# MAJOR INTERNATIONAL BANKS: FINANCIAL AGGREGATES

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## *Glossary*

| | |
|---|---|
| Assets (total assets) | Total assets in the balance sheet: loans and available funds, fixed assets and other assets. |
| Cost/income ratio | The ratio between operating costs (labour costs, general expenses and amortisation) and total income (%). |
| Coverage rate for doubtful loans | Ratio between adjustment funds and gross doubtful debts (%). |
| Current result | Net result before extraordinary and non-recurrent costs and income, goodwill amortisation, income taxes and profits and losses pertaining to minority interests. |
| Doubtful loans | Doubtful, impaired, restructured and overdue loans. |
| Fair value hierarchy | Classification of financial assets recognized at fair value into three classes introduced in 2008 by FAS 157 in the United States and IFRS 7 in Europe. Class 1 consists of assits listed on regulated markets; class 2 consists of those which are valued on the basis of the market prices of comparable assets; and class 3 consists of assets which are valued using parameters not directly observable on financial markets but discretionally, on the basis of mathematical models (the mark-to-model approach). |
| Fixed assets | Interests in subsidiaries and associated plus net tangible and intangibile assets plus goodwill |
| Free capital | Net capital less fixed assets less doubtful loans. |
| Funding from customers | Customer deposits, debt securities and subordinated liabilities. |
| IAS / IFRS | International Accounting Standards / International Financial Reporting Standards |
| Impairment test | A test of the book value of assets, carried out at least annually, to ascertain whether there has been a long-term reduction in the value of such assets and whether this should be reflected in the accounts by taking an equivalent charge through the profit and loss account. |
| Income (total income) | Interest income, commissions receivable and other operating income net of commissions payable and other operating expenses, dividends and share of profit, trading profits and losses. |
| Leverage ratio | The ratio between total assets less intangible assets less goodwill and tangible net worth. |
| Loans and available funds | Cash and balances at central banks, securities, loans and advances to banks and customers. |
| Mega-merger | A merger involving two banks included in the survey. |
| Net capital (net worth) | Share capital and reserves (including results for the year), net of own shares. This is equal to the difference between total assets and total liabilities. |

*cont.*

| | |
|---|---|
| Net interest income (gross margin) | Difference between interest income and interest expense. |
| Netting agreement | An arrangement which allows asset and liability positions with the same counterparty to be offset and to settle the amount payable/receivable on the basis of the net balance in the event of one or other of the parties to the agreement becoming insolvent. |
| ROA (*return on assets*) | Ratio between net profit and total assets (%). |
| ROE (*return on equity*) | Ratio between net profit and net worth less minority interests and net profit (%). |
| Shareholders' equity | Net worth less minority interests |
| Tangible net worth | Net worth less intangible assets less goodwill |
| Tax rate | Ratio between income tax and pre-tax results (%). |
| Total capital ratio | Under the Basel Capital Accord, the ratio between net worth less certain intangible fixed assets (including goodwill) and risk-weighted assets. The total coefficient (total capital ratio) also includes subordinate liabilities. |

# I. INTRODUCTION

## *I.1 Summary*

- In the 1999-2008 decade, the overall size of large banking groups grew significantly at a rate which was greater than the growth rates of the Triad economies (Europe, USA and Japan) that host the headquarters of these groups. This phenomenon was very evident in Europe where the primary institutions, at the end of 2008, reported aggregated assets in their financial statement totaling 29 thousand billion Euro (+123% over the decade), equal to 2.6 times the GDP of their host countries (the ratio in 1999 was 1.6). The figures in the United States were less impressive with bank assets in 2008 which were slightly above 60% of domestic GPD (48% ten years ago), despite 98% growth since 1999. These differences are also due to the different accounting methods applied to certain items (for e.g. the practice of netting derivatives) and the widespread distribution of securitization processes relative to important portions of financial assets (consider the role played by state-controlled agencies such as *Fannie Mae*, *Freddy Mac* and *Ginnie Mae* within the market of US real estate mortgages). The year 2009 was a reversal year in Europe: The fall in value of bank assets (-16%) was greater than that of the economies (-4.7%) thereby reducing the representativeness of the institutions (whose assets were equal to 2.3 times the GDP). The phenomenon was apparently less evident within the United States where the decrease in assets was more contained (-7%) thereby retaining a ratio of banks assets versus GDP of 60%.

- Growth was more contained if considered by number of employees: These grew by 33% in Europe in the last decade (one percentage increase in employment for every 3.8 percentage points of growth in assets) and by 23% in the USA (one percentage increase in employment for every 4.3 percentage points of growth in assets). In the case of Europe, it should be noted that a significant re-structuring of the mix of employees took place: In 1999, 65% of these worked in the country in which the bank had its headquarters; this percentage fell to 44% in 2008 due to the increase in foreign employees. Another sign of foreign expansion of European banks is the fact that, at the end of 2008, US banks ranked fifth to tenth in terms of total assets were subject to control by European institutions (typically Swiss and UK banks). Japanese and U.S. banks (with the partial exception of the largest banks) remain primarily concentrated in their respective domestic markets, whereas European ones have acquired significant positions in the South American and Central and East European markets (in addition to the North American markets, as noted). The year 2009 was marked by a reduction in personnel estimated between 6% and 7%.
- The growth in the aggregate financial statement values of the major Groups was accompanied by a growth in average assets per institution which, in the Triad economies, increased from 221 billion Euro in 1999 to 655 billion Euro in 2008 (+197%). Growth was particularly strong in the United States (+411%) and was more modest in Europe (+206%) and in Japan (+88%). However, the major European banking groups reported, in 2008, an average size of 899 billion Euro, almost double that of US banks (479 billion) and triple that of Japanese banks (331 billion); in addition to the reasons described above, this is also due to the exchange rate between the Euro and the Dollar (0.719 at the end of 2008).
- The increase in average size was, in particular, driven by major processes of aggregations which involved the largest banks (mega mergers). It is estimated that 77% of the average growth of banks in the US and 40% of those in Europe is ascribable to such

operations. In the 1999-2009 period, the countervalue in Europe totaled 319 billion Euro, 205 of which were financed entirely "on paper" (64% of the total). In the United States, the phenomenon was even greater, reaching 351 billion Euro, and was almost entirely financed by stock exchanges without monetary disbursements.

- The aggregate results of the Triad closed 2008 with strong losses, by far the worst result in the decade. This was due to three reasons: a decrease in revenues, in particular due to the negative balance from trading operations, the write-down of receivables from customers due to their being irrecoverable, and, finally, the strong decreases in the value of securities and long-term shareholdings and goodwill (following impairment tests). Despite these negative results, the latter were positively affected by significant derogations applied to the fair value valuation principle applicable to certain financial assets. With regard to European institutions, the modification (principles IAS 39 and IFRS 7) concerned assets totaling 635 billion Euro, thereby allowing for decreased write-downs of approx. 44 billion Euro (22 billion in the income statement). In Japan, the revision affected financial assets totaling 130 billion Euro, with an estimated benefit of approx. 20 billion Euro (9 billion in the income statement). In the case of US banks, accounting regulations in force already allowed for extraordinary derogations to the fair valuation: although more difficult to measure, the effect may refer to approx. 66 billion Euro of financial assets, with an overall benefit equal to 4.4 billion Euro. In summary, financial assets of 831 billion Euro for all countries of the triad economies in 2008 were subject to changes in valuation criteria given that it was not possible to reliably use a market valuation, thereby resulting in their being frozen at historical values without being affected by market fluctuations and allowing the major financial statements to not book adjustments of approx. 69 billion Euro.
- In Europe in 2009, income statement margins reported significant growth with respect to 2008 due to strong growth of revenues

(+20.9% with respect to 2008). The current result is equal to 10.1% of revenues versus 1.6% in 2008 (like-for-like data that are essentially relative to only listed banks). This recovery, however, still leaves the European banking system far from the average levels of the 1999-2007 period when the current result was on average 29% of revenues. Even more evident is the improvement, in 2009, of the pre-tax result (from -16.8% to +13.3%) and of net income (from -13.3% to +10.2%) but even these two indicators are below their long term values (the averages for the 1999-2007 averages were respectively 30.2% and 20.8%). A similar trend can be seen in the United States despite a higher growth in revenues (+34.5%): The current result was 7% of revenues (-28.5% in 2008), while the pre-tax results was 8.1% (previously -44.5%), while net income was 7.8% (previously -30.4%). Even major US institutions are not close to their past levels; the average values of the three indicators in the 1999-2007 period were, respectively, +33.8%, +32.8% and +21.8%.

- A return to positive values for the 2009 margins is ascribable to the elimination of two of the three factors which had affected results in 2008: losses from trading activities and extraordinary value alignments relative to long-term financial assets (shareholdings and securities); trading activities became profitable in 2009, becoming relevant in Europe, in particular, where they reached 12.4% of revenues compared to 7.2% in the United States; even the balance of extraordinary items assumed a positive sign, although to a marginal extent (between 1% and 3% of total revenues) after being highly negative in 2008 for amounts between 16% and 18% of revenues.
- The third component which caused the losses in 2008 was the write-down of receivables. In 2009, these grew in Europe (+41.2%), absorbing 28% of revenues (24% in 2008) which was, in any case, less than that of the United States where this item, despite falling only slightly (-2%), was equal to 36.5% of revenues.
- In 2008, and after taking into account the abovementioned reduction in revenues, the cost/income ratio of European banks was

the highest of the triad economies, thereby confirming its position across the entire decade and equal to 76.2% (64% in 2007); this value stopped at 68.8% for US banks (63.2% in 2007) and was surpassed by that of the Japanese banks (71.4%). In 2009, a reduction of 62% is estimated in Europe, still above the level of US institutions (56-57%).

- The ROE, before becoming negative in 2008, fell gradually from 2006 in Europe and even from the year before in the US and Japan. In the 1999-2008 decade, the profitability of US banks was the highest up until 2005 and was then surpassed by EU institutions; 2009 data has confirmed this trend: *roe* at 5.5% in Europe and 4.5% in the USA. Japanese institutions, which have always reported relatively low values, have on the other hand reported a relatively higher value on the basis of the half-year data of 30 September 2009 (7.2%).
- The more aggressive policy for reducing the value of receivables of US banks, documented by the increased incidence of write-downs on receivables with respect to revenues, represents a consolidated factor in the 1999-2008 decade that was also confirmed in 2009. The stock of doubtful loans, net of adjustment provisions, was equal to 2.3% of receivables due from customers in Europe (1.3% in 2008) as well as 29.7% of tangible equity (22.5% in 2008) compared to a lower incidence in the US where these same values respectively reached 1% (growth of 0.1% in 2008) and 5.3% (from 1.7% in 2008). Between 2000 and 2008, the ratio of adjustment provisions and gross doubtful receivables was regularly greater than 100% in the US while this value was equal to 58% in Europe. In 2009, gross doubtful receivables grew by 54.4% in Europe, by 76.5% in the US and by 6.8% in Japan along with a general worsening, as noted, of all credit quality indicators despite the fact that the write-downs booked within the income statement of the year were an important quota of revenues. In 2009, the hedging rate of gross positions decreased in Europe with respect to the previous year to 51.4% and even more in the US where, for the first time in a decade, it fell by under a unit figure (86%).

- From the balance-sheet perspective, the most significant element in comparing accounting data of the Triad group between 1999 and 2008 was relative to the varied assortment of assets and liabilities, particularly the strong growth of residual items included under "other assets" and "other liabilities" whose amount respectively reached approx. one-fifth and one-fourth of the totals at the end of 2008. These are sums which mostly include fair value valuations of derivative financial instruments that are mostly ascribable to European banks (90%). The importance of the differing methods for booking derivatives (due to netting) becomes obvious if one considers that, at the end of 2008, these represented 24% of the totals in European banks and 5% of US bank totals.
- Calculation of leverage is influenced by the different accounting methods applied to derivatives: at the end of 2008, it was equal to 44x in Europe and 20x in the US. In 2009, there was a sudden decrease in “other assets” and “other liabilities” which fell by 42.6% and 34.1% respectively; this was mostly due to the decrease in positive and negative fair values of derivative products; their incidence remains around 17% of the totals in the financial statements of European banks while only 2-3% for US banks. The leverage therefore fell to historically low levels: 29x in Europe and 18x in the US, the lowest levels since 1999. If the derivatives were compensated, the European leverage would fall to 24x.
- In terms of the quality of assets, the so-called “Class 3” assets should be noted. In Europe, these totaled 348 billion Euro at the end of 2009, a 30% decrease with respect to the previous year. Despite not being a significant quota of overall financial assets, they are equal to 52% of tangible equity. In the United States, class 3 assets fell by 2% with respect to 2008 and represent a more elevated quota of financial assets valued at fair value and, in particular, of tangible equity (69%). It should be noted that less than half of the portfolio of securities in the US in 2008 was composed of structured securities (ABS, CDOs, etc..), a quota which fell from 14% to 8% in Europe and Japan, respectively.

- As is known, governments and their directly issued entities (the various bailout funds, created almost everywhere) have underwritten significant amounts of capital of institutions undergoing difficulties. In 2008, these totaled 60 billion Euro from European governments (relative to only the institutions included in this investigation), equal to 48% of implemented share capital increases, as well as 148 billion Dollars from the US Treasury (54% of total increases). These activities continued in 2009: approx. 56 billion Euro of the 135 billion which were overall collected from major European banks as share capital increases were underwritten by national governments (41.5% of the total); similarly, 34 billion Dollars of the 118 billion collected by US banks were paid by the local Treasury (29%). In the US, reimbursements of public funds were significantly higher and equal to approx. 124 billion Dollars (with a net reimbursement of 90 billion USD) while for European banks reimbursements were equal to approx. 21 billion Euro (for a net collection of 35 billion Euro). Overall, the equity strengthening and the reduction in assets led to a 2009 growth of net capital with respect to total assets: from 3.2% to 4.6% for European banks and from 8% to 9.3% for US banks.
- Dividends distributed in 2009 totaled 50% of net income of the year (payout ratio) for US banks and 34% for European banks; it should be noted that banks in the US have paid the Treasury – as compensation for the preferred shares undersigned by the latter – 12.1 billion USD, equal to 73% of overall distributed dividends.

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- With regard to Japanese banks, the data relative to the first half of 2009 (which closed at the end of September), reported strong revenue growth (+20.2%) driven by the balance of the trading result that became positive and was equal to 19% of overall revenues; it should be noted, similarly to EU banks, that net commission and other operating revenues fell sharply (-27.5%).

- Write-downs of receivables fell by 7.4%, thereby reducing the incidence on revenues to 20.3% (from 26.3%); the net income was equal to 16% of revenues (following the loss equal to 0.7% in the same half-year of the previous year).
- The leverage was reduced from 29x to 24x.

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- The ten Chinese banks examined in this survey (2004-2008) are almost all subject to a dominant control or influence by the state (only one is entirely private). In some institutions there are significant shareholdings on the part of European banks, although foreign groups can no longer retain 20% of the share capital of local banks; a review of their financial statements can be compared to that of companies of the Triad group given that nine out of ten of the reviewed banks adopted the IAS/IFRS in 2008 (only two in 2004).
- The composition of revenues is peculiar since they are 85% derived from the net interest income and 14% from net commissions with only a marginal role played by trading results.
- The limited involvement in the events of the financial markets have allowed the primary Chinese institutions to close the year 2008 with a current result of 47% of revenues compared to the average loss of 6% reported in the Triad group.

- Despite a low level of diversification, revenues since 2004 have reported an impressive level of growth, overall totaling 155%; the growth of volumes was coupled with very favorable and constantly improving cost dynamics. In that year, the *cost / income ratio* was equal to 51.6% and was not too far from the level of the Triad group (58.6%). In 2008, the latter increased to 73.1%, while that of the Chinese institutions fell to 40.2%. ROE has been growing since 2006 – from 13.3% to 22% (for the Triad economies, it was equal to 12.5% in 2007 before becoming negative in 2008) – while the profits of Chinese banks, with respect to revenues, have grown constantly since 2004, from 17.3% to 32.4%; this was also due to decreases in tax rates which fell from 33% to 25% in 2008.

- Write-downs of receivables with respect to revenues were, in 2008, equal to 12.7%, still far from the 46% value of the US, the 30.2% value in Japan and even the 24.4% of Europe. However, the rate of hedging of doubtful receivables with adjustment provisions was greater than 100% (signaling a very prudent approach), as in the US. It should also be noted that the major Chinese banks have, in recent years, completed important operations for the transfer of problematic assets to the government: in 2008, the Agricultural Bank of China (third Chinese bank in terms of assets and first in terms of employees) resorted to this type of operation for a total value of 86 billion Euro.

- The strong predominance of the net interest income among revenues mirrors the structure of assets which are 97% composed of securities and receivables due from other banks or clients (the total of these items represents approx. 75% of the financial statement items of the triad group). Loans to families are very limited and less than 20% of receivables due from customers, with 15% allocated to home mortgages and with structures similar to those in Japan. The portfolio of securities, equal to 27% (21% in the Triad group) is more than two thirds valued at cost with the resulting smaller adjustments in the case of market turbulence. On the other hand, the residual item relative to "other assets" – which in the Triad group includes fair value valuations of derivative contracts – is absolutely marginal in the case in question (approx. 1.5% of the totals of the financial statements).

- Overall capitalization levels remain satisfactory and the leverage in 2008 was 18x, the lowest value with respect to the banks of the Triad area.

## I.2 Overview of the sample

The leading banks of Europe, Japan and the United States were selected on the basis of their total assets, according to the criteria set forth in Section III; these include 62 banking groups as of 31 December 2008, 32 of which have a registered office in Europe, 17 in Japan and 13 in the United States.[1] With regard to China, the ten largest banks in terms of assets were selected. TABLE I.1 reports some of the primary summary data for 2008. The full list of banks taken into account in the survey is displayed in TABLE III.2 under Section III.

TABLE I.1 – BANKS COVERED IN THE SURVEY

| | No. of Groups | Total assets at 31-12-2008 | | Total income in 2008 | | No. of employees in 2008 | |
|---|---|---|---|---|---|---|---|
| | | *EUR bn* | *%* | *EUR bn* | *%* | *'000* | *%* |
| United Kingdom | 5 | 7,671 | *18.7* | 125 | *17.1* | 822 | *19.2* |
| Germany | 9 | 5,648 | *13.8* | 27 | *3.7* | 221 | *5.2* |
| France | 4 | 5,568 | *13.6* | 88 | *12.0* | 539 | *12.6* |
| Benelux | 6 | 3,715 | *9.0* | 43 | *5.9* | 320 | *7.5* |
| Switzerland | 2 | 2,145 | *5.2* | 9 | *1.2* | 128 | *3.0* |
| Italy | 2 | 1,682 | *4.1* | 45 | *6.1* | 276 | *6.4* |
| Spain | 2 | 1,592 | *3.9* | 48 | *6.6* | 251 | *5.9* |
| Scandinavia | 2 | 949 | *2.3* | 13 | *1.8* | 58 | *1.3* |
| **Europe** | **32** | **28,970** | ***70.6*** | **398** | ***54.4*** | **2,615** | ***61.1*** |
| **Japan *** | **17** | **5,636** | ***13.8*** | **72** | ***9.8*** | **227 *** | ***5.3*** |
| **United States** | **13** | **6,405** | ***15.6*** | **262** | ***35.8*** | **1,436** | ***33.6*** |
| **Total** | **62** | **41,011** | ***100.0*** | **732** | ***100.0*** | **4,278** | ***100.0*** |
| **China** | **10** | **4,224** | | **135** | | **1,490** | |

* In assessing the number of staff employed by Japanese banks, it should be remembered that, in most cases due to the lack of Group-level information, only data relating to parent companies or aggregate data for the most important group companies has been used.

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[1] In 2008, European banks consolidated a total of 13,263 subsidiaries. This total does not include the United Kingdom or Benelux, with the exception of the KBC Group and Fortis Bank, as figures are not available for these areas. The Japanese groups control 1,004 companies, while the only figures available for the U.S. involve 10 groups which consolidate 7,419 subsidiaries.

European banks account for 71% of the aggregate in terms of total assets, 54% of total income and 61% of total employees. U.S. banks account for just 16% of total assets, but nearly one-third in terms of total revenues and employees. In Europe, Germany is the country with the largest number of banks in the sample, while UK institutions rank first in terms of total assets, accounting for 26% of the total, and in terms of revenues and employees, accounting for 31%.

In assessing the more substantial contribution by European banks within the sample, it should be noted that they are also more globalised than the banks in the other areas considered, primarily as a result of acquisitions outside their countries of origin, as will be described in due course. On the basis of the figures for a sub-group of European banks representing 77% of total assets in the area, assets outside the country of origin represented 43% of the total at the end of 2008, of which 24% in other European countries. The US and Japanese banks, with the exception of the top banks, are on the other hand primarily concentrated within their domestic markets.[2]

Banks also play a relatively less important role in U.S. financial markets than elsewhere, owing to the strong presence of non-banking institutions that are particularly active in the mortgage loan sector and in consumer credit and leasing.

Another element of accounting nature contributes to increasing the total financial statement figures of European banks with respect to US and Japanese banks: the lower use of compensation of credit and debit positions with the same counterparty in terms of operations in derivative financial instruments.[3] On the closing date of the year 2008, the positive value of derivative instruments in the financial statements was, in fact, equal to 24% of total assets for European banks while only

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[2] With regard to the total of Japanese banks, the quota of foreign operations was only 18% of the total on the closing date of 2008; it was not possible to calculate the relative ratio for US banks.

[3] International accounting principles allow for compensation of credit and debit positions within the financial statements and with the same counterparty in the case of contracts that are legally effective (netting agreements) and which provide for, in the case of insolvency on the part of one of the parties, the settlement of the credit/debit on the basis of the net balance or the realization of the asset while simultaneously paying the debt position.

5% for banks in the US and 4% for those in Japan (TABLE II.2, various areas).

For an examination of exchange rates between the currencies of the various geographical areas during the decade in question, refer to Section III.

An analysis of the composition of the sample by individual country reveals certain specifically structural elements in some of the European and Japanese groups' structures. These are discussed in greater detail in Appendix 1.

### *I.3 Size of the groups*

The average size of the banking groups considered in our survey increased considerably between 1999 and 2008, due to both organic growth and mergers and acquisitions. In terms of total assets, the average size recorded per group in 2008 was EUR 655 billion, 3 times the figure recorded in 1999, the result of a 72% increase in overall total assets (excluding goodwill) against a reduction in the number of groups from 107 to 62. Based on calculations in local currency, banks grew in all three areas considered, but more so in the United States and Europe (TABLE I.2).

Excluding the effect of mega-mergers between the Groups included within the sample (more on this will be described below), the increase in the average size over the 1999-2008 period was 122% for European banks, 95% for US banks and only 10% for Japanese banks.[4]

[4] By virtue of (EC) Regulation No. 1606/2002, the EU established, effective from 1-1-2005, the accounting harmonisation of listed companies by means of the adoption of IAS/IFRS, as approved by the European Commission, in the preparation of consolidated financial statements. Of the 36 banks forming the European sample in 2005, 29 have adopted the new accounting standards, whereas 2 have continued to apply US GAAP and 5 unlisted banks have continued to apply national accounting standards. The change in the accounting principles led to an

The quota of growth in size which is “explained” by large-scale aggregations is therefore equal to 89% of the total for Japanese banks and 77% for US banks but only 40% for European banks.

TABLE I.2 – SIZE OF BANKS COVERED BY SURVEY

| | Average size measured by total assets [1] | | | |
|---|---|---|---|---|
| | 1999 | 2008 | 2008 / 1999 | 2008 / 1999 [2] |
| | EUR bn | | *% increase* [3] | |
| Europe [4] | 294.2 | 899.2 | + 205.6 | + 122.3 |
| Japan | 216.8 | 331.0 | + 87.5 | + 9.9 |
| United States | 129.8 | 479.0 | + 411.1 | + 95.4 |
| **All banks** [5] | **221.0** | **655.3** | **+ 196.5** | **+ 71.8** |

1 Not including goodwill.
2 Calculated excluding the effect of mergers between groups included in the sample.
3 Calculated in Euros for European banks and in local currency for Japanese and US banks.
4 44 groups in 1999, 32 in 2008.
5 107 groups in 1999, 62 in 2008. The size of changes is impacted by exchange rates between local currencies and the Euro.

Based on their assets in 2008, European banks are on average 1.9 times bigger than US banks and 2.7 times bigger than Japanese banks.[5] As shown by TABLE III.2 in Section III, the two latter countries present a greater concentration than Europe: the top three Japanese and US banks accounted for 67% and 64% of total assets, respectively, whereas the top three European banks represented just 24% of their area. A comparison between 1999 and 2008 shows that the percentage of total

increase in the total assets as of 1-1-2005 of 8% approximately compared to the closing balances for 2004. In 2007, Deutsche Bank abandoned US GAAP and adopted the IAS/IFRS principles, which were also applied for the first time by an additional four Germany banks. These changes resulted in a 1.6% increase in total aggregate assets within the Euro zone for the financial year 2006, restated according to the new accounting principles. Excluding these effects as well, the increase in the average size of European banks during the period in question would be 109%.

5 This figure is substantially confirmed by the ratio of total revenue to the gross domestic product of the respective geographical areas, which stands at 3.3% for the European banks, 2.7% for the US banks, and 2.2% for the Japanese banks.

assets accounted for by the top five groups in their respective areas rose from 44% to 79% in Japan, from 51% to 85% in the United States, and from 25% to 37% in Europe. In interpreting the lower degree of aggregation in Europe, however, the more fragmented nature of the area in terms of various national markets should be considered.

European banks have the highest total assets expressed in Euros: the biggest in terms of size until 2008 was RBS (GB), followed by Deutsche Bank (DE), Barclays (GB) and BNP Paribas (FR). The primary banks of the United States – JPMorgan Chase & Co., Citigroup and Bank of America – were only ranked $7^{th}$, $9^{th}$ and $12^{th}$, respectively, in the overall rankings; Mitsubishi UFJ Financial Group, the primary Japanese bank, was only eighth.

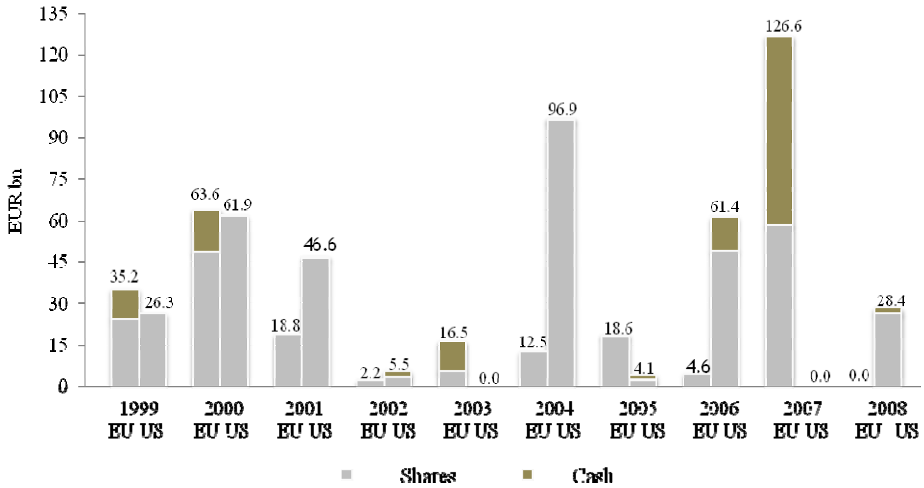
## *I.4 The role of mergers*

As mentioned above, acquisitions were a crucial factor in the growth of banks in all three of the world's main economic areas. Between 1999 and 2008, there were a total of 52 mega-mergers, 20 of which involved European banks, 23 involved US banks and 9 involved Japanese banks. In the first months of 2009, four other "mega-mergers" occurred, of which one in the US, three in Europe; they included the transnational acquisition of the Belgian Fortis Bank on the part of the French company BNP Paribas. The complete chronological details of the mergers are reported in TABLE I.42.

We can see first of all that the large deals involved banking groups from the same geographical area and, within Europe, up to 2003, with the sole significant exception of Scandinavian countries, banking groups from the same country. Three cross-border concentrations subsequently took place: i) the Spanish group Santander acquired British bank Abbey National in 2004, ii) UniCredito Italiano (now UniCredit) acquired HVB, which was then the third biggest

German bank in terms of asset size, in 2005 and, iii) a consortium made up RBS, Fortis and Banco Santander acquired Dutch bank ABN AMRO Holding in 2007, with a transaction involving four EU countries. The only significant operation that involved two geographical areas was the Deutsche Bank one in 1999, with the acquisition of the US Bankers Trust. A description of transactions by country of origin of the operations involving the banks included in our survey is provided in Appendix 2.

FIGURE I.1 – COUNTERVALUE OF THE MEGA-MERGERS IN EUROPE AND THE U.S. FROM 1999 TO 2008: CASH AND SHARE EXCHANGE AMOUNTS




Most of the mega-mergers were paid for by means of share exchanges. Of the aggregate EUR 299 billion in deals involving European banks between 1999 and 2008, approximately EUR 189 billion, or 63% of the total, had no monetary consideration. The aforementioned acquisition of ABN AMRO in 2007 was also the one that involved the biggest disbursement of cash in the decade, approximately 66 billion Euro, equal to 60% of all cash disbursements made during the period. The aggregate value of mergers between large

US banks in the same period was only slightly higher, at USD 385 billion, but the cash outlay was only USD 23 billion, or 6% of the total (FIGURE I.1). The mergers between Japanese banks took place exclusively via share exchanges.

### *I.5 Shareholding structure*

In terms of shareholding structure, the banks covered in the survey are for the most part widely-owned, being listed on one or more stock exchanges worldwide: 21 of the 32 European banks, 14 of the 17 Japanese banks, and all the US banks are listed. Banks which are primarily controlled or owned by the public as of the end of 2008 were 12 (of which 8 are not listed), including 11 European banks and one Japanese bank; of the European banks, five were German, three from the UK and three from Benelux. With respect to 2007, they increased by seven, all of which in Europe (TABLE I.3).

TABLE I.3 – PUBLICLY CONTROLLED BANKS IN THE SAMPLE

| | No. of groups | Total assets | Total income | No. of employees |
|---|---|---|---|---|
| | | *EUR m* | *EUR m* | |
| **Ownership structure at the end of 2007** [1] | | | | |
| Publicly controlled banks | 5 | 1,564,191 | 5,537 | 40,899 |
| *as % of total* | *7.6* | *4.1* | *0.7* | *1.0* |
| *of which:* Europe | 4 | 1,499,612 | 4,672 | 36,619 |
| *as % of European total* | *12.9* | *5.5* | *1.0* | *1.5* |
| **Ownership structure at the end of 2008** [1] | | | | |
| Publicly controlled banks [2] | 12 | 7,181,375 | 60,772 | 463,392 |
| *as % of total* | *19.4* | *17.5* | *8.3* | *10.8* |
| *of which:* Europe [2] | 11 | 7,095,447 | 59,705 | 459,148 |
| *as % of European total* | *34.4* | *24.5* | *15.0* | *17.6* |

[1] The data reported in the table respectively refer to the years 2007 and 2008.
[2] HBOS, the Lloyds TSB Group (currently Lloyds Banking Group) and Hypo Real Estate Holding were also taken into account; government acquisition of their share capital was completed in the first months of 2009. In May 2009, publically controlled banks in Europe decreased by one unit following the transfer of a majority quota of the Fortis Bank to BNP Paribas on the part of the Belgian government.

Considering also the operations completed in 2009, the public quota of European banks increased – with respect to 2007 – from 6% to 25% of total assets, from 1% to 15% of revenues and from 2% to 18% of employees. The banks of the UK are those with the highest public presence in terms of total booked assets with a quota of 48%, followed by German banks with a quota of 35%,

The primary nationalizations occurred between the fourth quarter of 2008 and the first months of 2009: i) the Treasury of the UK, by underwriting share capital increases which were unopted, acquired 70.3% of RBS and 43.4% of Lloyds Banking Group (resulting from the merger of Lloyds TSB Group and HBOS;[6] ii) the governments of Belgium and France as well as regional Belgian entities entered the share capital of Dexia with 5.7% shareholdings each while the Caisse de Dépôts et Consignations (a French public entity) increased its quota to 17.6%, thereby leading the public sector, already present as a shareholder, to own more than half the share capital iii) the Dutch government acquired all the banking and insurance assets in Holland of the Fortis Group, the first to be created by Fortis Bank Nederland (Holding) following the break-up of the latter and, within the realm of this operation, iv) Belgium and Luxemburg acquired the relative banking assets within their respective countries that were owned by Fortis Bank. In May 2009, Fortis Bank was again re-privatized with the sale of a majority of the capital to BNP Paribas, and offset with newly issued shares; the governments of Belgium and Luxemburg thereby managed to enter the share capital of the French bank with shareholdings of 11.6% and 1.2% respectively; v) the German government, over several phases and even by means of a tender offer, acquired a majority of the share capital of Hypo Real Estate Holding.

In the same period, some European nations entered the share capital of banks, even with minority shares: i) the French government converted the subordinated loan granted in December 2008 to BNP Paribas and to Société Générale into non-voting shares not convertible

[6] During 2008, the UK government nationalized two other smaller institutions in difficulty: Northern Rock and Bradford & Bingley. In December 2009, it underwrote additional shares – without voting rights but convertible into ordinary shares – of RBS, thereby bringing the overall shareholding to 84.4%.

into ordinary shares, by acquiring a stake of approximately 14.9% in the total paid-in share capital. In the fourth quarter of 2009, both banks re-acquired and cancelled the shares held by the French government, financing the operation with share capital increases on the market; ii) the German government bought a 25% shareholding plus 1 share in the share capital of Commerzbank which in the meantime had completed the acquisition of Dresdner Bank from the Allianz Group and acquired, through Deutsche Post, a quota of 8% of Deutsche Bank;[7] iii) in August 2009, the Swiss Confederation converted the bond securities underwritten in October 2008 into UBS shares, acquiring a 9.3% shareholding; the latter was then fully and simultaneously sold on the market. The Swedish state has always been present in the share capital of Nordea Bank with an historical stake of approximately 20%.

In the United States, the Treasury – in the fourth quarter of 2008 and in January 2009 – took action in support of local banks, including those considered in this survey, by underwriting preferred shares without voting rights and non-convertible into ordinary shares coupled with ten-year warrants for the acquisition of ordinary shares.[8] The investment, which was limited to the sampled banks, totaled 182 billion dollars (including 34 billion in 2009); 131 billion were moreover reimbursed from banks during the course of 2009 by collecting resources from capital markets.

In July 2009, Citigroup completed a private and public offer for the exchange of preferred shares into ordinary shares; the US Treasury participated for a nominal amount of 25 billion dollars, contributing a part of the preferred shares underwritten in 2008 and acquiring, in this manner, a shareholding of 33.6% of the ordinary share capital of the bank (diluted to 27% in 2009).

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[7] This quota was acquired by Deutsche Post A.G. (30.5% owned by KfW, which in turn is controlled by the German government) following the conferral of 22.9% of the subsidiary Deutsche Postbank A.G. In July 2009, Deutsche Post sold its entire shareholding in Deusche Bank on the market.

[8] Based on the shares issued at the end of 2008, exercising all the warrants would have allowed the US Treasury to acquire stakes of between 2% and 6.5% in the ordinary capital of banks included in the survey.

Between the summer of 2007 and the end of 2008 a number of sovereign funds made significant investments in the companies covered by the survey, both by underwriting new share issues and by buying mandatory convertible notes and warrants. The Abu Dhabi Investment Authority invested USD 7.5 billion in Citigroup; the Government of Singapore Investment Corp. invested USD 6.9 billion in Citigroup and CHF 11 billion in UBS; the Qatar Investment Authority entered the share capital of Credit Suisse, with an investment of CHF 3.5 billion, and Barclays, by investing approx. GBP 3.8 billion in two successive collections of funds of the company. In October 2008, the Central Bank of Lybia acquired, by means of market acquisitions, 4.6% of UniCredit. The primary investments of the period and the shares which were acquired are listed in TABLE I.31. It should also be noted that a significant part of these investments are believed to have been realized in the market during the course of 2009, thereby benefiting from the increase in stocks of the banking sector.

## *I.6 Workforce*

In the 1999-2008 period, the aggregate workforce of the banks covered in this survey increased by 33% in Europe, or 642,000 employees, and by 23% in the United States, or 265,000 employees. In Japan, on the other hand (with reference to 2001-2008, the period for which like-for-like data are available) the aggregate workforce decreased by 4%, or 9,000 employees (TABLE I.4). There is a positive correlation between balance-sheet asset growth rates and workforce expansion, which is more clearly observable in terms of geographical area.

In Europe, the greatest increases were posted by banks based in France, the United Kingdom and Benelux, which together accounted for 80% of workforce expansion in the area. All the other countries were below the European average, with the lowest levels being recorded in Germany and Scandinavia. The limited increase of Swiss banks was influenced by the transfer of the Winterthur insurance Group from Crèdit Suisse to the French company Axa at the end of 2006.

TABLE I.4 – CHANGE IN HEADCOUNT

| | Average number of employees [1] | | | Change of employees [2] | | Change of total assets [2] |
|---|---|---|---|---|---|---|
| | 1999 | 2007 | 2008 | *No.* | *%* | *%* |
| United Kingdom | 597,322 | 826,832 | 821,707 | 224,385 | + 37.6 | + 194.5 |
| France | 320,462 | 486,565 | 539,363 | 218,901 | + 68.3 | + 165.5 |
| Benelux | 232,621 | 315,259 | 319,694 | 87,073 | + 37.4 | + 135.8 |
| Italy | 231,646 | 254,267 | 275,967 | 44,321 | + 19.1 | + 21.0 |
| Spain | 215,011 | 233,647 | 251,624 | 36,613 | + 17.0 | + 103.8 |
| Germany | 212,155 | 205,605 | 220,692 | 8,537 | + 4.0 | + 80.7 |
| Switzerland | 111,307 | 127,350 | 128,622 | 17,315 | + 15.6 [3] | + 103.0 [3] |
| Scandinavia | 52,996 | 55,483 | 57,699 | 4,703 | + 8.9 | + 171.3 |
| **Europe** | **1,973,520** | **2,505,008** | **2,615,368** | **641,848** | **+ 32.5** | **+ 123.2** |
| **Japan** | **236,479** [4] | **218,679** | **227,030** | **- 9,449** | **- 4.0** | **+ 8.8** |
| **United States** | **1,170,585** | **1,443,836** | **1,435,928** | **265,343** | **+ 22.7** | **+ 98.2** |

[1] The breakdown refers to the country in which the parent company was based in 2008 and therefore includes group staff employed elsewhere; the figures for 1999 and 2007 have been restated to allow comparison on a like-for-like basis.
[2] Refers to 1999-2008 for Europe and the United States and 2001-2008 for Japan.
[3] Up 50.2% and 120.9% respectively excluding employees of the Winterthur insurance group in 1999, which was sold to third parties in 2006.
[4] Refers to 2001, the first year for which like-for-like data are available.

The mega-mergers listed in Appendix 2 had no effect on such changes, as they involved groups already included in the survey sample; the increase in the overall workforce is equally attributable to external forms of development:

- the merger within the larger Groups included in the sample of small and medium sized banks belonging to the same country. This is the case, first of all, of the United States where national acquisitions explain a large part of employment increases, but this also applies to certain European countries, including Italy;[9]

- non-domestic acquisitions most refer to bank corporation of smaller size are mostly European banks. This typology of acquisitions includes those implemented by banks in the UK and Switzerland as well as by the French bank BNP Paribas in the US, those by Spanish and Dutch banks in Latin America and the significant acquisitions made in Central and Eastern Europe by the German banks Commerzbank and HVB (the latter later incorporated into UniCredit), by the Belgian KBC and Fortis, the French banks Société Générale, BNP Paribas and Crédit Agricole and the Italian UniCredit. The acquisitions in Italy of the French banks BNP Paribas and Crédit Agricole should also be noted.[10]

The significant foreign expansion undertaken by European banks between 1999 and 2008 is well reflected in the more than 21 point percentage increase in staff employed outside the companies' country of origin, equal to 56% of the total in 2008 (refer to TABLE II.3 for Europe).[11]

TABLE I.5 illustrates the main subsidiaries of European banking Groups in the United States, with the Swiss banks HSBC Holdings and RBS in predominant positions in terms of total assets (including for the latter two banks). While the highest ranking banks are primarily involved in investment banking and the capital market, HSBC USA, Citizens and BancWest primarily operate as commercial banks and HSBC Finance operates in consumer credit. It is important to note that the aforementioned Groups, on the basis of data for the end of 2008,

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[9] Examples include the acquisitions, on the part of SanpaoloIMI (subsequently Intesa Sanpaolo) of the Bank of Naples in 2000 and of the Cardine Group in 2002.

[10] These include Banca Nazionale del Lavoro (16,820 employees and 88.2 billion Euro in assets) acquired by BNP Paribas in 2006 and two smaller banks, Cassa di Risparmio di Parma e Piacenza and Banca Popolare FiulAdria, sold from Intesa Sanpaolo to Crédit Agricole in 2007.

[11] It is not possible to calculate the corresponding ratio for Japanese and US banks due to the absence of figures. For the US, the only data available for 2008 was the one of Citigroup whose foreign employees were equal to 58% of the total. Moreover, as mentioned above, the banks in these areas focus primarily on their respective domestic markets.

were ranked- with the exception of BancWest – just below the country's top four banks in terms of total assets.

TABLE I.5 – MAIN SUBSIDIARIES OF EUROPEAN BANKS IN THE UNITED STATES AS AT YEAR-END 2008

| Parent company | Main subsidiary | Total assets | | Total income | Total staff |
|---|---|---|---|---|---|
| | | USD bn | | USD bn | No. |
| Crédit Suisse Group | Crédit Suisse (USA), Inc. (formerly Credit Suisse First Boston ) | 407.2 | | 1.8 | 11,400 |
| UBS | UBS Americas, Inc. (formerly Paine Webber Group) | 335.9 | | - 6.5 | 27,362 |
| HSBC Holdings | HSBC USA, Inc. | 185.6 | | 3.7 | 11,700 |
| | HSBC Finance Corp. (formerly Household International) | 130.8 | | 15.6 | 19,000 |
| | Total HSBC Holdings | 316.4 | [1] | 19.3 | 30,700 |
| Deutsche Bank | Taunus Corp. | 303.0 | | 0.2 | 11,900 |
| Barclays [2] | Barclays Group US, Inc. | 279.8 | | . . . | 15,700 |
| RBS | Citizens Financial Group | 159.9 | [3] | 6.1 | 18,700 |
| BNP Paribas | BancWest Corp. | 79.7 | | 3.0 | 11,800 |

[1] The total assets of the Group in North America as at 31-12-2008 amounted to USD 552.6bn.

[2] The assets of the former Lehman Brothers in North America – acquired in September 2008 and totaling 57 billion USD – are excluded.

[3] The total assets of the Group in the United States as at 31-12-2008 amounted to USD 886.9bn.

The Japanese bank with the most extensive profile in the U.S. is Mitsubishi UFJ Financial Group, which controls Union Bank of California (USD 70.1 billion in total assets and 9,651 employees as of 31 December 2008).

## *I.7 Productivity and cost of labor*

TABLE I.6 reports the revenues and cost of labor per employee of banks in Europe and the United States.[12] Revenues are calculated by excluding the results of trading activities which are erratic in nature and more dependent upon factors external to the bank such as trends in the financial markets.

TABLE I.6 – TOTAL INCOME AND LABOUR COST PER EMPLOYEES [1]

| | Total income per employee [2] | | Cost of labour per employee | | |
|---|---|---|---|---|---|
| | 2008 | % change over 1999 in local currency | 2008 | % change over 1999 in local currency | |
| | '000 EUR | (a) | '000 EUR | (b) | a/b |
| Switzerland | 266.7 | - 9.6 | 154.1 | - 19.4 | n.c. |
| Germany | 243.2 | + 28.1 | 92.3 | - 0.4 | n.c. |
| Scandinavia | 233.9 | + 64.7 | 75.1 | + 63.0 | 1.03 |
| Benelux | 186.9 | + 4.9 | 74.3 | + 12.3 | 0.40 |
| Spain | 182.2 | + 61.6 | 52.7 | + 38.7 | 1.59 |
| Italy | 178.0 | + 18.6 | 57.0 | + 0.7 | 26.57 |
| United Kingdom | 169.3 | + 82.7 | 49.4 | + 52.6 | 1.57 |
| France | 146.0 | + 9.6 | 63.4 | - 3.6 | n.c. |
| **Europe** | **180.9** | **+ 30.5** | **65.6** | **+ 10.5** | **2.90** |
| **Japan** [3] | **339.0** | **+ 1.1** | **. . .** | **. . .** | **. . .** |
| **United States** | **205.1** | **+ 43.3** | **65.2** | **+ 38.6** | **1.12** |

[1] Calculated excluding insurance activities insofar as is possible based on available figures.
[2] Total income excludes gains and losses on financial transactions.
[3] In interpreting income per employee figures for 2008, see asterisk note to Table I.1.

[12] There are no complete, like-for-like figures for the labour costs of the Japanese banks.

It should be noted, first of all and in aggregate terms, how the relationship between the two indicators from 1999 to 2008 – the first a proxy of productivity – is more favorable for European banks and was equal to 2.9 compared to slightly greater than 1 for US banks; this is also notable after a period of growth in the pro-capita labor cost in Europe which was significantly lower than the US.[13]

The most significant increases in productivity, within the period in consideration, were in fact reported by banks in the UK followed by those in Scandinavia and Spain; all of these countries also reported a ratio between the two indicators that was more than 1 due to the more contained increase in pro-capita labor cost. Italian banks reported an increase in the unitary cost of labor which was basically unchanged in the period and was mainly due to acquisitions in Central and East European countries, where the cost of labor is lower, set against significantly lower growth in productivity compared to the European average. Swiss and French banks, on the other hand, reported a decrease in the pro-capita labor cost with the former that also continue to report the highest cost per employee in 2008, followed by German banks. Swiss banks were also the only banks to report a decrease in unitary revenues for the period.

The higher cost of labor incurred by the Swiss and German banks is due to the high per-capita figure for investment banking operations, in addition to the large percentage of the total workforce employed in such operations, particularly by Swiss banks. In 2008, the Credit Suisse Group employed 42% of the Group's total staff in the investment banking division with a unit cost of EUR 240,000 despite a 31% decrease with respect to the previous year; the per-capita costs incurred by the investment banking division of the UBS Group, which employed 24% of the total workforce, were equal to EUR 179,000 (-44% compared to 2007, calculated in local currency). If one excludes these activities, the labor cost per employee of the two Swiss banks in 2008, despite being higher, falls to EUR 129,000. Among German banks, Hypo Real Estate

[13] The higher growth rates of both revenues and costs per employee in the United States than in Europe are partly attributable to the difference in inflation rates in the two areas: in the 1999-2008 period, consumer prices grew, in fact, by 32.2% in the US and by 23.9% in the Euro area.

Holding, Deutsche Bank and WestLB have unit costs that are significantly higher than average, amounting respectively to EUR 137,000, 120,000 and 104,000 in 2008. At Deutsche Bank, the per capita cost soared by 80% in the two-year period 1999-2000, coinciding with the purchase of the US bank Bankers Trust, while, during the same two-year period, the per capita labor costs at WestLB rose by 36%, in connection with the building up of its equity and investment banking activities in London. The increase in the cost of labor experienced by Hypo Real Estate Holding resulted instead from the acquisition of DEPFA Bank of Dublin, operating in the sector of financial services for institutional clients.

## *I.8 Summary of earnings results*

In 2008, the banks of the Triad group reported, in aggregate terms, pre-tax operating profit that was negative and equal to 5.8% of total revenues; with respect to the previous, this was a decrease of 31.3% (TABLE I.7).

Net profit was also negative and came to EUR 160.4 billion, representing 21.9% of revenues, marking a 43.4% decrease in absolute terms with respect to 2007; in that year, the result was positive by EUR 177.9 million. The greater decrease in net profit compared to the current pre-tax result was mainly due to the elevated increase in negative extraordinary items, primarily write-downs of financial assets and intangible assets, which were only partially compensated by the positive sign of the income taxes.

The negative result for 2008 is attributable, on the one hand, to a decrease in revenues totaling 12% compared to the previous year – primarily due to the highly negative balance of trading activities, as will be noted below – and, on the other hand, by the increased write-downs of receivables which absorbed approx. one third of overall revenues, an absolute increase of 156% compared to the previous year. Even operating costs, given the decrease in revenues, contributed to worsening the result of the year by increasing by 2% with respect to 2007.

TABLE I.7 – TRIAD BANKS: PERFORMANCE INDICATORS 1999–2008

| | 1999 | 2006 | 2007 | 2008 | Change | |
|---|---|---|---|---|---|---|
| | *as % of total income* | | | | | |
| | *a* | *b* | *c* | *d* | *c-a* | *d-c* |
| Cost/income ratio | 60.3 | 58.3 | 63.2 | 73.1 | + 2.9 | + 9.9 |
| Bad debt writeoffs [1] | 12,7 | 6.3 | 11.3 | 32.7 | - 1.4 | + 21.4 |
| Current pre-tax profit | 27.0 | 35.4 | 25.5 | - 5.8 | - 1.5 | - 31.3 |
| Net profit | 20.0 | 27.4 | 21.5 | - 21.9 | + 1.5 | - 43.4 |
| Total income (change vs. previous year) % | n.c. | + 4.7 | - 7.0 | - 11.7 | | |

[1] Net of bad debts recovered.

For a more detailed description of profit and loss accounts, see TABLE II.1.

Geographical details of the 2008 data highlight the fact that all three areas taken into consideration reported a negative net result and equal to 37% of revenues in Japan and 20% for Europe and the US; the worsening with respect to the previous year was equal to 49% for Japanese banks, 46% for European banks and 36% for US banks (TABLE I.8).[14]

[14] Comparisons between indicators for the different areas should be treated with caution, as there are considerable differences in the accounting standards adopted between countries (refer to Section III, Principles and Methods).

TABLE I.8 – PERFORMANCE INDICATORS BY GEOGRAPHICAL AREA IN 2008

| | Europe | | Japan | | United States | |
|---|---|---|---|---|---|---|
| | *as % of total income* | *change vs. 2007* | *as % of total income* | *change vs. 2007* | *as % of total income* | *change vs. 2007* |
| Cost/income ratio | 76.2 | *+ 12.1* | 71.4 | *+ 13.9* | 68.8 | *+ 5.6* |
| Bad debt writeoffs [1] | 24.4 | *+ 14.4* | 30.2 | *+ 21.8* | 46.0 | *+ 31.8* |
| Current pre-tax profit | - 0.6 | *- 26.5* | - 1.6 | *- 35.7* | - 14.8 | *- 37.4* |
| Net profit | - 20.4 | *- 46.1* | - 37.3 | *- 49.3* | - 20.0 | *- 36.1* |
| Total income (change vs.2007) % [2] | - 19.1 | | - 16.5 | | - 8.7 | |

[1] Net of bad debts recovered.

[2] Calculated in local currency.

For a more detailed description of the profit and loss account, see Table II.1, various areas. For information on the effects of financial asset valuation changes on the results of the year, refer to the subsequent paragraph.

The decrease in total income, in general terms, was more significant in Europe (-19%) and in Japan (-17%) compared to the United States (-9%). The latter reported the highest write-downs of receivables in proportion to total income, equal to 46% and a 195% increase with respect to 2007. The write-downs of receivables also increased in Japan and were equal to 30.2% of total income (+198%) as well as in Europe, to a lesser extent, with an incidence that increased to 24.4% of total income (+97%).

Due to these increased write-downs and essentially unchanged operating costs, US banks reported the worst current result of the three areas, i.e. -14.8% in terms of total income and a decrease of 37.4% compared to the previous year. Similarly, Japanese and European banks went from an operating profit in 2007 to a loss result in 2008, respectively decreasing by 35.7% and 26.5%.

It should be noted that the income statements of banks in the triad region benefited, to various degrees, from accounting changes in the valuation of financial assets whose effects are discussed in the following paragraph.

### *I.9 The effects of modifications in the valuation of financial assets*

In the year 2008, the banks of the Triad regions benefited, in different ways and to different extents, from regulatory changes relative to the modalities for valuating financial assets.

With regard to European banks, the IASB (*International Accounting Standards Board)* modified the accounting principles IAS 39 and IFRS 7; these were incorporated by the European Commission with Regulation no. 1004/2008. These modifications concern the possibility – previously prohibited – of re-classifying non-derivative financial instruments: i) from the category of financial assets "held for trading" – valued at their fair value with booking of value changes to the income statement – to the categories provided for by IAS 39 ("available for sale", "held to maturity", and "receivables"); ii) from the category "available for sale" – valued at their fair value with booking of value changes to the reserves of shareholders' capital – as loans and receivables and valued at cost.

Reclassifications must be implemented at their fair value on the date of the operation; however, since the modifications to accounting principles became effective as of 1 July 2008, all re-classifications implemented up to 1 November were back-dated with reference to the values of 1 July which were generally higher.

The banks of the European sample have, for the most part, utilized the possibility offered by the modification of the accounting principle by excluding securities from the trading portfolio for Euro

236 billion, thereby generating a benefit to the pre-tax result of the income statement of EUR 22.3 billion due to the decreased write-downs (TABLE I.9).[15] An additional EUR 399 billion were then transferred from the portfolio available for sale to receivables due from banks and customers and to other financial assets valued at cost, with a benefit in this case on shareholders' equity reserves totaling EUR 21.9 billion and with a consequent improvement of asset ratios.

TABLE I.9 – EUROPEAN BANKS: EFFECTS OF THE RECLASSIFICATION OF FINANCIAL ASSETS ALLOWED BY THE MODIFICATION OF "IAS 39" [1]

| From "held for trading" to: | | | From "available for sale" to: | | Effect on | Effect on |
|---|---|---|---|---|---|---|
| available for sale | loans (at cost) | held to maturity | loans (at cost) | held to maturity | profit before tax | net worth reserves |
| EUR bn | | | EUR bn | | EUR bn | |
| 73.3 | 64.7 [2] | 97.9 | 25.9 | 373.4 | 22.3 | 21,9 |
| **Total transferred assets** | | **235.9** | | **399.3** | | |

[1] Within the limits of available information, financial assets transferred from companies to receivables due from banks and non-banking customers with valuation at cost were repositioned - in order to guarantee the historical homogeneity of the data - to the category "held to maturity" under the item "Securities".
[2] Including EUR 9.1bn from the fair value to cost within the same item "loans".

In Japan, some banks utilized the option offered by the new provisions of local authorities to re-classify financial assets from the fair value valuation to the cost valuation, transferring securities totaling 15,398 billion Yen from the category "available for sale" to the category "held to maturity" with a decrease in shareholders' equity reserves of 124 billion Yen.[16] To this amount are added the securities

[15] The two Spanish banks as well as Banco Santander and BBVA, Fortis Bank Nederland (Holding), Nordea and Credit Suisse (which utilizes US GAAP) did not utilize the modification of IAS 39.
[16] This option was made possible by the issue, on 5 December 2008, of provision no. 26, *Tentative Solution on Reclassification of Debt Securities* on the part of ASBJ-

transferred from the trading portfolio on the part of MUFG and on the basis of US GAAP principles, totaling 1,053 billion, with a benefit – in this case to the income statement – that can be estimated to total 8 billion Yen in minor losses (TABLE I.10).

TABLE I.10 – JAPANESE BANKS: EFFECTS OF THE RECLASSIFICATION AND THE MODIFICATION OF VALUATION CRITERIA OF FINANCIAL ASSETS

| Effect on the result before tax | | Effect on the net worth reserves | |
|---|---|---|---|
| due to reclassification from "held for trading" to "held to maturity" [1] | due to the modification of the valuation criterion of illiquid securities | due to the modification allowed by ASBJ-PITF no.26 | due to the modification of the valuation criterion of illiquid securities |
| JPY bn | | JPY bn | |
| 8 | 1,073 | 124 | 1,351 |

1 Reclassification implemented by MUFG on the basis of US GAAP principles; the effect on net income, which is not available, was estimated on the basis of the year-end fair value.

An additional and more significant positive effect on the income statements of the year of Japanese banks resulted from the modification of the criterion of valuation of government securities with variable rates and foreign bonds linked to securitizations for which trading had reduced considerable and was thus no longer capable of determining market prices that were representative of their fair value; these securities were therefore valued on the basis of "reasonably estimated" amounts calculated by banks with their internal models. [17] The modification of utilized criteria resulted in a more elevated valuation of portfolio assets, with a benefit to the result of the year before taxes totaling 1,073 billion Yen due to the trading securities as well as 1,351 billion Yen on shareholders' equity reserves that is due to securities available for sale.

PITF-*Accounting Standards Board of Japan-Practical Issue Task Force.* The amounts specified in the text mostly refer to Norinchukin Bank.

[17] The method that was mostly used was that of the *Discount Cash Flow method.*

TABLE I.11 – EUROPEAN AND JAPANESE BANKS: EFFECTS OF MODIFICATIONS TO THE VALUATION CRITERIA FOR FINANCIAL ASSETS TO THE PROFIT AND LOSS ACCOUNTSOF 2008 [1]

| | Aggregated data from year-end financial statements | | Effect of the modification of criteria | Aggregated data with exclusion of the effect of the modification of the criteria | |
|---|---|---|---|---|---|
| | EUR bn (a) | *as % of total income* | EUR bn (b) | EUR bn (a-b) | *as % of total income* |
| **Europe** | | | | | |
| Losses on financial transactions | - 59.2 | *- 14.9* | 22.3 | - 81.5 | *- 21.7* |
| Total income | 397.6 | *100.0* | 22.3 | 375.3 | *100.0* |
| *Change vs. 2007 ( %)* | *- 19.1* | | | *- 23.7* | |
| Current pre-tax profit | - 2.6 | *- 0.6* | 22.3 | - 24.9 | *- 6.6* |
| Profit before tax | - 93.5 | *- 23.5* | 22.3 | - 115.8 | *- 30.9* |
| | JPY bn (a) | *as % of total income* | JPY bn (b) | JPY bn (a-b) | *as % of total income* |
| **Japan** | | | | | |
| Losses on financial transactions | - 583 | *- 6.4* | 1,081 | - 1,664 | *- 20.7* |
| Total income | 9,125 | *100.0* | 1,081 | 8,044 | *100.0* |
| *Change vs. 2007 ( %)* | *- 16.5* | | | *- 26.4* | |
| Current pre-tax profit | - 149 | *- 1.6* | 1,081 | - 1,230 | *- 15.3* |
| Profit before tax | - 3,114 | *- 34.1* | 1,081 | - 4,195 | *- 52.2* |

[1] US banks also reclassified financial assets from fair value to cost with an estimated benefit of USD 6.1bn , part of which is attributable to the result of the year.

TABLE I.11 summarizes the effects on the aggregate income statements of the year 2008 that are due to modifications of valuation criteria applied by European and Japanese banks described above. Given that the adjustments relative to trading securities essentially affected the relative item of net income/losses within the income statement, the negative balance of the latter – if one excludes the effect of modifications – would have increased from EUR 59 billion to approx. EUR 82 billion for European banks and from 583 to 1,664 billion Yen for Japanese banks. Total revenues of both areas decreased further, with a negative change with respect to the previous year that increased from 19.1% to 23.7% for European banks and from 16.5% to 26.4% for Japanese banks. Similarly, operating result and the pre-tax result of European banks worsened respectively by 6 and more than 7 percentage points with respect to revenues; Japanese banks reported a loss at the operating and pre-tax levels, equal to 15.3% and 52.2% of revenues respectively.

In the US as well, certain banks of the sample made use of the options offered by national accounting principles to transfer financial assets from a fair valuation to a cost valuation, thereby transferring 69.6 billion USD from the trading and available for sale portfolios to that held until maturity in addition to 15.7 billion USD of receivables from customers that were transferred from a fair valuation to a cost valuation within the same item; an additional 7 billion USD were instead transferred from "trading" to "available for sale".[18] The effects on the profit and loss account of the year and on the net equity reserves were not reported; however, given that the financial assets transferred from fair value to cost had a year-end book value of 85.3 billion USD and a fair value of 79.2 billion USD, the negative adjustments which were not implemented can be estimated to be equal to 6.1 billion, a part of which affected the result of the year.[19]

[18] The accounting principle SFAS 115-*Accounting for Certain Investments in Debt and Equity Securities*, unlike the IAS/IFRS principles adopted in Europe, allows for the re-classification of valuation criteria from fair values to cost values, although it requires that these events be rare. The companies justified the transfers with the deterioration of market conditions. The overall transferred amounts in the US, mostly by Citigroup, were moreover relatively lower than those of the other two areas (refer to the commentary on the securities portfolio).

[19] It should also be noted that, in October 2008, the FASB-*Financial Accounting Standards Board* issued the FAS 157-3 – *Determining Fair Value of Financial Assets When the Market for That Asset is Not Active* which states that the companies may utilize internal information in order to determine fair values when the markets of reference are not very active and in these cases do not necessarily have to refer to quotes provided by brokers. The FASB, however, emphasized that this was not a new accounting principle but a clarification of SFAS 157. The banks which utilized this system moreover all declared that economic and asset effects were not significant.

## I.10 Total income

From 1999 to 2008, total income of banks within the Triad region included in the sample increased from EUR 676 to 731.5 billion, an increase of 8.2% as a balance between the +24.5% due to the growth in size of the Groups – as described in the previous paragraph – and the decrease of approx. 16 percentage points caused by the depreciation of the Dollar and Yen with respect to the Euro (TABLE II.1 and the Principles and Methods under Section III). Such growth was not, however, uniform across the three areas: on the basis of figures based in local currencies, revenues rose by 42.3% in the US, 21.3% in Europe while Japanese banks decreased by 5.2%. The growth was also not constant over this time period: following an overall increase of 32% from 1999 to 2006, aggregate revenues in 2007 and 2008, as mentioned in the previous paragraph, reported decreases – calculated at current exchange rates – of 7% and 11.7%, respectively.[20]

TABLE I.12 – BANKS INCLUDED IN THE TRIAD REGION: COMPOSITION OF TOTAL INCOME 1999-2008

| | 1999 | 2006 | 2007 | 2008 | Change [1] 2006 / 1999 | 2007 / 2006 | 2008 / 2007 |
|---|---|---|---|---|---|---|---|
| | *as % of total income* | | | | % | | |
| Net interest income | 52.7 | 45.9 | 49.0 | 66.2 | + 14.9 | - 0.8 | + 19.4 |
| Net fee and commission income | 37.5 | 42.4 | 46.9 | 47.0 | + 49.0 | + 2.9 | - 11.5 |
| Gains (losses) on financial transactions | 9.8 | 11.7 | 4.1 | - 13.2 | + 57.6 | - 67.3 | n.c. [2] |
| **Total income** | **100.0** | **100.0** | **100.0** | **100.0** | **+ 31.9** | **- 7.0** | **- 11.7** |

[1] Calculated in terms of absolute values, in accordance with Table II.1.

[2] Amount with a negative sign in 2008.

[20] Given constant exchange rates, the decrease in aggregate revenues in 2008 was greater than and equal to -15.4% due to the partial appreciation of the Dollar and Yen with respect to the Euro.

With regard to the primary revenue items, the net interest income remains that with the greatest weight throughout the period despite the fact that, up until 2007, growth rates were significantly lower than those for net fee and commission income in all three geographical areas (TABLE I.12 and TABLE I.13). The latter, however, reported a general decrease in 2008 which was primarily due to a decrease in banking services due to the worsening of the economic cycle; the net interest income, on the other hand, reported significant increases in Europe and the US and was favored by a significant decrease in interest rates in these areas, particularly those paid on funding. The result from trading activities – which up until 2006 had contributed positively to total revenues, with an average incidence of 9.8% – reported a decrease of 67% in 2007 and then became negative in 2008. The increased volatility of the financial markets as of the summer of 2007, due to the financial crisis caused by the increase in the insolvency rate of mortgage debtors in the US, in fact produced trading results in 2008 that were significantly negative; this was the primary cause for the revenue decrease.

TABLE I.13 – CHANGE IN REVENUES 1999-2008: BREAKDOWN BY GEOGRAPHICAL AREA

| | Europe | | | Japan | | | United States | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1999 2006 [1] | 2007 [2] | 2008 [2] | 1999 2006 [1] | 2007 [2] | 2008 [2] | 1999 2006 [1] | 2007 [2] | 2008 [2] |
| | | | | | % | | | | |
| Net interest income | 4.9 | 2.1 | 16.1 | -0.2 | -0.9 | -0.6 | 5.5 | 7.6 | 14.9 |
| Net fee and commission income [3] | 7.5 | 5.1 | -14.4 | 6.7 | -0.2 | -12.3 | 8.8 | 12.3 | -15.5 |
| Gains (losses) on financial transactions | 10.0 | -49.0 | n.c.[4] | 11.8 | -26.6 | n.c. [4] | 2.9 | n.c. [4] | n.c. [4] |
| **Total income** | **6,6** | **-4.3** | **-19.1** | **2.3** | **-3.1** | **-16.5** | **6.7** | **-1.1** | **-8.7** |

[1] Average annual growth rate in the period.

[2] Change with respect to the previous year, calculated in terms of absolute values pursuant to TABLE II.1.

[3] Balance of receivable and payable commissions; European companies also include dividends and pro-rata profits and losses by investee companies valued with the equity method.

[4] Amount with a negative sign.

FIGURE I.2 – NET INTEREST INCOME/NET FEE AND COMMISSION INCOME/GAINS (LOSSES) ON FINANCIAL TRANSACTION AS % OF TOTAL INCOME

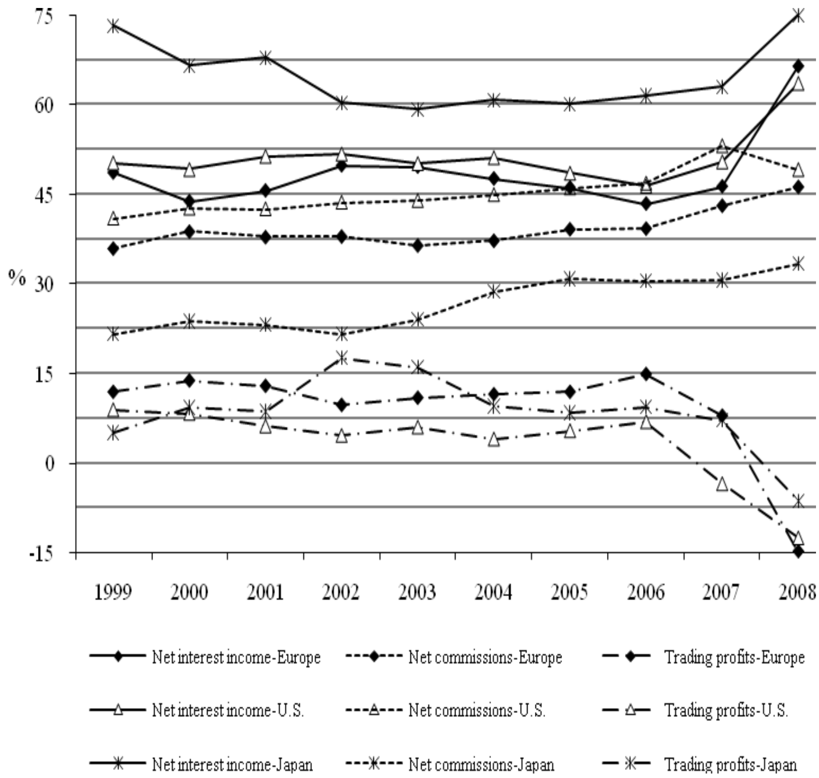
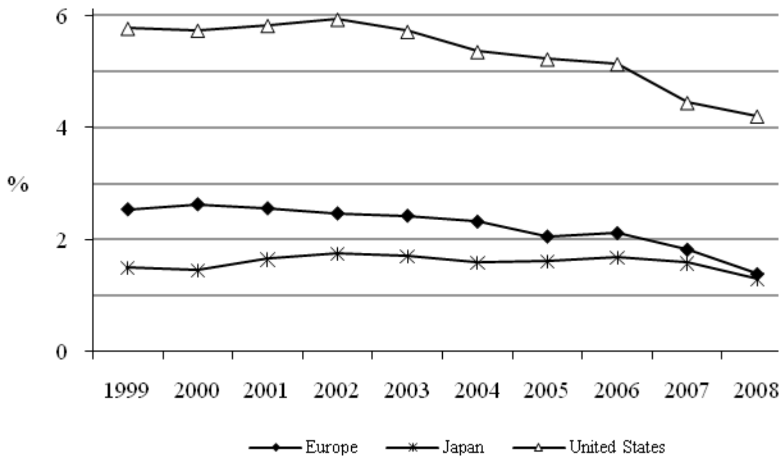



FIGURE I.2 illustrates the historical data by geographical area of the main items composing revenues. First of all, it should be noted that net interest income represents a higher percentage of total income for Japanese banks than it does for groups in the other two areas, and conversely that commission revenues account for a lower proportion of the total. The latter make up a higher share of US banks' revenues, even with respect to European banks. From 2003 to 2005, Japanese banks made efforts to diversify their revenue sources in reaction to the decrease in net interest income as a percentage of total revenues.

In the 2007-2008 period, note should be made of the significant decrease in trading results – as previously noted – with negative balances in the past year that were significantly more accentuated for European banks and the US (-14.9% and -12.6% respectively) compared to Japanese banks (-6.4%).

Total revenues in the various areas were therefore compared to the respective total assets in the financial statements (FIGURE I.3). The comparison highlights the greater weight of the revenue component for US banks: despite the decrease of 1.7% compared to the maximum value attained in 2002, this ratio fell to 4.2% in 2008 compared to 1.4% for European banks and 1.3% for Japanese banks.

FIGURE I.3 – TOTAL INCOME AS A % OF TOTAL ASSETS [1]




[1] Not including goodwill.

With regard to the period as a whole, it can also be observed that the growth in the assets of the US banks described earlier lagged the increase in total revenues only in the two-year period 2001-2002, whereas for the European banks this only occurred in 2000 and, to a lesser extent, in 2006. Both areas saw reductions in this indicator in 2007-2008, with a more pronounced decrease in the U.S. due to the decrease in revenues mentioned above. For Japanese banks, the indicator reflects substantial stability over the ten-year period in terms of both assets and total revenues.

### *I.11 Efficiency and profitability*

In 2008, the current pre-tax result fell in all three areas by 0.6% for European banks, -1.6% for Japanese banks and -14.8% for US banks. The decrease with respect to the previous year was equal to -26.5 percentage points in Europe, -35.7 points in Japan and -37.4 points in the United States.

TABLE I.14 reports details of the main items of the profit and loss accounts which contributed towards the formation of these negative results, highlighting their differing importance in the various geographical areas. It should be noted that, for European banks, the decrease in revenues was the component which most strongly affected the worsening of the current result with an incidence which was slightly less than three fourths of the total; for US banks, the primary component was the write-down of receivables, with a similar level of incidence. For Japanese banks, the decrease in revenues and the write-down of receivables, on the other hand, had equally negative effects. Operating costs decreased in Europe and the United States, thereby providing a positive contribution, albeit marginal in the US, to the current result; these costs instead increased in Japan with an additional negative incidence of more than 6 percentage points with respect to the current result.

TABLE I.14 – CONTRIBUTION OF THE MAIN PROFIT AND LOSS ACCOUNT ITEMS TO THE CURRENT LOSS OF THE YEAR 2008: BY GEOGRAPHICAL AREA

| | Europe | | Japan | | United States | |
|---|---|---|---|---|---|---|
| | Change vs. 2007 | | Change vs. 2007 | | Change vs. 2007 | |
| | EUR bn | % | JPY bn | % | USD bn | % |
| Total income | - 94.0 | *- 72.3* | - 1,805 | *- 46.6* | - 34.6 | *- 24.0* |
| Bad debt writeoffs [1] | - 47.9 | *- 36.8* | - 1,830 | *- 47.2* | - 110.6 | *- 76.8* |
| Operating costs [2] | + 11.9 | *+ 9.1* | - 240 | *- 6.2* | + 1.1 | *+ 0.8* |
| Current pre-tax result | - 130.0 | *- 100.0* | - 3,875 | *- 100.0* | - 144.1 | *- 100.0* |

[1] Net of bad debts recovered.

[2] Labor costs, general expenses and depreciation/amortization. The + sign highlights the positive contribution to the result of the year (decrease in costs).

In Europe, operating costs increased by an average of 5.6% per year in the period 1999-2006 (+5.9% year for the cost of labor alone), thereby resulting in a slowdown in the rate of growth in 2007 and a decrease of 3.8% in 2008; the latter is entirely attributable to the cost of labor which fell by almost 10 percentage points compared to the previous year (TABLE I.15). The growth of costs in the US was higher and was, on average, 7.1% per year until 2006 (+7.9% per year for the cost of labor) with a decrease in 2008 that was not very significant and was entirely due to the decrease of almost 6 percentage points of the cost of labor. Operating costs for Japanese banks, on the other hand, did not vary much in the period from 1999 to 2006, with a significant acceleration of growth in the two-year period 2007-2008.

TABLE I.15 – CHANGE IN OPERATING COSTS, 1999-2008: BY GEOGRAPHICAL AREA

| | Europe | | | Japan | | | United States | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1999 2006 [1] | 2007 [2] | 2008 [2] | 1999 2006 [1] | 2007 [2] | 2008 [2] | 1999 2006 [1] | 2007 [2] | 2008 [2] |
| | | % | | | % | | | % | |
| Labour costs | 5.9 | 1.7 | -9.6 | … | … | … | 7.9 | 6.1 | -5.8 |
| General expenses [3] | 5.2 | 5.8 | 4.3 | … | … | … | 6.1 | 10.2 | 6.1 |
| **Total operating costs** | **5.6** | **3.4** | **-3.8** | **0.6** | **5.3** | **3.8** | **7.1** | **7.9** | **-0.5** |

[1] Average annual growth rate of the period.

[2] Change with respect to the previous year, calculated in terms of the absolute values displayed in Table II.1 for various areas.

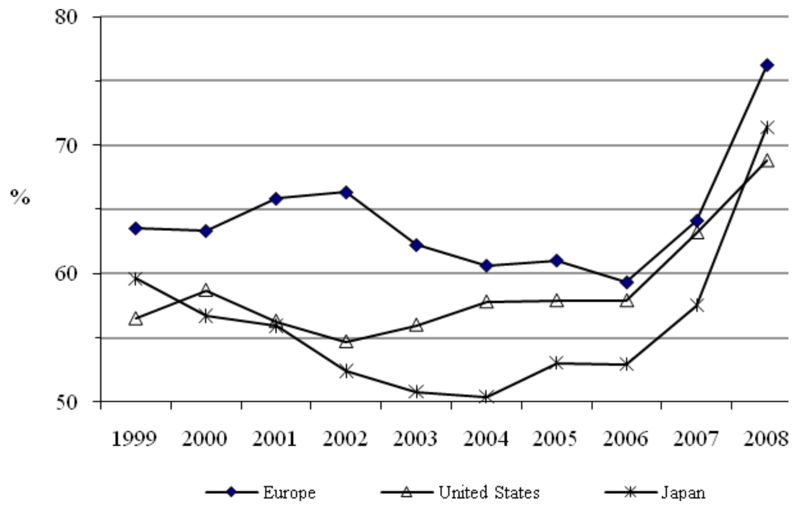
[3] Including depreciation and amortization.

The decrease in revenues for the two-year period 2007-2008 resulted in, for all three areas, an increase in the cost-income ratio (FIGURE I.4). This indicator was higher in Europe compared to the other two areas for the whole ten-year period in question; this was primarily due to the greater incidence of labor costs.

The graph displays the convergence of the indicators of Europe and the US for the 2003-2007 period with a difference that decreased from a maximum of slightly less than 12% to less than 1% in 2007 and which then diverged significantly in 2008. This following an average growth rate of revenues that was similar for the two areas from 1999 to 2006 in contrast to an expansion rate of operating costs which was significantly higher for banks in the US (TABLE I.13 and TABLE I.15). The indicators of the two areas became even closer in 2007 when European banks – as a result of a decrease of revenues – further reduced the growth rate of operating costs (primarily relative to labor costs) while US banks did not react to the decrease in revenues – although smaller in amount – with a decrease in costs. The divergence of the indicators in 2008 is, on the other hand, entirely due to the more significant decrease in revenues of European banks.

As of 2005, the difference between the indicator of Japanese banks and that of banks from other areas also decreased with a sharp fall in values in 2007-2008 due to the simultaneous decrease in revenues and the increase in operating costs.

FIGURE I.4 – COST/INCOME RATIO




The worst net result of the year 2008 was in fact reported by Japanese banks with -37.3% in comparison to revenues, approx. 17 percentage points less than the results, which were equally negative, of European and US banks (TABLE I.8). The relative worsening of Japan with respect to the other two areas when comparing the respective current results is due, on the one hand, to larger extraordinary negative items and, on the other hand, to income taxes. With regard to the latter, US banks benefited from a positive balance to the income statement which was almost equal to 8% of revenues while European banks reported a positive balance of 1.7%; Japanese banks, on the other hand, again reported a negative balance which was however limited to approx. 2 percentage points.

TABLE I.16 – WRITE-DOWNS IN 2008: DETAILS BY ITEM AND GEOGRAPHICAL AREA

| | Europe | | Japan | | United States | |
|---|---|---|---|---|---|---|
| | EUR bn | % | JPY bn | % | USD bn | % |
| Securities[1] and interests in subsidiaries and associated | 40.4 | *42.8* | 2,820 | *73.2* | 12.3 | *20.7* |
| Intangible assets | 6.1 | *6.5* | 137 | *3.6* | 1.8 | *3.0* |
| Goodwill | 46.9 | *49.7* | 877 | *22.8* | 45.1 | *76.1* |
| Other | 1.0 | *1.0* | 16 | *0.4* | 0.1 | *0.2* |
| Total writedowns [2] | 94.4 | *100.0* | 3,850 | *100.0* | 59.3 | *100.0* |
| *as % of total income* | *- 23.7* | | *- 42.2* | | *- 16.3* | |

[1] Available for sale and held to maturitv.
[2] Net of revaluations.

Extraordinary components had a heavy negative effect on the results of the year 2008 for all three areas, with an incidence on revenues equal to 32.5% for Japan, 22.9% for Europe and 13.2% for the US. Within this item, the predominant element was due to net write-downs, whose details by item and geographical area are reported in TABLE I.16. Intangible fixed assets were the primary items subject to adjustment for US and European banks while for Japanese banks the write-down of securities represented slightly less than three fourths of the total.[21]

[21] Of European banks, the most significant write-downs of goodwill and multi-year charges were implemented by RBS for EUR 34.2 billion and by HSBC for EUR 7.6 billion. The first primarily refers to intangible values which were booked at the time of the acquisition of ABN AMRO in 2007 (approx. EUR 26 billion) and, to a lesser degree, of Charter One (subsequently Citizens) in 2004 (EUR 4.6 billion); the second relative to consumer credit in North America deriving from the acquisition of Household International in 2002. In the US, the primary adjustments to intangible assets were applied by Wachovia for USD 24.8 billion (in order to reflect the decrease in stock market capitalization of the company and the terms of the announced merger with Wells Fargo) as well as by Citigroup for USD 10.7 billion (of which USD 9.6 billion in goodwill for consumer credit assets) and by Regions Financial for USD 6 billion. Write-downs of goodwill of Japanese banks totaled 846 billion Yen which were booked by Misubishi UFJ Financial Group following the fall of its stock price (in the previous year, the company had written down goodwill for the same reason for a total of 894 billion Yen).

The balance of other extraordinary proceeds and charges of European banks includes the capital gains from the transfer of securities classified as available for sale (EUR 9 billion) which were more than compensated by capital losses from the transfer of other long-term assets, primarily shareholdings (EUR 9.6 billion).[22] Other items primarily include the net income booked by Barclays from the acquisition of ex-Lehman Brothers in North America (USD 2.4 billion) and the contribution of German bank association and of the Federal Government to KfW due to the intervention in favor of IKB, a German institution of small size which was in difficulty (1.5 billion).

US banks, on the other hand, realized capital gains from the sale of assets available for sale totaling USD 2.3 billion and from the sale of diversified assets, primarily shareholdings and activity areas, for a total of USD 10.3 billion; these were partially compensated by the debiting of merger and restructuring charges totaling 5.2 billion.[23] Other significant extraordinary proceeds include those booked by JPMorgan Chase from the acquisition of bank assets of Washington Mutual for a total of 1.9 billion.[24]

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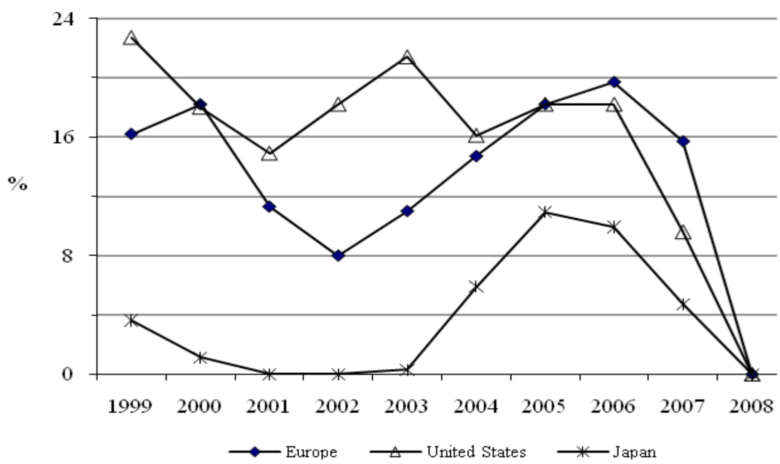
[22] The main capital losses generated by European banks in 2008 include that of Fortis Bank Nederland (Holding) from the sale, to the Dutch government, of 33.8% of RFS Holdings B.V. (parent company of the ABN AMRO Group) as well as the loss generated from the sale, again to the Dutch government, of Fortis Bank Nederland (Holding) on the part of Fortis Bank (9 billion); capital gains primarily include that of RBS from the sale of Banco Real to Banco Santander (EUR 4.1 million) as well as of Banco Santander from the sale of Banca Antonveneta (3 billion) and of HSBC from the sale of regional banks in France (1.8 billion).

[23] The primary capital gains of US banks in 2008 were those realized from the sale of Visa shares as part of a public sales offer which overall totaled approx. USD 5 billion in addition to that booked by Citigroup from the sale of retail bank assets in Germany to Crédit Mutuel (3.7 billion).

[24] In 2004, the extraordinary components of US banks recorded a negative balance of USD 7.9 billion, which included appropriations of USD 11.6 billion made by Citigroup and JPMorgan Chase in respect of ongoing litigation and the signing of settlement agreements with plantiffs. In 2005, JPMorgan Chase had made additional appropriations of USD 2.8 billion, partially offset by insurance recoveries of USD 2 billion in the same financial year and 0.5 billion in 2006. The class actions were primarily related to the Enron, WorldCom and Parmalat crises and consisted largely of initial public offerings, the conditions for the sale of mutual funds, the sale of securities associated with loan securitisation transactions, and corporate research. The allegations were primarily related to the preparation and publication of documents regarding the offering and sale of securities

With regard to Japanese banks, net capital gains totaling 306 billion Yen were derived from the sale of securities and bonds in addition to 623 billion in net exchange rate gains booked by Mitsubishi UFG Financial Group due to the decreased value in Yen of the debt in dollars.

FIGURE I.5 – THE ROE OF THE BANKS OF THE TRIAD REGION




The profitability of European banks, measured by the ROE, was on average less than that of the banks of the United States in the period from 1999 to 2005 and only exceeded it in the two-year period 2006-2007; the profitability of Japanese banks was on average lower and reached a maximum figure of 10.9% in 2005 (FIGURE I.5). Profitability was brought to zero for all three areas in 2008.

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containing misleading information concerning the financial conditions of the issuers and the distribution of equally misleading reports on the companies.

In the same year, 17 of the 32 European banks, 9 of the 17 Japanese banks and 5 of the 13 US banks reported a negative result or broke even.[25] The highest ROE were, on the other hand, attained by the Spanish banks BBVA and Banco Santander with 23.6% and 18.2%, respectively, while in Japan Hokuhoku Financial Group attained 9.2% and in the U.S. the banks US Bancorp and BB&T attained 12.6% and 10.5% respectively. Details for the past five financial years, broken down by bank, are provided in TABLE I.34.

## *I.12 Bad debts written off*

TABLE I.32 provides a breakdown of bad debts written off in the last five years by bank and geographical area as a percentage of total revenues, loans to customers and net worth. It should be noted, first of all, how the indicators in 2008 reported a strong and generalized worsening in all three areas compared to 2007. Write-downs by European banks increased on average from 10% to 24.4% of revenues and from 0.4% to 0.9% of receivables due from customers and from 4.7% to 10.7% of net worth, including 6 banks, of which four German, whose write-downs were greater than total revenues. Five banks – the British HBOS and Lloyds Banking Group, the Dutch Fortis Bank Nederland (Holding), the German Dresdner Bank and the Belgian Dexia –madeadjustments to receivables which were greater than one fourth of their respective net worth, in addition to Hypo Real Estate Holding whose net worth became negative during the year.[26]

[25] It should be noted, with respect to the latter area, that the four banks subject to acquisition during the course of the year had all reported negative results in the previous period.

[26] It should be noted that, in the first months of 2009, HBOS merged with Lloyds Banking Group with a contribution of capital from the British government while Dresdner Bank was acquired by Commerzbank as part of a transaction that also involved public aid while Hypo Real Estate Holding was nationalized; in the case

Japanese banks also reported a worsening of indicators in 2008 with write-downs that were, on average, equal to 30.2% of revenues, almost 6 percentage points more than European banks, as well as 0.8% of receivables and 10.1% of net worth, both values which are slightly less than European figures. Three institutions of smaller size implemented adjustments that were more than 40% of revenues, in addition to Norinchukin Bank for which total revenues were negative; the write-downs of the two major banks, Mitsubishi UFJ Fin. Group and Mizuho Fin. Group, were instead slightly below average.

In the 2007-2008 two year period, the highest values of the indicators were reported in the United States whose write-downs in 2008 represented, on average, 46% of revenues, 4% of receivables due from customers and 21.6% of the net worth.[27] Banks with indicators that were significantly higher than average – with the exception of those subject to acquisition during the year – include Fifth Third Bancorp and Citigroup, whose adjustments to receivables represent, respectively, 73% and 66% of revenues as well as 39% and 27% of net worth; with regard to the latter ratio, an equally high value was reported by Wells Fargo, also with 39%, which was influenced by the significant write-downs implemented by Wachovia before its acquisition at year end.

In the 1999-2008 ten-year period, European banks reported an incidence of annual write-downs that was on average higher than that of Japanese and US banks, both in proportion to revenues as well as receivables due from customers and total net worth (TABLE I.17). When comparing with US banks, this figure is attained despite the higher amounts of revenues of US banks in relative terms, as previously illustrated in FIGURE I.3, and the fact that the average net worth over the decade was double that of European banks: 8% of total assets compared to 4% for European banks.

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of Dexia and Fortis Bank Nederland (Holding), public control had already occurred in the fourth quarter of 2008.

[27] These ratios also take into account the write-downs implemented by banks which were acquired in the previous financial period: in the first half of 2008, Washington Mutual and Countrywide booked write-downs which were greater than total revenues; the adjustments of National City, in the first nine months, and of Wachovia, across the entire year, were equal to 90% of revenues.

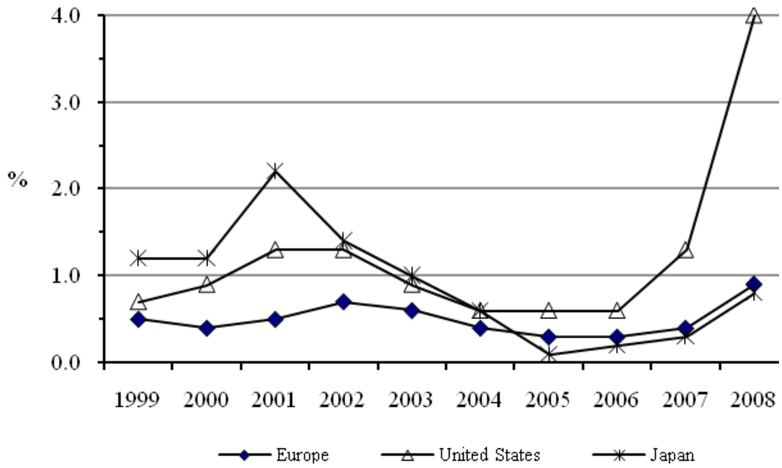
TABLE I.17 – BAD DEBT WRITEOFFS AND NET DOUBTFUL LOANS BY GEOGRAPHICAL AREA

| | Annual bad debt writeoffs | | | Net doubtful loans | |
|---|---|---|---|---|---|
| | as % of total income | as % of customer loans | as % of net worth | as % of customer loans | as % of net worth |
| | *avg. 1999-2008 levels* | | | *as a 31/12/08* | |
| Europe | 9.9 | 0.5 | 5.3 | 1.3 | 16.2 |
| Japan | 30.5 | 0.9 | 10.7 | 0.8 | 10.8 |
| United States | 12.6 | 1.3 | 7.9 | 0.1 | 0.7 |

The average values of the decade for Japanese banks are, on the other hand, particularly elevated in proportion to total revenues and net worth due to the greater amount of write-downs booked from 1999 to 2002 as a result of the difficult economic situation of the country. The values relative to more recent years are closer to European figures, as is clearly shown by the indicator which measures annual adjustments versus total receivables due from customers (FIGURE I.6). Even the latter indicator always reported higher values for the banks of the US compared to European banks and, from 2005, even with respect to Japanese banks, and then significantly diverging in the 2007-2008 two year period.

The higher and lower annual write-downs are reflected in the amount of doubtful loans at the end of the period which were significantly lower, and in many cases absent, for banks of the US while European banks reported the highest values for all three areas.

FIGURE I.6 – ANNUAL BAD DEBT WRITEOFFS AS A PERCENTAGE OF LOANS TO CUSTOMERS

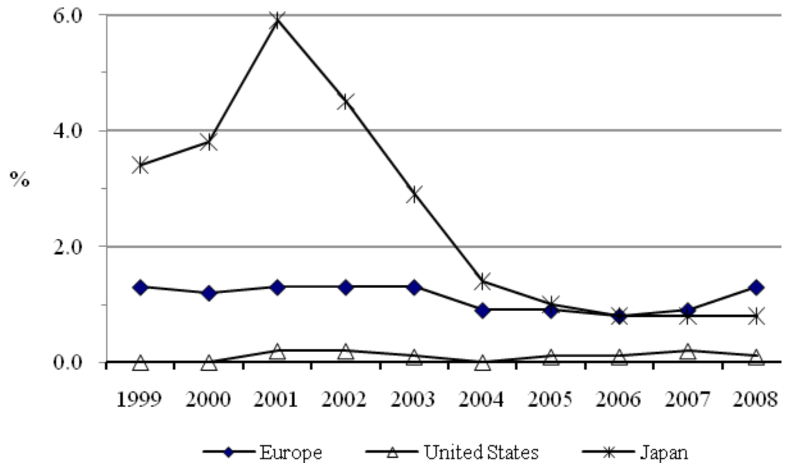



## *I.13 Doubtful loans and coverage ratio*

The relationship between net doubtful loans and loans to customers, calculated with respect to portfolio values at the end of the period (non-performance loans ratio), increased in Europe from 0.8% in 2006 to 1.3% in 2008 while in Japan this ratio remained unchanged at 0.8% and in the US reported non-significant figures (FIGURE I.7).

Similarly, doubtful loans as a percentage of net worth increased more significantly in Europe in 2008 (+7%) compared to the previous three-year period where the average was slightly higher than 9%. The same indicator increased by 3 percentage points to 10.8% for Japanese banks and decreased by 0.7% for US banks. Both indicators therefore highlighted a significant difference between the values at the end of 2008 for European banks (1.3% and 16.2%, respectively) and Japanese banks (0.8% and 10.8%) compared to those of US banks (close to zero and less than one, respectively).[28] Details of the indicators by individual bank and geographical area are reported in TABLE I.33.

FIGURE I.7 – NET DOUBTFUL LOANS AS A PERCENTAGE OF LOANS TO CUSTOMERS



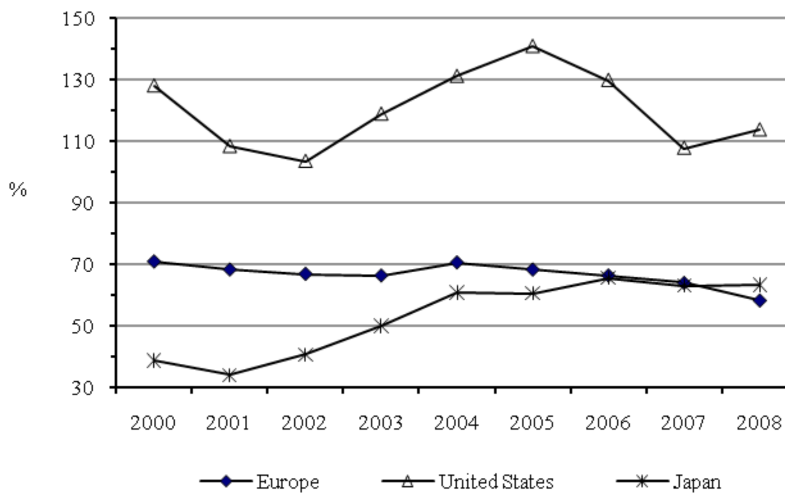

Of the European companies, the British HBOS reported a total amount of doubtful loans which was greater than net worth (122%) while for the German Hypo Real Estate Holding the net worth was negative. Seven other institutions reported a ratio of more than 30%: five of these were German (Dresdner Bank, Commerzbank, Landesbank Baden-Wuerttemberg, Bayerische Landesbank and

[28] U.S. indicators have been calculated on the assumption that cases in which adjustment provisions exceed gross doubtful receivables amount to zero. This is because prudential lump-sum provisions are taken to cover possible instances of insolvency, calculated on the basis of historical experience.

WestLB), in addition to Fortis Bank Nederland (Holding) and Lloyds Banking Group (the latter with an incidence of more than 50%).[29]

In Japan, the most elevated values for this indicator were reported by smaller institutions: These include Sapporo Hokuyo Holdings, Hokuhoku Financial Group and Bank of Yokohama, all with ratios that were greater than one fourth of their respective net worth values. Among US banks, the highest ratio was that of Suntrust Banks (11.7%); it should be noted that the banks with the highest values at the end of 2007 were all acquired by other banks during the course of 2008.

FIGURE I.8 – COVERAGE RATIO [1]




[1] Ratios of provisions to gross doubtful loans.

[29] For information on capitalizations and mergers which occurred in the first months of 2009 and relative to some of these banks, refer to note 26.

In comparing these indicators for the three areas, account should also be taken of the different coverage rates for doubtful loans by adjustment provisions: from 2000 to 2008, this ratio – obtained by also taking into account the generic provisions for risks relative to loans still classified as "performing" – was always greater than 100% in the US and was on average 67% in Europe and 53% for Japanese banks. The latter moreover reported a significant improvement in this ratio in recent years, surpassing that of European banks in 2008 (FIGURE I.8).

When evaluating these indicators, the different write-down policies which are adopted must be taken into account; these are measured by comparing write-offs in the profit and loss account and the amount of doubtful loans booked to the balance sheet. Over the last five years, this ratio came out on average at 44.8% for Japanese banks and 49.5% for European banks, meaning that non-performing receivables in the two areas had a book life of three years and three months and approximately two years, respectively. As for US banks, the amount of adjustment provisions was always higher in aggregate terms than doubtful receivables, as mentioned above. It should also be noted that these indicators have become less meaningful over time as a result of the increasingly widespread and large-scale use of securitisation in the years under review.[30]

[30] According to data of the EFS-European Securitisation Forum, the amount of securitisations implemented during the year in Europe increased by EUR 158 billion in 2002 to EUR 711 billion in 2008, with an average of EUR 370 billion of new operations per year; in the US, according to data of SIFMA-Securities Industry and Financial Markets Association, and taking into account only the banking sector, these increased from USD 662 billion in 2002 to USD 1,284 billion in 2007 with an average of USD 1,226 billion and then falling to only USD 208 billion in 2008. The amount of securities in circulation at the end of 2008 was equal to EUR 1,738 billion in Europe and USD 5,388 billion in the U.S.

## *I.14 Summary of financial structure*

Between 1999 and 2008, aggregate total assets on the books of the banks included in the survey rose from EUR 23,747 billion to EUR 41,011 billion, an increase of 72.7%, or +92.2% at constant exchange rates; the increase included the external growth referred to above. Here too there were significant differences between the three areas: while the increase in local-currency terms was 123% for European banks (approximately +110% excluding the effects of the first-time application of IAS/IFRS mentioned above) and 98% for U.S. banks, the assets of Japanese banks increased by only 10% between the beginning and the end of the period.

TABLE I.18 – BANKS OF THE TRIAD REGION: BALANCE SHEET INDICATORS, 1999–2008

| | 1999 | 2006 | 2007 | 2008 | Change | |
|---|---|---|---|---|---|---|
| | *as % of total assets* | | | | | |
| | *a* | *b* | *c* | *d* | *c-a* | *d-c* |
| Loans and advances to customers | 50.1 | 44.9 | 43.4 | 42.0 | - 6.7 | - 1.4 |
| Securities | 22.7 | 28.5 | 26.2 | 21.1 | + 3.5 | - 5.1 |
| Fixed assets | 2.5 | 2.8 | 2.9 | 2.4 | + 0.4 | - 0.5 |
| *of which*: goodwill | *0.4* | *1.1* | *1.2* | *0.9* | *+ 0.8* | *- 0.3* |
| Other assets | 10.3 | 9.3 | 13.1 | 22.5 | + 2.8 | + 9.4 |
| Funding from customers | 63.8 | 60.3 | 58.1 | 54.8 | - 5.7 | -3.3 |
| Deposits by banks [1] | 3.8 | 3.8 | 3.3 | 2.7 | - 0.5 | - 0.6 |
| Other liabilities | 12.6 | 15.9 | 19.1 | 26.1 | + 6.5 | + 7.0 |
| Net worth | 4.9 | 5.0 | 4.7 | 4.1 | - 0.2 | - 0.6 |
| Total assets (change vs. previous year) % | n.c. | + 4.1 | + 8.1 | + 8.3 | | |

[1] Net of loans and advances to banks.

For more details on balance sheet data, refer to TABLE II.2.

With respect to the balance sheet data summarized in TABLE I.18, it should be noted that the residual items “other assets" and "other liabilities” strongly increased with respect to total assets while losing weight with respect to other items, in particular receivables and funds from non-banking customers. Other assets and liabilities, whose amounts respectively reached more than one fifth and more than one fourth of the financial statement totals at the end of 2008, including the positive and negative fair values of derivative financial instruments; European banks accounted for more than 90% of these. The greater financial statement items of the latter are due, as previously mentioned, to the lower level of compensation of credit and debit positions with the same counterparty; this difference was accentuated in the financial position at the end of 2008 with respect to the other two areas.[31]

The table also highlights the weakening of financial resources in the two-year period, 2007-2008, equal to almost one percentage point with respect to total assets.

When comparing the data at the end of 2008 for the geographical areas (TABLE I.19), note should be made of the relative greater weight for Japanese banks of receivables due from customers and the portfolio of securities, on the one hand, and the funding from non-banking customers on the other. US banks, on the other hand, reported a greater quota of long-term assets, in particular goodwill, but also a higher incidence of net worth with respect to total assets with a value respectively equal to 2.8 to 2.3 times that of European and Japanese banks. In European banks, as noted above, less than one fourth of total assets is represented by the fair value of derivative products with an increase of 12 percentage points compared to the previous year. A decrease of more than 7 percentage points was also noted for the incidence of the portfolio of securities with respect to total assets, including value adjustments offset in the income statement as well as equity reserves.

[31] More than 60% of both credit and debit positions of European banks at the end of 2008 refer to only five banks, in this order: Deutsche Bank, RBS, Barclays, UBS e BNP Paribas.

Total assets grew, with respect to 2007, by 6% in Europe and 2% in Japan but fell by 4% in the US; with regard to European banks, if one excludes credit positions of derivative products, which are influenced by the effects of compensation with the analogous debit position, the change becomes negative and equal to -8.8%.[32]

TABLE I.19 – BALANCE SHEET INDICATORS BY GEOGRAPHICAL AREA AS OF 31 DECEMBER 2008

| | Europe | | Japan | | United States | |
|---|---|---|---|---|---|---|
| | *as % of total assets* | *change vs. 2007* | *as % of total assets* | *change vs. 2007* | *as % of total assets* | *change vs. 2007* |
| Loans and advances to customers | 39.2 | *- 2.3* | 50.6 | *+ 1.0* | 46.9 | *- 1.1* |
| Securities | 19.0 | *- 7.0* | 31.1 | *+ 0.1* | 21.7 | *- 2.0* |
| Fixed assets | 1.9 | *- 0.4* | 1.5 | *- 0.3* | 5.7 | *- 0.7* |
| *of which*: goodwill | *0.7* | *- 0.2* | *0.1* | *- 0.2* | *2.8* | *- 0.5* |
| Other assets | 27.9 | *+ 12.8* | 7.3 | *+ 1.2* | 11.9 | *+ 2.8* |
| *of which*: derivatives | *24.4* | *+ 12.3* | *4.4* | *+ 1.1* | *5.1* | *+ 2.3* |
| Funding from customers | 48.4 | *- 5.6* | 74.6 | *- 0.7* | 66.5 | *+ 2.3* |
| Deposits by banks [1] | 4.3 | *0.0* | 4.3 | *+ 3.4* | 0.1 | *- 4.9* |
| Other liabilities | 33.0 | *+ 9.8* | 7.8 | *+ 0.6* | 10.8 | *+ 1.2* |
| *of which*: derivatives | *24.1* | *+ 11.8* | *4.2* | *+ 1.4* | *3.8* | *+ 1.2* |
| Net worth | 3.1 | *- 0.8* | 3.8 | *- 1.1* | 8.7 | *0.7* |
| Total assets: change vs. 2007 (%) | + 6.0 | | + 2.1 | | - 4.0 | |

[1] Net of loans and advances to banks.

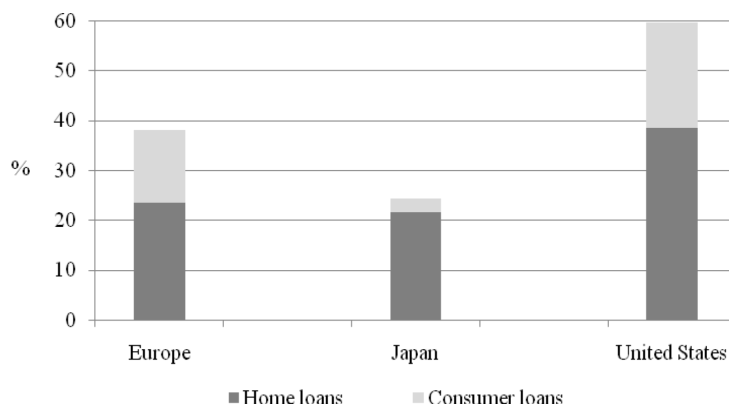
For more details on balance sheet data, refer to TABLE II.2, various areas.

With regard to amounts due from customers (FIGURE I.9), the differing composition of the latter between families and companies in the various geographical areas should be noted: at the end of 2008,

[32] If one excludes credit positions of derivative instruments, growth fell by 0.6% for Japan and the negative change for the US increased to 5.1%, changes which are significantly smaller compared to European figures.

loans to families amounted to 60% of the total for US banks (39% of which pertained to house purchases), 38% for European banks (25% of which pertained to house purchases) and just 24% for Japanese ones (21% of which pertained to house purchases).[33] An assessment of the amounts due from customers should consider that the figure was certainly influenced by both total write-downs in the income statement, and, as mentioned in the foregoing paragraph, the increasingly widespread use of securitization operations.

FIGURE I.9 – LOANS TO FAMILIES




Funding from customers, in absolute terms, decreased in Europe by 5% in 2008 compared to the previous year due to the decrease of both the deposits item and bond collections which were only partially compensated by the increase in subordinated loans. In the other two areas, funding from customers was overall unchanged: +1.1% in Japan and -0.5% in the US; both reported, however, an increase in deposits

[33] The figures refer to sub-groups comprising 96% and 92% of loans to customers for European and Japanese banks, respectively. The U.S. figure refers to the entire sample.

which was offset, as occurred in Europe, by a decrease in bond payables (TABLE II.2, various areas).

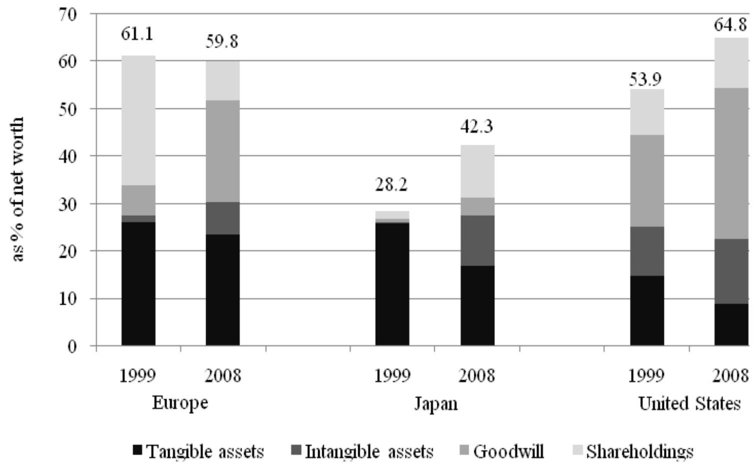
Interbank accounts remained consistently on the liability side in all three areas under review. The figure is largely attributable to debts owed to smaller institutions. At the end of 2008, the contribution to funding remained significantly higher in Europe and Japan compared to the United States; the latter reported a net debt that was almost zeroed out compared to the previous year. European banks, on the other hand, reported a significant decrease in both credit and debit positions.

### *I.15 Leverage and other indicators of financial structure*

The percentage of fixed assets as a percentage of net worth increased in the 1999-2008 ten year period from 28% to 42% for Japanese banks and from 54% to 65% for US banks, while it decreased to slightly less than 60% for European banks (FIGURE I.10 and TABLE II.4, various areas).

The growth in the United States was primarily attributable to goodwill, which increased from USD 61 billion to USD 247 billion, or from 19% to 32% of net worth. For Japanese banks, the increase in goodwill and of other intangible fixed assets mostly occurred in 2005 following the merger between Mitsubishi Tokyo Financial Group and UFJ Holdings which resulted in an increase – from 5% to 14% – of the incidence of these items with respect to the net worth of the area; on the other hand, tangible fixed assets decreased, primarily as a result of the sale of real estate properties. The weight of goodwill for European banks also grew from EUR 34 billion in 1999 to EUR 195 billion in 2008, increasing from 6% to 21% in terms of net worth; shareholdings, on the other hand, heavily decreased. This was primarily due to the reclassification of significant portfolio items to the item “securities” in 2005, in accordance with IAS/IFRS accounting principles.

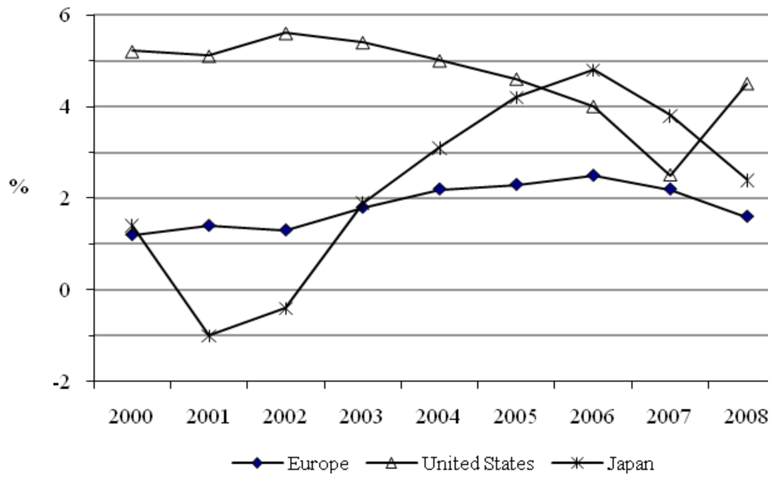
FIGURE I.10 – FIXED ASSETS AS A PERCENTAGE OF NET WORTH




Free capital – which in addition to fixed assets, also takes into account doubtful loans – calculated as a percentage of customer funding was, in 2008, on average equal to 4.5% for US banks, 2.4% for Japanese banks and 1.6% for European banks (FIGURE I.11 and TABLE II.4).

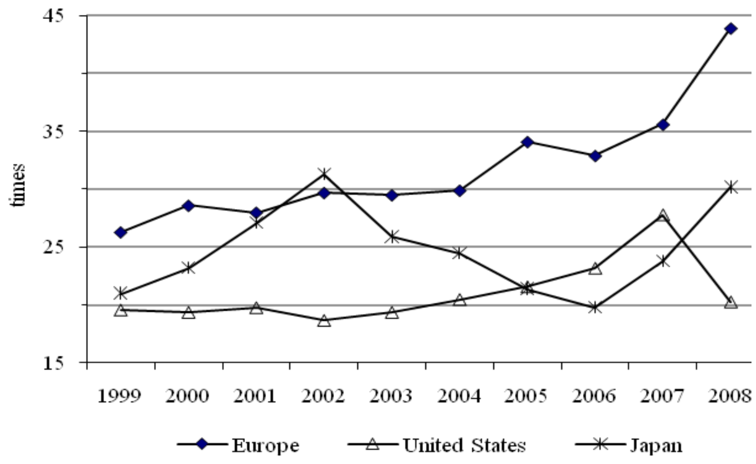
Both Japanese as well as European banks reported a decrease in the indicator for the two-year period 2007-2008; this was more accentuated for the former (-2.4% and -0.9%, respectively). US banks, on the other hand, responded to the fall in 2007 with a strong recovery in 2008. While the worsening of the Japanese indicator in the two-year period is almost entirely due to the decrease in net worth, the worsening of European banks was equally due to the decrease in net worth and the increase in doubtful receivables (described in the previous paragraph). The increase of 2% of the US indicator in 2008 was due to both a greater availability of financial resources – primarily due to bailout actions on the part of the Treasury – as well as the decreased negative incidence of intangible items, particularly goodwill, following the significant impairment applied with debits to the income statement of the year and the cancellations implemented as part of concentration operations.

FIGURE I.11 – FREE CAPITAL AS A PERCENTAGE OF FUNDING FROM CUSTOMERS




The European banks with the highest free capital values at the end of 2008 include the Scandinavian Nordea (3.6%) as well as two cooperative groups, Crédit Agricole (3.7%) and Rabobank Nederland (3.5%); eight institutions, on the other hand, reported negative values, with the last positions held by the British HBOS (which merged with Lloyds Banking Group in 2009) and the German banks Hypo Real Estate Holding (nationalized in 2009) and Landesbank Baden-Wuerttemberg. In Japan, the highest indicator is that of Sumitomo Trust & Banking, followed by the regional bank Shizuoka Bank and the cooperative institutions Shoko Chukin Bank and Norinchukin Bank, all with values exceeding 5%. In the US, the most elevated free capital values were reported by smaller banks: Capital One Financial (8.6%), Regions Financial (7.2%), Keycorp and U.S. Bancorp (both 6.9%) (TABLE I.34).[34]

FIGURE I.12 – TOTAL ASSETS[1] COMPARED TO TANGIBLE NET WORTH




1 Excluding intangibile assets.

If one compares total assets to net worth – and excluding intangible assets from both – the lowest value at the end of 2008, with the exception of Chinese banks (which will be discussed later), is that of US banks with assets equal to 20 times the tangible net worth; Japanese banks can be located within a median position with a ratio equal to 30 times while the ratio of European banks is much higher and equal to 44 (FIGURE I.12) When comparing the indicators of the various

[34] It should be noted how banks with negative or non-existent free capital at the end of 2007, such as Countrywide Financial, Washington Mutual and National City, were subject to acquisitions during the course of 2008 (Table I.42).

areas, it should be noted that the higher value of European banks is influenced by the lower use of compensation of credit and debit positions of derivative instruments, as described above. US banks, on the other hand, could count on a higher shareholders' equity in relative terms for the whole period with a multiplier effect that, despite the above, increased by more than 8 units from 2003 to 2007. The indicator of Japanese banks was more contrasted and, after reporting a maximum value for the period in 2002, rose abruptly again in the 2007-2008 period as a result of the worsening of results of the year and the consequent weakening of shareholders' equity.

The significant divergence between the multipliers of Europe and the US in 2008 is due, in the first case, to an increase in assets – as previously noted, mostly due to the increased positive fair values of derivative instruments – along with a decreasing tangible net worth, even following the negative result of the year in aggregate terms. With regard to US banks, on the other hand, the increase in shareholders' equity – due to the significant recapitalizations, more than half paid by the Treasury – can be compared to the decreasing assets.[35]

The European banks with the highest "leverage" effect at the end of 2008 include the German bank Hypo Real Estate Holding with a negative net worth as well as Dexia, ING Groep and Dresdner Bank with a multiplier of more than 100, followed by Deutsche Bank and Landesbank Baden-Wuerttemberg with more than 90; the last (and best) positions, on the other hand, include Rabobank Nederland (20 times), Banco Santander and Intesa Sanpaolo (26 and 27 times, respectively). Shinkin Central Bank is the Japanese bank with the highest multiplier (64 times), followed by the three biggest banks in terms of total assets, all of which have values higher than the average for the area. In the United States, the highest multipliers were those of Bank of New York

[35] Under the Basel Interbank Accords, the minimum capital adequacy required, i.e. the ratio between shareholders' equity, less certain intangible fixed assets, including goodwill, and risk-weighted assets (known as the Tier I capital ratio), is 4%. The minimum total capital ratio, which also includes subordinated liabilities, is 8%. Tier I "core" is instead understood to mean the shareholders' equity excluding innovative or "hybrid" capital instruments, which are limited to 15% of the total amount.

Mellon, Wells Fargo and Bank of America (38, 28 and 23 times, respectively) while the last positions include Capital One Financial and Keycorp (approx. 11 times). TABLE I.35 contains the details for each bank in the various areas, covering the last five years of the survey.

### *I.16 Indirect funding* [36]

On the basis of data from significant subgroups of European and US samples, the volume of indirect funding in the five year period, 2004-2008, highlights the tendency to decrease with respect to funding from customers (TABLE I.20). While, in fact, indirect funding in 2004 was almost equal to that of primary funding, its amount fell – in both cases – to approx. two thirds of the latter.[37] The year-end balances, on the other hand, can not be compared with each other since they are influenced, even for significant amounts, by asset acquisition and sales operations implemented with operators that are not considered in the sample.[38]

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[36] This refers to services relative to the management of personal assets on behalf of clientele, both individuals as well as institutions, as well as collective management of savings within mutual funds and other collective investment entities belonging to bank groups included within the sample (the so-called asset management sector). The definition adopted by banks included within the sample is not, moreover, always unequivocal.

[37] It was not possible to prepare comparative figures for Japanese banks due to the lack of like-for-like historical series. The decline in assets under management in Europe in 2005, taken as a percentage of funding raised from customers, was affected by the oft-cited adoption of IAS/IFRS rules, which, in this specific case, due to the line-by-line consolidation of insurance assets under international standards, led to the inclusion of sums collected through the issue of insurance policies with primarily investment characteristics in funding.

[38] In 2005, Citigroup sold USD 201.6 billion in assets under management to Legg Mason. In 2006 The PNC Financial Services Group deconsolidated BlackRock after its equity stake in the latter fell from 69% to 34% following the contribution of assets by Merrill Lynch. Assets under management by BlackRock at the end of 2005 came to USD 414 billion. In 2007, however, The Bank of New York acquired Mellon Financial, with assets under management of 929 billion dollars, while

TABLE I.20 – INDIRECT FUNDING

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Europe (EUR bn) [1] | 7,586 | 8,702 | 9,666 | 10,225 | 8,487 |
| *as % of funds raised from customers* | *91.7* | *83.3* | *81.3* | *74.9* | *65.6* |
| United States (USD bn) [2] | 3,034 | 3,109 | 3,059 | 4,476 | 3,788 |
| *as % of funds raised from customers* | *85.5* | *81.9* | *69.2* | *85.0* | *67.4* |

[1] Data relating to 27 groups representing 94% of the total assets in the sample at the end of 2008; the remaining three groups do not operate in the asset management sector. Currencies other than the Euro have been converted by utilizing the fixed exchange rates at the end of 2008.

[2] Data relating to 11 groups for which a complete set of values is available for the five-year period and which represent 95% of the total assets in the sample at the end of 2008.

TABLE I.21 illustrates the European and US banks with the highest amounts of managed assets at the end of 2008; the top positions are held by UBS and Barclays in Europe and JPMorgan Chase and Bank of New York Mellon in the US. All of these reported a decrease in their amounts of managed assets compared to the previous year. These decreases included both the balance between new funding and redemptions as well as the loss of value of assets in the portfolio.

The largest decreases amongst European banks include those of the Swiss banks UBS and Crédit Suisse (EUR -603 and EUR -256 billion, respectively) and of Deutsche Bank (EUR -136 billion); in the US, the largest decreases were of the Bank of New York Mellon (-193 billion USD), Citigroup (-175 billion USD).

Citigroup acquired the Japanese Nikko Cordial, with assets under management of around 100 billion dollars. European banks however carried out a greater number of extraordinary transactions, although they were for smaller unit amounts: the main acquisitions, all in 2006, included Banca Sarasin by Rabobank Nederland, Banca Nazionale del Lavoro by BNP Paribas and Banca Antonveneta by ABN AMRO Holding, for a total of EUR 81 billion in assets managed.

TABLE I.21 – PRIMARY BANKS OF THE SURVEY BY INDIRECT FUNDING

| Company | Balance as of 31-12-2008 | Change vs. 2007 [1] | Company | Balance as of 31-12-2008 | Change vs. 2007 [1] |
|---|---|---|---|---|---|
| | EUR bn | | | | |
| **Europe** | | | BNP Paribas (FR) | 446 | - 88 |
| UBS (CH) | 1,280 | - 603 | Société Générale (FR) | 336 | - 98 |
| Barclays (GB) | 1,092 | - 4 | | USD bn | |
| Deutsche Bank (DE) | 816 | - 136 | **United States** | | |
| Crédit Suisse (CH) | 791 | - 256 | JPMorgan Chase &Co | 1,133 | - 60 |
| ING Groep (NL) | 551 | - 91 | Bank of NY Mellon | 928 | - 193 |
| Crédit Agricole (FR) | 551 | -64 | Bank of America | 523 | - 120 |
| HSBC Holdings (GB) | 528 | - 78 | Citigroup | 332 | - 175 |

[1] Currencies other than the Euro have been converted by utilizing the fixed exchange rates at the end of 2008.

## *I.17 The portfolio of securities*

Another aspect to be considered is the valuation of the securities portfolio, an item which in aggregate terms represents 31%, 22% and 19%, respectively, of the total assets of Japanese, US and European banks. According to international accounting standards, securities must be valuated at their fair value, with the exception of securities that, due to an in independent decision by directors, are to be held until maturity: in this case a cost valuation is allowed.[39] Assignment to this latter

[39] International accounting standards provide for the classification of securities (and financial assets in general) into three categories: “held-for-trading”, i.e. intended for short-term ownership, with changes in value recorded through the profit and loss account; “available-for-sale”, i.e. intended for medium-term ownership, with changes in value booked to a shareholders’ equity reserve; “held until maturity”, with valuation at cost and recognition of only permanent changes in value through the profit and loss account. The most frequently used principle is amortized cost, based on which the difference between the acquisition price of a security and its redemption value is credited or charged to profit and loss on the basis of its outstanding life. The principles approved by the European Commission for companies in this area also provide for the option of measuring financial assets that do not fall under the classification set out above at their fair value with changes in

category involves overstating the relevant asset item in the balance sheet and charging lower write-downs during bear stock markets. This aspect took on particular importance for European banks up to 2004, when securities valued at cost represented 28% of the total, a considerably higher figure than that of Japanese and U.S. banks, 11% and 1%, respectively. The adoption of IAS/IFRS rules brought the figures for European banks back into line with those of the other two areas: the highest quota of securities valuated at cost at the end of 2008 was that of Japanese banks, with 17% of the total (TABLE I.22).[40]

Securities valued at cost increased in all areas in 2008, in particular for European banks (+10.5%) compared to Japanese and US banks (+6 and +3.7%, respectively).

With regard to the first, note should be made of the effects of the modification of IAS 39, as described above, which resulted in the booking of securities in the category of "cost" for EUR 471.3 billion, equal to 8.6% of the total portfolio at the end of 2008; an additional EUR 81.5 billion were cancelled from the item "securities" in favor of receivables due from customers (banking and non-banking), also valued at cost. In addition and again during the course of 2008, WestLB and UBS transferred illiquid securities to non-consolidated special purpose vehicles for totals of EUR 23 and 11.8 billion, respectively, with lender guarantees of the North Rhine-Westphalia and the Swiss National Bank.

The transfer of securities from fair value to cost also affected Japanese and US banks in 2008. Some of the former availed themselves of the option offered by the modification of local accounting principles, thereby transferring 16,451 billion Yen, equal to 7.5% of the year end total, to the category "held to maturity" and mostly removing them

value being recorded through the profit and loss account (known as the fair-value option). This option was used by banks of the European sample primarily for investments of sums raised through insurance policies under which the risk of return was borne by the insured parties as well as for financial instruments with a primary derivative component. The option to utilize the fair value valuation was also introduced by the US GAAP as from the 2008 financial year, including the right of advance adoption as of 2007; the distinction with trading securities is not, however, always available.

[40] Japanese banks in general also state unlisted available for sale securities at cost.

from those “available for sale”. In the U.S. and within the realm of options allowed by national accounting principles, Citigroup and – to a lesser extent – other two banks transferred securities from the “trading” and “available for sale” categories to those “held to maturity” for an overall total of 69.6 billion US, equal to 3.6% of the total portfolio at the end of 2008.

TABLE I.22 – SECURITIES PORTFOLIO: DETAILS BY CATEGORY AND GEOGRAPHICAL AREA

| | Europe | | Japan | | United States | |
|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
| | EUR bn | | JPY bn | | USD bn | |
| **Total** | **7,112** | **5,496** | **215,998** | **220,765** | **2,204** | **1,929** |
| *as % of total assets* | *26.0* | *19.0* | *31.0* | *31.1* | *23.7* | *21.7* |
| | % | | % | | % | |
| Held for trading | 50.5 | 38.8 | 10.9 | 9.2 | 56.6 | 42.0 |
| Recognized at fair value [1] | 13.6 | 12.6 | - | 4.9 | - | - |
| Available for sale | 33.5 | 35.7 | 83.7 | 73.8 | 43.2 | 54.1 |
| *of which:* stated at cost | - | - | *5.7* | *5.0* | - | - |
| Held to maturity | 2.4 | 12.9 | 5.4 | 12.1 | 0.2 | 3.9 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| *of which:* stated at cost | *2.4* | *12.9* | *11.1* | *17.1* | *0.2* | *3.9* |
| *of which:* structured securities [2] | … | *14.1* | … | *8.1* | *42.6* | *47.3* |

1 In Japan, this refers to the Mitsubishi UFJ Financial Group which adopted US GAAP; in the US, they are included within held for trading securities.

2 These primarily refer to securities derived from securitizations, such as ABS-Asset Backed Securities and CDO-Collateralized Debt Obligations. With regard to both Europe and Japan, this figure represents 95% of the portfolio of securities of the respective areas.

Still with reference to the amounts of the two-year period 2007-2008, it should be remarked that there is a higher percent of trading securities as well as securities valued at fair value in European banks (64% and 51%, respectively) compared to U.S. banks (57% and 42%)

and, in particular, Japanese banks (11% and 14%), leading to increased volatility in net profit for the year of the former, due to the immediate impact on the income statement of changes in the market value of securities.

If one then analyses the quality of the portfolio, it should be noted how 47% of the portfolios of US banks is composed of structured securities, i.e. derived from securitization operations and mostly relative to real estate mortgages, while this percentage is only 14% for European banks and 8% for Japanese banks.[41]

## *I.18 Derivative contracts*

TABLE I.36 reports the derivatives activities of banks within the three areas considered for the three-year period 2006-2008.[42] When available, the data refer to both trading derivative as well as hedging derivatives, with the exception of Japanese banks which do not provide

[41] It should also be noted that the portfolio of structured products is composed of credit positions which present different degrees of risk since the probabilities of insolvency of debtors differ.

[42] Derivatives are financial contracts in which counterparties' performances are linked to changes in the price of the underlying assets, mainly interest rates, foreign currencies, equities, credit risk, commodities, market indices and other indicators. Such instruments enable the contracting party to reduce or alter its exposure to market risks. Banks use derivatives both to hedge their own risk and as part of their trading activity, in the latter case mainly to meet customer demand for risk management. The nominal, or notional, value of the contract provides an indication of the extent of the phenomenon but is never exchanged by the parties, and merely represents the basis for calculating the relevant amounts to be settled. The market, or fair, value, which can be positive or negative, respectively represents the potential profit or loss for the bank on outstanding contracts (it should be noted in this regard that banks commonly apply agreements which allow for the compensation of positions with the same counterparty; for this reason as well, Table I.36 only reports the balance of asset and liability positions). Credit risk is the potential loss for the bank deriving from a counterparty becoming insolvent, which in the case of derivatives is largely equal to the amount of positions with positive fair value net of collateral received.

data relative to the latter.[43] First of all, it may be noted that, in the three-year period, the nominal value of the contracts increased by 39% in Europe and 27% in the US but decreased 15% in Japan; in 2008, it continued to increased with respect to the previous year in Europe while it decreased in the US and, in particular, in Japan. The value of the contracts represents a multiple of total assets in the financial statements; in 2008 this multiple was 19 for US banks, 14 for European banks and 4 for Japanese banks. The primary risk typology to which they refer is, in all areas, mostly the change in interest rates for 80% of the total. Exchange rate risk hedging declined in importance in Europe and the U.S. from 2006 to 2008, while it increased for Japan, whereas the value of credit risk hedging contracts increased in all areas. In 2008 these represented 8.2% and 6.7% of the total for the U.S. and Europe respectively.[44]

The net fair value of contracts outstanding at the end of 2008 was positive (potential profits) in all three areas; European banks inverted their sign with respect to the negative balances (potential losses) of the two-year period 2006-2007. If assessed in relative terms, the positive balances of the fair values represent 7%, 9% and 14% of the relative net worths at the end of 2008 for Japanese, European and US banks, respectively.

The credit risk increased by 160% from 2006 to 2008 in the United States, by 100% in Japan and by 90% in Europe, even in relation, as stated above, to the increased positions with positive fair values. The ratio of credit risk to net worth was higher for European banks than the other two areas in all the three years under review, reaching 152% at the end of 2008. US and Japanese banks showed more favourable ratios of 53% and 93%, respectively.

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[43] It has not been possible to provide a split between trading and hedging derivatives for European and US banks either, owing to the lack of like-for-like information. On the basis of the positive and negative fair values reported in the financial statements, trading derivatives represent more than 90% of the total for both European and US banks.

[44] The reported figures are strongly representative of this phenomenon, constituting an amount virtually similar to that recorded by the Bank of International Settlements (BIS) for the largest banks in the G10 countries.

TABLE I.23 lists the ten banks of the sample with the greatest involvement in derivative financial instruments, selected on the basis of the nominal values of the contracts outstanding at the end of 2008. Of these, seven are European and three are US, with RBS in the first position followed by JPMorgan Chase & Co. The highest growth rates with respect to the previous year were those of British banks while Citigroup and UBS reported a decrease of the nominal value of their contracts. None reported a net negative fair value at the end of 2008, with Deutsche Bank reporting the highest positive net position. highest credit risk amounts, in absolute terms, are those of RBS and Deutsche Bank; the latter also reported the highest ratio with respect to net worth, equal to 4 times, followed by the Swiss banks UBS (3.9 times) and Crédit Suisse (2.2 times).

TABLE I.23 – BANKS IN THE SURVEY WITH THE LARGEST AMOUNTS IN DERIVATIVE CONTRACTS OUTSTANDING AT 31/12/2008

| Company | Notional amounts at 31/12/2008 | | Fair value (balance) | Credit risk | |
|---|---|---|---|---|---|
| | EUR bn | *% change vs. 2007* [1] | EUR m | EUR m | *as a % of net worth* |
| Royal Bank of Scotland (GB) | 66,570 | *+ 49.6* | 22,252 | 140,568 | *166.3* |
| JPMorgan Chase & Co. (US) | 63,354 | *+ 14.1* | 29,476 | 102,616 | *85.4* |
| Deutsche Bank (DE) | 50,432 | *+ 6.8* | 42,876 | 130,375 | *408.5* |
| Barclays (GB) | 48,153 | *+ 56.6* | 17,564 | 71,106 | *142.9* |
| BNP Paribas (FR) | 36,809 | *+ 23.2* | 20,269 | 106,874 | *181.2* |
| UBS (CH) | 31,751 | *- 1.8* | 1,547 | 106,008 | *385.8* |
| Bank of America (US) | 28,133 | *+ 14.2* | 22,665 | 44,731 | *35.2* |
| Credit Suisse Group (CH) | 27,355 | *+ 0.8* | 9,301 | 70,892 | *222.9* |
| Citigroup (US) | 23,832 | *- 9.7* | 3,003 | 95,173 | *92.7* |
| Crédit Agricole (FR) | 17,143 | *+ 9.4* | 5,339 | 39,815 | *57.7* |

[1] Calculated in local currency.

## *I.19 Rights issues, dividends and share buybacks*

In the ten year period, 1999-2008, share capital increases worth a total of EUR 342 billion were implemented in Europe. This did not include new shares issued in respect of acquisitions; shares issued in connection with the mega-mergers referred to above amounted to approximately EUR 189 billion, 36% of the overall total. In 2008 alone, rights issues totaling EUR 126 billion were implemented, more than one third of the total, including 60 billion underwritten by governments and other public entities in the EU. In this decade, distributed dividends totaled EUR 363 billion while the net acquisition of treasury shares was equal to EUR 94 billion (TABLE I.37). Dividends paid out in the period came to 1.5 times the proceeds from rights issues minus the outlay incurred in connection with share buybacks, which translated to a net outflow of EUR 115 billion. In the same time period, net income of the year totaled overall 722 billion; non-distributed net income therefore represented the primary tool for growth of European's banks equity.

With regard to US banks, net share buybacks outpaced share capital increases from 1999 to 2007, leading to net outflows of approximately USD 132 billion; the situation was reversed compared to 2008 when proceeds from share capital increases and from the net sale of own shares totaled USD 274 billion, including 148 billion contributed from the Treasury for the underwriting of preferred shares. The balance of the decade therefore highlighted net proceeds of 142 billion in favor of the banks; in the same period, the distributed dividends were in any case higher and equal to 327 billion; as a result, the amount returned to investors was equal to 185 billion.[45] In the same time period, net income was equal to USD 583 billion, thereby constituting – even in this case – the primary course of growth of equity.

TABLE I.24 reports, in detail, the quota of share capital increases implemented by institution during the course of 2008 and underwritten

[45] In the ten-year period, 1999-2008 industrial multinationals based in North America returned USD 1,694 billion to investors (both in the form of dividends and share buybacks) against a mere USD 301 billion requested for share capital increases.

with public funds with reference to the European and US banks included within the sample.

TABLE I.24 – QUOTA OF SHARE CAPITAL INCREASES UNDERWRITTEN IN 2008 BY GOVERNMENTS AND OTHER PUBLIC ENTITIES: DETAILS BY COMPANY

| Company | Amount | Company | Amount |
|---|---|---|---|
| | EUR bn | | USD bn |
| **Europe** | | **United States** | |
| RBS (GB) | 20.7 | Citigroup | 45.0 |
| ING Groep (NL) | 10.0 | JPMorgan Chase & Co. | 25.0 |
| Commerzbank (DE) | 8.2 | Wells Fargo & Co. | 25.0 |
| Dexia (BE) | 5.0 [1] | Bank of America | 15.0 |
| Fortis Bank (BE) | 4.7 | The PNC Fin. Services Group | 7.6 |
| KBC Group (BE) | 3.5 | U.S. Bancorp | 6.6 |
| Bayerische Landesbank (DE) | 3.5 | SunTrust Banks | 4.9 |
| Other [2] | 4.3 | Other [3] | 19.1 |
| **Total** | **59.9** | **Total** | **148.2** |

[1] Plus €1bn underwritten by Belgian institutional investors.
[2] BNP Paribas (€2.55bn) and Société Générale (€1.7bn). In addition, Crédit Agricole and Crédit Mutuel riceived from the French government €3bn and €1.2bn respectively in the form of subordinated loans; Swiss government underwrote convertible bonds of UBS totalling approx. €4bn.
[3] Capital One Fin. (€3.55bn), Regions Financial (€3.5 bn), Fifth Third Bancorp (€3.41 bn), BB&T (€3.13 bn), The Bank of New York Mellon (€3 bn) and KeyCorp (€2.5bn).

The situation of Japanese banks was the opposite compared to the other two areas; the market here used 9,686 billion Yen compared to 3,729 billion in distributed dividends, the latter only equal to 38% of proceeds. Share buybacks only exceeded the amounts requested to the market in the three-year period 2004-2006; these purchases were, however, mostly structured as returns of public funds implemented through the buyback of preferred stock owned by government entities. It should be noted that the aggregate result of Japanese banks in the decade was negative for 1,375 billion Yen.

With regard to the policy for distributing net income, the payout ratio (dividends declared as a percentage of the result for the year) averaged 56.5% for the ten years from 1998 to 2008 for US banks and 54.2% for European banks (TABLE II.4, respective areas).[46] Even when measured in relationship to total revenues, the dividends declared by US banks are, in the average for the decade, only slightly higher compared to those of European banks, equal to 9.8% compared to 9.4% of the latter; the ratio for Japanese banks, equal to 3.5%, was significantly lower.

### *I.20 Capital adequacy ratios*

The total capital ratio measured by the ratio between regulatory capital and risk-weighted assets was, at the end of 2008, on average higher for the United States – 14.8% – compared to Europe and Japan, 11.8% and 11.5% respectively. Similarly, the tier 1 of the former was higher (10.9%) compared to Europe (8.5%) and Japan (8.6%) (TABLE I.35).

With respect to 2007, the overall average ratios of US and European banks reported an improvement of 3% and 1%, respectively, while those of Japanese banks decreased for the second consecutive year.[47] This was largely due to recapitalizations, even with public funds, as described in the previous paragraph; these were relatively larger in the U.S.[48]

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[46] The indicator can not be calculated for Japanese banks due to the overall negative result of the decade.

[47] In 2008, a system for calculating equity requirements imposed by the "new" Basel Accord (so-called Basel II) came into force. This requires smaller investments of capital for institutions that adopt risk assessment systems based on internally developed estimating processes or, subordinately, on the assessments of rating agencies.

[48] The share capital increases implemented in 2008 represent 35.4% of the equity at year-end for US banks compared to the 15.6% of European banks and 9.6% of Japanese banks. For the purposes of solvency ratios, it should also be noted that

In Europe, the banks with the highest ratios in 2008 were Fortis Bank, recapitalized by the Belgian government and then sold to BNP Paribas in 2009, as well as the Swiss banks Credit Suisse (which also attained the highest tier 1 position) and UBS; the last positions include – in addition to the German banks Hypo Real Estate and Dresdner Bank which did not attain the minimum requirements established by the Basel agreements – Nordea and DZ Bank.

In Japan, the best positions were those of Norinchukin Bank, a co-operative bank subject to major recapitalizations during the year, and the regional bank Shizuoka Bank, whose coefficients were only slightly above the minimum required levels, as well as Shinsei Bank and Shoko Chukin Bank. In the United States, on the other hand, three smaller institutions reported higher coefficients: BB&T, The Bank of New York Mellon and Capital One Financial, in this order. Of the three largest banks, only Citigroup – which benefited, in the last months of the year, from the highest contribution of public funds of all the banks in the sample – reported a higher than average ratio.

The survey also shows the lack of effective protection provided by these ratios: in Europe, banks which, in the second half of 2008, had utilized significant amounts of public bailout funds – such as RBS, HBOS or ING Groep – showed ratios at the end of 2007 which were significantly higher than the minimum values required by the Basel agreements and, in certain cases, higher than the average of the area. In the United States, no bank had a ratio of less than 10% at the end of 2007, but all utilized public funds in the subsequent year; the banks which were subject to mergers or bailouts in the second part of 2008 were all well above the minimums on the closing date of the quarter preceding the operation.[49]

The total capital ratio as at 30 September 2009 for Japanese banks as well as for European and US banks at the end of 2009– on the basis of partial data for the first two areas – showed increases which averaged

subordinate liabilities increased more in Europe (+11.3%, equal to EUR 56 billion) compared to Japan (+4.7%) while they decreased slightly in the US.

[49] The most striking case is that of Washington Mutual, which collapsed in September 2008 but which, as of the previous 30th June, had an total capital ratio of 13.9% and a Tier 1 of 9.4%.

2.7% for European banks, 1% for Japanese banks and 0.8% for US banks; the latter, moreover, already had the average highest level at the end of 2008. Similarly, the tier 1 ratio increased to 11.7% in the US, 11.5% in Europe and 9.4% in Japan. The improvement of these ratios is mostly due to the strengthening of net worth which occurred in all three areas in question, as described in the paragraph describing the results of the year 2009; risk-weighted assets contributed, in Europe and the U.S., to a decrease which was slightly greater than one percentage point compared to the end of 2008.

### *I.21 The major Chinese banks*

The statistical section (Table II) contains the aggregated income statement and balance sheet figures for the top ten Chinese banks, selected on the basis of total assets on the books. These banks represent approximately 65% of the Chinese banking industry. The years considered were 2004 to 2008, for which a full series of annual financial statements was available. The banks which were included are listed in TABLE III.2.

Firstly, it should be recalled that in recent years the Chinese government has allowed domestic and foreign investors access to the capital of local banks. This took place initially through agreements for the direct sale of minority stakes to foreign investors, generally subject to multi-year lock-up restrictions, and more recently through the offering of shares for listing on the Shanghai and Hong Kong stock exchanges.[50]

[50] The European and US banks with the greatest shareholdings in the share capital of Chinese banks, at the end of 2008, include: HSBC with 19.2% of the Bank of Communications and 12.8% of the Industrial Bank; Bank of America with 19.1% of the China Construction Bank (quota reduced to approx. 11% in 2009); Royal Bank of Scotland with 8.2% of the Bank of China (quota reduced to approx. 4% in January 2009); BBVA with a share of 10% of the China Citic Bank (with an option to increase this quota to 15%). Foreign groups may invest up to a maximum of 20% in a Chinese bank.

The Chinese government continues to control 5 of the 10 banks surveyed (all the biggest ones), while it has direct or indirect shares in the others four of between 30% and 43%. The exception is China Minsheng Banking, which is held by private capital. With the exception of Agricultural Bank of China, all the banks covered by the survey are listed on one or both of the aforementioned stock exchanges. TABLE I.25 lists the IPOs (initial public offerings) and public offers for sale (POS) undertaken by Chinese banks from 2005, the year in which the listing process was initiated.

TABLE I.25 – IPOS AND PUBLIC OFFERS FOR CHINESE BANKS

| Date | Company [1] | Stock market on which listed | Share placed | Amount generated |
|---|---|---|---|---|
| | | | % | EUR bn |
| June 2005 | Bank of Communications | Hong Kong | 14.70 | 1.8 |
| October 2005 | China Construction Bank | Hong Kong | 13.56 | 7.8 |
| June 2006 | Bank of China | Hong Kong and Shanghai | 14.14 | 10.4 |
| September 2006 | China Merchants Bank | Hong Kong | 16.46 | 2.0 |
| October 2006 | Industrial and Commercial Bank of China | Hong Kong and Shanghai | 16.66 | 16.9 |
| February 2007 | Industrial Bank | Shanghai | 20.02 | 1.6 |
| April 2007 | China Citic Bank | Hong Kong and Shanghai | 20.23 | 4.5 |
| May 2007 | Bank of Communications | Shanghai | 6.96 | 2.4 |
| September 2007 | China Construction Bank | Hong Kong and Shanghai | 3.85 | 5.6 |

[1] Shanghai Pudong Development Bank and China Minsheng Banking have been listed on the Shanghai Stock Exchange since 1999 and 2000 respectively.

With a view to their opening to the market, Chinese banks have gradually assumed independent legal status in the form of joint-stock companies and, following the issue of legislative provisions by the national government, adopted accounting principles that are increasingly compliant with international standards.[51] In particular, the

[51] Of the banks considered in the sample, 9 prepared their 2008 financial statements according to the IAS/IFRS (which were only two in 2004 and three in 2005), while the Agricultural Bank of China, for the first, utilized the local accounting principles in their new version of 2006 rather than the version of 1993 which had been applied

accounting standards for financial institutions established in 2001 imposed stricter rules on the valuation of doubtful debts and the accounting treatment of future liabilities than the rules in force since 1993.[52]

With the aim of listing the banks on the stock exchange, in the late 1990s the Chinese government also began to launch initiatives to improve the asset quality and strengthen shareholders' equity of major Chinese banks, including, in particular, the formation of public companies to management financial assets, to which major banks transferred significant amounts of doubtful debts.[53] In terms of the contribution of public funds, the Bank of China and the China Construction Bank received, in 2003, 186.4 and 186.2 billion Yuan, respectively, for for rights issues and, in the five-year period covered by the survey, the Industrial and Commercial Bank of China and the Agricultural Bank of China respectively received 124.1 and 130 billion Yuan in 2005 and 2008.

An analysis of the 2004-2008 profit and loss accounts reveals, first of all, the elevated incidence of the net interest income on total income, with an average of the period equal to 88% compared to the 52% resulting from the aggregate of all banks in the triad region; as a result, there was a more limited incidence of net commissions which moreover grew from 8% to 14% of income. The incidence of gains and losses on financial transactions was marginal.

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until 2007. Six banks in both 2004 and 2005 prepared their financial statements according to the 2001 version of the national accounting principles.

[52] Under the 1993 accounting principles, banks were only required to recognise a generic accrual of 1% of total risk assets on their books, including loans to customers and the securities portfolio, whereas no accruals were required for contingent liabilities and future losses. The 2001 version of the rules required an accrual that accounts for the likelihood of recovering the debt.

[53] Two main operations were implemented in the years covered by the survey: i) in 2005, the Industrial and Commercial Bank of China transferred non-performing loans due from customers totaling 705 billion Yuan against receivables due from state entities and bonds issued by the Chinese central bank, with a five year maturity and bearing interest at the fixed rate of 1.89%; ii) in 2008, the Agricultural Bank of China transferred non-performing assets totaling 815.7 billion Yuan (including 766.8 billion Yuan in receivables against a government bond of 665.1 billion at the rate of 3.3% per year and a non-interest bearing receivable from the central bank totaling 150.6 billion.

The lower productivity index of Chinese banks – measured as revenues per employee – should also be noted; this index was equal to 89 thousand Euro in 2008, slightly less than half that of European and US banks (TABLE I.6) and showing an increasing trend with decreases in the size of the bank: the last five banks in the ranking by total assets, in fact, were all significantly above average[54]. The productivity index increased by 138% from 2004 to 2008; in comparison, European banks in the same period reported an increase of 5% while in the US the increase was equal to 10%,

The current pre-tax profit of Chinese banks was equal to 47% of total income in 2008, compared to an average current loss of 6% for the banks of the triad regions. The high profitability of Chinese banks is primarily due to strong revenue growth, up 155% over the four-year period: in comparison – and even if one excludes the results of trading due to its volatility – Europe and the U.S., the most dynamic areas, respectively reported +25% and +22% in the same period. The low incidence of operating costs also significantly contributed with a cost-income ratio falling by more than 11% from 2004 to 2008 and which, in the last year in question, was more than 30% lower than the international average. The gap was particularly evident in the labour costs component, which represented an average of 17% of revenues in the five-year period, compared to 33% for US banks and 37% for European banks. Per capita labour costs of Chinese banks were up sharply over the period: +33% on average per annum during in the four-year period 2004-2007 while the average number of employees only changed slightly.[55]

Bad debt writeoffs increased in absolute terms by 63% in 2008 compared to the previous year, reaching 12.7% of revenues, a growth of almost 3%; even in this case, the growth dynamics were better compared to the Triad banks, which, as mentioned earlier, experienced

[54] Even if one excludes the very low productivity index – 52 thousand Euro in 2008 - of the Agricultural Bank of China, the third bank in the country by size, the average indicator of the other banks would be equal to 105 thousand Euro (indicators calculated by excluding gains and losses on financial transactions).

[55] According to data collected by the International Monetary Fund, consumer prices rose by 14.7% in mainland China between 2004 and 2008.

an average increase equivalent of 156% in absolute terms and more than 20% with respect to revenues. By comparing bad debt writeoffs charged to the profit and loss account with the year-end customer loans totals, Chinese banks – with a ratio of 0.9% – reported 2008 values which were essentially in alignment with the values of European and Japanese banks; the ratio with respect to net worth, on the other hand, was equal to 7% for Chinese banks and less than those of the three other geographical areas (TABLE I.32).

In 2008, aggregate net profit stood at CNY 414 billion, up by 46% over the previous year in absolute terms, and 4.6 percentage points in proportion to total revenues. The 2008 result was moreover negatively influenced, for an amount equal to 6% of revenues, by negative extraordinary items which were mostly relative to write-downs of the portfolio of securities; the result was instead favorably affected – with an analogous incidence – by the decrease of the tax rate from 33.5% to 20.8%.[56]

The profitability of equity, measured by the ROE, increased from 18% in 2007 to 22% in 2008, the highest value of the five year period; the payout ratio in 2008 was equal to 38%.

The balance sheet reported, from 2004 to 2008, a decrease in relative terms of almost 12% of loans to customers; this was confirmed by an increase in investments in securities of 3%.[57] At the end of 2008, loans to families totaled 19.6% of the total amount of gross amounts due from customers (15.8% in 2004), of which 14.5% were composed of mortgage loans for the acquisition of homes. If one excludes the compulsory reserve held with the central bank – included under “loans and advances to banks” and equal to 10.9% of total assets – interbank assets reported a slight positive balance in 2008 with year-end amounts

[56] As of 1 January 2008, the corporate income tax in China decreased to 25% from the 33% rate of the previous year.

[57] In assessing these changes, note should be made of transfers of non-performing receivables, as previously mentioned, whose incidence was almost equal to 4 points measured in proportion to the assets at the end of 2008.

that had strongly increased in the period despite still being lower than those of other areas if compared to total assets.[58]

The portfolio of securities, whose incidence on total assets was 27% in 2008, a value 6 percentage points higher than the average of the banks of the triad region, was 67.4% valuated at amortized cost, unlike the portfolio of the latter which was mostly valuated at fair value (TABLE I.22); this quota was moreover subject to a slight decrease compared to the 88.6% reported in 2004.

With regard to the quality of the assets – and following the operations for "cleaning out" non-performing assets on the part of the Industrial and Commercial Bank in 2005 and the Agricultural Bank in 2008, as described above – only the latter reported loans at the end of 2008 which were not fully covered by adjustment provisions and which totaled 1.6% of loans to customers and 16.8% of net worth, with a rate of coverage of gross doubtful receivables equal to 63.5%. All the other banks in question reported a degree of coverage greater than 100% (TABLE I.33).[59]

From the perspective of liabilities, funding from customers is almost entirely composed of deposits with a marginal role played by the debt securitiesand by subordinate loans.

Shareholders' equity climbed from 3.6% of total assets in 2004 to 5.7% in 2008, a marked improvement over European banks (2.8%) and Japanese banks (3.1%) and only lower than that of US banks (8.6%). Even when considering the ratio between total assets (net of intangible assets) and tangible net worth, Chinese banks reported an average

[58] The Chinese central bank increased the amounts subject to compulsory reserve for major banks from 9% in 2006 to 14.6% in 2007 and to 15.5% in 2008 of customer deposits denominated in local currency and from 4% in 2006 to 5% in 2007 of those denominated in foreign currency.

[59] Under provisions issued by local supervisory authorities, Chinese banks must subdivide loans into five categories: normal, special mention, substandard, doubtful, and loss, characterised by a decreasing degree of likelihood of recovery. They are then required to recognise a generic accrual of no less than 1% of the total loan portfolio, in addition to increasing specific accruals of 2%, 25%, 50% and 100% of loans classified into categories two through five. The last three categories are considered "non-performing" and consequently are included in the figures for TABLE I.33.

multiple of approx. 18 times, the lowest in comparison to the other three areas in question (TABLE I.35).

The primary sources for the increase of equity in the five year period were those provided by third parties, totaling 944 billion Yuan, mostly due to the share capital increases mentioned above[60]. In addition, self-financing – composed of non-distributed profits of the year – totaled 732 billion Yuan in the same period. The average solvency coefficient in 2008 was equal to 11.7%, a value analogous to that of European and Japanese banks but only less than that of US banks. The tier 1 ratio, on average equal to 8.9%, is instead slightly more elevated compared to the averages in Europe and Japan.

### *I.22 Preliminary results for 2009*

TABLES I.39 and I.40 report the profit and loss accounts and balance sheets of major European and US banks for 2009, drawn from financial statements available at the reporting date. The figures refer to banks that represented 86% of total assets at the end of 2008 for the European sample and 90% for the US sample. TABLE I.38, on the other hand, reports the results of Japanese banks for the first half of 2009 which closed on 30 September.

Both the European as well as the US area reported positive results for the year equal to 10% and 8% of total income, respectively, after the highly negative results of the previous year. Even the result of the 1st half of 2009 became positive for Japanese banks and was equal to 16% of revenues after the slightly negative result of the first half of 2008.

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[60] Of this total, CNY 598 million was contributed by new local and foreign shareholders and international investors and CNY 346 million by the Chinese government and other public entities.

The improvement in results was primarily due, for all areas, to two factors: i) the results of trading activities which again began positively contributing to total revenues; ii) extraordinary items which again became positive given that there were no longer any significant write-downs of securities and intangible fixed assets (primarily goodwill) in the previous year.

TABLE I.26 – PRELIMINARY RESULTS FOR THE 2009 FINANCIAL YEAR

| | Europe | | | | United States | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2008 | | 2009 | |
| | EUR bn | *% of total income* | EUR bn | *% of total income* | USD bn | *% of total income* | USD bn | *% of total income* |
| Current pre-tax profit | 5.6 | *1.6* | 44.2 | *10.1* | - 87.8 | *- 28.5* | 29.2 | *7.0* |
| Profit before tax | - 60.9 | *- 16.8* | 58.2 | *13.3* | - 137.3 | *- 44.5* | 33.5 | *8.1* |
| Net profit | - 48.4 | *- 13.3* | 44.7 | *10.2* | - 93.7 | *- 30.4* | 32.2 | *7.8* |

In 2009, European banks reported a current pre-tax profit equal to 10.1% of income, an increase of 8.5% with respect to 2008. Total income increased by 21%, almost entirely due – as mentioned above – to the improved trading result. Other operating revenues decreased both in terms of the decreased contribution of net received commissions as well as for the worsening of the results of insurance activities. The costs of the year also grew from 0.5% overall (+2.3% for labor costs alone) while write-downs of receivables increased by 41% from 24% to 28% of revenues.

The current result of US banks was equal to 7% of income, an improvement of 35 points with respect to the previous year. The 34% increase in total income, even in this case, was almost entirely due to trading activities while the slight decrease in other operating income is more than compensated by the increase in the net interest income. The costs of the year overall decreased by 3.3%, a decrease which was entirely due to the decreased cost of labor.[61] The write-downs of receivables, despite decreasing by 1.8% compared to 2008, still remained at historically elevated values equal to 36.5% of revenues.

Japanese banks in the first half of 2009, closing on 30 September, reported a positive result of 924 billion Yen equal to 16% of income.[62] Total income was 20% greater than the first half of 2008 and was, even in this case, due to the return to profitability of trading activities while the net interest income and other operating revenues reported a decrease. The current result of the year is equal to 23.4% of revenues with an improvement of more than 17 points compared to 2008; this was due not only to the increase in revenues but also costs of the year which were essentially unchanged in terms of values and lower write-downs of receivables; the latter decreased from 7% to 20.3% of revenues.

TABLE I.27 reports a summary by geographical area of the bad debt writeoffs booked to the profit and loss account. It should be noted how Europe is the only area which increased its adjustments with respect to the previous year, both in absolute terms and as a proportion of revenues. This ratio remains, however, lower than that of US banks while it exceeds Japanese banks when calculated on a half-year basis.[63]

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[61] The decrease in labor costs was mostly due to the decrease in the number of employees while the unit cost only slightly decreased.

[62] The data refers to 16 banks which represent 96% of the sample of the area as of 31-3-2009. The loss of Japanese banks in the first half of 2008 is mostly due to MUFG which reported a final negative result of 410.5 billion Yen calculated according to US GAAP).

[63] The European banks which, in 2009, reported a ratio of receivable write-downs/total revenues that was greater than the average of the area include: Lloyds Banking Group (75%), RBS (47.6%). Danske Bank (43.5%), Commerzbank (40.1%), HSBC (37.6%) and UniCredit (30%).

TABLE I.27 – BAD LOAN WRITEOFFS BY GEOGRAPHICAL AREA IN 2009

| | Bad debt writeoffs booked during financial year [1] | | | | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Change | 2008 (a) | 2009 (b) | Change |
| | *EUR bn* | | % | *as % of total income* | | *b - a* |
| Europe | - 87.2 | - 123.1 | *41.2* | - 24.0 | - 28.0 | *- 4.1* |
| | *JPY bn* | | | | | |
| Japan [2] | - 1,262 | - 1,168 | *- 7.4* | - 26.3 | - 20.3 | *6.0* |
| | *USD bn* | | | | | |
| United States | - 153.9 | - 151.1 | *- 1.8* | - 49.9 | - 36.5 | *13.4* |

[1] Net of bad debts recovered. 2008 data were restated in homogeneous terms.
[2] The data refers to the first half years of 2008 and 2009, respectively.

With regard to the balance sheet situation, it should first of all be noted that total assets decreased by 16% for European banks and by 7% approx. for US banks. With regard to the first, the primary decreases – both in absolute as well as in percentage terms – affected the residual items "other assets" and "other liabilities" and were mostly due to decreases in the positive and negative fair values of derivative products. These items also reported a decrease of 48%, even for US banks.[64]

Receivables due from customers, which represent approx. 40% of assets in both areas, significantly decreased with respect to 2008: -5.3% in Europe and -12.6% in the US; the portfolio of securities increased, on the other hand, by 11% in this area and was generally unchanged in Europe.

Funding from customers decreased by 1.3% for both European as well as US banks; this was due, in the first case, to the decreased

[64] In Europe, positions with positive fair values fell from EUR 6,602 billion at the end of 2008 to EUR 3,519 billion on 31-12-2009, a decrease of 46.7% while those with negative fair values fell from 6,495 billion to 3,480 billion, a decrease of 46.4%; the balance of the positions, which is always negative, therefore fell from EUR 107 to 39 billion. For US banks, the positive positions decreased, during the same period, from USD 488 billion to USD 253 billion (down -48.2%) and negative ones from USD 366 billion to USD 188 billion (down -48.6%). The balance of the positions, still positive, decreased from USD 122 billion to USD 65 billion.

funding from non-banking customers and, for the latter, was due to the decrease in bond issues. Interbank accounts continued to report a balance on the side of funding in Europe, despite a significant reduction in both credit as well as debit positions, while deposits within central banks increased by 39% which were booked along with liquidity. In the United States, on the other hand, the balance – which includes the assets held in the Federal Reserve system – was on the lending side.

On the closing date of the first half-year, Japanese banks reported, on the other hand, an increase in assets of approx. 2% compared to the end of the previous year; this was mostly due to the growth to the portfolio of securities while receivables due to customers decreased by 3.4%. Funding from customers grew by 1% while the net debit balance with respect to other credit institutions continued to contribute to funding.

TABLE I.28 – NET DOUBTFUL LOANS BY GEOGRAPHICAL AREA AS AT 31-12-2009

| | Gross doubtful loans as of 31-12-2009 | Net doubtful loans [1] | | | | Coverage ratio [1] | |
|---|---|---|---|---|---|---|---|
| | | Year-end 2008 | Year-end 2009 | Year-end 2008 | Year-end 2009 | Year-end 2008 | Year-end 2009 |
| | *change vs. 2008 (%)* | *as a % of loans to customers* | | *as a % of tangible net worth* | | % | |
| Europe | + 54.5 | 1.30 | 2.30 | 22.50 | 29.72 | 56.4 | 51.4 |
| Japan [2] | + 6.8 | 0.83 | 0.94 | 12.38 | 10.92 | 63.2 | 62.5 |
| United States | + 76.5 | 0.06 | 0.99 | 1.72 | 5.30 | 116.0 | 86.2 |

[1] The end-of-year data has been restated on a like-for-like basis. For methodological notes, see TABLE I.33.
[2] Data relating to 31-3-2009 and 30-9-2009 respectively.

With reference to the quality of customer loans, a worsening of the indicators of all three areas should be noted (TABLE I.28). Doubtful loans, considered to be gross of provisions, increased with respect to the closing of the year 2008 by 77% in the US, 41% in Europe and 7% in Japan. Net doubtful loans also grew both in relation to receivables due from customers as well as in proportion to net worth, with the sole exception of Japan, despite the fact that the write-downs which were booked in the income statement of the year were an important part of revenues, as highlighted in the previous table. The coverage rate of gross positions decreased in all areas, particularly in the United States where, for the first time in a decade, it fell under a unit value.

TABLE I.29 – "LEVEL 3" FINANCIAL ASSETS BY GEOGRAPHICAL AREA IN 2009

| | "Level 3" financial assets [1] | | | Assets at fair value / Total assets [2] | | "Level 3" financial assets as a % of:[1] assets at fair value | | "Level 3" financial assets as a % of:[1] tangible net worth | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | *change* | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| | EUR bn | | % | % | | % | | % | |
| Europe | 493 | 348 | *- 29.5* | *47.6* | *41.3* | *4.3* | *4.2* | *97.2* | *52.3* |
| | USD bn | | | | | | | | |
| United States | 299 | 294 | *-1.9* | *31.1* | *33.6* | *11.0* | *10.8* | *79.3* | *69.2* |

[1] With regard to Europe, the data refer to 18 companies which represent 82.1% of total assets at the end of 2008. With regard to Japanese banks, the data is not available.

[2] With regard to Europe, the data refer to 19 companies which represent 85.7% of total assets at the end of 2008.

Another aspect concerns assets subject to fair value valuations and included under the so-called "class 3".[65] First of all, it should be noted how fair value assets represent a minority quota of overall assets:

[65] This is a hierarchical classification of financial assets valued at fair value, introduced in 2008 by the FAS 157 accounting principles for the United States and IFRS 7 for Europe. "Class 1" includes assets listed on regulated markets, "class 2" assets are those whose valuation is based on the price of comparable assets and "class 3" are assets that are valued by using parameters that are not directly observable on the market, because there is no reference market and there are no useful parameters that can be used to value them (the so-called mark-to-model approach). The latter are assets whose value is determined at the discretion of the bank, based on its own internal models, and for which there is no certainty of liquidability.

in the case of European banks, this quota fell by more than 6 percentage points in 2009, reaching 41%, while for US banks this quota was only slightly more than one third of the total (TABLE I.29). In Europe – on the basis of preliminary data available for 18 companies representing approx. 82% of the sample – "class 3" assets totaled EUR 348 billion at the end of 2009, a decrease of approx. 30% compared to the previous year. These assets, despite representing a non-significant quota of overall financial assets, were equal to 52% of the tangible net worth. In the US, on the other hand, "class 3" assets decreased by 2% compared to 2008 but represent a more elevated quota of financial assets valuated at fair value and, in particular, of the tangible net worth (69% of the latter).

Net worth, when valued in proportion to total assets, increased in 2009 for all three areas with respect to the closure of the previous year: from 3.2% to 4.6% for European banks, from 8% to 9.3% for US banks and from 3.9% to 4.7% for Japanese banks in relation to the first half of the year. TABLE I.30 reports the primary movements which occurred during the course of 2009.

First of all, it should be noted how the increase in equity was positively influenced by paid share capital increases; this occurred more in Europe (equal to 19.5% of the balance of initial amounts) and in the US (17.2%) compared to Japan (8.2%). Approx. EUR 56 billion of the 135 billion collected by European banks were underwritten by national governments, similarly to the USD 34 billion out of a total of USD 118 billion collected by US which were paid by the local treasury.[66] With regard to the latter, the reimbursement of public funds – financed by recourse to the market – was significantly higher and equal to approx. USD 124 billion while for European banks the reimbursements totaled EUR 21 billion.[67]

[66] Public contributions to European banks concerned the following banks: RBS (EUR 34.2 billion), Commerzbank (EUR 10 billion), (BNP Paribas (5.1 billion), Lloyds Banking Group (EUR 5 billion) and Société Générale (1.7 billion); those to US banks include: Bank of America (USD 30 billion) and Citigroup (USD 3.5 billion).

[67] The primary reimbursements to the government on the part of banks of the US were those of: Bank of America (USD 45 billion), JPMorgan Chase and Wells Fargo (USD 25 billion each), Citigroup (USD 20 billion) and US Bancorp (USD 6.7 billion). In Europe, the reimbursements were relative to French banks (BNP Paribas

In addition, the positive changes in valuation reserves of securities available for sale – equal to 6% of the initial balance in Europe, 4% in the US and 15% in Japan in the first half-year – contributed to improving shareholders' equity.[68] Distributed dividends were equal to 50% of the net profit of the year for banks of the US and approx. one third of the result for European and Japanese banks (for the latter, this figure is relative to the first half year). It should be noted that US banks paid the Treasury – as remuneration for the preferred shares underwritten by the latter – USD 12.1 billion, equal to 73% of the overall distributed dividends.

Due to the combined effect of the increase in shareholders' equities and a decrease in assets, the "leverage" decreased from 44 to 29 times in Europe and from 20 to 18 times in the US; in Japan, it was equal to 24 times at the end of the first half of 2009 compared to the 30 times on the closing date of the previous year.

TABLE I.30 – PRIMARY CHANGES IN SHAREHOLDERS' EQUITY IN 2009

| | Europe | Japan [1] | United States |
|---|---|---|---|
| | EUR bn | JPY bn | USD bn |
| **Balance at the beginning of the year** | **693.1** | **21,279** | **684.4** |
| Net profit | + 44.7 | + 924 | + 32.2 |
| Dividends distributed | - 15.4 | - 307 | - 16.6 |
| Paid share capital increase | + 134.9 | + 1,759 | + 117.8 |
| Capital reimbursements | - 20.8 | - 271 | - 124.4 |
| Changes in the securities valuation reserve | + 41.2 | + 3,270 | + 27.5 |
| Other movements | - 17.3 | + 91 | + 25.3 |
| **Balance at the end of the year** | **860.4** | **26,745** | **746.2** |

[1] Movements relative to the first half-year of 2009 which closed on 30 September.

and Société Générale for EUR 7.8 billion and EUR 1.8 billion respectively), as well as ING Groep and RBS (both for EUR 5.6 billion).

[68] Movements in the valuation reserve for portfolio securities available for sale include both unrealized profits and losses arising from changes in fair value as well as the transfer to income statement of previous profits and losses on securities sold during the financial year and of losses in value that have become "permanent"; all the movements are recorded net of the respective fiscal effect.

## I.23 Notes on the primary investment banks (2007-2009)

This survey has not yet taken into account – due to their specific characteristics – the primary investment banks. In the United States, Goldman Sachs and Morgan Stanley are, as of today, the only surviving independent investment banks despite having become bank holding companies which requires them to be subject to monitoring on the part of the Federal Reserve and allows them to access the latter's system of advances and loans. The Bear Stearns Companies were bought and then incorporated into JP Morgan Chase & Co. at the end of May 2008, while Merrill Lynch was acquired by Bank of America, effective as of 1-1-2009. In September 2008, Lehman Brothers declared bankruptcy and its European and Asian assets were bought by the Japanese company Nomura while those in North America were acquired by Barclays.

TABLE I.41 reports the aggregate profit and loss accounts and balance sheets for the years 2007 to 2009 of the US firms Goldman Sachs, Merrill Lynch and Morgan Stanley as well as the Japanese company Nomura.

2007 revenues – before the full explosion of the market crisis – reported a composition in which the predominant quota was composed of net commissions and accessory revenues (60.8%) while one fourth was generated from trading (24.4%) while a relatively modest portion is ascribable to the net interest income (14.8%). In the same year, and for purposes of comparison, banks that operated primarily in the retail sector of the triad region realized 49% of revenues under the form of an net interest income, 46.9% with net commissions and only 4.1% through trading profits. In 2008, investment bank revenues fell by 61.6% due to losses on tradeable securities which almost absorbed half of the other revenues (with a negative change of approx. EUR 31 billion compared to 2007); commissions and other proceeds, despite falling by 10%, effectively maintained a positive balance for the total income. In 2009, revenues reported a strong recovery (effectively tripling with respect to the previous year) due to the trading balance which exceeded the pre-crisis level and reached a quota of 42% of revenues. The growth of revenues is, however, significant even if measured with respect to 2007 (+18%); on the other hand, the net interest income fell (-21% vs. 2007), with an incidence below 10%. After having realized net income in 2007 equal to 7.8% of revenues (significantly lower than the 21.5% of the commercial banks of the triad region), the primary investment banks reported net losses in 2008 which were slightly greater than total revenues (-105% with respect to the latter against -22% of retail institutions). On the other hand, 2009 profitability reported an unusual level compared to other banks (21.2% of revenues compared to 7.8%).

From a balance sheet perspective, the process of decreases in assets was particularly incisive and was equal to 27% in the two-year period 2007-2009. “Other assets” – which includes residual asset items and, in particular, derivative contracts – were subject to a strong decrease (-38.7%); financing to other credit institutions and to customers also fell (-24% and -52.7%, respectively). This group of items was reduced in a uniform manner across the two-year period; the data for the portfolio of securities, on the other hand, was partially different since, after reporting a significant decrease between 2007 and 2008 (-27.3%) it grew in 2009 (+14.4%), a phenomenon which is moreover not unusual amongst commercial US banks (+11.3%). The gradual increase of equity (+47% in the period) resulted in an increase in its incidence on the financial statement totals from 3.8% to 7.7% with a consequent reduction of the leverage from 29x in 2007 to 15x in 2009, levels which were lower than those of US commercial banks (18x) and particularly of European banks (29x).

The increases in net worth by US investment banks was significantly supported by government subsidies and by injections of liquidity from non-US financial institutions. In the case of Morgan Stanley, preferred stock and warrants were issued in 2008 for a total of USD 19 billion, underwritten by the US Treasury for 10 billion and for 9 billion by the Japanese Group Mitsubishi UFJ Financial Group. The US bank then refunded the government in June 2009 for a total of USD 11 billion (including more than USD 700 million in dividends and approx. one billion for the buyback of warrants). Goldman Sachs, on the other hand, placed securities for more than USD 20 billion in 2008: preferred stock totaling USD 13.4 billion and ordinary shares and warrants for an additional USD 7.4 billion. That pertaining to the US Treasury was reimbursed in 2009 for a total of USD 11.4 billion (including 750 million in preference dividends). Finally, Merrill Lynch – after having implemented an initial recapitalization at the end of 2007 for USD 5.6 billion – launched a second in 2008 with private investors for approx. USD 19 billion with the involvement of the sovereign fund of Singapore Temasek (which invested USD 5 billion), deciding not to allocate securities with the US Treasury (from which, however, it received financing for approx. USD 10 billion) in light of the upcoming merger with Bank of America which had previously received significant government aid.

The two independent investment banks, following the modification of their status and the transformation to commercial institutions, started publishing the regulatory ratio pursuant to Basel. Goldman Sachs – for the year 2009 – declared a total capital ratio of 18.2% (12.2% for Core Tier1, 15% for Tier1), while Morgan Stanley reported 16.4% (8.2% for Core Tier1, 15.3% for Tier1). “Class 3” assets, despite falling significantly with respect to 2008 (the decreases were between 30% and 50%), continued to represent amounts which are not totally negligible in terms of total assets (5.1% for Goldman Sachs, 5.6% for Morgan Stanley, 9% for Merrill Lynch) and which are rather relevant in terms of tangible net worth (65% for Goldman Sachs, 107% for Morgan Stanley and 134% for Merrill Lynch).

TABLE I.31 – PRINCIPAL INVESTMENTS BY SOVEREIGN FUNDS IN BANKS COVERED BY THE SURVEY

| Date | Investors | Target bank | Amount invested | Equity interest[1] | | Method of investment |
|---|---|---|---|---|---|---|
| | | | | % | | |
| Aug-07 | China Development Bank | Barclays | GBP 1,450m | 2.9 | | Ordinary shares |
| | Temasek Holdings | Barclays | GBP 975m | 2.0 | | Ordinary shares |
| Dec-07 | Abu Dhabi Investment Authority | Citigroup | USD 7.5bn | 4.1 | | Convertible preferred shares |
| Dec-07, Jan-08, Feb-08 | Temasek Holdings | Merrill Lynch | USD 5.0bn | 10.6 | 2 | Ordinary shares |
| Jan-08 | Government of Singapore Investment Corp. | Citigroup | USD 6.88bn | 3.7 | 3 | Convertible preferred shares |
| Jan-08 | Capital Research Global Investors, Capital World Investors, Kuwait Investment Authority, Alwaleed Bin Talal and others | Citigroup | USD 5.62bn | 3.0 | | Convertible preferred shares |
| Jan-08 | Davis Selected Advisors | Merrill Lynch | USD 1.2bn | 2.6 | | Ordinary shares |
| Jan-08, Feb-08 | Korea Investment Corp., Kuwait Investment Authority, Mizuho Financial Group and others | Merrill Lynch | USD 6.6bn | 11.4 | | Convertible preferred shares |
| Feb-08 | Government of Singapore Investment Corp. | UBS | CHF 11bn | 8.7-10.0 | | Convertible notes |
| Jul-08 | Qatar Investment Authority | Barclays | GBP 1,764m | 7.7 | | Ordinary shares |
| | Challenger Universal Ltd.[4] | Barclays | GBP 533m | 2.3 | | Ordinary shares |
| | Temasek Holdings | Barclays | GBP 200m | 0.9 | | Ordinary shares |
| | China Development Bank | Barclays | GBP 136m | 0.6 | | Ordinary shares |
| Oct-08 | Qatar Investment Authority | Credit Suisse | CHF 3.5bn | 9.9 | | Ordinary shares and convertible notes |
| Oct-08 | Central Bank of Libya | UniCredit | … | 4.6 | | Ordinary shares |
| Nov-08 | Mansour Bin Zayed Al Nahyan | Barclays | GBP 3.5bn | 16.5 | 5 | Convertible notes, hybrid capital and warrants |
| | Qatar Investment Authority | Barclays | GBP 2.0bn | 12.8 | 6 | Convertible notes, hybrid capital and warrants |
| | Challenger Universal Ltd.[4] | Barclays | GBP 0.3bn | 2.8 | 6 | Convertible notes |

1 Shares have been calculated on the basis of share capital in issue as at the time of the investment and assuming full conversion of bonds and exercise of warrants; such shares may therefore have been diluted as a result of subsequent increases in share capital.
2 Since 2009, Bank of America; share reduced following market disposals in the course of 2009.
3 Share reduced following market disposals in the course of 2009.
4 Company owned by Sheikh Hamad Bin Jassim Bin Jabr Al-Thani.
5 Share sold on the market in 2009.
6 Includes shares already owned, and takes dilution effect into account. The share owned by Qatar Investment Authority reduced by some 7% in the course of 2009.

TABLE I.32 – BAD DEBTS WRITTEN OFF

**EUROPE**

| BANKS | COUNTRY | BAD DEBTS WRITTEN OFF (1) | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | | as % of total income | | | | | as % of loans to customers | | | | | as % of net worth | | | | |
| KREDITANSTALT FUER WIEDERAUFBAU (2) | DE | 26.7 | 38.4 | 18.9 | n.c. | -414.5 | 0.5 | 0.7 | 0.4 | -6.9 | -2.2 | 4.1 | 5.3 | 2.4 | -42.9 | -18.1 |
| DRESDNER BANK | DE | -5.5 | 1.9 | -0.4 | 2.5 | -245.7 | -0.2 | 0.1 | 0.0 | 0.1 | -1.4 | -2.6 | 0.8 | -0.2 | 1.1 | -37.2 |
| HYPO REAL ESTATE HOLDING (3) | DE | -35.0 | -17.7 | -16.0 | 5.7 | -201.0 | -0.4 | -0.2 | -0.2 | 0.0 | -0.8 | -9.6 | -4.7 | -4.6 | 1.0 | n.c. |
| BAYERISCHE LANDESBANK | DE | -12.4 | 3.3 | 0.0 | -4.3 | -141.5 | -0.3 | 0.1 | 0.0 | -0.1 | -0.8 | -3.4 | 0.8 | 0.0 | -0.9 | -14.7 |
| UBS | CH | 0.7 | 0.9 | 0.3 | -0.8 | -130.6 | 0.1 | 0.1 | 0.0 | 0.0 | -0.6 | 0.7 | 0.7 | 0.3 | -0.6 | -7.3 |
| HBOS | GB | -12.5 | -14.2 | -14.4 | -16.3 | -129.3 | -0.4 | -0.5 | -0.5 | -0.5 | -2.2 | -5.6 | -8.7 | -8.2 | -9.1 | -73.0 |
| LANDESBANK BADEN-WUERTTEMBERG | DE | -13.6 | -11.9 | -9.2 | -8.3 | -85.3 | -0.4 | -0.3 | -0.3 | -0.1 | -0.6 | -4.1 | -3.6 | -2.6 | -1.8 | -14.8 |
| FORTIS BANK NEDERLAND (HOLDING) (4) | NL | - | - | - | - | -77.1 | - | - | - | - | -1.0 | - | - | - | - | -41.2 |
| WESTLB (2) | DE | 5.9 | 6.3 | 10.3 | n.c. | -61.6 | 0.2 | 0.1 | 0.3 | -0.3 | -0.5 | 3.0 | 2.1 | 3.0 | -5.4 | -14.8 |
| THE ROYAL BANK OF SCOTLAND GROUP | GB | -7.7 | -8.5 | -8.5 | -8.7 | -33.7 | -0.4 | -0.4 | -0.4 | -0.4 | -0.9 | -3.9 | -4.5 | -4.1 | -3.7 | -9.5 |
| FORTIS BANK (4) | BE | - | - | - | - | -32.1 | - | - | - | - | -0.8 | - | - | - | - | -11.2 |
| DEXIA | BE | -4.2 | -0.6 | -1.9 | -2.4 | -31.7 | -0.1 | 0.0 | 0.0 | -0.1 | -0.6 | -1.9 | -0.2 | -0.6 | -0.9 | -28.3 |
| HSBC HOLDINGS | GB | -12.5 | -13.8 | -16.4 | -22.4 | -30.2 | -0.9 | -1.0 | -1.1 | -1.6 | -2.3 | -6.1 | -7.8 | -9.1 | -12.6 | -23.7 |
| DANSKE BANK | DK | 0.1 | 3.4 | 1.5 | -1.6 | -29.5 | 0.0 | 0.1 | 0.0 | 0.0 | -0.6 | 0.0 | 1.5 | 0.5 | -0.7 | -12.3 |
| LLOYDS BANKING GROUP | GB | -9.4 | -12.9 | -14.9 | -15.7 | -26.4 | -0.6 | -0.7 | -0.8 | -0.8 | -1.2 | -7.3 | -12.2 | -13.5 | -13.9 | -29.7 |
| COMMERZBANK | DE | -14.2 | -9.1 | -11.1 | -6.0 | -26.3 | -0.5 | -0.4 | -0.3 | -0.2 | -0.6 | -7.6 | -4.1 | -5.7 | -3.0 | -9.3 |
| DZ BANK | DE | -11.4 | -9.8 | -8.8 | -5.3 | -24.6 | -0.5 | -0.4 | -0.3 | -0.2 | -0.5 | -6.2 | -5.1 | -3.7 | -1.9 | -6.3 |
| BARCLAYS | GB | -7.9 | -9.1 | -9.7 | -12.4 | -22.0 | -0.4 | -0.4 | -0.5 | -0.6 | -0.9 | -5.6 | -6.4 | -7.6 | -8.6 | -10.6 |
| BNP PARIBAS | FR | -3.6 | -2.9 | -2.9 | -5.8 | -20.7 | -0.3 | -0.2 | -0.2 | -0.4 | -1.2 | -1.9 | -1.3 | -1.4 | -2.9 | -9.8 |
| KBC GROUP | BE | -3.2 | -0.5 | -2.2 | -2.1 | -20.5 | -0.2 | 0.0 | -0.1 | -0.1 | -0.5 | -1.7 | -0.2 | -1.0 | -1.0 | -5.3 |
| BANCO SANTANDER | ES | -11.3 | -9.0 | -10.9 | -13.2 | -19.9 | -0.5 | -0.4 | -0.5 | -0.6 | -1.0 | -3.9 | -4.1 | -5.3 | -6.1 | -9.9 |
| CREDIT AGRICOLE | FR | -5.8 | -5.3 | -4.9 | -10.9 | -15.3 | -0.4 | -0.3 | -0.2 | -0.4 | -0.6 | -2.9 | -2.6 | -2.1 | -4.0 | -6.5 |
| BANCO BILBAO VIZCAYA ARGENTARIA | ES | -8.3 | -6.5 | -10.2 | -11.5 | -14.8 | -0.5 | -0.4 | -0.6 | -0.6 | -0.8 | -4.4 | -4.6 | -6.5 | -6.7 | -9.8 |
| UNICREDIT | IT | -8.6 | -8.1 | -9.5 | -8.2 | -13.6 | -0.6 | -0.2 | -0.5 | -0.4 | -0.6 | -6.0 | -2.3 | -5.3 | -4.0 | -6.3 |
| INTESA SANPAOLO | IT | -10.2 | -5.0 | -6.2 | -6.2 | -13.0 | -0.6 | -0.3 | -0.3 | -0.3 | -0.6 | -6.1 | -2.9 | -3.5 | -2.1 | -4.6 |
| SOCIETE GENERALE | FR | -3.3 | -2.4 | -3.1 | -5.6 | -12.2 | -0.2 | -0.2 | -0.2 | -0.3 | -0.7 | -2.6 | -1.6 | -2.0 | -2.9 | -6.5 |
| CREDIT MUTUEL | FR | -4.6 | -2.8 | -2.2 | -2.1 | -11.7 | -0.2 | -0.1 | -0.1 | -0.1 | -0.4 | -2.2 | -1.3 | -1.0 | -0.8 | -4.2 |
| RABOBANK NEDERLAND | NL | -5.6 | -5.5 | -4.4 | -2.3 | -9.9 | -0.2 | -0.2 | -0.1 | -0.1 | -0.3 | -2.1 | -1.9 | -1.5 | -0.8 | -3.5 |
| ING GROEP | NL | -2.8 | -0.5 | -0.6 | -0.7 | -8.6 | -0.1 | 0.0 | 0.0 | 0.0 | -0.2 | -1.6 | -0.2 | -0.2 | -0.3 | -4.4 |
| DEUTSCHE BANK | DE | -1.7 | -1.5 | -1.2 | -2.1 | -8.3 | -0.3 | -0.2 | -0.1 | -0.2 | -0.3 | -1.4 | -1.2 | -1.0 | -1.6 | -3.4 |
| CREDIT SUISSE GROUP | CH | -0.5 | 0.6 | 0.3 | -0.8 | -7.5 | -0.1 | 0.1 | 0.0 | -0.1 | -0.3 | -0.3 | 0.3 | 0.2 | -0.4 | -1.7 |
| NORDEA | SE | -0.4 | 2.1 | 3.7 | 0.8 | -5.9 | 0.0 | 0.1 | 0.1 | 0.0 | -0.2 | -0.2 | 1.1 | 1.7 | 0.3 | -2.6 |
| **Average** | | **-7.0** | **-5.8** | **-6.5** | **-10.0** | **-24.4** | **-0.4** | **-0.3** | **-0.3** | **-0.4** | **-0.9** | **-3.9** | **-3.1** | **-3.5** | **-4.7** | **-10.7** |

(1) Net of bad debts recovered. Companies no longer existing in their previous form as at 31 December 2008 are not included.
(2) Total income showed a negative balance in 2007.
(3) Net worth showed a negative balance in 2008.
(4) Included in the survey since 2008 following separation of ex-Fortis group banking and insurance activities.

**TABLE I.32 – BAD DEBTS WRITTEN OFF**

**JAPAN**

| BANKS | BAD DEBTS WRITTEN OFF (1) | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | as % of total income | | | | | as % of loans to customers | | | | | as % of net worth | | | | |
| NORINCHUKIN BANK (2) | 4.1 | 19.0 | 5.4 | 27.3 | n.c. | 0.1 | 0.4 | 0.1 | 0.6 | -0.7 | 0.4 | 1.2 | 0.4 | 1.9 | -2.9 |
| SHOKO CHUKIN BANK | -35.3 | -25.6 | -26.2 | -30.4 | -49.3 | -0.6 | -0.4 | -0.4 | -0.5 | -0.7 | -8.1 | -5.9 | -5.7 | -6.2 | -9.7 |
| SAPPORO HOKUYO HOLDINGS | -19.5 | -6.3 | -10.2 | -8.7 | -44.9 | -0.5 | -0.2 | -0.3 | -0.2 | -1.1 | -7.5 | -1.8 | -3.5 | -3.6 | -23.2 |
| SHINSEI BANK | 0.4 | -11.2 | -25.2 | -27.9 | -42.5 | 0.0 | -0.6 | -1.0 | -1.2 | -1.9 | 0.1 | -2.6 | -6.4 | -7.9 | -16.1 |
| BANK OF YOKOHAMA | -16.7 | -8.3 | -9.1 | -8.2 | -37.9 | -0.5 | -0.2 | -0.2 | -0.2 | -1.0 | -6.0 | -2.5 | -2.6 | -2.6 | -13.1 |
| SUMITOMO MITSUI FINANCIAL GROUP | -51.0 | -9.4 | -5.4 | -10.1 | -34.4 | -1.9 | -0.4 | -0.2 | -0.3 | -1.1 | -27.6 | -3.6 | -1.9 | -4.1 | -15.3 |
| SUMITOMO TRUST & BANKING | 2.1 | -1.7 | -10.2 | -1.9 | -29.2 | 0.1 | -0.1 | -0.4 | -0.1 | -0.8 | 0.6 | -0.5 | -2.8 | -0.5 | -7.5 |
| MIZUHO FINANCIAL GROUP | -0.6 | 5.2 | -2.8 | -5.2 | -29.0 | 0.0 | 0.2 | -0.1 | -0.1 | -0.8 | -0.2 | 1.8 | -0.9 | -1.5 | -12.8 |
| MITSUBISHI UFJ FINANCIAL GROUP | -6.6 | -4.2 | -9.3 | -9.8 | -27.4 | -0.2 | -0.1 | -0.4 | -0.4 | -0.6 | -2.3 | -1.0 | -3.2 | -4.2 | -9.7 |
| FUKUOKA FINANCIAL GROUP | -2.6 | -2.2 | -5.3 | -16.8 | -25.1 | -0.1 | -0.1 | -0.1 | -0.4 | -0.6 | -0.9 | -0.7 | -1.4 | -4.9 | -8.5 |
| RESONA HOLDINGS | -2.9 | -0.9 | -9.0 | -7.0 | -24.4 | -0.1 | 0.0 | -0.3 | -0.2 | -0.7 | -1.5 | -0.4 | -3.6 | -2.1 | -8.2 |
| CHIBA BANK | -16.8 | -2.7 | -4.0 | -5.2 | -22.5 | -0.5 | -0.1 | -0.1 | -0.1 | -0.6 | -6.3 | -0.8 | -1.2 | -1.6 | -7.7 |
| SHIZUOKA BANK | -0.2 | -2.8 | -2.0 | -3.7 | -20.1 | 0.0 | -0.1 | -0.1 | -0.1 | -0.5 | 0.0 | -0.5 | -0.4 | -0.8 | -4.8 |
| HOKUHOKU FINANCIAL GROUP | -32.7 | -23.7 | -14.1 | -13.5 | -20.0 | -0.8 | -0.7 | -0.4 | -0.4 | -0.5 | -13.4 | -10.9 | -5.4 | -5.7 | -7.9 |
| SHINKIN CENTRAL BANK | 3.6 | 3.3 | 2.1 | -1.8 | -12.7 | 0.1 | 0.1 | 0.0 | 0.0 | -0.3 | 0.4 | 0.4 | 0.2 | -0.2 | -3.8 |
| JOYO BANK | -8.0 | -13.1 | -4.6 | -9.6 | -10.7 | -0.2 | -0.4 | -0.1 | -0.3 | -0.3 | -2.2 | -3.5 | -1.1 | -2.8 | -3.6 |
| CHUO MITSUI TRUST HOLDINGS | -11.3 | -14.6 | -9.2 | -3.4 | -6.8 | -0.4 | -0.6 | -0.4 | -0.1 | -0.2 | -4.4 | -4.5 | -2.4 | -1.0 | -2.4 |
| **Average** | **-18.4** | **-4.3** | **-7.3** | **-8.4** | **-30.2** | **-0.6** | **-0.1** | **-0.2** | **-0.3** | **-0.8** | **-6.8** | **-1.3** | **-2.1** | **-2.7** | **-10.1** |

(1) Net of bad debts recovered. Companies no longer existing in their previous form as at 31 December 2008 are not included.

(2) Total income showed a negative balance in 2008.

**TABLE I.32 – BAD DEBTS WRITTEN OFF**

**UNITED STATES**

| BANKS | BAD DEBTS WRITTEN OFF (1) | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | as % of total income | | | | | as % of loans to customers | | | | | as % of net worth | | | | |
| WASHINGTON MUTUAL | -1.7 | -2.5 | -5.7 | -21.4 | -137.1 (2) | -0.1 | -0.1 | -0.3 | -1.3 | - | -1.0 | -1.1 | -2.8 | -10.9 | - |
| COUNTRYWIDE FINANCIAL | -0.9 | -1.3 | -2.1 | -29.7 | -102.6 (3) | -0.1 | -0.1 | -0.2 | -2.1 | - | -0.7 | -0.9 | -1.6 | -15.8 | - |
| NATIONAL CITY | -4.0 | -3.7 | -6.5 | -20.6 | -90.7 (4) | -0.3 | -0.2 | -0.4 | -1.2 | - | -2.5 | -2.3 | -3.3 | -10.5 | - |
| WACHOVIA (5) | -1.1 | -1.0 | -1.5 | -10.7 | -88.3 | -0.1 | -0.1 | -0.1 | -0.7 | - | -0.5 | -0.5 | -0.6 | -4.4 | - |
| FIFTH THIRD BANCORP | -5.2 | -6.2 | -6.4 | -11.8 | -73.4 | -0.4 | -0.5 | -0.5 | -0.8 | -5.6 | -3.0 | -3.5 | -3.4 | -7.0 | -38.6 |
| CITIGROUP | -7.9 | -10.0 | -8.1 | -24.3 | -65.5 | -1.2 | -1.4 | -1.0 | -2.5 | -5.7 | -5.7 | -7.2 | -5.8 | -16.2 | -26.7 |
| KEYCORP | -4.2 | -3.2 | -3.2 | -12.5 | -47.5 | -0.3 | -0.2 | -0.2 | -0.7 | -2.6 | -2.6 | -2.0 | -1.9 | -7.2 | -18.5 |
| WELLS FARGO & CO. | -5.9 | -7.5 | -6.3 | -13.0 | -39.5 | -0.5 | -0.7 | -0.6 | -1.2 | -4.4 (6) | -4.5 | -5.9 | -4.8 | -10.4 | -38.8 (6) |
| BANK OF AMERICA | -5.6 | -7.2 | -7.0 | -13.5 | -38.5 | -0.5 | -0.7 | -0.7 | -1.0 | -3.6 (6) | -2.8 | -4.0 | -3.7 | -6.0 | -19.0 (6) |
| CAPITAL ONE FINANCIAL | -13.8 | -14.8 | -12.3 | -19.0 | -37.3 | -3.3 | -2.6 | -1.4 | -2.7 | -5.3 | -14.6 | -10.6 | -5.9 | -11.2 | -19.2 |
| JPMORGAN CHASE & CO. | -6.0 | -6.5 | -5.2 | -9.6 | -33.3 | -0.6 | -0.8 | -0.7 | -1.3 | -4.2 (6) | -2.4 | -3.2 | -2.8 | -5.6 | -18.2 (6) |
| SUNTRUST BANKS | -2.2 | -2.3 | -3.3 | -8.6 | -30.7 | -0.1 | -0.1 | -0.2 | -0.5 | -1.9 | -0.8 | -1.0 | -1.4 | -3.7 | -11.1 |
| REGIONS FINANCIAL | -3.6 | -3.6 | -2.7 | -7.9 | -30.4 | -0.2 | -0.3 | -0.1 | -0.6 | -2.1 | -1.2 | -1.6 | -0.7 | -2.8 | -12.2 |
| THE PNC FINANCIAL SERVICES GROUP | -1.0 | -0.3 | -1.8 | -5.0 | -21.2 | -0.1 | 0.0 | -0.2 | -0.5 | -3.2 (6) | -0.6 | -0.2 | -1.1 | -2.1 | -20.6 (6) |
| U.S. BANCORP | -5.4 | -5.1 | -4.1 | -5.7 | -20.6 | -0.5 | -0.5 | -0.4 | -0.5 | -1.7 | -3.4 | -3.3 | -2.5 | -3.6 | -11.5 |
| BB&T | -4.6 | -3.8 | -3.8 | -6.7 | -19.9 | -0.4 | -0.3 | -0.3 | -0.5 | -1.5 | -2.3 | -2.0 | -2.0 | -3.5 | -9.0 |
| THE BANK OF NEW YORK MELLON | -0.2 | -0.2 | 0.2 | 0.1 | -0.9 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -0.2 | -0.2 | 0.1 | 0.0 | -0.5 |
| **Average** | **-5.4** | **-6.4** | **-5.7** | **-14.2** | **-46.0** | **-0.6** | **-0.6** | **-0.6** | **-1.3** | **-4.0** | **-3.2** | **-3.8** | **-3.3** | **-7.6** | **-21.6** |

(1) Net of bad debts recovered. Table contains data for companies fully or partly operational in 2008.
(2) Figure for 1H 2008. Banking activities acquired by JPMorgan Chase with effect from 25 September 2008.
(3) Figure for 1H 2008. Acquired by Bank of America with effect from 1 July 2008.
(4) Figure for first nine months of the financial year. Acquired by The PNC Financial Services Group with effect from 31 December 2008.
(5) Acquired by Wells Fargo & Co. with effect from 31 December 2008.
(6) Ratio calculated including writeoffs of loans booked by companies acquired during the financial year (cf. previous notes 2-5).

**TABLE I.32 – BAD DEBTS WRITTEN OFF**

**CHINA**

| BANKS | BAD DEBTS WRITTEN OFF (1) | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | as % of total income | | | | | as % of loans to customers | | | | | as % of net worth | | | | |
| AGRICULTURAL BANK OF CHINA | -11.2 | -7.8 | -16.0 | -11.8 | -18.9 | -0.3 | -0.2 | -0.6 | -0.5 | -1.3 | -11.0 | -7.6 | -22.0 | -20.7 | -13.7 |
| CHINA MINSHENG BANKING | -15.8 | -10.8 | -12.5 | -8.8 | -17.9 | -0.5 | -0.4 | -0.5 | -0.4 | -1.0 | -11.6 | -8.8 | -11.2 | -4.5 | -11.5 |
| BANK OF COMMUNICATIONS | -11.6 | -12.4 | -12.7 | -10.4 | -13.9 | -0.5 | -0.6 | -0.6 | -0.6 | -0.8 | -6.0 | -5.2 | -6.0 | -4.7 | -7.1 |
| CHINA CITIC BANK | -14.1 | -8.0 | -9.3 | -10.6 | -13.4 | -0.5 | -0.3 | -0.4 | -0.5 | -0.8 | -14.6 | -4.7 | -5.3 | -3.5 | -5.7 |
| CHINA CONSTRUCTION BANK | -5.0 | -10.8 | -12.6 | -9.2 | -13.3 | -0.3 | -0.6 | -0.7 | -0.6 | -1.0 | -2.8 | -4.7 | -5.8 | -4.8 | -7.8 |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA | -39.6 | -12.1 | -16.6 | -13.0 | -11.7 | -1.4 | -0.6 | -0.8 | -0.8 | -0.8 | -30.1 | -7.1 | -6.2 | -6.1 | -6.0 |
| INDUSTRIAL BANK | -14.8 | -15.0 | -17.0 | -7.1 | -10.9 | -0.5 | -0.6 | -0.7 | -0.4 | -0.7 | -10.5 | -11.8 | -14.5 | -4.1 | -6.6 |
| SHANGHAI PUDONG DEVELOPMENT BANK | -27.5 | -22.5 | -19.8 | -13.6 | -10.1 | -1.0 | -0.9 | -0.8 | -0.7 | -0.5 | -23.2 | -20.6 | -15.2 | -12.4 | -8.3 |
| BANK OF CHINA | -22.7 | -9.9 | -9.0 | -4.5 | -7.9 | -1.1 | -0.5 | -0.5 | -0.3 | -0.5 | -10.1 | -4.4 | -3.0 | -1.8 | -3.4 |
| CHINA MERCHANTS BANK | -17.1 | -17.7 | -13.8 | -7.7 | -6.1 | -0.7 | -0.7 | -0.6 | -0.5 | -0.4 | -12.6 | -13.8 | -6.2 | -4.6 | -4.3 |
| **Average** | **-20.2** | **-11.2** | **-13.7** | **-9.8** | **-12.7** | **-0.8** | **-0.5** | **-0.7** | **-0.6** | **-0.9** | **-12.7** | **-6.0** | **-6.4** | **-5.2** | **-7.0** |

(1) Net of bad debts recovered.

**TABLE I.33 – DOUBTFUL LOANS**

**EUROPE**

| BANKS (3) | COUNTRY | DOUBTFUL LOANS (1) | | | | | | | | | | COVERAGE RATIO (2) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | | as % of loans to customers | | | | | as % of net worth | | | | | % | | | | |
| BANCO SANTANDER (4) | ES | - | - | - | - | 0.2 | - | - | - | - | 2.5 | 172.2 | 174.7 | 177.0 | 143.2 | 89.1 |
| DEXIA | BE | 0.3 | 0.0 | 0.2 | 0.1 | 0.3 | 4.7 | 0.3 | 2.4 | 1.1 | 14.1 | 66.8 | 96.8 | 74.7 | 86.9 | 81.7 |
| BANCO BILBAO VIZCAYA ARGENTARIA (4) | ES | - | - | - | - | 0.3 | - | - | - | - | 3.7 | 239.9 | 237.1 | 257.0 | 211.9 | 88.1 |
| CREDIT SUISSE GROUP | CH | 0.8 | 0.5 | 0.2 | 0.3 | 0.4 | 3.8 | 2.2 | 1.1 | 1.3 | 2.3 | 65.0 | 67.5 | 69.6 | 61.2 | 60.1 |
| CREDIT AGRICOLE | FR | 1.4 | 0.3 | 0.4 | 0.3 | 0.5 | 11.5 | 2.4 | 3.2 | 3.2 | 5.3 | 68.2 | 91.2 | 87.6 | 87.6 | 83.4 |
| NORDEA | SE | 0.3 | 0.6 | 0.4 | 0.3 | 0.6 | 4.3 | 8.1 | 5.0 | 3.8 | 8.4 | 75.9 | 58.1 | 59.0 | 59.3 | 43.5 |
| BNP PARIBAS | FR | 1.4 | 0.6 | 0.6 | 0.5 | 0.6 | 10.1 | 4.1 | 4.0 | 3.7 | 4.9 | 70.8 | 85.0 | 86.1 | 84.9 | 83.2 |
| ING GROEP | NL | 0.3 | 0.3 | 0.2 | 0.3 | 0.7 | 3.7 | 4.0 | 3.5 | 4.7 | 16.9 | 79.5 | 68.3 | 64.4 | 51.9 | 34.9 |
| DEUTSCHE BANK | DE | 1.8 | 1.0 | 0.7 | 0.4 | 0.8 | 9.7 | 6.4 | 4.6 | 3.8 | 8.2 | 47.7 | 49.8 | 53.1 | 54.1 | 42.5 |
| KREDITANSTALT FUER WIEDERAUFBAU | DE | 0.9 | 0.4 | 1.8 | 3.7 | 0.9 | 7.7 | 2.9 | 10.5 | 23.3 | 7.0 | 67.9 | 78.9 | 46.7 | 67.4 | 89.5 |
| WESTLB | DE | … | … | … | 0.4 | 1.0 | … | … | … | 8.2 | 31.7 | … | … | … | 73.6 | 49.0 |
| RABOBANK NEDERLAND | NL | 0.7 | 0.8 | 0.6 | 0.6 | 1.0 | 8.2 | 9.2 | 7.1 | 6.8 | 12.3 | 49.9 | 49.0 | 51.6 | 51.2 | 42.8 |
| HSBC HOLDINGS | GB | 0.5 | 0.5 | 0.7 | 0.7 | 1.0 | 2.9 | 4.0 | 5.6 | 5.5 | 10.3 | 80.8 | 74.2 | 67.7 | 71.7 | 69.5 |
| CREDIT MUTUEL | FR | 1.5 | 1.2 | 1.0 | 0.8 | 1.0 | 13.5 | 10.6 | 8.9 | 8.2 | 11.5 | 61.9 | 67.0 | 66.6 | 65.2 | 68.3 |
| UBS | CH | 0.6 | 0.3 | 0.2 | 0.2 | 1.2 | 5.5 | 3.4 | 2.5 | 3.1 | 15.2 | 54.1 | 48.2 | 47.8 | 44.9 | 32.0 |
| THE ROYAL BANK OF SCOTLAND GROUP | GB | 0.4 | 0.5 | 0.5 | 0.5 | 1.2 | 3.5 | 5.5 | 5.3 | 4.7 | 12.7 | 76.4 | 65.5 | 62.1 | 60.0 | 51.5 |
| KBC GROUP | BE | 0.6 | 0.1 | 0.8 | 1.0 | 1.2 | 5.0 | 0.6 | 5.5 | 7.7 | 12.0 | 80.7 | 96.4 | 67.8 | 60.1 | 58.4 |
| HYPO REAL ESTATE HOLDING (5) | DE | 0.3 | 0.3 | … | 0.4 | 1.3 | 6.9 | 7.8 | … | 13.6 | n.c. | 79.7 | 73.4 | … | 52.3 | 44.0 |
| FORTIS BANK (6) | BE | - | - | - | - | 1.3 | - | - | - | - | 19.0 | - | - | - | - | 45.4 |
| DANSKE BANK | DK | 0.3 | 0.1 | 0.1 | 0.4 | 1.4 | 5.3 | 2.1 | 2.3 | 7.9 | 28.4 | 76.8 | 76.5 | 65.6 | 37.2 | 36.2 |
| LANDESBANK BADEN-WUERTTEMBERG | DE | … | … | 2.1 | 1.2 | 1.4 | … | … | 20.9 | 16.2 | 34.9 | … | … | 44.0 | 53.8 | 51.6 |
| FORTIS BANK NEDERLAND (HOLDING) (6) | NL | - | - | - | - | 1.4 | - | - | - | - | 59.3 | - | - | - | - | 44.7 |
| DRESDNER BANK | DE | 1.0 | 0.8 | 0.5 | 0.5 | 1.6 | 13.2 | 9.1 | 7.1 | 7.9 | 44.7 | 69.3 | 52.0 | 49.5 | 43.8 | 48.8 |
| SOCIETE GENERALE | FR | 1.6 | 1.3 | 1.1 | 1.4 | 1.6 | 17.6 | 11.5 | 9.8 | 14.5 | 14.5 | 64.0 | 69.7 | 69.1 | 61.8 | 60.8 |
| BARCLAYS | GB | 0.5 | 0.5 | 0.5 | 1.3 | 1.7 | 6.3 | 7.2 | 6.4 | 18.1 | 20.0 | 69.4 | 66.2 | 65.5 | 39.1 | 40.8 |
| DZ BANK | DE | … | … | … | 4.6 | 1.8 | … | … | … | 46.9 | 24.9 | … | … | … | 26.1 | 49.7 |
| BAYERISCHE LANDESBANK | DE | … | … | … | 1.2 | 1.9 | … | … | … | 15.7 | 34.0 | … | … | … | 53.3 | 42.3 |
| LLOYDS BANKING GROUP | GB | 1.3 | 1.2 | 1.2 | 1.2 | 2.3 | 16.7 | 19.3 | 19.3 | 20.6 | 58.1 | 45.6 | 50.3 | 49.8 | 48.5 | 38.8 |
| INTESA SANPAOLO | IT | 4.5 | 2.4 | 2.0 | 1.6 | 2.3 | 43.1 | 23.6 | 20.2 | 10.2 | 18.1 | 60.5 | 54.9 | 59.2 | 67.7 | 59.9 |
| COMMERZBANK | DE | 0.6 | 0.4 | 1.9 | 1.9 | 2.7 | 8.9 | 3.8 | 35.0 | 32.9 | 39.2 | 84.3 | 90.8 | 57.9 | 52.8 | 40.6 |
| UNICREDIT | IT | 2.6 | 3.8 | 2.8 | 2.5 | 2.8 | 24.2 | 42.1 | 29.2 | 22.9 | 29.5 | 62.0 | 54.1 | 55.3 | 61.5 | 58.9 |
| HBOS | GB | 1.1 | 1.5 | 1.6 | 1.7 | 3.7 | 15.1 | 28.3 | 28.6 | 33.5 | 122.0 | 43.5 | 36.0 | 33.8 | 31.2 | 39.4 |
| **Average** (7) | | **0.9** | **0.9** | **0.8** | **0.9** | **1.3** | **9.4** | **9.2** | **9.0** | **9.2** | **16.2** | **70.5** | **68.2** | **66.3** | **63.9** | **58.2** |

(1) Net of provision. The average as been calculated assuming that there are no cases in which provision exceeds gross doubtful loans.
(2) Ratio of provision to gross doubtful loans.
(3) The table does not include companies no longer existing in their previous form as at 31 December 2008.
(4) From 2004 to 2007 provisions exceed doubtful loans.
(5) Net worth showed a negative balance in 2008.
(6) Included in the survey since 2008 following spin-off of ex-Fortis group banking and insurance activities.
(7) For banks which accounted for 94.6% in 2004, 94% in 2005, 95.1% in 2006 and 100% in 2007 and 2008 of loans to customers of the sample.

**TABLE I.33 – DOUBTFUL LOANS**

**JAPAN**

| BANKS (3) | DOUBTFUL LOANS (1) | | | | | | | | | | COVERAGE RATIO (2) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | as % of loans to customers | | | | | as % of net worth | | | | | % | | | | |
| SHINKIN CENTRAL BANK | 0.1 | 0.1 | 0.1 | o | o | 1.0 | 0.7 | 0.4 | 0.2 | 0.5 | 70.7 | 72.9 | 73.8 | 90.0 | 92.7 |
| SUMITOMO TRUST & BANKING | 1.0 | 0.3 | 0.3 | 0.3 | 0.1 | 8.7 | 2.5 | 2.0 | 2.2 | 0.8 | 48.4 | 70.7 | 78.9 | 79.1 | 94.4 |
| NORINCHUKIN BANK | 1.1 | 0.6 | 0.7 | 0.6 | 0.2 | 5.9 | 1.9 | 1.9 | 1.9 | 0.9 | 65.0 | 75.3 | 70.4 | 69.9 | 90.0 |
| MITSUBISHI UFJ FINANCIAL GROUP | 1.1 | 1.1 | 0.6 | 0.6 | 0.6 | 11.4 | 9.6 | 5.2 | 6.0 | 9.8 | 57.6 | 49.5 | 65.5 | 67.6 | 64.5 |
| MIZUHO FINANCIAL GROUP | 0.6 | 0.4 | 0.5 | 0.7 | 0.6 | 7.8 | 3.9 | 5.0 | 8.5 | 10.1 | 74.6 | 77.2 | 71.8 | 58.7 | 67.8 |
| CHUO MITSUI TRUST HOLDINGS | 2.2 | 1.1 | 0.6 | 0.7 | 0.7 | 21.8 | 8.0 | 4.0 | 5.7 | 8.2 | 29.9 | 43.9 | 62.3 | 54.4 | 52.2 |
| SUMITOMO MITSUI FINANCIAL GROUP | 1.8 | 0.4 | 0.3 | 0.3 | 0.8 | 25.1 | 3.7 | 3.3 | 3.8 | 11.0 | 57.2 | 83.3 | 83.3 | 81.9 | 67.9 |
| RESONA HOLDINGS | 1.2 | 0.9 | 0.7 | 0.5 | 1.0 | 20.5 | 12.7 | 8.7 | 5.4 | 11.4 | 67.4 | 70.1 | 76.0 | 78.2 | 63.9 |
| SHOKO CHUKIN BANK | 3.9 | 3.4 | 2.8 | 2.3 | 1.1 | 54.6 | 46.1 | 37.4 | 29.6 | 14.8 | 49.6 | 48.8 | 49.3 | 51.9 | 70.0 |
| CHIBA BANK | 3.2 | 2.5 | 2.2 | 2.0 | 1.3 | 43.2 | 28.1 | 23.5 | 23.1 | 17.0 | 33.8 | 33.5 | 31.0 | 28.7 | 40.0 |
| SHINSEI BANK (4) | - | - | - | - | 1.7 | - | - | - | - | 13.9 | 142.6 | 135.7 | 183.4 | 121.5 | 64.3 |
| FUKUOKA FINANCIAL GROUP | 1.6 | 1.3 | 1.0 | 2.3 | 1.7 | 21.2 | 16.1 | 10.7 | 29.8 | 23.0 | 53.8 | 56.3 | 59.0 | 58.0 | 55.7 |
| SAPPORO HOKUYO HOLDINGS | 1.9 | 1.6 | 1.8 | 1.9 | 1.8 | 26.3 | 19.0 | 20.6 | 29.3 | 36.9 | 59.5 | 59.4 | 50.8 | 45.6 | 57.0 |
| JOYO BANK | 2.7 | 3.3 | 2.4 | 2.6 | 1.8 | 26.4 | 29.5 | 20.1 | 27.4 | 23.5 | 34.0 | 27.3 | 29.6 | 24.7 | 29.3 |
| HOKUHOKU FINANCIAL GROUP | 4.7 | 3.7 | 3.0 | 2.4 | 1.9 | 80.9 | 59.0 | 40.5 | 35.4 | 30.6 | 34.5 | 40.0 | 37.4 | 39.1 | 41.4 |
| BANK OF YOKOHAMA | 2.3 | 1.9 | 1.8 | 1.6 | 2.1 | 29.8 | 20.6 | 19.3 | 18.4 | 25.7 | 29.5 | 29.4 | 27.5 | 29.0 | 37.5 |
| SHIZUOKA BANK | 3.5 | 2.9 | 2.5 | 2.4 | 2.1 | 27.8 | 20.8 | 17.7 | 19.5 | 19.9 | 30.8 | 31.3 | 30.6 | 29.6 | 38.5 |
| **Average** | **1.4** | **1.0** | **0.8** | **0.8** | **0.8** | **16.1** | **8.6** | **6.6** | **7.8** | **10.8** | **60.8** | **60.6** | **65.4** | **63.1** | **63.3** |

(1) Net of provision. The average as been calculated assuming that there are no cases in which provision exceeds gross doubtful loans.
(2) Ratio of provision to gross doubtful loans.
(3) The table does not include companies no longer existing in their previous form as at 31 December 2008.
(4) From 2004 to 2007 provisions exceed doubtful loans.

**TABLE I.33 – DOUBTFUL LOANS**

**UNITED STATES**

| BANKS (3) | DOUBTFUL LOANS (1) | | | | | | | | | | COVERAGE RATIO (2) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | as % of loans to customers | | | | | as % of net worth | | | | | % | | | | |
| CAPITAL ONE FINANCIAL | - | - | - | - | - | - | - | - | - | - | 360.9 | 334.0 | 326.3 | 270.8 | 276.2 |
| WELLS FARGO & CO. | - | - | - | - | - | - | - | - | - | - | 161.5 | 174.8 | 133.0 | 125.1 | 186.3 |
| CITIGROUP | - | - | - | - | - | - | - | - | - | - | 102.4 | 117.4 | 113.8 | 128.8 | 117.9 |
| JPMORGAN CHASE & CO. | - | - | - | - | - | - | - | - | - | - | 104.9 | 117.0 | 125.9 | 177.3 | 113.2 |
| KEYCORP | - | - | - | - | - | - | - | - | - | - | 227.1 | 243.3 | 240.2 | 127.3 | 103.1 |
| BANK OF AMERICA | - | - | - | - | o | - | - | - | - | o | 219.7 | 257.8 | 183.1 | 121.7 | 99.8 |
| REGIONS FINANCIAL | - | - | - | - | 0.2 | - | - | - | - | 1.2 | 143.3 | 158.7 | 201.9 | 120.1 | 90.0 |
| U.S. BANCORP | - | - | - | - | 0.3 | - | - | - | - | 1.8 | 163.8 | 168.4 | 150.8 | 112.8 | 88.1 |
| BB&T | - | - | - | - | 0.3 | - | - | - | - | 1.7 | 175.8 | 204.2 | 196.9 | 138.5 | 85.4 |
| FIFTH THIRD BANCORP | - | - | - | 0.5 | 0.7 | - | - | - | 4.9 | 5.1 | 160.2 | 144.2 | 137.2 | 67.7 | 81.9 |
| THE PNC FINANCIAL SERVICES GROUP | - | - | - | - | 0.6 | - | - | - | - | 3.8 | 260.5 | 192.9 | 206.6 | 121.2 | 79.0 |
| THE BANK OF NEW YORK MELLON | - | - | - | 0.4 | 0.5 | - | - | - | 0.7 | 0.8 | 258.1 | 441.9 | 531.5 | 61.4 | 65.5 |
| SUNTRUST BANKS | - | - | - | 0.6 | 2.0 | - | - | - | 4.4 | 11.7 | 168.0 | 145.6 | 110.6 | 61.6 | 47.3 |
| WACHOVIA (4) | - | - | - | 0.3 | - | - | - | - | 1.6 | - | 155.0 | 197.8 | 165.4 | 78.2 | - |
| COUNTRYWIDE FINANCIAL (5) | 0.4 | 0.7 | 0.9 | 1.1 | - | 2.7 | 6.1 | 6.9 | 8.6 | - | 31.3 | 19.3 | 21.0 | 65.6 | - |
| NATIONAL CITY (6) | - | 0.1 | 0.5 | 1.1 | - | - | 1.1 | 3.7 | 9.3 | - | 100.3 | 88.8 | 67.7 | 58.5 | - |
| WASHINGTON MUTUAL (7) | 0.3 | 0.3 | 0.6 | 1.6 | - | 3.2 | 2.6 | 5.3 | 13.5 | - | 65.4 | 70.0 | 51.1 | 40.0 | - |
| **Average** | **0.0** | **0.1** | **0.1** | **0.2** | **0.1** | **0.2** | **0.3** | **0.4** | **1.2** | **0.7** | **131.2** | **141.0** | **129.9** | **107.7** | **113.7** |

(1) Net of provision. In case where there are no figures, provisions exceed doubtful loans. The average as been calculated assuming that there are no cases in which provision exceeds gross doubtful loans.
(2) Ratio of provision to gross doubtful loans.
(3) Table contains data for companies fully or partly operational in 2008.
(4) Acquired by Wells Fargo & Co. with effect from 31 December 2008.
(5) Acquired by Bank of America with effect from 1 July 2008.
(6) Acquired by The PNC Financial Services Group with effect from 31 December 2008.
(7) Banking activities acquired by JPMorgan Chase with effect from 25 September 2008.

**TABLE I.33 – DOUBTFUL LOANS**

**CHINA**

| BANKS | DOUBTFUL LOANS (1) | | | | | | | | | | COVERAGE RATIO (2) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | as % of loans to customers | | | | | as % of net worth | | | | | % | | | | |
| CHINA MERCHANTS BANK | - | - | - | - | - | - | - | - | - | - | 101.4 | 111.0 | 135.6 | 174.5 | 217.8 |
| INDUSTRIAL BANK | 0.3 | 0.2 | - | - | - | 6.6 | 4.4 | - | - | - | 87.0 | 90.5 | 126.0 | 153.1 | 200.9 |
| SHANGHAI PUDONG DEVELOPMENT BANK | - | - | - | - | - | - | - | - | - | - | 117.1 | 142.1 | 151.4 | 187.8 | 192.0 |
| CHINA CITIC BANK | 1.5 | 0.9 | 0.4 | - | - | 40.2 | 13.3 | 5.6 | - | - | 77.6 | 79.9 | 84.6 | 107.3 | 142.4 |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA | 18.5 | 2.2 | 1.1 | - | - | 408.8 | 27.5 | 8.4 | - | - | 3.0 | 54.2 | 70.6 | 103.1 | 129.7 |
| CHINA CONSTRUCTION BANK | 1.5 | 1.3 | 0.6 | - | - | 17.0 | 10.8 | 5.1 | - | - | 61.6 | 66.8 | 82.2 | 101.0 | 127.2 |
| CHINA MINSHENG BANKING | - | - | - | 0.1 | - | - | - | - | 1.2 | - | 112.5 | 103.4 | 116.6 | 92.9 | 121.2 |
| BANK OF CHINA | 1.7 | 0.9 | 0.2 | - | - | 15.1 | 7.6 | 1.0 | - | - | 68.0 | 80.6 | 96.0 | 105.5 | 116.4 |
| BANK OF COMMUNICATIONS | 1.6 | 0.7 | 0.1 | 0.3 | - | 18.8 | 6.6 | 1.0 | 2.6 | - | 45.5 | 69.7 | 94.8 | 85.9 | 103.1 |
| AGRICULTURAL BANK OF CHINA | 25.8 | 25.2 | 22.5 | 22.4 | 1.6 | 845.4 | 884.8 | 831.5 | 867.2 | 16.8 | 4.7 | 4.9 | 5.0 | 6.0 | 63.5 |
| **Average** (3) | **11.4** | **6.4** | **5.1** | **4.5** | **0.3** | **178.9** | **78.5** | **49.3** | **40.5** | **2.1** | **14.1** | **28.1** | **33.3** | **36.6** | **110.7** |

(1) Net of provision. In case where there are no figures, provisions exceed doubtful loans.
(2) Ratio of provision to gross doubtful loans.
(3) Calculated assuming that there are no cases in which provision exceeds gross doubtful loans.

**TABLE I.34 – PROFITABILITY AND FREE CAPITAL RATIOS**

**EUROPE**

| BANKS (1) | COUNTRY | ROE | | | | | COST / INCOME RATIO | | | | | FREE CAPITAL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | | % | | | | | % | | | | | as % of funding from customers | | | | |
| HSBC HOLDINGS | GB | 50.9 | 52.1 | 52.2 | 50.7 | 48.1 | 15.0 | 19.2 | 16.8 | 17.3 | 6.4 | 5.2 | 3.5 | 3.4 | 3.8 | 2.4 |
| BANCO SANTANDER | ES | 51.3 | 55.7 | 50.1 | 49.6 | 50.0 | 10.5 | 18.2 | 20.4 | 19.6 | 18.2 | 2.2 | 2.4 | 2.6 | 2.6 | 2.6 |
| NORDEA | SE | 58.9 | 55.3 | 52.7 | 51.5 | 52.2 | 18.0 | 21.2 | 25.9 | 22.4 | 17.7 | 5.4 | 2.9 | 3.8 | 3.8 | 3.6 |
| LLOYDS BANKING GROUP | GB | 52.9 | 54.1 | 50.6 | 49.8 | 54.6 | 27.3 | 32.4 | 33.6 | 37.2 | 9.6 | -2.2 | -1.3 | -1.1 | 0.2 | -1.4 |
| BANCO BILBAO VIZCAYA ARGENTARIA | ES | 48.3 | 49.8 | 46.9 | 47.3 | 56.5 | 20.6 | 29.5 | 27.4 | 28.5 | 23.6 | 2.8 | 3.6 | 4.7 | 3.8 | 2.1 |
| DANSKE BANK | DK | 52.2 | 53.2 | 54.1 | 55.8 | 59.0 | 19.6 | 20.8 | 16.6 | 16.6 | 1.0 | 2.8 | 2.7 | 3.6 | 1.7 | 0.6 |
| BARCLAYS | GB | 58.3 | 60.9 | 61.3 | 59.8 | 62.8 | 21.6 | 24.7 | 30.0 | 23.4 | 13.6 | 3.7 | 2.3 | 2.7 | 2.2 | 3.0 |
| INTESA SANPAOLO | IT | 60.7 | 62.2 | 55.7 | 62.8 | 63.5 | 13.8 | 22.1 | 16.4 | 16.4 | 5.5 | -0.2 | 3.7 | 4.3 | 3.4 | 1.2 |
| RABOBANK NEDERLAND | NL | 64.6 | 65.6 | 69.2 | 68.8 | 63.6 | 8.3 | 8.7 | 9.1 | 8.8 | 9.4 | 6.4 | 5.3 | 4.3 | 3.6 | 3.5 |
| UNICREDIT (2) | IT | 57.6 | 58.7 | 59.9 | 62.2 | 65.5 | 18.4 | 17.1 | 16.5 | 12.8 | 7.9 | 1.6 | -0.1 | 1.0 | 0.9 | -0.2 |
| BNP PARIBAS | FR | 61.0 | 63.3 | 62.4 | 63.5 | 66.2 | 17.8 | 16.8 | 17.3 | 17.0 | 6.0 | 2.4 | 4.7 | 4.0 | 3.8 | 2.5 |
| CREDIT AGRICOLE | FR | 63.2 | 61.8 | 63.4 | 76.8 | 68.4 | 9.5 | 13.2 | 13.9 | 10.2 | 4.0 | 3.1 | 4.4 | 3.9 | 4.6 | 3.7 |
| ING GROEP | NL | 52.0 | 53.8 | 50.4 | 57.7 | 69.5 | 30.0 | 24.2 | 25.0 | 33.0 | n.c. | 4.1 | 1.3 | 1.1 | 0.3 | -1.9 |
| COMMERZBANK | DE | 76.0 | 74.6 | 65.7 | 67.1 | 70.2 | 4.2 | 10.1 | 13.7 | 14.5 | 0.0 | -0.2 | 2.1 | 1.1 | 1.4 | 1.9 |
| SOCIETE GENERALE | FR | 66.6 | 64.9 | 62.8 | 88.8 | 71.3 | 20.0 | 23.3 | 21.9 | 3.6 | 5.9 | 0.4 | 2.6 | 2.9 | 1.6 | 2.8 |
| HBOS | GB | 39.7 | 44.4 | 41.4 | 43.7 | 72.7 | 19.8 | 21.5 | 23.1 | 22.7 | n.c. | 3.2 | 0.3 | -0.1 | -0.2 | -3.4 |
| HYPO REAL ESTATE HOLDING | DE | 40.0 | 37.8 | 33.6 | 41.0 | 73.7 | 10.4 | 12.6 | 18.7 | 14.0 | n.c. | 2.2 | 2.5 | … | 0.9 | -2.1 |
| DEXIA | BE | 55.1 | 56.5 | 57.1 | 59.4 | 74.0 | 17.9 | 16.9 | 20.3 | 21.1 | n.c. | 3.0 | 4.0 | 3.9 | 2.9 | -0.1 |
| CREDIT MUTUEL | FR | 65.9 | 63.9 | 59.7 | 62.8 | 75.0 | 9.0 | 13.2 | 14.0 | 11.5 | 1.8 | 4.8 | 5.3 | 5.5 | 5.0 | 2.9 |
| THE ROYAL BANK OF SCOTLAND GROUP | GB | 50.4 | 55.4 | 52.8 | 56.5 | 97.6 | 15.7 | 18.4 | 18.9 | 18.7 | n.c. | 0.5 | -0.6 | 1.1 | 2.0 | 3.2 |
| DZ BANK | DE | 59.6 | 56.2 | 62.2 | 66.0 | 112.4 | 9.6 | 10.7 | 23.5 | 7.6 | n.c. | … | … | … | 1.1 | 1.1 |
| FORTIS (3) | BE | - | - | - | - | 117.1 | - | - | - | - | n.c. | - | - | - | - | 2.4 |
| KBC GROUP | BE | 59.1 | 60.1 | 55.0 | 54.8 | 124.3 | 19.8 | 16.7 | 24.9 | 23.3 | n.c. | 5.2 | 6.7 | 6.4 | 5.0 | 2.9 |
| KREDITANSTALT FUER WIEDERAUFBAU | DE | 30.9 | 31.2 | 30.5 | n.c. | 125.0 | 3.3 | 4.8 | 6.8 | n.c. | n.c. | 3.3 | 3.8 | 3.8 | 3.0 | 2.6 |
| FORTIS BANK NEDERLAND (HOLDING) (3) | NL | - | - | - | - | 125.8 | - | - | - | - | n.c. | - | - | - | - | 0.1 |
| DEUTSCHE BANK | DE | 78.7 | 75.5 | 71.7 | 72.5 | 137.5 | 10.5 | 13.4 | 22.3 | 21.2 | n.c. | 0.7 | 1.6 | 2.6 | 3.2 | 2.3 |
| WESTLB | DE | 89.6 | 94.3 | 93.6 | n.c. | 145.8 | n.c. | 6.5 | 13.5 | n.c. | 0.5 | … | … | … | 1.1 | 0.4 |
| LANDESBANK BADEN-WUERTTEMBERG | DE | 48.8 | 47.1 | 49.4 | 73.9 | 170.0 | 8.2 | 9.2 | 10.0 | 3.0 | n.c. | … | … | 2.0 | 0.5 | -2.0 |
| CREDIT SUISSE GROUP | CH | 77.2 | 79.2 | 67.3 | 72.0 | 189.5 | 18.4 | 16.1 | 35.1 | 21.9 | n.c. | -1.9 | 0.1 | 4.6 | 2.7 | 0.6 |
| BAYERISCHE LANDESBANK | DE | 46.7 | 54.1 | 55.9 | 66.0 | 201.5 | 3.6 | 9.0 | 7.6 | 0.9 | n.c. | … | … | … | 0.8 | -0.5 |
| DRESDNER BANK | DE | 88.0 | 89.8 | 80.0 | 92.5 | 679.4 | 0.2 | 17.0 | 7.7 | 4.0 | n.c. | -1.0 | 3.7 | 4.0 | 3.9 | 0.3 |
| UBS | CH | 71.1 | 68.2 | 70.6 | 120.7 | 1,131.5 | 30.1 | 46.8 | 32.7 | n.c. | n.c. | 1.3 | 2.3 | 2.4 | 1.3 | 1.5 |
| **Average** | | **60.6** | **61.0** | **59.3** | **64.1** | **76.2** | **14.7** | **18.2** | **19.7** | **15.7** | **n.c.** | **2.2** | **2.3** | **2.5** | **2.2** | **1.6** |

ROE = net profit as % of shareholders' equity less net profit.

Cost /income ratio = operating costs (labour costs plus general expenses plus depreciation and amortization) as % of total income.

Free Capital = net worth less fixed assets less doubtful loans.

n.c. = ROE not calculated as result for the year was negative; cost/income ratio non calculated as total income was negative.

(1) The table does not include companies no longer existing in their previous form as at 31 December 2008.
(2) In 2005 ROE was calculated excluding the effect of acquiring Bayerische Hypo- und Vereinsbank (HVB).
(3) Included in the survey since 2008 following separation of ex-Fortis group banking and insurance activities.

**TABLE I.34 – PROFITABILITY AND FREE CAPITAL RATIOS**

**JAPAN**

| BANKS (1) | ROE | | | | | COST / INCOME RATIO | | | | | FREE CAPITAL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | | | % | | | | | % | | | as % of funding from customers | | | | |
| SHINKIN CENTRAL BANK | 43.2 | 44.4 | 52.4 | 47.1 | 33.7 | 5.2 | 5.4 | 4.3 | 5.5 | n.c. | 3.9 | 3.0 | 3.1 | 2.1 | 0.6 |
| BANK OF YOKOHAMA | 40.7 | 40.6 | 42.8 | 43.6 | 45.2 | 10.7 | 9.8 | 10.2 | 10.8 | 1.1 | 2.9 | 4.5 | 4.7 | 4.5 | 3.6 |
| CHIBA BANK | 48.9 | 49.8 | 48.0 | 47.9 | 47.1 | 9.5 | 10.1 | 9.8 | 8.8 | 2.4 | 1.8 | 3.5 | 3.6 | 3.5 | 3.9 |
| SUMITOMO MITSUI FINANCIAL GROUP | 41.6 | 39.9 | 46.4 | 46.7 | 52.0 | n.c. | 18.2 | 12.7 | 14.8 | n.c. | 1.3 | 4.2 | 3.6 | 2.3 | 1.6 |
| RESONA HOLDINGS (2) | 50.0 | 49.1 | 48.2 | 50.6 | 52.7 | 44.5 | 30.1 | 58.0 | 14.5 | 6.4 | 2.0 | 3.2 | 3.9 | 5.7 | 4.5 |
| SHIZUOKA BANK | 60.7 | 58.3 | 55.4 | 54.7 | 55.3 | 6.0 | 4.8 | 5.2 | 5.2 | 2.1 | 5.5 | 7.3 | 7.9 | 6.5 | 5.7 |
| HOKUHOKU FINANCIAL GROUP | 50.5 | 50.3 | 48.2 | 49.5 | 56.0 | 4.4 | 7.1 | 9.0 | 9.3 | 9.2 | -1.0 | 0.4 | 1.6 | 1.7 | 1.8 |
| SHOKO CHUKIN BANK | 51.8 | 48.2 | 49.9 | 51.7 | 57.5 | 1.4 | 2.0 | 2.1 | 3.3 | n.c. | 2.4 | 3.0 | 3.8 | 4.6 | 5.5 |
| JOYO BANK | 57.5 | 53.7 | 55.2 | 56.4 | 59.2 | 6.4 | 5.4 | 5.4 | 3.3 | 1.4 | 3.7 | 4.1 | 5.0 | 3.3 | 2.7 |
| CHUO MITSUI TRUST HOLDINGS | 45.7 | 43.4 | 40.6 | 49.2 | 60.7 | 18.3 | 16.2 | 12.7 | 9.0 | n.c. | 3.5 | 7.4 | 8.6 | 6.8 | 3.1 |
| FUKUOKA FINANCIAL GROUP | 54.9 | 55.6 | 54.3 | 61.1 | 61.8 | 7.8 | 8.5 | 8.1 | 0.3 | 4.5 | 2.3 | 3.0 | 4.4 | 0.4 | 0.7 |
| MIZUHO FINANCIAL GROUP | 54.7 | 51.6 | 52.0 | 71.2 | 64.3 | 19.1 | 15.6 | 14.5 | 8.7 | n.c. | 3.8 | 4.9 | 5.6 | 4.2 | 2.7 |
| SUMITOMO TRUST & BANKING CO. | 48.0 | 48.1 | 46.8 | 56.8 | 65.3 | 11.9 | 9.8 | 9.2 | 8.3 | 0.9 | 7.2 | 7.0 | 7.6 | 6.1 | 6.1 |
| SAPPORO HOKUYO HOLDINGS | 57.9 | 66.2 | 53.5 | 62.2 | 66.4 | 6.6 | 8.8 | 8.6 | 10.2 | n.c. | 1.6 | 2.7 | 2.9 | 1.2 | 0.6 |
| SHINSEI BANK | 56.6 | 56.1 | 67.2 | 59.9 | 66.8 | 9.4 | 9.8 | n.c. | 9.1 | n.c. | 8.2 | 11.4 | 8.3 | 9.4 | 4.9 |
| MITSUBISHI UFJ FINANCIAL GROUP | 60.8 | 64.7 | 60.3 | 61.8 | 105.9 | 10.5 | 6.4 | 5.9 | n.c. | n.c. | 2.9 | 2.7 | 3.7 | 2.8 | 0.9 |
| NORINCHUKIN BANK | 43.0 | 48.4 | 36.9 | 51.7 | n.c. | 5.1 | 7.3 | 6.1 | 9.4 | n.c. | 5.5 | 7.7 | 8.5 | 6.6 | 5.1 |
| **Average** | **50.4** | **53.0** | **52.9** | **57.5** | **71.4** | **5.9** | **10.9** | **9.9** | **4.7** | **n.c.** | **3.1** | **4.2** | **4.8** | **3.8** | **2.4** |

ROE = net profit as % of shareholders' equity less net profit.
Cost /income ratio = operating costs (labour costs plus general expenses plus depreciation and amortization) as % of total income.
Free Capital = net worth less fixed assets less doubtful loans.
n.c. = ROE not calculated as result for the year was negative; cost/income ratio non calculated as total income was negative.

(1) The table does not include companies no longer existing in their previous form as at 31 December 2008.
(2) ROE for 2006 falls to approx. 35% excluding the effect of the amendment to the method of accounting for deferred taxes.

**TABLE I.34 – PROFITABILITY AND FREE CAPITAL RATIOS**

**UNITED STATES**

| BANKS (1) | ROE | | | | | COST / INCOME RATIO | | | | | FREE CAPITAL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | % | | | | | % | | | | | as % of funding from customers | | | | |
| U.S. BANCORP | 43.5 | 44.0 | 46.1 | 46.8 | 49.3 | 27.1 | 28.8 | 28.9 | 25.9 | 12.6 | 5.9 | 5.3 | 5.6 | 5.4 | 6.9 |
| BANK OF AMERICA | 53.5 | 50.7 | 48.9 | 56.5 | 52.4 | 17.6 | 19.4 | 18.5 | 11.4 | 2.3 | 4.5 | 4.3 | 4.0 | 2.0 | 2.9 |
| WELLS FARGO & CO. | 57.9 | 57.8 | 57.9 | 56.9 | 53.6 | 22.7 | 23.3 | 22.7 | 20.4 | 2.8 | 2.6 | 1.8 | 1.3 | 0.7 | 1.5 |
| BB&T | 53.0 | 55.1 | 55.5 | 54.5 | 53.9 | 16.7 | 17.5 | 15.0 | 15.9 | 10.5 | 6.2 | 5.6 | 4.9 | 4.8 | 6.5 |
| CAPITAL ONE FINANCIAL | 59.3 | 56.6 | 57.5 | 61.5 | 55.3 | 22.5 | 15.4 | 14.5 | 6.9 | n.c. | 22.1 | 15.7 | 8.1 | 7.1 | 8.6 |
| FIFTH THIRD BANCORP | 48.9 | 53.9 | 56.0 | 57.1 | 56.2 | 20.6 | 19.6 | 13.4 | 13.3 | n.c. | 6.8 | 4.3 | 4.2 | 1.3 | 3.5 |
| THE PNC FINANCIAL SERVICES GROUP | 68.8 | 68.2 | 66.2 | 61.4 | 62.5 | 19.1 | 18.3 | 31.7 | 11.0 | 3.6 | 4.0 | 3.2 | 0.8 | -1.2 | 1.2 |
| WASHINGTON MUTUAL | 63.5 | 61.8 | 60.5 | 60.7 | 66.8 (2) | 15.7 | 14.2 | 15.2 | n.c. | - | -1.0 | -0.4 | 0.6 | -0.7 | - |
| JPMORGAN CHASE & CO. | 68.8 | 65.9 | 62.1 | 58.3 | 68.4 | 6.9 | 8.6 | 14.3 | 14.2 | 3.5 | 4.9 | 5.0 | 5.1 | 4.6 | 6.4 |
| REGIONS FINANCIAL | 64.2 | 60.9 | 58.9 | 64.7 | 68.4 | 9.2 | 10.4 | 10.5 | 6.7 | n.c. | 6.1 | 5.6 | 5.5 | 4.4 | 7.2 |
| THE BANK OF NEW YORK MELLON | 66.4 | 66.4 | 67.0 | 66.7 | 70.3 | 18.3 | 18.9 | 35.1 | 7.5 | 5.3 | 4.5 | 4.8 | 3.0 | 1.3 | 0.8 |
| KEYCORP | 62.9 | 64.4 | 63.3 | 66.1 | 71.8 | 15.5 | 17.5 | 15.9 | 13.5 | n.c. | 5.0 | 4.1 | 4.2 | 3.6 | 6.9 |
| SUNTRUST BANKS | 61.1 | 59.5 | 60.3 | 65.6 | 72.9 | 10.9 | 13.3 | 13.5 | 10.0 | 3.7 | 5.8 | 5.7 | 5.5 | 4.9 | 6.7 |
| NATIONAL CITY | 54.6 | 59.6 | 61.2 | 67.0 | 78.0 (3) | 27.7 | 18.7 | 18.7 | 2.4 | - | 4.3 | 3.2 | 0.3 | 0.0 | - |
| WACHOVIA (4) | 62.3 | 60.6 | 58.7 | 59.3 | 90.5 | 14.0 | 16.2 | 14.9 | 8.9 | - | 5.6 | 5.4 | 4.6 | 4.0 | - |
| COUNTRYWIDE FINANCIAL | 63.8 | 72.3 | 67.1 | 95.8 | 98.4 (5) | 27.1 | 24.6 | 23.0 | n.c. | - | -2.1 | -5.2 | -8.0 | -12.3 | - |
| CITIGROUP | 54.1 | 56.0 | 60.2 | 76.0 | 100.8 | 18.5 | 28.0 | 21.9 | 3.3 | n.c. | 5.8 | 5.6 | 4.6 | 1.7 | 6.3 |
| **Average** | **57.8** | **57.9** | **57.9** | **63.2** | **68.8** | **16.1** | **18.2** | **18.2** | **9.6** | **n.c.** | **5.0** | **4.6** | **4.0** | **2.5** | **4.5** |

ROE = net profit as % of shareholders' equity less net profit.
Cost /income ratio = operating costs (labour costs plus general expenses plus depreciation and amortization) as % of total income.
Free Capital = net worth less fixed assets less doubtful loans.
n.c. = ROE not calculated as result for the year was negative; cost/income ratio non calculated as total income was negative.

(1) Table includes data for companies only operating for part of 2008.
(2) Figure for 1H 2008. Banking activities acquired by JPMorgan Chase with effect from 25 September 2008.
(3) Figure for first nine months of the financial year. Acquired by The PNC Financial Services Group with effect from 31 December 2008.
(4) Acquired by Wells Fargo & Co. with effect from 31 December 2008.
(5) Figure for 1H 2008. Acquired by Bank of America with effect from 1 July 2008.

**TABLE I.34 – PROFITABILITY AND FREE CAPITAL RATIOS**

**CHINA**

| BANKS | ROE | | | | | COST / INCOME RATIO | | | | | FREE CAPITAL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | % | | | | | % | | | | | as % of funding from customers | | | | |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA | 48,5 | 47,0 | 42,7 | 35,8 | 35,1 | 1,4 | 15,3 | 11,5 | 17,8 | 22,5 | -11,8 | 1,2 | 5,1 | 6,3 | 6,0 |
| CHINA CONSTRUCTION BANK | 46,8 | 45,8 | 44,3 | 38,0 | 36,5 | 32,4 | 19,3 | 16,3 | 19,6 | 24,8 | 2,6 | 4,6 | 5,0 | 6,3 | 6,5 |
| BANK OF COMMUNICATIONS | 60,0 | 52,0 | 47,9 | 41,2 | 38,6 | 3,1 | 12,5 | 15,3 | 17,8 | 23,4 | 1,3 | 3,9 | 4,4 | 6,0 | 6,0 |
| BANK OF CHINA | 45,2 | 44,0 | 44,1 | 39,8 | 39,0 | 11,4 | 13,3 | 12,6 | 15,4 | 16,1 | 3,3 | 4,0 | 7,0 | 7,5 | 7,3 |
| CHINA CITIC BANK | 49,0 | 52,1 | 51,8 | 42,6 | 39,7 | 29,1 | 15,3 | 13,9 | 11,0 | 16,2 | -0,7 | 2,0 | 3,2 | 9,4 | 9,3 |
| INDUSTRIAL BANK | 47,9 | 48,3 | 45,2 | 41,2 | 41,6 | 20,0 | 25,4 | 30,6 | 28,3 | 30,2 | 1,8 | 2,0 | 2,8 | 6,4 | 6,8 |
| CHINA MERCHANTS BANK | 48,5 | 47,7 | 44,6 | 40,8 | 42,2 | 17,7 | 18,9 | 14,0 | 28,9 | 36,1 | 2,7 | 2,9 | 6,6 | 6,9 | 4,9 |
| SHANGHAI PUDONG DEVELOPMENT BANK | 46,0 | 47,9 | 47,6 | 45,1 | 45,1 | 16,7 | 19,1 | 15,7 | 24,1 | 42,9 | 2,3 | 2,3 | 3,6 | 3,5 | 4,2 |
| CHINA MINSHENG BANKING | 54,2 | 55,7 | 57,4 | 54,3 | 50,7 | 18,8 | 21,2 | 24,2 | 14,4 | 17,1 | 2,0 | 1,9 | 2,3 | 6,1 | 6,0 |
| AGRICULTURAL BANK OF CHINA | 71,4 | 76,2 | 62,1 | 53,6 | 51,1 | 2,6 | 1,3 | 7,4 | 15,5 | 21,5 | -20,0 | -18,1 | -15,3 | -14,7 | 1,8 |
| **Average** | **51,6** | **50,7** | **47,5** | **41,2** | **40,2** | **12,7** | **14,8** | **13,3** | **17,8** | **22,0** | **-5,6** | **-1,0** | **1,3** | **2,5** | **5,6** |

ROE = net profit as % of shareholders' equity less net profit.
Cost /income ratio = operating costs (labour costs plus general expenses plus depreciation and amortization) as % of total income.
Free Capital = net worth less fixed assets less doubtful loans.

**TABLE I.35 – TOTAL ASSETS AS A PERCENTAGE OF TANGIBLE NET EQUITY AND CAPITAL ADEQUACY RATIOS**

**EUROPE**

| BANKS (3) | COUNTRY | TOTAL ASSETS (1) / TANGIBLE NET WORTH | | | | | TOTAL CAPITAL RATIO (2) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | *of which:* tier 1 | 2009 | *of which:* tier 1 |
| | | number | | | | | % | | | | | | | |
| HYPO REAL ESTATE HOLDING | DE | 52.1 | 48.1 | 47.8 | 113.0 | n.c. | 12.0 | 11.2 | 10.0 | 9.9 | **5.7** | ***3.4*** | … | … |
| DEXIA | BE | 34.4 | 33.9 | 35.7 | 44.1 | 189.4 | 11.7 | 10.9 | 10.3 | 9.6 | 11.8 | *10.6* | 14.1 | *12.3* |
| ING GROEP | NL | 29.5 | 44.7 | 43.5 | 55.8 | 128.5 | 11.5 | 10.9 | 11.0 | 10.3 | 12.8 | *9.3* | 13.5 | *10.2* |
| DRESDNER BANK | DE | 41.9 | 34.1 | 36.1 | 41.8 | 101.2 | 13.3 | 16.3 | 15.6 | 13.8 | **7.5** | ***3.7*** | - | - |
| DEUTSCHE BANK | DE | 43.8 | 44.1 | 44.2 | 69.1 | 99.5 | 13.2 | 13.5 | 12.8 | 11.6 | 12.2 | *10.1* | 13.9 | *12.6* |
| LANDESBANK BADEN-WUERTTEMBERG | DE | 35.6 | 36.3 | 36.0 | 43.0 | 90.4 | 10.8 | 10.5 | 11.0 | 9.7 | 10.1 | *6.9* | … | … |
| WESTLB | DE | 65.9 | 45.2 | 43.0 | 66.9 | 78.6 | 11.5 | 14.2 | 12.1 | 8.6 | 10.1 | *6.4* | … | … |
| UBS | CH | 61.2 | 53.6 | 58.1 | 80.7 | 71.8 | 13.6 | 14.1 | 14.7 | 12.0 | 15.1 | *11.0* | 19.8 | *15.4* |
| HBOS | GB | 22.2 | 35.0 | 33.3 | 36.1 | 68.9 | 11.8 | 12.4 | 12.0 | 11.0 | 10.3 | *6.0* | - | - |
| FORTIS BANK NEDERLAND (HOLDING) (4) | NL | - | - | - | - | 64.9 | - | - | - | - | 11.2 | *7.4* | … | … |
| LLOYDS BANKING GROUP | GB | 29.3 | 39.4 | 39.8 | 36.1 | 61.4 | 10.0 | 10.9 | 10.7 | 11.0 | 11.2 | *8.0* | 12.4 | *9.6* |
| BARCLAYS | GB | 34.4 | 53.5 | 49.3 | 50.4 | 55.2 | 11.5 | 11.3 | 11.7 | 12.1 | 13.6 | *8.6* | 16.6 | *13.0* |
| DZ BANK | DE | 48.9 | 48.9 | 43.8 | 39.8 | 50.8 | 12.3 | 10.4 | 12.6 | 10.2 | 9.7 | *7.4* | … | … |
| DANSKE BANK | DK | 32.4 | 36.2 | 31.1 | 44.2 | 48.1 | 10.2 | 10.3 | 11.4 | 9.3 | 13.0 | *9.2* | 17.8 | *14.1* |
| BAYERISCHE LANDESBANK | DE | 35.1 | 33.0 | 30.9 | 40.0 | 46.3 | 12.5 | 11.1 | 10.7 | 11.4 | 12.3 | *8.0* | … | … |
| BNP PARIBAS | FR | 32.1 | 34.0 | 33.1 | 35.4 | 44.6 | 10.3 | 11.0 | 10.5 | 10.0 | 11.1 | *7.8* | 14.2 | *10.1* |
| FORTIS BANK (4) | BE | - | - | - | - | 44.5 | - | - | - | - | 18.7 | *10.7* | - | - |
| THE ROYAL BANK OF SCOTLAND GROUP | GB | 29.1 | 43.9 | 32.5 | 43.1 | 39.4 | 11.7 | 11.7 | 11.7 | 11.2 | 14.1 | *10.0* | 16.1 | *14.1* |
| CREDIT AGRICOLE (5) | FR | 25.6 | 29.0 | 30.4 | 31.0 | 37.6 | 10.4 | 10.1 | 10.0 | 9.6 | 9.9 | *8.4* | 9.8 | *9.5* |
| SOCIETE GENERALE | FR | 33.5 | 37.4 | 34.7 | 43.0 | 34.2 | 11.9 | 11.3 | 11.1 | 8.9 | 11.6 | *8.8* | 13.0 | *10.7* |
| COMMERZBANK | DE | 41.3 | 35.0 | 44.5 | 41.4 | 33.6 | 12.6 | 12.5 | 11.1 | 10.8 | 13.9 | *10.1* | 14.8 | *10.5* |
| KREDITANSTALT FUER WIEDERAUFBAU | DE | 28.3 | 25.1 | 23.5 | 23.8 | 33.6 | … | … | … | 11.9 | 10.1 | *7.8* | … | … |
| HSBC HOLDINGS | GB | 16.7 | 22.2 | 23.0 | 23.8 | 33.5 | 12.0 | 12.8 | 13.5 | 13.6 | 11.4 | *8.3* | 13.7 | *10.8* |
| UNICREDIT | IT | 20.7 | 28.4 | 27.5 | 26.5 | 32.1 | 11.6 | 10.3 | 10.5 | 10.1 | 10.7 | *6.7* | 12.9 | *9.5* |
| CREDIT SUISSE GROUP | CH | 44.4 | 43.2 | 26.3 | 27.8 | 31.0 | 16.6 | 13.7 | 18.4 | 14.5 | 17.9 | *13.3* | 20.6 | *16.3* |
| NORDEA | SE | 25.8 | 30.1 | 26.4 | 26.8 | 30.9 | 9.5 | 9.2 | 9.8 | 9.1 | 9.5 | *7.4* | 11.9 | *10.2* |
| KBC GROUP | BE | 21.8 | 20.3 | 19.6 | 23.5 | 30.5 | 12.9 | 12.5 | 11.7 | 10.5 | 13.5 | *9.7* | 14.8 | *11.0* |
| CREDIT MUTUEL | FR | 22.1 | 21.9 | 20.9 | 21.7 | 28.3 | 12.4 | 11.8 | 12.0 | 11.0 | 11.7 | *9.8* | … | … |
| BANCO BILBAO VIZCAYA ARGENTARIA | ES | 19.2 | 25.0 | 20.9 | 24.4 | 28.3 | 12.5 | 12.0 | 12.0 | 10.7 | 12.2 | *7.9* | 13.6 | *9.4* |
| INTESA SANPAOLO | IT | 18.2 | 16.9 | 16.5 | 20.5 | 26.6 | 11.6 | 10.3 | 10.5 | 9.0 | 10.2 | *7.1* | 11.8 | *8.4* |
| BANCO SANTANDER | ES | 22.3 | 29.3 | 27.1 | 21.6 | 26.1 | 13.0 | 12.9 | 12.5 | 12.7 | 12.2 | *8.8* | 14.2 | *10.1* |
| RABOBANK NEDERLAND | NL | 19.2 | 19.2 | 19.9 | 19.8 | 20.1 | 11.4 | 11.8 | 11.0 | 10.9 | 13.0 | *12.7* | 14.1 | *13.8* |
| **Average** | | **29.9** | **34.1** | **32.9** | **35.6** | **43.9** | **11.9** | **11.8** | **11.8** | **10.8** | **11.8** | ***8.5*** | **(14.5)** | ***(11.5)*** |

Tangible net worth = net worth less intangibile assets less goodwill.
n.c. = not calculated as tangible net equity was negative.

(1) Excluding intangibile assets.
(2) Ratio between regulatory capital and risk-weighted assets. According to the Basel Bank for International Settlements (BIS) guidelines, the minimum requirement is 4% (tier 1 capital ratio), while the total capital ratio, which includes subordinated liabilities, has to be a minimum of 8%.
(3) The table does not include companies no longer existing in their previous form as at 31 December 2008.
(4) Included since 2008, when the banking and insurance activities of the former Fortis group were separated. Acquired by BNP Paribas in May 2009.
(5) In 2009 ratios refer to Crédit Agricole S.A.

**TABLE I.35 – TOTAL ASSETS AS A PERCENTAGE OF TANGIBLE NET EQUITY AND CAPITAL ADEQUACY RATIOS**

**JAPAN**

| BANKS (3) | TOTAL ASSETS (1) / TANGIBLE NET WORTH | | | | | TOTAL CAPITAL RATIO (2) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 31/03/05 | 31/03/06 | 31/03/07 | 31/03/08 | 31/03/09 | *of which:* tier 1 | 30/09/09 | *of which:* tier 1 |
| | number | | | | | % | | | | | | | |
| SHINKIN CENTRAL BANK | 29.2 | 31.4 | 28.1 | 35.8 | 63.6 | 15.8 | 14.3 | 20.1 | 15.8 | 11.3 | … | … | … |
| MITSUBISHI UFJ FINANCIAL GROUP | 24.2 | 24.7 | 22.3 | 27.9 | 39.2 | 11.8 | 12.2 | 12.6 | 11.2 | 11.8 | *7.8* | 13.3 | *9.1* |
| MIZUHO FINANCIAL GROUP | 27.6 | 24.5 | 22.4 | 27.6 | 38.2 | 11.9 | 11.6 | 12.5 | 11.7 | 10.6 | *6.4* | 12.9 | *8.7* |
| SUMITOMO MITSUI FINANCIAL GROUP | 30.0 | 21.2 | 22.0 | 30.5 | 33.9 | 9.9 | 12.4 | 11.3 | 10.6 | 11.5 | *8.2* | 13.1 | *9.6* |
| SAPPORO HOKUYO HOLDINGS | 22.8 | 20.2 | 18.1 | 25.7 | 32.8 | 9.9 | 10.2 | 10.6 | 9.3 | 9.7 | *6.5* | 10.1 | *6.9* |
| FUKUOKA FINANCIAL GROUP | 19.7 | 19.0 | 16.0 | 27.5 | 28.5 | 9.3 | 9.7 | 11.3 | 8.8 | 9.3 | *5.6* | 10.1 | *6.2* |
| NORINCHUKIN BANK | 21.3 | 18.2 | 15.3 | 18.9 | 25.3 | 11.7 | 12.1 | 12.8 | 12.5 | 15.6 | *9.6* | 18.3 | *12.8* |
| HOKUHOKU FINANCIAL GROUP | 26.6 | 25.2 | 21.0 | 22.7 | 24.3 | 8.3 | 9.0 | 10.4 | 10.4 | 10.8 | *7.6* | 10.9 | *6.7* |
| CHUO MITSUI TRUST HOLDINGS | 18.0 | 13.9 | 12.5 | 14.6 | 23.1 | 10.3 | 12.4 | 12.1 | 13.8 | 12.1 | *8.7* | 12.3 | *8.8* |
| JOYO BANK | 16.5 | 14.8 | 14.6 | 17.4 | 20.1 | 11.8 | 12.0 | 12.0 | 13.2 | 12.9 | *11.6* | … | *11.2* |
| SHINSEI BANK | 13.9 | 10.7 | 14.3 | 14.5 | 19.8 | 11.8 | 15.5 | 13.1 | 11.7 | 8.4 | *6.0* | 9.4 | *7.0* |
| CHIBA BANK | 20.2 | 17.9 | 16.4 | 17.0 | 18.8 | 11.2 | 11.2 | 11.6 | 12.2 | 11.7 | *10.2* | 12.7 | *11.3* |
| SUMITOMO TRUST & BANKING CO. | 15.6 | 17.8 | 15.5 | 19.0 | 18.5 | 12.5 | 10.9 | 11.4 | 11.8 | 12.1 | *7.6* | 14.2 | *9.9* |
| RESONA HOLDINGS | 26.3 | 21.7 | 20.1 | 15.6 | 18.4 | 9.7 | 10.0 | 10.6 | 14.3 | 13.5 | *9.9* | 13.1 | *9.7* |
| BANK OF YOKOHAMA | 17.3 | 14.4 | 14.6 | 15.9 | 16.7 | 11.0 | 11.0 | 11.2 | 10.8 | 10.9 | *9.6* | 11.6 | *9.5* |
| SHOKO CHUKIN BANK | 17.6 | 17.2 | 16.2 | 15.5 | 16.0 | 7.8 | 8.0 | 8.3 | 8.8 | 8.9 | *7.7* | 11.0 | *9.7* |
| SHIZUOKA BANK | 13.1 | 11.6 | 11.2 | 12.9 | 14.2 | 13.5 | 13.6 | 14.5 | 14.7 | 14.1 | *13.8* | 14.7 | *13.8* |
| **Average** | **24.5** | **21.4** | **19.8** | **23.8** | **30.2** | **11.1** | **11.5** | **12.1** | **11.9** | **11.5** | ***(8.6)*** | **(12.5)** | ***(9.4)*** |

Tangible net worth = net worth less intangibile assets less goodwill.

(1) Excluding intangibile assets.
(2) Ratio between regulatory capital and risk-weighted assets. According to the Basel Bank for International Settlements (BIS) guidelines, the minimum requirement is 4% (tier 1 capital ratio), while the total capital ratio, which includes subordinated liabilities, has to be a minimum of 8%.
(3) The table does not include companies no longer existing in their previous form as at 31 December 2008.

## TABLE I.35 – TOTAL ASSETS AS A PERCENTAGE OF TANGIBLE NET EQUITY AND CAPITAL ADEQUACY RATIOS

**UNITED STATES**

| BANKS (3) | TOTAL ASSETS (1) / TANGIBLE NET WORTH | | | | | TOTAL CAPITAL RATIO (2) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | *of which:* tier 1 | 2009 | *of which:* tier 1 |
| | number | | | | | % | | | | | | | |
| THE BANK OF NEW YORK MELLON | 18.0 | 17.9 | 23.8 | 28.3 | 37.8 | 12.2 | 12.5 | 12.5 | 13.2 | 17.1 | *13.3* | 16.0 | *12.1* |
| WELLS FARGO & CO. | 22.2 | 27.6 | 28.2 | 32.9 | 28.0 | 12.1 | 11.6 | 12.5 | 10.7 | 11.8 | *7.8* | 13.3 | *9.3* |
| BANK OF AMERICA | 22.1 | 24.7 | 24.2 | 29.2 | 23.3 | 11.6 | 11.1 | 11.9 | 11.0 | 13.0 | *9.2* | 14.7 | *10.4* |
| JPMORGAN CHASE & CO. | 22.7 | 22.7 | 22.9 | 23.7 | 20.3 | 12.2 | 12.0 | 12.3 | 12.6 | 14.8 | *10.9* | 14.8 | *11.1* |
| CITIGROUP | 22.8 | 22.2 | 25.6 | 39.5 | 19.7 | 11.8 | 12.0 | 11.7 | 10.7 | 15.7 | *11.9* | 15.3 | *11.7* |
| THE PNC FINANCIAL SERVICES GROUP | 16.5 | 18.7 | 12.8 | 18.6 | 17.5 | 13.0 | 12.1 | 13.5 | 10.3 | 13.2 | *9.7* | 15.0 | *11.4* |
| U.S. BANCORP | 17.1 | 19.1 | 18.7 | 20.5 | 16.3 | 13.1 | 12.5 | 12.6 | 12.2 | 14.3 | *10.6* | 12.9 | *9.6* |
| BB&T | 16.2 | 17.5 | 19.3 | 19.5 | 15.1 | 14.5 | 14.4 | 14.3 | 14.2 | 17.4 | *12.3* | 15.8 | *11.5* |
| FIFTH THIRD BANCORP | 12.5 | 15.5 | 13.7 | 18.2 | 13.3 | 12.3 | 10.4 | 11.1 | 10.2 | 14.8 | *10.6* | 17.5 | *13.3* |
| REGIONS FINANCIAL | 15.7 | 16.3 | 15.8 | 17.5 | 13.3 | 13.5 | 12.8 | 11.5 | 11.3 | 14.6 | *10.4* | 15.8 | *11.5* |
| SUNTRUST BANKS | 17.6 | 18.3 | 17.1 | 17.3 | 12.7 | 10.4 | 10.6 | 11.1 | 10.3 | 14.0 | *10.9* | 16.4 | *13.0* |
| KEYCORP | 16.1 | 15.6 | 14.8 | 16.2 | 11.5 | 11.5 | 11.5 | 12.4 | 11.4 | 14.8 | *10.9* | 17.0 | *12.8* |
| CAPITAL ONE FINANCIAL | 6.6 | 8.6 | 13.3 | 13.4 | 11.2 | 16.6 | 13.9 | 12.3 | 13.0 | 16.6 | *13.8* | 17.7 | *13.8* |
| COUNTRYWIDE FINANCIAL | 131.9 | n.c. | n.c. | n.c. | - | 11.7 | 11.7 | 12.8 | 14.4 | 12.4(4) | *11.1*(4) | - | - |
| NATIONAL CITY | 17.2 | 19.5 | 15.8 | 27.9 | - | 11.8 | 10.5 | 12.2 | 10.3 | 14.9(5) | *11.0*(5) | - | - |
| WASHINGTON MUTUAL | 33.1 | 30.7 | 24.3 | 21.6 | - | 11.3 | 10.9 | 11.8 | 12.3 | 13.9(6) | *9.4*(6) | - | - |
| WACHOVIA | 17.4 | 18.1 | 20.3 | 21.1 | - | 11.1 | 10.8 | 11.3 | 11.8 | 12.4(7) | *7.5*(7) | - | - |
| **Average** | **20.5** | **21.6** | **23.2** | **27.8** | **20.3** | **12.4** | **11.8** | **12.2** | **11.8** | **14.8**(8) | ***10.9***(8) | **15.6** | ***11.7*** |

Tangible net worth = net worth less intangibile assets less goodwill.
n.c. = not calculated as tangible net equity was negative.

(1) Excluding intangibile assets.
(2) Ratio between regulatory capital and risk-weighted assets. According to the Basel Bank for International Settlements (BIS) guidelines, the minimum requirement is 4% (tier 1 capital ratio), while the total capital ratio, which includes subordinated liabilities, has to be a minimum of 8%.
(3) Table includes companies operative for part of 2008.
(4) As at 30-6-2008. Acquired by Bank of America with effect from 1 July 2008..
(5) As at 30-9-2008. Acquired by The PNC Financial Services Group with effect from 31 December 2008.
(6) As at 30-6-2008. The company's banking activities were acquired by JPMorgan Chase with effect from 25 September 2008.
(7) As at 30-9-2008. Acquired by Wells Fargo & Co. with effect from 31 December 2008.
(8) Calculated solely on the basis of ratios as at 31 December.

**TABLE I.35 – TOTAL ASSETS AS A PERCENTAGE OF TANGIBLE NET EQUITY AND CAPITAL ADEQUACY RATIOS**

**CHINA**

| BANKS | TOTAL ASSETS (1) / TANGIBLE NET WORTH | | | | | TOTAL CAPITAL RATIO (2) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | *of which:* tier 1 |
| | number | | | | | % | | | | | |
| SHANGHAI PUDONG DEVELOPMENT BANK | 33.7 | 36.9 | 27.9 | 32.3 | 31.4 | 8.0 | 8.0 | 9.3 | 9.1 | 9.1 | *5.0* |
| AGRICULTURAL BANK OF CHINA | 57.5 | 66.0 | 69.0 | 71.9 | 26.5 | … | … | … | … | 9.4 | *8.0* |
| CHINA MERCHANTS BANK | 28.1 | 29.8 | 16.9 | 19.4 | 23.0 | 9.5 | 9.1 | 11.4 | 10.4 | 11.3 | *6.6* |
| INDUSTRIAL BANK | 36.6 | 41.8 | 39.1 | 22.1 | 21.0 | 8.1 | 8.1 | 8.7 | 11.7 | 11.2 | *8.9* |
| CHINA MINSHENG BANKING | 35.7 | 37.2 | 37.8 | 18.4 | 19.4 | 8.6 | 8.3 | 8.1 | 10.7 | 9.2 | *6.6* |
| BANK OF COMMUNICATIONS | 21.7 | 17.3 | 18.8 | 15.8 | 18.0 | 9.7 | 11.2 | 10.8 | 14.4 | 13.5 | *9.5* |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA | 34.7 | 25.2 | 16.2 | 16.7 | 16.8 | … | 9.9 | 14.0 | 13.1 | 13.1 | *10.8* |
| CHINA CONSTRUCTION BANK | 19.9 | 16.8 | 17.5 | 16.4 | 16.3 | 11.3 | 13.6 | 12.1 | 12.6 | 12.2 | *10.2* |
| BANK OF CHINA | 18.5 | 18.2 | 13.1 | 13.5 | 14.4 | 10.0 | 10.4 | 13.6 | 13.3 | 13.4 | *10.8* |
| CHINA CITIC BANK | 47.0 | 25.9 | 22.5 | 12.1 | 12.5 | 6.1 | 8.1 | 9.4 | 15.3 | 14.3 | *12.3* |
| **Average** | **27.4** | **24.1** | **19.4** | **18.6** | **17.8** | **(8.9)** | **(9.6)** | **(10.8)** | **(12.3)** | **11.7** | ***8.9*** |

Tangible net worth = net worth less intangibile assets less goodwill.

(1) Excluding intangibile assets.
(2) Ratio between regulatory capital and risk-weighted assets. According to the Basel Bank for International Settlements (BIS) guidelines, the minimum requirement is 4% (tier 1 capital ratio), while the total capital ratio, which includes subordinated liabilities, has to be a minimum of 8%.

**TABLE I.36 – DERIVATIVE CONTRACTS**

| | 2006 | | | | | | 2007 | | | | | | 2008 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Europe | | Japan | | United States | | Europe | | Japan | | United States | | Europe | | Japan | | United States | |
| | EUR bn | % | JPY bn | % | USD bn | % | mld | % | mld | % | mld | % | mld | % | mld | % | mld | % |
| *Notional amounts by risk category:* | | | | | | | | | | | | | | | | | | |
| interest rate | 212,338 | *80.5* | 2,204,128 | *89.4* | 110,158 | *83.4* | 256,187 | *78.2* | 2,241,839 | *88.7* | 136,001 | *79.7* | 298,400 | *81.2* | 1,833,380 | *88.0* | 137,413 | *81.8* |
| foreign exchange | 26,165 | *9.9* | 230,511 | *9.3* | 10,425 | *7.9* | 32,677 | *10.0* | 233,683 | *9.2* | 14,926 | *8.7* | 33,103 | *9.0* | 217,291 | *10.4* | 12,667 | *7.5* |
| credit | 14,441 | *5.5* | 18,003 | *0.7* | 8,073 | *6.1* | 27,200 | *8.3* | 34,485 | *1.4* | 14,711 | *8.6* | 24,645 | *6.7* | 21,887 | *1.1* | 13,748 | *8.2* |
| equity | 6,925 | *2.6* | 3,916 | *0.2* | 1,993 | *1.5* | 7,837 | *2.4* | 4,677 | *0.2* | 2,824 | *1.7* | 7,973 | *2.2* | 2,973 | *0.1* | 3,062 | *1.8* |
| other | 3,874 | *1.5* | 9,197 | *0.4* | 1,486 | *1.1* | 3,534 | *1.1* | 12,232 | *0.5* | 2,153 | *1.3* | 3,199 | *0.9* | 9,214 | *0.4* | 1,072 | *0.6* |
| **Total** [1] | **263,743** | ***100.0*** | **2,465,755** | ***100.0*** | **132,135** | ***100.0*** | **327,435** | ***100.0*** | **2,526,916** | ***100.0*** | **170,615** | ***100.0*** | **367,320** | ***100.0*** | **2,084,745** | ***100.0*** | **167,962** | ***100.0*** |
| *Index number* | *100.0* | | *100.0* | | *100.0* | | *124.1* | | *102.5* | | *129.1* | | *139.3* | | *84.5* | | *127.1* | |
| Notional amount / total assets | 12.0 | | 5.2 | | 17.7 | | 13.3 | | 5.2 | | 19.7 | | 13.9 | | 4.2 | | 19.2 | |
| Fair value (balance) (millions) [2] | -93,548 | | -179,023 | | -14,424 | | -52,378 | | 3,282,637 | | 12,185 | | 84,605 | | 1,862,368 | | 110,584 | |
| *as % of net worth* | *-9.8* | | *-0.5* | | *-2.1* | | *-5.0* | | *9.6* | | *1.6* | | *9.3* | | *6.9* | | *14.3* | |
| Credit risk (millions) [3] | 631 | | 12,532 | | 156 | | 827 | | 17,803 | | 247 | | 1,199 | | 25,120 | | 408 | |
| *Index number* | *100.0* | | *100.0* | | *100.0* | | *131.1* | | *142.1* | | *158.3* | | *190.0* | | *200.4* | | *261.5* | |
| *as % of net worth* | *78.6* | | *32.5* | | *22.2* | | *94.5* | | *52.3* | | *33.2* | | *151.7* | | *92.7* | | *52.7* | |

(1) For Japan data refers only to trading derivatives. Data refers to companies representing 91% of 2008 total assets for Europe, 75% for Japan, and 98% for the United States.
(2) This is the algebraic sum of positions with positive fair value and with negative fair values.
(3) Refers to companies which account for 85% of 2008 total assets for Europe and 99% for Japan; refers to the whole survey for the US banks.

TABLE I.37 – RIGHTS ISSUES, SHARE BUYBACKS AND DIVIDENDS

| | Rights issues [1] | Share buybacks [2] | Dividends paid [3] | Balance | |
|---|---|---|---|---|---|
| **Europe** | | | | | |
| | EUR bn | EUR bn | EUR bn | EUR bn | |
| | *a* | *b* | *c* | *d = b+c-a* | *c / (a-b)* |
| 1999 | 18.4 | 6.2 | 21.8 | 9.6 | 1.8 |
| 2000 | 45.4 | 5.0 | 26.8 | - 13.6 | 0.7 |
| 2001 | 25.4 | 1.1 | 33.3 | 9.0 | 1.4 |
| 2002 | 9.8 | 7.8 | 33.0 | 31.0 | 16.5 |
| 2003 | 8.5 | 7.3 | 28.0 | 26.8 | 23.3 |
| 2004 | 15.9 | 15.4 | 29.5 | 29.0 | 59.0 |
| 2005 | 20.9 | 10.8 | 39.1 | 29.0 | 3.9 |
| 2006 | 23.2 | 17.7 | 47.3 | 41.8 | 8.6 |
| 2007 | 48.2 | 24.7 | 55.6 | 32.1 | 2.4 |
| 2008 | 125.9 [4] | - 2.3 | 48.9 | - 79.3 | 0.4 |
| **Total** | **341.6** | **93.7** | **363.3** | **115.4** | **1.5** |
| **Japan** | | | | | |
| | JPY bn | JPY bn | JPY bn | JPY bn | |
| | *a* | *b* | *c* | *d = b+c-a* | *c / (a-b)* |
| 1999 | 669 | - 27 | 351 | - 345 | 0.5 |
| 2000 | 561 | - 6 | 379 | - 188 | 0.7 |
| 2001 | 111 | - 80 | 188 | - 3 | 1.0 |
| 2002 | 1,946 | - 137 | 269 | - 1,814 | 0.1 |
| 2003 | 1,973 | - 42 | 195 | - 1,820 | 0.1 |
| 2004 | 544 | 984 | 301 | 741 | n.c. |
| 2005 | 554 | 1,156 | 363 | 965 | n.c. |
| 2006 | 147 | 3,028 | 442 | 3,323 | n.c. |
| 2007 | 1,107 | 373 | 588 | - 146 | 0.8 |
| 2008 | 2,074 | 403 | 653 | - 1,018 | 0.4 |
| **Total** | **9,686** | **5,652** | **3,729** | **- 305** | **0.9** |
| **United States** | | | | | |
| | USD bn | USD bn | USD bn | USD bn | |
| | *a* | *b* | *c* | *d = b+c-a* | *c / (a-b)* |
| 1999 | 7.6 | 27.2 | 20.8 | 40.4 | n.c. |
| 2000 | 7.8 | 12.7 | 22.0 | 26.9 | n.c. |
| 2001 | 7.0 | 18.0 | 22.5 | 33.5 | n.c. |
| 2002 | 6.5 | 18.2 | 24.3 | 36.0 | n.c. |
| 2003 | 12.3 | 23.6 | 28.8 | 40.1 | n.c. |
| 2004 | 10.9 | 20.0 | 35.2 | 44.3 | n.c. |
| 2005 | 10.9 | 36.2 | 40.0 | 65.3 | n.c. |
| 2006 | 17.9 | 43.0 | 43.4 | 68.5 | n.c. |
| 2007 | 16.9 | 30.4 | 47.8 | 61.3 | n.c. |
| 2008 | 272.5 [5] | - 1.0 | 42.2 | - 231.3 | 0.2 |
| **Total** | **370.3** | **228.3** | **327.0** | **185.0** | **2.3** |

1 Excluding share exchanges made as part of acquisitions listed under Table I.42.

2 Net of own shares sold.

3 The difference between dividends paid and dividends declared (Tables II.1, Section II) is due to the time effect brought about through payment of interim dividends and to scrip dividends (i.e. dividends in the form of shares) as well as exchange rate differences.

4 Approx. EUR 60bn of which was subscribed for by states and by other European public sector entities.

5 USD 148bn of which subscribed for by the US Treasury Department in the form of preference shares.

TABLE I.38 – PROFIT AND LOSS ACCOUNT AND BALANCE SHEET FOR 1H 2009: JAPAN

**Profit and loss account**

| | 1H 2008 | | 1H 2009 | | Change |
|---|---|---|---|---|---|
| | JPY bn | % | JPY bn | % | *%* |
| Net interest income | 3,432 | *71.7* | 3,379 | *58.7* | - 1.5 |
| Other operating income | 1,769 | *36.9* | 1,282 | *22.3* | - 27.5 |
| Gains (losses) on financial transactions | - 410 | *- 8.6* | 1,097 | *19.0* | n.c. |
| **Total income** | **4,791** | ***100.0*** | **5,758** | ***100.0*** | **20.2** |
| Labour costs | … | … | … | … | … |
| General expenses [1] | - 2,850 | *- 59.5* | - 2,865 | *- 49.8* | 0.5 |
| Bad debts recovered (written off) | - 1,262 | *- 26.3* | - 1,168 | *- 20.3* | - 7.4 |
| Depreciation and amortisation | - 393 | *- 8.2* | - 375 | *- 6.5* | - 4.6 |
| **Current pre-tax profit** | **286** | ***6.0*** | **1,350** | ***23.4*** | **372.0** |
| Extraordinary items | - 336 | *- 7.0* | 205 | *3.6* | n.c. |
| **Profit (loss) before tax** | **- 50** | ***- 1.0*** | **1,555** | ***27.0*** | **n.c.** |
| Income tax | 97 | *2.0* | - 491 | *- 8.5* | n.c. |
| Minority interest | - 81 | *- 1.7* | - 140 | *- 2.5* | n.c. |
| **Net profit** | **- 34** | ***- 0.7*** | **924** | ***16.0*** | **n.c.** |

**Balance sheet**

| | 31-3-2009 | | 30-9-2009 | | Change |
|---|---|---|---|---|---|
| | JPY bn | % | JPY bn | % | *%* |
| Cash and deposits at central banks | … | … | … | … | … |
| Securities [2] | 213,674 | *31.3* | 241,033 | *34.7* | 12.8 |
| Loans and advances to banks [3] | 62,181 | *9.1* | 62,727 | *9.0* | 0.9 |
| Loans and advances to customers | 354,068 | *51.8* | 342,077 | *49.2* | -3.4 |
| Interests in subsidiaries and associated | … | … | … | … | … |
| Net tangible assets | 4,506 | *0.7* | 4,616 | *0.7* | 2.4 |
| Intangible assets [4] | 3,043 | *0.4* | 3,104 | *0.4* | 2.0 |
| Other assets | 46,061 | *6.7* | 41,825 | *6.0* | - 9.2 |
| **Total assets** | **683,533** | ***100.0*** | **695,382** | ***100.0*** | **1.7** |
| Customer deposits | 459,889 | *67.3* | 464,569 | *66.8* | 1.0 |
| Debt securities [5] | 43,756 | *6.4* | 44,087 | *6.4* | 0.8 |
| Subordinated liabilities | … | … | … | … | … |
| *Total funding from customers* | *503,645* | *73.7* | *508,656* | *73.2* | *1.0* |
| Deposits by banks | 97,343 | *14.2* | 100,434 | *14.4* | 3.2 |
| Other liabilities | 55,660 | *8.2* | 53,763 | *7.7* | - 3.4 |
| **Total liabilities** | **656,648** | ***96.1*** | **662,853** | ***95.3*** | **0.9** |
| **Net worth** | **26,885** | ***3.9*** | **32,529** | ***4.7*** | **21.0** |
| *of which:* | | | | | |
| shareholders' equity | 21,279 | *3.1* | 26,745 | *3.9* | 25.7 |
| minority interests | 5,606 | *0.8* | 5,784 | *0.8* | 3.2 |

[1] Includes labour costs.
[2] Includes interest in subsidiaries and associated.
[3] Includes cash and deposits at central banks.
[4] Includes goodwill.
[5] Includes subordinated liabilities.

TABLE I.39 – PROFIT AND LOSS ACCOUNT AND BALANCE SHEET FOR FY 2009: EUROPE *

**Profit and loss account**

| | Years ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2008 | | 2009 | | Change |
| | EUR m | % | EUR m | % | % |
| Net interest income | 242,641 | *66.9* | 247,535 | *56.4* | 2.0 |
| Other operating income | 177,608 | *48.9* | 136,860 | *31.2* | - 22.9 |
| Gains (losses) on financial transactions | - 57,438 | *- 15.8* | 54,379 | *12.4* | n.c. |
| **Total income** | **362,811** | ***100.0*** | **438,774** | ***100.0*** | **20.9** |
| Labour costs | - 147,857 | *- 40.7* | - 151,224 | *- 34.5* | 2.3 |
| General expenses [1] | - 122,132 | *- 33.7* | - 120,183 | *- 27.4* | - 1.6 |
| Bad debts recovered (written off) | - 87,175 | *- 24.0* | - 123,119 | *- 28.0* | 41.2 |
| **Current pre-tax profit** | **5,647** | ***1.6*** | **44,248** | ***10.1*** | **n.c.** |
| Extraordinary items | - 66,578 | *- 18.4* | 13,994 | *3.2* | n.c. |
| **Profit (loss) before tax** | **- 60,931** | ***- 16.8*** | **58,242** | ***13.3*** | **n.c.** |
| Income tax | 6,460 | *1.8* | - 8,152 | *- 1.9* | n.c. |
| Minority interest | 6,098 | *1.7* | - 5,397 | *- 1.2* | n.c. |
| **Net profit** | **- 48,373** | ***- 13.3*** | **44,693** | ***10.2*** | **n.c.** |

**Balance sheet**

| | 31-12-2008 | | 31-12-2009 | | Change |
|---|---|---|---|---|---|
| | EUR m | % | EUR m | % | % |
| Cash and deposits at central banks | 369,698 | *1.5* | 513,690 | *2.5* | 38.9 |
| Securities | 4,447,749 | *17.9* | 4,440,502 | *21.4* | - 0.2 |
| Loans and advances to banks | 2,324,834 | *9.4* | 1,859,424 | *8.9* | - 20.0 |
| Loans and advances to customers | 9,665,558 | *38.9* | 9,150,492 | *44.0* | - 5.3 |
| Interests in subsidiaries and associated | 70,485 | *0.3* | 81,044 | *0.4* | 15.0 |
| Net tangible assets | 178,101 | *0.7* | 182,176 | *0.9* | 2.3 |
| Intangible assets [2] | 237,555 | *0.9* | 235,572 | *1.1* | - 0.8 |
| Other assets | 7,545,921 | *30.4* | 4,334,436 | *20.8* | - 42.6 |
| **Total assets** | **24,839,898** | ***100.0*** | **20,797,336** | ***100.0*** | **- 16.3** |
| Customer deposits | 7,642,598 | *30.8* | 7,537,287 | *36.3* | - 1.4 |
| Debt securities | 3,527,224 | *14.2* | 3,514,391 | *16.9* | - 0.4 |
| Subordinated liabilities | 477,608 | *1.9* | 440,972 | *2.1* | - 7.7 |
| *Total funding from customers* | *11,647,430* | *46.9* | *11,492,650* | *55.3* | *- 1.3* |
| Deposits by banks | 3,465,419 | *13.9* | 2,457,530 | *11.8* | - 29.1 |
| Other liabilities | 8,940,719 | *36.0* | 5,895,632 | *28.3* | - 34.1 |
| **Total liabilities** | **24,053,568** | ***96.8*** | **19,845,812** | ***95.4*** | **- 17.5** |
| **Net worth** | **786,330** | ***3.2*** | **951,524** | ***4.6*** | **21.0** |
| *of which:* | | | | | |
| shareholders' equity | 693,137 | *2.8* | 860,443 | *4.1* | 24.1 |
| minority interests | 93,193 | *0.4* | 91,081 | *0.5* | - 2.3 |

* Data refers to 19 companies which accounted for 86.2% of the total assets of European banks included in the survey as at end-2008.

1 Includes depreciation and amortization.

2 Includes goodwill.

TABLE I.40 – PROFIT AND LOSS ACCOUNT AND BALANCE SHEET FOR FY 2009: UNITED STATES *

**Profit and loss account**

| | Years ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2008 [1] | | 2009 | | Change |
| | USD m | % | USD m | % | % |
| Net interest income | 209,305 | *67.9* | 214,015 | *51.6* | 2.3 |
| Other operating income | 172,308 | *55.9* | 170,514 | *41.2* | - 1.0 |
| Gains (losses) on financial transactions | - 73,466 | *- 23.8* | 29,917 | *7.2* | n.c. |
| **Total income** | **308,147** | ***100.0*** | **414,446** | ***100.0*** | **34.5** |
| Labour costs | - 132,276 | *- 42.9* | - 122,438 | *- 29.5* | - 7.4 |
| General expenses [2] | - 109,839 | *- 35.7* | - 111,743 | *- 27.0* | 1.7 |
| Bad debts recovered (written off) | - 153,861 | *- 49.9* | - 151,076 | *- 36.5* | - 1.8 |
| **Current pre-tax profit** | **- 87,829** | ***- 28.5*** | **29,189** | ***7.0*** | **n.c.** |
| Extraordinary items | - 49,453 | *- 16.0* | 4,289 | *1.1* | n.c. |
| **Profit (loss) before tax** | **- 137,282** | ***- 44.5*** | **33,478** | ***8.1*** | **n.c.** |
| Income tax | 43,569 | *14.1* | - 761 | *- 0.2* | n.c. |
| Minority interest | 33 | o | - 476 | *- 0.1* | n.c. |
| **Net profit** | **- 93,680** | ***- 30.4*** | **32,241** | ***7.8*** | **n.c.** |

**Balance sheet**

| | 31-12-2008 [1] | | 31-12-2009 | | Change |
|---|---|---|---|---|---|
| | USD m | % | USD m | % | *%* |
| Cash and deposits at central banks | ... | ... | ... | ... | ... |
| Securities | 1,916,216 | *22.0* | 2,133,279 | *26.3* | 11.3 |
| Loans and advances to banks [3] | 1,421,792 | *16.3* | 1,311,120 | *16.1* | - 7.8 |
| Loans and advances to customers | 3,720,459 | *42.8* | 3,253,507 | *40.1* | - 12.6 |
| Interests in subsidiaries and associated | ... | ... | ... | ... | ... |
| Net tangible assets | 56,834 | *0.7* | 57,697 | *0.7* | 1.5 |
| Intangible assets [4] | 315,856 | *3.6* | 329,834 | *4.1* | 4.4 |
| Other assets [5] | 1,271,995 | *14.6* | 1,033,406 | *12.7* | - 18.8 |
| **Total assets** | **8,703,152** | ***100.0*** | **8,118,843** | ***100.0*** | **- 6.7** |
| Customer deposits | 4,055,856 | *46.6* | 4,095,113 | *50.5* | 1.0 |
| Debt securities [6] | 1,511,611 | *17.4* | 1,397,357 | *17.2* | - 7.6 |
| Subordinated liabilities | ... | ... | ... | ... | ... |
| *Total funding from customers* | *5,567,467* | 64.0 | *5,492,470* | 67.7 | *- 1.3* |
| Deposits by banks | 1,340,013 | *15.4* | 960,351 | *11.8* | - 28.3 |
| Other liabilities | 1,102,357 | *12.6* | 911,650 | *11.2* | - 17.3 |
| **Total liabilities** | **8,009,837** | ***92.0*** | **7,364,471** | ***90.7*** | **- 8.1** |
| **Net worth** | **693,315** | ***8.0*** | **754,372** | ***9.3*** | **8.8** |
| *of which:* | | | | | |
| shareholders' equity | 684,425 | *7.9* | 746,177 | *9.2* | 9.0 |
| minority interests | 8,890 | *0.1* | 8,195 | *0.1* | - 7.8 |

* Data refers to 7 companies which accounted for 90% of the total assets of US banks included in the survey as at end-2008.

1 Includes Merrill Lynch, merged into Bank of America with effect 1 January 2009.

2 Includes depreciation and amortization.

3 Includes cash and deposits at central banks.

4 Includes goodwill.

5 Includes interest in subsidiaries and associated

6 Includes subordinated liabilities.

TABLE I.41 – AGGREGATE ACCOUNTS OF LEADING INVESTMENT BANKS

**Profit and loss account**

| | Years ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | 2008 | | 2009 | |
| | EUR m | % | EUR m | % | EUR m | % |
| Net interest income | 8,310 | *14.8* | 8,228 | *38.2* | 6,489 | *9.8* |
| Other operating income | 34,029 | *60.8* | 30,546 | *141.9* | 31,864 | *48.2* |
| Gains (losses) on financial transactions | 13,636 | *24.4* | -17,255 | *-80.2* | 27,698 | *41.9* |
| **Total income** | **55,975** | **100.0** | **21,519** | **100.0** | **66,051** | **100.0** |
| General expenses | -49,941 | *-89.2* | -45,913 | *-213.4* | -48,722 | *-73.8* |
| Bad debts recovered (written off) | … | … | … | … | … | … |
| Depreciation and amortization | … | … | … | … | … | … |
| **Current pre-tax profit** | **6,034** | **10.8** | **-24,394** | **-113.4** | **17,329** | **26.2** |
| Extraordinary items | 0 | *0.0* | -8,952 | *-41.6* | 677 | *1.0* |
| **Profit (loss) before tax** | **6,034** | **10.8** | **-33,346** | **-155.0** | **18,006** | **27.3** |
| Income tax | -1,641 | *-2.9* | 10,828 | *50.3* | -3,937 | *-6.0* |
| Minority interest | -27 | *0.0* | -41 | *-0.2* | -45 | *-0.1* |
| **Net profit** | **4,366** | **7.8** | **-22,559** | **-104.8** | **14,024** | **21.2** |

**Balance sheet**

| | 31-12-2007 | | 31-12-2008 | | 31-12-2009 | |
|---|---|---|---|---|---|---|
| | EUR m | % | EUR m | % | EUR m | % |
| Cash and cash equivalents | … | … | … | … | … | … |
| Securities | 664,784 | 28.7 | 483,099 | 26.9 | 552,539 | 32.5 |
| Loans and advances to banks | 997,411 | 43.1 | 767,158 | 42.7 | 757,188 | 44.6 |
| Loans and advances to customers | 267,236 | 11.5 | 171,679 | 9.5 | 126,371 | 7.4 |
| Interests in subsidiaries and associated | 10,696 | 0.5 | 10,401 | 0.6 | 11,483 | 0.7 |
| Net tangible assets | 13,550 | 0.6 | 16,352 | 0.9 | 17,100 | 1.0 |
| Intangible assets | 9,682 | 0.4 | 7,782 | 0.4 | 18,061 | 1.1 |
| Other assets | 353,400 | 15.3 | 341,970 | 19.0 | 216,748 | 12.8 |
| *of which:* derivatives assets | *180,542* | *7.8* | *237,601* | *13.2* | *120,725* | *7.1* |
| **Total assets** | **2,316,759** | **100.0** | **1,798,441** | **100.0** | **1,699,490** | **100.0** |
| Customer deposits | 105,823 | 4.6 | 132,179 | 7.3 | 89,200 | 5.2 |
| Debt securities | 528,067 | 22.8 | 498,407 | 27.7 | 450,918 | 26.5 |
| Subordinated liabilities | … | … | … | … | … | … |
| *Total funding from customers* | *633,890* | 27.4 | *630,586* | 35.1 | *540,118* | 31.8 |
| Deposits by banks | 663,939 | 28.7 | 363,246 | 20.2 | 429,616 | 25.3 |
| Other liabilities [1] | 929,856 | 40.1 | 695,338 | 38.7 | 598,791 | 35.2 |
| *of which:* derivatives liabilities | *170,728* | *7.7* | *239,776* | *14.2* | *89,781* | *5.7* |
| **Total liabilities** | **2,227,685** | **96.2** | **1,689,170** | **93.9** | **1,568,525** | **92.3** |
| **Net worth** | **89,074** | **3.8** | **109,271** | **6.1** | **130,965** | **7.7** |
| *of which:* | | | | | | |
| shareholders' equity | 84,060 | 3.6 | 107,860 | 6.0 | 126,024 | 7.4 |
| minority interests | 5,014 | 0.2 | 1,411 | 0.1 | 4,941 | 0.3 |

[1] Includes subordinated liabilities.

## APPENDIX 1 – Unusual features of several banking groups

*Germany*

The German banks included in our survey comprise five groups, all of which have certain features that could be described as unusual. Three of them are *Landesbanken*, i.e. publicly-owned or state banks, which operate *inter alia* as central banks for savings institutions in their local regions or *Länder*. These local savings institutions own stakes in the *Landesbanken* via their associations, as do the regions themselves and the municipalities ("state capital"). In some cases the *Landesbanken* also control the local savings banks, or have merged with them during the course of their history, and hence their role as central banks is complemented by commercial banking activities. The *Landesbanken* also provide other services, either directly or via subsidiaries, such as real estate loans, leasing, factoring, project finance, exchange rate and derivatives trading, equity investment and, finally, asset management, and private banking. Most of them have also built up networks outside Germany for the benefit of their associated savings banks, and some of them have even expanded by acquiring local banks. They have a public mission in support of their municipalities, which can include investment in works of public interest, supporting residential property development and granting loans under pledge. Obligations entered into by the *Landesbanken* were backed by unlimited public guarantees issued by their guarantor shareholders until 18 July 2005.[69]

[69] The European Commission ruled that such guarantees are in breach of free market principles, insofar as they are issued by public institutions and hence are akin to government subsidies. An agreement was reached in July 2001 between the Commission and the German Federal Government, the *Länder* and the savings bank associations whereby following a transitional phase ending 18 July 2005, the public guarantee would be abolished. The *Landesbanken* duly began to arrange transactions to spin off their public mission activities in compliance with the EC directives. The first to separate out its activities with effect from 1 August 2002 was Westdeutsche Landesbank, which spun off its banking business to WestLB AG, at that time wholly-owned by Landesbank NRW, a public law holding

DZ Bank plays the role of trade association for more than 80% of local cooperative German banks (*Volksbanken* and *Raiffeisenbanken*) which own a majority of its share capital.[70] Similarly to the *Landesbanken*, it provides services such as real estate loans, leasing, insurance and asset management, both itself and via subsidiaries. It too has international operations, with several branches outside Germany. Lastly, Kreditanstalt für Wiederaufbau (KfW) is a state-owned bank granting mid-/long-term loans for small and medium-size businesses, residential housing and infrastructure, including as project finance and via securitizations. It also plays a role in promoting and financing investment projects in developing countries and in supporting German companies abroad.[71] Features which all of these banks have in common and which distinguish them from the other banks in this survey are: an absence of or a limited agency network; a relatively low number of employees; funding focused on bond issuance, term deposits and the interbank market; and (with the exception of KfW), providing services on behalf of associated small-/medium-size banks.[72]

company reporting to the State of North Rhine-Westphalia. In addition, following a ruling by the European Commission on 20 October 2004, WestLB, Norddeustsche Landesbank and Bayerische Landesbank were required to pay an aggregate amount of EUR 2.4bn to their respective states, representing interest accrued at market rates on activities previously integrated into them as contributions in kind but subsequently deemed by the Commission to constitute impermissible aid.

[70] In 2001 DG Bank merged with GZ-Bank, another central institution for German co-operative banks, and changed its name to DZ Bank. GZ-Bank had itself merged with another German co-operative bank, i.e. GZB-Bank, with effect from 1 January 2000, changing its name from SGZ-Bank to GZ-Bank.

[71] In 2003, KfW reached agreements with the EU to spin off operations through which it operates in competition with other banks (in particular export loans and project financing) to an independent entity, KfW IPEX-Bank GmbH, which has been operating since 1 January 2008. As of 31 December 2008, the KfW Group owned 30.5% of Deutsche Post AG and 16.9% of Deutsche Telekom AG, deriving from privatization operations.

[72] WestLB implements central bank activities for the savings banks of North Rhine-Westphalia and Brandenburg, Bayerische Landesbank for those of Bavaria and the Landesbank Baden-Wuerttemberg for those of the relative region and of Rhinelan-Palatinate (following the acquisition of Landesbank Rheinland-Pfalz in 2005) and of Saxony (following the acquisition of Landesbank Sachsen A.G. in 2008).

*France*

Two of the French banks featured here are co-operatives, namely Crédit Agricole and Crédit Mutuel. Crédit Agricole underwent large-scale changes in the course of 2001, which led to the setting up of Crédit Agricole S.A. and its listing on 14 December of the same year. The Crédit Agricole "group" has an inverse pyramidal structure with the local co-operative banks at the top, which as at year-end 2008 numbered 2,549, had around 6.2 million shareholders, and control 39 regional banks or *Caisses Régionales de Crédit Agricole*, which in turn control Crédit Agricole S.A. (formerly Caisse Nationale de Crédit Agricole) through SAS Rue la Boétie. The latter engages in treasury operations, ensuring the Group's "financial cohesion", and redistributes the regional banks' surplus funds. It also oversees common areas of operations via its subsidiaries, and promotes international growth. Unlike the German *Landesbanken*, in this case the consolidated balance sheet includes all the local banks, the regional banks and the central body: a total of 3,098 consolidated entities in 2008. Alongside these is the Fédération Nationale du Crédit Agricole, which represents and coordinates regional banks and the group as a whole, but is not consolidated. In November 2001, the regional banks transferred their holdings in jointly-owned service companies, chiefly in the areas of life insurance, asset management and consumer credit, to Caisse Nationale de Crédit Agricole, which thereupon changed its name to Crédit Agricole S.A., in exchange for newly-issued shares. Thereafter, a new holding company was set up under the name SAS Rue La Boétie, to which the regional banks transferred all the Crédit Agricole S.A. shares they owned. After the Crédit Agricole S.A. shares were sold in December 2001, the holding company held over 70% of the share capital.[73] Crédit Agricole S.A. in turn acquired a 25% stake in each regional bank (except for Caisse Régionale de la Corse) following the issue or subscription of *certificats coopératifs* without voting rights.

[73] Share diluted to 55.2% on 31 December 2009, chiefly due to rights issue implemented to acquire Crédit Lyonnais in 2003.

The Crédit Mutuel group also has a three-tier inverse pyramidal structure, much like that of the Crédit Agricole group: at the top there are 2,017 local savings banks, which are co-operative institutions with variable share capital and 7.2 million shareholders. These are grouped into 18 *Fédérations Régionales*, which are made up of one federative body and one *Caisse Fédérale*, alongside which are the *Fédération du Crédit Mutuel Agricole et Rural* which operates at a national level in the agricultural sector. The shareholders of the regional Caisse Fédérale are the local banks, and all the local banks are associates of the Fédération Régionale, which represents, directs and oversees but does not engage in banking activities, these being the remit of the Caisse Fédérale. Operating on a national level there are the Confédération Nationale, which is a representative body, and the Caisse Centrale du Crédit Mutuel, a national financial body whose capital is owned by the Caisses Fédérales. The consolidated data of the Crédit Mutuel Group again include the local banks, regional federations, the agricultural and rural credit federation and the central bank, as well as the respective subsidiaries (created to supply common services to customers), amounting to a total of 2,352 consolidated companies in 2008.[74] Until 2001, the consolidation scope did not include the Crédit Industriel et Commercial-CIC Group (formerly Union Européenne de CIC), acquired in 1998 with an initial stake of 67%, which increased to over 95% after the purchase of the share held by Groupama-GAN in 2001. The tables providing data for the Crédit Mutuel group contained in the text refer to the aggregate of the two groups for the years between 1998 and 2001.

In France, before the integration which occurred in July 2009, two other associative entities exists with very similar organizational structures to those described above: the Caisse d'Epargne Group and the Banques Populaires Group. The central body of the Caisse d'Epargne Group, created in 1999, was the Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCE), which was controlled, at the end of 2008, by 17 local savings banks which were in turn controlled by 275 local savings

[74] The local banks were consolidated on a line-by-line basis for the first time in 2005 in conjunction with the adoption of IAS/IFRS rules.

companies with 3.9 million shareholders.[75] The Banque Populaire Group as, on the other hand, created in May 2001; the central body, at the national level, was the Banque Fédérale des Banques Populaires (BFBP), which was controlled by 20 popular cooperative banks with 3.5 million shareholders.[76] These two Groups were not included in the sample since it was not possible to reconstruct a homogeneous series of data for the period in question. On 31 July 2009, CNCE and BFBP merged, creating a central and single body in the form of a *société anonyme* named BPCE which served functions of coordination and management of the activities of the two distinct banking networks, the savings banks and the popular banks.[77]

### *Japan*

Three Japanese banks linked to the co-operative universe are included in our survey: Norinchukin Bank, Shoko Chukin Bank and Shinkin Central Bank.

The first two act as central banks for small and medium-size co-operative firms in specific sectors of the economy. Norinchukin Bank operates in the agriculture, forestry and fishing sectors, whereas Shoko Chukin Bank's interests are in commerce and industry. With regard to their shareholding structures, Norinchukin Bank had 4,093 cooperative shareholders as of 31 March 2009, while in Shoko Chukin Bank – for which a complete privatization is planned – the Japanese government owned 46.5% of the share capital on the same date; the residual capital was owned by cooperatives formed of small and medium-sized firms.

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[75] The consolidated financial statements for 2008 of the Caisse d'Epargne Group closed with a negative result of EUR 2,015 million, total assets of EUR 649,756 million and equity of EUR 16,564 million.

[76] The consolidated financial statements for 2008 of the Banque Populaire Group closed with a negative result of EUR 468 million, total assets of 403,589 million and equity of EUR 19,657 million.

[77] Following the merger, the French government – by means of the *Société de prise de participation de l'Etat* (SPPE) – intervened in support of the new Group by underwriting preferred shares without voting rights for EUR 3 billion as well as subordinated securities for EUR 2.05 billion.

Shinkin Central Bank is the industry establishment for the 279 Japanese cooperative banks (*shinkin*), which are its shareholders. In turn, the cooperative banks, each one of which has a single vote in the central bank's shareholders' assembly, have 9.3 million shareholders, both individuals and small and medium sized local companies. As of 31.03.09 they had a network of 7,671 branches with 114 thousand employees.

## APPENDIX 2 – Most significant mergers and acquisitions between groups covered in this survey

A summary description of the primary merger and acquisition operations between the banks included in the sample - as of 1999, the first year of reference of this survey – is provided below. A detailed chronological list of all such transactions is found in TABLE I.42.

In **Germany** in 1999, Deutsche Bank acquired the US Bankers Trust and, in 2000, Bayerische Hypo- und Vereinsbank (HVB) – created in 1998 from the merger of Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel-Bank - was the main player in the acquisition of Bank Austria (which in turn had merged with Creditanstalt in 1997).[78] In 2002, Deutsche Bank, Commerzbank and Dresdner Bank deconsolidated their respective activities in the mortgage sector, transferring them to Eurohypo, in which they each acquired a minority shareholding; in two separate stages, in December 2005 and March 2006, Commerzbank bought the shares of the other two biggest shareholders, taking control of the company. In November 2005, UniCredito Italiano acquired control of HVB via a public tender offer. In 2007, Hypo Real Estate Holding, created in January 2003 as a result of a transfer of business by HVB, acquired DEPFA Bank of Dublin, which had in turn been operating since January 2002 after taking over the business of DEPFA Deutsche Pfandbriefbank. In January 2009, Commerzbank acquired full control of Dresdner Bank from the Allianz Group.

In **France** in 1999, Banque Nationale de Paris managed to fend off Société Générale's bid for Paribas by acquiring the latter and changing its own name to BNP Paribas. In 2000, Crédit Commercial de France was acquired by UK group HSBC Holdings. Also in 1999, Crédit Lyonnais was privatized through the formation of a core shareholder

[78] In July 2003, HVB had sold a 25% share in Bank Austria Creditanstalt on the market, which netted proceeds of approx. EUR 1 billion. In November 2005, as part of its acquisition of control of HVB, UniCredito Italiano launched a voluntary public tender and exchange offer in respect of the free float of Bank Austria Creditanstalt, which led to it acquiring 17.5% of the bank's share capital.

group that controlled approximately one-third of share capital, within which Crédit Agricole owned the largest stake, equal to 11% of voting rights. In 2003, Crédit Agricole acquired control of Crédit Lyonnais via a public tender offer on the entirety of share capital.

Other major same-country transactions were: in **Spain** and in 1999, Banco Santander acquired Banco Central Hispanoamericano and, in 2000, Banco Bilbao Vizcaya acquired Argentaria; in **Italy**, Banca Intesa acquired Banca Commerciale Italiana in 1999 and, effective as of 1-1-2007, incorporated Sanpaolo IMI by assuming the name of Intesa Sanpaolo; again in 2007, Unicredit incorporated Capitalia. In the **UK** in 2000, RBS acquired National Westminster Bank and, in 2001, there was the merger between the Halifax Group and the Bank of Scotland following the founding of the common holding company HBOS; the latter, in January 2009, was acquired by Lloyds TSB Group which took on the name of Lloyds Banking Group. In **Denmark**, Danske Bank acquired RealDanmark in 2007, the holding company of BG Bank, which at the time was the third largest bank in the country, as well as Realkredit Danmark, a mortgage lender.

Significant transnational mergers were, on the other hand, realized in **Scandinavian countries** where, in 2000, the Nordic Baltic Holding (now Nordea Bank) acquired the Danish holding company Unidanmark which owns Unibank, along with Danish insurer Tryg-Baltica Forsikring and Norwegian insurance company Vesta.[79] Again in 2000, Nordea Bank acquired control of the smaller Norwegian Christiania Bank og Creditkasse.

Recent years have witnessed the largest cross-border European deals. In 2004, the Spanish group Santander acquired the UK-based Abbey National; in 2005, as mentioned above, Unicredito Italiano (now UniCredit) acquired the German bank HVB; in October 2007, a special purpose vehicle, RFS Holdings BV - which was owned by RBS with a quota of 38.3%, Fortis for 33.8% and Banco Santander for 27.9% - acquired control of the Dutch company ABN AMRO Holding on the basis of agreements to spin off and acquire the assets of the merged

[79] Nordic Baltic Holding was born, in turn, in 1998 from the merger of the Swedish Nordbanken with the Finnish Group Merita.

group on a pro-rata basis.[80] In May 2009, BNP Paribas acquired approx. 75% of Fortis Bank SA/NV from the government of Belgium.

In **Japan**, major mergers took place in fiscal years 2000 and 2001 involving the biggest institutions belonging to different groups of companies.[81] In September 2000, Fuji Bank, Dai-Ichi Kangyo Bank and the IBJ m/l term loan company joined together in a common holding company called Mizuho Holdings, and subsequently into the new holding company Mizuho Financial Group.[82] Three further transactions took place in the beginning of April 2001: Sakura Bank and Sumitomo Bank merged, the latter taking on the name of Sumitomo Mitsui Banking (here too a new holding company was set up in December 2002, Sumitomo Mitsui Financial Group, which took on the role of parent company); Mitsubishi Tokyo Financial Group

[80] Consideration for the deal came to EUR 71bn, of which 66 billion was paid in cash and EUR 5bn in newly issued The Royal Bank of Scotland Group shares. The shareholding in RFS Holdings owned by the Fortis Group was directly acquired by the Dutch government in December 2008 for EUR 6.5bn. The Fortis group comprises two holding companies: the Belgian Fortis S.A. and Fortis N.V. of the Netherlands, each of which owns a 50% share in the operating companies. In December 2001, the shares of the two holding companies were replaced by a single stock: the owners of combined Fortis stock are shareholders of both companies and retain equal rights in the two holding companies. As of October 2008, the Fortis Group only implements insurance activities.

[81] The fiscal year in Japan runs from 1 April to 31 March of the following calendar year. One distinguishing feature of the Japanese economy is the presence of groupings of business known as *keiretsu*. Such groupings do not have independent legal status, and companies belong to them on a subjective and voluntary basis. The chairmen of the companies included in the same group meet on a regular basis, but there are no controlling shareholder links between the companies in the *keiretsu*, which therefore remain formally independent despite there being priority relationships between them. In general the main companies are widely owned and their shares are traded on stock exchanges. The *keiretsu* can be either “horizontal” or “vertical” depending on the type of links between the companies in the grouping: in the first case the businesses are linked by relations with a large bank which is at the centre of the organisation; in the latter the link is more of a purchasing-supply nature with other members of the grouping. The first type until the 1990s included the so-called “big six” groupings: Mitsubishi, Sumitomo, Mitsui, Fuyo, Dai-Ichi and Sanwa, which had the following as their respective reference banks: Bank of Tokyo Mitsubishi, Sumitomo Bank, Sakura Bank, Fuji Bank, Dai-Ichi Kangyo Bank and Sanwa Bank. The mergers described in the text have significantly altered this situation.

[82] Mizuho Financial Group was set up in January 2003, and acquired control of Mizuho Holdings the following March.

brought Bank of Tokyo-Mitsubishi and Mitsubishi Trust and Banking into the group under its control; and the new holding company UFJ Holdings brought Sanwa Bank, Tokay Bank and Toyo Trust and Banking under its umbrella. In December 2001, Daiwa Bank, Kinki Osaka Bank (resulting from the previous merger between Bank of Kinki and Bank of Osaka) and the smaller Nara Bank grouped together under Daiwa Bank Holdings (subsequently Resona Holdings), which, in March 2002, was joined by Ashai Bank. In September 2004, Hokugin Financial Group, which had taken over Hokuriku Bank in 2003, acquired Hokkaido Bank, taking on the new name of Hokuhoku Financial Group. With effect from 1 October 2005, Mitsubishi Tokyo Financial Group and UFJ Holdings were merged into Mitsubishi UFJ Financial Group, thereby creating the largest Japanese bank in the world by total assets. During the course of 2009, mergers were announced between Sumitomo Trust & Banking and Chuo Mitsui Trust Holdings and Shinsei Bank with Aozora Bank.

In the **United States**, Citigroup acquired – in 2000 and 2002 – two smaller bank corporations: Associates First Capital (founded in 1998 from a spin-off of the Ford Motor Group) and Golden State Bancorp, respectively. The merger between Chase Manhattan Corp and J.P. Morgan & Co. took place in 2000, with the former taking on the name of J.P. Morgan Chase & Co., which was subsequently changed into JPMorgan Chase & Co. as from July 2004.

Other smaller mergers involved: Fleet Financial Group, which first acquired BankBoston in 1999, subsequently changing its name to Fleet Boston (then FleetBoston Financial), then Summit Bancorp in 2001; First Union which incorporated Wachovia in 2001 and took over its name, and Firstar, which having acquired Mercantile Bancorp in 1999, then acquired U.S. Bancorp and assumed its name (2001).

Several significant new mergers took place in 2004: in April, Bank of America acquired FleetBoston Financial, and in July JPMorgan Chase & Co. bought Bank One and Regions Financial merged with Union Planters; in November, Wachovia acquired SouthTrust. The concentration of U.S. banks has continued in subsequent years, with Capital One Financial absorbing first Hibernia and then North Fork Bancorporation in 2006. Also in 2006, Bank of America acquired

MBNA, whereas Golden West Financial was acquired by Wachovia and AmSouth Bancorporation by Regions Financial.

During 2008, Bank of America acquired Countryside Financial, while JPMorgan Chase & Co., after having acquired the investment bank The Bear Stearns Companies, took over the banking business of Washington Mutual, following its bankruptcy. Effective as of 31-12-2008, Wells Fargo and PNC Financial Services Group respectively incorporated Wachovia and National City. Bank of America then acquired the investment bank Merrill Lynch & Co., effective as of 1-1-2009.

* * *

One unusual feature involves ***investment banking*** activities, which for most of the banks included in the survey primarily featured organic growth until the recent crisis. That said, there were several notable acquisitions in the second half of the 1990's involving the Swiss banks, German banks Deutsche Bank and Dresdner Bank, and ING Groep of the Netherlands. Società di Banca Svizzera, which later merged with UBS, acquired the investment banking activities of SG Warburg Group Plc of London in 1995, forming SBC Warburg. In 1997 it then acquired the U.S.-based Dillon Read, followed by Paine Webber in 2000. In 1998 the Crédit Suisse Group, which acquired control of The First Boston in 1998, acquired BZW from Barclays in 1997 and Donaldson, Lufkin & Jenrette in 2000. In 1995 Deutsche Bank and Dresdner Bank acquired Morgan Grenfell and Kleinwort Benson, respectively. Deutsche Bank further reinforced its presence in the sector through the acquisition of Bankers Trust in 1999, whereas Dresdner Bank acquired Wasserstein Perella in 2000. The ING Groep, following the acquisition of the Barings Group in 1995, extended its investment banking activities through the acquisition of Banque Bruxelles Lambert in 1998 and the German BHF-Bank in 1999 (a part of these latter assets were then sold in 2004). Among national activity, as mentioned above, Crédit Agricole acquired Banque Indosuez in 1996; Banque Nationale de Paris acquired Paribas in 1999; Istituto Bancario San Paolo di Torino (subsequently Sanpaolo IMI, currently Intesa Sanpaolo) acquired and absorbed IMI-Istituto Mobiliare Italiano. In 2000, Crédit Agricole, which had operated a joint-venture with Banque Lazard since 1995 through Crédit Agricole Lazard Financial Products of London, acquired a 30.9% stake (20.5% of voting rights) in Rue Impériale de Lyon, which at the time was controlled by the Lazard Group (this equity investment was then transformed into Eurazeo in 2004).[83]

[83] Following the merger of Rue Impériale de Lyon into Eurazeo in 2004, Crédit Agricole acquired a 16.1% stake (22.5% of voting rights) in Eurazeo as of 31 December 2006. In 2005 Eurazeo sold its stake in Lazard during the latter's listing on the NYSE.

TABLE I.42 – MERGERS AND ACQUISITIONS INVOLVING BANKS IN THE SURVEY [1]
(Figures in brackets show total assets as at last annual reporting date prior to transaction)

| Combined entity | Total assets of combined entity (EURm) | Companies involved in the transaction (total assets, EURm) |
|---|---|---|
| **1999** | | |
| Deutsche Bank (DE) | 740,251 | Deutsche Bank (626,603); Bankers Trust (US) (113,648) |
| BNP Paribas (FR) | 589,941 | Banque Nationale de Paris (324,826); Paribas (265,115) |
| IntesaBci (IT) | 265,933 | Banca Intesa (153,077); Banca Commerciale Italiana (112,856) |
| Banco Santander Central Hispano (ES) | 235,732 | Banco Santander (154,161); Banco Central Hispanoamericano (81,571) |
| Fleet Boston (subsequently FleetBoston Financial) (US) | 151,879 | Fleet Financial Group (89,117); BankBoston (62,762) |
| Firstar (now U.S. Bancorp) (US) | 63,413 | Firstar (32,849); Mercantile Bancorp (30,564) |
| **2000** | | |
| Mizuho Holdings (JP) | 1,436,685 | Fuji Bank (547,316); Dai-Ichi Kangyo Bank (486,312); IBJ – Industrial Bank of Japan (403,057) |
| Citigroup (US) | 797,213 | Citigroup (713,654), Associates First Capital (83,559) |
| J.P. Morgan Chase & Co. (US) | 663,949 | The Chase Manhattan Corp, (404,246); J.P. Morgan & Co, (259,703) |
| Bayerische Hypo- und Vereinsbank (DE) | 643,084 | Bayerische Hypo- und Vereinsbank (503,255); Bank Austria (139,829) |
| HSBC Holdings (GB) | 635,959 | HSBC Holdings (566,667); Crédit Commercial de France (69,292) |
| The Royal Bank of Scotland Group (GB) | 441,654 | The Royal Bank of Scotland Group (142,918); National Westminster Bank (298,736) |
| Banco Bilbao Vizcaya Argentaria (ES) | 235,571 | Banco Bilbao Vizcaya (154,504); Argentaria (81,067) |
| Nordea (SE) | 181,240 | Nordic Baltic Holding (103,977); UniDanmark (77,263) |
| Danske Bank (DK) | 168,677 | Danske Bank (94,202); RealDanmark (74,475) |

*cont.*

*Table I.42 (cont.)*

| Combined entity | Total assets of combined entity (EURm) | Companies involved in the transaction (total assets, EURm) |
|---|---|---|
| Chuo Mitsui Trust and Banking Company (JP) | 144,399 | Mitsui Trust and Banking Company (94,778); Chuo Trust and Banking Company (49,621) |
| Kinki Osaka Bank (JP) | 38,835 | Bank of Osaka (15,534); Bank of Kinki (23,301) |
| **2001** | | |
| Sumitomo Mitsui Banking (JP) | 1,078,296 | Sumitomo Bank (611,727); Sakura Bank (466,569) |
| UFJ Holdings (JP) | 881,094 | Sanwa Bank (496,102); Tokay Bank (312,404); Toyo Trust and Banking (72,588) |
| Mitsubishi Tokyo Financial Group (JP) | 880,567 | Bank of Tokyo-Mitsubishi (714,337); Misubishi Trust and Banking (166,230) |
| Daiwa Bank Holdings (now Resona Holdings) (JP) | 453,541 | Asahi Bank (273,193); Daiwa Bank (139,855); Kinki Osaka Bank (40,493) |
| HBOS (GB) | 430,423 | Halifax Group (292,444); Bank of Scotland (137,979) |
| Wachovia (formerly First Union) (US) | 352,716 | First Union (273,154); Wachovia (79,562) |
| FleetBoston Financial (US) | 235,449 | FleetBoston Financial (192,852); Summit Bancorp (42,597) |
| U.S. Bancorp (formerly Firstar) (US) | 177,239 | Firstar (83,380); U.S. Bancorp (93,859) |
| **2002** | | |
| Citigroup (US) | 1,257,167 | Citigroup (1,193,067); Golden State Bancorp (64,100) |
| DEPFA Holding (subsequently DEPFA Bank) (IE) | 180,899 | DEPFA Holding ( - ); DEPFA Deutsche Pfandbriefbank (180,899) |
| **2003** | | |
| Crédit Agricole (FR) | 825,499 | Crédit Agricole (580,613); Crédit Lyonnais (244,886) |
| **2004** | | |
| JPMorgan Chase & Co. (US) | 868,943 | JPMorgan Chase & Co, (610,382); Bank One (258,561) |
| Bank of America (US) | 741,631 | Bank of America (583,092); FleetBoston Financial (158,539) |

*cont.*

*Table I.42 (cont.)*

| Combined entity | Total assets of combined entity (EURm) | Companies involved in the transaction (total assets, EURm) |
|---|---|---|
| Banco Santander Central Hispano (ES) | 597,235 | Banco Santander Central Hispano (346,419); Abbey National (250,816) |
| Wachovia (US) | 358,635 | Wachovia (317,523); SouthTrust (41,112) |
| Hokuhoku Financial Group (JP) | 66,226 | Hokugin Financial Group (40,555); Hokkaido Bank (25,671) |
| Regions Financial (US) | 63,744 | Regions Financial (38,478); Union Planters (25,266) |
| North Fork Bancorporation (US) | 34,796 | North Fork Bancorporation (16,597); GreenPoint Financial (18,199) |
| **2005** | | |
| Mitsubishi UFJ Financial Group (JP) | 1.337.941 | Mitsubishi Tokyo Financial Group (776.074); UFJ Holdings (561.867) |
| UniCredito Italiano (IT) | 732,904 | UniCredito Italiano (265,496); Bayerische Hypo- und Vereinsbank (HVB) (467,408) |
| Capital One Financial (US) | 55,837 | Capital One Financial (39,459); Hibernia (16,378) |
| **2006** | | |
| Bank of America (US) | 1,147,466 | Bank of America (1,095,027); MBNA (52,439) |
| Commerzbank (DE) | 679,164 | Commerzbank (444,861); Eurohypo (234,303) |
| Wachovia (formerly First Union) (US) | 547,063 | Wachovia (formerly First Union) (441,430); Golden West Financial (105,633) |
| Capital One Financial (US) | 124,029 | Capital One Financial (75,189); North Fork Bancorporation (48,840) |
| Regions Financial (US) | 116,465 | Regions Financial (71,871); AmSouth Bancorporation (44,594) |
| **2007** | | |
| The Royal Bank of Scotland Group (GB) | 2,284,370 | The Royal Bank of Scotland Group [2] (1,297,306); ABN AMRO Holding (987,064) |
| UniCredit (IT) | 960,416 | UniCredit (823,284); Capitalia (137,132) |
| Intesa Sanpaolo (IT) | 580,286 | Banca Intesa (291,781); Sanpaolo IMI (288,505) |
| Hypo Real Estate Holding (DE) | 384,538 | Hypo Real Estate Holding (161,593); DEPFA Bank (222,945) |

*cont.*

*Table I.42 (cont.)*

| Combined entity | Total assets of combined entity (EURm) | Companies involved in the transaction (total assets, EURm) |
|---|---|---|
| **2008** | | |
| JPMorgan Chase & Co. (US) | 1,319,143 | JPMorgan Chase & Co. (1,061,169); The Bear Stearns Companies (257,974) |
| Bank of America (US) | 1,309,338 | Bank of America (1,165,509); Countrywide Financial (143,829) |
| JPMorgan Chase & Co. (US) | 1,264,013 | JPMorgan Chase & Co. (1,061,169); Washington Mutual (banking operations) (202,844) [3] |
| Wells Fargo & Co. (US) | 922,722 | Wells Fargo & Co. (390,899); Wachovia (531,823) |
| The PNC Financial Services Group (US) | 196,518 | The PNC Financial Services Group (94,369); National City (102,149) |
| **2009** | | |
| BNP Paribas (FR) [4] | 2,660,102 | BNP Paribas (2,073,325); Fortis Bank (BE) (586,777) |
| Bank of America (US) [5] | 1,785,935 | Bank of America (1,306,275); Merrill Lynch & Co. (479,660) |
| Lloyds Banking Group (GB) [6] | 1,180,230 | Lloyds TSB Group (457,373); HBOS (722,857) |
| Commerzbank (DE) [7] | 1,046,157 | Commerzbank (625,196); Dresdner Bank (420,961) |
| Sumitomo Mitsui Trust Holdings (JP) [8] | 281,577 | Sumitomo Trust & Banking (165,746); Chuo Mitsui Trust Holdings (115,831) |
| (to be defined) (JP) [9] | 137,338 | Shinsei Bank (89,377); Aozora Bank (47,961) |

1 Refers to period 1 January 1999 to 31 January 2010.
2 Via RFS Holdings B.V. (NL), a special purpose vehicle company set up and owned by The Royal Bank of Scotland Group (38.3%), Fortis (33.8%; share acquired by the Netherlands government in December 2008) and Banco Santander (27.9%). ABN AMRO Holding was consolidated line-by-line by The Royal Bank of Scotland Group from 17 October 2007.
3 As at 25 September 2008.
4 Deal completed in May 2009.
5 Deal completed with effect from 1 January 2009.
6 Deal completed with effect from 16 January 2009.
7 Deal completed with effect from 12 January 2009.
8 Deal announced in November 2009.
9 Deal announced in July 2009.

## APPENDIX 3 – Insurance activities

The European banking groups included in this survey generally engage in insurance via subsidiaries, either insurance companies or other specialist operations. Until 2004, such activities were accounted for differently in the respective consolidated reporting depending on the parent company's country of origin, as a result of differences in national legislation and other financial reporting requirements defined by the various supervisory authorities. In Italy, Spain and Denmark, insurance activities were not included in the consolidated accounts and were generally equity-accounted, whereas in France they were equity accounted until 1999 and subsequently consolidated using the line-by-line method. In Holland, Belgium, Switzerland and Germany, insurance activities were fully consolidated throughout the entire period under review; however, of the German banks, only Deutsche Bank and DZ Bank included insurance activities in their consolidated reporting (the latter only since 2001). UK banks value long-term life insurance businesses on the basis of in-force business. This involves a prudent valuation of discounted future earnings expected to derive from active policies, taking into account factors such as recent experience and general economic conditions. The calculation is repeated yearly, with the resulting value being treated as an asset and any differences being taken to profit and loss.

With the aforementioned adoption of IAS/IFRS by all listed EU companies in 2005, the above treatment differences ceased to apply, as such standards require the companies to consolidate insurance activities using the line-by-line method. The standards also differentiate between contracts that contain an insurance risk and those that contain no significant insurance risk. The latter, which are generally unit and index-linked policies, are no longer considered insurance products; these are now classified as investment contracts and included in the balance sheet as financial liabilities.

A summary of banking and insurance activities for European banks over the last three years is reported below; it should be recalled that, in 2008, insurance assets owned by the Fortis Group – technical reserves and investment contracts totaling EUR 95.6 billion at the end of 2007 – were no longer considered within the sample; during the course of 2006, Crèdit Suisse had also sold its controlling stake in the Winterthur insurance group. The data of the table highlight the anti-cyclical effect of insurance activities on the results of the year 2008.

| | Current pre-tax profit | | | Total assets [1] | | |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2006 | 2007 | 2008 |
| | | *EUR bn* | | | *EUR bn* | |
| Banking | 155.5 | 111.1 | - 14.7 | 23,101.2 | 25,864.1 | 27,787.8 |
| Insurance | 20.1 | 16.4 | 12.1 | 1,423.6 | 1,463.7 | 1,182.3 |
| **Total** | **175.6** | **127.5** | **- 2.6** | **24,524.8** | **27,327.8** | **28,970.1** |
| | | *as % of total income* | | | *as % of total assets* | |
| Banking | *30.3* | *22.6* | *- 3.7* | *94.2* | *94.6* | *95.9* |
| Insurance | *3.9* | *3.3* | *3.1* | *5.8* | *5.4* | *4.1* |
| **Total** | ***34.2*** | ***25.9*** | ***- 0.6*** | ***100.0*** | ***100.0*** | ***100.0*** |

[1] For insurance activities this figures involves technical reserves and sums collected in respect of issuance of insurance policies with a primarily financial content (EUR 260.6bn in 2008).

Among US banks, only Citigroup included an insurance group in its consolidated accounts, following the 1998 merger with Travelers Group. This business shrunk in 2002 with the transfer of the non-life business, and ceased in 2005 with the sale of its life business as well.[84] This business accounted for 0.6% of the aggregated profit before tax for US banks in 2005 (1.2% in 2004). Technical reserves instead accounted for 1.4% of total assets at the end of 2004. No insurance activities were recorded in the financial statements of Japanese banks.

[84] In March and August 2002, Citigroup offered to the public and distributed to its own shareholders by way of a dividend shares in its subsidiary Travelers Property Casualty Corp. Upon completion of these transactions, the former of which yielded a gain of USD 1.2 billion, Citigroup had reduced its interest in this company to approx. 9.9%. The life insurance activities were sold to the MetLife group with effect from 1 July 2005 for a consideration of USD 11.8 billion, USD 10.8 billion of which in cash and USD 1 billion in MetLife shares.

In the aggregate figures provided in this survey, current pre-tax profit from insurance activities is included in the profit and loss account under *Net fee and commission income*, while technical reserves are reported in the balance sheet as *Other liabilities*, and liabilities relating to investment contracts are included under *Customer deposits*. Invested assets, for which data is generally not available, are reported under the appropriate asset headings in accordance with their nature (typically *Securities* or *Net tangible assets*).

# II. STATISTICAL TABLES

## TABLE II.1 – PROFIT AND LOSS ACCOUNTS

TRIAD

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % |
| Interest receivable and similar income | 1,048,471 | | 1,244,612 | | 1,252,070 | | 995,636 | | 849,542 | | 879,253 | | 1,194,654 | | 1,396,801 | | 1,618,742 | | 1,643,042 | |
| Interest payable and similar expenses | -692,508 | | -867,267 | | -830,314 | | -594,256 | | -474,419 | | -505,163 | | -783,592 | | -987,866 | | -1,212,989 | | -1,158,732 | |
| **Net interest income** | **355,963** | ***52.7*** | **377,345** | ***48.6*** | **421,756** | ***50.3*** | **401,380** | ***51.8*** | **375,123** | ***50.8*** | **374,090** | ***50.1*** | **411,062** | ***48.3*** | **408,935** | ***45.9*** | **405,753** | ***49.0*** | **484,310** | ***66.2*** |
| Commissions receivable and other operating income (1) | 253,615 | *37.5* | 313,022 | *40.3* | 334,526 | *39.9* | 306,782 | *39.6* | 291,385 | *39.5* | 306,927 | *41.1* | 361,549 | *42.5* | 377,870 | *42.4* | 388,742 | *46.9* | 343,954 | *47.0* |
| Commissions payable and other operating expenses | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … |
| Dividends and share of profit (loss) | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … |
| Gains (losses) on financial transactions | 66,397 | *9.8* | 86,608 | *11.1* | 81,762 | *9.8* | 67,352 | *8.7* | 71,918 | *9.7* | 65,163 | *8.7* | 78,456 | *9.2* | 104,648 | *11.7* | 34,213 | *4.1* | -96,775 | *-13.2* |
| **Total income** | **675,975** | ***100.0*** | **776,975** | ***100.0*** | **838,044** | ***100.0*** | **775,514** | ***100.0*** | **738,426** | ***100.0*** | **746,180** | ***100.0*** | **851,067** | ***100.0*** | **891,453** | ***100.0*** | **828,708** | ***100.0*** | **731,489** | ***100.0*** |
| Labour costs | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … |
| General expenses (2) | -378,116 | *-55.9* | -437,059 | *-56.3* | -472,948 | *-56.5* | -431,196 | *-55.6* | -401,793 | *-54.4* | -406,469 | *-54.5* | -468,018 | *-55.0* | -484,435 | *-54.3* | -488,523 | *-58.9* | -494,706 | *-67.6* |
| Bad debts recovered (written off) | -86,001 | *-12.7* | -91,131 | *-11.7* | -146,034 | *-17.4* | -122,644 | *-15.8* | -84,219 | *-11.4* | -56,615 | *-7.6* | -49,859 | *-5.9* | -55,927 | *-6.3* | -93,414 | *-11.3* | -239,228 | *-32.7* |
| Depreciation and amortization | -29,535 | *-4.4* | -35,034 | *-4.5* | -37,670 | *-4.5* | -35,785 | *-4.6* | -31,711 | *-4.3* | -30,812 | *-4.1* | -35,220 | *-4.1* | -35,341 | *-4.0* | -35,497 | *-4.3* | -40,098 | *-5.5* |
| **Current pre-tax profit** | **182,323** | ***27.0*** | **213,751** | ***27.5*** | **181,392** | ***21.6*** | **185,889** | ***24.0*** | **220,703** | ***29.9*** | **252,284** | ***33.8*** | **297,970** | ***35.0*** | **315,750** | ***35.4*** | **211,274** | ***25.5*** | **-42,543** | ***-5.8*** |
| Amortization of goodwill | -7,642 | *-1.1* | -9,857 | *-1.3* | -14,675 | *-1.8* | -12,844 | *-1.7* | -10,842 | *-1.5* | -7,889 | *-1.1* | -301 | *0.0* | -217 | *0.0* | -280 | *0.0* | -395 | *-0.1* |
| Transfer from (to) reserves | -2,231 | *-0.3* | -1,461 | *-0.2* | -2,489 | *-0.3* | 189 | *0.0* | -604 | *-0.1* | -654 | *-0.1* | -1,179 | *-0.1* | -1,255 | *-0.1* | 0 | *0.0* | 0 | *0.0* |
| Fixed asset revaluations (writedowns) | -6,266 | *-0.9* | -6,743 | *-0.9* | -25,761 | *-3.1* | -31,969 | *-4.1* | -8,193 | *-1.1* | -7,335 | *-1.0* | -3,032 | *-0.4* | -6,599 | *-0.7* | -22,685 | *-2.7* | -167,504 | *-22.9* |
| Extraordinary items | 47,896 | *7.1* | 32,674 | *4.2* | 290 | *0.0* | -4,437 | *-0.6* | 3,580 | *0.5* | 270 | *0.0* | 31,977 | *3.8* | 42,133 | *4.7* | 61,138 | *7.4* | 19,102 | *2.6* |
| Cumulative effect of accounting changes | -210 | *0.0* | -49 | *0.0* | -698 | *-0.1* | -1,230 | *-0.2* | -216 | *0.0* | 13 | *0.0* | -172 | *0.0* | 1,670 | *0.2* | 0 | *0.0* | -44 | *0.0* |
| **Profit (loss) before tax** | **213,870** | ***31.6*** | **228,315** | ***29.4*** | **138,059** | ***16.5*** | **135,598** | ***17.5*** | **204,428** | ***27.7*** | **236,689** | ***31.7*** | **325,263** | ***38.2*** | **351,482** | ***39.4*** | **249,447** | ***30.1*** | **-191,384** | ***-26.2*** |
| Income tax | -73,935 | *-10.9* | -70,509 | *-9.1* | -43,072 | *-5.1* | -55,833 | *-7.2* | -71,610 | *-9.7* | -72,930 | *-9.8* | -91,368 | *-10.7* | -98,056 | *-11.0* | -62,149 | *-7.5* | 25,723 | *3.5* |
| Profit attributable to minorities | -4,810 | *-0.7* | -7,817 | *-1.0* | -7,608 | *-0.9* | -6,803 | *-0.9* | -7,683 | *-1.0* | -8,955 | *-1.2* | -9,295 | *-1.1* | -9,176 | *-1.0* | -9,405 | *-1.1* | 5,261 | *0.7* |
| **Net profit attributable to parent company** | **135,125** | ***20.0*** | **149,989** | ***19.3*** | **87,379** | ***10.4*** | **72,962** | ***9.4*** | **125,135** | ***16.9*** | **154,804** | ***20.7*** | **224,600** | ***26.4*** | **244,250** | ***27.4*** | **177,893** | ***21.5*** | **-160,400** | ***-21.9*** |
| *Dividends payout* | *49,893* | *7.4* | *57,842* | *7.4* | *63,919* | *7.6* | *57,488* | *7.4* | *61,304* | *8.3* | *69,432* | *9.3* | *87,755* | *10.3* | *96,928* | *10.9* | *93,298* | *11.3* | *54,701* | *7.5* |

(1) Net of commissions payable and other operating expenses, including gains and losses pro-rata to interest stated on a net equity basis and dividends recorded by European companies.
(2) Including labour costs.

TABLE II.2 – FINANCIAL STATEMENTS — TRIAD

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % |
| Cash and deposits at central banks | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … |
| Securities | 5,396,480 | *22.7* | 6,301,808 | *23.6* | 6,588,230 | *23.7* | 6,233,060 | *23.9* | 6,497,633 | *25.1* | 7,108,871 | *25.7* | 9,671,528 | *28.7* | 9,967,449 | *28.5* | 9,918,474 | *26.2* | 8,656,762 | *21.1* |
| Loans and advances to banks (1) | 3,439,854 | *14.5* | 3,688,996 | *13.8* | 4,018,259 | *14.4* | 3,848,200 | *14.7* | 3,974,254 | *15.4* | 4,285,501 | *15.5* | 4,942,040 | *14.7* | 5,106,770 | *14.6* | 5,434,901 | *14.4* | 4,900,992 | *12.0* |
| Loans and advances to customers | 11,887,816 | *50.1* | 13,034,425 | *48.8* | 13,142,629 | *47.3* | 12,306,763 | *47.1* | 11,781,036 | *45.6* | 12,390,600 | *44.8* | 14,864,150 | *44.2* | 15,721,282 | *44.9* | 16,445,918 | *43.4* | 17,209,411 | *42.0* |
| ***Loans, advances and cash*** | ***20,724,150*** | ***87.3*** | ***23,025,229*** | ***86.2*** | ***23,749,118*** | ***85.4*** | ***22,388,023*** | ***85.7*** | ***22,252,923*** | ***86.1*** | ***23,784,972*** | ***85.9*** | ***29,477,718*** | ***87.6*** | ***30,795,501*** | ***88.0*** | ***31,799,293*** | ***84.0*** | ***30,767,165*** | ***75.0*** |
| Interests in subsidiares and associated | 181,070 | *0.8* | 221,607 | *0.8* | 239,903 | *0.9* | 202,234 | *0.8* | 189,367 | *0.7* | 193,580 | *0.7* | 136,000 | *0.4* | 140,680 | *0.4* | 191,310 | *0.5* | 158,243 | *0.4* |
| Intangible assets | 41,055 | *0.2* | 64,702 | *0.2* | 81,724 | *0.3* | 67,558 | *0.3* | 76,062 | *0.3* | 85,555 | *0.3* | 139,962 | *0.4* | 140,560 | *0.4* | 165,950 | *0.4* | 158,980 | *0.4* |
| Net tangible assets | 262,310 | *1.1* | 276,634 | *1.0* | 283,530 | *1.0* | 255,467 | *1.0* | 227,047 | *0.9* | 234,620 | *0.8* | 296,797 | *0.9* | 298,209 | *0.9* | 292,658 | *0.8* | 298,038 | *0.7* |
| Other assets | 2,440,929 | *10.3* | 2,925,772 | *11.0* | 3,231,864 | *11.6* | 3,005,441 | *11.5* | 2,911,275 | *11.3* | 3,110,686 | *11.2* | 3,240,517 | *9.6* | 3,243,225 | *9.3* | 4,954,437 | *13.1* | 9,247,591 | *22.5* |
| **Total (a)** | **23,649,514** | ***99.6*** | **26,513,944** | ***99.3*** | **27,586,139** | ***99.2*** | **25,918,723** | ***99.2*** | **25,656,674** | ***99.2*** | **27,409,413** | ***99.0*** | **33,290,994** | ***99.0*** | **34,618,175** | ***98.9*** | **37,403,648** | ***98.8*** | **40,630,017** | ***99.1*** |
| Deposits by banks | 4,348,362 | *18.3* | 4,991,707 | *18.7* | 5,196,809 | *18.7* | 5,035,216 | *19.3* | 5,042,007 | *19.5* | 5,441,527 | *19.7* | 6,368,773 | *18.9* | 6,443,753 | *18.4* | 6,709,913 | *17.7* | 6,045,774 | *14.7* |
| Customer deposits | 10,993,286 | *46.3* | 12,211,367 | *45.7* | 12,897,291 | *46.4* | 12,088,579 | *46.3* | 11,703,141 | *45.3* | 12,294,470 | *44.4* | 14,297,645 | *42.5* | 14,641,845 | *41.8* | 15,054,464 | *39.8* | 15,765,779 | *38.4* |
| Debt securities | 3,604,069 | *15.2* | 3,920,894 | *14.7* | 4,021,316 | *14.5* | 3,785,561 | *14.5* | 3,788,332 | *14.7* | 4,058,166 | *14.7* | 5,090,250 | *15.1* | 5,705,695 | *16.3* | 6,134,771 | *16.2* | 5,809,732 | *14.2* |
| Subordinated liabilities | 552,801 | *2.3* | 627,772 | *2.4* | 677,012 | *2.4* | 616,544 | *2.4* | 595,755 | *2.3* | 604,220 | *2.2* | 727,381 | *2.2* | 752,345 | *2.1* | 799,942 | *2.1* | 902,758 | *2.2* |
| ***Total funding*** | ***19,498,518*** | ***82.1*** | ***21,751,740*** | ***81.5*** | ***22,792,428*** | ***82.0*** | ***21,525,900*** | ***82.4*** | ***21,129,235*** | ***81.7*** | ***22,398,383*** | ***80.9*** | ***26,484,049*** | ***78.7*** | ***27,543,638*** | ***78.7*** | ***28,699,090*** | ***75.8*** | ***28,524,043*** | ***69.6*** |
| Provision for employee benefits | 37,558 | *0.2* | 49,499 | *0.2* | 45,294 | *0.2* | 48,413 | *0.2* | 44,090 | *0.2* | 48,981 | *0.2* | 74,437 | *0.2* | 69,146 | *0.2* | 56,930 | *0.2* | 56,024 | *0.1* |
| Deferred taxation | 64,761 | *0.3* | 81,946 | *0.3* | 79,620 | *0.3* | 81,213 | *0.3* | 72,978 | *0.3* | 69,152 | *0.2* | 91,938 | *0.3* | 85,933 | *0.2* | 81,703 | *0.2* | 50,869 | *0.1* |
| Other liabilities | 2,993,860 | *12.6* | 3,503,409 | *13.1* | 3,514,287 | *12.6* | 3,234,762 | *12.4* | 3,362,787 | *13.0* | 3,786,047 | *13.7* | 5,341,894 | *15.9* | 5,568,205 | *15.9* | 7,247,626 | *19.1* | 10,697,208 | *26.1* |
| **Total liabilities (b)** | **22,594,697** | ***95.1*** | **25,386,594** | ***95.1*** | **26,431,629** | ***95.0*** | **24,890,288** | ***95.3*** | **24,609,090** | ***95.2*** | **26,302,563** | ***95.0*** | **31,992,318** | ***95.1*** | **33,266,922** | ***95.0*** | **36,085,349** | ***95.3*** | **39,328,144** | ***95.9*** |
| **Goodwill (c)** | 97,220 | *0.4* | 187,608 | *0.7* | 222,834 | *0.8* | 207,434 | *0.8* | 196,408 | *0.8* | 278,709 | *1.0* | 350,702 | *1.0* | 386,758 | *1.1* | 452,897 | *1.2* | 380,785 | *0.9* |
| **Net worth (a-b+c)** | **1,152,037** | ***4.9*** | **1,314,958** | ***4.9*** | **1,377,344** | ***5.0*** | **1,235,869** | ***4.7*** | **1,243,992** | ***4.8*** | **1,385,559** | ***5.0*** | **1,649,378** | ***4.9*** | **1,738,011** | ***5.0*** | **1,771,196** | ***4.7*** | **1,682,658** | ***4.1*** |
| *represented by:* | | | | | | | | | | | | | | | | | | | | |
| Issued share capital | 234,723 | *1.0* | 230,331 | *0.9* | 216,593 | *0.8* | 194,030 | *0.7* | 189,121 | *0.7* | 210,320 | *0.8* | 219,228 | *0.7* | 229,026 | *0.7* | 216,197 | *0.6* | 395,040 | *1.0* |
| Reserves | 886,075 | *3.7* | 1,037,522 | *3.9* | 1,108,340 | *4.0* | 992,194 | *3.8* | 994,589 | *3.8* | 1,106,897 | *4.0* | 1,403,210 | *4.2* | 1,465,375 | *4.2* | 1,466,247 | *3.9* | 1,179,554 | *2.9* |
| Own shares | -42,822 | *-0.2* | -45,600 | *-0.2* | -49,910 | *-0.2* | -49,962 | *-0.2* | -45,789 | *-0.2* | -51,360 | *-0.2* | -79,073 | *-0.2* | -79,239 | *-0.2* | -79,355 | *-0.2* | -40,400 | *-0.1* |
| **Total** | **1,077,976** | ***4.5*** | **1,222,253** | ***4.6*** | **1,275,023** | ***4.6*** | **1,136,262** | ***4.3*** | **1,137,921** | ***4.4*** | **1,265,857** | ***4.6*** | **1,543,365** | ***4.6*** | **1,615,162** | ***4.6*** | **1,603,089** | ***4.2*** | **1,534,194** | ***3.7*** |
| Minority interests | 74,061 | *0.3* | 92,705 | *0.3* | 102,321 | *0.4* | 99,607 | *0.4* | 106,071 | *0.4* | 119,702 | *0.4* | 106,013 | *0.3* | 122,849 | *0.4* | 168,107 | *0.4* | 148,464 | *0.4* |
| **Funding from customers** | **15,150,156** | ***63.8*** | **16,760,033** | ***62.8*** | **17,595,619** | ***63.3*** | **16,490,684** | ***63.1*** | **16,087,228** | ***62.2*** | **16,956,856** | ***61.2*** | **20,115,276** | ***59.8*** | **21,099,885** | ***60.3*** | **21,989,177** | ***58.1*** | **22,478,269** | ***54.8*** |
| **Total assets (a+c)** | **23,746,734** | ***100.0*** | **26,701,552** | ***100.0*** | **27,808,973** | ***100.0*** | **26,126,157** | ***100.0*** | **25,853,082** | ***100.0*** | **27,688,122** | ***100.0*** | **33,641,696** | ***100.0*** | **35,004,933** | ***100.0*** | **37,856,545** | ***100.0*** | **41,010,802** | ***100.0*** |

(1) Including cash and central banks deposits.

## TABLE II.3 – EMPLOYEES

TRIAD

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Average number of staff | 3,352,052 | 3,538,675 | 3,719,379 | 3,721,473 | 3,709,469 | 3,712,957 | 3,829,994 | 3,993,144 | 4,167,523 | 4,278,326 |
| *of which*: from country of origin (%) | … | … | … | … | … | … | … | … | … | … |
| from elsewhere (%) | … | … | … | … | … | … | … | … | … | … |

## TABLE II.4 – FINANCIAL RATIOS

TRIAD

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Funding from customers per employee ('000 EUR) (1) | 4,599 | 4,826 | 4,913 | 4,608 | 4,518 | 4,733 | 5,434 | 5,426 | 5,415 | 5,145 |
| Loans and advances to customers per employee ('000 EUR) (1) | 3,609 | 3,754 | 3,670 | 3,439 | 3,308 | 3,458 | 4,017 | 4,046 | 4,057 | 3,954 |
| Labour cost per employee ('000 EUR) | … | … | … | … | … | … | … | … | … | … |
| Cost / income ratio (%) | 60.3 | 60.8 | 61.0 | 60.2 | 58.7 | 58.6 | 59.1 | 58.3 | 63.2 | 73.1 |
| Bad debts written off as % of total income (2) | 12.7 | 11.7 | 17.4 | 15.8 | 11.4 | 7.6 | 5.9 | 6.3 | 11.3 | 32.7 |
| Dividends payout as % of net profit | 36.9 | 38.6 | 73.2 | 78.8 | 49.0 | 44.9 | 39.1 | 39.7 | 52.4 | n.c. |
| ROE (%) | 14.3 | 14.0 | 7.4 | 6.9 | 12.4 | 13.9 | 17.0 | 17.8 | 12.5 | n.c. |
| ROA (%) | 0.6 | 0.6 | 0.3 | 0.3 | 0.5 | 0.6 | 0.7 | 0.7 | 0.5 | n.c. |
| Doubful loans as % of loans to customers (3) | 1.7 | 1.7 | 2.2 | 1.8 | 1.4 | 0.8 | 0.7 | 0.7 | 0.7 | 1.0 |
| Doubful loans as % of net worth (3) | 18.1 | 16.7 | 20.7 | 17.8 | 12.7 | 7.5 | 6.2 | 6.0 | 6.7 | 10.4 |
| Loans, advances and cash as % of total funding | 106.3 | 105.9 | 104.2 | 104.0 | 105.3 | 106.2 | 111.3 | 111.8 | 110.8 | 107.9 |
| Fixed assets as % of net worth | 50.5 | 57.1 | 60.1 | 59.3 | 55.4 | 57.2 | 56.0 | 55.6 | 62.3 | 59.2 |
| Free capital as % of funding from customers | … | 2.1 | 1.6 | 1.8 | 2.5 | 2.9 | 3.1 | 3.2 | 2.5 | 2.3 |
| Total assets (4) / Tangible net worth (n.) | 23.3 | 24.9 | 25.6 | 26.9 | 26.3 | 26.8 | 28.6 | 28.5 | 32.3 | 35.4 |

Funding from customers = customer deposits plus debt securities plus subordinated liabilities.
Fixed assets = interests in subsidiaries and associated plus net tangible and intangible assets plus goodwill.
Free capital = net worth less fixed assets less doubtful loans.
Tangibile net worth = net worth less intangible assets less goodwill.

(1) Calculated excluding staff employed in insurance operations where possible based on information available.
(2) Net of recovered amounts.
(3) Calculated only on the basis of those exposures not completely covered by provisions. Figures cover Groups which accounted for 88.2% in 1999, 93.6% in 2000, 96.1% in 2001, 95% in 2002 and 2003, 96.7% in 2004, 96.2% in 2005, 96.7% in 2006 and 100% in 2007 and 2008 of loans to customers of the sample.
(4) Excluding intangibile assets..

TABLE II.1 – PROFIT AND LOSS ACCOUNTS EUROPE

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % |
| Interest receivable and similar income | 611,417 | | 759,778 | | 794,976 | | 667,257 | | 587,416 | | 617,725 | | 833,758 | | 989,567 | | 1,198,465 | | 1,237,234 | |
| Interest payable and similar expenses | -452,065 | | -589,672 | | -606,256 | | -474,057 | | -392,568 | | -420,260 | | -622,202 | | -766,711 | | -970,930 | | -973,130 | |
| **Net interest income** | **159,352** | ***48.6*** | **170,106** | ***43.8*** | **188,720** | ***45.6*** | **193,200** | ***49.8*** | **194,848** | ***49.6*** | **197,465** | ***47.6*** | **211,556** | ***46.1*** | **222,856** | ***43.4*** | **227,535** | ***46.3*** | **264,104** | ***66.4*** |
| Commissions receivable and other operating income | 146,758 | *44.8* | 178,539 | *46.0* | 186,685 | *45.1* | 178,546 | *46.0* | 176,698 | *45.0* | 190,911 | *46.1* | 218,713 | *47.7* | 244,920 | *47.7* | 259,652 | *52.8* | 231,402 | *58.2* |
| Commissions payable and other operating expenses | -28,807 | *-8.8* | -27,979 | *-7.2* | -29,738 | *-7.2* | -31,100 | *-8.0* | -33,451 | *-8.5* | -36,422 | *-8.8* | -39,137 | *-8.5* | -43,225 | *-8.4* | -47,707 | *-9.7* | -47,876 | *-12.0* |
| Dividends and share of profit (loss) | 11,256 | *3.4* | 14,218 | *3.7* | 14,981 | *3.6* | 9,379 | *2.4* | 12,061 | *3.1* | 14,789 | *3.6* | 12,762 | *2.8* | 12,558 | *2.4* | 13,134 | *2.7* | 9,166 | *2.3* |
| Gains (losses) on financial transactions | 39,082 | *11.9* | 53,404 | *13.8* | 53,255 | *12.9* | 37,758 | *9.7* | 42,934 | *10.9* | 47,785 | *11.5* | 54,803 | *11.9* | 76,382 | *14.9* | 38,990 | *7.9* | -59,236 | *-14.9* |
| **Total income** | **327,641** | ***100.0*** | **388,288** | ***100.0*** | **413,903** | ***100.0*** | **387,783** | ***100.0*** | **393,090** | ***100.0*** | **414,528** | ***100.0*** | **458,697** | ***100.0*** | **513,491** | ***100.0*** | **491,604** | ***100.0*** | **397,560** | ***100.0*** |
| Labour costs | -120,663 | *-36.8* | -143,410 | *-36.9* | -157,326 | *-38.0* | -147,537 | *-38.0* | -142,239 | *-36.2* | -145,801 | *-35.2* | -162,749 | *-35.5* | -180,333 | *-35.1* | -183,459 | *-37.3* | -165,856 | *-41.7* |
| General expenses | -71,783 | *-21.9* | -84,080 | *-21.7* | -94,526 | *-22.8* | -89,466 | *-23.1* | -83,909 | *-21.3* | -87,897 | *-21.2* | -99,160 | *-21.6* | -105,660 | *-20.6* | -111,973 | *-22.8* | -116,262 | *-29.3* |
| Bad debts recovered (written off) | -26,681 | *-8.1* | -24,372 | *-6.3* | -37,639 | *-9.1* | -49,660 | *-12.8* | -39,671 | *-10.1* | -29,065 | *-7.0* | -26,414 | *-5.8* | -33,319 | *-6.5* | -49,278 | *-10.0* | -97,155 | *-24.4* |
| Depreciation and amortization | -15,453 | *-4.7* | -18,253 | *-4.7* | -20,398 | *-4.9* | -20,001 | *-5.2* | -18,210 | *-4.6* | -17,278 | *-4.2* | -17,979 | *-3.9* | -18,532 | *-3.6* | -19,413 | *-3.9* | -20,837 | *-5.2* |
| **Current pre-tax profit** | **93,061** | ***28.4*** | **118,173** | ***30.4*** | **104,014** | ***25.1*** | **81,119** | ***20.9*** | **109,061** | ***27.7*** | **134,487** | ***32.4*** | **152,395** | ***33.2*** | **175,647** | ***34.2*** | **127,481** | ***25.9*** | **-2,550** | ***-0.6*** |
| Amortization of goodwill | -3,484 | *-1.1* | -5,718 | *-1.5* | -9,835 | *-2.4* | -12,172 | *-3.1* | -10,793 | *-2.7* | -7,723 | *-1.9* | -2 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* |
| Transfer from (to) reserves | -2,231 | *-0.7* | -1,461 | *-0.4* | -2,359 | *-0.6* | 189 | *0.0* | -604 | *-0.2* | -654 | *-0.2* | -1,179 | *-0.3* | -1,255 | *-0.2* | 0 | *0.0* | 0 | *0.0* |
| Fixed asset revaluations (writedowns) | -40 | *0.0* | -841 | *-0.2* | -4,721 | *-1.1* | -8,929 | *-2.3* | -5,854 | *-1.5* | -1,051 | *-0.3* | -362 | *-0.1* | 83 | *0.0* | -9,068 | *-1.8* | -94,393 | *-23.7* |
| Extraordinary items | 12,495 | *3.8* | 17,962 | *4.6* | 12,167 | *2.9* | 13,486 | *3.5* | 3,972 | *1.0* | 2,930 | *0.7* | 20,192 | *4.4* | 25,229 | *4.9* | 51,707 | *10.5* | 3,434 | *0.9* |
| Cumulative effect of accounting changes | 0 | *0.0* | 0 | *0.0* | -328 | *-0.1* | -736 | *-0.2* | -175 | *0.0* | 20 | *0.0* | 12 | *0.0* | 19 | *0.0* | 0 | *0.0* | 0 | *0.0* |
| **Profit (loss) before tax** | **99,801** | ***30.5*** | **128,115** | ***33.0*** | **98,938** | ***23.9*** | **72,957** | ***18.8*** | **95,607** | ***24.3*** | **128,009** | ***30.9*** | **171,056** | ***37.3*** | **199,723** | ***38.9*** | **170,120** | ***34.6*** | **-93,509** | ***-23.5*** |
| Income tax | -28,575 | *-8.7* | -32,586 | *-8.4* | -26,760 | *-6.5* | -23,698 | *-6.1* | -28,743 | *-7.3* | -35,011 | *-8.4* | -43,591 | *-9.5* | -48,768 | *-9.5* | -36,215 | *-7.4* | 6,665 | *1.7* |
| Profit attributable to minorities | -4,163 | *-1.3* | -6,673 | *-1.7* | -6,712 | *-1.6* | -5,515 | *-1.4* | -5,987 | *-1.5* | -7,214 | *-1.7* | -6,104 | *-1.3* | -7,188 | *-1.4* | -7,548 | *-1.5* | 5,887 | *1.5* |
| **Net profit attributable to parent company** | **67,063** | ***20.5*** | **88,856** | ***22.9*** | **65,466** | ***15.8*** | **43,744** | ***11.3*** | **60,877** | ***15.5*** | **85,784** | ***20.7*** | **121,361** | ***26.5*** | **143,767** | ***28.0*** | **126,357** | ***25.7*** | **-80,957** | ***-20.4*** |
| *Dividends payout* | *25,595* | *7.8* | *32,319* | *8.3* | *35,485* | *8.6* | *32,813* | *8.5* | *36,083* | *9.2* | *40,345* | *9.7* | *50,998* | *11.1* | *60,560* | *11.8* | *56,676* | *11.5* | *20,629* | *5.2* |

TABLE II.2 – FINANCIAL STATEMENTS EUROPE

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % | *EUR m* | % |
| Cash and deposits at central banks | 126,040 | *1.0* | 131,998 | *0.9* | 168,643 | *1.0* | 153,230 | *1.0* | 160,909 | *1.0* | 170,264 | *0.9* | 151,597 | *0.7* | 155,340 | *0.6* | 245,569 | *0.9* | 362,504 | *1.3* |
| Securities | 2,923,886 | *22.5* | 3,377,127 | *22.6* | 3,860,332 | *23.6* | 3,589,660 | *22.6* | 3,831,001 | *23.4* | 4,352,003 | *24.1* | 6,564,594 | *29.1* | 7,049,631 | *28.7* | 7,111,934 | *26.0* | 5,495,741 | *19.0* |
| Loans and advances to banks | 2,133,291 | *16.4* | 2,324,152 | *15.6* | 2,551,020 | *15.6* | 2,525,441 | *15.9* | 2,669,878 | *16.3* | 2,949,833 | *16.3* | 3,402,498 | *15.1* | 3,645,450 | *14.9* | 3,891,108 | *14.2* | 3,138,569 | *10.8* |
| Loans and advances to customers | 5,872,088 | *45.2* | 6,706,152 | *44.9* | 7,074,861 | *43.3* | 7,016,352 | *44.2* | 7,094,476 | *43.3* | 7,674,497 | *42.5* | 9,390,894 | *41.7* | 10,555,292 | *43.0* | 11,325,486 | *41.5* | 11,357,585 | *39.2* |
| ***Loans, advances and cash*** | ***11,055,305*** | ***85.2*** | ***12,539,429*** | ***84.0*** | ***13,654,856*** | ***83.5*** | ***13,284,683*** | ***83.6*** | ***13,756,264*** | ***84.0*** | ***15,146,597*** | ***83.9*** | ***19,509,583*** | ***86.5*** | ***21,405,713*** | ***87.3*** | ***22,574,097*** | ***82.6*** | ***20,354,399*** | ***70.3*** |
| Interests in subsidiares and associated | 145,807 | *1.1* | 173,491 | *1.2* | 195,910 | *1.2* | 167,363 | *1.1* | 154,892 | *0.9* | 147,133 | *0.8* | 76,280 | *0.3* | 76,611 | *0.3* | 117,748 | *0.4* | 75,460 | *0.3* |
| Intangible assets | 7,431 | *0.1* | 19,272 | *0.1* | 18,909 | *0.1* | 19,133 | *0.1* | 23,882 | *0.1* | 23,857 | *0.1* | 45,637 | *0.2* | 45,441 | *0.2* | 64,481 | *0.2* | 60,806 | *0.2* |
| Net tangible assets | 138,386 | *1.1* | 153,886 | *1.0* | 168,701 | *1.0* | 156,897 | *1.0* | 145,802 | *0.9* | 157,402 | *0.9* | 213,154 | *0.9* | 221,730 | *0.9* | 216,112 | *0.8* | 212,760 | *0.7* |
| Other assets | 1,599,625 | *12.3* | 1,934,715 | *13.0* | 2,194,667 | *13.4* | 2,143,829 | *13.5* | 2,180,614 | *13.3* | 2,450,165 | *13.6* | 2,546,387 | *11.3* | 2,603,109 | *10.6* | 4,121,409 | *15.1* | 8,071,586 | *27.9* |
| *of which:* derivatives assets | … | … | … | … | … | … | … | … | … | … | *1,150,944* | *6.4* | *1,887,566* | *8.4* | *1,807,060* | *7.4* | *3,299,715* | *12.1* | *7,056,276* | *24.4* |
| **Total (a)** | **12,946,554** | ***99.7*** | **14,820,793** | ***99.3*** | **16,233,043** | ***99.3*** | **15,771,905** | ***99.3*** | **16,261,454** | ***99.3*** | **17,925,154** | ***99.3*** | **22,391,041** | ***99.3*** | **24,352,604** | ***99.3*** | **27,093,847** | ***99.1*** | **28,775,011** | ***99.3*** |
| Deposits by banks | 2,790,664 | *21.5* | 3,208,542 | *21.5* | 3,403,100 | *20.8* | 3,275,861 | *20.6* | 3,447,444 | *21.1* | 3,789,333 | *21.0* | 4,351,879 | *19.3* | 4,797,778 | *19.6* | 5,056,263 | *18.5* | 4,379,309 | *15.1* |
| Customer deposits | 4,743,111 | *36.5* | 5,454,042 | *36.5* | 6,154,053 | *37.6* | 5,979,373 | *37.6* | 6,058,940 | *37.0* | 6,610,634 | *36.6* | 7,931,747 | *35.2* | 8,676,482 | *35.4* | 9,178,998 | *33.6* | 8,726,536 | *30.1* |
| Debt securities | 2,590,537 | *20.0* | 2,847,823 | *19.1* | 3,066,237 | *18.8* | 2,977,475 | *18.7* | 3,016,696 | *18.4* | 3,298,049 | *18.3* | 4,187,500 | *18.6* | 4,755,149 | *19.4* | 5,089,047 | *18.6* | 4,738,260 | *16.4* |
| Subordinated liabilities | 270,914 | *2.1* | 319,071 | *2.1* | 362,986 | *2.2* | 364,123 | *2.3* | 363,870 | *2.2* | 371,607 | *2.1* | 449,045 | *2.0* | 467,137 | *1.9* | 495,403 | *1.8* | 551,264 | *1.9* |
| ***Total funding*** | ***10,395,226*** | ***80.1*** | ***11,829,478*** | ***79.2*** | ***12,986,376*** | ***79.4*** | ***12,596,832*** | ***79.3*** | ***12,886,950*** | ***78.7*** | ***14,069,623*** | ***77.9*** | ***16,920,171*** | ***75.0*** | ***18,696,546*** | ***76.2*** | ***19,819,711*** | ***72.5*** | ***18,395,369*** | ***63.5*** |
| Provision for employee benefits | 30,118 | *0.2* | 42,752 | *0.3* | 39,174 | *0.2* | 42,730 | *0.3* | 40,448 | *0.2* | 45,810 | *0.3* | 72,284 | *0.3* | 67,408 | *0.3* | 55,105 | *0.2* | 52,528 | *0.2* |
| Deferred taxation | 35,389 | *0.3* | 42,649 | *0.3* | 41,871 | *0.3* | 43,713 | *0.3* | 39,738 | *0.2* | 41,928 | *0.2* | 56,470 | *0.3* | 49,433 | *0.2* | 56,157 | *0.2* | 46,653 | *0.2* |
| Other liabilities | 1,987,128 | *15.3* | 2,369,809 | *15.9* | 2,567,588 | *15.7* | 2,539,093 | *16.0* | 2,719,206 | *16.6* | 3,145,558 | *17.4* | 4,640,520 | *20.6* | 4,753,890 | *19.4* | 6,339,056 | *23.2* | 9,565,206 | *33.0* |
| *of which:* derivatives liabilities | … | … | … | … | … | … | … | … | … | … | *1,222,711* | *6.8* | *1,960,040* | *8.7* | *1,900,608* | *7.7* | *3,352,094* | *12.3* | *6,971,671* | *24.1* |
| **Total liabilities (b)** | **12,447,861** | ***95.9*** | **14,284,688** | ***95.7*** | **15,635,009** | ***95.6*** | **15,222,368** | ***95.8*** | **15,686,342** | ***95.8*** | **17,302,919** | ***95.8*** | **21,689,445** | ***96.2*** | **23,567,277** | ***96.1*** | **26,270,029** | ***96.1*** | **28,059,756** | ***96.9*** |
| **Goodwill (c)** | 33,718 | *0.3* | 109,788 | *0.7* | 118,977 | *0.7* | 110,524 | *0.7* | 112,251 | *0.7* | 128,374 | *0.7* | 155,429 | *0.7* | 172,185 | *0.7* | 233,953 | *0.9* | 195,042 | *0.7* |
| **Net worth (a-b+c)** | **532,411** | ***4.1*** | **645,893** | ***4.3*** | **717,011** | ***4.4*** | **660,061** | ***4.2*** | **687,363** | ***4.2*** | **750,609** | ***4.2*** | **857,025** | ***3.8*** | **957,512** | ***3.9*** | **1,057,771** | ***3.9*** | **910,297** | ***3.1*** |
| *represented by:* | | | | | | | | | | | | | | | | | | | | |
| Issued share capital | 71,745 | *0.6* | 71,234 | *0.5* | 83,358 | *0.5* | 85,859 | *0.5* | 89,199 | *0.5* | 90,550 | *0.5* | 94,957 | *0.4* | 96,781 | *0.4* | 93,200 | *0.3* | 95,448 | *0.3* |
| Reserves | 420,280 | *3.2* | 517,938 | *3.5* | 570,694 | *3.5* | 520,661 | *3.3* | 537,297 | *3.3* | 597,094 | *3.3* | 719,283 | *3.2* | 800,800 | *3.3* | 864,889 | *3.2* | 723,305 | *2.5* |
| Own shares | -10,346 | *-0.1* | -12,943 | *-0.1* | -10,159 | *-0.1* | -13,189 | *-0.1* | -13,765 | *-0.1* | -19,264 | *-0.1* | -27,257 | *-0.1* | -23,578 | *-0.1* | -28,541 | *-0.1* | -9,151 | *0.0* |
| **Total** | **481,679** | ***3.7*** | **576,229** | ***3.9*** | **643,893** | ***3.9*** | **593,331** | ***3.7*** | **612,731** | ***3.7*** | **668,380** | ***3.7*** | **786,983** | ***3.5*** | **874,003** | ***3.6*** | **929,548** | ***3.4*** | **809,602** | ***2.8*** |
| Minority interests | 50,732 | *0.4* | 69,664 | *0.5* | 73,118 | *0.4* | 66,730 | *0.4* | 74,632 | *0.5* | 82,229 | *0.5* | 70,042 | *0.3* | 83,509 | *0.3* | 128,223 | *0.5* | 100,695 | *0.3* |
| **Funding from customers** | **7,604,562** | ***58.6*** | **8,620,936** | ***57.7*** | **9,583,276** | ***58.6*** | **9,320,971** | ***58.7*** | **9,439,506** | ***57.7*** | **10,280,290** | ***56.9*** | **12,568,292** | ***55.7*** | **13,898,768** | ***56.7*** | **14,763,448** | ***54.0*** | **14,016,060** | ***48.4*** |
| **Total assets (a+c)** | **12,980,272** | ***100.0*** | **14,930,581** | ***100.0*** | **16,352,020** | ***100.0*** | **15,882,429** | ***100.0*** | **16,373,705** | ***100.0*** | **18,053,528** | ***100.0*** | **22,546,470** | ***100.0*** | **24,524,789** | ***100.0*** | **27,327,800** | ***100.0*** | **28,970,053** | ***100.0*** |

## TABLE II.3 – EMPLOYEES

EUROPE

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Average number of staff | 1,973,520 | 2,113,777 | 2,246,505 | 2,240,945 | 2,227,264 | 2,209,903 | 2,281,175 | 2,398,301 | 2,505,008 | 2,615,368 |
| *of which*: from country of origin (%) (1) | *65.1* | *58.4* | *55.8* | *55.2* | *54.2* | *53.9* | *51.4* | *49.2* | *46.5* | *43.8* |
| from elsewhere (%) (1) | *34.9* | *41.6* | *44.2* | *44.8* | *45.8* | *46.1* | *48.6* | *50.8* | *53.5* | *56.2* |

(1) Figures for companies which cover 70% of total number of staff in 1999, 87% in 2000, 89% in 2001, 2002 and 2003, 91% in 2004 and 2005, 97% in 2006 and 2008 and 96% in 2007.

## TABLE II.4 – FINANCIAL RATIOS

EUROPE

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Funding from customers per employee ('000 EUR) (1) | 4,045 | 4,282 | 4,545 | 4,442 | 4,541 | 4,943 | 5,837 | 6,060 | 6,156 | 5,467 |
| Loans and advances to customers per employee ('000 EUR) (1) | 3,123 | 3,331 | 3,355 | 3,344 | 3,413 | 3,690 | 4,364 | 4,607 | 4,734 | 4,455 |
| Labour cost per employee ('000 EUR) (1) | 64 | 71 | 74 | 70 | 68 | 70 | 75 | 78 | 76 | 66 |
| Cost / income ratio (%) | 63.5 | 63.3 | 65.8 | 66.3 | 62.2 | 60.6 | 61.0 | 59.3 | 64.1 | 76.2 |
| Bad debts written off as % of total income (2) | 8.1 | 6.3 | 9.1 | 12.8 | 10.1 | 7.0 | 5.8 | 6.5 | 10.0 | 24.4 |
| Dividends payout as % of net profit | 38.2 | 36.4 | 54.2 | 75.0 | 59.3 | 47.0 | 42.0 | 42.1 | 44.9 | n.c. |
| ROE (%) | 16.2 | 18.2 | 11.3 | 8.0 | 11.0 | 14.7 | 18.2 | 19.7 | 15.7 | n.c. |
| ROA (%) | 0.5 | 0.6 | 0.4 | 0.3 | 0.4 | 0.5 | 0.5 | 0.6 | 0.5 | n.c. |
| Doubful loans as % of loans to customers (3) | 1.3 | 1.2 | 1.3 | 1.3 | 1.3 | 0.9 | 0.9 | 0.8 | 0.9 | 1.3 |
| Doubful loans as % of net worth (3) | 14.4 | 12.0 | 12.1 | 13.5 | 12.5 | 9.4 | 9.2 | 9.0 | 9.2 | 16.2 |
| Loans, advances and cash as % of total funding | 106.3 | 106.0 | 105.1 | 105.5 | 106.7 | 107.7 | 115.3 | 114.5 | 113.9 | 110.6 |
| Fixed assets as % of net worth | 61.1 | 70.7 | 70.1 | 68.8 | 63.6 | 60.9 | 57.2 | 53.9 | 59.8 | 59.8 |
| Free capital as % of funding from customers | … | 1.2 | 1.4 | 1.3 | 1.8 | 2.2 | 2.3 | 2.5 | 2.2 | 1.6 |
| Total assets (4) / Tangible net worth (n.) | 26.3 | 28.6 | 28.0 | 29.7 | 29.5 | 29.9 | 34.1 | 32.9 | 35.6 | 43.9 |

Funding from customers = customer deposits plus debt securities plus subordinated liabilities.
Fixed assets = interests in subsidiaries and associated plus net tangible and intangible assets plus goodwill.
Free capital = net worth less fixed assets less doubtful loans.
Tangibile net worth = net worth less intangible assets less goodwill.

(1) Calculated excluding staff employed in insurance operations where possible based on information available.
(2) Net of recovered amounts.
(3) Figures cover Groups which accounted for 76.8% in 1999, 88% in 2000, 92.7% in 2001, 91.2% in 2002, 91.6% in 2003, 94.6% in 2004, 94% in 2005, 95.1% in 2006 and 100% in 2007 and 2008 of loans to customers of the sample.
(4) Excluding intangibile assets.

## TABLE II.1 – PROFIT AND LOSS ACCOUNTS JAPAN

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % |
| Interest receivable and similar income | 16,943 | | 14,757 | | 12,960 | | 10,021 | | 8,958 | | 9,004 | | 10,861 | | 13,475 | | 14,660 | | 12,482 | |
| Interest payable and similar expenses | -9,892 | | -8,023 | | -5,667 | | -3,323 | | -2,488 | | -2,700 | | -4,258 | | -6,534 | | -7,782 | | -5,642 | |
| **Net interest income** | **7,051** | ***73.3*** | **6,734** | ***66.5*** | **7,293** | ***67.9*** | **6,698** | ***60.3*** | **6,470** | ***59.2*** | **6,304** | ***60.7*** | **6,603** | ***60.0*** | **6,941** | ***61.5*** | **6,878** | ***62.9*** | **6,840** | ***75.0*** |
| Commissions receivable and other operating income | 3,466 | *36.0* | 3,788 | *37.4* | 3,740 | *34.8* | 3,440 | *31.0* | 3,487 | *31.9* | 3,872 | *37.3* | 4,435 | *40.3* | 4,467 | *39.6* | 4,591 | *42.0* | 3,968 | *43.5* |
| Commissions payable and other operating expenses | -1,387 | *-14.4* | -1,382 | *-13.7* | -1,258 | *-11.7* | -1,042 | *-9.4* | -861 | *-7.9* | -890 | *-8.6* | -1,046 | *-9.5* | -1,033 | *-9.2* | -1,242 | *-11.4* | -935 | *-10.2* |
| Dividends and share of profit (loss) (1) | 8 | *0.1* | 44 | *0.4* | 44 | *0.4* | 49 | *0.4* | 68 | *0.6* | 109 | *1.0* | 89 | *0.8* | -156 | *-1.4* | -77 | *-0.7* | -165 | *-1.8* |
| Gains (losses) on financial transactions | 486 | *5.0* | 937 | *9.3* | 921 | *8.6* | 1,955 | *17.6* | 1,761 | *16.1* | 987 | *9.5* | 921 | *8.4* | 1,062 | *9.4* | 780 | *7.1* | -583 | *-6.4* |
| **Total income** | **9,624** | ***100.0*** | **10,121** | ***100.0*** | **10,740** | ***100.0*** | **11,100** | ***100.0*** | **10,925** | ***100.0*** | **10,382** | ***100.0*** | **11,002** | ***100.0*** | **11,281** | ***100.0*** | **10,930** | ***100.0*** | **9,125** | ***100.0*** |
| Labour costs | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … |
| General expenses (2) | -5,343 | *-55.5* | -5,337 | *-52.7* | -5,537 | *-51.6* | -5,291 | *-47.7* | -5,072 | *-46.4* | -4,763 | *-45.9* | -5,169 | *-47.0* | -5,233 | *-46.4* | -5,507 | *-50.4* | -5,688 | *-62.3* |
| Bad debts recovered (written off) | -4,460 | *-46.4* | -4,595 | *-45.4* | -8,030 | *-74.8* | -4,807 | *-43.3* | -3,297 | *-30.2* | -1,913 | *-18.4* | -474 | *-4.3* | -826 | *-7.3* | -924 | *-8.4* | -2,754 | *-30.2* |
| Depreciation and amortization | -394 | *-4.1* | -398 | *-4.0* | -466 | *-4.3* | -521 | *-4.7* | -483 | *-4.4* | -462 | *-4.5* | -666 | *-6.0* | -729 | *-6.5* | -773 | *-7.1* | -832 | *-9.1* |
| **Current pre-tax profit** | **-573** | ***-6.0*** | **-209** | ***-2.1*** | **-3,293** | ***-30.7*** | **481** | ***4.3*** | **2,073** | ***19.0*** | **3,244** | ***31.2*** | **4,693** | ***42.7*** | **4,493** | ***39.8*** | **3,726** | ***34.1*** | **-149** | ***-1.6*** |
| Amortization of goodwill | -34 | *-0.4* | -40 | *-0.4* | -39 | *-0.4* | -84 | *-0.8* | -7 | *-0.1* | -23 | *-0.2* | -42 | *-0.4* | -34 | *-0.3* | -46 | *-0.4* | -50 | *-0.5* |
| Transfer from (to) reserves | 0 | *0.0* | 0 | *0.0* | -15 | *-0.1* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* |
| Fixed asset revaluations (writedowns) | -646 | *-6.7* | -403 | *-4.0* | -1,751 | *-16.3* | -2,090 | *-18.8* | -111 | *-1.0* | -789 | *-7.6* | -700 | *-6.4* | -1,011 | *-9.0* | -1,893 | *-17.3* | -3,850 | *-42.2* |
| Extraordinary items | 3,627 | *37.7* | 1,618 | *16.0* | -479 | *-4.5* | -1,962 | *-17.7* | -192 | *-1.8* | 350 | *3.4* | 717 | *6.5* | 1,178 | *10.4* | 1,284 | *11.7* | 935 | *10.2* |
| Cumulative effect of accounting changes | 0 | *0.0* | 0 | *0.0* | 9 | *0.1* | -1 | *0.0* | 0 | *0.0* | -1 | *0.0* | -16 | *-0.1* | 258 | *2.3* | 0 | *0.0* | 0 | *0.0* |
| **Profit (loss) before tax** | **2,374** | ***24.7*** | **966** | ***9.5*** | **-5,568** | ***-51.8*** | **-3,656** | ***-32.9*** | **1,763** | ***16.1*** | **2,781** | ***26.8*** | **4,652** | ***42.3*** | **4,884** | ***43.3*** | **3,071** | ***28.1*** | **-3,114** | ***-34.1*** |
| Income tax | -1,357 | *-14.1* | -566 | *-5.6* | 1,555 | *14.5* | -304 | *-2.7* | -1,532 | *-14.0* | -1,295 | *-12.5* | -1,142 | *-10.4* | -1,611 | *-14.3* | -1,567 | *-14.3* | -195 | *-2.1* |
| Profit attributable to minorities | -18 | *-0.2* | -86 | *-0.8* | -83 | *-0.8* | -129 | *-1.2* | -176 | *-1.6* | -197 | *-1.9* | -330 | *-3.0* | -210 | *-1.9* | -188 | *-1.7* | -97 | *-1.1* |
| **Net profit attributable to parent company** | **999** | ***10.4*** | **314** | ***3.1*** | **-4,096** | ***-38.1*** | **-4,089** | ***-36.8*** | **55** | ***0.5*** | **1,289** | ***12.4*** | **3,180** | ***28.9*** | **3,063** | ***27.2*** | **1,316** | ***12.0*** | **-3,406** | ***-37.3*** |
| *Dividends payout* | *378* | *3.9* | *186* | *1.8* | *266* | *2.5* | *192* | *1.7* | *298* | *2.7* | *323* | *3.1* | *395* | *3.6* | *516* | *4.6* | *640* | *5.9* | *488* | *5.3* |

(1) Excluding dividends included under interest receivable and similar income.
(2) Including labour costs for which no separate figure is available.

TABLE II.2 – FINANCIAL STATEMENTS JAPAN

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % | *JPY bn* | % |
| Cash and deposits at central banks | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … |
| Securities | 151,204 | *23.4* | 191,471 | *27.3* | 168,569 | *25.8* | 183,076 | *28.8* | 209,738 | *32.6* | 223,075 | *34.1* | 236,066 | *34.6* | 228,721 | *33.8* | 215,998 | *31.0* | 220,765 | *31.1* |
| Loans and advances to banks (1) | 60,351 | *9.3* | 64,103 | *9.1* | 64,167 | *9.8* | 67,630 | *10.6* | 70,596 | *11.0* | 75,959 | *11.6* | 74,131 | *10.9* | 74,208 | *11.0* | 80,768 | *11.6* | 67,107 | *9.4* |
| Loans and advances to customers | 383,657 | *59.4* | 388,069 | *55.3* | 368,511 | *56.4* | 340,924 | *53.6* | 325,353 | *50.5* | 317,753 | *48.6* | 331,048 | *48.5* | 336,211 | *49.6* | 345,503 | *49.6* | 359,477 | *50.6* |
| ***Loans, advances and cash*** | ***595,212*** | ***92.1*** | ***643,643*** | ***91.7*** | ***601,247*** | ***92.0*** | ***591,630*** | ***93.0*** | ***605,687*** | ***94.1*** | ***616,787*** | ***94.4*** | ***641,245*** | ***93.9*** | ***639,140*** | ***94.3*** | ***642,269*** | ***92.2*** | ***647,349*** | ***91.1*** |
| Interests in subsidiares and associated | 461 | *0.1* | 669 | *0.1* | 399 | *0.1* | 376 | *0.1* | 385 | *0.1* | 1,571 | *0.2* | 2,230 | *0.3* | 2,103 | *0.3* | 2,084 | *0.3* | 3,057 | *0.4* |
| Intangible assets | 24 | *0.0* | 61 | *0.0* | 647 | *0.1* | 675 | *0.1* | 754 | *0.1* | 930 | *0.1* | 2,816 | *0.4* | 2,656 | *0.4* | 3,510 | *0.5* | 2,869 | *0.4* |
| Net tangible assets | 7,990 | *1.2* | 7,785 | *1.1* | 7,121 | *1.1* | 6,552 | *1.0* | 5,618 | *0.9* | 5,061 | *0.8* | 4,802 | *0.7* | 4,600 | *0.7* | 4,556 | *0.7* | 4,586 | *0.6* |
| Other assets | 42,340 | *6.6* | 49,805 | *7.1* | 43,881 | *6.7* | 36,707 | *5.8* | 31,373 | *4.9* | 28,774 | *4.4* | 29,459 | *4.3* | 26,765 | *4.0* | 42,312 | *6.1* | 52,034 | *7.3* |
| *of which:* derivatives assets | … | … | … | … | … | … | … | … | … | … | *14,273* | *2.2* | *8,421* | *1.2* | *10,636* | *1.6* | *22,667* | *3.3* | *31,631* | *4.4* |
| **Total (a)** | **646,027** | ***100.0*** | **701,963** | ***100.0*** | **653,295** | ***100.0*** | **635,940** | ***100.0*** | **643,817** | ***100.0*** | **653,123** | ***99.9*** | **680,552** | ***99.7*** | **675,264** | ***99.7*** | **694,731** | ***99.7*** | **709,895** | ***99.9*** |
| Deposits by banks | 63,891 | *9.9* | 81,283 | *11.6* | 78,087 | *12.0* | 97,770 | *15.4* | 94,862 | *14.7* | 100,395 | *15.4* | 99,279 | *14.5* | 81,317 | *12.0* | 87,146 | *12.5* | 97,049 | *13.7* |
| Customer deposits | 411,022 | *63.6* | 443,491 | *63.2* | 437,810 | *67.0* | 428,241 | *67.3* | 439,977 | *68.3* | 444,564 | *68.0* | 454,052 | *66.5* | 463,881 | *68.5* | 471,394 | *67.7* | 478,694 | *67.3* |
| Debt securities | 60,785 | *9.4* | 57,931 | *8.2* | 52,015 | *8.0* | 44,697 | *7.0* | 40,071 | *6.2* | 38,760 | *5.9* | 39,898 | *5.8* | 38,202 | *5.6* | 37,040 | *5.3* | 34,835 | *4.9* |
| Subordinated liabilities | 17,469 | *2.7* | 18,218 | *2.6* | 16,320 | *2.5* | 12,644 | *2.0* | 13,079 | *2.0* | 13,222 | *2.0* | 15,289 | *2.2* | 16,034 | *2.4* | 15,825 | *2.3* | 16,570 | *2.3* |
| ***Total funding*** | ***553,167*** | ***85.6*** | ***600,923*** | ***85.6*** | ***584,232*** | ***89.4*** | ***583,352*** | ***91.7*** | ***587,989*** | ***91.3*** | ***596,941*** | ***91.3*** | ***608,518*** | ***89.1*** | ***599,434*** | ***88.5*** | ***611,405*** | ***87.8*** | ***627,148*** | ***88.2*** |
| Provision for employee benefits | 764 | *0.1* | 721 | *0.1* | 706 | *0.1* | 707 | *0.1* | 492 | *0.1* | 443 | *0.1* | 299 | *0.0* | 273 | *0.0* | 301 | *0.0* | 441 | *0.1* |
| Deferred taxation | 1,012 | *0.2* | 1,084 | *0.2* | 849 | *0.1* | 726 | *0.1* | 729 | *0.1* | 947 | *0.1* | 1,489 | *0.2* | 1,849 | *0.3* | 556 | *0.1* | 388 | *0.1* |
| Other liabilities | 60,343 | *9.3* | 68,885 | *9.8* | 42,786 | *6.5* | 30,166 | *4.7* | 29,002 | *4.5* | 27,239 | *4.2* | 35,717 | *5.2* | 37,037 | *5.5* | 49,887 | *7.2* | 55,644 | *7.8* |
| *of which:* derivatives liabilities | … | … | … | … | … | … | … | … | … | … | *13,458* | *2.1* | *8,636* | *1.3* | *10,815* | *1.6* | *19,384* | *2.8* | *29,768* | *4.2* |
| **Total liabilities (b)** | **615,286** | ***95.2*** | **671,613** | ***95.6*** | **628,573** | ***96.2*** | **614,951** | ***96.7*** | **618,212** | ***96.0*** | **625,570** | ***95.7*** | **646,023** | ***94.6*** | **638,593** | ***94.2*** | **662,149** | ***95.1*** | **683,621** | ***96.2*** |
| **Goodwill (c)** | 256 | *0.0* | 288 | *0.0* | 151 | *0.0* | 96 | *0.0* | 88 | *0.0* | 433 | *0.1* | 2,270 | *0.3* | 2,311 | *0.3* | 1,778 | *0.3* | 1,055 | *0.1* |
| **Net worth (a-b+c)** | **30,997** | ***4.8*** | **30,638** | ***4.4*** | **24,873** | ***3.8*** | **21,085** | ***3.3*** | **25,693** | ***4.0*** | **27,986** | ***4.3*** | **36,799** | ***5.4*** | **38,982** | ***5.8*** | **34,360** | ***4.9*** | **27,329** | ***3.8*** |
| *represented by:* | | | | | | | | | | | | | | | | | | | | |
| Issued share capital | 12,182 | *1.9* | 12,262 | *1.7* | 10,462 | *1.6* | 9,586 | *1.5* | 10,062 | *1.6* | 9,279 | *1.4* | 8,627 | *1.3* | 8,680 | *1.3* | 9,281 | *1.3* | 10,621 | *1.5* |
| Reserves | 16,721 | *2.6* | 16,119 | *2.3* | 11,592 | *1.8* | 7,968 | *1.3* | 12,046 | *1.9* | 14,757 | *2.3* | 24,727 | *3.6* | 26,540 | *3.9* | 21,034 | *3.0* | 11,441 | *1.6* |
| Own shares | -42 | *0.0* | -35 | *0.0* | -216 | *0.0* | -212 | *0.0* | -171 | *0.0* | -723 | *-0.1* | -867 | *-0.1* | -1,275 | *-0.2* | -968 | *-0.1* | -347 | *0.0* |
| **Total** | **28,861** | ***4.5*** | **28,346** | ***4.0*** | **21,838** | ***3.3*** | **17,342** | ***2.7*** | **21,937** | ***3.4*** | **23,313** | ***3.6*** | **32,487** | ***4.8*** | **33,945** | ***5.0*** | **29,347** | ***4.2*** | **21,715** | ***3.1*** |
| Minority interests | 2,136 | *0.3* | 2,292 | *0.3* | 3,035 | *0.5* | 3,743 | *0.6* | 3,756 | *0.6* | 4,673 | *0.7* | 4,312 | *0.6* | 5,037 | *0.7* | 5,013 | *0.7* | 5,614 | *0.8* |
| **Funding from customers** | **489,276** | ***75.7*** | **519,640** | ***74.0*** | **506,145** | ***77.5*** | **485,582** | ***76.3*** | **493,127** | ***76.6*** | **496,546** | ***76.0*** | **509,239** | ***74.6*** | **518,117** | ***76.5*** | **524,259** | ***75.3*** | **530,099** | ***74.6*** |
| **Total assets (a+c)** | **646,283** | ***100.0*** | **702,251** | ***100.0*** | **653,446** | ***100.0*** | **636,036** | ***100.0*** | **643,905** | ***100.0*** | **653,556** | ***100.0*** | **682,822** | ***100.0*** | **677,575** | ***100.0*** | **696,509** | ***100.0*** | **710,950** | ***100.0*** |

(1) Includes amounts available in cash and at central banks, for which amounts are not shown in company balance sheets.

## TABLE II.3 – EMPLOYEES

JAPAN

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Average number of staff (1) | 207,947 (2) | 222,788 (3) | 236,479 | 230,315 | 218,461 | 207,940 | 211,792 | 212,731 | 218,679 | 227,030 |
| *of which*: from country of origin (%) | … | … | … | … | … | … | … | … | … | … |
| from elsewhere (%) | … | … | … | … | … | … | … | … | … | … |

(1) In interpreting this data it should be remembered that not all companies considered here provide information on the total number of group employees.
(2) Concerning 25 of the 29 companies considered.
(3) Concerning 23 of the 25 companies considered.

## TABLE II.4 – FINANCIAL RATIOS

JAPAN

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Funding from customers per employee (JPYm) (1) | 2,272 (2) | 2,253 (2) | 2,140 | 2,108 | 2,257 | 2,388 | 2,404 | 2,436 | 2,397 | 2,335 |
| Loans and advances to customers per employee (JPYm) (1) | 1,781 (2) | 1,680 (2) | 1,558 | 1,480 | 1,489 | 1,528 | 1,563 | 1,580 | 1,580 | 1,583 |
| Labour cost per employee (JPYm) | … | … | … | … | … | … | … | … | … | … |
| Cost / income ratio (%) | 59.6 | 56.7 | 55.9 | 52.4 | 50.8 | 50.4 | 53.0 | 52.9 | 57.5 | 71.4 |
| Bad debts written off as % of total income (3) | 46.4 | 45.4 | 74.8 | 43.3 | 30.2 | 18.4 | 4.3 | 7.3 | 8.4 | 30.2 |
| Dividends payout as % of net profit | 37.8 | 59.2 | n.c. | n.c. | 541.8 | 25.1 | 12.4 | 16.8 | 48.6 | n.c. |
| ROE (%) | 3.6 | 1.1 | n.c. | n.c. | 0.3 | 5.9 | 10.9 | 9.9 | 4.7 | n.c. |
| ROA (%) | 0.2 | o | n.c. | n.c. | o | 0.2 | 0.5 | 0.5 | 0.2 | n.c. |
| Doubful loans as % of loans to customers | 3.4 (4) | 3.8 (4) | 5.9 | 4.5 | 2.9 | 1.4 | 1.0 | 0.8 | 0.8 | 0.8 |
| Doubful loans as % of net worth | 41.8 (4) | 48.1 (4) | 87.9 | 73.5 | 36.4 | 16.1 | 8.6 | 6.6 | 7.8 | 10.8 |
| Loans, advances and cash as % of total funding | 107.6 | 107.1 | 102.9 | 101.4 | 103.0 | 103.3 | 105.4 | 106.6 | 105.0 | 103.2 |
| Fixed assets as % of net worth | 28.2 | 28.7 | 33.4 | 36.5 | 26.6 | 28.6 | 32.9 | 29.9 | 34.7 | 42.3 |
| Free capital as % of funding from customers | 1.9 | 1.4 | -1.0 | -0.4 | 1.9 | 3.1 | 4.2 | 4.8 | 3.8 | 2.4 |
| Total assets (5) / Tangible net worth (n.) | 21.0 | 23.2 | 27.1 | 31.3 | 25.9 | 24.5 | 21.4 | 19.8 | 23.8 | 30.2 |

Funding from customers = customer deposits plus debt securities plus subordinated liabilities.
Fixed assets = interests in subsidiaries and associated plus net tangible and intangible assets plus goodwill.
Free capital = net worth less fixed assets less doubtful loans.
Tangibile net worth = net worth less intangible assets less goodwill.

(1) In interpreting this data it should be remembered that not all companies considered here provide information on the total number of group employees.
(2) Figures cover groups which accounted for 97.2% in 1999 and 96.6% in 2000 of total assets of the sample.
(3) Net of recovered amounts.
(4) These figures refer to companies representing 99% of the total customer loans covered by the survey.
(5) Excluding intangibile assets.

TABLE II.1 – PROFIT AND LOSS ACCOUNTS UNITED STATES

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *USD m* | *%* | *USD m* | *%* | *USD m* | *%* | *USD m* | *%* | *USD m* | *%* | *USD m* | *%* | *USD m* | *%* | *USD m* | *%* | *USD m* | *%* | *USD m* | *%* |
| Interest receivable and similar income | 273,383 | | 322,713 | | 303,804 | | 259,884 | | 247,283 | | 268,406 | | 333,503 | | 423,245 | | 487,838 | | 427,049 | |
| Interest payable and similar expenses | -144,817 | | -188,480 | | -154,158 | | -98,034 | | -80,108 | | -89,307 | | -154,224 | | -236,429 | | -286,878 | | -196,055 | |
| **Net interest income** | **128,566** | ***50.2*** | **134,233** | ***49.1*** | **149,646** | ***51.3*** | **161,850** | ***51.7*** | **167,175** | ***50.1*** | **179,099** | ***51.1*** | **179,279** | ***48.5*** | **186,816** | ***46.3*** | **200,960** | ***50.4*** | **230,994** | ***63.5*** |
| Commissions receivable and other operating income (1) | 104,568 | *40.9* | 116,618 | *42.6* | 123,998 | *42.5* | 136,623 | *43.6* | 146,677 | *43.9* | 157,339 | *44.9* | 170,078 | *46.0* | 188,574 | *46.8* | 211,722 | *53.1* | 178,871 | *49.1* |
| Commissions payable and other operating expenses | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … |
| Dividends and share of profit (loss) (2) | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … |
| Gains (losses) on financial transactions | 22,691 | *8.9* | 22,745 | *8.3* | 18,084 | *6.2* | 14,555 | *4.6* | 20,131 | *6.0* | 14,040 | *4.0* | 20,078 | *5.4* | 27,709 | *6.9* | -13,991 | *-3.5* | -45,808 | *-12.6* |
| **Total income** | **255,825** | ***100.0*** | **273,596** | ***100.0*** | **291,728** | ***100.0*** | **313,028** | ***100.0*** | **333,983** | ***100.0*** | **350,478** | ***100.0*** | **369,435** | ***100.0*** | **403,099** | ***100.0*** | **398,691** | ***100.0*** | **364,057** | ***100.0*** |
| Labour costs | -76,693 | *-30.0* | -86,131 | *-31.5* | -88,138 | *-30.2* | -89,903 | *-28.7* | -99,465 | *-29.8* | -107,635 | *-30.7* | -116,627 | *-31.6* | -130,545 | *-32.4* | -138,461 | *-34.7* | -130,387 | *-35.8* |
| General expenses | -57,581 | *-22.5* | -62,427 | *-22.8* | -64,406 | *-22.1* | -69,133 | *-22.1* | -74,936 | *-22.4* | -81,234 | *-23.2* | -82,614 | *-22.3* | -86,885 | *-21.5* | -96,628 | *-24.3* | -102,714 | *-28.2* |
| Bad debts recovered (written off) | -15,975 | *-6.3* | -22,129 | *-8.1* | -34,165 | *-11.7* | -36,012 | *-11.5* | -25,434 | *-7.6* | -18,868 | *-5.4* | -23,633 | *-6.4* | -22,841 | *-5.7* | -56,728 | *-14.2* | -167,337 | *-46.0* |
| Depreciation and amortization | -10,298 | *-4.0* | -12,152 | *-4.4* | -11,659 | *-4.0* | -12,159 | *-3.9* | -12,536 | *-3.8* | -13,931 | *-3.9* | -14,686 | *-4.0* | -16,022 | *-4.0* | -16,781 | *-4.2* | -17,634 | *-4.8* |
| **Current pre-tax profit** | **95,278** | ***37.2*** | **90,757** | ***33.2*** | **93,360** | ***32.0*** | **105,821** | ***33.8*** | **121,612** | ***36.4*** | **128,810** | ***36.8*** | **131,875** | ***35.7*** | **146,806** | ***36.4*** | **90,093** | ***22.6*** | **-54,015** | ***-14.8*** |
| Amortization of goodwill | -3,842 | *-1.5* | -3,507 | *-1.3* | -3,965 | *-1.4* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* |
| Transfer from (to) reserves | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* |
| Fixed asset revaluations (writedowns) | 63 | *0.0* | -1,982 | *-0.7* | -5,164 | *-1.8* | -6,538 | *-2.1* | -1,912 | *-0.6* | -864 | *-0.2* | 2,797 | *0.8* | -319 | *-0.1* | -3,151 | *-0.8* | -59,273 | *-16.3* |
| Extraordinary items | 96 | *0.0* | -391 | *-0.1* | -6,805 | *-2.3* | -2,257 | *-0.7* | 1,303 | *0.4* | -7,041 | *-2.0* | 7,815 | *2.1* | 12,382 | *3.1* | 2,429 | *0.6* | 11,498 | *3.2* |
| Cumulative effect of accounting changes | -211 | *-0.1* | -46 | *0.0* | -398 | *-0.1* | -514 | *-0.2* | -52 | *0.0* | 0 | *0.0* | -80 | *0.0* | 11 | *0.0* | 0 | *0.0* | -62 | *0.0* |
| **Profit (loss) before tax** | **91,384** | ***35.7*** | **84,831** | ***31.0*** | **77,028** | ***26.4*** | **96,512** | ***30.8*** | **120,951** | ***36.2*** | **120,905** | ***34.5*** | **142,407** | ***38.5*** | **158,880** | ***39.4*** | **89,371** | ***22.4*** | **-101,852** | ***-28.0*** |
| Income tax | -32,302 | *-12.6* | -30,362 | *-11.1* | -26,264 | *-9.0* | -31,141 | *-9.9* | -39,818 | *-11.9* | -39,014 | *-11.1* | -46,661 | *-12.6* | -51,390 | *-12.7* | -24,189 | *-6.1* | 28,678 | *7.9* |
| Profit attributable to minorities | -477 | *-0.2* | -316 | *-0.1* | -155 | *-0.1* | -259 | *-0.1* | -493 | *-0.1* | -450 | *-0.1* | -966 | *-0.3* | -855 | *-0.2* | -1,059 | *-0.3* | 198 | *0.1* |
| **Net profit attributable to parent company** | **58,605** | ***22.9*** | **54,153** | ***19.8*** | **50,609** | ***17.3*** | **65,112** | ***20.8*** | **80,640** | ***24.1*** | **81,441** | ***23.2*** | **94,780** | ***25.7*** | **106,635** | ***26.5*** | **64,123** | ***16.1*** | **-72,976** | ***-20.0*** |
| *Dividends payout* | *20,711* | *8.1* | *22,127* | *8.1* | *23,028* | *7.9* | *24,261* | *7.8* | *29,070* | *8.7* | *36,466* | *10.4* | *40,010* | *10.8* | *43,566* | *10.8* | *48,200* | *12.1* | *42,039* | *11.5* |

(1) Net of commissions payable and other operating expenses.
(2) Item not specified in balance sheets.

## TABLE II.2 – FINANCIAL STATEMENTS UNITED STATES

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *USD m* | % | *USD m* | % | *USD m* | % | *USD m* | % | *USD m* | % | *USD m* | % | *USD m* | % | *USD m* | % | *USD m* | % | *USD m* | % |
| Cash and deposits at central banks | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … | … |
| Securities | 1,005,341 | 22.4 | 1,055,091 | 21.8 | 1,115,964 | 21.9 | 1,228,671 | 22.8 | 1,406,466 | 23.6 | 1,579,335 | 23.4 | 1,660,301 | 22.8 | 1,923,279 | 23.7 | 2,203,595 | 23.7 | 1,929,063 | 21.7 |
| Loans and advances to banks (1) | 595,780 | 13.3 | 589,290 | 12.2 | 654,119 | 12.8 | 656,314 | 12.2 | 783,974 | 13.2 | 846,516 | 12.5 | 1,007,751 | 13.8 | 1,097,202 | 13.5 | 1,190,214 | 12.8 | 1,242,311 | 13.9 |
| Loans and advances to customers | 2,291,608 | 51.0 | 2,511,185 | 51.9 | 2,531,531 | 49.6 | 2,673,810 | 49.7 | 2,876,391 | 48.3 | 3,324,549 | 49.3 | 3,645,154 | 50.0 | 3,982,035 | 49.1 | 4,453,965 | 48.0 | 4,177,885 | 46.9 |
| ***Loans, advances and cash*** | ***3,892,729*** | ***86.6*** | ***4,155,566*** | ***85.8*** | ***4,301,614*** | ***84.3*** | ***4,558,795*** | ***84.7*** | ***5,066,831*** | ***85.1*** | ***5,750,400*** | ***85.2*** | ***6,313,206*** | ***86.6*** | ***7,002,516*** | ***86.3*** | ***7,847,774*** | ***84.5*** | ***7,349,259*** | ***82.5*** |
| Interests in subsidiares and associated | 30,912 | 0.7 | 38,952 | 0.8 | 35,723 | 0.7 | 33,397 | 0.6 | 39,944 | 0.7 | 47,943 | 0.7 | 51,510 | 0.7 | 66,727 | 0.8 | 89,692 | 1.0 | 81,478 | 0.9 |
| Intangible assets | 33,547 | 0.7 | 41,742 | 0.9 | 50,417 | 1.0 | 45,094 | 0.8 | 58,848 | 1.0 | 74,964 | 1.1 | 87,361 | 1.2 | 102,981 | 1.3 | 118,044 | 1.3 | 104,979 | 1.2 |
| Net tangible assets | 46,363 | 1.0 | 46,466 | 1.0 | 46,786 | 0.9 | 48,130 | 0.9 | 50,075 | 0.8 | 55,816 | 0.8 | 57,891 | 0.8 | 61,871 | 0.8 | 72,017 | 0.8 | 68,090 | 0.8 |
| Other assets | 431,128 | 9.6 | 488,733 | 10.1 | 578,757 | 11.3 | 594,102 | 11.0 | 629,426 | 10.6 | 619,040 | 9.2 | 568,666 | 7.8 | 618,654 | 7.6 | 848,637 | 9.1 | 1,062,554 | 11.9 |
| *of which:* derivatives assets | … | … | … | … | … | … | … | … | … | … | *192,804* | 2.9 | *161,872* | 2.2 | *169,576* | 2.1 | *258,165* | 2.8 | *451,569* | 5.1 |
| **Total (a)** | **4,434,679** | **98.6** | **4,771,459** | **98.6** | **5,013,297** | **98.2** | **5,279,518** | **98.1** | **5,845,124** | **98.2** | **6,548,163** | **97.0** | **7,078,634** | **97.1** | **7,852,749** | **96.8** | **8,976,164** | **96.7** | **8,666,360** | **97.2** |
| Deposits by banks | 940,071 | 20.9 | 951,847 | 19.7 | 984,089 | 19.3 | 1,020,764 | 19.0 | 1,126,777 | 18.9 | 1,271,232 | 18.8 | 1,536,141 | 21.1 | 1,485,316 | 18.3 | 1,656,511 | 17.8 | 1,248,479 | 14.0 |
| Customer deposits | 2,259,527 | 50.3 | 2,428,095 | 50.2 | 2,597,268 | 50.9 | 2,796,337 | 52.0 | 3,013,922 | 50.6 | 3,405,820 | 50.5 | 3,653,510 | 50.1 | 3,963,364 | 48.8 | 4,441,794 | 47.9 | 4,515,088 | 50.7 |
| Debt securities | 423,774 | 9.4 | 494,334 | 10.2 | 444,239 | 8.7 | 470,609 | 8.7 | 599,824 | 10.1 | 657,306 | 9.7 | 726,118 | 10.0 | 931,267 | 11.5 | 1,208,809 | 13.0 | 1,106,832 | 12.4 |
| Subordinated liabilities | 112,360 | 2.5 | 128,694 | 2.7 | 152,039 | 3.0 | 158,117 | 2.9 | 170,553 | 2.9 | 187,874 | 2.8 | 198,498 | 2.7 | 241,054 | 3.0 | 307,063 | 3.3 | 306,362 | 3.4 |
| ***Total funding*** | ***3,735,732*** | ***83.1*** | ***4,002,970*** | ***82.7*** | ***4,177,635*** | ***81.9*** | ***4,445,827*** | ***82.6*** | ***4,911,076*** | ***82.5*** | ***5,522,232*** | ***81.8*** | ***6,114,267*** | ***83.9*** | ***6,621,001*** | ***81.6*** | ***7,614,177*** | ***82.0*** | ***7,176,761*** | ***80.5*** |
| Provision for employee benefits | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Deferred taxation | 19,611 | 0.4 | 27,134 | 0.6 | 26,777 | 0.5 | 33,207 | 0.6 | 35,170 | 0.6 | 27,848 | 0.4 | 29,194 | 0.4 | 32,550 | 0.4 | 32,646 | 0.4 | 1,587 | 0.0 |
| Other liabilities | 421,267 | 9.4 | 455,327 | 9.4 | 507,374 | 9.9 | 475,224 | 8.8 | 541,607 | 9.1 | 606,731 | 9.0 | 524,063 | 7.2 | 761,627 | 9.4 | 892,233 | 9.6 | 961,495 | 10.8 |
| *of which:* derivatives liabilities | … | … | … | … | … | … | … | … | … | … | 174,822 | 2.6 | 163,117 | 2.2 | 184,002 | 2.3 | 245,980 | 2.6 | 340,985 | 3.8 |
| **Total liabilities (b)** | **4,176,610** | **92.9** | **4,485,431** | **92.6** | **4,711,786** | **92.3** | **4,954,258** | **92.1** | **5,487,853** | **92.2** | **6,156,811** | **91.2** | **6,667,524** | **91.5** | **7,415,178** | **91.4** | **8,539,056** | **92.0** | **8,139,843** | **91.3** |
| **Goodwill (c)** | 61,288 | 1.4 | 69,903 | 1.4 | 90,375 | 1.8 | 100,825 | 1.9 | 105,470 | 1.8 | 200,546 | 3.0 | 211,089 | 2.9 | 263,201 | 3.2 | 306,438 | 3.3 | 246,858 | 2.8 |
| **Net worth (a-b+c)** | **319,357** | **7.1** | **355,931** | **7.4** | **391,886** | **7.7** | **426,085** | **7.9** | **462,741** | **7.8** | **591,898** | **8.8** | **622,199** | **8.5** | **700,772** | **8.6** | **743,546** | **8.0** | **773,375** | **8.7** |
| *represented by:* | | | | | | | | | | | | | | | | | | | | |
| Issued share capital | 44,602 | 1.0 | 41,326 | 0.9 | 37,477 | 0.7 | 32,622 | 0.6 | 32,098 | 0.5 | 72,628 | 1.1 | 73,335 | 1.0 | 101,324 | 1.2 | 98,219 | 1.1 | 299,764 | 3.4 |
| Reserves | 304,424 | 6.8 | 343,191 | 7.1 | 385,247 | 7.5 | 427,318 | 7.9 | 464,908 | 7.8 | 550,470 | 8.2 | 596,817 | 8.2 | 652,516 | 8.0 | 697,518 | 7.5 | 508,731 | 5.7 |
| Own shares | -32,220 | -0.7 | -30,079 | -0.6 | -33,382 | -0.7 | -36,776 | -0.7 | -38,846 | -0.7 | -36,664 | -0.5 | -53,768 | -0.7 | -62,608 | -0.8 | -66,162 | -0.7 | -39,666 | -0.4 |
| **Total** | **316,806** | **7.0** | **354,438** | **7.3** | **389,342** | **7.6** | **423,164** | **7.9** | **458,160** | **7.7** | **586,434** | **8.7** | **616,384** | **8.5** | **691,232** | **8.5** | **729,575** | **7.9** | **768,829** | **8.6** |
| Minority interests | 2,551 | 0.1 | 1,493 | 0.0 | 2,544 | 0.0 | 2,921 | 0.1 | 4,581 | 0.1 | 5,464 | 0.1 | 5,815 | 0.1 | 9,540 | 0.1 | 13,971 | 0.2 | 4,546 | 0.1 |
| **Funding from customers** | **2,795,661** | **62.2** | **3,051,123** | **63.0** | **3,193,546** | **62.6** | **3,425,063** | **63.7** | **3,784,299** | **63.6** | **4,251,000** | **63.0** | **4,578,126** | **62.8** | **5,135,685** | **63.3** | **5,957,666** | **64.2** | **5,928,282** | **66.5** |
| **Total assets (a+c)** | **4,495,967** | **100.0** | **4,841,362** | **100.0** | **5,103,672** | **100.0** | **5,380,343** | **100.0** | **5,950,594** | **100.0** | **6,748,709** | **100.0** | **7,289,723** | **100.0** | **8,115,950** | **100.0** | **9,282,602** | **100.0** | **8,913,218** | **100.0** |

(1) Includes amounts available in cash and at central banks, for which amounts are not shown in company balance sheets.

## TABLE II.3 – EMPLOYEES

UNITED STATES

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Average number of staff | 1,170,585 | 1,202,110 | 1,236,395 | 1,250,213 | 1,263,744 | 1,295,114 | 1,337,027 | 1,382,112 | 1,443,836 | 1,435,928 |
| *of which*: from country of origin (%) | … | … | … | … | … | … | … | … | … | … |
| from elsewhere (%) | … | … | … | … | … | … | … | … | … | … |

## TABLE II.4 – FINANCIAL RATIOS

UNITED STATES

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Funding from customers per employee ('000 USD) | 2,388 | 2,538 | 2,583 | 2,740 | 2,995 | 3,282 | 3,424 | 3,716 | 4,126 | 4,129 |
| Loans and advances to customers per employee ('000 USD) | 1,958 | 2,089 | 2,048 | 2,139 | 2,276 | 2,567 | 2,726 | 2,881 | 3,085 | 2,910 |
| Labour cost per employee ('000 USD) | 66 | 72 | 71 | 72 | 79 | 83 | 87 | 94 | 96 | 91 |
| Cost / income ratio (%) | 56.5 | 58.7 | 56.3 | 54.7 | 56.0 | 57.8 | 57.9 | 57.9 | 63.2 | 68.8 |
| Bad debts written off as % of total income (1) | 6.3 | 8.1 | 11.7 | 11.5 | 7.6 | 5.4 | 6.4 | 5.7 | 14.2 | 46.0 |
| Dividends payout as % of net profit | 35.3 | 40.9 | 45.5 | 37.3 | 36.0 | 44.8 | 42.2 | 40.9 | 75.2 | n.c. |
| ROE (%) | 22.7 | 18.0 | 14.9 | 18.2 | 21.4 | 16.1 | 18.2 | 18.2 | 9.6 | n.c. |
| ROA (%) | 1.3 | 1.1 | 1.0 | 1.2 | 1.4 | 1.2 | 1.3 | 1.3 | 0.7 | n.c. |
| Doubful loans as % of loans to customers (2) | o | o | 0.2 | 0.2 | 0.1 | o | 0.1 | 0.1 | 0.2 | 0.1 |
| Doubful loans as % of net worth (2) | 0.2 | 0.3 | 1.2 | 1.3 | 0.7 | 0.2 | 0.3 | 0.4 | 1.2 | 0.7 |
| Loans, advances and cash as % of total funding | 104.2 | 103.8 | 103.0 | 102.5 | 103.2 | 104.1 | 103.3 | 105.8 | 103.1 | 102.4 |
| Fixed assets as % of net worth | 53.9 | 55.4 | 57.0 | 53.4 | 55.0 | 64.1 | 65.5 | 70.6 | 78.8 | 64.8 |
| Free capital as % of funding from customers | 5.4 | 5.2 | 5.1 | 5.6 | 5.4 | 5.0 | 4.6 | 4.0 | 2.5 | 4.5 |
| Total assets (3) / Tangible net worth (n.) | 19.6 | 19.4 | 19.8 | 18.7 | 19.4 | 20.5 | 21.6 | 23.2 | 27.8 | 20.3 |

Funding from customers = customer deposits plus debt securities plus subordinated liabilities.
Fixed assets = interests in subsidiaries and associated plus net tangible and intangible assets plus goodwill.
Free capital = net worth less fixed assets less doubtful loans.
Tangibile net worth = net worth less intangible assets less goodwill.

(1) Net of recovered amounts.
(2) Calculated only on the basis of those exposures not completely covered by provisions.
(3) Excluding intangibile assets.

TABLE II.1 – PROFIT AND LOSS ACCOUNTS CHINA

| | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *CNY m* | % | *CNY m* | % | *CNY m* | % | *CNY m* | % | *CNY m* | % |
| Interest receivable and similar income | 694,728 | | 854,139 | | 1,089,999 | | 1,446,067 | | 1,812,863 | |
| Interest payable and similar expenses | -250,952 | | -336,686 | | -441,235 | | -556,249 | | -731,181 | |
| **Net interest income** | **443,776** | ***88.7*** | **517,453** | ***90.0*** | **648,764** | ***90.0*** | **889,818** | ***87.5*** | **1,081,682** | ***84.6*** |
| Commissions receivable and other operating income | 47,765 | *9.5* | 55,711 | *9.7* | 83,075 | *11.5* | 157,291 | *15.5* | 187,429 | *14.7* |
| Commissions payable and other operating expenses | -7,081 | *-1.4* | -7,899 | *-1.4* | -9,217 | *-1.3* | -12,609 | *-1.2* | -13,209 | *-1.0* |
| Dividends and share of profit (loss) | 2,620 | *0.5* | 780 | *0.1* | 1,836 | *0.3* | 2,189 | *0.2* | 3,477 | *0.3* |
| Gains (losses) on financial transactions | 13,410 | *2.7* | 8,717 | *1.5* | -3,373 | *-0.5* | -19,848 | *-2.0* | 18,902 | *1.5* |
| **Total income** | **500,490** | ***100.0*** | **574,762** | ***100.0*** | **721,085** | ***100.0*** | **1,016,841** | ***100.0*** | **1,278,281** | ***100.0*** |
| Labour costs | -81,105 | *-16.2* | -103,086 | *-17.9* | -123,778 | *-17.2* | -157,519 | *-15.5* | -246,449 | *-19.3* |
| General expenses | -148,444 | *-29.6* | -160,566 | *-27.9* | -189,270 | *-26.2* | -231,082 | *-22.7* | -221,435 | *-17.3* |
| Bad debts recovered (written off) | -101,038 | *-20.2* | -64,258 | *-11.2* | -98,728 | *-13.7* | -99,550 | *-9.8* | -162,062 | *-12.7* |
| Depreciation and amortization | -28,853 | *-5.8* | -27,928 | *-4.9* | -29,688 | *-4.1* | -30,775 | *-3.0* | -46,133 | *-3.6* |
| **Current pre-tax profit** | **141,050** | ***28.2*** | **218,924** | ***38.1*** | **279,621** | ***38.8*** | **497,915** | ***49.0*** | **602,202** | ***47.1*** |
| Amortization of goodwill | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* |
| Transfer from (to) reserves | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* |
| Fixed asset revaluations (writedowns) | -4,266 | *-0.9* | -1,473 | *-0.3* | -2,153 | *-0.3* | -22,897 | *-2.3* | -77,817 | *-6.1* |
| Extraordinary items | -15,238 | *-3.0* | -2,785 | *-0.5* | -8,754 | *-1.2* | -39,344 | *-3.9* | 347 | *0.0* |
| Cumulative effect of accounting changes | 11 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* | 0 | *0.0* |
| **Profit (loss) before tax** | **121,557** | ***24.3*** | **214,666** | ***37.3*** | **268,714** | ***37.3*** | **435,674** | ***42.8*** | **524,732** | ***41.0*** |
| Income tax | -30,420 | *-6.1* | -75,861 | *-13.2* | -84,614 | *-11.7* | -145,970 | *-14.4* | -108,933 | *-8.5* |
| Profit attributable to minorities | -4,685 | *-0.9* | -5,557 | *-1.0* | -6,043 | *-0.8* | -6,739 | *-0.7* | -1,915 | *-0.1* |
| **Net profit attributable to parent company** | **86,452** | ***17.3*** | **133,248** | ***23.2*** | **178,057** | ***24.7*** | **282,965** | ***27.8*** | **413,884** | ***32.4*** |
| *Dividends payout* | *19,104* | 3.8 | *27,807* | 4.8 | *73,931* | 10.3 | *132,967* | 13.1 | *157,564* | 12.3 |

| | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *CNY m* | % | *CNY m* | % | *CNY m* | % | *CNY m* | % | *CNY m* | % |
| Cash and deposits at central banks | 131,233 | *0.6* | 137,307 | *0.6* | 152,844 | *0.5* | 183,707 | *0.5* | 184,428 | *0.5* |
| Securities | 5,075,853 | *23.8* | 7,495,828 | *30.1* | 8,973,267 | *30.9* | 9,864,423 | *28.6* | 10,810,514 | *27.0* |
| Loans and advances to banks (1) | 2,776,679 | *13.0* | 3,423,072 | *13.7* | 4,207,180 | *14.5* | 6,388,531 | *18.5* | 9,042,073 | *22.5* |
| Loans and advances to customers | 12,556,551 | *58.9* | 13,098,998 | *52.6* | 14,915,116 | *51.4* | 17,110,797 | *49.7* | 18,957,573 | *47.3* |
| ***Loans, advances and cash*** | ***20,540,316*** | ***96.3*** | ***24,155,205*** | ***97.0*** | ***28,248,407*** | ***97.3*** | ***33,547,458*** | ***97.4*** | ***38,994,588*** | ***97.2*** |
| Interests in subsidiares and associated | 2,482 | *0.0* | 5,746 | *0.0* | 6,654 | *0.0* | 9,229 | *0.0* | 39,633 | *0.1* |
| Intangible assets | 18,407 | *0.1* | 33,212 | *0.1* | 51,264 | *0.2* | 55,250 | *0.2* | 62,327 | *0.2* |
| Net tangible assets | 400,001 | *1.9* | 419,940 | *1.7* | 409,358 | *1.4* | 404,117 | *1.2* | 445,520 | *1.1* |
| Other assets | 367,392 | *1.7* | 295,785 | *1.2* | 301,958 | *1.0* | 420,476 | *1.2* | 546,038 | *1.4* |
| **Total (a)** | **21,328,598** | ***100.0*** | **24,909,888** | ***100.0*** | **29,017,641** | ***100.0*** | **34,436,530** | ***100.0*** | **40,088,106** | ***100.0*** |
| Deposits by banks | 1,416,579 | *6.6* | 1,659,622 | *6.7* | 2,036,599 | *7.0* | 4,022,681 | *11.7* | 3,918,251 | *9.8* |
| Customer deposits | 18,428,076 | *86.4* | 21,208,301 | *85.1* | 24,409,945 | *84.1* | 27,268,377 | *79.2* | 32,336,706 | *80.6* |
| Debt securities | 67,395 | *0.3* | 134,746 | *0.5* | 126,202 | *0.4* | 164,714 | *0.5* | 137,090 | *0.3* |
| Subordinated liabilities | 105,693 | *0.5* | 177,948 | *0.7* | 190,836 | *0.7* | 222,777 | *0.6* | 259,719 | *0.6* |
| ***Total funding*** | ***20,017,743*** | ***93.9*** | ***23,180,617*** | ***93.1*** | ***26,763,582*** | ***92.2*** | ***31,678,549*** | ***92.0*** | ***36,651,766*** | ***91.4*** |
| Provision for employee benefits | 7,591 | *0.0* | 8,701 | *0.0* | 14,972 | *0.1* | 15,328 | *0.0* | 69,010 | *0.2* |
| Deferred taxation | 2,088 | *0.0* | 1,839 | *0.0* | 5,221 | *0.0* | 6,865 | *0.0* | 3,219 | *0.0* |
| Other liabilities | 503,962 | *2.4* | 653,800 | *2.6* | 689,593 | *2.4* | 831,476 | *2.4* | 1,056,522 | *2.6* |
| **Total liabilities (b)** | **20,531,384** | ***96.3*** | **23,844,957** | ***95.7*** | **27,473,368** | ***94.7*** | **32,532,218** | ***94.5*** | **37,780,517** | ***94.2*** |
| **Goodwill (c)** | 0 | *0.0* | 0 | *0.0* | 3,621 | *0.0* | 4,996 | *0.0* | 18,093 | *0.0* |
| **Net worth (a-b+c)** | **797,214** | ***3.7*** | **1,064,931** | ***4.3*** | **1,547,894** | ***5.3*** | **1,909,308** | ***5.5*** | **2,325,682** | ***5.8*** |
| *represented by:* | | | | | | | | | | |
| Issued share capital | 618,090 | *2.9* | 780,128 | *3.1* | 922,688 | *3.2* | 948,113 | *2.8* | 1,213,765 | *3.0* |
| Reserves | 147,780 | *0.7* | 251,821 | *1.0* | 590,687 | *2.0* | 923,981 | *2.7* | 1,079,142 | *2.7* |
| Own shares | 0 | *0.0* | 0 | *0.0* | -216 | *0.0* | -45 | *0.0* | -17 | *0.0* |
| **Total** | **765,870** | ***3.6*** | **1,031,949** | ***4.1*** | **1,513,159** | ***5.2*** | **1,872,049** | ***5.4*** | **2,292,890** | ***5.7*** |
| Minority interests | 31,344 | *0.1* | 32,982 | *0.1* | 34,735 | *0.1* | 37,259 | *0.1* | 32,792 | *0.1* |
| **Funding from customers** | **18,601,164** | ***87.2*** | **21,520,995** | ***86.4*** | **24,726,983** | ***85.2*** | **27,655,868** | ***80.3*** | **32,733,515** | ***81.6*** |
| **Total assets (a+c)** | **21,328,598** | ***100.0*** | **24,909,888** | ***100.0*** | **29,021,262** | ***100.0*** | **34,441,526** | ***100.0*** | **40,106,199** | ***100.0*** |

(1) Includes compulsory reserve held at central bank (CNY 4,376bn as at 31-12-2008).

## TABLE II.3 – EMPLOYEES CHINA

| | 2004 | | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| Average number of staff | 1,390,122 | (1) | 1,467,814 | 1,446,504 | 1,446,917 | 1,490,351 |
| *of which*: from country of origin (%) | … | | … | … | … | … |
| from elsewhere (%) | … | | … | … | … | … |

(1) Number at year-end refers to 8 companies out of the total of 10 considered.

## TABLE II.4 – FINANCIAL RATIOS CHINA

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Funding from customers per employee ('000 CNY) (1) | 13,381 | 14,662 | 17,094 | 19,114 | 21,964 |
| Loans and advances to customers per employee ('000 CNY) (1) | 9,033 | 8,924 | 10,311 | 11,826 | 12,720 |
| Labour cost per employee ('000 CNY) (1) | 52 | 70 | 86 | 109 | 165 |
| Cost / income ratio (%) | 51.6 | 50.7 | 47.5 | 41.2 | 40.2 |
| Bad debts written off as % of total income (2) | 20.2 | 11.2 | 13.7 | 9.8 | 12.7 |
| Dividends payout as % of net profit | 22.1 | 20.9 | 41.5 | 47.0 | 38.1 |
| ROE (%) | 12.7 | 14.8 | 13.3 | 17.8 | 22.0 |
| ROA (%) | 0.4 | 0.5 | 0.6 | 0.8 | 1.0 |
| Doubful loans as % of loans to customers (3) | 11.4 | 6.4 | 5.1 | 4.5 | 0.3 |
| Doubful loans as % of net worth (3) | 178.9 | 78.5 | 49.3 | 40.5 | 2.1 |
| Loans, advances and cash as % of total funding | 102.6 | 104.2 | 105.5 | 105.9 | 106.4 |
| Fixed assets as % of net worth | 52.8 | 43.1 | 30.4 | 24.8 | 24.3 |
| Free capital as % of funding from customers | -5.6 | -1.0 | 1.3 | 2.5 | 5.6 |
| Total assets (4) / Tangible net worth (n.) | 27.4 | 24.1 | 19.4 | 18.6 | 17.8 |

Funding from customers = customer deposits plus debt securities plus subordinated liabilities.
Fixed assets = interests in subsidiaries and associated plus net tangible and intangible assets plus goodwill.
Free capital = net worth less fixed assets less doubtful loans.
Tangibile net worth = net worth less intangible assets less goodwill.

(1) For 2004 calculated on the basis of no. of staff as at year-end.
(2) Net of recovered amounts.
(3) Calculated only on the basis of those exposures not completely covered by provisions. The exposure chiefly refers to the Agricultural Bank of China.
(4) Excluding intangibile assets.

# III. PRINCIPLES AND METHODS

## *III.1 The companies*

The selected companies include the leading banking groups of the three major global economic areas (Europe, Japan and the United States, referred to as the "triad" for purposes of brevity). The criterion for selection used for the triad region is total assets. To be included in this survey, the companies must represent a significant share of the total asset aggregate for their respective areas. In other words, companies are added to the sample for so long as their contribution exceeds one per cent of the previous cumulative assets aggregate. Banks which contributed less than one per cent of such aggregate were not included. As of the 2008 edition, the survey was extended to the first 10 banks of China in terms of size of assets.

In the case of significant mergers and acquisitions (mega-mergers), the affected companies were included from the beginning of the ten-year period up until the date of merger or acquisition; similarly and in the case of new entries or cancellations due to the attainment or loss of the abovementioned size requirement, the companies are included or excluded for the entire decade.

With respect to the previous edition of this survey, the companies at the end of the period decreased by four following six cancellation and exclusions and two new entries. In Europe in 2008, Fortis was no longer considered since it only operated in the insurance sector and was replaced by the two banking entities belonging to the Group before its break-up: Fortis Bank and Fortis Bank Nederland (Holding). In the United States, four merger operations were finalized, involving Countrywide Financial, National City, Wachovia and Washington Mutual, while the investment bank The Bear Stearns Companies - which was not considered in the previous edition and was acquired by JPMorgan Chase & Co. in May 2008 - was included for the whole period. In Japan, Aozora Bank was excluded given that it did not meet the minimum size requirements.

Statistical data have been compiled on the basis of information contained with the consolidated annual and half-year financial statements, the latter limited to Japanese companies for the first half-years of 2008 and 2009. It is important to note that the financial reports used were prepared according to different accounting standards; in particular, European banks have, for the most part, adopted IAS/IFRS accounting principles as of the year 2005.[85] A specific aspect concerns insurance activities which were primarily implemented by European banking groups and, up until 2004, were booked differently within the respective consolidated financial statements: commentary on the different booking methods and on the incidence of these activities on aggregate data is reported in Appendix 3.

The nationalities of the companies is established on the basis of the country in which the parent company is based. Figures for each country provided in several tables in Section I and those for the largest global economic areas therefore represent the aggregate of activities carried out by the groups whose parent company is based in that country or area, and accordingly include the activities of subsidiaries located outside that country or area. The purpose of this survey is to identify tendencies which distinguish the performance of the major international banks and to highlight related earnings and financial aspects, rather than to analyse banking activity in individual countries.

The general aggregate of all companies of the triad region and the aggregate data for Europe have been compiled by converting the individual national currencies into Euro by using the exchange rates

[85] It should be noted that, although international accounting standards required the preparation of at least one prior comparative period according to the same criteria, the delay with which principle IAS 39 was approved led authorities to introduce an option to waive the application of said standard, thereby allowing the postponement until 1-1-2005 of the first-time adoption of IAS 32 *(Financial Instruments: Disclosure and Presentation)*, IAS 39 (*Financial Instruments: Recognition and Measurement)* and IFRS 4 (*Insurance Contracts)*. The 2004 financial statements were therefore not reclassified, creating a discontinuity in the historical series of data.

ruling as at 31 December of each year; the aggregate data expressed in Euro were therefore significantly influences by exchange rate fluctuations. The exchange rates utilized in the ten-year period in question are reported in TABLE III.1. In particular, the depreciation of the Dollar and Yen with respect to the Euro - the functional currency of most European groups – should be noted and was equal to 28% and 19%, respectively, between 1999 and 2008. These devaluations contributed in a significant way to the increased weight of European banks in the sample, which grew from 55% to 71% in terms of assets over the period and, within this figure, the importance of European domestic activities increased to the detriment of overseas ones, mainly in the United States, which were accounted for in depreciated currencies.

TABLE III.1 – YEAR-END EXCHANGE RATES

| | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | *vs. EUR (x100)* | | | | | |
| China | CNY | | | | | | 8.8889 | 10.5038 | 9.7283 | 9.3002 | 10.5312 | 10.1678 |
| Denmark | DKK | 13.4349 | 13.3993 | 13.4472 | 13.4611 | 13.4318 | 13.4430 | 13.4039 | 13.4120 | 13.4079 | 13.4217 | 13.4376 |
| Eurozone | **EUR** | ***100.0000*** | ***100.0000*** | ***100.0000*** | ***100.0000*** | ***100.0000*** | ***100.0000*** | ***100.0000*** | ***100.0000*** | ***100.0000*** | ***100.0000*** | ***100.0000*** |
| Japan | JPY | 0.9734 | 0.9353 | 0.8671 | 0.8039 | 0.7405 | 0.7161 | 0.7199 | 0.6372 | 0.6063 | 0.7928 | 0.7510 |
| United Kingdom | GBP | 160.8493 | 160.2307 | 164.3385 | 153.7279 | 141.8842 | 141.8440 | 145.9215 | 148.9203 | 136.3605 | 104.9869 | 112.5999 |
| United States | USD | 99.5421 | 107.4691 | 113.4687 | 95.3562 | 79.1766 | 73.4160 | 84.7673 | 75.9301 | 67.9302 | 71.8546 | 69.4155 |
| Switzerland | CHF | 62.3014 | 65.6513 | 67.4354 | 68.8516 | 64.1890 | 64.8130 | 64.3045 | 62.2316 | 60.4339 | 67.3401 | 67.4036 |

TABELLA III.2 - LIST OF COMPANIES

| | BANKS | TOTAL ASSETS | TOTAL INCOME | EMPLOYEES |
|---|---|---|---|---|
| | | 2008 | | |
| | **EUROPE** | *EUR m* | *EUR m* | *Average no.* |
| 1 | THE ROYAL BANK OF SCOTLAND GROUP (RBS) (GB) # * [1] | 2,521,118 | 23,845 | 197,600 |
| 2 | DEUTSCHE BANK (DE) # | 2,202,423 | 12,948 | 79,931 |
| 3 | BARCLAYS (GB) # | 2,155,230 | 24,010 | 151,500 |
| 4 | BNP PARIBAS (FR) # [2] | 2,073,325 | 27,766 | 149,773 |
| 5 | HSBC HOLDINGS (GB) # | 1,814,646 | 57,515 | 331,458 |
| 6 | CREDIT AGRICOLE (FR) # | 1,783,248 | 29,027 | 163,615 |
| 7 | UBS (CH) # | 1,356,968 | 1,545 | 80,672 |
| 8 | ING GROEP (NL) # | 1,325,866 | 14,834 | 125,285 |
| 9 | SOCIÉTÉ GÉNÉRALE (FR) # | 1,129,704 | 21,765 | 160,430 |
| 10 | BANCO SANTANDER (ES) # [3] | 1,049,173 | 29,912 | 139,688 |
| 11 | UNICREDIT (IT) # [4] | 1,045,611 | 27,065 | 165,946 |
| 12 | CREDIT SUISSE GROUP (CH) # | 788,114 | 7,341 | 47,950 |
| 13 | HBOS (GB) # * [5] | 722,857 | 8,004 | 74,676 |
| 14 | DEXIA (BE) # * | 650,919 | 5,008 | 28,099 |
| 15 | INTESA SANPAOLO (IT) # [6] | 636,093 | 17,762 | 110,021 |
| 16 | COMMERZBANK (DE) # [7] | 625,196 | 7,063 | 40,532 |
| 17 | RABOBANK NEDERLAND (NL) | 612,120 | 11,973 | 60,252 |
| 18 | FORTIS BANK (BE) * [8] | 586,777 | 5,290 | 37,010 |
| 19 | CREDIT MUTUEL (FR) | 581,709 | 8,898 | 65,545 |
| 20 | BANCO BILBAO VIZCAYA ARGENTARIA (BBVA) (ES) # | 542,621 | 18,149 | 111,936 |
| 21 | DANSKE BANK (DK) # | 475,406 | 5,499 | 23,755 |
| 22 | NORDEA BANK (SE) # [9] | 474,065 | 7,920 | 33,944 |
| 23 | LLOYDS BANKING GROUP (ex-Lloyds TSB Group) (GB) # * [10] | 457,373 | 11,455 | 66,473 |
| 24 | LANDESBANK BADEN-WUERTTEMBERG (DE) * | 447,932 | 1,059 | 13,646 |
| 25 | DZ BANK (DE) | 427,090 | 2,212 | 24,642 |
| 26 | BAYERISCHE LANDESBANK (DE) * | 421,666 | 1,170 | 19,405 |
| 27 | DRESDNER BANK (DE) [11] | 420,961 | 680 | 30,195 |
| 28 | HYPO REAL ESTATE HOLDING (DE) * [12] | 419,654 | 824 | 1,892 |
| 29 | KREDITANSTALT FUER WIEDERAUFBAU (KfW) (DE) * | 394,826 | 516 | 4,228 |
| 30 | KBC GROUP (BE) # [13] | 355,037 | 3,971 | 59,150 |
| 31 | WESTLB (DE) * | 288,122 | 920 | 6,221 |
| 32 | FORTIS BANK NEDERLAND (HOLDING) (NL) * | 184,203 | 1,614 | 9,898 |
| 33 | ABBEY NATIONAL (GB) [14] | - | - | - |
| 34 | ABN AMRO HOLDING (NL)[15] | - | - | - |
| 35 | ARGENTARIA (ES) [16] | - | - | - |
| 36 | BANCA COMMERCIALE ITALIANA (IT) [17] | | | |
| 37 | BANK AUSTRIA (AT) [18] | - | - | - |

*cont.*

*Table III.2(cont.)*

| | BANKS | 2008 TOTAL ASSETS | 2008 TOTAL INCOME | 2008 EMPLOYEES |
|---|---|---|---|---|
| | | *EUR m* | *EUR m* | *Average no.* |
| 38 | BANK OF SCOTLAND (GB) [19] | - | - | - |
| 39 | BAYERISCHE HYPO- UND VEREINSBANK (HVB) (DE) [20] | - | - | - |
| 40 | CAPITALIA (IT) [21] | - | - | - |
| 41 | CREDIT COMMERCIAL DE FRANCE (FR) [22] | - | - | - |
| 42 | CREDIT INDUSTRIEL ET COMMERCIAL-CIC (FR) [23] | - | - | - |
| 43 | CREDIT LYONNAIS (FR) [24] | - | - | - |
| 44 | DEPFA BANK (IE) [25] | - | - | - |
| 45 | DEPFA DEUTSCHE PFANDBRIEFBANK (DE) [26] | - | - | - |
| 46 | EUROHYPO (DE) [27] | - | - | - |
| 47 | FORTIS (BE / NL) [28] | - | - | - |
| 48 | HALIFAX GROUP (GB) [19] | - | - | - |
| 49 | NATIONAL WESTMINSTER BANK (GB) [29] | - | - | - |
| 50 | REALDANMARK (DK) [30] | - | - | - |
| 51 | SANPAOLO IMI (IT) [31] | - | - | - |
| 52 | UNIDANMARK (DK) [32] | - | - | - |
| | **TOTAL** | **28,970,053** | **397,560** | **2,615,368** |
| | **JAPAN** | *EUR m* | *EUR m* | *Average no.* |
| 1 | MITSUBISHI UFJ FINANCIAL GROUP (MUFG) # [33] | 1,534,005 | 18,159 | 78,900 |
| 2 | MIZUHO FINANCIAL GROUP # | 1,179,509 | 14,696 | 28,886 ° |
| 3 | SUMITOMO MITSUI FINANCIAL GROUP # | 917,700 | 16,202 | 47,254 |
| 4 | NORINCHUKIN BANK | 492,994 | -1,014 | 3,015 ° |
| 5 | RESONA HOLDINGS # | 309,123 | 5,784 | 16,421 |
| 6 | SHINKIN CENTRAL BANK | 217,355 | 1,053 | 1,072 ° |
| 7 | SUMITOMO TRUST & BANKING # | 165,746 | 2,563 | 5,959 ° |
| 8 | CHUO MITSUI TRUST HOLDINGS # [34] | 115,831 | 1,946 | 4,600 ° |
| 9 | FUKUOKA FINANCIAL GROUP # [35] | 92,785 | 1,582 | 7,020 |
| 10 | BANK OF YOKOHAMA # | 92,232 | 1,952 | 4,413 ° |
| 11 | SHINSEI BANK # | 89,377 | 2,299 | 6,126 |
| 12 | SHOKO CHUKIN BANK * [36] | 85,928 | 1,067 | 4,244 |
| 13 | CHIBA BANK # | 78,878 | 1,462 | 4,015 ° |
| 14 | HOKUHOKU FINANCIAL GROUP # | 77,644 | 1,390 | 4,338 |
| 15 | SHIZUOKA BANK # | 71,696 | 1,241 | 3,181 ° |
| 16 | JOYO BANK # | 58,552 | 999 | 3,586 ° |
| 17 | SAPPORO HOKUYO HOLDINGS # | 56,840 | 956 | 4,000 |
| 18 | ASAHI BANK [37] | - | - | - |
| 19 | BANK OF KINKI [38] | - | - | - |
| 20 | BANK OF TOKYO-MITSUBISHI [39] | - | - | - |
| 21 | CHUO TRUST AND BANKING COMPANY [40] | - | - | - |

*cont.*

*Table III.2(cont.)*

| | *BANKS* | 2008 *TOTAL ASSETS* | *TOTAL INCOME* | *EMPLOYEES* |
|---|---|---|---|---|
| | | *EUR m* | *EUR m* | *Average no.* |
| 22 | DAI-ICHI KANGYO BANK [41] | - | - | - |
| 23 | FUJI BANK [41] | - | - | - |
| 24 | HOKKAIDO BANK [42] | - | - | - |
| 25 | IBJ – INDUSTRIAL BANK OF JAPAN [41] | - | - | - |
| 26 | KINKI OSAKA BANK [37] | - | - | - |
| 27 | MITSUBISHI TRUST AND BANKING [39] | - | - | - |
| 28 | MITSUI TRUST AND BANKING COMPANY [40] | - | - | - |
| 29 | SAKURA BANK [43] | - | - | - |
| 30 | SANWA BANK [44] | - | - | - |
| 31 | SUMITOMO BANK [43] | - | - | - |
| 32 | TOKAY BANK [44] | - | - | - |
| 33 | TOYO TRUST AND BANKING [44] | - | - | - |
| 34 | UFJ HOLDINGS [45] | - | - | - |
| | **TOTAL** | **5,636,195** | **72,337** | **227,030** |
| | **UNITED STATES** | *EUR m* | *EUR m* | *Average no.* |
| 1 | JPMORGAN CHASE & CO. [# 46] | 1,562,874 | 45,235 | 195,416 |
| 2 | CITIGROUP [# 47] | 1,392,879 | 41,921 | 352,675 |
| 3 | BANK OF AMERICA [# 48] | 1,306,275 | 55,718 | 229,300 |
| 4 | WELLS FARGO & CO. [# 49] | 941,035 | 29,089 | 159,350 |
| 5 | THE PNC FINANCIAL SERVICES GROUP [# 50] | 209,155 | 5,146 | 26,834 |
| 6 | U.S. BANCORP (ex- Firstar) [#] | 191,070 | 10,801 | 54,686 |
| 7 | THE BANK OF NEW YORK MELLON [# 51] | 170,663 | 10,247 | 42,700 |
| 8 | SUNTRUST BANKS [#] | 135,904 | 5,798 | 30,828 |
| 9 | CAPITAL ONE FINANCIAL [#] | 119,216 | 9,834 | 25,350 |
| 10 | BB&T [#] | 109,230 | 5,208 | 29,514 |
| 11 | REGIONS FINANCIAL [#] | 105,086 | 4,858 | 31,973 |
| 12 | FIFTH THIRD BANCORP [#] | 86,056 | 4,558 | 21,580 |
| 13 | KEYCORP [#] | 75,110 | 2,936 | 18,095 |
| 14 | WACHOVIA (ex- First Union) [52] | - | 18,254 | 122,000 |
| 15 | WASHINGTON MUTUAL [53] | - | 4,937 | 33,950 |
| 16 | NATIONAL CITY [54] | - | 3,305 | 30,654 |
| 17 | COUNTRYWIDE FINANCIAL [55] | - | 2,684 | 25,193 |
| 18 | THE BEAR STEARNS COMPANIES [56] | - | 1,063 | 5,830 |
| 19 | AMSOUTH BANCORPORATION [57] | - | - | - |
| 20 | ASSOCIATES FIRST CAPITAL [58] | - | - | - |
| 21 | BANK ONE [59] | - | - | - |
| 22 | FLEETBOSTON FINANCIAL [60] | - | - | - |

*cont.*

*Table III.2(cont.)*

| | BANKS | 2008 TOTAL ASSETS | TOTAL INCOME | EMPLOYEES |
|---|---|---|---|---|
| | | *EUR m* | *EUR m* | *Average no.* |
| 23 | GOLDEN STATE BANCORP [61] | - | - | - |
| 24 | GOLDEN WEST FINANCIAL [62] | - | - | - |
| 25 | GREENPOINT FINANCIAL [63] | - | - | - |
| 26 | HIBERNIA [64] | - | - | - |
| 27 | J.P. MORGAN & CO. [65] | - | - | - |
| 28 | MBNA [66] | - | - | - |
| 29 | NORTH FORK BANCORPORATION [67] | - | - | - |
| 30 | SOUTHTRUST [68] | - | - | - |
| 31 | SUMMIT BANCORP [69] | - | - | - |
| 32 | U.S. BANCORP [70] | - | - | - |
| 33 | UNION PLANTERS [71] | - | - | - |
| 34 | WACHOVIA [72] | - | - | - |
| | **TOTAL** | **6,404,553** | **261,592** | **1,435,928** |
| | **CHINA** | *EUR m* | *EUR m* | *Average no.* |
| 1 | INDUSTRIAL AND COMMERCIAL BANK OF CHINA # * | 1,027,544 | 32,758 | 383,661 |
| 2 | CHINA CONSTRUCTION BANK # * | 795,679 | 28,615 | 298,725 |
| 3 | AGRICULTURAL BANK OF CHINA * | 738,695 | 22,189 | 444,701 |
| 4 | BANK OF CHINA # * | 732,095 | 22,322 | 188,767 |
| 5 | BANK OF COMMUNICATIONS # [73] | 282,546 | 8,103 | 72,909 |
| 6 | CHINA MERCHANTS BANK # [74] | 165,529 | 5,900 | 32,944 |
| 7 | SHANGHAI PUDONG DEVELOPMENT BANK # [75] | 137,898 | 3,634 | 15,912 |
| 8 | CHINA CITIC BANK # * | 125,126 | 4,282 | 18,228 |
| 9 | CHINA MINSHENG BANKING # | 111,036 | 3,698 | 18,810 |
| 10 | INDUSTRIAL BANK # [76] | 107,513 | 3,117 | 15,694 |
| | **TOTAL** | **4,223,661** | **134,618** | **1,490,351** |

\# Listed company.
* Government-controlled company.
° Figure refers to parent company only. The figure for Mizuho Financial Group also includes the employees of its three main banking subsidiaries.
[1] As at year-end 2009, the UK government owned 84,4% of the share capital.
[2] In 2009 the states of Belgian and Luxembourg took stakes in the company of 11.6% and 1.2% respectively, against the disposal of Fortis's former banking activities in the respective countries.
[3] Formerly Banco Santander Central Hispano. The current name was taken on in August 2007.
[4] Formerly UniCredito Italiano. The current name was taken on in May 2008.
[5] In January 2009 the company was merged into Lloyds TSB Group, which took on the name of Lloyds Banking Group.
[6] Formerly Banca Intesa. With effect from 1 January 2007 Banca Intesa merged with Sanpaolo IMI and took on the name of Intesa Sanpaolo.
[7] In January 2009 the company completed its acquisition of Dresdner Bank; the German state acquired a 25% plus one share stake in the company.

*Table III.2(cont.)*

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[8] The Belgian state held 99.93% of the share capital as at 31 December 2008. In May 2009, a 74.93% stake was sold to BNP Paribas.

[9] The largest shareholder is the Swedish government, with a stake of 19.9% at 31 December 2008.

[10] HBOS merged into the company in January 2009, and the present name taken on. The British government acquired a 43.4% stake.

[11] Acquired by Commerzbank in January 2009.

[12] During 2009, the German state acquired 100% of the company's share capital via SoFFin.

[13] Formerly KBC Bank and Insurance Holding Company; in March 2005, the bank merged with its parent company Almanij and took on its current name.

[14] Acquired by Banco Santander Central Hispano in November 2004.

[15] In October 2007 control of the company was acquired by RFS Holdings B.V., a company which at the time was owned by RBS (38.3%), Fortis (33.8%) and Banco Santander (27.9%). Consolidated line-by-line by RBS with effect from 17 October 2007. Previously the company had disposed of certain assets, including LaSalle Bank (USA) and Banca Antonveneta (IT). In December 2008, the share previously owned by Fortis, at the time held by Fortis Bank Nederland (Holding), was acquired by the Netherlands state.

[16] In 2000 Argentaria merged with Banco Bilbao Vizcaya, and the combined entity took on the name Banco Bilbao Vizcaya Argentaria. (BBVA).

[17] Acquired by Banca Intesa (now Intesa Sanpaolo) in 1999.

[18] Acquired by Bayerische Hypo- und Vereinsbank in 2000.

[19] Bank of Scotland and the Halifax group merged in 2001 to form HBOS.

[20] Acquired by UniCredito Italiano (now UniCredit) in November 2005.

[21] Merged into UniCredit with effect from 1 October 2007.

[22] Acquired by HSBC Holdings in 2000.

[23] Acquired by Crédit Mutuel in 1998 and consolidated for the first time in 2002.

[24] Acquired by Crédit Agricole in 2003.

[25] Acquired by Hypo Real Estate Holding in October 2007.

[26] Acquired by DEPFA Holding (subsequently DEPFA Bank) in 2002.

[27] Formerly Deutsche Hyp (Gruppo Dresdner Bank), in 2002 the company merged with Eurohypo (Deutsche Bank Group) and Rheinhyp (Commerzbank Group), and took on the name Eurohypo. At end-March 2006 Commerzbank acquired control of the company buying out the shares of the other two leading shareholders.

[28] In October 2008 the Dutch state acquired all the group's banking and insurance activities in the Netherlands, while the states of Belgium and Luxembourg acquired the group's banking activities in their respective countries. In May 2009 a majority share in the latter of around 75%, owned by Fortis Bank SA/NV, was sold to BNP Paribas. The Fortis group is no longer included in the survey, on the grounds that it performs only insurance business.

[29] Acquired by RBS in 2000.

[30] Acquired by Danske Bank in 2000.

[31] Merged into Banca Intesa (now Intesa Sanpaolo) with effect from 1 January 2007.

[32] Acquired by Nordea (now Nordea Bank) in 2000.

[33] Formerly Mitsubishi Tokyo Financial Group. Effective from 1 October 2005, the company merged with UFJ Holdings and took on its current name.

[34] Formerly Mitsui Trust Holdings. The current name was taken on in October 2007.

[35] With effect from 2 April 2007 the Bank of Fukuoka, along with Kumamoto Family Bank, became part of the new holding company Fukuoka Financial Group, which itself acquired Shinwa Bank in September 2007.

[36] As at 31 March 2009 Japanese state owned 46,5% of the share capital.

[37] Acquired by Resona Holdings (formerly Daiwa Bank Holdings) in 2001.

[38] The company was merged into Bank of Osaka in 2000, with the latter taking on the name of Kinki Osaka Bank.

[39] The company became part of the Mitsubishi Tokyo Financial Group (now Mitsubishi UFJ Financial Group) in 2001.

[40] The Chuo Trust and Banking Company and the Mitsui Trust and Banking Company merged in 2000 to form the Chuo Mitsui Trust and Banking Company. In 2001 the latter became part of the Mitsui Trust Holdings Group.

[41] The company became part of the Mizuho Financial Group in 2000.

[42] Acquired in 2004 by Hokugin Financial Group, which took on the name Hokuhoku Financial Group.

[43] Sakura Bank was merged into Sumitomo Bank in 2001, with the latter taking on the name of Sumitomo Mitsui Banking. In 2002 Sumitomo Mitsui Banking became part of the Sumitomo Mitsui Financial Group.

[44] The company became part of the UFJ Holdings Group (now Mitsubishi UFJ Financial Group) in 2001.

[45] Merged into Mitsubishi Tokyo Financial Group (now Mitsubishi UFJ Financial Group), with effect from 1 October 2005.

*Table III.2(cont.)*

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[46] Acquired investment bank The Bear Stearns Companies with effect from 30 May 2008, and the banking activities of Washington Mutual on 25 September 2008.
[47] 33.6% owned by the US Treasury (diluted to 27% as at 31-12-2009).
[48] Merged with Countrywide Financial with effect from 1 July 2008, and acquired investment bank Merrill Lynch & Co. with effect from 1 January 2009.
[49] Acquired Wachovia (formerly First Union) with effect from 31 December 2008.
[50] Acquired National City with effect from 31 December 2008.
[51] With effect from 1 July 2007 the Bank of New York and Mellon Financial merged to form The Bank of New York Mellon.
[52] Acquired by Wells Fargo & Co. with effect from 31 December 2008. Data shown here refer to the period prior to the acquisition.
[53] Went bankrupt in September 2008. Its banking activities were acquired by JPMorgan Chase & Co with effect from 25 September 2008. Data shown here refer to 1H 2008.
[54] Acquired by The PNC Financial Services Group with effect from 31 December 2008. Data shown here refer to the first nine months of the financial year.
[55] Merged into the Bank of America with effect from 1 July 2008. Data shown here refer to 1H 2008.
[56] Acquired by JPMorgan Chase with effect from 30 May 2008. Data shown here refer to the three months ended 29 February 2008, the most recent figures available.
[57] Acquired by Regions Financials with effect from 1 November 2006.
[58] Acquired by Citigroup in 2000.
[59] Acquired by JPMorgan Chase & Co. with effect from 1 July 2004.
[60] Acquired by Bank of America with effect from 1 April 2004.
[61] Acquired by Citigroup in 2002.
[62] Acquired by Wachovia (formerly First Union) with effect from 1 October 2006.
[63] Merged into North Fork Bancorporation with effect from 1 October 2004.
[64] Acquired by Capital One Financial with effect from 16 November 2005.
[65] The company was merged into The Chase Manhattan Corp. in 2000, with the latter taking on the name of J.P. Morgan Chase & Co. (now JPMorgan Chase & Co.).
[66] Acquired by Bank of America with effect from 1 January 2006.
[67] Acquired by Capital One Financial with effect from 1 December 2006.
[68] Acquired by Wachovia (formerly First Union) with effect from 1 November 2004.
[69] Acquired by FleetBoston Financial in 2001.
[70] The company was merged into Firstar in 2001, with the latter taking on the name of U.S. Bancorp.
[71] Acquired by Regions Financial with effect from 1 July 2004.
[72] The company was merged into First Union in 2001, with the latter taking on the name of Wachovia.
[73] 43.26% owned directly and indirectly by the Chinese state; 19.15% owned by the HSBC group.
[74] 40.1% owned by various companies controlled by the Chinese state, 3.55% by JPMorgan Chase, 1.9% by UBS, 1.12% by Barclays.
[75] 37.3% owned by various companies controlled by the Chinese state, 3.8% by Citigroup.
[76] 30.5% owned directly and indirectly by the Chinese state; 12.78% by the HSBC group.

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