



GERMANY

FINANCIAL SECTOR ASSESSMENT PROGRAM

August 2022

TECHNICAL NOTE—THE DETERMINANTS OF BANK PROFITABILITY

This Technical Note on The Determinants of bank Profitability for the Germany FSAP was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed in February 2022.

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TECHNICAL NOTE

THE DETERMINANTS OF BANK PROFITABILITY

Prepared By
**Monetary and Capital Markets
Department**

This Technical Note was prepared by IMF staff in the context of the Financial Sector Assessment Program in Germany. It contains technical analysis and detailed information underpinning the FSAP's findings and recommendations. Further information on the FSAP can be found at <http://www.imf.org/external/np/fsap/fssa.aspx>

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Glossary

| | |
|-------------------|---|
| BaFin | the Federal Financial Supervisory Authority |
| CRE | Commercial real estate |
| GFC | Global Financial Crisis |
| GSIB | Global Systemically Important Bank |
| FCI | Financial Conditions Index |
| LSIs | Less significant institutions |
| MFIs | Monetary and financial institutions |
| NCI | Net commission income |
| NFC | Non-financial corporation |
| NFCI | Net fee and commission income |
| NII | Net interest income |
| NPLs | Non-performing loans |
| ROA | Return on assets |
| ROAA | Return on average assets |
| ROAE | Return on average equity |
| ROE | Return on equity |
| RORWA | Return on risk-weighted assets |
| RRE | Residential real estate |
| RWA | Risk-weighted assets |
| SIs | Significant institutions |
| SMEs | small- and medium-sized enterprises |
| <i>Sparkassen</i> | Savings banks |
| SSM | Single Supervisory Mechanism |
| USD | US dollar |