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The Norwegian Banks in the Nordic Consortia: A Case of International Strategic Alliances in Banking

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The Norwegian Banks in the Nordic Consortia:
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Abstract: Despite the scholarly interest in joint ventures and strategic alliances, the consortium bank movement represents an under-researched phase in post-war banking history. From 1964 to the mid-1980s, many of the largest banks in the world, including the Nordic banks, entered into international strategic alliances. Almost all of these alliances are now defunct. We follow the Norwegian banks in the Nordic consortia and find that domestic rivals do not cooperate but international rivals do. Legal prohibitions in the Nordic countries on entry by foreign banks underpinned the cooperation. The cooperation broke down when changes in domestic regulations permitted the Nordic banks to establish operations in each others' domestic markets.

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The Norwegian Banks in the Nordic Consortia: A Case of International Strategic Alliances in Banking

1.0 Introduction

From the mid-1960s on, banks from Denmark, Finland, Norway and Sweden made extensive use of cross-national consortia (multi-parent joint ventures) as vehicles for international expansion. These Nordic consortium banks provide examples of explicit cross-national strategic alliances that competed with each other and almost all of which have since evaporated. The facts that the banks made extensive use of consortia and that national rivals competed internationally by cooperating with banks from other countries have received little mention in the literature on foreign direct investment in banking or strategic alliances.

The English-language literature on the international expansion of banks from the Nordic countries does exist but is sparse and makes little mention of consortium banks. Flatraaker and Husevåg [1991] provide a descriptive history of the internationalization of the Norwegian banks and report that the Norwegian banks followed their customers. Vastrup [1983] examined the Danish banks and found that the primary motive for the Danish banks to go abroad too was to follow their customers. Engwall and Wallenstål [1988] provide an interesting account of the strategic behavior of Swedish banks in their international expansion. They find that rivalrous behavior was an important factor in the Swedish banks' pattern of international investment. This paper is one of the few in the area of foreign direct investment (FDI) in banking to consider behavior. Marquardt's [1994] doctoral thesis (unfortunately available only in Swedish) provides a comprehensive discussion of the Swedish experience. Although Laakso [1984] reports that Finnish banks followed their customers, Hellman (1994) contests this view. Hellman argues that Finnish banks went to international financial centers in a market seeking mode rather than following their customers. Unfortunately, Hellman did not take into account the impact of host-country banking regulations or the Finnish banks’ membership in consortia on the banks’ behavior.

What appears to be distinctive about the international expansion of the Nordic banks was their heavy use of consortia that brought together banks from several countries into competing alliances. However, none of these alliances lasted long enough to provide a lifetime career for any employee.

The Nordic consortia should have been more resistant than most to the problems of joint ventures. They enjoyed multiple linkages over time and space. The same partnerships of banks from the Nordic countries established different consortia in different countries. These linkages could have acted to ameliorate conflicts by increasing the benefits of cooperation over opportunistic behavior. Still, none of the major Nordic consortia lasted even 25 years and most were shorter-lived than that.

In Section 2 we discuss the consortium phenomenon in general. In Section 3 we examine the experience of the Norwegian banks in particular. Section 4 is the conclusion. Five appendices examine the histories of the banks in detail. A sixth appendix explains our statistical methods.

2.0 Consortia: multi-parent joint ventures in banking

The 1960s and 1970s saw the formation of numerous international strategic alliances in banking that included most of the world's major banks. These took the form of banking clubs and consortium banks. The banking clubs such as EBIC, Europartners, Inter-Alpha, Orion, and SFE / ABECOR, were general agreements among sets of banks to cooperate with one another (Steuber 1977). The clubs rarely included more than one bank from any individual country and the degree of cooperation ranged from an enhanced correspondent relationship to an attempt to move towards a quasi-merger. In some cases the clubs gave rise to specific consortium banks.

Consortium banks are banks owned by several parent banks. Generally none of the parents owns a majority position and non-bank shareholders are also rare. Still, exceptions to both these tendencies have occurred. Dow Scandia (see below) provides an example of a consortium in which one of the four partners, a bank subsidiary of a chemical company, held a majority of the shares.

Consortia brought together small groups of shareholder banks to engage in some banking activity that the shareholders themselves did not engage in directly. Examples of such activities included project finance, long-term lending, or credit to particular parts of the world. Some early consortia, especially the Nordic ones were simply vehicles for the conduct of international banking in financial centers such as Paris, London, or New York.

Most authors date the start of the post-war consortium movement to 1964 and the formation of MAIBL -- Midland and International Banks Limited -- by Midland

Bank, Standard Bank, Toronto Dominion Bank, and Commercial Bank of Australia. Two Nordic consortia started operating in 1964 too (see below). Consortia became popular and the number grew rapidly.

Ganoe [1972] estimates that of the 50 largest banks in the world in 1971, all but 5 were members of consortia. Furthermore, 75% were truly involved in the memberships; the rest had only minor interests. Brosset [1983] reports that the formation of joint ventures and consortia peaked in 1973-4. He lists some 280 organizations in 1980, but at least 37 by that time no longer had multiple parents. The Bank of England (1993) reported another wave of cross-border alliances in the European Community around 1990 but this has involved few joint ventures or consortia.

The scholarly literature, empirical or theoretical, on the banking consortia is almost nil. Fenema [1982; 164-173] devotes a few pages to the phenomenon and notes the pattern of coalitions with “enemies of [one’s] enemies’ friends.”

Aronson’s [1976] article looks at consortia from the point of view of their implications for the relations between multinational companies and governments and does not deal with the consortia as examples of a business strategy. Still, the consortia are subject to many of the same managerial difficulties as other joint ventures and the literature on other kinds of joint ventures is frequently applicable.

The one recent article on strategic alliances versus wholly-owned ventures as the mode for diversification in financial services looks at product diversification within a country. Ingham and Thompson (1994) examine empirically the determinants of UK building societies’ choices following deregulation in 1987. They find that firms with specific assets prefer wholly-owned ventures but that alliances are a means of dealing with resource constraints and risk, and also reflect some remaining regulatory requirements.

Kogut [1988] classifies the theories seeking to explain joint ventures into three groups: the organizational learning approach, the transactions costs approach, and the strategic motivations approach. All three have something to contribute but the strategic motivations approach appears to be the most useful in the case of the Nordic consortia.

The *organizational learning* approach is of limited use. The participants in the consortia all possessed the same skills, albeit to greater or lesser degrees. The Nordic consortia in particular grouped firms from different countries but at the same stage of internationalization. Thus the firms had little to learn from each other. The parents did use their consortia to gain market knowledge and knowledge about how to manage foreign operations. This organizational learning involved is much more in the tradition of Johanson and Vahlne's (1977) model of internationalization as a process of sequential steps based on incremental learning. For the Norwegian banks participation in consortia predated the first wholly-owned subsidiaries. However this may have had more to do with the Bank of Norway's regulations than the banks' own wishes. Furthermore, the Norwegian banks continued to establish consortia after they had acquired experience with wholly-owned subsidiaries when the Bank of Norway first authorized them in 1973.

The *transactions costs* approach can help explain the use of banking consortia but not the choice of partners. In Hennart's (1988) terminology, the consortia are scale joint ventures not link joint ventures. The joint ventures are not link joint ventures because the participants would have limited contact with each other were it not for their membership in the consortium. The participants in a consortium probably are correspondents for each other but other than that are not, in any meaningful sense, customers of each other. The scale joint venture arises because of indivisibility; scale economies makes pooled ownership of the relevant assets more efficient than separate ownership of portions of the assets.

For banking consortia the key contribution is the clients each partner introduces to the venture [Engwall and Johanson 1990]. Clearly, relationships are firm specific and provide a basis for scope economies. One can extend one's relationship with one's client at home to one's relationship with the client abroad. Also, one cannot rent out a relationship.

The *strategic motivations* approach appears to be the most useful for our purposes because it accounts for the choice of partner. The Nordic banking consortia permitted subsets of banks to combine forces to accomplish certain tasks and to improve their positioning vis-à-vis other subsets. The groupings represented rival pan-Nordic alliances that served to limit competition within each of the Nordic countries but enabled competition to take place in outside markets.

Banking consortia avoid problems with transfer prices or relationships with suppliers that joint ventures in manufacturing face. Still, banking consortia cannot escape disagreements among the partners over market strategy and dividend policy. The most fundamental problem facing all joint ventures is that of aligning the return to the partners with their respective contributions. Robinson [1969] has an early and insightful discussion of the issues.

Joint ventures in manufacturing usually involve two partners and only rarely more. Banking consortia almost always involved multiple partners. A listing of 29 “multibanks” in 1971 showed only two with two owners (one case of 50-50 partnership and one case of 98-2 partnership) and 22 cases of more than four partners [von Clemm 1971]. Brosset [1983] reports that as of 1982, 50% of the ventures had four or fewer partners (though only 16% had only two), 37.5% had from 5 to 10 partners, and 12.5% had more than 10 partners.

Casual empiricism would suggest that there were three broad types of consortia: those with widely dispersed ownership; those with concentrated but uneven ownership; and those with concentrated, equal ownership. One can hypothesize many relationships between ownership structure and the viability of a consortium.

With widely dispersed ownership, all the partners may see the venture as a portfolio investment. Then none will contribute resources beyond the initial capital. In such consortia returns to equity are commensurate with the each partner’s contribution; therefore the venture should escape disputes over perceived mismatches between contribution and return.

In consortia with concentrated ownership, possible pathologies range from expropriation of the minor owners (uneven ownership) to deadlock (equal ownership). Even short of pathological extremes, partners that are providing access to customers in excess of their shareholding will resent a profit distribution based only on equity positions. The partners can (and did -- see below) adjust their shareholdings periodically but this would raise the specter of domination by one partner and the negotiations themselves could be contentious. (Blodgett (1996) shows that among manufacturing joint ventures a history of contract renegotiation correlates positively with subsequent dissolution of the ventures.) These problems suggest that consortia with concentrated ownership should be relatively short-lived.

Nakamura *et al.*, (1996), in their examination of manufacturing joint ventures, find that when the parents of a joint venture converge in their organizational skills, this tends to lead to a dissolution of the venture. Stability appears to require that the parents specialize in complementary organizational skills. In banking it is hard to see how such a divergent evolution might come about.

In the Nordic alliance involving Bergen Bank (Appendix 2) a closer cooperation evolved as the partners learned to work with each other (Doz 1996). However, even here the alliance fell apart after the environment changed to freer competition.

von Clemm [1971] and Ganoe [1972] have the earliest and almost the only articles describing the rise of consortium banking; shortly after the first consortia began, von Clemm and Ganoe were already observing managerial problems. Ganoe forecast that few would survive unchanged. von Clemm, however, suggested that "[in] 20 years the listing of the 100 largest banks of the world should contain the names of some banks being spawned in today's consortium movement, some of which will have displaced their founders in the listings." He was completely wrong. Twenty years later, almost all the consortia had disappeared and the survivors were small and specialized [Coakley 1992].

By the end of the decade, Davis [1979] was forecasting that "[There] will be a continuation of the recent trend away from consortia and joint ventures. While a few such organizations will be set up *de novo* to exploit fairly specific, well-defined market opportunities, a more powerful trend will be the weakening of cooperation among partners of existing multi-bank ventures and the actual dissolution or restructuring of several of them."

3.0 The experience of the Norwegian banks

The Nordic banks, including the Norwegians, established two clubs and generally used consortia and joint-ventures for their international expansion. The Nordic consortia appear to have included some specialized or focused institutions. However, most of the Nordic consortia represented a pooling of resources to conduct general international banking. The Nordic banks did not join the main international clubs. In a few, limited cases, Nordic banks participated in consortia with major non-Nordic banks.

It would take a comprehensive history of Nordic international banking to identify all the historic antecedents of the post-war consortia. Still, hints exist. Several of the banks that formed consortia had worked together in international lending clubs around the turn of the century [Lundström 1991]. Another model or inspiration may have been Scandinavian Airlines System where the formation of a joint airline in 1946 dates back to an abortive effort in 1940. Cultural similarity may also have helped (Kogut and Singh 1988).

For most of the postwar era, Den norske Creditbank (DnC), Christiania Bank og Kreditkasse (CBK) and Bergen Bank (BB), were the three largest Norwegian banks. These three banks were responsible for most of the international expansion by Norwegian banks. As Table 1 shows, between 1979 and 1994, these banks accounted for about three-quarters of all the bank relationships reported by firms listed on the Oslo Stock Exchange. By 1990, Den norske Bank (the result of a merger between DnC and BB) accounted for 49% of Norwegian banks' foreign assets; CBK accounted for 39%. Sparebanken NOR (a central bank for the savings banks; see below) accounted for 12%.

Geographically, the Norwegian banks expanded first to Europe, then to America and lastly to Asia [Flatraaker and Husevåg 1991]. From 1975 to 1990, Europe always accounted for the bulk of the banks' activities.

Table 2 shows how DnC, BB and CBK used consortia to expand over time and space. We have drawn the banking centers for the table from Choi *et al.*, [1986 and 1996], and have used tests based on the hypergeometric distribution and Friedman's non-parametric rank test to enable us to make some inferences about the data in the table. The tests evaluate the situation as of 1984; we chose 1984 as the cut-off date as that is roughly the high-water mark for the banks' use of consortia and joint ventures. (For a more detailed explanation of the tests please see Appendix 6 which we have drawn from Rose and Ito [1996]).

Despite the visual impression, the hypergeometric test does not enable us to reject the null hypothesis that each of the three banks, taken pairwise, did not meet more often, i.e., operate in the same center, than one would expect by chance. If anything, they met slightly less often (Table 3; col. 2). This is curious because New York and London are so important as centers for international banking that a presence there is almost obligatory for any bank with international pretensions. If we divide the centers into two types, centers in which the banks had to be and those in which they did not, the overall tendency to avoidance suggests that in the centers where the banks did not have to be the banks avoided each other quite strongly. Unfortunately the number of observations is too sparse for meaningful statistical testing on subsets of the centers.

For most of the period DnC had the reputation of being the most aggressive of the three in terms of its international expansion; it certainly had the largest share of the Norwegian banks' foreign assets. CBK had the reputation of being the most conservative and had only a limited international network. BB appeared to follow DnC's lead, but at a slower pace. However, the Friedman test, again on pairwise comparisons in the five markets in which each pair met, does not enable us to reject the null hypothesis that none of the three was more likely to enter before any of the others (Table 3; Col. 3). Although DnC entered four out of five markets before CBK, it would have had to have led in all five for the statistics to show an effect that was statistically significant at the conventional 5% significance level.

Regulation was arguably an important factor in the Norwegian banks choosing to use consortia. Until 1985, Norwegian law and regulations prohibited banks from using the branch or agency organizational form for their international expansion. The only forms open to the banks were representative offices, subsidiaries and participation in joint ventures and banking consortia.

By forcing the banks to use subsidiaries, the regulations may have forced the banks to seek partners to spread the costs of operating a subsidiary. Bankers have long argued that they prefer branches to subsidiaries as a branch does not require additional capital and has lower administrative costs [Olsson 1986]. A subsidiary brings with it sunk costs in the form of costs of incorporation and ongoing costs in the form of annual reports to registries of corporations. This larger investment perhaps may have forced the parent banks to seek partners that could both share the investment and provide enough business to enable the new venture to achieve critical mass.

Still, it was rare for Norwegian banks to work together. In only one case did DnC, BB and CBK all participate in the same venture: Cie. Internationale de Crédit à Moyen Terme, Lausanne. In 1971, the Norwegian banks' shareholdings were: DnC -- 3.34%; BB (then Bergens Privatbank) -- 3.4%; and CBK -- 3.32%. Sixteen banks participated (none with more than a 10% share) and each partner probably treated its participation as a pure investment. By 1975, Banque de Suez et de l'Union des Mines, which originally held 5%, had acquired almost the entire share capital.

Instead of cooperating with other Norwegian banks, the Norwegian banks chose to cooperate with other Nordic but non-Norwegian banks. The same sets of banks joined together in different ventures at different times in different parts of the world. Regulations in Denmark, Finland and Sweden forbidding domestic banks to open branches abroad paralleled those in Norway, forcing their banks into similar strategies.

Arguably, the restrictions in Denmark, Finland, Norway and Sweden on entry by foreign banks forced and facilitated international cooperation. Barred from entering the nearest, most logical markets in which to operate, the Nordic banks had to go farther afield. Given the evidence that trade falls off with distance, the prohibitions may have reduced the trade-related business that each of the banks could expect to find, reducing the probability that any bank would be able to justify assuming the entire fixed costs of an overseas subsidiary.

Partnering with banks from different countries may also have helped to spread and diversify the risks that are inherent when a bank from a small country operates a subsidiary. For banks from small countries the range of industries that their customers span is also small. When the banks follow their domestic customers' business abroad, this gives the banks' foreign operations concentrated loan portfolios. This is not a problem for a branch as a branch is legally part of its parent company. A concentrated portfolio can be a problem for a subsidiary because a subsidiary is a separate legal entity. A concentrated portfolio means that a subsidiary may fail when the industry to which it lends runs into difficulty whereas a branch would not.

More importantly, the inability to compete in each other's domestic markets may have freed the banks to cooperate abroad. As Fenema [1982] points out, consortia generally suffer from a Prisoner's Dilemma: being potential competitors, the members continually are tempted to engage in parasitic behavior. The governmental restrictions on home-market entry removed the most obvious conflict.

All these factors dissipated over time. In numerous cases, it is clear that by the 1980s several of the parents in a consortium could each reasonably expect to be able to maintain an operation based only on the clients it brought. Also in the mid to late 1980s, the regulatory authorities began to permit their banks to use the branches abroad in addition to or instead of subsidiaries; for instance in 1985, the Norwegian government authorized the Norwegian banks to establish branches overseas. Plus, the inducement to establish operations abroad to avoid domestic regulations lost whatever force it had as home governments deregulated.

Denmark liberalized its entry restrictions in 1971 and 1975 as part of its accession agreement with the European Economic Community (EEC). This had little effect on the consortia; no European bank established itself in Denmark before 1983. However, eventually Finland (1979-1982), Norway (1984) and Sweden (1985) also deregulated banking and especially the entry of foreign banks. Each country came to permit foreign banks to establish subsidiaries in the domestic market. Thereafter, a number of Nordic banks, including some consortium members, invaded each other's markets. At the same time, in one consortium after another, the Norwegian, Swedish or Finnish bank bought out its other partners and converted the subsidiaries to branches.

The banking crises that hit the Nordic countries (among others) in 1990-91 resulted in the exit of many banks from consortia and joint ventures. Mergers and government takeovers of failed banks forced rationalization of the banks' international operations. In Norway, the government encouraged the merger of Bergen Bank and DnC in 1990 but ended up taking over the new bank in 1991. In

1991, the government also took over CBK and Fokus Bank (see below) and rationalized their operations.

This points out an interesting side issue, the longevity of what one might call strategically large but financially small investments. Some of the banks' longest-lived investments were small participations in other banks or finance companies. Because the investments involved commitments to other institutions, dissolving the ties required decisions at the highest levels. However, the investments were small enough, proportionately and absolutely, that the Norwegian banks' top management could neglect monitoring performance. Apparently it required the wholesale reorganization of the banks following mergers or government takeover to clear out the undergrowth that had accumulated.

4.0 Conclusion

From the 1960s to the mid-1980s, the Norwegian banks made heavy use of consortia. All of these Nordic joint ventures are now gone. One of the partners, frequently the Norwegian partner, has bought out the other partners. Even Scandinavian Banking Partners has collapsed. Despite its cycle of learning, reevaluation and readjustment leading to a deepening of the alliance in the form of cross-shareholdings and extensive co-specialization along domestic lines, the partnership could not withstand the consequences of domestic deregulation.

At least three factors appear to have been important to the demise of the Nordic consortia. First, the problem of aligning the parents' returns with their contributions proved insurmountable when business volumes grew to the point that individual parents could establish operations of minimum efficient scale. Second, domestic deregulation changed to permit international rivals to invade each other's home market. Third, the domestic members of rival clubs merged.

All the consortia ultimately became wholly-owned subsidiaries or branches of one parent or another; in a number of cases, two or more parents established their own operations after the split-up. What failed was joint ownership, not the venture.

Now that the consortia have dissolved the Nordic banks appear to be invading each other's home markets. Handelsbanken of Sweden, through a process of acquisition and de novo branching, is now the largest foreign bank in Norway and Finland, and is expanding its retail operations in Denmark as well. SEB too has now established branches in all three Nordic countries. Unibank and Den Danske Bank have entered Sweden, with Unibank operating in a joint-venture with the Swedish Postal Giro.

Lastly, in time as well as in sequence, intra-country mergers have disrupted the neat "enemies of my enemy's friends" patterns. In addition to the merger between Bergen Bank (a member of Scandinavian Banking Partners -- SBP) and DnB (a member of the DSKK consortium – see Appendix 1), mergers occurred in the other Nordic countries. In Denmark, Den Danske Bank (SBP), itself the result of several mergers, merged with Københavns Handelsbank (DSKK). In Finland, Union Bank of Finland (SBP) acquired Bank of Helsinki in 1986, and merged with Kansallis-Osake-Pankki (DSKK) in 1995 to form Merita Bank. The mergers probably both complicated coordination and made each surviving firm large enough that it could act independently abroad.

Our results on the competition between the banks stand in some contrast to those of Engwall and Wallenstål [1988], Ito and Rose [1994], and Rose and Ito [1996]. Our results suggest a more complex set of behaviors than a simple “tit-for-tat” or “follow-the-leader” strategy. There are some locations the banks have to go to such as London or New York because of the importance of these as central marketplaces [Choi et al., 1986 and 1996], some such as Luxembourg because of regulatory incentives, and some such as Singapore and Hong Kong because of their importance as centers for serving clients who compete with each other but are drawn to the area by their own imperatives. Where common factors do not force the banks into parallelism and markets are small the banks may actually avoid each other. Ceding of markets is consistent with Cornell and Roll’s [1981] discussion of evolutionary stable strategies for competitive games where one strategy is that the first to arrive gets the resource with latecomers deferring to the incumbent.

One question that remains is whether the Nordic banks’ use of banking consortia was a fad and a mistake, a logical experiment that proved to be a mistake, or a correct response to the circumstances of the time. The consortia represented strategic responses both to the development of international banking and to the strategies of key domestic competitors. During the same period banks from many countries besides the Nordic countries entered into consortia, almost all of which are gone. Consortia have cropped up occasionally since but whether these represent appropriate responses to specific circumstances or triumphs of hope over experience is an open question.

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Appendix 1: Den norske Creditbank (DnC)

Though DnC was the largest Norwegian bank, it was only a small force internationally. In 1969, DnC ranked 302nd on a list of the largest banks in the world, behind five Swedish, three Danish, and two Finnish banks.

Of all the Norwegian banks, Den norske Creditbank was probably the most outward looking. Prior to 1987, DnC had more total assets abroad than the other Norwegian banks combined. DnC reports that in going abroad it followed its Norwegian corporate clients (DnC 1982).

In 1957, DnC's main international business consisted of processing international payments through its network of correspondent banks. Throughout the 1950s and 1960s, the bank also increased its lending in foreign currency. The bank provided foreign currency loans to its larger customers, especially in industry and shipping [Melander 1978].

In the mid-1960s, DnC started to participate in several finance companies designed to help foreign businesses in the less developed parts of the world. DnC took minor positions (around 1/2% of the outstanding share capital) in ADELA (226 partners) for Latin America, SIFIDA (130 partners) for Africa, and PICA (228 partners) for Asia.

From the 1960s to the 1980s, DnC's main partners were Svenska Handelsbanken (Sweden), Københavns Handelsbank (Denmark), and Kansallis-Osake-Pankki (Finland). Henceforth we will refer to these firms collectively as the DSKK partners.

The first joint venture started almost by coincidence. DnC had heard that Svenska Handelsbanken was planning to open a bank in Zurich and broached the possibility of a joint venture. Then the Danish and Finnish banks joined the negotiations as well. In 1965, the DSKK partners bought a Swiss bank, the Verwaltungsbank.

Svenska Handelsbanken was the majority partner with 60% of the shares. The three other banks and the former Swiss owners each had 10% of the shares. The DSKK partners increased the joint venture’s equity from 1 to 20 million Swiss Francs and planned to serve Nordic customers that had a connection with Switzerland.

DnC's main reason for expanding to Zurich was to escape the Norwegian reserve requirements and restrictions on foreign currency loans. Management believed that operating from Zurich would improve DnC’s ability to service its strong customer base in the shipping industry.

By 1975, the DSKK consortium in Zurich, now known as **Nordfinanz Bank**, had reorganized its capital structure. Each of the four parent banks had 20% of the share capital and the Swiss private shareholders had 20%. Later, the partners bought out the private interests and each of the four Nordic partners came to own 25% of the shares. In 1985, DnC sold its shares in Nordfinanz. Nordfinanz continued to exist but as a fully-owned subsidiary of Kansallis-Osake-Pankki.

Next the DSKK partners opened **Banque Nordique** in Paris in 1967. This time, each of the four parents owned 25% of the share capital. Thereafter, this practice of equally shared ownership became the norm.

The DSKK partners wanted a presence in the European Economic Community as the Scandinavian countries were not members of the EEC. Many businesspeople feared that European economic cooperation would result in a closed capital market.

Hence it was important for the Nordic banks to have a foot inside the bloc. Furthermore, Paris might well become Europe's financial center.

Unfortunately Banque Nordique ran into trouble, both in its portfolio and organization. At the same time as the partners started a major restructuring in 1971, the large American bank Manufacturers Hanover Trust (MHT) approached the consortium with a proposal. MHT would take over majority ownership (60%) of Banque Nordique while the four DSKK partners each would retain a 10% stake. Each of the four Nordic banks would also appoint one of the ten directors. Although the Americans would take over the administrative side of the bank, MHT would inform, ask advice, and accommodate reasonable requests from the minority partners. After much discussion, the four Nordic banks finally agreed to the proposal. The new bank took the name, Manufacturers Hanover Bank Nordique. In 1985 DnC sold out its share.

DnC’s third consortium was in Amsterdam. In 1968 DnC helped found **Ship Mortgage International Bank NV** to supply financing for new ships, the cost of which might be prohibitive for any one bank to undertake. Initially the parents were: DnC (40%), Hambros Bank, (Great Britain; 45%), CBK (Norway; 5%), Norsk Skips Hypotekbank (Norway; 5%), and Mees & Hope (Holland; 5%). In the mid-1970s, Skandinaviska Enskilda Banken (SEB; Sweden), and Midland Bank (Great Britain) joined the consortium; CBK, Norsk Skips Hypotekbank and Mees & Hope left. The ownership structure changed to give each remaining partner (DnC, Hambros, SEB, and Midland) an equal share. In 1982, DnC increased its stake to 33.3% and in 1985, DnC bought out its fellow shareholders.

Despite their problems in Paris with Banque Nordique, the DSKK partners opened **Nordic Bank Ltd.** in London in 1971. London, rather than Paris, had become the financial hub of Europe, and the partners felt the need for a presence in London. At first, Københavns Handelsbank did not take part and so the remaining three partners split the ownership into thirds.

The Bank of England granted Nordic Bank the status of “recognized bank” and authorized Nordic Bank to provide the full range of banking services. In time the United Kingdom became "the country in which Norwegian banks engage in universal banking to the largest extent" [DnC 1982].

DnC also held high hopes for business relating to shipping. London was an international shipping center (insurance, financing, chartering, brokering), and many Norwegian and foreign shipping companies operated from London. Nordic Bank was successful and eventually expanded operations to Singapore and Hong Kong. By 1973, 40% of Nordic Bank’s loans were to the shipping industry. Of the loans to shipping, 80% were to Norwegian borrowers.

In 1983, DnC bought out its partners in Nordic Bank. In 1982, Nordic Bank had over 230 staff and £stg. 1.9 billion in assets. Nordic Bank was thus slightly larger than its rival, Scandinavian Bank (350 staff and £stg. 1.4 billion; see below).

In 1979, DnC acquired 25% of the **Nordic American Bank Corp. (NABC)**, in New York. Again, each DSKK partner owned 25%. Svenska Handelsbanken had originally established the bank in 1975. At the time Svenska Handelsbanken invited its partners to join in but they declined. When DnC changed its mind four years later, Svenska Handelsbanken was no longer keen on yielding its complete ownership. Svenska Handelsbanken eventually agreed to DnC's participation when Svenska saw that DnC would enter by itself and as a competitor. By the time that Svenska had persuaded itself to cooperate, DnC management had concluded that a wholly owned entry would be preferable. However, DnC considered cooperation with its consortium partners too important to jeopardize with this plan. DnC feared that a failure to cooperate in the US would endanger the other DSKK projects as well. DnC did insist, however, that the four parent banks should own Nordic American directly rather than through Nordic Bank.

NABC provided the partners with access to US dollars outside the Euro-market. In its commercial lending, the Nordic American Bank Corporation catered primarily to Norwegian corporations, especially in the oil business.

In 1985 Københavns Handelsbank and Kansallis-Osake-Pankki withdrew from Nordic American Banking Corp. DnC bought Københavns Handelsbank's 25% share and Svenska Handelsbanken bought Kansallis-Osake-Pankki's 25%.

The Swedish government deregulated its banking market in 1985, and DnC promptly established a representative office and a subsidiary in Gothenburg. In 1986, DnC and Svenska Handelsbanken split up NABC. DnC's subsidiary took the name DnC America Banking Corporation.

Appendix 2: Bergen Bank (BB)

Bergen Bank resulted from the merger in 1975 between Bergens Privatbank and Bergens Kreditbank. When Bergens Privatbank was established in 1855, Bergen was a main commercial center in Norway, and a center for much of the trade with Europe. Later, shipping, industry, and oil, became increasingly important for the city and the region's economic life. Bergen remains the second largest city in Norway and the home of most of the small to medium-sized shipping firms.

After the merger in 1975, Bergen Bank was the only major bank with its base on Norway’s west coast. Though Bergen Bank traditionally has been more cautious than DnC about going abroad, Bergens Privatbank was part of the first international venture in Norwegian banking.

BB often emulated DnC's international expansion in the 1960s and 1970s. More than any other Norwegian bank, BB relied on cooperation with other Nordic banks in pursuing its international expansion plans.

In 1958, Bergens Privatbank and two other Norwegian banks, CBK and Fellesbanken, combined with other shareholders to form **Finanzierungsgesellschaft Viking**, a ship financing company in Zurich. Each of the three Norwegian banks acquired 12% of the equity of the joint-venture. Apparently all three Norwegian banks have maintained their ownership to the present though shareholding proportions may have fluctuated.

Bergens Privatbank helped found **Banque Scandinave en Suisse** in Geneva in 1964 and initially took 12.6% of the share capital (Table 4). This was Bergens Privatbank’s first venture with the banks that would become the Scandinavian Bank

Group (SBG). The other partners in SBG were: Skandinaviska Enskilda Banken (Sweden), Den dansk Landmandsbank and Den danske Provinsbank (later to merge into Den dansk Bank; Denmark), Union Bank of Finland, and Landsbanki Islands (Iceland).

In 1969, Bergens Privatbank joined with the other SBG partners in a London consortium called **Scandinavian Bank**. The bank gave its members access to the London financial markets and later other markets as well. Scandinavian Bank had as its strategy catering to Scandinavian businesses and private individuals and developed a considerable expertise in shipping and oil.

Bergens Privatbank took 19.4% of the equity. The ownership structure of Scandinavian Bank changed little after 1971 until the early 1980s when the structure began to change almost yearly (Table 5).

Headquartered in London, Scandinavian Bank went on to develop a network of offices throughout the world. By 1986, Scandinavian Bank had branches in Bahrain, Los Angeles, Milan, and Sydney. It also had representative offices in Madrid, New York, São Paulo, Singapore and Tokyo. At various times it also had representative offices in Hong Kong and Paris.

In 1982, the SBG shareholders increased Scandinavian Bank's capital by over a third to £40.25M. Scandinavian Bank took over Skandifinanz AG in Zurich from Banque Scandinave en Suisse, and took a two-thirds stake in Banque Scandinave en Suisse itself. At the same time, Skandinaviska Enskilda Banken established its own operation in London and began competing with Scandinavian Bank in some areas. In 1987, Scandinavian Bank in London went public with a sale of 35.4% of its equity.

In 1976, Bergen Bank formed **Bergen Bank International** in Luxembourg with two other Norwegian banks as junior partners. Bergen Bank owned 65% of the bank; Forretningsbanken and Bøndernes Bank owned 25% and 10%. The Norwegian banks established the venture to bypass Norges Bank's currency restrictions and reserve requirements. Bergen Bank bought out its partners in 1986 when Forretningsbanken and Bøndernes Bank merged into Fokus Bank (see below).

In 1984, Bergen Bank joined with the Skandinaviska Enskilda Banken, Union Bank of Finland and PRIVATbank to establish **Scandinavian Banking Partners** (SBP). Formally, Scandinavian Banking Partners was quite independent of Scandinavian Banking Group. Still, SBG provided the inspiration for SBP and the board of SBP consisted of approximately the same people who had sat in the policy committee of SBG. However, Landsbanki Islands did not join SBP and Unibank (then PRIVATbank) replaced Den dansk Bank.[1]

The Scandinavian Banking Partners had as their goal to "ensure that the partner banks' customers in the Nordic area were provided with services of a quality equal to that which would have been achieved had the banks operated in their own home markets" [Flatraaker and Husevåg 1991]. The partners stated that they would acquire shares in each other's banks. The Swedish prohibition on the acquisition by foreign banks of shares in Swedish banks delayed the full interchange of shares. Still, by 1987, all but the Danes had bought shares in each other (Table 6). The

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[1] PRIVATbank was also a member of the Inter-Alpha Group that in addition encomped Banco Ambrosiano (Milan), Berliner Handels und Frankfurter Bank (Frankfurt), Crédit Commercial de France (Paris), Kredietbank (Brussels), Nederlandsche Middenstandsbank (Amsterdam), and Williams & Glyn’s Bank (London).

partners further agreed to cooperate in various areas, to refrain from opening subsidiaries or branches in each other's countries, and to carry out joint operations abroad, including joint representative offices. SBP thus appears to have been an attempt to counteract the divisive effect of the now imminent deregulation of entry.

The decision to exchange shares represents an example of what Perotti (1992) has called a hostage exchange to support collaboration. His model envisions the participating firms exchanging sufficient shares to establish a mutual threat of capture of control; each firm then may make a credible commitment to future efficient cooperative actions and so in equilibrium no punishment is administered. From Table 5 it is clear that the partners did not establish a mutual threat of capture of control. It should not be surprising therefore to discover that the partners were not able to enforce cooperation in the face of fissiparous forces.

Scandinavian Banking Partners provides the clearest example in our data of Doz’s (1996) model of cycles of learning, reevaluation, and readjustment among the Nordic consortia. Learning reinforced the positive assessment of the alliance and led the partners to make further commitments to the alliance, enlarging its scope and its stakes. However, the partners were already co-specialized in that each specialized in its own domestic market; when the respective governments removed the barriers to cross-investment any change could only take the form of interpenetration.

In 1984, Bergen Bank entered into two joint-ventures with Skandinaviska Enskilda Banken (SEB). SEB allowed BB to buy 20% of **Deutsch-Skandinavische Bank**. SEB had established the bank in 1976 in Frankfurt as a joint venture but had come to own it completely by 1981. Bergen Bank also bought 20.6% of

Skandinaviska Enskilda Banken Corp., New York. In 1988, Bergen Bank established its own branch in New York and sold its stake in Skandinaviska Enskilda Banking Corporation back to SEB.

Appendix 3: Den norske Bank (DnB)

On April 17, 1990, DnC and Bergen Bank merged and took the name Den norske Bank (DnB). DnB is now the single largest bank in Norway with total assets of NOK 154 billion. It is the main bank for over half of Norway's 300 biggest companies, and the single biggest lender to the shipping industry [DnB 1994].

The merger between DnC and BB had a tremendous effect on the international network of the two banks. The consolidation of overlapping operations and the sale of others resulted in the release of 200 international employees.

Skandinaviska Enskilda Banken acquired Bergen Bank’s shares in **Deutsch-Skandinavische Bank AG**. Société Générale bought the subsidiary that DnC had established in Gothenburg. DnB had to sell the operation because DnB’s membership in Scandinavian Banking Partners (through Bergen Bank) included a commitment not to compete in the other members’ home countries.

In January of 1990, the SBG group made a generous buy-out offer to the private investors in **Scandinavian Bank**, thereby regaining 100% control of the bank. At the time Scandinavian Bank had become the 20th biggest bank in the United Kingdom. The Banker (January 1990) lauded Scandinavian Bank for "[remaining] an individual institution over a period when other joint-venture banks have in increasing numbers been swallowed by one or other shareholders." Half a year later, Scandinavian Bank too disappeared when Skandinaviska Enskilda Banken bought out its four partners (including DnB). The acquisition also gave Skandinaviska Enskilda Banken control over **Banque Scandinave en Suisse**.

In 1991, DnB also sold **Ship Mortgage International Bank NV** that it had inherited from DnC. DnB sold the bank to a Dutch bank, DNI Inter Asset Bank.

The closures reflected not just the removal of overlapping operations and even some financial exigencies but also a sense that the parent banks' strategies had been too ambitious. Bergen Bank and DnC had gone into areas (both geographic and sectoral) that looked interesting but where the banks had no advantage.

Still, DnB opened four new offices in Eastern Europe in 1990, in cooperation with the SBP partners. The SBP group co-owned these new ventures, with each partner having a special responsibility for one office. The partners chose Berlin, Budapest, Prague, and Warsaw as the most prominent and promising Eastern European cities. DnB assumed responsibility for the Budapest office.

In 1994, the partners decided to dissolve Scandinavian Banking Partners. The partners are treating their shareholdings in each other as portfolio investments rather than tokens of commitment and are unwinding the positions gradually.

Appendix 4: Christiania Bank og Kreditkasse (CBK)

Christiania Bank og Kreditkasse (CBK), commonly known as Kreditkassen, is today the second largest commercial bank in Norway. CBK was the most conservative of the big three Norwegian banks in terms of its willingness to go abroad. This hesitant approach is somewhat surprising. CBK is, after all, the premier bank for many Norwegian industrial firms.

Unlike DnC and BB, CBK did not participate in multilateral consortia with other Nordic banks. However, it did have relationships with two Swedish banks, a long-lived one with Gøtabanken and a shorter but more extensive one with PK-banken. (PK-banken was the result of a merger of two government-owned banks, Sveriges Kreditbank and the Bank of the Swedish Post Office; until 1984 the Swedish government owned 100% of PK-banken and thereafter about 85%.) CBK and PK-banken established several short-lived joint operations in the 1980s.

In 1958, CBK joined Bergens Privatbank and Fellesbanken with each acquiring 12% of the equity of **Finanzierungsgesellschaft Viking**. In 1968 CBK bought 2.5% of **Banque Transatlantique SA** in Paris; other foreign banks also took minority positions. In 1969, CBK joined Algemene Bank Nederland (Schweiz) in Zurich with a participation of 6.7%.

In 1970, CBK joined Bergens and DnC in **Cie. Internationale de Crédit à Moyen Terme S.A. Lausanne**. By 1975, CBK and all the other owners had been bought out. Also in 1970, CBK joined **Anglo-Nordic Bank** in Switzerland. The Chartered Bank owned $46^{2}/_{3}$ %, CBK owned 25%, and Bankhaus Conrad Hinrich Donner of Hamburg owned $28^{1}/_{3}$ %. In December 1975, Standard Chartered Bank (the result of the merger of the Standard Bank and the Chartered Bank) bought out its partners. CBK also had a minor position (5%) in **Ship Mortgage International Bank** in Amsterdam. DnC was the largest shareholder and CBK withdrew in the mid-1970s.

In 1980, CBK and PK-banken opened a joint representative office in Rio de Janeiro to support the wood-processing industry. The office has since closed. CBK also opened representative offices in Hong Kong and Singapore together with Gøtabanken. In Hong Kong, CBK took a 16.5% (eventually 18.2%) share in an investment bank, **Arral & Partners, Ltd**.

In 1981, CBK joined with PK-banken to form **American Scandinavian Banking Corporation** in New York. Before incorporation, CBK and PK-banken opened participation to Union Bank of Finland and Den Danske Bank af 1871. (Den Danske Bank af 1871 emerged from the merger of Den Danske Landmandsbank and Den Danske Provinsbank.) Each participant took an equal share. Union Bank of Finland and Den Danske Bank joined CBK and PK-banken because Skandinaviska Enskilda Banken decided to set up its own wholly-owned bank in New York in 1981 rather than create an SBG consortium along the lines of Scandinavian Bank in London.

In 1985, CBK and PK-banken sold their shares in American Scandinavian Banking Corporation and established PK Christiania (US) Banking Corporation. Within a year, CBK had bought PK-banken's 50% share and changed the bank’s name to Christiania Bank. PK-banken established its own New York subsidiary.

In 1982, CBK and PK-banken opened three subsidiaries in Hong Kong, Singapore and London. The two parent banks each owned 50% of each subsidiary. In London, CBK bought 50% of PK-banken’s subsidiary and the UK bank changed its name to **PK Christiania Bank (UK) Ltd**. CBK also opened a representative office in Houston with PK-banken and Den Dansk Bank.

In 1986, PK-banken and CBK mutually agreed to dissolve their partnership [Eek 1992]. PK-banken took over CBK's 50% stake in the Hong Kong subsidiary, while CBK took over PK's half-share in the Singapore and London subsidiaries.

As a result of the bank crisis, in 1991 the government came to own CBK completely. The crisis forced CBK to reduce the international division drastically.

Three of CBK’s early participations in other banks had survived into the 1990s: Banque Transatlantique SA, Algemene Bank Nederland (Schweiz) and Finanzierungsgesellschaft Viking. CBK decided that as a matter of policy it would own 100% of its subsidiaries or withdraw [Eek 1992] and sold all but its 13.5% stake in Finanzierungsgesellschaft Viking.

Appendix 5: Other Norwegian banks

DnB and CBK are now the only Norwegian banks that pursue a significant and persistent international strategy. However, a few other Norwegian banks have or have had a small international presence.

Sparebanken NOR, became the largest savings bank in Norway in October of 1990, when Sparebanken ABC merged with four small to medium-sized savings banks. It is now larger than Fokus Bank (see below), the third largest commercial bank. Sparebanken ABC was a result of the merger in 1984 of Sparebanken Oslo / Akershus with Fellesbanken. Fellesbanken translates into Union Bank and the bank is the commercial banking arm of an association of savings banks. The merged bank operates internationally as a commercial bank under the name of Union Bank of Norway.

Fellesbanken was an early entrant into international investment. It helped found **Finanzierungsgesellschaft Viking** (12%) in 1958. In 1973 Fellesbanken joined in forming **Bank Nordeurope** (Luxembourg) with a participation of 12.5%. When Fellesbanken merged with Sparebanken Oslo / Akershus, it sold its position to the other partners [Swedbank (43.75%), Skopbank (Finland; 43.75%) and Faellesbanken for Danske Sparekasser (12.5%)].

Fokus Bank, based in Trondheim, is now the third largest commercial bank in Norway. Fokus resulted from the merger in 1986 of four banks, Buskerudbanken, Bøndernes Bank, Forretningsbanken and Vestlandsbanken, the last three of which had some representation abroad (see below). Around the time of the merger the partners extricated themselves from most of their existing commitments.

The 1990 banking crisis almost destroyed Fokus and the government came to own 98% of the bank's shares. Fokus has since closed its three offices abroad.

Forretningsbanken, also based in Trondheim, joined Bergen Bank and Bøndernes Bank in **Bergen Bank International** in Luxembourg in 1976. Bergen Bank bought out its junior partners when they merged into Fokus, in 1986.

For a few years before its merger into Fokus, Forretningsbanken was part of an unusual consortium. In 1981, Dow Banking, a Swiss banking subsidiary of the US firm, Dow Chemical, established a London consortium with itself as the majority (52%) partner. Forretningsbanken, Sundsvallen Bank (Sweden) and Bank of Helsinki each took 16% of the share capital. The partners named the bank **Dow Scandia Banking Corporation**.

In 1982 Dow Scandia acquired Arbuthnot Latham Holding Ltd. Arbuthnot Latham Holdings was a UK company that controlled a UK merchant bank with offices in Africa and the Far East. In 1984, Dow Scandia acquired 29.9% of Savory Milln, a UK stockbroker specializing in European and Scandinavian shares. Forretningsbanken left the consortium in 1985. Dow Chemical sold its subsidiary in 1986 to Royal Trust Co. of Canada. Royal Trust sold Savory Milln to Swiss Bank Corporation in 1987.

Bøndernes Bank was the other junior partner in **Bergen Bank International** (Luxembourg). Bøndernes Bank also bought a 0.91% participation in the large consortium **London & Continental Bankers** in London in 1980. Bøndernes Bank closed out its participations at the time of its merger into Fokus Bank.

<u>Fiskernes Bank</u> joined a Scandinavian joint representative office (with one Danish and two Swedish banks) in London in 1983. It left within a year when it merged with CBK. Two smaller Norwegian banks, **<u>Sunnmørsbanken</u>** and **<u>Vestlandsbanken</u>** then joined the joint representative office in 1984. When Vestlandsbanken merged into Fokus in 1986, it left the office. Sunnmørsbanken subsequently also left the office. In 1990, CBK acquired Sunnmørsbanken.

<u>Nordlandsbanken</u> established **First Nordic Bank in Luxembourg** in 1986. Nordlandsbanken owned 29%, as did Sydbank Sønderylland (Denmark) and STS-Banken Ltd. (Finland). KD Danemark owned 11% and management owned 2%. Surprisingly, Nordlandsbanken entered into a consortium at a time when other Nordic consortia were dissolving. In 1994, Sydbank bought out the consortium and renamed the bank Sydbank Luxembourg.

Appendix 6: Statistical methods

1) The Hypergeometric Test: Let us suppose that DnB has the resources to operate in s markets. CBK has the resources to operate in t markets where $t \le s \le n$, and where n is the total number of markets. Let us define a discrete random variable $0 \le F \le n$ that represents the number of markets in which DnB and CBK could meet. The probability of f meetings between DnB and CBK is:

$$p(f) = \frac{C_{t,f} \times C_{n-t,s-f}}{C_{n,s}}$$

where $C_{a,b}) = a! / (a-b)!b!$ denotes the number of combinations of a objects taken b at a time and $\sum p(f) = 1$ for $f = [0,t]$. Then F follows the hypergeometric distribution. The hypergeometric distribution has a mean $\mu = st / n$ and a standard deviation

$$s = \sqrt{m\left(1-\frac{t}{n}\right)\left(\frac{n-s}{n-1}\right)}$$

We can test the hypothesis that DnB and CBK meet more (or less) frequently than by chance alone by computing a standard Gaussian Z-score based on A, the actual number of markets in which DnB and CBK meet.

$$Z = \frac{A-m}{s}$$

(2) Friedman’s Test: One may use the χ^2 distribution with k degrees of freedom (where k is the number of firms) to test hypotheses about whether CBK has led or lagged DnB in entering the markets in which both are present. The basis of the Friedman test statistic is the sum of the ranks for the two banks where the first to enter a particular market gets a rank of 1 and the second gets a rank of 2. For k =2,

$$g = \frac{2}{a}\left[\left(\sum_{j=1,2} T_j^2\right) - 9a\right]$$

where *g* is the Friedman test statistic, *a* is the number of countries in which both firms invest, and T_j, j = 1,2 is the sum of the ranks for the jth firm.

Table 1
Den norsk Creditbank, Bergen Bank (later Den norsk Bank) and Christiania Bank og Kreditkasse account for about three-quarters of all bank relationships of Norwegian listed companies.

	1979		1984		1989		1994	
Bank	No.	%	No.	%	No.	%	No.	%
DnC	44	29	51	28				
BB	24	16	36	20				
DnB					52	42	65	44
CBK	42	28	51	28	46	37	47	32
Foreign banks	24	16	14	9	6	5	9	6
All others	19	12	29	16	19	15	26	18
TOTAL	153	100	154	100	123	100	147	100

Source: Ongena and Smith (1997)

Table 2
The Norwegian banks established their presence in major banking centers via consortia and joint ventures (1)

Year	Zurich/ Geneva	Paris	Amster.	London	Luxem-bourg	NewYork	Singapore	Hong Kong	Los Angeles	Milan	Frankfurt/ Hamburg
1964	BB (2)										
1965	DnC (3)										
1967		DnC (5)									
1968			DnC (6)								
1969				BB (7)							
1970	CBK (4)										
1971				DnC (8)							
1973					CBK (10)						
1974					DnC (10)						
1975							DnC(15)				
1976					BB (11)			DnC(15)			
1979						DnC (12)					
1981						CBK (13)					
1982				CBK (9)			CBK (9)	CBK (9)	BB (16)	BB (16)	
1983							BB (10)				
1984						BB (14)					BB (17)

Notes: (1) We only record consortia with five or fewer partners or in which the bank owned 15% or more of the shares, joint ventures, and subsidiaries, agencies and branches. We omit representative offices. (2) Banque Scandinave en Suisse. (3) Nordfinanz. (4) Anglo-Nordic. CBK withdrew in 1975. (5) Banque Nordique. (6) Ship Mortgage Intl. (7) Scandinavian Bank. (8) Nordic Bank. (9) PK Christiania. (10) Wholly-owned subsidiaries or branches. We have included these to highlight the fact that the same three banks tended to meet in the same centers. (11) Bergen Bank International. (12) Nordic American. (13) American Scandinavian. (14) Skandinaviska Enskilda. (15) Indirectly through Nordic Asia Ltd., a subsidiary of Nordic Bank Ltd. (16) Indirectly through Scandinavian Bank. (17) Deutsch-Skandinavische.

Table 4
Banque Scandinave en Suisse, Geneva

Partners	Shareholdings (%) 1971	1975
Bergens Privatbank (Bergen Bank)	18.6	13.6
Den Dansk Landmandsbank	13.6	10.2
Den Dansk Provinsbank	4.5	3.4
PRIVATbanken		
Northern Trust Company		25.0
Union Bank of Finland	18.1	13.6
Skandinaviska Enskilda Banken	44.3	33.2
Skanska Banken	1.4	1.0

Table 5
Scandinavian Bank Ltd., London

Partners	Shareholdings (%)					
	1970	1971	1975	1983	1986	1987
Bergens Privatbank	19.4	19.4	19.4			
Bergen Bank				23.6	27	20.0
Den Dansk Landmandsbank	14.5	14.5	14.5			
Den Dansk Provinsbank	4.8	4.8	4.8			
PRIVATbanken / Unibank					10	8.1
Landsbanki Islands	3.2	3.2	3.2	3.0	3	2.5
Union Bank of Finland	19.4	19.4	19.4	23.6	27	20.0
Skandinaviska Enskilda Banken	38.7	34.8	34.8	45.7	33	14
Skanska Banken		3.9	3.9	4.1		
Private shareholders						35.4
Assets (£stg; millions)			344	2002	3300	3500
Staff			170	360	358	600

Table 6
Cross-Investment within Scandinavian Banking Partners

	Purchase of:	SEB	BB	UBF
Purchase by:	SEB		10%	6%
	BB	1.6%		1.3%
	UBF	3.4%	5%	
Total		5%	15%	7.3%

Source: Financial Times, various issues.