

**MAJOR INTERNATIONAL BANKS
FINANCIAL AGGREGATES**

2005 edition

an R & S publication

www.mbres.it

I. INTRODUCTION

Overview

This survey covers the leading banks in Europe, Japan and the United States, selected according to the criteria set out in Section III. A total of 68 groups are included, 35 of which are based in Europe, 17 in Japan and 16 in the United States⁽¹⁾. Table I.1 provides some key figures, and a full list of the banks is given in Section III. This means that there are three fewer groups in this version of our survey than last year, as a result of three mergers, with one exit cancelling out one new entry. The mergers involved the acquisition of Abbey National by Banco Santander Central Hispano in Europe, and the acquisitions of Bank One and Fleet Boston Financial by JPMorgan Chase and Bank of America in the United States. German bank HSH Nordbank ceased to have the requisite size for consideration in this survey and was therefore excluded, while Japanese bank Hokuhoku Financial Group reached the minimum requirement for inclusion following its acquisition of a smaller bank.

European banks account for 66% of the aggregate in terms of total assets, 61% of total staff employed, and 57% of total income. US banks account for just 17% of total assets, but nearly one-third in terms of total staff and total income. Of the European countries, Germany has the highest number of banks featured in this survey, representing slightly less than one-quarter of total assets for the area. UK banks lead the way in terms of total staff, with 28% of the aggregate, and also account for 28% of European total income. In assessing the more

¹ The European groups control some 9,363 companies. This total does not include the United Kingdom or Benelux, with the exception of Barclays and Dexia respectively, as figures are not available for these areas. The Japanese groups control 789 companies, while the only figures available for the U.S. involve 12 groups which consolidate 5,590 companies.

substantial contribution by European banks to the overall figures, it should be remembered that they are also more globalized 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. Conversely US- and Japanese-based banks, with the exception of those ranking top of the league tables, focus chiefly on their own domestic markets. Banks are also relatively less important in US financial markets than elsewhere, owing to the extensive operations of financial services companies. Finally, it should be remembered that the Dollar and the Yen both fell in relation to the Euro between 2001 and 2004, the former by 55%, the latter by 21% (the Euro obviously representing the main currency of account for the European groups considered in this survey).

TABLE I.1 – BANKS COVERED IN THE SURVEY

	No. of groups	No. of employees in 2004	Total assets at 31/12/04	Total income in 2004
		<i>'000</i>	<i>EUR bn</i>	<i>EUR bn</i>
Germany	11	261	4,297	59
United Kingdom	5	607	3,531	114
Benelux	6	386	3,156	65
France	4	379	2,804	69
Italy	3	170	751	28
Switzerland	2	127	1,816	39
Spain	2	212	876	26
Sweden	1	30	276	6
Denmark	1	16	279	4
Europe	35	2,188	17,786	410
Japan (*)	17	204	4,631	74
United States	16	1,177	4,480	235
Total	68	3,569	26,897	719

(*) In assessing the number of staff employed by Japanese banks, it should be remembered that mostly data for parent companies or aggregate data for the most important group companies has been used, due to lack of information at the consolidated level.

In terms of total assets, the European banks considered here account for just under 60% of the Western European banking system as a whole ⁽²⁾. The Japanese banks represent slightly over 60% of their country's total, whereas the US banks make up around 75% of their nation's banking system ⁽³⁾.

Analysis of the survey composition by individual country shows that some features of European and Japanese groups' structure are country-specific. These are discussed in greater detail in Appendix 1.

Size

The average size of the banks featured in our survey rose significantly during 1998-2004, as a result both of organic growth and mergers and acquisitions. In terms of total assets, the average size recorded per group in 2004 was EUR 391.6bn, double the figure in recorded in 1998, the result of 40% increase in overall total assets against a reduction in the number of banks from 101 to 68. Banks grew in all the three areas we cover, but more so in the United States and Europe. The average size of European banks more than tripled from 1995 to 2004, while the number of groups included fell from 55 to 35 (see Table I.2).

Disregarding for a moment the effect of mergers between groups in the survey, which will be discussed presently, European banks grew by an average of 60% in terms of total assets in 1998-2004, and US banks by 32% (in Euro terms; 53% in local currency), while Japanese banks reflected a 3.6% reduction (unchanged in local currency). This means that the growth recorded by Japanese banks was entirely due to consolidation between the largest groups.

² Eurozone countries plus Denmark, the U.K., Sweden and Switzerland.

³ This figure reduces to 60% when financial service companies not owned by banks are also considered. These are particularly strong in the U.S. in the areas of consumer credit and leasing. Some of the best-known such companies are the financial service divisions of leading industrial groups, such as General Electric, General Motors and Ford Motor.

TABLE I.2 – SIZE OF BANKS COVERED BY SURVEY

	Average size measured by total assets (1)			
	1995	1998	2004	2004/1998
		EUR bn		% increase (2)
Europe (3)	145.9	240.5	504.5	+ 109.8
Japan	...	171.4	272.2	+ 58.8
United States	...	122.1	271.4	+ 122.3
All banks (4)	...	189.7	391.6	+ 106.4

(1) Not including goodwill.

(2) In local currency terms, Japanese banks grew by 64.7% and US banks by 158.5%.

(3) 55 groups in 1995; 46 in 1998; 35 in 2004.

(4) 101 groups in 1998; 68 in 2004.

European banks were on average the largest, virtually double the size of Japanese and US groups by total assets in 2004. However, growth in size in Japan and the U.S. led to greater concentration than it did in Europe, as may be seen from Table III.1 in Section III. The top three US and Japanese banks in this survey accounted for 53.2% and 61.5% of total assets in their respective countries of origin, whereas the top three European banks represented just 16.7% of their area. A comparison between the results in 1998 and 2004 also shows that the percentage of total assets represented by the top five groups in each area rose from 44% to 75% in Japan, from 56% to 77% in the United States, but just from 23% to 27% in Europe. In interpreting the lower degree of aggregation in Europe, the more fragmented nature of the area in terms of various national markets should be borne in mind.

As at year-end 2004, the largest banking groups in the world were based in Europe and the United States, namely UBS in Switzerland and Citigroup in the U.S., which were of similar size in terms of assets. However, these were overtaken in 2005 by Japanese company Mitsubishi UFJ Financial Group, following a merger between the second and fourth largest banks in Japan.

Acquisitions were a crucial factor in the larger size of banks in all three of the world's main economic areas. In the years from 1998 and

2004 there were a total of 43 mega-mergers, 20 of which involved European banks, 15 US banks and 8 Japanese banks (⁴). In 2005, apart from the Japanese merger referred to above, which led to the largest bank by assets in the world being created, German bank Bayerische Hypo- und Vereinsbank (HVB) was acquired by UniCredito Italiano, and Eurohypo by Commerzbank. A list of these mergers is provided in Table III.2 in Section III. The first point worth noting in this regard is that, with the exception of Deutsche Bank's acquisition of Bankers Trust in 1999, these large deals tended to involve banks belonging to the same economic area, and in Europe in particular, banks from the same country (with the exception of Scandinavia). However, two major cross-border transactions did take place in 2004 and 2005: Spanish group Santander acquired UK-based Abbey National, and, as mentioned above, UniCredito Italiano acquired HVB, the third largest German bank by total assets. A description of transactions involving the banks included in our survey is provided in Appendix 2 by country of origin.

Most of the mega-mergers were paid for by means of share exchanges. Of the aggregate EUR 172bn in deals involving European banks between 1998 and 2004, some EUR 138bn, or 80%, involved some form of share issue. The aggregate value of mergers between large US banks in the same period was much higher, at USD 443bn, but the cash outlay here was just USD 2.4bn, or 0.5% of the total. The only cross-region deal, the acquisition of Bankers Trust by Deutsche Bank referred to above, was also the only one to be paid for entirely in cash, for an outlay of approximately USD 9.7bn. The mergers between Japanese banks took place exclusively via share exchanges.

In terms of ownership structure the banks covered in the survey are for the most part widely-owned, being listed on one or more stock exchanges worldwide. Only six publicly-owned banks are included, five of which are German (see Appendix 1), and one Japanese. The German state-owned banks represent over one-third of all the German banks covered in terms of assets, while state-owned banks overall

⁴ "Mega-mergers" for the purposes hereof are defined as mergers involving two or more of the banks included.

account for just 5.7% of the aggregate by assets, or 1.7% by total income.

TABLE I.3 – STATE-CONTROLLED BANKS IN SAMPLE

	No. of groups	No. of employees in 2004	Total assets at 31/12/04	Total income in 2004
			<i>EUR bn</i>	<i>EUR bn</i>
State-controlled banks	6	46,500	1,540	12.3
<i>as % of total</i>	<i>8.8</i>	<i>1.3</i>	<i>5.7</i>	<i>1.7</i>
<i>of which: Europe</i>	<i>5</i>	<i>41,974</i>	<i>1,458</i>	<i>11.2</i>
<i>as % of total for Europe</i>	<i>14.3</i>	<i>1.9</i>	<i>8.2</i>	<i>2.7</i>

Still with German banks, Dresdner Bank, the second largest German bank by total assets, has been controlled by insurance group Allianz since 2001, while the world's leading reinsurer Münchener Rückversicherungs (Munich Re) has significantly reduced its positions in HVB and Commerzbank, respectively the third and fourth largest banks in Germany. In the case of HVB, Munich Re's 18.34% interest, which it held until year-end 2004 (⁵) was exchanged for a 4.8% stake in UniCredito Italiano in January 2006 following the Italian group's acquisition of HVB via an equity swap. Meanwhile, Munich Re's 9.5% share in Commerzbank, which it held until year-end 2003, was reduced to 4.99% by year-end 2005, following disposals on the market.

Workforce

In the 1998-2004 period, the aggregate workforce of the banks covered in this survey rose by 12.5%, or 389,000 employees, on a like-for-like basis. This represents the balance between growth of almost 18% by European-based groups and 10% by US banks and a 26%

⁵ Reduced from 25.67% until 31 December 2003 in the course of 2004.

reduction in Japan ⁽⁶⁾. In Europe, the highest increases in absolute terms were in the U.K. and Benelux, while Italian banks recorded the highest percentage growth, of 35.4%. Sweden and Denmark were the only countries which posted reductions, while German banks were largely stable in terms of headcount. If we look at the broader, 1996-2004 period, in respect of which like-for-like data is available only for European and not US or Japanese banks, the aggregate headcount rose by 30%, or 499,000 staff, with Spanish groups recording the highest absolute increase in 1996-98.

TABLE I.4 – CHANGES IN HEADCOUNT

	No. of employees (1)			Change 1998-2004	
	1996	1998	2004	No.	%
United Kingdom	461,816	490,788	607,223	+ 116,435	+ 23.7
Benelux	252,415	299,722	385,552	+ 85,830	+ 28.6
France	311,776	312,934	378,585	+ 65,651	+ 21.0
Germany	258,457	258,045	261,033	+ 2,988	+ 1.2
Spain	148,514	207,224	212,131	+ 4,907	+ 2.4 (2)
Italy	114,702	125,626	170,130	+ 44,504	+ 35.4
Switzerland	90,929	113,505	127,182	+ 13,677	+ 12.0
Scandinavia	50,200	52,308	46,092	- 6,216	- 11.9
Europe	1,688,809	1,860,152	2,187,928	+ 327,776	+ 17.6
Japan (3)	...	189,138	139,573	-49,565	- 26.2
United States	...	1,066,679	1,177,446	+110,767	+ 10.4
Total	...	3,115,969	3,504,947	+388,978	+ 12.5

(1) The breakdown by country is based on the country in which the parent company is registered, and for this reason the figure also includes group staff employed elsewhere.

(2) In 1996-98 the increase was 39.5%.

(3) Refers to 14 groups for which like-for-like figures are available.

The mega-mergers referred to above had no effect on such changes, as they involved groups already included in the survey sample. In other words, this increase in the overall workforce is attributable to other forms of M&A activity, i.e.:

⁶ The figures do not include three Japanese groups for which it has not been possible to establish a like-for-like comparison.

- small and medium-size banks being merged into the largest groups of the same nation covered in this survey, for example in Italy, where in 1998 Cariverona, Banca CRT and Cassamarca were merged into UniCredito Italiano, and SanpaoloIMI acquired Banco di Napoli and the Cardine group in 2000 and 2002 respectively, or the United States, where domestic acquisitions account for much of the increase in the aggregate workforce;
- acquisition of non-banking activities, such as Crédit Suisse's acquiring the insurance group Winterthur with its 26,000-plus labour force in 1997;
- non-domestic acquisitions, which mostly affected European banks. Apart from Deutsche Bank's acquisition of Bankers Trust referred to above, in 2000 Swiss groups UBS and Crédit Suisse acquired US banks Paine Webber and Donaldson, Lufkin & Jenrette, which between them employed around 36,000 staff. Spanish banks, meanwhile, made some major acquisitions in Latin America in the years between 1997 and 2000 (⁷), a region where both Dutch groups ING and ABN Amro and UK-based HSBC Holdings have a footprint. These banks launched highly-diversified expansion programmes, both geographically, which involved extending their reach via acquisitions *inter alia* in the United States and South-East Asia, and in terms of business, building presence in the insurance and financial service sectors. Noteworthy in this regard was HSBC Holdings' 2003 acquisition of US-based consumer credit/financial services player Household International, which had 31,000 staff on its pay-roll at year-end 512002. The Royal Bank of Scotland Group was particularly active on the US market, acquiring Charter One in 2004, with its 8,100 staff and USD 50bn in assets. BNP Paribas was also busy in the U.S., buying three smaller banks worth an aggregate USD

⁷ Staff employed outside Spain by the two Spanish banks covered in this survey between 1996 and 2000 (apart from at Abbey National, which was acquired in late 2004) rose from 34,013 to 146,664, i.e. from 27% to 65% of the total, whereas staff employed within Spain fell from 92,242 to 79,843. At year-end 2004, despite the payroll being trimmed by over 39,000, the number of staff employed outside Spain still amounted to 122,126, or 66% of the total.

17bn in late 2004/early 2005. German banks HVB and Commerzbank, Belgian-based KBC, Société Générale of France and UniCredito Italiano, meanwhile, all made significant acquisitions in Central or Eastern Europe⁽⁸⁾. The main non-domestic acquisition made by a US bank during the period under review was Citigroup buying Mexican group Banamex in 2001.

The significant non-domestic expansion undergone by European banks between 1996 and 2004 is well reflected in the more than 20 point increase in staff employed outside the companies' country of origin, who in 2004 accounted for more than 46.6% of the total⁽⁹⁾. Table I.5 in particular shows details of the main European banks' operations in the U.S., where three UK banks occupy leading positions behind Deutsche Bank. By year-end 2004 data, these groups are between the seventh and twelfth largest banks in the United States by total assets. The Japanese bank with the most extensive profile in the U.S. is Mitsubishi Tokyo Financial Group, which controls the Union Bank of California (USD 48.1bn assets at 31 December 2004).

TABLE I.5 – DETAILS OF LEADING EUROPEAN BANKS' OPERATIONS IN THE U.S. AS AT YEAR-END 2004

Parent company	Main subsidiary	Total assets	Total income	Empl-oyees
		USD bn	USD bn	No.
Deutsche Bank (1)	Taunus Corp.	290.1	...	...
HSBC Holdings	HSBC USA, Inc.	141.1	4.1	...
	HSBC Finance Corp. (formerly Household International)	130.2	12.9	...
	Total HSBC Holdings	271.3	17.0	43,000

cont.

⁸ Worthy of note in this respect was UniCredito Italiano's acquisition in 1999 of Polish-based Bank Pekao, which at that stage had 24,400 staff.

⁹ Cf. Table II. 3 for Europe. It is not possible to calculate the corresponding ratio for Japanese and US banks due to the absence of figures. The only figures available in the US are those for Citigroup and The Bank of New York, whose non-domestic staff in 2004 accounted for 49.7% and 22.5% of the total respectively.

TABLE I.5 (cont.)

Parent company	Main subsidiary	Total assets	Total income	Empl- oyees
		USD bn	USD bn	No.
Barclays	Barclays Group US	153.9	...	...
The Royal Bank of Scotland Group	Citizens Financial Group	136.7	4.1	22,600
ABN AMRO	LaSalle Bank and Standard Federal Bank	100.0	4.9	17,159
BNP Paribas (2)	BancWest	50.1	1.8	9,829

(1) Data relating to North American activities (primarily the U.S.).

(2) In 2005 acquired Commercial Federal (total assets USD 10.4bn at 31 December 2004).

Table I.6 shows income and labour costs per individual employee for European and US banks. The first point to note here in aggregate terms is that the correlation between these two indicators, which is generally seen as a proxy for productivity, was virtually identical in both areas in 1998-2004. However, growth was thirteen percentage points higher for US banks than for European banks in local currency terms, for both income and unit labour costs (¹⁰).

In the European countries, the highest income levels per employee in 2004 were recorded by Swiss banks, followed by German banks, but these two also showed the highest labour costs. The most impressive changes in these indicators during the period under review were by Spanish banks, whose income per employee rose by virtually eight times the equivalent increase in unit costs. Such low growth rates in costs per employee were due to the acquisitions in Central and Southern America referred to above. Of the other countries only French and UK banks showed a reading of above 1, while German banks saw a major decline in these indicators. Growth in revenues per employee was below average in the Benelux countries and France, but in the latter growth in unit labour costs was also below average. The opposite was true in Germany and Switzerland, where the above-average trend

¹⁰ This difference is only partly explained by the different trends in inflation in the two areas, where consumer prices rose by 16% in the U.S. and by 12.6% in the Eurozone.

in per capita labour costs was not outweighed by the growth rate in revenues per employee. In Italy, meanwhile, the reduction in labour costs brought about by acquisitions in Central and Eastern Europe, where staff are cheaper to employ, was matched by a slight reduction in unit revenues which impacted positively on companies' profitability.

TABLE I.6 – TOTAL INCOME AND LABOUR COST PER EMPLOYEE (1)

	Total income per employee			Labour cost per employee			a/b	a'/b'
	2004	% change over 1998		2004	% change over 1998			
	EUR '000	EUR (a)	<i>in local currency</i> (a')	EUR '000	EUR (b)	<i>in local currency</i> (b')		
Switzerland	363.0	+ 29.3	+ 24.5	182.5	+ 37.3	+ 32.2	0.8	0.8
Germany	236.3	+ 22.2		96.5	+ 31.4		0.7	
Scandinavia	217.0	+ 31.9	+ 28.0	69.9	+ 40.1	+ 36.2	0.8	0.8
France	182.1	+ 18.5		67.3	+ 10.1		1.8	
United Kingdom	181.4	+ 42.1	+ 43.0	51.9	+ 31.6	+ 32.4	1.3	1.3
Benelux	180.2	+ 16.0		69.0	+ 18.9		0.8	
Italy	164.7	- 0.7		54.2	- 8.6		n.c.	
Spain	137.5	+ 36.8		39.0	+ 4.7		7.8	
Europe	192.5	+ 24.7	+ 24.3	68.8	+ 20.6	+ 20.1	1.2	1.2
United States	199.4	+ 18.1	+ 37.4	59.7	+ 14.6	+ 33.2	1.2	1.1

(1) Calculated excluding insurance activities insofar as is possible based on available figures

Regarding the cost of labour at Swiss and German banks, the investment banking arms in particular reflected high per capita labour costs, despite sizeable reductions in the past two years. The expensive nature of these activities is primarily due to acquisitions carried out in the late 1990s (see Appendix 2). Credit Suisse First Boston, the investment banking arm of the Credit Suisse group, employed 47% of the group's banking employees in 2004, at a unit cost of EUR 295,000. More expensive still was the cost of labour at the investment banking division of the UBS group, which totalled EUR 332,000 per employee, and where some 24% of the group's workforce was employed. The cost per employee for Swiss banks in 2004 fell to approx. EUR 120,000 if these activities are excluded. In Germany, Deutsche Bank and WestLB

had above average per capita labour costs in 2004 of EUR 154,000 and EUR 126,000 respectively. At Deutsche Bank in particular unit labour costs soared by 80% in 1999-2000, the period of the Bankers Trust acquisition, while over the same timespan WestLB saw its per capita labour costs rise by 36%, principally in connection with the building up of its equity and investment banking activities ⁽¹¹⁾.

Operating results

Total income for the 68 banks covered in this survey rose from EUR 537.1bn in 1998 to EUR 718.6bn in 2004, an increase of 33.8%, representing the balance between a 41.4% increase due to growth in size, as outlined above, and a 7.6% reduction due to the weak Dollar and Yen as compared with the Euro. Such growth was not uniform across the three regions: at constant exchange rates total income generated by Japanese banks fell by 3.2%, against increases of 51.7% in the United States and 47.4% in Europe.

TABLE I.7 – 68 BANKS: PERFORMANCE INDICATORS 1998 – 2004

	1998	2001	2002	2003	2004	Change	
	<i>as % of total income</i>						
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>d-a</i>	<i>e-d</i>
Interest margin	55.1	50.7	52.3	51.4	50.4	- 3.7	- 1.0
Net fee and commission income	36.2	39.5	38.8	38.8	40.2	2.6	1.4
Cost/income ratio	61.3	60.8	60.3	58.7	58.3	- 2.6	- 0.4
Bad debt writeoffs (1)	24.2	17.2	16.1	12.4	7.8	- 11.8	- 4.6
Current pre-tax profit	14.5	21.9	23.5	29.0	33.9	14.5	4.9
Net profit	7.4	10.3	9.2	16.8	20.6	9.4	3.8
ROE (2) (%)	4.9	7.2	6.6	12.1	13.9	7.2	1.8
ROA (3) (%)	0.2	0.3	0.3	0.5	0.5	0.3	-

(1) Net of recovered.

(2) Return on equity = net profit/net worth less minority interests and net profit.

(3) Return on assets = net profit/total assets.

¹¹ These activities, which were mostly focused in London-based group subsidiary WestLB Panmure Ltd, were sold to the Lazard group in January 2004.

The interest margin fell from 55.1% of total income for the banks at the start of the period to 50.4% in 2004, shedding 3.7 percentage points in the five years from 1998 to 2003 and one point in 2004, as a result of the reduction in interest rates across all three areas. The fall in this item was offset by an increase in fee and commission income, which rose by 1.4 percentage points in 2004 alone on the back of a 2.6 point increase during the preceding five-year period. Net trading income declined slightly in 2004, after a one percentage point increase in 1998-2003.

Current pre-tax profit stood at around 33.9% of total income in 2004, up 4.9 percentage points compared with the previous year, which itself reflected an increase of 5.5 points versus 2002. The 1998 figure was impacted by the hefty loan writeoffs charged by Japanese banks. In fact the improvement in 2004 was almost entirely due to the reduction in this item, which fell to its lowest level for the period, down 4.6 percentage points compared with 2003, while the figures for 2001-02 were the highest for the period after 1998. The cost/income ratio showed only a slight year-on-year reduction in 2004, but was a full 3 points lower than in 1998.

Aggregate net profit in 2004 totalled EUR 148bn, up 24.6% Y.o.Y., and represented 20.6% of total income, 3.8 percentage points higher than in 2003. Bottom-line growth was slower than that recorded at the current pre-tax level as a result of extraordinary items, which declined by 1.5 points to post net charges, only partly offset by the reduction in goodwill amortization. Aggregate ROE stood at 13.9% in 2004, an improvement of 1.8 percentage points compared with one year previously, while ROA remained stable at 0.5%, higher than the 0.3% recorded in 2001-02.

Results by geographical area

Table I.8 provides some indicators of the banks' results by geographical area. Comparison between indicators for the different

areas should be treated with caution, as there are considerable differences in the accounting standards adopted between countries. One such aspect in particular involves insurance activities, which are carried out mainly by several European banking groups, and are subject to different treatment in their respective consolidated statements. A review of the different policies adopted and the proportion of aggregate data accounted for by such activities is provided in Appendix 3.

TABLE I.8 – 68 BANKS: RESULT INDICATORS BY GEOGRAPHICAL REGION

	1998			2004		
	Europe	Japan	United States	Europe	Japan	United States
	<i>as a % of total income</i>			<i>as a % of total income</i>		
Interest margin	51.9	66.7	54.9	47.6	60.4	52.2
Net fee and commission income	34.9	21.7	38.7	37.3	28.8	42.2
Cost/income ratio	64.2	56.5	58.9	60.5	50.2	56.9
Bad debt writeoffs (1)	11.0	108.7	7.5	6.9	20.8	5.3
Current pre-tax profit	24.8	- 65.2	33.6	32.6	29.0	37.7
Net profit	17.0	- 53.1	19.2	20.7	12.4	23.0
Tax rate (2) (%)	31.8	n.c.	34.5	26.7	29.4	32.0
ROE (%)	12.8	n.c.	16.6	14.8	5.8	16.0
ROA (%)	0.4	n.c.	1.0	0.5	0.2	1.2

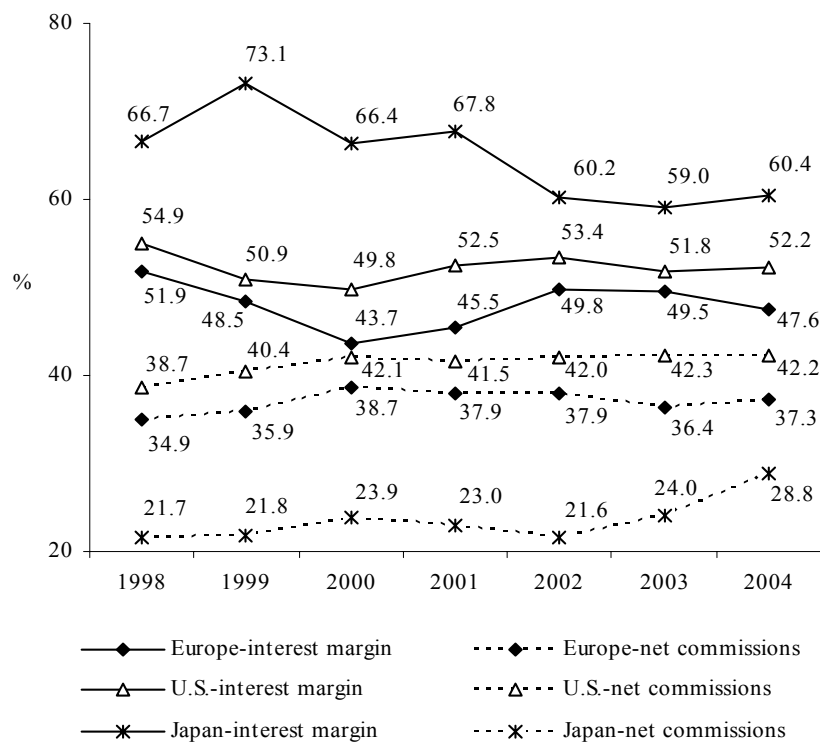
(1) Net of recovered.

(2) Calculated based on current pre-tax profit and excluding loss-making companies.

On the earnings side, the first point worth noting is the reduction in the interest margin as a percentage of total income between 1998 and 2004 in all three areas covered, but more markedly so in Japan and Europe than in the United States. This leads on to the next observation, 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 net fee and commission income accounts for a lower proportion of the total (see Fig. I.1). Fees make up a higher share of US

banks' income than they do those of European banks: following growth in both areas during 1999-2000, fees as a percentage of total income remained stable at over 42% for US banks, but began to fall in Europe, albeit recovering almost a whole percentage point during the final year under review. Results for the 2003-04 period reflect the efforts made by Japanese banks to diversify their revenue sources in order to compensate for the erosion of interest income in both absolute and relative terms.

FIGURE I.1 – INTEREST MARGIN/NET COMMISSION INCOME AS A % OF TOTAL INCOME



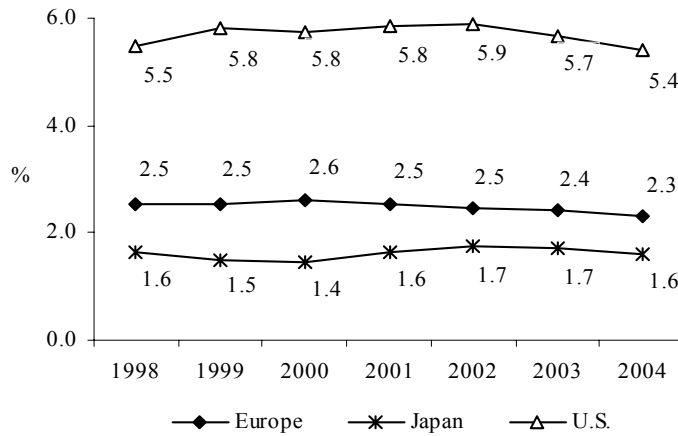
At European banks total income remained largely stable during the final three years of the period covered, following strong growth during the previous six years (see Table I.9). This is mostly explained by poor performances in net trading and net fee/commission income, which declined by EUR 5.5bn and EUR 3.1bn respectively, whereas net interest income rose by over EUR 8bn. Conversely, US banks witnessed constant growth in total income, with a 19% increase during the final three years under review on the back of a 27% rise in the previous three-year period. At Japanese banks total income changed little but the trend was downwards.

TABLE I.9 – TOTAL INCOME: PERCENTAGE CHANGES

	1998/1995	2001/1998	2004/2001
		%	
Europe	+ 34.9	+ 47.6	- 0.1
Japan	...	- 0.1	- 3.2
United States	...	+ 27.3	+ 19.2

The higher weight of total income delivered by US banks is reflected in the total income/total assets ratio, which stood at 5.4% in 2004 despite a 0.3 percentage points reduction, compared with 2.3% for European banks and 1.6% for Japanese banks (see Fig. I.2). With regard to the period as a whole, it is interesting to note that the growth in assets at US banks described earlier lagged that in total income until 2002, whereas this was only marginally the case for the European banks. Both areas saw reductions in this indicator over the final two years, more pronounced in the U.S. as a result of the strong growth in total assets. For Japanese banks the readings reflect substantial stability in terms of both assets and income.

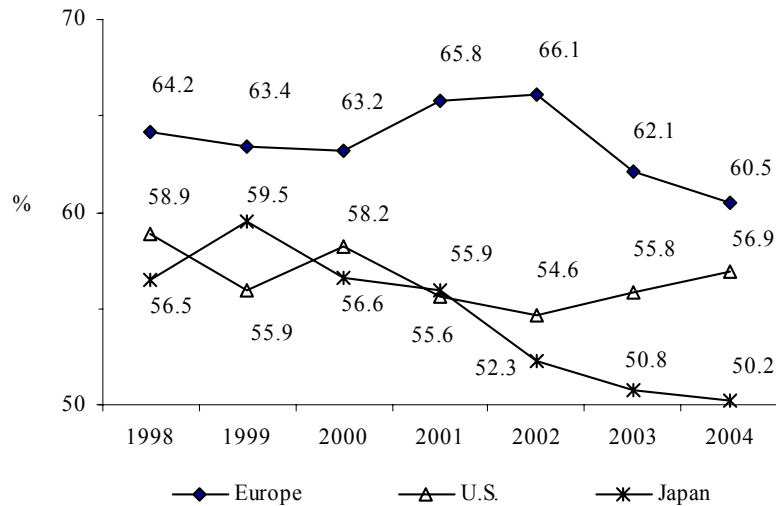
FIGURE I.2 – TOTAL INCOME AS A % OF TOTAL ASSETS ⁽¹⁾



¹ Not including goodwill.

Current pre-tax profit in 2004 represented 37.7% of total income for US banks, 32.6% for European banks, and 29% for Japanese banks, up on the previous year in both absolute and percentage terms in all three areas considered. In Japan in particular there was a significant recovery in profitability, following the losses recorded in 1998-2001. The improvement in current pre-tax profit in 2004 is chiefly due to lower bad debt writeoffs, as mentioned earlier, with Japan recovering almost 17 percentage points compared with 2003. European and Japanese banks' performances were also boosted by reductions in the cost/income ratio, more substantial in Europe, while US banks posted a rise in this indicator for the second year running (see Fig. I.3). The cost/income ratio was higher for European banks than the other two areas covered by our survey, despite the reductions in the final two years which brought it to its lowest levels for the period.

FIGURE I.3 – COST/INCOME RATIO



The above graph shows that the gap between European and US banks narrowed from over 11 points in 2002 to just 3.6 points in 2004, while the gap between Europe and Japan in this respect was still more than 10 points. The improvement by European banks in 2003 was due to a significant, 5.1% reduction in aggregate operating costs against modest, 1.2% growth in income, whereas in 2004 it was a hefty 5.5% rise in earnings which drove the improvement in comparison with a 2.8% increase in operating costs. Bad debt writeoffs are described in greater depth in the following section.

Net profits earned by US banks in 2004 represented 23% of total income, more than 2 percentage points higher than their European counterparts, while Japanese banks delivered net profits amounting to a creditable 12.4% of total income, after recording a virtually even balance during 2003, and losses amounting to more than one-third of their income in the previous two-year period⁽¹²⁾. The gap in

¹² The aggregate net profit earned by Japanese banks in 2003 amounted to JPY 46bn, representing the balance between earnings of JPY 2,113bn (19.6% of total income) by 16 banks, and losses by two banks – which, however, were much larger in size, namely UFJ Holdings and Resona Holdings – amounting to a total of JPY 2,067bn.

profitability between US and European banks reduced significantly, as shown by the return on equity in the two regions. ROE at US banks fell by five percentage points year-on-year, from 21% to 16%, due to a substantial increase in extraordinary charges, while at European banks ROE increased by 3.7 percentage points, from 11.1% to 14.8%. Hence the gap between the two areas closed from almost 10 points in 2003 to just 1.2 points in 2004. Similarly, the return on assets delivered by European banks rose by 0.4% in 2003 to 0.5% in 2004, whereas ROA at US banks fell from 1.4% to 1.2%. ROE at Japanese banks was still much lower than in the other two areas, at 5.8% in 2004.

The tax rate in 2004 was higher for US and Japanese banks than it was for European groups, the difference being more than 5 percentage points versus the US banks, and almost 3 percentage points compared with Japan (Table I.8). The tax rate fell during the period under review in both Europe and U.S., but more so in the former, where it declined by more than 5 percentage points, while in the latter the reduction was less than 2 points⁽¹³⁾.

Turning to extraordinary items, goodwill amortization in Europe rose from 1.2% in 1998 to 2.7% in 2003, before moving back to 1.9% in 2004 as a result of more companies adopting international accounting principles. In the United States this item, which in 2001 had accounted for 1.4% of total income, fell to zero in 2002 following adoption of the new standards⁽¹⁴⁾. In all three areas there was an increase in writedowns to fixed assets in 2001 and 2002, especially financial assets as a result of the downturn in world stock markets. Such writedowns amounted to 19% of Japanese banks' assets in 2002, reduced significantly for US banks during the subsequent two-year period, but remained at high levels in Europe in 2003, chiefly as a result of charges booked on German banks' portfolios.

Japanese banks recorded significant extraordinary net income in 1998-2000, enabling them to deliver aggregate profits in 1999 and 2000. Throughout the period the item comprised sizeable gains as well

¹³ The figure for Japanese banks in 1998 is not meaningful, given the high number of companies which incurred operating losses.

¹⁴ Both IAS 36 and SFAS 142 ("Goodwill and Other Intangible Assets") consider goodwill as an intangible asset having an indefinite life. Such assets are rather tested annually for impairment and if necessary writedowns are charged to earnings accordingly.

as losses on disposals of assets, both property and securities, plus in 2003 a tax rebate equal to 1.8% of total income, the major beneficiaries of which were the largest banking groups in the country. Banks in the U.S. booked net extraordinary charges amounting to USD 11.4bn in 2004, reflecting the aggregate USD 11.6bn in provisions taken by Citigroup and JPMorgan Chase in respect of litigation pending and in order to finalize out-of-court settlements with plaintiffs. Citigroup in particular set aside USD 7.9bn after reaching a settlement with WorldCom investors and to cover lawsuits and other legal proceedings in progress, mostly in connection with the Enron and Parmalat crises, methods of selling mutual funds, IPO allocation and trading, and corporate research coverage⁽¹⁵⁾. Similarly, JPMorgan Chase set aside USD 3.7bn to its litigation reserve, here too chiefly in connection with business relating to Enron, placement of WorldCom bonds and IPO-related activity, plus the sale to investors of asset-backed securities issued by a company which subsequently went bankrupt⁽¹⁶⁾.

Still in 2004, extraordinary items include merger and restructuring charges for US banks amounting to USD 2.4bn booked by JPMorgan Chase, Bank of America and Wachovia in connection with mega-mergers completed during the year (cf. Table III.2), plus gains arising on disposals of qualifying interests and activities amounting to USD 2.6bn. For the European banks included in this survey, the item mainly comprised gains on asset disposals totalling some EUR 9.2bn (mostly shareholdings), restructuring charges of approx. EUR 4bn, and

¹⁵ Under the terms of the WorldCom agreement, Citigroup made a payment of USD 2.6bn to the settlement class. Plaintiffs' attorney fees (the amount had not yet been determined) came out of the settlement amount. The bank was accused of drawing up and publishing documents in connection with the placement of WorldCom securities which contained misleading information and of issuing similarly misleading research notes on the company.

¹⁶ The main charges were: in the case of WorldCom and other issuers, the fact that the company knew, or was reckless and negligent in not knowing, that the securities were being sold to the plaintiffs on the basis of material mis-statements of the issuers' financial situations; in the case of Enron, issuing press releases and publishing other false or misleading documents; in the case of IPO activity, of making mis-statements in, or omitting information from, listing prospectuses and other documents issued in connection with placements, and manipulating the market with respect to aftermarket transactions involving securities offered; publishing misleading research notes; and breach of investor trust and contractual obligations.

with respect to the German *Landesbanken* in particular, reimbursement of public subsidies from previous years, which amounted to EUR 1.7bn following an European Commission ruling (in addition to EUR 0.7 debited directly from reserves).

Bad debts written off and doubtful loans

Table I.16 provides a breakdown of bad debts written off in the last five years by individual bank and geographical area, as a percentage of total income, loans to customers and net worth.

For the European banks these three indicators reflect improvements in 2003-04, following the highs for the period recorded in 2002. In 2004, 11 European banks wrote off debts worth more than 10% of their income, including some 7 of the 11 German banks in this survey, with HVB recording the highest figure of 46.4% (¹⁷). Writeoffs for HVB in 2004 accounted for more than 30% of the banks' net worth, while two German banks, KfW and WestLB recorded the highest net writebacks after hefty writeoffs in previous years.

For US banks these indicators also showed reductions in the final two years following the highs recorded during the preceding two-year period. In 2004 only one bank, MBNA, wrote off debts worth more than 10% of its income, and none wrote off debts representing more than 10% of their net worth. The situation in Japan was more problematic, and reflected a higher degree of variation in average readings, with 5 banks actually crediting net writebacks to profit and loss in 2004. However, in the same year 6 banks also wrote off debts amounting to more than 10% of their income, four of which recorded figures in excess of 30%. Of these four, two of the largest banking groups in Japan, i.e. Sumitomo Mitsui Financial Group and UFJ Holdings, also showed the highest levels of writeoffs as a percentage of net worth.

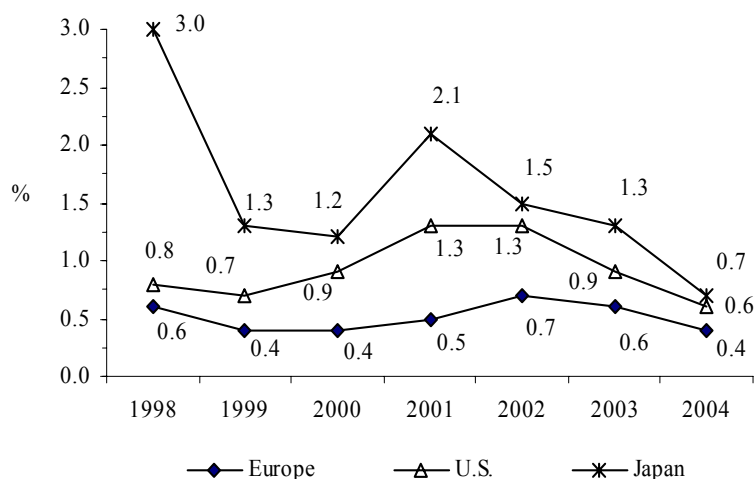
¹⁷ This figure reflects an extraordinary provision of EUR 2.5bn to cover loans to the real estate sector, which became necessary following changes to the principles according to which collateral is valued. Excluding this provision, the indicator would have been 19.5%.

TABLE I.10 – BAD DEBT WRITEOFFS AND DOUBTFUL LOANS BY GEOGRAPHICAL REGION

	Annual bad debt writeoffs			Doubtful loans	
	as % of total income	as % of customer loans	as % of net worth	as % of customer loans	as % of net worth
	<i>avg. 1998-2004 levels</i>			<i>as at 31/12/04</i>	
Europe	9.0	0.5	5.3	0.9	8.6
Japan	54.8	1.6	21.1	1.4	16.0
United States	8.4	0.9	6.0	0	0.2

As Table I.10 above shows, US banks during the period reflected lower average levels of bad debt writeoffs as a percentage of total income than European (although this is because their total income figure itself was higher – see above), but higher levels of bad debt as a percentage of net worth and customer loans. Indeed, in the case of the latter the reading was virtually double that recorded by European banks, the gap being especially pronounced in 2001-02 (see FIGURE I.4).

FIGURE I.4 – ANNUAL BAD DEBT WRITEOFFS AS A PERCENTAGE OF LOANS TO CUSTOMERS



Annual bad debt writeoffs as a percentage of customer loans outstanding at the year-end were higher for Japanese banks than for the other two areas, but virtually in line with the figure for US banks in 2004. The other two indicators reflect particularly high average values for Japanese banks over the period.

With regard to the loan book, the non-performing loan ratio (i.e. net doubtful debt as a percentage of customer loans) reduced in all three areas in 2004, the most significant reduction being that recorded by Japanese banks. Doubtful debt as a percentage of net worth performed analogously (see Table I.17). The improvement in these indicators in the final year considered here bears out a trend which set in during 2003 due to the upturn in the world economy. However, there was still a high degree of variation between the figures for the three areas at year-end 2004: doubtful debt accounted for 16% of Japanese banks' net worth⁽¹⁸⁾, compared with 8.6% for European banks and just 0.2% for US banks. Similarly, doubtful debt as a percentage of customer loans stood at 1.4% in Japan, 0.9% in Europe, and virtually nil in the United States⁽¹⁹⁾. Between 1995 and 2000 these indicators fell significantly in Europe, doubtful debt as a percentage of customer loans from 2.3% to 1.1%, and doubtful debt as a percentage of net worth from 24.7% to 10.9%⁽²⁰⁾. Conversely, doubtful debt rose sharply in Japan between 1998 and 2001 to reach 6% of customer lending and 88% of net worth.

In comparing these indicators for the three areas, account should also be taken of the different coverage rates for doubtful loans by adjustment provisions. In the last five years this ratio, obtained by including also general risk provisions to cover loans still deemed to be performing,

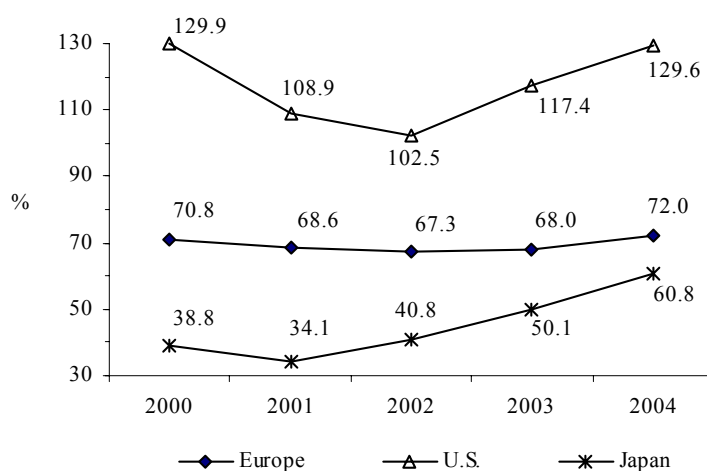
¹⁸ Based on indications provided by the leading groups in the country, which account for 70% of gross aggregate doubtful debt, the most significant exposures involve the real estate sector (22.5% of the total), services in general (17.9%), wholesale and retail commerce (16.6%), construction (12.6%) and manufacturing industry (8.9%).

¹⁹ US indicators have been calculated on the assumption that cases in which adjustment provisions exceed gross doubtful debt 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.

²⁰ Although the figures are meaningful and indicative of trends during the period, they do not all reflect the same degrees of representativeness. In 2000 they refer to groups representing 87% of aggregate total customer loans, whereas the 1995 data refer to groups accounting for just 41% of the total.

never fell below 100% in the United States (despite a significant dip in 2001-2002), averaged just under 70% in Europe, and around 45% for Japanese banks. However, Japanese banks showed significant improvement in the last five years, rising to nearly 61% in 2004.

FIGURE I.5 – COVERAGE RATIO ⁽¹⁾



(1) Provisions as a percentage of gross doubtful loans.

In evaluating these indicators, it should be remembered that different policies are adopted in accounting for bad debt writeoffs in each of the three areas. An idea of these differences may be gained by comparing writeoffs taken through profit and loss and the amount of doubtful loans booked to the balance sheet. Over the last five years this ratio came out on average at 33% for Japanese banks and 41% for European banks, meaning that bad loans in the two areas had a book life of 3 years and 2 years 5 months respectively. As for US banks, the amount of adjustment provisions was always higher in aggregate terms than bad debt, as mentioned above ⁽²¹⁾.

²¹ As our survey is based on data taken from consolidated accounts, the amount of bad debt writeoffs charged to profit and loss should not be deemed to be influenced by issues relating to possible limits on tax deductions (as is the case in Italy, for example).

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 securitization in recent years.

Financial issues

Between 1998 and 2004, aggregate total assets on the books of the 68 banks included in the survey rose from EUR 19,217bn to EUR 26,897bn, an increase of 40%, or 44.8% at constant exchange rates; this includes the acquisitions referred to above. Here too there were significant differences between the three areas: whereas the increase in local currency terms was 60.6% for European banks and 55.9% for US banks, Japanese banks' total assets remained virtually unchanged during the period.

The figures in Table I.11 show on the asset side a reduction in *Loans and advances to customers* in all three areas, offset by an increase in *Fixed-income securities*. This was particularly marked at Japanese banks. Factors contributing to the decrease in customer loans as a percentage of total assets include the increasing use of securitizations, plus the writeoffs charged to profit and loss described earlier ⁽²²⁾.

Japanese banks' equity portfolios showed a significant reduction, from 6.3% of total assets in 1998 to 3.1% in 2004, and virtually halving in absolute terms over the same time horizon. European and US banks saw growth in their portfolios, chiefly in 2003-04, following the reductions in 2001-02.

²² In 2004, loans and advances to households accounted for 42.4% of European banks' customer loans (based on a sub-group responsible for 81% of gross customer loans), 24.7% for Japanese banks (22% of which in connection with house-buying) (based on a sub-group responsible for 84% of gross customer loans), and 63.1% for US banks (41.5% of which in connection with house-buying).

TABLE I.11 – 68 BANKS: MAIN BALANCE-SHEET ITEMS BY GEOGRAPHICAL AREA

	1998			2004		
	Europe	Japan	United States	Europe	Japan	United States
	<i>as a % of total assets</i>			<i>as a % of total assets</i>		
Loans and advances to customers	45.6	60.2	52.6	42.1	48.5	49.7
Fixed-income securities	19.3	14.2	21.2	20.8	31.1	22.0
Equities	2.1	6.3	1.0	3.4	3.1	2.0
Fixed assets (1)	2.4	1.3	3.0	2.5	1.2	5.1
<i>of which: goodwill</i>	<i>0.1</i>	<i>0</i>	<i>1.3</i>	<i>0.7</i>	<i>0.1</i>	<i>3.1</i>
Funding from customers (2)	59.2	73.7	63.7	56.8	75.8	63.8
Deposits by banks (3)	3.7	2.1	6.9	4.6	3.8	6.5
Shareholders' equity (4)	3.8	4.1	7.3	3.7	3.6	8.7

- (1) Interests in subsidiaries and associates plus net tangible and intangible assets plus goodwill.
(2) Customer deposits plus debt securities and certificates of deposit plus subordinated liabilities.
(3) Net of loans and advances to banks.
(4) Net worth excluding minority interest.

Funds raised from customers grew in relative terms in Japan, up 2.1 percentage points from 1998 to 2004. This was entirely due to customer deposits, as the percentage of other forms of funding declined. At US banks customer deposits fell as a percentage of funding, while funds raised from customers remained virtually unchanged as a percentage of total assets during the period under review. In Europe the disintermediation of the banking system was even more marked, even considering the longer, 1995-2004 period, with a 1.6 point reduction in funds raised from customers as a percentage of total assets in 1995-98, and a further 2.4 point reduction from 1998 to 2004. This mostly involved customer deposits, which fell by 3.8 points as a percentage of total assets in the period as a whole. Interbank accounts were always on the liability side in all three areas under review, due to deposits being made by banks which were smaller

size. This item made a much higher contribution to funding in the United States than it did in the other two areas, but still reflected an upward trend in both Europe and Japan during the period under review.

Fixed assets increased as a percentage of total assets both in the U.S. and in Europe, albeit to a lesser extent in the latter. Such growth is largely attributable to goodwill, which rose from EUR 14bn to EUR 128bn in Europe and from USD 52bn to USD 188bn in the United States, from 3% to 17% of net worth in the former and from 18% to 35% of net worth in the latter. Conversely, fixed assets fell as a percentage of total assets at Japanese banks, largely due to the writedowns and/or disposal of part of some banks' real estate portfolios. Another point worth noting for Japanese banks is the extent of their deferred tax assets, included under the heading *Other assets*. As at year-end 2004, these still represented 19% of Japanese banks' net worth, despite a sizeable reduction in the last two years (down from 44.7% in 2002).

Shareholders' equity largely kept pace with the growth in assets in Europe, while falling significantly in Japan and rising in the United States. As a percentage of total assets, shareholders' funds for US banks at year-end 2004 were more than double the figure recorded by European and Japanese banks⁽²³⁾. Similarly free capital, which is calculated as a percentage of funds raised from clients, averaged 6.2% for US banks, 3.1% for Japanese banks and 2.3% for European banks (cf. Table I.18). The improvement in this indicator for Japan, which went from minus readings to positive figures in the space of just two years, and for European banks, up from 1.4% to 2.3%, is chiefly due to the sizeable reduction in doubtful debt, while the 2004 downturn for US banks may be attributed to growth in fixed assets, chiefly goodwill, mentioned above. Among European banks the highest free capital levels were recorded by UK group HSBC Holdings, ranked second by total assets, two smaller banks, Nordea of Sweden and Belgian-based KBC, and by two co-operative banks, Rabobank of the Netherlands and Crédit Mutuel.

²³ Under the Basel Interbank Accords, the minimum capital adequacy ratio required, i.e. the ratio between shareholders' equity less certain intangible fixed assets, including goodwill, and risk-weighted assets (the so-called core capital ratio) is 4%, while the minimum total capital ratio, which includes also subordinate liabilities, is 8%.

In Japan the highest free capital indicators were posted by Shinsei Bank and Sumitomo Trust & Banking, followed, by some distance, by regional player Shizuoka Bank and co-operative institution Norinchukin Bank. In the U.S. the highest free capital ratios were recorded by smaller banks, i.e. MBNA, Fifth Third Bancorp and Golden West Financial, as well as by Citigroup, the largest bank in the country.

In the last five years the volume of indirect funding, or assets under management, averaged 98% of direct funding in Europe and 93% in the United States. It was not possible to compile equivalent data for Japanese banks owing to the absence of like-for-like historical series. Data for a significant sub-group of the sample in 2004 (see Table I.12) reflect year-on-year growth in AUM of almost 6% in Europe and just over 3% in the United States. In both areas these figures bear out trends which commenced in 2003, after the decline one year previously felt particularly keenly in Europe. In Europe, however, unlike in America, the figures as at year-end 2004 managed only to equal the highs previously recorded in 2001. The healthy performance in AUM during the last two-year period is doubtless the result of the general upturn on major stock markets worldwide, while the low levels of interest rates in both areas also helped to keep bond prices high.

TABLE I.12 – ASSETS UNDER MANAGEMENT (*)

	2000	2001	2002	2003	2004
Europe (EUR bn) (1)	7,564	7,813	7,101	7,375	7,800
<i>Index no.</i>	<i>100,0</i>	<i>103,3</i>	<i>93,9</i>	<i>97,5</i>	<i>103,1</i>
US (USD bn) (2)	2,482	2,593	2,577	2,837	2,933
<i>Index no.</i>	<i>100,0</i>	<i>104,5</i>	<i>103,8</i>	<i>114,3</i>	<i>118,2</i>

(*) It has not been possible to compile like-for-like data for Japanese groups, owing to a lack of information.

(1) Like-for-like data for 28 groups representing 85% of total assets as at year-end 2004. Two of the groups have no operations in the asset management sector.

(2) Like-for-like data for 12 groups representing 89% of total assets as at year-end 2004.

Another aspect to be borne in mind is the methods used to value securities portfolios, as a portion of these is generally treated as being for non-trading or investment purposes, inasmuch as they represent assets which the company's board of directors has the positive intention and ability to hold to maturity or at the very least for the long term. Such investment portfolios are generally stated at cost⁽²⁴⁾, whereas trading securities are stated at market price as at the reporting date. Adoption of such policies effectively involves over-stating the relevant item in the balance sheet, and charging lower writedowns to profit and loss during stock market downturns. This is particularly important for European banks, where investment securities in 2004 accounted for more than one-quarter of the total portfolio, while the aggregate share of securities stated at cost was in excess of 28%. Such figures are considerably higher than those recorded in the other two areas; securities stated at cost accounted for 11% of the Japanese aggregate and virtually nil insofar as US banks were concerned (cf. Table I.13)⁽²⁵⁾.

TABLE I.13 – 68 BANKS: SECURITIES PORTFOLIO COMPOSITION IN 2004

	Europe		Japan		United States	
	EUR bn	%	JPY bn	%	USD bn	%
Investment securities	977	26.4	13,571	6.7	6	0.4
<i>of which: stated at cost</i>	918	24.8	13,571	6.7	6	0.4
Non-investment securities	2,719	73.6	187,570	93.3	1,335	99.6
<i>of which: stated at cost</i>	126	3.4	8,662	4.3	-	-
Total fixed-income securities	3,696	100.0	201,141	100.0	1,341	100.0
<i>of which: stated at cost</i>	1,044	28.2	22,233	11.0	6	0.4

²⁴ 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.

²⁵ Japanese banks in general also state unlisted available for sale securities at cost.

Net worth and capital adequacy

Rights issues worth a total of EUR 160bn were implemented in Europe between 1996 and 2004. This did not include new shares issued in respect of acquisitions; shares issued in connection with the mega-mergers referred to above amounted to approx. EUR 138bn, just under half the overall total. Over the same period an aggregate of EUR 218bn was paid out in dividends, while net share buybacks amounted to EUR 51bn. As Table I.14 shows, dividends paid out came to double the proceeds from rights issues minus the outlay incurred in connection with share buybacks, which translated to a net outflow of EUR 109bn. Over the same timespan net profit amounted to EUR 524.6bn; in other words retained earnings were the principal means by which European banks kept levels of shareholders' funds unchanged against growth in total assets.

For US banks, net share buybacks outpaced rights issues in each of the years concerned, leading to net outflows of approx. USD 65bn, which, along with the dividends paid out during the period, meant a total of USD 226.5bn, or 80% of shareholders' funds at the start of the period, was returned to investors. Over the same time horizon, i.e. 1998-2004, net profit totalled USD 399.6bn, once again proving by far the main source of growth in shareholders' funds. The opposite was true in Japan, however, where the banks in this survey tapped investors for an amount in excess of JPY 12,000bn, against dividend payouts amounting to approx. JPY 2,000bn, just 16% of sums collected. For the first time in 2004 share buybacks exceeded the amount sought from shareholders via rights issues, chiefly as a result of acquisitions by two of the larger banks, i.e. Mizuho Financial Group and Sumitomo Mitsui Financial Group, amounting to JPY 500bn and JPY 260bn respectively ⁽²⁶⁾.

In terms of dividend policy, the payout ratio in 2004 (i.e. dividends as a percentage of net profit) stood at 47% for European and US banks and at 25% for Japanese banks. The European figure reflects

²⁶ Both transactions were effectively repayments of public funds, i.e. buybacks of preferred stock previously owned by government agencies.

TABLE I.14 – 68 BANKS: RIGHTS ISSUES, SHARE BUYBACKS AND DIVIDENDS

	Rights issues (1)	Share buybacks (2)	Dividends paid (3)	Balance	
Europe					
	EUR bn <i>a</i>	EUR bn <i>b</i>	EUR bn <i>c</i>	EUR bn <i>d = b+c-a</i>	<i>c / (a-b)</i>
1996	6.7	3.4	13.9	10.6	4.2
1997	14.4	1.3	13.9	0.8	1.1
1998	15.8	3.4	17.4	5.0	1.4
1999	18.9	6.2	21.8	9.1	1.7
2000	45.4	5.0	26.8	- 13.6	0.7
2001	26.3	1.1	33.4	8.2	1.3
2002	9.8	7.8	32.9	30.9	16.5
2003	8.5	7.2	28.1	26.8	21.6
2004	14.0	15.4	29.5	30.9	n.c.
Total	159.8	50.8	217.7	108.7	2.0
Japan					
	JPY bn <i>a</i>	JPY bn <i>b</i>	JPY bn <i>c</i>	JPY bn <i>d = b+c-a</i>	<i>c / (a-b)</i>
1998	7,276	67	338	- 6,871	0
1999	669	- 27	348	- 348	0.5
2000	201	- 6	377	170	1.8
2001	111	- 80	185	- 6	1.0
2002	1,936	- 137	264	- 1,809	0.1
2003	1,973	- 42	190	- 1,825	0.1
2004	515	984	296	765	n.c.
Total	12,166	759	1,998	- 9,924	0.2
United States (4)					
	USD bn <i>a</i>	USD bn <i>b</i>	USD bn <i>c</i>	USD bn <i>d = b+c-a</i>	<i>c / (a-b)</i>
1998	9.0	13.6	16.3	20.9	n.c.
1999	7.4	25.3	19.7	37.6	n.c.
2000	7.5	10.7	20.7	23.9	n.c.
2001	6.1	16.1	21.2	31.2	n.c.
2002	5.9	16.0	23.0	33.1	n.c.
2003	11.3	21.2	27.3	37.2	n.c.
2004	9.6	18.8	33.4	42.6	n.c.
Total	56.8	121.7	161.6	226.5	n.c.

(1) Excluding share exchanges made as part of acquisitions listed under Table III.2.

(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) Share buybacks exceeded rights issues in all years considered.

a reduction compared with data recorded in the previous three years, which were, however, significantly impacted by lower earnings posted in those years. In absolute terms the 2004 figure represents an 11% rise year-on-year, following a 10% Y.o.Y. rise in 2003. For the US banks the 2004 indicator was up more than nine points compared with twelve months previously, as a result of an over 25% increase in dividends against largely stable earnings for the year. Dividends by Japanese banks, meanwhile, represented virtually one-quarter of 2004 earnings as already mentioned, an increase in absolute terms of 8.4% compared with the previous year. Dividends paid by US banks in 2004 were higher than those in the other two areas as a percentage of total income at 10.8%, compared with 9.8% for European banks and 3.1% for Japanese banks.

The total capital ratio, i.e. available capital as a percentage of risk-weighted assets, reflected an improving trend between 2000 and 2004 in Europe and the United States, and recovered in Japan in 2003-2004 following the reductions witnessed during the previous two-year period (see Table I.19). As at year-end 2004 the average indicator for US banks stood at 13%, for European banks at 11.8%, and for Japanese banks at just over 11%. In Europe, Crédit Suisse confirmed its position as the bank with the highest total capital ratio in 2004: another four banks posted readings at 13% or over, i.e. two German banks, Dresdner Bank and Deutsche Bank, plus Swiss-based UBS and Spanish group Santander. In Japan and the U.S. it was the smaller banks who were best placed; however, the two largest Japanese banks still managed to record above average readings, which was not the case in the U.S.

The total capital ratio for 1H 2005 on average reflect a reduction vis-à-vis the previous year-end for both US and European banks (for the latter based on partial data), but were stable at Japanese banks (again based on partial data).

Derivatives

Table I.20 shows the activity of banks in all three areas in derivatives for 2000 and 2003-04⁽²⁷⁾. The data refer to both trading and hedge derivatives, with the exception of Japan, which does not provide information on the latter⁽²⁸⁾. The notional value of derivatives virtually doubled in Europe and the United States between 2000 and 2004, and rose by approx. 1.3x in Japan. Derivatives are coming to account for an increasing multiple of total assets, up from 9.9x to 13.9x for US banks, from 5.2x to 8.7x for European banks, and from 2.5x to 3.7x for Japanese banks. The main type of risk involved for all three areas is by far that of changes in interest rates, with a share of the total which in 2004 ranged from 82.2% for European banks to 89.5% for Japanese banks. Conversely, exchange rate risk hedging reduced in importance for all three areas between 2000 and 2004, while the value of contracts hedging other types of risk, such as credit risk and equities, rose accordingly. The net fair value of derivatives in Europe went from a positive value (i.e. potential gains) of EUR 1.5bn in 2000 to a negative value (i.e. possible losses) of EUR 51.3bn in 2004. Conversely, in the United States the banks covered in this survey

²⁷ Derivatives are financial contracts in which counterparties' contributions are linked to changes in the price of the underlying assets, mainly interest rates, foreign currencies, equities, commodities, market indexes 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, represents the potential profit or loss as appropriate for the bank on outstanding contracts (it should be noted in this regard that banks commonly enter into "netting agreements" enabling the companies to net receivables and payables with the same counterparty; for this reason too, Table I.20 shows only the balance of asset and liability positions). Credit risk is the possible 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.

²⁸ It has not been possible to provide a split between trading and hedge derivatives for European and US banks either, owing to the lack of like-for-like information.

recorded a positive value of USD 13.3bn in 2004, compared with a negative value of USD 5.4bn in 2000, while the Japanese banks recorded virtually unchanged positive values throughout the period. Between 2000 and 2004 credit risk rose by 38% in Europe and by 13% in the United States, but fell by 3.5% in Japan. The ratio between credit risk and net worth was also significantly higher for European banks than it was for those in the other two areas throughout the period, at 133% as at year-end 2004, compared with 111% in 2000. Readings for US and Japanese banks were much healthier, at 30.3% and 40.4% respectively (²⁹).

2005: half year results

Tables I.21 - I.24 show aggregate profit and loss and balance-sheet data for the six months ended 30 June 2005. The figures refer to the 57 groups which provide detailed interim disclosure. In terms of total assets, these represent 90% of the European banks, 81% of the Japanese banks, and all of the US banks covered in this survey. The period under review is from 1 January to 30 June, with the exception of the Japanese banks for which the data refer to the period from 1 April to 30 September.

Aggregate net profit stood at EUR 102.6bn, compared with EUR 77.1bn in 1H 2004, an increase of 33.1%. This improvement is largely due to Japanese banks, which recorded a EUR 12.4bn increase during the period, i.e. slightly under half the aggregate improvement, whereas European and US banks reflected roughly equivalent growth in terms of percentage increases.

²⁹ The figures provided above are strongly representative of this phenomenon, constituting an amount virtually similar to that recorded by the Bank of International Settlements for the largest banks in the G10 countries.

TABLE I.15 – INTERIM RESULTS BY GEOGRAPHICAL REGION ⁽¹⁾

	Current pre-tax profit			Net profit		
	1H 2004	1H 2005	Change	1H 2004	1H 2005	Change
	<i>EUR bn</i>		%	<i>EUR bn</i>		%
Europe	64.5	74.7	15.9	47.1	55.2	17.2
Japan	7.2	18.4	155.0	1.3	13.7	927.4
United States	49.2	53.3	8.3	28.6	33.7	17.7
Total 57 banks	120.9	146.4	21.1	77.1	102.6	33.1

(1) Balances recorded in currencies other than the Euro have been translated into Euros at exchange rates ruling on 30 June 2005.

With regard to the net profit delivered by Japanese banks in 1H 2004, it should be noted that this figure reflects the sizeable losses recorded during this period by UFJ Holdings, amounting to EUR 5bn (JPY 674bn), whereas all the other Japanese banks delivered profits ⁽³⁰⁾. Excluding UFJ Holdings, Japanese banks would have posted net profits of EUR 6.3bn, while current pre-tax profit would have risen to EUR 8.9bn.

US banks' 2004 interim results reflect provisions of approximately EUR 6bn net of tax effects (USD 7.25bn) made by Citigroup and JPMorgan Chase to cover litigation pending and out-of-court settlements with plaintiffs described earlier. In 1H 2005, JPMorgan Chase set aside a further EUR 1.4bn net of tax effects (USD 1.74bn) in respect of out-of-court settlements involving Enron and WorldCom litigation. The result in terms of current pre-tax profit, which excludes such provisions on the grounds that they are accounted for as extraordinary items, rose by 8.3% year-on-year, just over half the increase in net profit for the period ⁽³¹⁾.

For banks in countries forming part of the European Union, the interim reports for 1H 2005 represent the first set of financial statements to be drawn up in accordance with the International

³⁰ The loss recorded by the UFJ Holdings group in 1H 2004 was chiefly the result of EUR 5bn in bad debt writeoffs and EUR 1.5bn in extraordinary charges.

³¹ Gross of the tax effect, the provisions amounted to EUR 9.6bn (USD 11.6bn) in 1H 2004 and EUR 2.3bn (USD 2.8bn) in 1H 2005.

Accounting Standards as endorsed by the European Commission⁽³²⁾. However, despite the fact that the standards require like-for-like data to be compiled in respect of at least one previous accounting period, the delay with which IAS 39 was ratified led the authorities to introduce an option to defer the principle of presenting comparative information with reference to IAS 32 and 39 and to IFRS 4⁽³³⁾. Of the 30 European banks whose interim financial statements are considered here, 9 groups accounting for 37% of the total income for the area availed themselves of the opportunity to defer adoption of these standards, which meant providing not entirely comparable data for 1H 2004⁽³⁴⁾. Moreover, these standards are by far the most relevant as far as banking activity is concerned. With regard to the balance sheet situation as at year-end 2004, for 7 banks it was possible to use the opening balances as at 1 January 2005 prepared on a like-for-like basis, which meant that the number of groups using non-comparable data reduced to just 2, accounting for just under 8% of total assets⁽³⁵⁾.

The 21% improvement in aggregate current pre-tax profit in 1H 2005, which translates to a 4.6 point rise as a percentage of total income, is chiefly due to a reduction in bad debt writeoffs, which fell by approx. 39% in absolute terms and by 3.5 points as a percentage of total income compared with 1H 2004. Bad debt writeoffs reduced in all

³² EC regulation no. 1606/02 established that the accounts of listed companies in the EU should be harmonized via adoption of IAS/IFRS in the preparation of consolidated reporting as from 1 January 2005. The regulation provided that the reporting standards issued by the IASB be ratified in advance by the Commission and then published in the Official Gazette of the European Community.

³³ Under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, companies were permitted to defer the date of first-time adoption of IAS 32 *Financial Instruments: Disclosure and Presentation*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts* until 1 January 2005.

³⁴ A further 5 banks out of those considered prepared their interim statements using different accounting standards, albeit on the same basis for both six-month periods: 3 continued to use national accounting principles, while 2 used US GAAP. For some banks, including Banca Intesa and Sanpaolo IMI of Italy, 1H 2004 data were used featuring like-for-like figures reflecting estimates of adopting IAS 32, 39 and IFRS 4.

³⁵ Adoption of IAS impacted positively on 1H 2004 net profit as to EUR 1.5bn, or 0.8% of total income, and negatively on aggregate net worth at 31 December 2004 as to EUR 25.9bn, or 3.8% (in this last instance the higher number of companies which prepared like-for-like data should be taken into account).

of the three areas covered, but most significantly in Japan, which recorded an almost 30 point improvement from a minus reading (i.e. net writeoffs) to a positive balance (i.e. net writebacks). At European banks the reduction in bad debt writeoffs as a percentage of total income was just one point, and lower still for US banks at 0.4 points. It should be noted that 97% of the loan losses booked by Japanese banks in 1H 2004 were due to just two banks, Sumitomo Mitsui Financial Group and UFJ Holdings, excluding which writeoffs would account for a mere 1.3% of total income. This positive balance in 1H 2005 includes provisions recovered from previous years amounting to JPY 430bn, or 8.9% of income, booked as a result of improvement in clients' financial situations, as compared with JPY 245bn recovered in 1H 2004, equal to 5.3% of total income.

For European banks the reduction in aggregate loan losses in 1H 2005 amounted to just one point as a percentage of total income, as mentioned previously, but this result was not uniform across the board. The most significant reductions were recorded by Spanish banks (3.1 points as a percentage of total income), followed by German and Italian banks (2.4 points each) and French banks (2.1 points). UK banks bucked this trend, with a one percentage point increase over 1H 2004. In terms of total income, the highest bad debt writeoffs in 1H 2005 were recorded by UK banks (10.9%), followed by Italian banks (6.9%) and Spanish banks (6.2%), while the two Swiss banks plus Nordea and Danske Bank actually recorded positive balances for this item.

Growth in total income in 1H 2005 amounted to 6.6% in aggregate terms, with European banks posting the strongest improvement with growth of 7.6%, followed by US groups with 5.7%, while Japanese banks were the least dynamic of the three areas, recording a 4.4% increase. In more detail, there was a sizeable increase in the item *Other operating income* in all three areas, on the back of substantial earnings from diversified activities, while net trading income included under the same heading, grew by 25% in Europe, 19% in the United States and just 2% in Japan. Net fee and commission income also rose in all three areas, but in both Europe and the United States by less than the respective growth in total income, whereas Japanese banks recorded impressive 13% growth. Net interest income

rose slightly in both Europe and the United States, but fell by 5% in Japan, and reduced as a percentage of total income in all three areas we cover.

The improvement in current pre-tax profit in 1H 2005 also contributed to a reduction in the cost/income ratio in aggregate terms of just over one percentage point, as the increase in expenses was less than the growth in income. The most significant reduction in this indicator was posted by European banks, i.e. 1.5 points, 0.8 points of which were due to labour costs, whereas US and Japanese banks recorded reductions of under one point, i.e. 0.7 and 0.5 points respectively. In particular, the rise in labour costs in absolute terms in Europe is appreciably lower than the growth in income, unlike in the U.S. where the rise in general expenses was lower than in Europe (³⁶).

With regard to the balance-sheet situation as at 30 June 2005, there were aggregate increases of 6% in both funding and loans to customers, which, however, was less than the growth in total assets, which totalled approx. 10%. Conversely, interbank accounts recorded above-average increases, with a rise in net funding and liquid assets in the form of fixed-income securities. Shareholders' funds rose by 6%, but fell slightly as a percentage of total assets. Europe was the most dynamic of the three geographical areas, with 13% growth in total assets versus 31 December 2004 as a result of organic growth and acquisitions of smaller players in the financial services sector generally; Japanese banks' assets, meanwhile, showed very little change.

For European banks there was a rise in funding from customers, which was especially marked in the debt securities component, and an increase in the surplus of net interbank funds matched by a rise in the securities portfolio, while the rate of growth in customer loans lagged that of assets. The situation was similar in the U.S., where despite the growth rate in assets being appreciably slower than that recorded by

³⁶ The number of staff employed at European banks, based on partial data relating to 27 banks, rose by approx. 32,000 employees, or 1.8%, between year-end 2004 and 30 June 2005, and by 2.5% like-for-like compared with 30 June 2004; whereas the cost of labour per employee rose by 2.8% compared with 1H 2004. The rise in unit labour costs for US banks, again on the basis of partial data relating to 14 groups, is due to the 3% increase in the number of staff employed since 30 June 2004 and the 3.6% increase in the per capita cost of labour.

European banks, growth in funds raised from customers was still less dynamic; here too, growth rates in customer loans were unable to keep up with the rise in assets. Japanese banks posted a modest increase in loans to non-banking customers and reflected substantial stability on the funding side, while the net surplus of interbank funds rose. Shareholders' funds rose in absolute terms in all three areas, but only at Japanese banks did the growth rate exceed that of assets. Conversely, at European and US banks more dynamic growth in assets was countered by a reduction in shareholders' equity in relative terms.

TABLE I.16 - BAD DEBTS WRITTEN OFF

	COUNTRY	BAD DEBTS WRITTEN OFF (1)														
		BANKS					as % of loans to customers					as % of net worth				
		2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
		as % of total income														
BAYERISCHE HYPO- UND VEREINSBANK	DE	-15.8	-19.2	-37.5	-24.3	-46.4	-0.4	-0.5	-1.0	-0.8	-1.6	-8.1	-7.4	-25.2	-18.1	-30.8
NORRDEUTSCHE LANDESBANK	DE	-1.0	-10.3	-29.7	-37.4	-19.7	0.0	-0.2	-0.6	-0.8	-0.4	-0.3	-3.3	-8.6	-12.9	-7.8
EUROHYPO (2)	DE	-	-	-9.9	-25.2	-18.6	-	-	-0.1	-0.2	-0.2	-	-	-2.3	-5.9	-4.6
COMMERZBANK	DE	-9.5	-13.2	-22.4	-18.4	-14.2	-0.3	-0.4	-0.8	-0.7	-0.5	-5.0	-7.1	-13.1	-10.5	-7.6
LANDESBANK BADEN-WUERTTEMBERG	DE	-11.4	-18.2	-36.9	-22.1	-13.6	-0.3	-0.4	-1.0	-0.6	-0.4	-4.0	-4.7	-11.2	-6.7	-4.1
HBOS (3)	GB	-	-9.3	-11.6	-12.0	-12.5	-	-0.3	-0.4	-0.4	-0.4	-	-4.2	-5.0	-5.5	-5.6
HSBC HOLDINGS	GB	-3.8	-7.8	-4.9	-14.8	-12.5	-0.3	-0.7	-0.4	-1.2	-0.9	-1.7	-3.7	-2.1	-6.8	-6.1
BAYERISCHE LANDESBANK	DE	-23.6	-43.1	-67.3	-34.2	-12.4	-0.4	-0.9	-1.6	-0.7	-0.3	-6.7	-13.6	-22.8	-9.7	-3.4
DZ BANK	DE	-28.7	-22.6	-57.7	-8.8	-11.4	-0.9	-0.7	-2.1	-0.3	-0.5	-17.5	-13.2	-34.4	-4.8	-6.2
BANCO SANTANDER CENTRAL HISPANO	ES	-7.7	-10.0	-11.7	-11.2	-11.3	-0.6	-0.9	-1.0	-0.9	-0.5	-3.8	-5.6	-6.6	-5.9	-3.9
BANCA INTESA	IT	-11.5	-24.8	-24.1	-12.6	-10.2	-0.7	-1.4	-1.4	-0.8	-0.6	-8.7	-17.7	-17.4	-8.3	-6.1
LLOYDS TSB GROUP	GB	-5.8	-8.8	-12.0	-9.9	-9.4	-0.4	-0.6	-0.8	-0.7	-0.6	-4.2	-5.7	-10.3	-8.1	-7.3
UNICREDITO ITALIANO	IT	-9.0	-8.0	-9.7	-9.2	-8.6	-0.7	-0.7	-0.9	-0.8	-0.6	-7.4	-6.4	-7.3	-6.8	-6.0
BANCO BILBAO VIZCAYA ARGENTARIA	ES	-8.4	-14.3	-14.5	-11.8	-8.3	-0.7	-1.3	-1.2	-0.9	-0.5	-4.7	-9.1	-9.0	-6.7	-4.4
BARCLAYS	GB	-8.2	-10.2	-13.2	-10.9	-7.9	-0.5	-0.6	-0.7	-0.6	-0.4	-6.1	-7.5	-9.2	-7.7	-5.6
THE ROYAL BANK OF SCOTLAND GROUP	GB	-5.2	-7.2	-8.4	-8.9	-7.7	-0.4	-0.5	-0.6	-0.6	-0.4	-2.5	-3.5	-4.3	-4.6	-3.9
SANPAOLO IMI	IT	-4.0	-6.0	-7.8	-9.2	-6.4	-0.2	-0.4	-0.4	-0.6	-0.4	-2.9	-4.0	-5.2	-6.3	-4.3
CREDIT AGRICOLE	FR	-6.8	-8.2	-5.1	-8.3	-5.8	-0.4	-0.5	-0.3	-0.5	-0.4	-3.7	-4.1	-2.3	-4.3	-2.9
RABOBANK NEDERLAND	NL	-4.9	-6.1	-6.3	-6.7	-5.6	-0.2	-0.2	-0.2	-0.2	-0.2	-2.0	-2.4	-2.3	-2.7	-2.3
DRESDNER BANK	FR	-16.2	-20.0	-30.6	-16.4	-5.5	-0.7	-0.8	-1.4	-0.6	-0.2	-12.1	-8.7	-18.3	-7.5	-2.6
CREDIT MUTUEL (4)	FR	-6.3	-6.7	-7.6	-8.2	-4.6	-0.4	-0.4	-0.4	-0.5	-0.2	-4.4	-4.4	-4.2	-4.4	-2.2
DEXIA	BE	-2.8	-4.6	-13.8	-3.4	-4.2	-0.1	-0.2	-0.5	-0.1	-0.1	-1.2	-2.4	-6.3	-1.5	-1.9
BNP PARIBAS	FR	-6.9	-7.4	-8.7	-7.5	-3.6	-0.5	-0.6	-0.7	-0.6	-0.3	-4.5	-4.6	-4.6	-4.0	-1.9
ABN AMRO HOLDING	NL	-3.3	-7.6	-9.3	-6.8	-3.5	-0.2	-0.4	-0.5	-0.4	-0.2	-3.2	-8.0	-10.5	-7.1	-3.2
SOCIÉTÉ GÉNÉRALE	FR	-5.4	-7.8	-9.4	-7.6	-3.3	-0.4	-0.5	-0.7	-0.6	-0.2	-4.8	-6.0	-7.6	-6.2	-2.6
KBC	BE	-4.8	-6.0	-7.6	-11.3	-3.2	-0.3	-0.4	-0.5	-0.7	-0.2	-2.5	-3.1	-4.4	-6.0	-1.7
ING GROEP	NL	-2.8	-5.1	-9.3	-7.4	-2.8	-0.2	-0.3	-0.4	-0.4	-0.1	-1.4	-2.9	-6.4	-4.5	-1.6
FORTIS	BE/NL	-4.8	-4.7	-7.0	-9.0	-1.8	-0.3	-0.3	-0.4	-0.4	-0.1	-2.5	-2.6	-3.9	-4.5	-0.9
DEUTSCHE BANK	DE	-1.7	-3.9	-9.7	-5.4	-1.7	-0.1	-0.4	-1.2	-0.8	-0.3	-1.6	-2.5	-6.8	-3.9	-1.4
CREDIT SUISSE GROUP	CH	-3.9	-7.7	-19.9	-3.9	-0.5	-0.5	-0.9	-1.6	-0.3	-0.1	-3.5	-7.7	-15.2	-2.5	-0.3
NORDEA	SE	-1.3	-6.3	-4.3	-6.4	-0.4	-0.1	-0.3	-0.2	-0.3	0.0	-0.6	-3.1	-2.1	-3.1	-0.2
DANSKE BANK	DK	-3.9	-6.0	-5.1	-5.7	0.1	-0.1	-0.2	-0.1	-0.2	0.0	-2.0	-2.9	-2.3	-2.6	0.0
UBS	CH	0.4	-1.3	-0.6	-0.3	0.7	0.0	0.0	-0.2	0.1	0.1	0.3	-1.0	-0.5	-0.3	0.7
WESTLB	DE	-10.8	-19.3	-74.8	-45.5	5.9	-0.3	-0.5	-2.2	-1.4	0.2	-4.8	-9.2	-37.8	-30.7	3.0
KREDITANSTALT FUER WIEDERAUFBAU	DE	-7.5	-20.4	-35.0	-15.0	26.7	-0.1	-0.3	-0.7	-0.3	0.5	-1.4	-3.9	-7.5	-2.8	4.1
Average		-6.1	-8.9	-12.6	-10.0	-6.9	-0.4	-0.5	-0.7	-0.6	-0.4	-3.6	-5.2	-7.4	-5.7	-3.8

(1) Net of bad debts recovered. Companies no longer existing in their previous form as at 31 December 2004 are not included.

(2) Operative since 2002.

(3) Operative since 2001.

(4) Figures include Crédit Industriel et Commercial-CIC.

TABLE I.16 - BAD DEBTS WRITTEN OFF

BANKS	BAD DEBTS WRITTEN OFF (1)												JAPAN			
	as % of total income						as % of loans to customers						as % of net worth			
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	
SUMITOMO MITSUI FINANCIAL GROUP (2)	-	-79.8	-53.9	-43.8	-58.2	-	-2.7	-2.0	-1.7	-2.2	-	-42.6	-34.5	-22.5	-31.5	
SHOKO CHUKIN BANK	-56.8	-49.9	-48.3	-41.6	-35.3	-0.9	-0.9	-0.9	-0.7	-0.6	-15.0	-13.8	-13.2	-10.1	-8.1	
UFJ HOLDINGS (2)	-	-92.7	-41.8	-80.9	-33.6	-	-3.3	-1.6	-3.2	-1.5	-	-46.2	-24.6	-52.5	-19.6	
HOKUOKU FINANCIAL GROUP	-36.7	-133.5	-63.0	-58.1	-32.7	-0.9	-3.1	-1.6	-1.7	-0.8	-13.1	-73.8	-37.3	-36.6	-13.4	
CHIBA BANK	-27.9	-52.8	-26.5	-22.6	-16.8	-0.8	-1.4	-0.8	-0.6	-0.5	-11.3	-23.1	-12.5	-8.9	-6.3	
BANK OF YOKOHAMA	-28.3	-24.5	-23.6	-15.6	-16.7	-0.7	-0.7	-0.6	-0.4	-0.5	-12.1	-11.1	-10.4	-5.9	-6.0	
JOYO BANK	-17.3	-73.2	-13.7	-18.0	-9.2	-0.5	-2.2	-0.4	-0.5	-0.3	-4.9	-25.3	-4.7	-5.4	-2.5	
RESONA HOLDINGS	-37.7	-103.4	-51.8	-178.0	-7.7	-1.3	-3.2	-1.6	-5.5	-0.2	-15.7	-66.6	-76.3	-124.3	-4.0	
MITSUBISHI TOKYO FINANCIAL GROUP (2)	-	-44.5	-24.8	5.5	-6.6	-	-1.2	-1.0	0.2	-0.2	-	-21.2	-15.8	2.7	-2.3	
BANK OF FUKUOKA	-138.3	-6.6	-20.3	-10.4	-4.7	-3.9	-0.2	-0.5	-0.3	-0.1	-59.7	-2.8	-8.3	-3.9	-1.7	
MIZUHO FINANCIAL GROUP	-30.0	-88.6	-74.6	-12.9	-3.7	-0.7	-2.6	-2.5	-0.4	-0.1	-9.3	-38.3	-42.7	-5.8	-1.5	
SHIZUOKA BANK	-18.0	-24.1	-6.1	-2.1	-0.2	-0.5	-0.6	-0.2	-0.1	0.0	-3.9	-5.7	-1.5	-0.4	0.0	
SHINSEI BANK	-4.2	-0.8	8.0	13.7	0.4	-0.1	0.0	0.3	0.6	0.0	-0.7	-0.1	1.3	2.3	0.1	
MITSUI TRUST HOLDINGS	-33.3	-36.5	-20.7	-1.7	1.1	-1.4	-1.5	-1.0	-0.1	0.0	-13.4	-19.7	-19.5	-0.9	0.4	
SUMITOMO TRUST & BANKING	-46.1	-33.2	-18.5	-5.6	2.1	-1.5	-1.0	-0.6	-0.2	0.1	-13.7	-11.9	-7.0	-1.8	0.6	
SHINKIN CENTRAL BANK	-1.3	0.0	0.0	4.2	3.6	0.0	0.0	0.0	0.0	0.1	-0.2	0.0	0.0	0.5	0.4	
NORINCHUKIN BANK	0.2	-33.2	-21.4	-17.2	4.1	0.0	-0.5	-0.4	-0.2	0.1	0.0	-6.0	-3.8	-1.7	0.4	
HOKKAIDO BANK (3)	-32.5	-19.1	-95.7	-30.6	-	-1.0	-0.5	-2.7	-0.9	-	-15.6	-8.6	-60.6	-17.1	-	
SANWA BANK (4)	-80.5	-	-	-	-	-2.1	-	-	-	-	-30.0	-	-	-	-	
TOKAI BANK (4)	-71.6	-	-	-	-	-1.8	-	-	-	-	-20.7	-	-	-	-	
ASAHI BANK (5)	-68.5	-	-	-	-	-1.6	-	-	-	-	-23.3	-	-	-	-	
SUMITOMO BANK (6)	-63.4	-	-	-	-	-1.9	-	-	-	-	-25.6	-	-	-	-	
TOYO TRUST AND BANKING (4)	-50.9	-	-	-	-	-2.1	-	-	-	-	-13.5	-	-	-	-	
BANK OF TOKYO-MITSUBISHI (7)	-50.5	-	-	-	-	-1.7	-	-	-	-	-27.6	-	-	-	-	
MITSUBISHI TRUST AND BANKING (7)	-46.9	-	-	-	-	-1.4	-	-	-	-	-14.9	-	-	-	-	
SAKURA BANK (6)	-35.1	-	-	-	-	-1.0	-	-	-	-	-12.2	-	-	-	-	
KINKI OSAKA BANK (5)	-6.5	-	-	-	-	-0.2	-	-	-	-	-6.1	-	-	-	-	
Average	-45.9	-72.2	-45.2	-37.6	-20.8	-1.2	-2.1	-1.5	-1.3	-0.7	-15.1	-31.0	-23.8	-16.0	-7.7	

(1) Net of bad debts recovered.

(2) Operative since 2001.

(3) Acquired by Hokuoku Financial Group in 2004.

(4) Merged into UFJ Holdings group in 2001.

(5) Merged into Resona Holdings group in 2001.

(6) Merged into Sumitomo Mitsui Financial Group in 2001.

(7) Merged into Mitsubishi Tokyo Financial Group in 2001.

TABLE I.16 - BAD DEBTS WRITTEN OFF

BANKS	BAD DEBTS WRITTEN OFF (1)												UNITED STATES			
	as % of total income				as % of loans to customers				as % of net worth							
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	
MBNA	-8.7	-13.7	-15.2	-13.7	-10.6	-2.8	-4.8	-4.9	-4.3	-3.5	-8.3	-14.6	-14.7	-12.5	-8.6	
CITIGROUP	-8.7	-10.6	-14.9	-11.1	-7.8	-1.5	-1.8	-2.3	-1.7	-1.2	-8.0	-8.3	-11.4	-8.1	-5.7	
J.P. MORGAN CHASE & CO.	-4.3	-10.6	-14.4	-4.6	-5.9	-0.6	-1.5	-2.1	-0.7	-0.6	-3.2	-7.6	-10.2	-3.3	-2.4	
WELLS FARGO & CO	-6.8	-8.4	-6.5	-6.0	-5.9	-0.8	-0.9	-0.7	-0.6	-0.5	-5.0	-6.5	-5.7	-5.0	-4.5	
U.S. BANCORP	-7.6	-21.7	-10.7	-9.6	-5.4	-0.7	-2.2	-1.1	-1.1	-0.5	-5.5	-15.4	-7.5	-6.5	-3.4	
BANK OF AMERICA	-7.7	-12.2	-10.5	-7.3	-5.4	-0.7	-1.3	-1.1	-0.8	-0.5	-5.3	-8.8	-7.3	-5.9	-2.8	
FIFTH THIRD BANCORP	-3.7	-5.4	-4.9	-7.5	-5.2	-0.3	-0.5	-0.5	-0.7	-0.4	-2.1	-2.9	-2.8	-4.7	-3.0	
BB & T	-4.6	-5.9	-5.9	-4.9	-4.6	-0.3	-0.5	-0.5	-0.4	-0.4	-2.6	-3.6	-3.6	-2.5	-2.3	
KEYCORP	-10.7	-29.7	-12.2	-11.2	-4.2	-0.7	-2.2	-0.9	-0.8	-0.3	-7.4	-21.9	-8.1	-7.2	-2.6	
NATIONAL CITY	-5.3	-9.6	-9.8	-8.2	-4.0	-0.4	-0.7	-0.7	-0.7	-0.3	-4.2	-8.2	-8.2	-6.8	-2.5	
SUNTRUST BANKS	-2.8	-5.1	-8.4	-5.6	-2.2	-0.2	-0.4	-0.6	-0.4	-0.1	-1.6	-3.3	-5.4	-3.2	-0.9	
WASHINGTON MUTUAL	-2.9	-4.9	-4.3	-1.5	-1.7	-0.2	-0.4	-0.3	-0.1	-0.1	-1.8	-4.1	-3.0	-1.0	-1.0	
WACHOVIA (ex-First Union)	-13.6	-14.0	-8.3	-2.9	-1.1	-1.3	-1.2	-0.9	-0.3	-0.1	-11.3	-6.8	-4.5	-1.7	-0.5	
THE PNC FINANCIAL SERVICES GROUP	-2.6	-22.9	-5.9	-3.4	-0.9	-0.3	-2.8	-0.9	-0.5	-0.1	-2.0	-19.4	-4.3	-2.5	-0.6	
THE BANK OF NEW YORK	-2.2	-7.5	-14.3	-2.8	-0.2	-0.3	-1.1	-2.2	-0.4	0.0	-1.7	-5.9	-10.2	-1.8	-0.2	
GOLDEN WEST FINANCIAL	-0.7	-1.2	-1.0	-0.5	-0.1	0.0	-0.1	0.0	0.0	0.0	-0.3	-0.5	-0.4	-0.2	-0.1	
BANK ONE (2)	-24.4	-15.8	-14.8	-12.5	-	-2.0	-1.6	-1.7	-1.5	-	-18.2	-12.4	-11.1	-8.7	-	
FLEETBOSTON FINANCIAL (3)	-7.8	-18.6	-23.4	-9.4	-	-1.0	-1.9	-2.4	-0.9	-	-6.7	-13.2	-16.5	-5.9	-	
SOUTHTRUST (4)	-5.0	-5.6	-5.4	-5.4	-	-0.3	-0.4	-0.4	-0.4	-	-2.8	-3.0	-2.7	-2.9	-	
GOLDEN STATE BANCORP (5)	0.0	0.0	-	-	-	0.0	0.0	-	-	-	0.0	0.0	-	-	-	
WACHOVIA (6)	-13.4	-	-	-	-	-1.1	-	-	-	-	-9.4	-	-	-	-	
Average	-8.2	-11.9	-11.7	-7.7	-5.3	-0.9	-1.3	-1.3	-0.9	-0.6	-6.3	-8.7	-8.4	-5.5	-3.2	

(1) Net of bad debts recovered.

(2) Acquired by JPMorgan Chase & Co. in 2004.

(3) Acquired by Bank of America in 2004.

(4) Acquired by Wachovia (ex-First Union) in 2004.

(5) Acquired by Citigroup in 2002.

(6) Merged into First Union in 2001, with the resulting combined entity retaining the name Wachovia.

TABLE I.17 - DOUBTFUL LOANS

BANKS	DOUBTFUL LOANS (1)					COVERAGE RATIO (2)					UNITED STATES				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
	as % of loans to customers					as % of net worth					%				
THE PNC FINANCIAL SERVICES GROUP	-	-	-	-	-	-	-	-	-	-	139.2	108.1	116.0	156.8	260.5
THE BANK OF NEW YORK	-	-	-	-	-	-	-	-	-	-	281.3	261.0	178.3	181.0	258.1
KEYCORP	-	-	-	-	-	-	-	-	-	-	110.2	140.1	121.9	155.4	227.1
BANK OF AMERICA	-	-	-	-	-	-	-	-	-	-	114.9	123.0	112.2	152.0	219.7
U.S. BANCORP	-	-	-	-	-	-	-	-	-	-	142.7	155.2	134.5	158.4	197.5
BB & T	-	-	-	-	-	-	-	-	-	-	196.2	135.6	127.7	139.2	175.8
SUNTRUST BANKS	-	-	-	-	-	-	-	-	-	-	143.4	113.5	129.2	163.8	168.0
WELLS FARGO & CO	-	-	-	-	-	-	-	-	-	-	192.9	147.1	163.0	165.0	161.5
FIFTH THIRD BANCORP	-	-	-	-	-	-	-	-	-	-	185.1	156.4	157.0	165.9	160.2
WACHOVIA (ex-First Union)	0.1	-	-	-	-	0.5	-	-	-	-	95.9	134.4	128.5	159.6	155.0
J.P. MORGAN CHASE & CO.	-	0.2	0.3	-	-	-	0.9	1.4	-	-	130.4	92.4	90.1	105.7	104.9
CITIGROUP	-	0.4	0.4	0.2	-	-	1.8	2.2	0.9	-	119.3	87.3	85.7	93.5	102.4
NATIONAL CITY	-	0.2	0.3	0.1	-	-	2.7	3.0	1.0	-	124.9	83.1	81.3	92.1	100.3
GOLDEN WEST FINANCIAL	0.1	0.4	0.2	0.2	0.1	0.7	3.4	2.9	2.4	0.9	89.8	64.3	65.7	66.8	81.9
WASHINGTON MUTUAL	0.1	0.8	0.7	0.5	0.3	1.7	8.3	6.0	4.6	3.2	85.6	54.3	57.6	57.9	65.4
MBNA	2.0	2.1	1.7	1.0	0.6	5.8	6.3	5.1	3.0	1.5	57.7	62.8	70.5	78.6	84.9
SOUTHTRUST (3)	-	-	-	-	-	-	-	-	-	-	167.9	131.6	161.0	174.6	-
BANK ONE (4)	-	-	-	-	-	-	-	-	-	-	156.0	119.6	122.7	134.5	-
FLEETBOSTON FINANCIAL (5)	-	-	0	-	-	-	-	0.1	-	-	166.3	142.9	99.6	134.1	-
GOLDEN STATE BANCORP (6)	-	-	-	-	-	-	-	-	-	-	240.2	294.1	-	-	-
WACHOVIA (7)	-	-	-	-	-	-	-	-	-	-	125.6	-	-	-	-
Average	0	0.2	0.2	0.1	0	0.2	1.1	1.2	0.6	0.2	129.9	108.9	102.5	117.4	129.6

(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) Acquired by Wachovia (ex-First Union) in 2004.

(4) Acquired by JPMorgan Chase & Co. in 2004.

(5) Acquired by Bank of America in 2004.

(6) Acquired by Citigroup in 2002.

(7) Merged into First Union in 2001, with the resulting combined entity retaining the name Wachovia.

TABLE I.18 - PROFITABILITY AND FREE CAPITAL RATIOS

BANKS (1)	COUNTRY	ROE				COST / INCOME RATIO				FREE CAPITAL				EUROPE			
		2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001		2002	2003	2004
		%				%				as % of funding from customers							
ABN AMRO HOLDING	NL	22.0	32.5	21.8	28.7	34.2	71.5	73.1	70.1	67.0	68.8	2.7	1.6	1.3	1.5	2.1	
UBS	CH	21.0	12.9	10.0	22.0	30.1	72.0	76.9	77.6	73.1	71.1	0.0	0.2	1.3	1.6	1.3	
ING GROEP	NL	90.2	27.0	32.7	23.4	30.0	57.3	55.8	54.0	54.0	52.0	n.a.	5.3	3.7	3.9	4.2	
LLOYDS TSB GROUP (2)	GB	33.4	26.2	23.8	42.4	27.3	45.6	48.0	54.7	53.3	52.9	-2.4	-0.9	-3.0	-1.9	-2.2	
FORTIS	BE/NL	20.1	20.1	4.4	19.0	26.1	55.6	56.9	60.8	62.4	55.3	3.0	2.1	1.0	1.6	2.2	
BARCLAYS	GB	24.8	19.3	16.3	18.9	21.6	56.2	56.0	56.5	56.7	58.3	3.2	3.7	3.7	3.7	3.7	
BANCO BILBAO VIZCAYA ARGENTARIA	ES	19.2	20.2	15.3	20.5	20.6	57.0	55.5	53.3	51.2	48.3	2.2	2.6	2.6	3.5	4.0	
SOCIETE GENERALE	FR	23.8	15.4	9.6	17.1	20.0	69.8	72.9	71.8	68.2	66.6	1.2	0.5	0.0	-0.2	0.4	
KBC	BE	29.9	14.3	13.6	13.5	19.8	61.4	64.8	61.0	61.8	59.1	5.8	4.9	4.4	4.6	5.2	
HBOS (3)	GB	-	16.0	15.2	17.9	19.8	-	49.5	47.2	42.8	39.7	-	2.7	3.1	2.9	3.2	
DANSKE BANK	DK	13.3	17.1	15.1	17.0	19.6	56.7	56.0	55.6	50.9	52.2	3.5	3.5	3.4	3.1	2.8	
UNICREDITO ITALIANO	IT	19.1	17.9	17.1	17.6	18.4	51.3	53.0	54.6	54.9	57.6	1.1	1.3	1.5	1.0	1.6	
CREDIT SUISSE GROUP	CH	20.9	5.5	n.c.	18.7	18.4	70.6	85.7	98.5	79.2	77.2	-4.5	-6.2	-4.2	-0.3	-1.0	
NORDEA	SE	18.5	15.3	8.1	13.9	18.0	53.5	59.5	64.8	61.6	58.9	3.6	3.8	3.7	4.9	5.4	
DEXIA	BE	14.4	16.3	13.8	14.7	17.9	54.4	58.9	58.2	58.5	55.1	2.4	2.3	2.5	3.0	3.0	
BNP PARIBAS	FR	22.6	18.6	13.7	14.9	17.8	63.1	62.4	64.8	62.9	61.0	1.6	1.1	0.2	2.3	2.4	
THE ROYAL BANK OF SCOTLAND GROUP	GB	9.7	10.6	12.3	16.1	15.7	57.2	56.8	56.1	49.8	50.4	2.6	2.1	2.1	1.2	0.5	
HSBC HOLDINGS	GB	15.9	12.5	12.7	12.6	15.0	55.2	56.3	56.0	51.2	50.9	4.5	4.6	4.6	5.0	5.2	
BANCA INTESA	IT	13.6	7.0	1.6	9.4	13.8	68.0	69.4	72.8	66.0	60.7	-2.4	-2.6	-2.8	-1.5	-0.2	
SANPAOLO IMI	IT	21.5	17.3	9.2	9.7	13.4	59.3	67.6	71.5	72.4	64.1	-0.2	-0.1	0.7	1.1	2.0	
DEUTSCHE BANK	DE	21.5	0.4	1.3	5.1	10.5	81.6	85.1	90.2	82.9	78.4	-2.2	0.6	-1.2	0.7	0.7	
BANCO SANTANDER CENTRAL HISPANO	ES	13.7	14.3	13.9	15.9	10.5	60.1	59.2	58.4	54.2	51.3	0.3	1.9	2.3	4.3	2.9	
DZ BANK	DE	1.8	2.5	2.4	8.8	9.6	57.3	73.2	62.7	64.9	59.6	n.a.	n.a.	n.a.	n.a.	n.a.	
CREDIT AGRICOLE	FR	10.9	3.7	7.2	6.9	9.5	64.8	67.9	66.9	64.8	63.2	3.3	4.0	4.3	2.6	3.1	
RABOBANK NEDERLAND	NL	8.7	8.4	8.0	8.9	9.3	68.9	66.8	65.6	65.0	64.6	6.0	6.2	6.4	5.9	5.6	
CREDIT MUTUEL (4)	FR	7.2	6.4	7.5	8.7	9.0	66.6	67.8	68.5	64.1	65.9	3.9	3.5	3.9	4.7	4.8	
LANDESBANK BADEN-WUERTTEMBERG	DE	9.6	6.7	6.1	6.8	8.2	52.4	52.2	52.2	49.5	48.8	n.a.	n.a.	n.a.	n.a.	n.a.	
EUROHYPO (5)	DE	-	-	6.3	0.1	8.1	-	-	36.8	37.6	34.8	-	-	n.a.	n.a.	2.0	
COMMERZBANK	DE	12.0	0.9	n.c.	n.c.	4.2	76.2	83.4	87.4	76.7	76.0	-0.8	-1.2	-2.4	-1.4	-0.2	
NORDDEUTSCHE LANDESBANK	DE	5.1	3.2	3.1	2.8	4.0	61.6	56.3	69.9	59.2	59.1	n.a.	n.a.	n.a.	n.a.	n.a.	
BAYERISCHE LANDESBANK	DE	7.3	2.9	2.6	3.3	3.6	49.0	48.5	41.5	43.5	46.7	n.a.	n.a.	n.a.	n.a.	n.a.	
KREDITANSTALT FUER WIEDERAUFBAU	DE	3.4	2.9	3.4	2.6	3.3	24.5	27.1	23.1	30.7	30.9	n.a.	2.1	2.5	2.6	3.3	
DRESDNER BANK	DE	15.3	0.8	n.c.	n.c.	0.2	78.5	91.9	103.7	96.1	88.0	-2.4	-2.5	-4.0	-2.4	-1.0	
BAYERISCHE HYPO-UND VEREINSBANK	DE	7.9	3.9	n.c.	n.c.	n.c.	64.6	72.2	70.0	67.0	65.9	-1.0	-1.2	-2.2	-3.9	-1.3	
WESTLB	DE	5.4	2.0	n.c.	n.c.	n.c.	77.0	73.6	86.1	70.5	89.6	n.a.	n.a.	n.a.	n.a.	n.a.	
Average		18.3	11.3	8.2	11.1	14.8	63.2	65.8	66.1	62.1	60.5	1.5	1.5	1.4	2.0	2.3	

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.

(1) Companies no longer existing in their previous form as at 31 December 2004 are not included.

(2) 30.4% in 2003 excluding gains on disposals of operations in New Zealand.

(3) Operative since 2001.

(4) Figures include Credit Industriel et Commercial-CIC.

(5) Operative since 2002.

TABLE L18 - PROFITABILITY AND FREE CAPITAL RATIOS

BANKS	ROE				COST / INCOME RATIO				FREE CAPITAL				JAPAN			
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001		2002	2003	2004
	%				%				as % of funding from customers							
RESONA HOLDINGS	n.c.	n.c.	n.c.	n.c.	44.5	65.4	63.2	66.3	65.8	50.0	0.3	-5.1	-6.6	-0.6	2.0	
MIZUHO FINANCIAL GROUP	3.5	n.c.	n.c.	12.6	19.1	56.7	55.7	55.5	53.3	54.7	1.7	0.2	-0.5	2.3	3.8	
MITSUI TRUST HOLDINGS	3.1	n.c.	n.c.	12.3	18.3	59.1	57.1	48.6	47.0	45.6	-0.6	-4.4	-4.1	0.3	3.5	
SUMITOMO TRUST & BANKING	5.7	n.c.	n.c.	11.0	11.9	54.7	50.5	49.9	47.4	48.0	5.1	2.8	3.8	6.1	7.2	
BANK OF YOKOHAMA	6.2	4.6	3.8	9.3	10.7	52.0	47.5	48.4	43.5	40.7	-2.2	-1.6	-0.5	1.8	2.9	
MITSUBISHI TOKYO FINANCIAL GROUP (1)	-	n.c.	8.7	27.2	10.5	-	78.4	60.4	54.0	60.8	-	-0.8	0.7	3.1	2.9	
CHIBA BANK	3.7	n.c.	2.8	7.6	9.5	53.8	54.8	52.3	51.9	48.9	0.1	-1.3	-1.3	0.5	1.8	
SHINSEI BANK	18.4	10.9	8.5	10.0	9.4	63.8	62.0	64.8	56.8	56.6	-1.3	-2.5	12.3	16.8	9.1	
BANK OF FUKUOKA	n.c.	6.7	2.5	6.2	7.8	63.1	63.7	60.4	58.4	54.9	-1.9	-1.0	0.2	1.6	2.3	
JOYO BANK	2.0	n.c.	2.4	6.1	6.4	62.7	59.4	60.4	60.2	57.6	1.4	0.6	1.3	2.9	3.7	
SHIZUOKA BANK	3.2	1.4	2.5	4.8	6.0	68.5	66.3	64.5	66.0	60.7	4.8	4.2	3.2	4.2	5.5	
SHINKIN CENTRAL BANK	5.5	4.9	4.8	4.9	5.2	37.8	40.4	43.8	45.9	43.2	3.5	3.4	3.6	3.7	3.9	
NORINCHUKIN BANK	5.6	3.9	3.8	6.1	5.1	52.7	33.2	39.9	49.0	43.0	3.6	2.7	2.6	4.3	5.5	
HOKUHOKU FINANCIAL GROUP	2.0	n.c.	1.4	2.6	3.1	62.4	59.7	53.9	46.4	50.5	-2.1	-3.4	-3.1	-2.2	-1.0	
SHOKO CHUKIN BANK	n.c.	1.0	0.6	1.4	1.4	51.2	46.6	46.4	51.4	51.8	1.2	1.4	1.5	2.1	2.4	
SUMITOMO MITSUI FINANCIAL GROUP (1)	-	n.c.	n.c.	12.1	n.c.	-	45.0	40.6	41.6	41.6	-	-3.0	-2.5	0.5	1.3	
UFJ HOLDINGS (1)	-	n.c.	n.c.	n.c.	n.c.	-	53.9	48.6	47.8	46.4	-	-3.9	-1.1	-0.3	2.8	
HOKKAIDO BANK (2)	4.0	3.0	n.c.	9.5	-	51.5	56.6	57.8	54.9	-	-1.2	-1.9	-3.8	-1.1	-	
SUMITOMO BANK (3)	4.8	-	-	-	-	45.6	-	-	-	-	1.2	-	-	-	-	
MITSUBISHI TRUST AND BANKING (4)	4.4	-	-	-	-	63.1	-	-	-	-	1.5	-	-	-	-	
SAKURA BANK (3)	2.3	-	-	-	-	55.0	-	-	-	-	1.8	-	-	-	-	
ASAHI BANK (5)	n.c.	-	-	-	-	59.2	-	-	-	-	-0.2	-	-	-	-	
BANK OF TOKYO-MITSUBISHI (4)	n.c.	-	-	-	-	62.8	-	-	-	-	-0.8	-	-	-	-	
KINKI OSAKA BANK (5)	n.c.	-	-	-	-	80.5	-	-	-	-	-7.6	-	-	-	-	
SANWA BANK (6)	n.c.	-	-	-	-	54.6	-	-	-	-	2.3	-	-	-	-	
TOKAI BANK (6)	n.c.	-	-	-	-	50.7	-	-	-	-	3.3	-	-	-	-	
TOYO TRUST AND BANKING (6)	n.c.	-	-	-	-	62.0	-	-	-	-	3.5	-	-	-	-	
Average	1.1	n.c.	n.c.	0.2	5.8	56.6	55.9	52.3	50.8	50.2	1.3	-1.0	-0.4	2.0	3.1	

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.

(1) Operative since 2001.

(2) Acquired by Hokuhoku Financial Group in 2004.

(3) Merged into Sumitomo Mitsui Financial Group in 2001.

(4) Merged into Mitsubishi Tokai Financial Group in 2001.

(5) Merged into Resona Holdings group in 2001.

(6) Merged into UFJ Holdings group in 2001.

TABLE I.18 - PROFITABILITY AND FREE CAPITAL RATIOS

BANKS	ROE				COST / INCOME RATIO				FREE CAPITAL				UNITED STATES			
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001		2002	2003	2004
	%				%				as % of funding from customers							
NATIONAL CITY	23.8	23.2	23.7	29.4	27.7	57.3	51.9	53.8	52.6	54.4	5.2	4.8	5.9	6.6	5.9	
U.S. BANCORP	23.4	11.6	22.2	24.1	27.1	46.8	45.5	44.8	45.0	43.3	6.5	6.3	6.1	6.9	6.5	
MBNA	24.7	27.7	24.1	26.6	25.1	57.8	53.7	53.3	50.4	51.1	5.7	7.7	8.1	11.2	15.8	
WELLS FARGO & CO.	17.9	14.4	21.8	21.9	22.7	57.7	58.2	52.1	57.2	57.9	4.2	3.5	4.8	4.5	4.5	
GOLDEN WEST FINANCIAL	17.4	23.4	23.6	22.9	21.4	32.3	27.5	27.6	28.6	28.8	7.3	7.5	7.8	8.3	8.5	
FIFTH THIRD BANCORP	20.7	16.7	23.9	25.9	20.6	48.2	44.6	44.3	44.3	55.5	9.9	13.0	13.4	9.6	9.0	
THE PNC FINANCIAL SERVICES GROUP	23.8	6.9	20.9	17.7	19.1	56.7	59.0	62.4	67.1	68.1	5.4	4.5	6.3	5.9	5.7	
CITIGROUP	25.7	21.0	21.4	22.3	18.5	55.6	54.7	52.0	52.6	53.5	11.1	9.8	8.4	8.4	8.0	
THE BANK OF NEW YORK	30.3	27.0	15.6	15.9	18.3	49.2	50.1	57.6	62.8	65.6	4.3	3.9	5.0	5.2	6.6	
BB & T	15.1	18.8	21.4	12.0	16.7	55.5	49.7	50.0	52.5	52.9	7.6	8.3	7.6	7.1	6.7	
BANK OF AMERICA	18.7	16.3	22.5	29.1	16.5	53.2	53.4	52.5	51.8	51.3	5.7	6.2	6.6	5.9	6.1	
WASHINGTON MUTUAL	23.0	28.2	24.0	24.5	15.7	48.3	38.0	46.6	57.6	63.3	1.6	-2.7	-1.4	-2.1	-1.0	
KEYCORP	17.8	2.2	16.7	14.9	15.5	59.4	59.6	58.7	61.1	62.9	6.9	7.6	8.0	8.7	7.9	
WACHOVIA (ex-First Union)	0.6	6.0	12.6	15.1	12.4	72.4	68.1	63.3	63.7	62.4	3.6	4.6	6.8	6.5	5.8	
SUNTRUST BANKS	18.6	19.7	17.9	15.9	10.9	56.5	57.4	59.2	60.6	61.5	8.2	8.3	6.8	7.3	5.8	
J.P. MORGAN CHASE & CO.	15.6	4.3	4.1	17.0	4.4	65.9	67.0	67.3	64.9	68.3	5.9	5.5	6.0	6.3	6.0	
SOUTHTRUST (1)	16.8	16.3	16.3	19.3	-	55.7	53.1	54.0	50.5	-	6.7	7.3	8.8	7.6	-	
BANK ONE (2)	n.c.	15.0	17.2	17.8	-	81.7	57.6	57.3	60.4	-	7.5	7.7	8.5	7.5	-	
FLEET/BOSTON FINANCIAL (3)	25.3	5.6	7.6	16.6	-	55.3	59.6	57.2	56.9	-	6.4	6.9	6.5	7.8	-	
GOLDEN STATE BANCORP (4)	19.4	18.9	-	-	-	53.6	49.3	-	-	-	-3.9	-2.4	-	-	-	
WACHOVIA (5)	15.3	-	-	-	-	53.0	-	-	-	-	7.5	-	-	-	-	
Average	18.2	15.0	18.0	21.0	16.0	58.2	55.6	54.6	55.8	56.9	6.5	6.3	6.6	6.5	6.2	

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.

(1) Acquired by Wachovia (ex-First Union) in 2004.

(2) Acquired by JPMorgan Chase & Co. in 2004.

(3) Acquired by Bank of America in 2004.

(4) Acquired by Citigroup in 2002.

(5) Merged into First Union in 2001, with the resulting combined entity retaining the name Wachovia.

TABLE I.19 - CAPITAL ADEQUACY RATIOS
EUROPE

BANKS	COUNTRY	TOTAL CAPITAL RATIO (1)					
		31/12/00	31/12/01	31/12/02	31/12/03	31/12/04	30/06/05
		as % of risk-weighted assets					
DRESDNER BANK	DE	11.8	11.4	10.6	13.4	13.3	18.4
CREDIT SUISSE GROUP	CH	18.2	15.7	16.5	17.4	16.6	14.0
UBS	CH	15.7	14.8	13.8	13.3	13.6	13.9
DEUTSCHE BANK	DE	12.6	12.1	12.6	13.9	13.2	13.6
KBC	BE	16.0	14.7	13.7	13.4	12.9	13.0
BANCO SANTANDER CENTRAL HISPANO	ES	10.9	12.8	12.6	12.4	13.0	12.8
HSBC HOLDINGS	GB	13.3	13.0	13.3	12.0	12.0	12.8
HBOS (2)	GB	-	10.6	10.4	11.1	11.8	12.7
ABN AMRO HOLDING	NL	10.4	10.9	11.5	11.7	11.3	12.4
CREDIT MUTUEL	FR	11.0	10.3	10.8	11.5	12.4	...
DZ BANK	DE	9.2	9.5	10.5	11.7	12.3	...
BANCO BILBAO VIZCAYA ARGENTARIA	ES	11.9	12.6	12.5	12.7	12.5	12.2
COMMERZBANK	DE	9.9	10.3	12.3	13.0	12.6	12.1
BARCLAYS	GB	11.0	12.5	12.8	12.8	11.5	12.1
SANPAOLO IMI	IT	9.1	9.5	10.7	10.5	12.0	11.6
SOCIÉTÉ GÉNÉRALE	FR	12.5	11.5	11.1	11.7	11.9	11.4
THE ROYAL BANK OF SCOTLAND GROUP	GB	11.5	11.5	11.7	11.8	11.7	11.4
RABOBANK NEDERLAND	NL	10.6	10.5	10.5	10.9	11.4	11.3
BAYERISCHE LANDESBANK	DE	10.1	9.7	10.3	11.3	12.5	11.2
UNICREDITO ITALIANO	IT	8.5	11.0	11.6	11.1	11.6	11.1
EUROHYPO (3)	DE	-	-	10.1	11.0	10.8	11.1
FORTIS	BE/NL	11.8	13.5	13.0	12.4	12.3	11.0
BANCA INTESA	IT	9.0	9.3	11.1	11.7	11.6	10.8
WESTLB	DE	9.8	9.6	10.1	10.3	11.5	10.8
LANDESBANK BADEN-WUERTTEMBERG	DE	...	10.5	9.7	11.0	10.8	...
ING GROEP	NL	10.7	10.6	11.0	11.3	11.5	10.6
BNP PARIBAS	FR	10.1	10.6	10.9	12.9	10.3	10.6
DEXIA	BE	9.8	11.5	10.7	11.2	11.7	10.2
BAYERISCHE HYPO- UND VEREINSBANK	DE	10.0	10.3	9.1	9.7	10.4	10.0
CREDIT AGRICOLE	FR	10.2	11.8	11.7	10.5	10.4	9.9
LLOYDS TSB GROUP	GB	9.4	9.2	9.6	11.3	10.0	9.6
NORDEA	SE	9.4	9.1	9.9	9.3	9.5	9.4
DANSKE BANK	DK	9.6	10.3	10.5	11.0	10.2	9.1
NORDDEUTSCHE LANDESBANK	DE	9.0	9.7	9.3	10.1	9.1	...
KREDITANSTALT FUER WIEDERAUFBAU	DE	...	...	...	...	...	...
ABBAY NATIONAL (4)	GB	13.5	11.5	11.6	13.3	-	-
CREDIT LYONNAIS (5)	FR	11.0	10.1	11.2	-	-	-
BANK OF SCOTLAND (2)	GB	11.6	-	-	-	-	-
HALIFAX GROUP (2)	GB	10.7	-	-	-	-	-
Average		11.1	11.2	11.4	11.8	11.8	(11.7)

(1) Ratio between regulatory capital and risk-weighted assets. According to Basle's Bank for International Settlements (BIS) guidelines, the minimum requirement is 8%.

(2) Company set up in 2001 after the merger between Bank of Scotland and Halifax Group.

(3) Operative since 2002.

(4) Acquired by Banco Santander Central Hispano in 2004.

(5) Acquired by Cr dit Agricole in 2003.

TABLE I.19 - CAPITAL ADEQUACY RATIOS

JAPAN

BANKS	TOTAL CAPITAL RATIO (1)					
	31/03/01	31/03/02	31/03/03	31/03/04	31/03/05	30/09/05
	as % of risk-weighted assets					
SHINKIN CENTRAL BANK	16.5	15.2	16.2	16.6	15.8	...
SHIZUOKA BANK	12.6	12.5	12.4	13.6	13.5	...
SHINSEI BANK	17.0	17.0	20.1	21.1	11.8	12.2
NORINCHUKIN BANK	11.1	10.0	9.9	12.9	12.1	...
JOYO BANK	12.4	11.8	11.3	11.4	11.8	12.1
MITSUBISHI TOKYO FINANCIAL GROUP (2)	-	10.3	10.8	13.0	11.8	12.0
UFJ HOLDINGS (2)	-	11.0	10.0	9.2	10.4	11.7
SUMITOMO TRUST & BANKING	11.4	10.9	10.5	12.5	12.5	11.2
mitsui TRUST HOLDINGS	10.8	10.6	7.5	10.1	10.3	11.0
SUMITOMO MITSUI FINANCIAL GROUP (2)	-	10.5	10.1	11.4	9.9	11.0
BANK OF YOKOHAMA	9.6	10.7	10.3	10.7	11.0	10.9
CHIBA BANK	10.6	10.2	10.4	11.1	11.2	10.8
MIZUHO FINANCIAL GROUP	11.4	10.6	9.5	11.4	11.9	10.7
RESONA HOLDINGS	11.3	8.7	3.8	7.8	9.7	10.2
BANK OF FUKUOKA	9.0	9.5	9.4	9.5	9.3	9.5
HOKUHOKU FINANCIAL GROUP	9.6	7.1	7.5	8.3	8.3	...
SHOKO CHUKIN BANK	6.9	7.3	7.5	7.7	7.8	...
HOKKAIDO BANK (3)	8.2	8.2	6.1	6.5	-	-
MITSUBISHI TRUST AND BANKING (4)	12.1	-	-	-	-	-
TOKAI BANK (5)	12.1	-	-	-	-	-
TOYO TRUST AND BANKING (5)	11.6	-	-	-	-	-
SAKURA BANK (6)	11.3	-	-	-	-	-
ASAHI BANK (7)	11.1	-	-	-	-	-
SUMITOMO BANK (6)	10.9	-	-	-	-	-
SANWA BANK (5)	10.5	-	-	-	-	-
KINKI OSAKA BANK (7)	10.0	-	-	-	-	-
BANK OF TOKYO-MITSUBISHI (4)	9.7	-	-	-	-	-
Average (8)	11.2	10.7	10.2	11.4	11.1	(11.1)

(1) Ratio between regulatory capital and risk-weighted assets. According to Basle's Bank for International Settlements (BIS) guidelines, the minimum requirement is 8%.

(2) Operative since 2001.

(3) Acquired by Hokuohoku Financial Group in 2004.

(4) Merged into Mitsubishi Tokyo Financial Group in 2001.

(5) Merged into UFJ Holdings group in 2001.

(6) Merged into Sumitomo Mitsui Financial Group in 2001.

(7) Merged into Resona Holdings group in 2001.

(8) For 12 groups only at 30 September 2005.

TABLE I.19 - CAPITAL ADEQUACY RATIOS

UNITED STATES

BANKS	TOTAL CAPITAL RATIO (1)					
	31/12/00	31/12/01	31/12/02	31/12/03	31/12/04	30/06/05
	as % of risk-weighted assets					
MBNA	16.6	18.0	19.7	22.2	25.4	24.5
BB & T	12.0	13.3	13.4	12.5	14.5	14.2
GOLDEN WEST FINANCIAL	12.4	14.2	14.3	14.2	12.9	12.9
U.S. BANCORP	10.6	11.7	12.2	13.6	13.1	12.5
THE BANK OF NEW YORK	12.9	11.6	12.0	11.5	12.2	12.5
WELLS FARGO & CO	10.4	10.5	11.3	12.2	12.1	12.2
THE PNC FINANCIAL SERVICES GROUP	12.6	11.8	12.5	13.8	13.0	11.9
CITIGROUP	11.2	10.9	11.2	12.0	11.8	11.9
KEYCORP	11.5	11.4	12.5	12.6	11.5	11.7
JPMORGAN CHASE & CO	12.0	11.9	12.0	11.8	12.2	11.3
NATIONAL CITY	11.3	11.3	11.5	13.1	11.8	11.2
WACHOVIA (ex-First Union)	11.2	11.1	12.0	11.8	11.1	11.2
BANK OF AMERICA	11.0	12.7	12.4	11.9	11.6	11.1
WASHINGTON MUTUAL	11.1	12.9	11.6	10.9	11.3	11.1
FIFTH THIRD BANCORP	13.4	14.4	13.5	13.4	12.3	10.8
SUNTRUST BANKS	10.9	12.2	11.6	11.8	10.4	10.3
BANK ONE (2)	10.8	12.2	13.7	13.7	-	-
FLEETBOSTON FINANCIAL (3)	11.9	11.0	11.7	11.9	-	-
SOUTHTRUST (4)	11.0	11.0	11.1	10.7	-	-
GOLDEN STATE BANCORP (5)	13.1	13.0	-	-	-	-
WACHOVIA (6)	11.6	-	-	-	-	-
Average	11.9	12.4	12.6	12.9	13.0	12.6

(1) Ratio between regulatory capital and risk-weighted assets. According to Basle's Bank for International Settlements (BIS) guidelines, the minimum requirement is 8%.

(2) Acquired by JPMorgan Chase & Co. in 2004.

(3) Acquired by Bank of America in 2004.

(4) Acquired by Wachovia (ex-First Union) in 2004.

(5) Acquired by Citigroup in 2002.

(6) Merged into First Union in 2001, with the resulting combined entity retaining the name Wachovia.

TABLE 1.20 - DERIVATIVE CONTRACTS

	2000				2003				2004			
	Europe		Japan		United States		Europe		Japan		United States	
	EURbn	%	JPY bn	%	USDbn	%	EURbn	%	JPY bn	%	USDbn	%
<i>Notional amounts by risk category:</i>												
interest rate	55,358	75.6	1,266,622	85.4	35,973	84.6	98,769	82.3	1,803,676	90.6	48,545	91.9
foreign exchange	14,083	19.3	208,445	14.0	5,331	12.5	15,922	13.3	157,021	7.9	3,023	5.7
credit (1)	-	-	879	0.1	120	0.3	-	-	2,968	0.1	724	1.4
equity (1)	-	-	517	0.0	334	0.8	-	-	3,848	0.2	422	0.8
other	3,755	5.1	6,630	0.5	763	1.8	5,266	4.4	23,056	1.2	106	0.2
Total (2)	73,196	100.0	1,483,093	100.0	42,521	100.0	119,957	100.0	1,990,569	100.0	52,820	100.0
<i>Index number</i>	<i>100.0</i>		<i>100.0</i>		<i>100.0</i>		<i>163.9</i>		<i>134.2</i>		<i>n.c.</i>	
Notional amount/total assets	5.2		2.5		9.9		7.7		3.7		14.9	
Fair value (balance) (millions) (3)	1,533		885,670		-5,448		-22,470		785,036		35,113	
Credit risk (millions) (4)	713,014		9,582,199		143,909		820,541		8,251,809		108,400	
<i>Index number</i>	<i>100.0</i>		<i>100.0</i>		<i>100.0</i>		<i>115.1</i>		<i>86.1</i>		<i>n.c.</i>	
<i>as % of net worth(4)</i>	<i>111.1</i>		<i>35.4</i>		<i>43.5</i>		<i>120.5</i>		<i>38.9</i>		<i>33.3</i>	

(1) For Europe included under the heading "Other".

(2) For Europe data refers to companies accounting for 96.1% of total assets in 2004. For Japan data refers only to trading derivatives and to companies accounting for 83.2% of total assets in 2004. For the United States, data refers to companies accounting for 98.5% of total assets in 2004, with the exception of 2003 which does not include Citigroup, for which no data was available (in this latter instance data is only 65.3% representative of total assets).

(3) This is the algebraic sum of positions with positive fair value and with negative fair values. For Europe the data represents 75% of total assets in 2000, 88% of total assets in 2003, and 100% of total assets in 2004; for Japan the data is 99%, 84% and 100% representative of total assets respectively; and for the U.S., the data is 100% representative with the exception of for 2003, which excludes Citigroup for which no data was available.

(4) For Japan the data does not include Mitsubishi Tokyo Financial Group for which no data was available. For the United States, the 2003 data does not include Citigroup, for which no data is available.

TABLE I.21 – PROFIT AND LOSS ACCOUNT AND BALANCE SHEET FOR 1H 2005

57 BANKS

Profit and loss account

	1H 2004		1H 2005		Change
	EUR m	%	EUR m	%	%
Net interest income	179,756	49.7	182,615	47.4	1.6
Net fee and commission income	111,932	31.0	118,634	30.8	6.0
Other operating income	69,841	19.3	84,255	21.8	20.6
Total income	361,529	100.0	385,504	100.0	6.6
Labour costs	...	...	...	...	...
General expenses (1)	- 195,965	- 54.2	- 205,464	- 53.3	4.8
Bad debts recovered (written off)	- 29,683	- 8.2	- 18,166	- 4.7	- 38.8
Depreciation and amortization	- 15,032	- 4.2	- 15,489	- 4.0	3.0
Current pre-tax profit	120,849	33.4	146,385	38.0	21.1
Extraordinary items	- 4,097	- 1.1	2,211	0.5	n.c.
Profit before tax	116,957	32.3	148,596	38.5	27.3
Tax for the year	- 35,850	- 9.9	- 41,270	- 10.7	15.1
Minority interest	- 3,805	- 1.1	- 4,694	- 1.2	23.4
Net profit	77,097	21.3	102,632	26.6	33.1

Balance sheet

	31/12/04		30/6/05		Change
	EUR m	%	EUR m	%	%
Cash and central banks deposits	...	...	...	...	...
Fixed-income securities	7,042,250	26.7	7,832,798	27.0	11.2
Loans and advances to banks (2)	3,856,242	14.6	4,357,790	15.0	13.0
Loans and advances to customers	11,276,513	42.7	11,926,110	41.1	5.8
Equities and interests in subsidiaries and associated	721,262	2.8	839,594	2.9	16.4
Net tangible assets	244,966	0.9	247,546	0.9	1.1
Intangible assets (3)	372,095	1.4	382,777	1.3	2.9
Other assets	2,885,103	10.9	3,434,420	11.8	19.0
Total assets	26,398,431	100.0	29,021,035	100.0	9.9
Customer deposits	11,394,927	43.1	11,943,485	41.2	4.8
Debt securities and certificates of deposit (4)	3,900,380	14.8	4,263,610	14.7	9.3
Subordinated liabilities	...	...	...	...	...
<i>Total funding from customers</i>	<i>15,295,307</i>	<i>57.9</i>	<i>16,207,095</i>	<i>55.9</i>	<i>6.0</i>
Deposits by banks	5,047,034	19.1	5,865,762	20.2	16.2
Other liabilities	4,798,316	18.2	5,614,079	19.3	17.0
Total liabilities	25,140,657	95.2	27,686,936	95.4	10.1
Net worth	1,257,774	4.8	1,334,099	4.6	6.1
<i>represented by:</i>					
shareholders' equity	1,153,132	4.4	1,225,278	4.2	6.3
minority interests	104,642	0.4	108,821	0.4	4.0

- (1) Includes labour costs.
(2) Includes cash and central bank deposits.
(3) Includes goodwill.
(4) Includes subordinated liabilities.

TABLE I.22 – PROFIT AND LOSS ACCOUNT AND BALANCE SHEET FOR 1H 2005

EUROPE

Profit and loss account

	1H 2004		1H 2005		Change
	EUR m	%	EUR m	%	%
Net interest income	92,808	47.2	95,123	44.9	2.5
Net fee and commission income	57,877	29.4	61,570	29.1	6.4
Other operating income	46,006	23.4	55,024	26.0	19.6
Total income	196,691	100.0	211,717	100.0	7.6
Labour costs	- 69,483	- 35.3	- 73,055	- 34.5	5.1
General expenses	- 41,606	- 21.1	- 44,051	- 20.8	5.9
Bad debts recovered (written off)	- 12,769	- 6.5	- 11,594	- 5.5	- 9.2
Depreciation and amortization	- 8,371	- 4.3	- 8,298	- 3.9	- 0.9
Current pre-tax profit	64,462	32.8	74,719	35.3	15.9
Extraordinary items	3,039	1.5	4,077	1.9	34.2
Profit before tax	67,706	34.3	78,796	37.2	16.7
Tax for the year	- 17,485	- 8.9	- 20,190	- 9.5	15.5
Minority interest	- 2,896	- 1.4	- 3,403	- 1.6	17.5
Net profit	47,120	24.0	55,203	26.1	17.2

Balance sheet

	31/12/04		30/6/05		Change
	EUR m	%	EUR m	%	%
Cash and central banks deposits	181,773	1.0	185,094	0.9	1.8
Fixed-income securities	4,904,133	28.1	5,661,946	28.7	15.5
Loans and advances to banks	2,581,501	14.8	2,956,522	15.0	14.5
Loans and advances to customers	6,816,645	39.0	7,333,649	37.1	7.6
Equities and interests in subsidiaries and associated	468,532	2.7	539,779	2.7	15.2
Net tangible assets	174,103	1.0	176,489	0.9	1.4
Intangible assets (1)	160,441	0.9	170,205	0.9	6.1
Other assets	2,187,508	12.5	2,734,097	13.8	25.0
Total assets	17,474,636	100.0	19,757,781	100.0	13.1
Customer deposits	6,143,567	35.2	6,601,946	33.4	7.5
Debt securities and certificates of deposit	2,705,548	15.5	3,026,600	15.3	11.9
Subordinated liabilities	340,127	1.9	369,927	1.9	8.8
<i>Total funding from customers</i>	<i>9,189,242</i>	<i>52.6</i>	<i>9,998,473</i>	<i>50.6</i>	<i>8.8</i>
Deposits by banks	3,494,548	20.0	4,118,116	20.9	17.8
Other liabilities	4,142,836	23.7	4,942,046	25.0	19.3
Total liabilities	16,826,626	96.3	19,058,635	96.5	13.3
Net worth	648,010	3.7	699,146	3.5	7.9
<i>represented by:</i>					
shareholders' equity	581,108	3.3	631,259	3.2	8.6
minority interests	66,902	0.4	67,887	0.3	1.5

(1) Including goodwill.

TABLE I.23 – PROFIT AND LOSS ACCOUNT AND BALANCE SHEET FOR 1H 2005

JAPAN

Profit and loss account

	1H 2004		1H 2005		Change
	JPY bn	%	JPY bn	%	%
Net interest income	2,696	58.1	2,565	52.9	- 4.9
Net fee and commission income	1,272	27.4	1,437	29.7	13.0
Other operating income	672	14.5	844	17.4	25.6
Total income	4,640	100.0	4,846	100.0	4.4
Labour costs	...	...	...	...	...
General expenses (1)	- 2,134	- 46.0	- 2,212	- 45.6	3.6
Bad debts recovered (written off)	- 1,322	- 28.5	46	0.9	n.c.
Depreciation and amortization	- 217	- 4.7	- 214	- 4.4	- 1.4
Current pre-tax profit	967	20.8	2,466	50.9	155.0
Extraordinary items	- 25	- 0.5	123	2.5	n.c.
Profit before tax	942	20.3	2,589	53.4	174.8
Tax for the year	- 666	- 14.3	- 640	- 13.2	- 3.9
Minority interest	- 97	- 2.1	- 110	- 2.3	13.4
Net profit	179	3.9	1,839	37.9	927.4

Balance sheet

	31/3/05		30/9/05		Change
	JPY bn	%	JPY bn	%	%
Cash and central banks deposits	...	...	...	...	...
Fixed-income securities	137,877	26.5	141,037	26.7	2.3
Loans and advances to banks (2)	68,883	13.3	70,485	13.3	2.3
Loans and advances to customers	261,252	50.3	266,411	50.4	2.0
Equities and interests in subsidiaries and associated	18,951	3.6	19,318	3.6	1.9
Net tangible assets	4,643	0.9	4,643	0.9	0.0
Intangible assets (3)	384	0.1	406	0.1	5.7
Other assets	27,320	5.3	26,552	5.0	- 2.8
Total assets	519,310	100.0	528,852	100.0	1.8
Customer deposits	356,061	68.6	358,548	67.8	0.7
Debt securities and certificates of deposit (4)	30,875	5.9	30,384	5.8	- 1.6
Subordinated liabilities	...	...	...	...	...
<i>Total funding from customers</i>	<i>386,936</i>	<i>74.5</i>	<i>388,932</i>	<i>73.6</i>	<i>0.5</i>
Deposits by banks	86,428	16.6	91,134	17.2	5.4
Other liabilities	23,850	4.6	24,499	4.6	2.7
Total liabilities	497,214	95.7	504,565	95.4	1.5
Net worth	22,096	4.3	24,287	4.6	9.9
<i>represented by:</i>					
shareholders' equity	17,512	3.4	19,272	3.6	10.1
minority interests	4,584	0.9	5,015	1.0	9.4

- (1) Includes labour costs.
(2) Includes cash and central bank deposits.
(3) Includes goodwill.
(4) Includes subordinated liabilities.

TABLE I.24 – PROFIT AND LOSS ACCOUNT AND BALANCE SHEET FOR 1H 2005

UNITED STATES

Profit and loss account

	1H 2004		1H 2005		Change
	USD m	%	USD m	%	%
Net interest income	80,801	51.3	82,642	49.7	2.3
Net fee and commission income	53,875	34.2	56,024	33.7	4.0
Other operating income	22,758	14.5	27,728	16.6	21.8
Total income	157,434	100.0	166,394	100.0	5.7
Labour costs	- 47,418	- 30.1	- 50,442	- 30.3	6.4
General expenses	- 35,953	- 22.8	- 36,435	- 21.9	1.3
Bad debts recovered (written off)	- 8,519	- 5.4	- 8,364	- 5.0	- 1.8
Depreciation and amortization	- 6,090	- 3.9	- 6,758	- 4.1	11.0
Current pre-tax profit	59,454	37.8	64,395	38.7	8.3
Extraordinary items	- 8,401	- 5.4	- 3,365	- 2.0	- 59.9
Profit before tax	51,053	32.4	61,030	36.7	19.5
Tax for the year	- 16,197	- 10.3	- 19,713	- 11.9	21.7
Minority interest	- 227	- 0.1	- 568	- 0.3	n.c.
Net profit	34,629	22.0	40,749	24.5	17.7

Balance sheet

	31/12/04		30/6/05		Change
	USD m	%	USD m	%	%
Cash and central banks deposits	...	...	...	...	...
Fixed-income securities	1,340,757	22.0	1,405,837	21.9	4.9
Loans and advances to banks (1)	699,789	11.5	834,313	13.0	19.2
Loans and advances to customers	3,034,485	49.7	3,148,247	49.0	3.7
Equities and interests in subsidiaries and associated	134,531	2.2	134,127	2.1	- 0.3
Net tangible assets	43,777	0.7	44,013	0.7	0.5
Intangible assets (2)	252,465	4.1	253,379	3.9	0.4
Other assets	596,906	9.8	607,137	9.4	1.7
Total assets	6,102,710	100.0	6,427,053	100.0	5.3
Customer deposits	3,135,695	51.4	3,222,286	50.1	2.8
Debt securities and certificates of deposit (3)	754,793	12.4	774,193	12.1	2.6
Subordinated liabilities	...	...	...	...	...
<i>Total funding from customers</i>	<i>3,890,488</i>	<i>63.8</i>	<i>3,996,479</i>	<i>62.2</i>	<i>2.7</i>
Deposits by banks	1,097,056	18.0	1,290,564	20.1	17.6
Other liabilities	577,303	9.4	591,472	9.2	2.5
Total liabilities	5,564,847	91.2	5,878,515	91.5	5.6
Net worth	537,863	8.8	548,538	8.5	2.0
<i>represented by:</i>					
shareholders' equity	533,604	8.7	544,317	8.5	2.0
minority interests	4,259	0.1	4,221	0	- 0.9

(1) Includes cash and central bank deposits.

(2) Includes goodwill.

(3) Includes subordinated liabilities.

APPENDIX 1 – Unusual features of several banking groups

Germany

The German bank included in our survey comprise six groups, all of which have certain features that could be described as unusual. Four 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, whether themselves or via subsidiaries, such as real estate loans, leasing, factoring, project finance, exchange rate and derivatives trading, equity investment and asset management. 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 (³⁷).

³⁷ 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 company reporting to the State of North Rhine-Westphalia. In addition, following a

DZ Bank functions as a central bank to around 80% of the *Volksbanken* and *Raiffeisenbanken* (local German co-operative banks) which own the majority of its share capital⁽³⁸⁾. Like 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 promotes and finances investment projects in developing countries, and supports German enterprise abroad⁽³⁹⁾. Features which all of these banks have in common and which distinguish them from the other banks in this survey are: no or limited agency network; relatively low headcount; 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⁽⁴⁰⁾.

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

ruling by the European Commission on 20 October 2004, WestLB, Norddeutsche 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.

³⁸ 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.

³⁹ In 2003 KfW reached an agreement with the EU to spin off its promotional, export support and project finance activities to an independent entity to be set up by 2008.

⁴⁰ WestLB acts as central bank for 125 savings banks in the North Rhine-Westphalia and Brandenburg regions, Norddeutsche Landesbank for 83 savings banks in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania, Bayerische Landesbank for 82 savings Banks in Bavaria and Landesbank Baden-Wuerttemberg for 56 savings banks in the region of the same name.

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 2004 numbered 2,599 and had around 5.7 million shareholders. These control the 41 regional banks, or *Caisse Régionales de Crédit Agricole*, which in turn control Crédit Agricole S.A. (formerly Caisse Nationale de Crédit Agricole) via SAS Rue la Boétie. Crédit Agricole S.A. acts as a central bank, thus guaranteeing the group’s financial cohesion. It engages in treasury operations 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*, Crédit Agricole’s consolidated balance sheet included the local banks, the regional banks and the central bank, giving a total of 3,026 consolidated entities. Alongside it is the *Fédération Nationale du Crédit Agricole*, which represents and co-ordinates the 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 Crédit Agricole S.A. shares were placed with the public in December 2001, SAS Rue La Boétie came to own over 70% of Crédit Agricole S.A.⁴¹). Crédit Agricole S.A. in turn acquired a 25% stake in each regional bank with the exception of Caisse Régionale de la Corse, following issuance or subscription for *certificats coopératifs* without voting rights.

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 1,900 local savings banks, which are co-operative institutions with variable share capital and 6.5 million shareholders. These are grouped into 18 *Fédérations Régionales*, which are made up of one federative

⁴¹ Share diluted to 55.5% on 30 June 2005, chiefly due to rights issue implemented to acquire Crédit Lyonnais in 2003.

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 Crédit Mutuel group's consolidated figures include the 18 regional federations, the Fédération du Crédit Mutuel Agricole et Rurale, and the Caisse Centrale, as well as their respective subsidiaries providing common services to clients, making for a total of 34 consolidated companies in 2004. The local savings banks are not consolidated. The Crédit Industriel et Commercial-CIC group (formerly Union Européenne de CIC), acquired in 1998 with an initial share of 67% which then rose to over 95% following the acquisition of the share held by Groupama-GAN in 2001, was likewise not included in the basis of consolidation until the later of these two dates. 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.

There are also two other French banking groups which have a shareholder structure along the lines outlined above, but which were set up more recently, namely Groupe Caisse d'Épargne and Groupe Banques Populaires. Groupe Caisse d'Épargne was established in 1999, the first year for which consolidated financial statements are available. Its central organization is the Caisse Nationale des Caisses d'Épargne et de Prévoyance (CNCE), 65% of which is owned by 30 local savings banks, which in turn are owned by 450 local savings institutions with 3.1 million shareholders, and the remaining 35% by the Caisse des Dépôts et Consignations (CDC). CNCE also owns Crédit Foncier de France and investment bank Ixis (⁴²). Groupe Banque Populaire was set up in May 2001, the year from which it has prepared consolidated reporting.

⁴² The Caisse d'Épargne group recorded total assets at year-end 2004 worth EUR 543,911m, shareholders' equity of EUR 18,022m and net profit for the twelve months of EUR 1,785m.

Its central body at national level is Banque Fédérale des Banques Populaires, which is owned by 21 co-operative banks with approximately 2.8 million shareholders⁽⁴³⁾. These two groups have not been included in our survey, because it has not been possible to construct series of like-for-like data for them for the period under review.

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. In terms of shareholder structure, Norinchukin Bank was owned by 4,919 co-operatives at 31 March 2005, while at the same date the Japanese government's stake in Shoko Chukin Bank was 78.4%, with the outstanding share capital owned by co-operative companies comprised of small and medium-sized firms.

Shinkin Central Bank acts as central bank for the 298 Japanese co-operative banks, or *shinkin*, which constituted the company's shareholders as at 31 March 2005. Each co-operative bank is entitled to one vote at the central bank's annual general meeting. The co-operative banks in turn are owned by over 9 million shareholders, both individual investors and small- and medium-sized businesses, and as at the financial-year-end 2004 had a network of 7,878 branches, 117,100 employees and funding of JPY 107,433bn.

⁴³ The Banque Populaire group recorded total assets at year-end 2004 worth EUR 250,404m, shareholders' equity of EUR 11,768m, and net profit for the twelve months of EUR 1,059m.

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

A summary description of the main M&A transactions to take place between the banks included in this survey is provided below. A detailed chronological list of all such transactions is found in Table III.2.

In **Germany**, the merger between Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel-Bank in 1998 led to the creation of Bayerische Hypo- und Vereinsbank (HVB), the second largest bank in the country after Deutsche Bank. Deutsche Bank in turn acquired US-based Bankers Trust in 1999, and in 2000 HVB turned protagonist when it acquired Bank Austria, which itself had merged with Creditanstalt in 1997⁽⁴⁴⁾. In 2002 three of the leading German banks, i.e. Deutsche Bank, Commerzbank and Dresdner Bank, deconsolidated their respective activities in the mortgage lending sector and spun them off into Eurohypo, in which they each took a minority stake. Agreement was then reached between the banks in November 2005 for Commerzbank to acquire the other two banks' larger stakes⁽⁴⁵⁾. Again in November 2005, UniCredito Italiano acquired control of HVB via a public tender offer.

In **France**, Crédit Agricole acquired Banque Indosuez from Compagnie Financière de Suez in 1996, while in 1998 Crédit Mutuel took a majority stake in Union Européenne de CIC (now Crédit Industriel et Commercial-CIC) as part of its privatization by the French government. In 1999, the Banque Nationale de Paris managed to fend off Société Générale's bid for Paribas by acquiring it and changing its name to BNP Paribas. In 2000 Crédit Commercial de France was acquired by

⁴⁴ In July 2003 HVB had sold a 25% share in Bank Austria Creditanstalt on the market, which netted proceeds of approx. EUR 1bn. 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.

⁴⁵ It was established that acquisition of an aggregate 66.2% share in Eurohypo would take place in two stages: a 17.2% stake was acquired on 15 December 2005, and the other 49% on 31 March 2006. The total outlay for Commerzbank is EUR 4.56bn in cash.

UK group HSBC Holdings. Also in 1999 Crédit Lyonnais was privatized, and a core shareholder group was set up which controlled roughly one-third of its share capital; Crédit Agricole held the largest share, amounting to 11% of the voting rights, before acquiring all the bank's share capital following a public tender offer in 2003.

In the **Benelux** countries, Banque Bruxelles Lambert was bought by Dutch company ING Groep with effect from 1 January 1998, while in the same year Belgian-Dutch group Fortis⁽⁴⁶⁾ acquired the largest bank in Belgium, Générale de Banque. Other major same-country transactions were: in **Switzerland**, Unione di Banche Svizzere and Società di Banca Svizzera merging in 1998 to become the UBS group; in **Spain**, Banco Santander acquiring Banco Central Hispanoamericano in 1999, plus Banco Bilbao Vizcaya acquiring Argentaria in 2000; in **Italy**, Banca Intesa buying Banca Commerciale Italiana in 1999; in the **United Kingdom**, the Royal Bank of Scotland group buying the National Westminster Bank in 2000, and in 2001 Halifax and the Bank of Scotland merging to form a single holding company named HBOS. In **Denmark**, in 2000 Danske Bank acquired RealDanmark, the holding company which owns BG Bank, the third largest bank in the country prior to this transaction, and Realkredit Danmark, a mortgage lender.

There were major cross-border transactions in **Scandinavia**, notably the merger between Nordbanken of Sweden and Finnish group Merita in 1998 then controlled by Nordic Baltic Holding (now Nordea), and the latter's acquisition in 2000 of Danish holding company Unidanmark, which owns Unibank, along with Danish insurer Tryg-Baltica Forsikring and Norwegian insurance company Vesta, both of which were acquired in 1999. Nordea then also took control of the smaller Norwegian Christiania Bank og Creditkasse at year-end 2004.

The two largest cross-border transactions in Europe took place in the last two years: in 2004 Spanish group Santander acquired British bank

⁴⁶ 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 two holding companies' shares were replaced with a single set of shares, with the result that now shareholders in the combined entity remain shareholders in and retain equal voting rights in respect of both holding companies.

Abbey National, and in 2005 UniCredito Italiano acquired HVB of Germany.

In **Japan**, several major aggregations took place during the 2000 and 2001 fiscal years⁽⁴⁷⁾ which involved the largest banks belonging to different business groupings⁽⁴⁸⁾. In September 2000, Fuji Bank, Dai-Ichi Kangyo Bank and the medium-/short-term credit institution IBJ were grouped under the common holding company Mizuho Holdings and subsequently came to report to the new Mizuho Financial Group⁽⁴⁹⁾. A further three transactions took place in 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 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 (the entity deriving from a previous merger between the Bank of Kinki and the Bank of Osaka) and the smaller Nara Bank were grouped under Daiwa Bank Holdings (subsequently Resona Holdings),

⁴⁷ The fiscal year in Japan runs from 1 April to 31 March of the following calendar year.

⁴⁸ 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 belonging to them is based on a subjective and voluntary decision. The chairmen of the companies comprised in the grouping 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 organization; 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.

⁴⁹ Mizuho Financial Group was set up in January 2003, and acquired control of Mizuho Holdings the following March.

which merged with Ashai Bank in March 2002. In 2004 Hokugin Financial Group, which in 2003 had bought Hokuriku Bank, then acquired Hokkaido Bank, and took on the name Hokuohoku 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 bank in the world by total assets.

In the **United States**, Citicorp and insurer Travelers Group merged in 1998 to form Citigroup. Citigroup then acquired two smaller banks: Associates First Capital (which was established in 1998 following a spin-off by the Ford Motor group) in 2000, and Golden State Bancorp in 2002. Three other mergers also took place in 1998 which involved groups of virtually the same size, enabling the new combined entities to double in size and rank among the leading players in the country by total assets. These were: NationsBank and BankAmerica, with the former taking on the name of the latter before the new entity assumed its current moniker of Bank of America; Banc One and First Chicago NBD, which combined to form Bank One; and Wells Fargo & Co. which acquired Norwest. The merger between Chase Manhattan 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 merged with Wachovia in 2001 and took over its name, and Firststar, which having acquired Mercantile Bancorp in 1999, then acquired U.S. Bancorp and assumed its name.

Several significant new mergers took place in 2004: in April the Bank of America acquired FleetBoston Financial, and in July JPMorgan Chase & Co. bought Bank One, which strengthened their positions as the third and second largest US banks by total assets respectively; and in November, Wachovia acquired SouthTrust. Consolidation in the US banking sector continued into 2005, when Bank of America acquired MBNA.

* * *

One unusual feature involves *investment banking* activities, which for most of the banks included in the survey featured organic growth. That said, there were several notable acquisitions during the period, involving the Swiss banks, German banks Deutsche Bank and Dresdner Bank, and ING Groep of the Netherlands. Swiss bank Società di Banca Svizzera, which subsequently became part of UBS, bought the investment banking arm of London-based SG Warburg Group plc in 1995 to create SBC Warburg, then acquired US investment bank Dillon Read in 1997. The Credit Suisse Group, also of Switzerland, which had acquired control of The First Boston in 1988, bought BZW from Barclays in 1997, and in 2000, acquired Donaldson, Lufkin & Jenrette. In 1995 Deutsche Bank bought Morgan Grenfell and Dresdner Bank bought Kleinwort Benson, while the former further strengthened its position when it acquired Bankers Trust in 1999, while the latter purchased Wasserstein Perella in late 2000. After acquiring the Barings group in 1995, ING Groep expanded its investment banking operations with the acquisitions of Banque Bruxelles Lambert in 1998 and German-based BHF-Bank in 1999. Turning to domestic transactions, as already mentioned in France Crédit Agricole acquired Banque Indosuez in 1996, and Banque Nationale de Paris acquired Paribas in 1999, whereas in Italy Istituto Bancario San Paolo di Torino (now Sanpaolo IMI) bought and merged with IMI-Istituto Mobiliare Italiano in 1998. Crédit Agricole, which had set up Crédit Agricole Lazard Financial Products in London under a joint venture with Lazard in 1995, bought a 30.9% stake in, or 20.5% of the voting rights of, Rue Impériale de Lyon, which at the time was the parent company of the Lazard group (this shareholding was transformed into Eurazeo in 2004) ⁽⁵⁰⁾.

This survey does not include the three largest US investment banks, namely Merrill Lynch, Goldman Sachs and Lehman Brothers, on the grounds of their atypical features.

⁵⁰ Following the merger of Rue Impériale de Lyon into Eurazeo which was completed in 2004, Crédit Agricole as at 30 June 2005 held a 15.9% stake in the share capital of Eurazeo, or 20.4% of its voting rights. In 2005 Eurazeo exited ownership of Lazard when the latter applied for listing on the New York Stock Exchange.

ANNEX 3 – Insurance activities

The banks included in this survey generally engage in insurance via subsidiaries, either insurance companies or other specialist operations. Such activities are accounted for differently in the respective consolidated reporting according to the parent company's country of origin, and also due to different legislation and other requirements in respect of financial reporting by the various supervisory authorities. For example, insurance activities are not included in consolidated accounts in Italy, Spain and Denmark, whereas in France they have been consolidated using the line-by-line method since 1999 after previously having been equity-accounted. In Holland, Belgium, Switzerland and Germany insurance activities have been fully consolidated for the entire period we cover, although of the German banks only Deutsche Bank and DZ Bank included insurance activities in their consolidated reporting, and the latter only as of 2001. UK banks, meanwhile, value long-term insurance businesses using the embedded value method. This includes a prudent valuation of discounted future earnings expected to derive from business currently in force, taking into account factors such as recent experience and general economic conditions, together with the surplus retained in the long-term assurance funds. The value is calculated annually and any differences are taken through profit and loss. A summary of banking and insurance activities for European banks in the last three years is provided below:

	Current pre-tax profit			Total assets (1)		
	2002	2003	2004	2002	2003	2004
	<i>EUR bn</i>			<i>EUR bn</i>		
Banking	68.9	92.8	115.0	14,864.4	15,157.5	16,802.0
Insurance	12.8	15.8	18.8	928.4	954.1	984.1
Total	81.7	108.6	133.8	15,792.8	16,111.6	17,786.1
	<i>as % of total income</i>			<i>as % of total assets</i>		
Banking	17.9	23.9	28.0	94.1	94.1	94.5
Insurance	3.4	4.0	4.6	5.9	5.9	5.5
Total	21.3	27.9	32.6	100.0	100.0	100.0

(1) Technical reserves in the case of insurance activities.

Of the US banks, only Citigroup includes an insurance company in its consolidated reporting following its merger in 1998 with Travelers Group, which itself was reduced in 2002 when the property and casualty side was sold (⁵¹). Insurance activities accounted for 1.2% of US banks' aggregate current pre-tax profit in 2004, compared with 0.9% in 2003 and 2.3% in 2002, while technical reserves represented 1.4% of total assets in 2004 and 2003, and 1.3% in 2002.

In the aggregate figures provided in this survey, current pre-tax profit from insurance activities has been taken through profit and loss under *Net fee and commission income* while investments are reported in the balance sheet as *Other assets* and technical reserves as *Other liabilities*.

As from 1 January 2005 listed companies in the EU have adopted IAS/IFRS, which require them to consolidated insurance activities using the line-by-line method.

⁵¹ 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 1.2bn, 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 11.8bn, USD 10.8bn of which in cash and USD 1bn in MetLife shares.

II. STATISTICAL TABLES

TABLE II.1 - PROFIT AND LOSS ACCOUNTS

68 BANKS

	1998		1999		2000		2001		2002		2003		2004	
	EUR m	%	EUR m	%	EUR m	%	EUR m	%	EUR m	%	EUR m	%	EUR m	%
Interest receivable and similar income	962,227		1,026,779		1,215,962		1,222,815		973,991		822,273		851,223	
Interest payable and similar expenses	-666,442		-680,728		-850,101		-813,647		-585,288		-458,757		-488,971	
Interest margin	295,785	55.1	346,051	52.8	365,861	48.7	409,168	50.7	388,703	52.3	363,516	51.4	362,252	50.4
Commissions receivable and other operating income (1)	194,316	36.2	244,332	37.3	300,729	40.1	318,714	39.5	288,238	38.8	274,377	38.8	288,664	40.2
Commissions payable and other operating expenses	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Dividends and share of profit (loss)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Gains (losses) on financial transactions	46,998	8.8	64,612	9.9	83,949	11.2	79,259	9.8	65,813	8.9	69,600	9.8	67,714	9.4
Total income	537,099	100.0	654,995	100.0	750,539	100.0	807,141	100.0	742,754	100.0	707,493	100.0	718,630	100.0
Labour costs	...	...	...	...	...	...	...	...	...	...	...	...	...	...
General expenses (2)	-305,210	-56.8	-365,253	-55.8	-420,839	-56.1	-454,241	-56.3	-413,158	-55.6	-384,223	-54.3	-388,744	-54.1
Bad debts recovered (written off)	-129,767	-24.2	-88,945	-13.6	-88,633	-11.8	-139,174	-17.2	-119,942	-16.1	-87,407	-12.4	-56,154	-7.8
Depreciation and amortization	-24,111	-4.5	-28,779	-4.4	-34,090	-4.5	-36,574	-4.5	-34,776	-4.7	-30,834	-4.4	-29,972	-4.2
Current pre-tax profit	78,011	14.5	172,018	26.3	206,977	27.6	177,152	21.9	174,878	23.5	205,029	29.0	243,760	33.9
Amortization of goodwill	-6,734	-1.3	-7,336	-1.1	-9,549	-1.3	-14,307	-1.8	-12,724	-1.7	-10,729	-1.5	-7,786	-1.1
Transfer to credit risk provision	-17,577	-3.3	-3,581	-0.5	-1,560	-0.2	-4,584	-0.6	-254	0.0	-148	0.0	-67	0.0
Transfer from (to) reserves	-705	-0.1	-2,225	-0.3	-1,404	-0.2	-2,165	-0.3	-48	0.0	-534	-0.1	-711	-0.1
Fixed asset revaluations (writedowns)	-6,587	-1.2	-6,171	-0.9	-6,514	-0.9	-24,286	-3.0	-27,242	-3.7	-6,886	-1.0	-6,489	-0.9
Extraordinary items	26,154	4.9	55,618	8.5	34,236	4.6	104	0.0	-4,980	-0.7	7,879	1.1	-2,680	-0.4
Cumulative effect of accounting changes	0	0.0	-210	0.0	-49	0.0	-689	-0.1	-1,230	-0.2	-197	0.0	14	0.0
Profit (loss) before tax	72,562	13.5	208,113	31.8	222,137	29.6	131,225	16.3	128,400	17.3	194,414	27.5	226,041	31.5
Taxation	-29,082	-5.4	-72,045	-11.0	-68,406	-9.1	-40,661	-5.0	-52,910	-7.1	-68,085	-9.6	-69,445	-9.7
Profit attributable to minorities	-3,565	-0.7	-4,863	-0.7	-7,754	-1.0	-7,511	-0.9	-6,832	-0.9	-7,637	-1.1	-8,666	-1.2
Net profit attributable to parent company	39,915	7.4	131,205	20.0	145,977	19.4	83,053	10.3	68,658	9.2	118,692	16.8	147,930	20.6
<i>Dividends payout</i>	37,501	7.0	48,623	7.4	56,375	7.5	62,328	7.7	56,279	7.6	60,200	8.5	67,788	9.4

(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

68 BANKS

	1998		1999		2000		2001		2002		2003		2004	
	EUR m	%	EUR m	%	EUR m	%	EUR m	%	EUR m	%	EUR m	%	EUR m	%
Cash and deposits at central banks	3,527,476	18.4	4,452,384	19.2	5,283,817	20.2	5,676,447	20.9	5,534,350	21.7	5,637,030	22.4	6,120,767	22.8
Fixed-income securities	3,016,440	15.7	3,363,017	14.5	3,589,790	13.7	3,900,717	14.4	3,756,205	14.7	3,854,804	15.3	4,164,510	15.5
Loans and advances to banks (1)	9,694,868	50.4	11,641,943	50.1	12,762,862	48.8	12,835,240	47.3	12,030,954	47.1	11,426,882	45.5	11,961,308	44.5
Loans and advances to customers	16,238,784	84.5	19,457,344	83.7	21,636,469	82.8	22,412,404	82.5	21,321,509	83.5	20,918,716	83.3	22,246,585	82.7
Loans, advances and cash														
Equity shares	565,720	2.9	812,307	3.5	896,749	3.4	773,611	2.8	569,310	2.2	682,621	2.7	837,273	3.1
Interests in subsidiaries and associated	125,604	0.7	156,815	0.7	188,602	0.7	208,713	0.8	177,364	0.7	163,049	0.6	164,621	0.6
Intangible assets	23,018	0.1	34,825	0.1	57,335	0.2	73,485	0.3	61,019	0.2	67,003	0.3	74,764	0.3
Net tangible assets	218,402	1.1	254,611	1.1	268,333	1.0	275,016	1.0	248,650	1.0	221,108	0.9	224,071	0.8
Other assets	1,986,536	10.3	2,433,970	10.5	2,908,609	11.1	3,200,914	11.8	2,965,852	11.6	2,868,686	11.4	3,080,067	11.5
Total	19,158,064	99.7	23,149,872	99.6	25,956,097	99.3	26,944,143	99.2	25,343,704	99.2	24,921,183	99.2	26,627,381	99.0
Deposits by banks	3,679,014	19.1	4,234,288	18.2	4,857,702	18.6	5,052,809	18.6	4,927,004	19.3	4,889,547	19.5	5,276,314	19.6
Customer deposits	8,969,275	46.7	10,767,307	46.3	11,967,029	45.8	12,618,601	46.5	11,834,422	46.3	11,459,735	45.6	12,031,831	44.7
Debt securities and certif. of deposit	2,820,331	14.7	3,518,905	15.1	3,830,443	14.7	3,916,308	14.4	3,684,148	14.4	3,571,694	14.2	3,844,749	14.3
Subordinated liabilities	429,015	2.2	547,466	2.4	620,773	2.4	666,028	2.5	608,154	2.4	579,907	2.3	583,922	2.2
Total funding	15,897,635	82.7	19,067,966	82.0	21,275,947	81.4	22,253,746	81.9	21,053,728	82.4	20,500,883	81.6	21,736,816	80.8
Provision for employee benefits	31,068	0.2	36,126	0.2	48,103	0.2	44,002	0.2	47,169	0.2	42,812	0.2	47,767	0.2
Provision for deferred taxation	43,931	0.2	63,272	0.3	79,793	0.3	76,764	0.3	77,834	0.3	68,575	0.3	62,859	0.2
Credit risk provision	17,729	0.1	19,464	0.1	16,161	0.1	17,686	0.1	12,182	0.0	11,856	0.0	10,417	0.0
Other liabilities	2,317,204	12.1	2,932,712	12.6	3,438,275	13.2	3,430,929	12.6	3,156,469	12.4	3,284,372	13.1	3,705,181	13.8
Total liabilities	18,307,567	95.3	22,119,540	95.2	24,858,279	95.1	25,823,127	95.1	24,347,382	95.3	23,908,498	95.2	25,563,040	95.0
Goodwill	59,389	0.3	93,949	0.4	184,036	0.7	218,449	0.8	203,516	0.8	193,247	0.8	269,566	1.0
Net worth	909,886	4.7	1,124,281	4.8	1,281,854	4.9	1,339,465	4.9	1,199,838	4.7	1,205,932	4.8	1,333,907	5.0
<i>represented by:</i>														
Issued share capital	194,473	1.0	230,774	1.0	226,599	0.9	214,121	0.8	191,005	0.7	186,336	0.7	203,592	0.8
Reserves	684,388	3.6	860,589	3.7	1,005,119	3.8	1,069,182	3.9	955,130	3.7	954,970	3.8	1,059,425	3.9
Own shares	-22,447	-0.1	-40,440	-0.2	-41,692	-0.2	-44,852	-0.2	-44,819	-0.2	-40,607	-0.2	-47,295	-0.2
Total	856,414	4.5	1,050,923	4.5	1,190,026	4.6	1,238,451	4.6	1,101,316	4.3	1,100,699	4.4	1,215,722	4.5
Minority interests	53,472	0.3	73,358	0.3	91,828	0.4	101,014	0.4	98,522	0.4	105,233	0.4	118,185	0.4
Funding from customers	12,218,621	63.6	14,833,678	63.8	16,418,245	62.8	17,200,937	63.3	16,126,724	63.1	15,611,336	62.2	16,460,502	61.2
Total assets	19,217,453	100.0	23,243,821	100.0	26,140,133	100.0	27,162,592	100.0	25,547,220	100.0	25,114,430	100.0	26,896,947	100.0

(1) Including cash and central banks deposits.

TABLE II.3 - EMPLOYEES

68 BANKS

	1998	1999	2000	2001	2002	2003	2004
Average number of staff	3,130,047	3,246,780	3,419,673	3,593,938	3,588,334	3,570,190	3,569,347
of which: from country of origin (%)	...	...	...	...	...	...	...
from elsewhere (%)	...	...	...	...	...	...	...

TABLE II.4 - FINANCIAL RATIOS

68 BANKS

	1998	1999	2000	2001	2002	2003	2004
Funding from customers per employee ('000 EUR) (1)	3,906	4,603	4,842	4,892	4,599	4,464	4,685
Loans and advances to customers per employee ('000 EUR) (1)	3,099	3,613	3,765	3,651	3,431	3,267	3,405
Labour cost per employee ('000 EUR)	...	...	...	...	...	...	...
Cost / income ratio (%)	61.3	60.2	60.6	60.8	60.3	58.7	58.3
Bad debts written off as % of total income (2)	24.2	13.6	11.8	17.2	16.1	12.4	7.8
Dividends payout as % of net profit	94.0	37.1	38.6	75.0	82.0	50.7	45.8
ROE (%)	4.9	14.3	14.0	7.2	6.6	12.1	13.9
ROA (%)	0.2	0.6	0.6	0.3	0.3	0.5	0.5
Doubtful loans as % of loans to customers (3)	1.6	1.7	1.7	2.2	1.8	1.3	0.8
Doubtful loans as % of net worth (3)	16.6	17.6	16.5	20.6	17.6	12.2	7.2
Loans, advances and cash as % of total funding	102.1	102.0	101.7	100.7	101.3	102.0	102.3
Fixed assets as % of net worth	46.9	48.0	54.5	57.9	57.6	53.4	55.0

Funding from customers = customer deposits plus debt securities and certificates of deposit plus subordinated liabilities.

Fixed assets = interests in subsidiaries and associated plus net tangible and intangible assets plus goodwill.

(1) Calculated excluding staff employed in insurance operations where possible based on information available.

(2) Net of recovered.

(3) Calculated only on the basis of those exposures not completely covered by provisions. Figures cover Groups which accounted for 81.3% in 1998, 88.8% in 1999, 93.1% in 2000, 95.4% in 2001, 94.2% in 2002, 94.1% in 2003 and 95.9% in 2004 of loans to customers of the sample.

TABLE II.1 - PROFIT AND LOSS ACCOUNTS

	1995		1996		1997		1998		1999		2000		2001		2002		2003		2004	
	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	495,912		500,487		547,211		590,016		608,346		755,348		790,539		664,435		575,785		605,898	
Interest payable and similar expenses	-373,351		-371,214		-408,551		-445,659		-450,520		-587,139		-603,670		-473,074		-383,140		-410,608	
Interest margin	122,561	59.4	129,273	57.3	138,660	53.9	144,357	51.9	157,826	48.5	168,209	43.7	186,869	45.5	191,361	49.8	192,645	49.5	195,290	47.6
Commissions receivable and other operating income	69,879	33.9	79,910	35.4	100,370	39.0	116,907	42.0	145,879	44.8	177,025	46.0	185,424	45.1	176,712	46.0	174,853	45.0	189,019	46.1
Commissions payable and other operating expenses	-12,610	-6.1	-14,876	-6.6	-18,380	-7.1	-19,733	-7.1	-28,837	-8.9	-27,966	-7.3	-29,595	-7.2	-30,938	-8.1	-33,336	-8.6	-36,281	-8.8
Dividends and share of profit (loss)	6,667	3.2	7,632	3.4	9,397	3.7	10,348	3.7	11,322	3.5	14,300	3.7	15,026	3.7	9,404	2.4	12,135	3.1	14,824	3.6
Gains (losses) on financial transactions	19,765	9.6	23,683	10.5	27,284	10.6	26,430	9.5	39,251	12.1	53,210	13.8	52,972	12.9	37,770	9.8	42,512	10.9	47,466	11.6
Total income	206,262	100.0	225,622	100.0	257,331	100.0	278,309	100.0	325,441	100.0	384,778	100.0	410,696	100.0	384,309	100.0	388,809	100.0	410,318	100.0
Labour costs	-80,935	-39.2	-85,771	-38.0	-96,210	-37.4	-101,556	-36.5	-119,687	-36.8	-142,013	-36.9	-155,897	-38.0	-146,162	-38.0	-140,520	-36.1	-144,205	-35.1
General expenses	-45,436	-22.0	-49,058	-21.7	-57,552	-22.4	-63,928	-23.0	-71,354	-21.9	-83,333	-21.7	-93,773	-22.8	-88,221	-23.0	-82,757	-21.3	-86,862	-21.2
Bad debts recovered (written off)	-22,532	-10.9	-23,536	-10.4	-23,577	-9.2	-30,648	-11.0	-25,693	-7.9	-23,389	-6.1	-36,740	-8.9	-48,438	-12.6	-38,880	-10.0	-28,376	-6.9
Depreciation and amortization	-10,612	-5.1	-11,491	-5.1	-12,269	-4.8	-13,279	-4.8	-15,348	-4.7	-18,105	-4.7	-20,258	-4.9	-19,773	-5.1	-18,013	-4.6	-17,047	-4.2
Current pre-tax profit	46,747	22.7	55,766	24.7	67,723	26.3	68,898	24.8	93,359	28.7	117,938	30.7	104,028	25.3	81,715	21.3	108,639	27.9	133,828	32.6
Amortization of goodwill	-1,035	-0.5	-1,156	-0.5	-2,925	-1.1	-3,389	-1.2	-3,370	-1.0	-5,640	-1.5	-9,738	-2.4	-12,051	-3.1	-10,680	-2.7	-7,620	-1.9
Transfer to credit risk provision	-369	-0.2	-1,298	-0.6	-814	-0.3	-339	-0.1	-247	-0.1	-136	0.0	-204	0.0	-2	0.0	-111	0.0	-24	0.0
Transfer from (to) reserves	-706	-0.3	-2,336	-1.0	-1,923	-0.7	-720	-0.3	-2,225	-0.7	-1,404	-0.4	-2,035	-0.5	-47	0.0	-534	-0.1	-685	-0.2
Fixed asset revaluations (writedowns)	-582	-0.3	-1,155	-0.5	225	0.1	-969	-0.3	118	0.0	-741	-0.2	-5,038	-1.2	-7,436	-1.9	-5,695	-1.5	-883	-0.2
Extraordinary items	1,561	0.8	-969	-0.4	-2,166	-0.8	10,548	3.8	11,685	3.6	17,726	4.6	11,608	2.8	12,410	3.2	3,501	0.9	1,898	0.5
Cumulative effect of accounting changes	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	-325	-0.1	-736	-0.2	-175	0.0	-50	0.0
Profit (loss) before tax	45,616	22.1	48,852	21.7	60,120	23.4	74,029	26.6	99,320	30.5	127,743	33.2	98,296	23.9	73,853	19.2	94,945	24.4	126,464	30.8
Taxation	-14,810	-7.2	-17,460	-7.7	-18,613	-7.2	-23,576	-8.5	-28,582	-8.8	-32,468	-8.4	-26,444	-6.4	-23,548	-6.1	-28,494	-7.3	-34,734	-8.5
Profit attributable to minorities	-2,271	-1.1	-2,596	-1.2	-3,397	-1.3	-3,202	-1.2	-4,221	-1.3	-6,611	-1.7	-6,625	-1.6	-5,557	-1.4	-5,955	-1.5	-6,949	-1.7
Net profit attributable to parent company	28,535	13.8	28,796	12.8	38,110	14.8	47,251	17.0	66,517	20.4	88,664	23.0	65,227	15.9	44,748	11.6	60,496	15.6	84,781	20.7
<i>Dividends payout</i>	13,023	6.3	13,293	5.9	17,093	6.6	20,500	7.4	25,512	7.8	32,237	8.4	33,399	8.6	32,929	8.6	36,144	9.3	40,071	9.8

TABLE II.2 - FINANCIAL STATEMENTS

EUROPE

	1995		1996		1997		1998		1999		2000		2001		2002		2003		2004	
	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	56,654	0.7	65,079	0.7	75,288	0.7	78,553	0.7	124,783	1.0	131,272	0.9	168,091	1.0	151,990	1.0	159,348	1.0	169,238	1.0
Fixed-income securities	1,299,582	16.2	1,532,767	17.3	1,880,526	18.2	2,139,648	19.3	2,525,350	19.6	2,863,945	19.3	3,353,089	20.6	3,192,729	20.2	3,277,457	20.3	3,696,113	20.8
Loans and advances to banks	1,778,353	22.1	1,892,370	21.4	2,116,931	20.5	2,110,649	19.1	2,159,606	16.8	2,350,913	15.9	2,576,817	15.9	2,550,480	16.1	2,666,181	16.5	2,939,995	16.5
Loans and advances to customers	3,944,964	49.1	4,261,478	48.2	4,816,665	46.7	5,047,912	45.6	5,790,523	45.0	6,627,198	44.7	6,996,116	43.1	6,953,612	44.0	6,950,158	43.1	7,488,098	42.1
Loans, advances and cash	7,079,553	88.1	7,751,694	87.7	8,889,410	86.3	9,376,762	84.7	10,600,262	82.3	11,973,328	80.8	13,094,113	80.6	12,848,811	81.4	13,053,144	81.0	14,293,444	80.4
Equity shares	114,035	1.4	143,261	1.6	187,379	1.8	227,263	2.1	355,401	2.8	470,293	3.2	460,561	2.8	361,782	2.3	466,122	2.9	604,804	3.4
Interests in subsidiaries and associated	80,111	1.0	81,266	0.9	88,824	0.9	119,314	1.1	145,711	1.1	172,872	1.2	194,816	1.2	166,933	1.1	153,079	1.0	145,511	0.8
Intangible assets	3,100	0.0	3,115	0.0	4,501	0.0	6,037	0.1	7,207	0.1	19,048	0.1	18,612	0.1	18,715	0.1	21,311	0.1	21,020	0.1
Net tangible assets	106,313	1.3	107,518	1.2	115,302	1.1	121,840	1.1	135,311	1.1	150,536	1.0	166,172	1.0	155,655	1.0	144,758	0.9	156,557	0.9
Other assets	643,011	8.0	741,114	8.4	1,009,337	9.8	1,210,899	10.9	1,595,020	12.4	1,930,276	13.0	2,184,900	13.5	2,130,715	13.5	2,161,182	13.4	2,436,520	13.7
Total	8,026,123	99.9	8,827,968	99.9	10,294,753	99.9	11,062,115	99.9	12,838,912	99.7	14,716,353	99.3	16,119,174	99.3	15,682,611	99.3	15,999,596	99.3	17,657,856	99.3
Deposits by banks	2,038,325	25.4	2,227,708	25.2	2,513,694	24.4	2,520,807	22.8	2,776,681	21.6	3,187,259	21.5	3,381,347	20.8	3,276,425	20.7	3,405,548	21.1	3,753,156	21.1
Customers deposits	3,283,844	40.9	3,553,509	40.2	4,098,540	39.8	4,255,425	38.4	4,720,034	36.7	5,440,051	36.7	6,136,576	37.8	5,962,059	37.8	6,042,713	37.5	6,591,929	37.1
Debt securities and certif. of deposit	1,459,870	18.2	1,600,916	18.1	1,818,059	17.6	2,091,786	18.9	2,533,957	19.7	2,795,352	18.9	3,009,847	18.5	2,927,810	18.5	2,853,761	17.7	3,131,912	17.6
Subordinated liabilities	143,923	1.8	162,447	1.8	195,275	1.9	205,666	1.9	269,523	2.1	317,547	2.1	361,439	2.2	363,618	2.3	360,651	2.2	370,387	2.1
Total funding	6,925,962	86.2	7,544,580	85.4	8,625,568	83.7	9,073,684	81.9	10,300,195	80.0	11,740,209	79.2	12,889,209	79.4	12,529,912	79.3	12,662,673	78.6	13,847,384	77.9
Provision for employee benefits	20,038	0.2	20,362	0.2	20,578	0.2	25,183	0.2	28,714	0.2	41,399	0.3	37,946	0.2	41,554	0.3	39,243	0.2	44,665	0.3
Provision for deferred taxation	12,735	0.2	15,137	0.2	19,507	0.2	24,742	0.2	35,395	0.3	42,630	0.3	41,745	0.3	43,104	0.3	37,998	0.2	38,501	0.2
Credit risk provision	7,547	0.1	7,600	0.1	7,238	0.1	8,020	0.1	6,958	0.1	8,311	0.1	9,413	0.1	9,097	0.1	9,224	0.1	8,093	0.0
Other liabilities	726,633	9.0	892,453	10.1	1,223,228	11.9	1,493,278	13.5	1,972,674	15.3	2,351,742	15.9	2,546,810	15.7	2,512,514	15.9	2,681,306	16.6	3,106,611	17.5
Total liabilities	7,692,915	95.8	8,480,132	96.0	9,896,119	96.0	10,624,907	95.9	12,343,936	95.9	14,184,291	95.7	15,525,123	95.6	15,136,181	95.8	15,430,444	95.8	17,045,254	95.8
Goodwill	7,125	0.1	9,027	0.1	9,838	0.1	13,681	0.1	33,344	0.3	109,439	0.7	118,722	0.7	110,192	0.7	112,021	0.7	128,200	0.7
Net worth	340,333	4.2	356,863	4.0	408,472	4.0	450,889	4.1	528,320	4.1	641,501	4.3	712,773	4.4	656,622	4.2	681,173	4.2	740,802	4.2
<i>represented by:</i>																				
Issued share capital	60,319	0.8	61,442	0.7	65,719	0.6	68,071	0.6	71,716	0.6	71,214	0.5	84,288	0.5	85,961	0.5	88,901	0.6	85,390	0.5
Reserves	258,429	3.2	273,683	3.1	317,250	3.1	354,089	3.2	416,861	3.2	514,391	3.5	566,644	3.5	517,736	3.3	531,824	3.3	592,882	3.3
Own shares	-2,582	0.0	-3,925	0.0	-5,456	-0.1	-6,488	-0.1	-10,299	-0.1	-12,891	-0.1	-10,124	-0.1	-13,182	-0.1	-13,736	-0.1	-19,083	-0.1
Total	316,166	3.9	331,200	3.7	377,513	3.7	415,672	3.8	478,278	3.7	572,714	3.9	640,808	3.9	590,515	3.7	606,989	3.8	659,189	3.7
Minority interest	24,167	0.3	25,663	0.3	30,959	0.3	35,217	0.3	50,042	0.4	68,787	0.5	71,965	0.4	66,107	0.4	74,184	0.5	81,613	0.5
Funding from customers	4,887,637	60.8	5,316,872	60.2	6,111,874	59.3	6,552,877	59.2	7,523,514	58.4	8,552,950	57.7	9,507,862	58.6	9,253,487	58.6	9,257,125	57.5	10,094,228	56.8
Total assets	8,033,248	100.0	8,836,995	100.0	10,304,591	100.0	11,075,796	100.0	12,872,256	100.0	14,825,792	100.0	16,237,896	100.0	15,792,803	100.0	16,111,617	100.0	17,786,056	100.0

TABLE II.3 - EMPLOYEES

EUROPE

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Average number of staff	1,638,838 (1)	1,688,809	1,788,883	1,860,152	1,957,617	2,090,184	2,224,308	2,219,167	2,206,122	2,187,928
<i>of which:</i> from country of origin (%) (2)	...	73.8	69.7	67.2	65.2	58.5	55.9	55.3	54.4	53.4
from elsewhere (%) (2)	...	26.2	30.3	32.8	34.8	41.5	44.1	44.7	45.6	46.6

(1) For 52 of the 55 companies subsequently considered.

(2) Figures for companies which cover 57% of total number of staff in 1996, 58% in 1997, 65% in 1998, 71% in 1999, 89% in 2000, 90% in 2001, 90% in 2002 and 91% in 2004.

TABLE II.4 - FINANCIAL RATIOS

EUROPE

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Funding from customers per employee ('000 EUR) (1)	2,937 (2)	3,202	3,525	3,635	3,965	4,220	4,430	4,329	4,339	4,735
Loans and advances to customers per employee ('000 EUR) (1)	2,389 (2)	2,566	2,778	2,800	3,052	3,270	3,260	3,253	3,258	3,513
Labour cost per employee ('000 EUR) (1)	49 (2)	52	56	57	64	71	74	70	67	69
Cost / income ratio (%)	66.4	64.9	64.5	64.2	63.4	63.2	65.8	66.1	62.1	60.5
Bad debts written off as % of total income (3)	10.9	10.4	9.2	11.0	7.9	6.1	8.9	12.6	10.0	6.9
Dividends payout as % of net profit	45.6	46.2	44.9	43.4	38.4	36.4	54.3	73.6	59.7	47.3
ROE (%)	9.9	9.5	11.2	12.8	16.2	18.3	11.3	8.2	11.1	14.8
ROA (%)	0.4	0.3	0.4	0.4	0.5	0.6	0.4	0.3	0.4	0.5
Doubtful loans as % of loans to customers (4)	2.3	1.8	1.3	1.2	1.1	1.1	1.2	1.2	1.1	0.9
Doubtful loans as % of net worth (4)	24.7	20.8	15.6	13.8	12.5	10.9	11.2	12.5	11.2	8.6
Loans, advances and cash as % of total funding	102.2	102.7	103.1	103.3	102.9	102.0	101.6	102.5	103.1	103.2
Fixed assets as % of net worth	57.8	56.3	53.5	57.9	60.9	70.4	69.9	68.8	63.3	60.9

Funding from customers = customer deposits plus debt securities and certificates of deposits plus subordinated liabilities.

Fixed assets = interests in subsidiaries and associated plus net tangible and intangible assets plus goodwill.

(1) Calculated excluding staff employed in insurance operations where possible based on information available.

(2) Figures cover Groups which accounted for 96.7% of total assets of the sample.

(3) Net of recovered.

(4) Figures cover Groups which accounted for 41.3% in 1995, 45.3% in 1996, 56% in 1997, 65.3% in 1998, 78.2% in 1999, 86.8% in 2000, 91.5% in 2001, 90% in 2002, 90.3% in 2003 and 93.4% in 2004 of loans to customers of the sample.

TABLE II.1 - PROFIT AND LOSS ACCOUNTS

	1998		1999		2000		2001		2002		2003		2004	
	JPY mld	%	JPY mld	%	JPY mld	%	JPY mld	%	JPY mld	%	JPY mld	%	JPY mld	%
Interest receivable and similar income	20,694		16,834		14,659		12,845		9,915		8,854		8,897	
Interest payable and similar expenses	-13,619		-9,874		-8,007		-5,655		-3,315		-2,481		-2,694	
Interest margin	7,075	66.7	6,960	73.1	6,652	66.4	7,190	67.8	6,600	60.2	6,373	59.0	6,203	60.4
Commissions receivable and other operating income	3,513	33.1	3,427	36.0	3,767	37.6	3,679	34.7	3,376	30.8	3,428	31.7	3,813	37.1
Commissions payable and other operating expenses	-1,204	-11.4	-1,356	-14.2	-1,376	-13.7	-1,235	-11.7	-1,009	-9.2	-827	-7.7	-847	-8.3
Dividends and share of profit (loss) (1)	0	0.0	8	0.1	43	0.4	44	0.4	50	0.5	68	0.6	109	1.1
Gains (losses) on financial transactions	1,223	11.5	486	5.1	937	9.3	921	8.7	1,955	17.8	1,762	16.3	987	9.6
Total income	10,607	100.0	9,525	100.0	10,023	100.0	10,599	100.0	10,972	100.0	10,804	100.0	10,265	100.0
Labour costs	...	...	...	...	...	...	...	...	...	...	...	...	...	...
General expenses (2)	-5,535	-52.2	-5,278	-55.4	-5,271	-52.6	-5,463	-51.5	-5,220	-47.6	-5,002	-46.3	-4,696	-45.7
Bad debts recovered (written off)	-11,528	-108.7	-4,953	-52.0	-4,600	-45.9	-7,649	-72.2	-4,964	-45.2	-4,066	-37.6	-2,130	-20.8
Depreciation and amortization	-458	-4.3	-394	-4.1	-398	-4.0	-466	-4.4	-521	-4.7	-483	-4.5	-462	-4.5
Current pre-tax profit	-6,914	-65.2	-1,100	-11.5	-246	-2.5	-2,979	-28.1	267	2.4	1,253	11.6	2,977	29.0
Amortization of goodwill	-72	-0.7	-34	-0.4	-40	-0.4	-39	-0.4	-84	-0.8	-7	-0.1	-23	-0.2
Transfer to credit risk provision	-2,322	-21.9	-342	-3.6	-152	-1.5	-505	-4.8	-31	-0.3	-5	0.0	0	0.0
Transfer from (to) reserves	2	0.0	0	0.0	0	0.0	-15	-0.1	0	0.0	0	0.0	0	0.0
Fixed asset revaluations (writedowns)	-797	-7.5	-646	-6.8	-403	-4.0	-1,751	-16.5	-2,090	-19.0	-112	-1.0	-789	-7.7
Extraordinary items	2,744	25.9	4,485	47.1	1,797	17.9	-301	-2.8	-1,723	-15.7	617	5.7	585	5.7
Cumulative effect of accounting changes	0	0.0	0	0.0	0	0.0	9	0.1	-1	0.0	0	0.0	-1	0.0
Profit (loss) before tax	-7,359	-69.4	2,363	24.8	956	9.5	-5,581	-52.7	-3,662	-33.4	1,746	16.2	2,749	26.8
Taxation	1,730	16.3	-1,353	-14.2	-562	-5.6	1,560	14.7	-300	-2.7	-1,524	-14.1	-1,282	-12.5
Profit attributable to minorities	-5	0.0	-17	-0.2	-86	-0.9	-82	-0.8	-129	-1.2	-176	-1.6	-197	-1.9
Net profit attributable to parent company	-5,634	-53.1	993	10.4	308	3.1	-4,103	-38.7	-4,091	-37.3	46	0.4	1,270	12.4
<i>Dividends payout</i>	348	3.3	377	4.0	185	1.8	264	2.5	190	1.7	296	2.7	321	3.1

(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

	1998		1999		2000		2001		2002		2003		2004	
	JPY mld	%	JPY mld	%	JPY mld	%	JPY mld	%	JPY mld	%	JPY mld	%	JPY mld	%
Cash and deposits at central banks	91,531	14.2	108,348	16.9	152,720	21.9	138,698	21.4	162,712	25.8	187,335	29.4	201,141	31.1
Fixed-income securities	60,194	9.3	60,131	9.4	63,869	9.2	63,752	9.9	67,147	10.7	70,275	11.0	75,623	11.7
Loans and advances to banks (1)	389,069	60.2	380,117	59.3	384,350	55.2	364,336	56.3	336,690	53.5	321,142	50.4	313,572	48.5
Loans and advances to customers	540,794	83.6	548,596	85.6	600,939	86.2	566,786	87.6	566,549	90.0	578,752	90.8	590,336	91.3
Loans, advances and cash	40,945	6.3	41,506	6.5	37,400	5.4	28,168	4.4	18,767	3.0	20,498	3.2	19,769	3.1
Equity shares	214	0.0	461	0.1	669	0.1	399	0.1	376	0.1	385	0.1	1,571	0.2
Interests in subsidiaries and associated	27	0.0	24	0.0	61	0.0	647	0.1	675	0.1	754	0.1	930	0.1
Intangible assets	8,143	1.3	7,899	1.2	7,713	1.1	6,990	1.1	6,426	1.0	5,493	0.9	4,940	0.8
Net tangible assets	56,293	8.7	42,280	6.6	49,753	7.1	43,766	6.8	36,592	5.8	31,267	4.9	28,674	4.4
Other assets	646,416	100.0	640,766	100.0	696,535	100.0	646,756	100.0	629,385	100.0	637,149	100.0	646,220	99.9
Total	73,694	11.4	63,888	10.0	81,283	11.7	78,081	12.1	97,707	15.5	94,797	14.9	100,233	15.5
Deposits by banks	398,396	61.6	406,114	63.4	438,391	62.9	431,660	66.7	422,063	67.0	433,735	68.1	438,193	67.8
Customers deposits	60,490	9.4	60,785	9.5	57,931	8.3	52,014	8.0	44,697	7.1	40,071	6.3	38,760	6.0
Debt securities and certif. of deposit	17,742	2.7	17,416	2.7	18,166	2.6	16,258	2.5	12,644	2.0	13,079	2.1	13,223	2.0
Subordinated liabilities	550,322	85.1	548,203	85.5	595,771	85.5	578,013	89.4	577,111	91.7	581,682	91.3	590,409	91.3
Total funding	793	0.1	761	0.1	717	0.1	698	0.1	699	0.1	482	0.1	433	0.1
Provision for employee benefits	1,088	0.2	1,003	0.2	1,075	0.2	840	0.1	717	0.1	721	0.1	941	0.1
Provision for deferred taxation	1,308	0.2	1,285	0.2	839	0.1	954	0.1	180	0.0	116	0.0	84	0.0
Credit risk provision	64,273	9.9	58,940	9.2	67,968	9.8	41,744	6.5	29,916	4.8	28,795	4.5	27,104	4.2
Other liabilities	617,784	95.5	610,192	95.2	666,370	95.6	622,249	96.2	608,623	96.7	611,796	96.0	618,971	95.7
Total liabilities	195	0.0	256	0.0	288	0.0	151	0.0	95	0.0	88	0.0	433	0.1
Goodwill	28,827	4.5	30,830	4.8	30,453	4.4	24,658	3.8	20,857	3.3	25,441	4.0	27,682	4.3
Net worth	11,958	1.8	12,088	1.9	12,168	1.7	10,406	1.6	9,525	1.5	10,001	1.6	9,206	1.4
<i>represented by:</i>	14,798	2.3	16,649	2.6	16,028	2.3	11,438	1.8	7,805	1.2	11,860	1.9	14,528	2.2
Issued share capital	-72	0.0	-41	0.0	-35	0.0	-216	0.0	-212	0.0	-171	0.0	-723	-0.1
Reserves	26,684	4.1	28,696	4.5	28,161	4.0	21,628	3.3	17,118	2.7	21,690	3.4	23,011	3.6
Own shares	2,143	0.3	2,134	0.3	2,292	0.3	3,030	0.5	3,739	0.6	3,751	0.6	4,671	0.7
Minority interest	476,628	73.7	484,315	75.6	514,488	73.8	499,932	77.3	479,404	76.2	486,885	76.4	490,176	75.8
Funding from customers	646,611	100.0	641,022	100.0	696,823	100.0	646,907	100.0	629,480	100.0	637,237	100.0	646,653	100.0
Total assets														

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

TABLE II.3 - EMPLOYEES

	1998	1999	2000	2001	2002	2003	2004
Average number of staff (1)	203,216 (2)	204,419 (3)	218,830 (4)	232,302	226,215	214,461	203,973
of which: from country of origin (%)	...	...	...	...	...	...	...
from elsewhere (%)	...	...	...	...	...	...	...

JAPAN

(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 22 of the 28 companies considered.

(3) Concerning 24 of the 28 companies considered.

(4) Concerning 22 of the 24 companies considered.

TABLE II.4 - FINANCIAL RATIOS

	1998	1999	2000	2001	2002	2003	2004
Funding from customers per employee (JPY m) (1)	2,202 (2)	2,287 (2)	2,270 (2)	2,152	2,119	2,270	2,403
Loans and advances to customers per employee (JPY m) (1)	1,800 (2)	1,795 (2)	1,694 (2)	1,568	1,488	1,497	1,537
Labour cost per employee (JPY m)	...	...	...	...	...	...	...
Cost / income ratio (%)	56.5	59.5	56.6	55.9	52.3	50.8	50.2
Bad debts written off as % of total income (3)	108.7	52.0	45.9	72.2	45.2	37.6	20.8
Dividends payout as % of net profit	n.c.	38.0	60.1	n.c.	n.c.	643.5	25.3
ROE (%)	n.c.	3.6	1.1	n.c.	n.c.	0.2	5.8
ROA (%)	n.c.	0.2	0	n.c.	n.c.	0	0.2
Doubtful loans as % of loans to customers (4)	2.9	3.4	3.8	6.0	4.5	2.9	1.4
Doubtful loans as % of net worth (4)	39.3	41.8	48.1	88.0	73.4	36.3	16.0
Loans, advances and cash as % of total funding	98.3	100.1	100.9	98.1	98.2	99.5	100.0
Fixed assets as % of net worth	29.8	28.0	28.7	33.2	36.3	26.4	28.4

JAPAN

Funding from customers = customer deposits plus debt securities and certificates of deposit plus subordinated liabilities.

Fixed assets = interests in subsidiaries and associated plus net tangible and intangible assets plus 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 94.3% in 1998, 97.2% in 1999 and 96.5% in 2000 of total assets of the sample.

(3) Net of recovered.

(4) In 1998 and 1999 these figures refer to companies representing 98% and 99% respectively of the total customer loans covered by the survey.

TABLE II.1 - PROFIT AND LOSS ACCOUNTS

UNITED STATES

	1998		1999		2000		2001		2002		2003		2004	
	USD m	%	USD m	%	USD m	%	USD m	%	USD m	%	USD m	%	USD m	%
Interest receivable and similar income	256,015		255,731		301,031		282,810		241,042		228,513		247,385	
Interest payable and similar expenses	-140,175		-134,706		-175,004		-141,843		-89,731		-72,303		-80,467	
Interest margin	115,840	54.9	121,025	50.9	126,027	49.8	140,967	52.5	151,311	53.4	156,210	51.8	166,918	52.2
Commissions receivable and other operating income (1)	81,587	38.7	96,175	40.4	106,633	42.1	111,299	41.5	119,163	42.0	127,518	42.3	134,961	42.2
Commissions payable and other operating expenses	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Dividends and share of profit (loss) (2)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Gains (losses) on financial transactions	13,461	6.4	20,728	8.7	20,452	8.1	16,127	6.0	12,929	4.6	17,736	5.9	17,949	5.6
Total income	210,888	100.0	237,928	100.0	253,112	100.0	268,393	100.0	283,403	100.0	301,464	100.0	319,828	100.0
Labour costs	-65,128	-30.9	-70,722	-29.7	-79,261	-31.3	-80,369	-29.9	-81,062	-28.6	-88,925	-29.5	-95,774	-29.9
General expenses	-50,403	-23.9	-52,678	-22.1	-56,769	-22.4	-58,173	-21.7	-62,413	-22.0	-67,570	-22.4	-73,195	-22.9
Bad debts recovered (written off)	-15,854	-7.5	-15,112	-6.4	-20,676	-8.2	-31,821	-11.9	-33,138	-11.7	-23,265	-7.7	-17,058	-5.3
Depreciation and amortization	-8,704	-4.1	-9,644	-4.1	-11,411	-4.5	-10,817	-4.0	-11,340	-4.0	-11,678	-3.9	-13,102	-4.1
Current pre-tax profit	70,799	33.6	89,772	37.7	84,995	33.6	87,213	32.5	95,450	33.7	110,026	36.5	120,699	37.7
Amortization of goodwill	-3,296	-1.6	-3,649	-1.5	-3,293	-1.3	-3,726	-1.4	0	0.0	0	0.0	0	0.0
Transfer to credit risk provision	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
Fixed asset revaluations (writedowns)	0	0.0	0	0.0	-1,862	-0.7	-3,585	-1.3	-3,146	-1.1	-461	-0.2	-454	-0.1
Extraordinary items	-5,228	-2.5	274	0.1	-280	-0.1	-7,840	-2.9	-3,713	-1.3	-237	-0.1	-11,422	-3.6
Cumulative effect of accounting changes	0	0.0	-211	-0.1	-46	0.0	-393	-0.1	-514	-0.2	-28	0.0	0	0.0
Profit (loss) before tax	62,275	29.5	86,186	36.2	79,514	31.4	71,669	26.7	88,077	31.1	109,300	36.3	108,823	34.0
Taxation	-21,491	-10.2	-30,436	-12.8	-28,547	-11.3	-24,451	-9.1	-28,266	-10.0	-35,747	-11.9	-34,778	-10.9
Profit attributable to minorities	-389	-0.2	-477	-0.2	-316	-0.1	-152	-0.1	-247	-0.1	-480	-0.2	-421	-0.1
Net profit attributable to parent company	40,395	19.2	55,273	23.2	50,651	20.0	47,066	17.5	59,564	21.0	73,073	24.2	73,624	23.0
<i>Dividends payout</i>	16,887	8.0	19,530	8.2	20,852	8.2	21,715	8.1	22,888	8.1	27,616	9.2	34,619	10.8

(1) Net of commissions payable and other operating expenses.

(2) Item not specified in balance sheets.

TABLE II.2 - FINANCIAL STATEMENTS

UNITED STATES

	1998		1999		2000		2001		2002		2003		2004	
	USD m	%	USD m	%	USD m	%	USD m	%	USD m	%	USD m	%	USD m	%
Cash and deposits at central banks	829,620	21.2	876,358	21.1	922,606	20.7	987,708	21.1	1,083,879	22.0	1,228,169	22.7	1,340,757	22.0
Fixed-income securities	445,506	11.4	495,569	11.9	474,788	10.6	531,449	11.3	538,956	10.9	642,755	11.9	699,789	11.5
Loans and advances to banks (1)	2,059,706	52.6	2,161,158	52.1	2,364,322	53.0	2,361,928	50.4	2,486,060	50.5	2,650,752	49.0	3,034,485	49.7
Loans and advances to customers	3,334,832	85.2	3,533,085	85.1	3,761,716	84.3	3,881,085	82.8	4,108,895	83.5	4,521,676	83.6	5,075,031	83.2
Loans, advances and cash	40,384	1.0	53,120	1.3	71,338	1.6	60,645	1.3	59,415	1.2	81,739	1.5	123,823	2.0
Equity shares	5,510	0.1	6,642	0.2	8,816	0.2	9,199	0.2	7,767	0.2	8,995	0.2	10,708	0.2
Interests in subsidiaries and associated	19,656	0.5	27,514	0.7	35,096	0.8	43,417	0.9	38,674	0.8	50,654	0.9	64,131	1.1
Intangible assets	42,290	1.1	42,602	1.0	42,488	1.0	42,507	0.9	43,349	0.9	45,057	0.8	43,777	0.7
Net tangible assets	418,988	10.7	429,351	10.3	477,344	10.7	560,974	12.0	567,307	11.5	601,167	11.1	596,906	9.8
Other assets	3,861,660	98.7	4,092,314	98.6	4,396,798	98.5	4,597,827	98.1	4,825,407	98.0	5,309,288	98.1	5,914,376	96.9
Total	715,773	18.3	839,551	20.2	846,964	19.0	876,402	18.7	907,224	18.4	987,741	18.3	1,097,056	18.0
Deposits by banks	2,056,947	52.6	2,103,686	50.7	2,258,135	50.6	2,414,056	51.5	2,600,041	52.8	2,785,370	51.5	3,135,695	51.4
Customers deposits	327,338	8.4	395,059	9.5	458,993	10.3	401,392	8.6	416,340	8.5	531,998	9.8	592,905	9.7
Debt securities and certif. of deposit	107,331	2.7	108,911	2.6	124,056	2.8	144,200	3.1	149,849	3.0	154,603	2.9	161,888	2.7
Subordinated liabilities	3,207,389	82.0	3,447,207	83.1	3,688,148	82.6	3,836,050	81.9	4,073,454	82.8	4,459,712	82.4	4,987,544	81.7
Total funding	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	0.0	
Provision for employee benefits	13,016	0.3	18,193	0.4	25,223	0.6	24,446	0.5	30,374	0.6	31,873	0.6	24,003	0.4
Provision for deferred taxation	0	0.0	0	0.0	0	0.0	0	0.0	1,717	0.0	2,241	0.0	2,346	0.0
Credit risk provision	406,149	10.4	388,076	9.3	419,511	9.4	460,188	9.8	423,097	8.6	492,391	9.1	550,954	9.0
Other liabilities	3,626,554	92.7	3,853,476	92.8	4,132,882	92.6	4,320,684	92.2	4,528,642	92.0	4,986,217	92.1	5,564,847	91.2
Total liabilities	51,845	1.3	58,377	1.4	66,904	1.5	86,735	1.9	97,064	2.0	101,769	1.9	188,334	3.1
Goodwill	286,951	7.3	297,215	7.2	330,820	7.4	363,878	7.8	393,829	8.0	424,840	7.9	537,863	8.8
Net worth	44,074	1.1	41,578	1.0	38,685	0.9	34,905	0.7	29,857	0.6	29,526	0.5	71,208	1.2
<i>represented by:</i>														
Issued share capital	258,197	6.6	282,960	6.8	317,133	7.1	355,484	7.6	392,893	8.0	423,522	7.8	493,772	8.1
Reserves	-18,065	-0.5	-29,874	-0.7	-26,491	-0.6	-28,955	-0.6	-31,391	-0.6	-32,338	-0.6	-31,376	-0.5
Own shares	284,206	7.3	294,664	7.1	329,327	7.4	361,434	7.7	391,359	8.0	420,710	7.8	533,604	8.7
Total	2,745	0.1	2,551	0.1	1,493	0.0	2,444	0.1	2,470	0.1	4,130	0.1	4,259	0.1
Minority interest														
Funding from customers	2,491,616	63.7	2,607,656	62.8	2,841,184	63.7	2,959,648	63.2	3,166,230	64.3	3,471,971	64.2	3,890,488	63.8
Total assets	3,913,505	100.0	4,150,691	100.0	4,463,702	100.0	4,684,562	100.0	4,922,471	100.0	5,411,057	100.0	6,102,710	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

	1998	1999	2000	2001	2002	2003	2004
Average number of staff	1,066,679	1,084,744	1,110,659	1,137,328	1,142,952	1,149,607	1,177,446
of which: from country of origin (%)	...	...	...	...	...	...	...
from elsewhere (%)	...	...	...	...	...	...	...

TABLE II.4 - FINANCIAL RATIOS

UNITED STATES

	1998	1999	2000	2001	2002	2003	2004
Funding from customers per employee ('000 USD)	2,336	2,404	2,558	2,602	2,770	3,020	3,304
Loans and advances to customers per employee ('000 USD)	1,931	1,992	2,129	2,077	2,175	2,306	2,577
Labour cost per employee ('000 USD)	61	65	71	71	71	77	81
Cost / income ratio (%)	58.9	55.9	58.2	55.6	54.6	55.8	56.9
Bad debts written off as % of total income (1)	7.5	6.4	8.2	11.9	11.7	7.7	5.3
Dividends payout as % of net profit	41.8	35.3	41.2	46.1	38.4	37.8	47.0
ROE (%)	16.6	23.1	18.2	15.0	18.0	21.0	16.0
ROA (%)	1.0	1.3	1.1	1.0	1.2	1.4	1.2
Doubtful loans as % of loans to customers (2)	0	0	0	0.2	0.2	0.1	0
Doubtful loans as % of net worth (2)	0.2	0.1	0.2	1.1	1.2	0.6	0.2
Loans, advances and cash as % of total funding	104.0	102.5	102.0	101.2	100.9	101.4	101.8
Fixed assets as % of net worth	41.6	45.5	46.3	50.0	47.4	48.6	57.1

Funding from customers = customer deposits plus debt securities and certificates of deposit plus subordinated liabilities.

Fixed assets = interest in subsidiaries and associated plus net tangible and intangible assets plus goodwill.

(1) Net of recovered.

(2) Calculated only on the basis of those exposures not completely covered by provisions.

III. PRINCIPLES AND METHODS

The companies

The companies selected comprise the leading banking groups of the three main global economic areas, i.e. Europe, Japan and the United States. The criterion for selection 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, i.e. they 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.

Statistics

The statistics have been compiled on the basis of annual and interim consolidated figures, with the latter for the first six months of 2004 and 2005 only.

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 and the aggregate for Europe have been compiled by converting the individual national currencies into Euros (ECUs until 1997) at exchange rates ruling as at 31 December of each year (the ECU was replaced by the Euro on 1 January 1999 at a ratio of 1:1).

TABLE III.1 - LIST OF COMPANIES

<i>BANKS</i>	2004		
	<i>TOTAL</i>	<i>TOTAL</i>	<i>EMPLOYEES</i>
	<i>ASSETS</i>	<i>INCOME</i>	
	<i>EUR m</i>	<i>EUR m</i>	<i>Average no.</i>
EUROPE			
1 UBS (CH) (#)	1,124,366	23,889	66,677
2 HSBC HOLDINGS (GB) (#)	937,390	37,354	244,727
3 CREDIT AGRICOLE (FR) (#)	911,402	24,709	136,694
4 BNP PARIBAS (FR) (#)	903,856	19,017	91,982
5 ING GROEP (NL) (#)	866,201	16,652	113,039
6 DEUTSCHE BANK (DE) (#)	840,068	21,485	66,550
7 THE ROYAL BANK OF SCOTLAND GROUP (GB) (#)	827,613	26,262	133,300
8 BARCLAYS (GB) (#)	740,552	19,603	77,000
9 CREDIT SUISSE GROUP (CH) (#)	691,911	14,976	60,505
10 HBOS (GB) (#)	628,200	13,613	69,243
11 ABN AMRO HOLDING (NL) #)	608,623	18,742	105,918
12 SOCIÉTÉ GÉNÉRALE (FR) (#)	600,976	16,458	93,359
13 BANCO SANTANDER CENTRAL HISPANO (ES) (#)	569,276	14,556	102,774
14 FORTIS (BE / NL) (#)	568,906	9,079	49,468
15 DRESDNER BANK (DE) (1)	523,990	6,152	36,636
16 RABOBANK NEDERLAND (NL) (#)	475,089	9,375	50,533
17 BAYERISCHE HYPO- UND VEREINSBANK (HVB) (DE) (#) (2)	467,408	9,289	58,438
18 COMMERZBANK (DE) (#)	424,879	5,873	31,400
19 LLOYDS TSB GROUP (GB) (#)	396,940	13,074	82,953
20 DEXIA (BE) (#)	388,316	5,463	19,508
21 CREDIT MUTUEL (FR) (3)	387,886	8,756	56,550
22 DZ BANK (DE)	356,210	4,028	23,307
23 LANDESBANK BADEN-WUERTTEMBERG (DE) (*)	339,808	3,084	13,153
24 BAYERISCHE LANDESBANK (DE) (*)	333,102	2,600	8,742
25 KREDITANSTALT FUER WIEDERAUFBAU (KfW) (DE) (*)	328,569	1,788	3,697
26 BANCO BILBAO VIZCAYA ARGENTARIA (BBVA) (ES) (#)	306,218	11,216	84,704
27 DANSKE BANK (DK) (#)	279,225	3,787	15,712
28 NORDEA BANK (SE) (#) (4)	276,040	6,001	30,380
29 BANCA INTESA (IT) (#) (5)	274,588	9,726	58,211
30 UNICREDITO ITALIANO (IT) (#) (2)	265,496	10,375	68,817
31 WESTLB (DE) (*)	253,793	2,013	7,335
32 KBC (BE) (#)	248,725	6,371	47,086
33 EUROHYPO (DE) (#) (6)	226,928	1,409	2,728
34 SANPAOLOIMI (IT) (#)	211,103	7,912	43,102
35 NORDDEUTSCHE LANDESBANK (DE) (*)	202,403	1,755	9,047
36 ABBEY NATIONAL (GB) (#) (7)	-	3,876	24,653
37 ARGENTARIA (ES) (8)	-	-	-
38 BANCA COMMERCIALE ITALIANA (IT) (9)	-	-	-
39 BANCO CENTRAL HISPANOAMERICANO (ES) (10)	-	-	-
40 BANK AUSTRIA (AT) (11)	-	-	-
41 BANK OF SCOTLAND (GB) (12)	-	-	-
42 BANQUE BRUXELLES LAMBERT (BE) (13)	-	-	-
43 BANQUE INDOSUEZ (FR) (14)	-	-	-

cont.

Table III.1 (cont.)

<i>BANKS</i>	2004		
	<i>TOTAL</i>	<i>TOTAL</i>	<i>EMPLOYEES</i>
	<i>ASSETS</i>	<i>INCOME</i>	
	<i>EUR m</i>	<i>EUR m</i>	<i>Average no.</i>
44 BAYERISCHE HYPOTHEKEN- UND WECHSEL-BANK (DE) (15)	-	-	-
45 CREDIT COMMERCIAL DE FRANCE (FR) (16)	-	-	-
46 CREDIT INDUSTRIEL ET COMMERCIAL-CIC (FR) (17)	-	-	-
47 CREDIT LYONNAIS (FR) (18)	-	-	-
48 CREDITANSTALT (AT) (19)	-	-	-
49 GENERALE DE BANQUE (BE) (20)	-	-	-
50 HALIFAX GROUP (GB) (12)	-	-	-
51 LANDESKREDITBANK BADEN-WUERTTEMBERG (DE) (21)	-	-	-
52 MERITA (FI) (22)	-	-	-
53 NATIONAL WESTMINSTER BANK (GB) (23)	-	-	-
54 NORDBANKEN (SE) (22)	-	-	-
55 PARIBAS (FR) (24)	-	-	-
56 REALDANMARK (DK) (25)	-	-	-
57 SOCIETÀ DI BANCA SVIZZERA (CH) (26)	-	-	-
58 UNIDANMARK (DK) (27)	-	-	-
TOTAL	17,786,056	410,318	2,187,928
<u>JAPAN</u>	<i>EUR m</i>	<i>EUR m</i>	<i>Average no.</i>
1 MIZUHO FINANCIAL GROUP (#)	996,406	14,282	26,821
2 MITSUBISHI TOKYO FINANCIAL GROUP (#)	776,074	11,895	43,750
3 SUMITOMO MITSUI FINANCIAL GROUP (#)	689,488	14,695	41,349
4 UFJ HOLDINGS (#)	561,867	11,264	32,861
5 NORINCHUKIN BANK	442,414	1,909	2,739 (°)
6 RESONA HOLDINGS (#)	270,686	5,468	16,535
7 SHINKIN CENTRAL BANK	190,957	797	1,101 (°)
8 SUMITOMO TRUST & BANKING (#)	111,058	2,061	4,917 (°)
9 MITSUI TRUST HOLDINGS (#)	90,653	1,996	5,028
10 SHOKO CHUKIN BANK (*)	82,277	1,073	4,526
11 BANK OF YOKOHAMA (#)	74,049	1,537	3,407 (°)
12 HOKUHOKU FINANCIAL GROUP (#) (28)	65,315	1,117	4,669
13 CHIBA BANK (#)	61,695	1,152	3,847 (°)
14 SHIZUOKA BANK (#)	59,412	946	3,647 (°)
15 SHINSEI BANK	53,836	1,273	2,082 (°)
16 JOYO BANK (#)	52,240	873	3,596 (°)
17 BANK OF FUKUOKA	52,095	953	3,098 (°)
18 HOKKAIDO BANK (29)	-	214	-
19 ASAHI BANK (30)	-	-	-
20 BANK OF KINKI (31)	-	-	-
21 BANK OF TOKYO-MITSUBISHI (32)	-	-	-
22 CHUO TRUST AND BANKING COMPANY (33)	-	-	-
23 DAI-ICHI KANGYO BANK (34)	-	-	-

cont.

Table III.1 (cont.)

<i>BANKS</i>	2004		
	<i>TOTAL</i>	<i>TOTAL</i>	<i>EMPLOYEES</i>
	<i>ASSETS</i>	<i>INCOME</i>	
	<i>EUR m</i>	<i>EUR m</i>	<i>Average no.</i>
24 FUJI BANK (34)	-	-	-
25 IBJ – INDUSTRIAL BANK OF JAPAN (34)	-	-	-
26 KINKI OSAKA BANK (30)	-	-	-
27 MITSUBISHI TRUST AND BANKING (32)	-	-	-
28 MITSUI TRUST AND BANKING COMPANY (33)	-	-	-
29 SAKURA BANK (35)	-	-	-
30 SANWA BANK (36)	-	-	-
31 SUMITOMO BANK (35)	-	-	-
32 TOKAY BANK (36)	-	-	-
33 TOYO TRUST AND BANKING (36)	-	-	-
TOTAL	4.630.522	73.505	203.973
<u>UNITED STATES</u>			
	<i>EUR m</i>	<i>EUR m</i>	<i>Average no.</i>
1 CITIGROUP (#)	1,089,568	58,723	276,500
2 JPMORGAN CHASE & CO. (#)	849,606	31,495	164,265
3 BANK OF AMERICA (#)	815,254	37,795	178,525
4 WACHOVIA (formerly First Union) (#)	362,179	16,745	97,253
5 WELLS FARGO & CO. (#)	314,110	21,462	142,750
6 WASHINGTON MUTUAL (#)	226,061	8,783	56,977
7 U.S. BANCORP (ex- Firststar) (#)	143,238	9,137	50,104
8 SUNTRUST BANKS (#)	116,636	4,618	29,065
9 NATIONAL CITY (#)	102,254	5,989	34,280
10 GOLDEN WEST FINANCIAL (#)	78,474	2,144	9,424
11 BB & T (#)	73,790	4,008	26,216
12 THE BANK OF NEW YORK (#)	69,399	4,616	23,132
13 FIFTH THIRD BANCORP (#)	69,346	3,778	19,279
14 KEYCORP (#)	66,617	3,218	19,576
15 THE PNC FINANCIAL SERVICES GROUP (#)	58,529	4,020	23,700
16 MBNA (#)	45,308	7,925	26,400
17 BANK ONE (37)	-	6,576	-
18 FLEETBOSTON FINANCIAL (38)	-	2,321	-
19 SOUTHTRUST (39)	-	1,454	-
20 ASSOCIATES FIRST CAPITAL (40)	-	-	-
21 BANKBOSTON (41)	-	-	-
22 GOLDEN STATE BANCORP (42)	-	-	-
23 J.P. MORGAN & CO. (43)	-	-	-
24 MERCANTILE BANCORP (44)	-	-	-
25 SUMMIT BANCORP (45)	-	-	-
26 U.S. BANCORP (46)	-	-	-
27 WACHOVIA (47)	-	-	-
TOTAL	4,480,369	234,807	1,177,446

cont.

Table III.1 (cont.)

- (#) Listed company.
- (*) Government-controlled company.
- (°) Figure refers to parent company only.
- (1) Allianz group.
- (2) HVB was acquired by UniCredito Italiano in November 2005; its largest shareholder at 31 December 2004 was Münchener Ruck, with 18.34%. The two banks' combined total assets bring the Italian group up to ninth position in the table.
- (3) Consolidated figures including Crédit Industriel et Commercial-CIC were submitted for the first time in 2002.
- (4) Formerly Nordea. The Swedish government is the largest shareholder, with a stake of 19.8% as at 31 December 2004.
- (5) Formerly IntesaBci; the new name was taken on in January 2003.
- (6) Formerly Deutsche Hyp (Dresdner Bank group). In 2002 the company merged with Eurohypo of the Deutsche Bank group and Rheinhyp of the Commerzbank group, and took on the name of Eurohypo. As at 30 June 2005 its main shareholders were Deutsche Bank with 37.7%, Commerzbank with 31.8%, and Allianz with 28.5%. In November 2005 Commerzbank reached agreements to acquire the other two major shareholders' interests.
- (7) Acquired by Banco Santander Central Hispano in November 2004 and consolidated only insofar as the balance sheet is concerned.
- (8) In 2000 Argentaria merged with Banco Bilbao Vizcaya and the combined entity took on the name Banco Bilbao Vizcaya Argentaria.
- (9) Banca Commerciale Italiana was acquired by Banca Intesa in 1999, and merged into it in 2001 with the combined entity taking on the name first of IntesaBci, then, as from 2003, that of Banca Intesa.
- (10) Banco Central Hispanoamericano merged with Banco Santander in 1999, with the combined entity taking on the name of Banco Santander Central Hispano.
- (11) Acquired by Bayerische Hypo- und Vereinsbank in 2000.
- (12) Bank of Scotland and the Halifax group merged in 2001 to form HBOS.
- (13) Acquired by ING Groep in 1998.
- (14) Acquired by Crédit Agricole in 1996.
- (15) The company merged with Bayerische Vereinsbank in 1998, and the combined entity took on the name of Bayerische Hypo- und Vereinsbank (HVB).
- (16) Acquired by HSBC Holdings in 2000.
- (17) Acquired by Crédit Mutuel in 1998.
- (18) Acquired by Crédit Agricole in 2003.
- (19) Acquired by Bank Austria in 1997.
- (20) Acquired by Fortis in 1998.
- (21) Merged into Landesbank Baden-Wuerttemberg in 1999.
- (22) Merita and Nordbanken merged in 1998 to form the Nordic Baltic Holding Group (subsequently Nordea, now Nordea Bank).
- (23) Acquired by the Royal Bank of Scotland Group in 2000.
- (24) Acquired by Banque Nationale de Paris in 1999. Paribas then merged with Banque Nationale de Paris in 2000, and the combined entity took on the name of BNP Paribas.
- (25) Acquired by Danske Bank in 2000.
- (26) Merged with UBS in 1998.
- (27) Acquired by Nordea (now Nordea Bank) in 2000.
- (28) Formerly Hokugin Financial Group. Acquired Hokkaido Bank in 2004 when it took on its current name.
- (29) Acquired by Hokuhoku Financial Group with effect from 1 September 2004. The total income figure refers to period prior to the merger.
- (30) Acquired by Resona Holdings (formerly Daiwa Bank Holdings) in 2001.
- (31) The company was merged into Bank of Osaka in 2000, with the latter taking on the name of Kinki Osaka Bank.
- (32) The company became part of the Mitsubishi Tokyo Financial Group in 2001.
- (33) 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, which in 2001 became part of the Mitsui Trust Holdings group.
- (34) The company became part of the Mizuho Financial Group in 2000.
- (35) 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.
- (36) The company became part of the UFJ Holdings in 2001.
- (37) Acquired by JPMorgan Chase & Co. with effect from 1 July 2004. The total income figure refers to period prior to the merger.
- (38) Acquired by Bank of America with effect from 1 April 2004. The total income figure refers to period prior to the merger.
- (39) Acquired by Wachovia (formerly First Union) with effect from 1 November 2004. The total income figure refers to period prior to the merger.
- (40) Acquired by Citigroup in 2000.
- (41) Acquired by FleetBoston Financial in 1999.

cont.

Table III.1 (cont.)

- (42) Acquired by Citigroup in 2002.
- (43) 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.).
- (44) Acquired by Firststar (now U.S. Bancorp) in 1999.
- (45) Acquired by FleetBoston Financial in 2001.
- (46) The company was merged into Firststar in 2001, with the latter taking on the name of U.S. Bancorp.
- (47) The company was merged into First Union in 2001, with the latter taking on the name of Wachovia.

TABLE III.2 – 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)	Total assets of merger constituents prior to transaction (EUR m)
1996		
Crédit Agricole (FR)	369,797	Crédit Agricole (301,552); Banque Indosuez (68,245)
1997		
Bank Austria (AT)	106,432	Bank Austria (55,799); Creditanstalt (50,633)
1998		
Citigroup (US)	632,322	Travelers Group (350,457); Citicorp (281,865)
UBS (CH)	632,076	Unione di Banche Svizzere (359,506); Società di Banca Svizzera (272,570)
BankAmerica (now Bank of America) (US)	475,721	NationsBank (239,856); BankAmerica (235,865)
Bayerische Hypo- und Vereinsbank (DE)	411,316	Bayerische Vereinsbank (227,260); Bayerische Hypotheken- und Wechsel-Bank (184,056)
ING Groep (NL)	379,888	ING Groep (278,505); Banque Bruxelles Lambert (101,383)
Fortis (BE/NL)	298,579	Fortis (151,392); Générale de Banque (147,187)
Landesbank Baden-Württemberg (DE)	210,472	Südwestdeutsche Landesbank (116,498); Landeskreditbank Baden-Württemberg (banking) (53,339); Landesgirokasse (40,635)
Bank One (US)	208,519	Banc One (105,078); First Chicago NBD (103,441)
Crédit Mutuel (FR)	193,819	Crédit Mutuel (98,139); Union Européenne de CIC (now Crédit Industriel et Commercial-CIC) (95,680)
Wells Fargo & Co. (US)	168,627	Wells Fargo & Co. (88,355); Norwest (80,272)
Nordic Baltic Holding Group (now Nordea) (SE)	97,332	Merita (49,875); Nordbanken (47,457)
1999		
Deutsche Bank (DE)	740,251	Deutsche Bank (626,603); Bankers Trust (US) (113,648)

cont.

Table III.2 (cont.)

Combined entity	Total assets of combined entity (EURm)	Total assets of merger constituents prior to transaction (EUR m)
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 (now FleetBoston Financial) (US)	151,879	Fleet Financial Group (89,117); BankBoston (62,762)
Firststar (now U.S. Bancorp) (US)	63,413	Firststar (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	National Westminster Bank (298,736); The Royal Bank of Scotland Group (142,918)
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)
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 Kinki (23,301); Bank of Osaka (15,534)
2001		
Sumitomo Mitsui Banking (JP)	1,078,296	Sumitomo Bank (611,727); Sakura Bank (466,569)

cont.

Table III.2 (cont.)

Combined entity	Total assets of combined entity (EURm)	Total assets of merger constituents prior to transaction (EUR m)
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 Firststar) (US)	177,239	Firststar (83,380); U.S. Bancorp (93,859)
2002		
Citigroup (US)	1,257,167	Citigroup (1,193,067); Golden State Bancorp (64,100)
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)
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)
2005		
Mitsubishi UFJ Financial Group (JP) (2)	1,337,941	Mitsubishi Tokyo Financial Group (776,074); UFJ Holdings (561,867)
Bank of America (US) (3)	860,562	Bank of America (815,254); MBNA (45,308)
UniCredito Italiano (IT) (4)	732,904	Bayerische Hypo- und Vereinsbank (HVB) (467,408); UniCredito Italiano (265,496)
Commerzbank (DE) (5)	651,807	Commerzbank (424,879); Eurohypo (226,928)

cont.

Table III.2 (cont.)

- (1) Refers to period from 1/1/96 to 31/12/05 for European banks and to period from 1/1/98 to 31/12/05 for Japanese and US banks.
- (2) Announced in August 2004 and completed with effect from 1 October 2005.
- (3) Transaction completed with effect from 1 July 2005.
- (4) Transaction completed with effect from November 2005.
- (5) In November 2005 Commerzbank reached an agreement with Deutsche Bank and Allianz to acquire their stakes in Eurohypo as follows: a first stake of 17.2% to be acquired in December 2005 and the outstanding 49% in March 2006.

Ricerche e Studi, or “R&S” for short, is a wholly-owned subsidiary of Mediobanca which set up the company in 1970 as a separate economic and financial research unit with its own team of specialist researchers to produce company and industry surveys of the type Mediobanca had been publishing since its inception in 1946. R&S’s analysts use exacting methods in carrying out research and publishing programmes which are approved by the company’s Advisory Committee. This Committee, which includes a number of distinguished economics professors, ensures that all R&S’s output is produced to the highest standards of accuracy and objectivity. R&S has produced major surveys on Italian companies, industrial sectors and the country’s capital markets. Its earliest survey appeared in 1970, and was the first indepth guide available on the Italian chemical industry. The company also started publishing sets of briefs on Italian listed companies, which in 1976 were developed into the first edition of R&S Annual Directory, now covering the country’s leading businesses. A new survey of the world’s leading multinationals was published for the first time in 1995. The first edition of R&S’s survey of major international banks was published in 2003.

Ricerche e Studi S.p.A. (R&S)

Piazzetta Maurilio Bossi 1, 20121 Milan, Italy

Tel. no.: +39-02-8646.2348 - 8646.2394 - Fax no.: +39-02-8622.67 - E-mail: res@mbres.it

Website: <http://www.mbres.it>