25 671**	
	a-b. Fees and commissions (net)	11 550	Commission
	c. Net profit or loss on financial operations	5 199	Results on financial transactions
	d. Other net non-interest income	8 922	
		6 667	Other income
		466	Extraordinary income and expenses
		1 789	Income from securities and participating interests
5.	**Net interest and non-interest income**	**55 407**	
6.	**Operating expenses**	**36 952**	
	a. Staff costs	18 948	Staff costs
	b. Property costs	2 141	Depreciation
	c. Other operating expenses	15 863	
		15 685	Other administrative expenses
		178	Other operating expenses
7.	**Net income before provisions**	**18 455**	
8.	**Net provisions**	**1 498**	
	a. Provisions on loans	1 446	Value adjustments to receivables
	b. Provisions on securities	53	Value adjustments to financial fixed assets
	c. Other net provisions	–1	Transfer to/from fund for general banking risks
9.	**Income before tax**	**16 958**	
10.	**Income tax**	**3 438**	**Taxation on operating result**
11.	**Net income after tax**	**13 520**	
12.	**Distributed profit**	. .	
13.	**Retained profit**	. .	

* The figures shown here are slightly different from the data published in the statistical volume.

1. The figures correspond to Table 5.7 in the Statistical Bulletin of the Bank (also downloadable from *www.dnb.nl*, Research and Statistics, DNB Statistics). Due to introducing a new reporting form, the lay out of Table 5.7 is not comparissible to the lay out used in this publication.

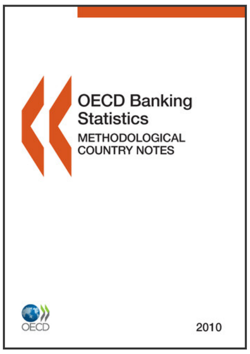
Netherlands

Balance sheet reconciliation – *All banks (consolidated balance sheet)* – 2005*

OECD presentation		Million EUR	National presentation*
	Assets		***Assets***
14.	**Cash and balance with Central bank**	**48 183**	**Cash [1]**
15.	**Interbank deposits**	**285 412**	**Banks**
16.	**Loans**	**1 408 789**	**Loans and advances**
17.	**Securities**	**609 758**	
		0	Short-dated government paper
		523 996	Interest-bearing securities
		85 762	Shares
			Participating interests
18.	**Other assets**	**417 872**	
		6 091	Intangible assets
		21 634	Property and equipment
		70 282	Prepayments and accrued income
		319 865	Other assets
	Liabilities		***Liabilities***
19.	**Capital and reserves**	**94 548**	
		5 072	Share capital
		59 922	Reserves
		16 817	Share premium reserve
		5 467	Revaluation reserve
		798	Reserves prescribed by law and articles of association
		36 840	Other reserves
		16 044	Undistributed profit
		13 510	Third-party interests
20.	**Borrowing from Central bank**	**35 701**	**Lending to euro area credit institutions**
21.	**Interbank deposits**	**517 432**	
		517 432	Banks
		35 701	less: Borrowing from Central bank
22.	**Customer deposits**	**1 123 410**	**Funds entrusted**
		484 432	Savings accounts
		638 578	Other funds entrusted
23.	**Bonds**	**511 509**	**Debt securities**
24.	**Other liabilities**	**523 115**	
		427 133	Other liabilities
		35 181	Accruals and deferred income
		14 850	Provisions
		0	Fund for general banking risks
		45 951	Subordinated liabilities
	Balance sheet total		***Balance sheet total***
25	**End-year total**	**2 770 014**	
	Memorandum items		**Memorandum items**
	Assets		***Assets***
27	**Short-term securities**	**0**	**Short-dated government paper**
28	**Bonds**	**523 996**	**Interest-bearing securities**
29	**Shares and participations**	**85 540**	
		77 000	Shares
		8 540	Participating interests
30	**Claims on non-residents**	. .	
	Liabilities		***Liabilities***
31.	**Liabilities to non-residents**	. .	

* The figures shown here are slightly different from the data published in the statistical volume.

1. The figures correspond to Table 5.6 in the Statistical Bulletin of the Bank (also downloadable from *www.dnb.nl*, Research and Statistics, DNB Statistics). Due to introducing a new reporting form, the layout of Table 5.6 is not comparable to the layout used in this publication.



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