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The Regional Nature of World Banking

by

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Abstract

Of the forty banks included in the world's largest 500 firms, none operate on a global basis. All but one are heavily dependent on their home region, with an average of 78.3% of their sales being intra-regional. The other bank is European owned but has a majority of its sales in North America, i.e. it is host-region oriented. The insularity of the world's largest banks is not a sector- specific factor—only nine of the world's 500 largest firms are global, and the vast majority are like the banks, home-region based.

Keywords: regional; triad; banking; intra-regional; global

The Regional Nature of World Banking

Introduction

Recent research has demonstrated that the vast majority of international business activity is conducted on a regional basis, rather than globally. Regional is defined as the large "triad" markets of the European Union (EU), the United States (or, more broadly, NAFTA) and Japan (or, more broadly, all of Asia). This research is illustrated in Rugman (2000) and Rugman (2005).

For 380 of the world's 500 largest companies, data on their geographic sales in the "broad" triad regions of Europe, North America, and Asia (including Oceania) are available in a database called RNGMA. Of these 380, 180 are in manufacturing, leaving 200 in services. Of the 200 service MNEs for which information is available, there are 40 in the banking industry and 27 in other financial industries, see Table 1.

Table 1 here

In previous papers, a revenue-based classification for firms' regional scope was developed, Rugman and Brain (2003), Rugman and Verbeke (2004), Rugman (2005). Global firms are defined as deriving over 20% of their sales in each region of the broad triad, but less than 50% in any one region. Bi-regional firms are defined as deriving over 20% of their sales in two regions of the triad, including their own, but less than 50% in the region in which they are headquartered. Host-region firms are defined as deriving over 50% of their sales in a region other than their own. Home-region oriented firms derive over 50% of their sales in the region in which they are headquartered.

Regional, Not Global, Banking

Over the last 20 years, a trend to open domestic markets to competition has propelled a number of financial services firms to expand internationally. This has mainly been accomplished through cross-border mergers and acquisitions. Despite this liberalization, financial services continue to be highly localized in their home region. Not only are financial companies more localized than manufacturing companies, but they are also less likely to expand within their own region than are most industries in the manufacturing sector.

Nonetheless, more than ever, financial firms have now diversified their activities across many business lines. As a result of liberalization within markets, financial firms now offer commercial banking, investment banking, and insurance services. This makes an examination of a firm's global scope even more difficult as some business lines exhibit more international diversification than others.

The data offered in this paper show that financial institutions continue to be localized in their revenue generation, and that this is true for most of their business lines. Larger banks, the data also shows, are more likely to engage in significant operations across regions. Related findings appear in Grosse (2005).

As shown in Table 2, none of the 40 banks for which data are available in the top 500 are global; indeed, 39 are classified as "home-region oriented", with a majority of their sales in their home region of the triad**.** Of these, five banks derive all their revenues from within their home region. One bank is "host-region oriented", as the European bank, Santander, has 55.7% of its sales in the Americas, mainly Latin America. Across all the 40 banks, the average home-region sales figure is 78.3%.

Table 2 here

In terms of the distribution of extra-regional sales and revenues of the 40 banks, higher percentages of extra-regional sales are associated with higher revenues. Thus a large degree of resources is necessary to significantly access foreign regions. Among the largest banks, European banks have a higher level of extra-regional sales than North American banks.

There are data for another 27 financial services companies in the top 500. These include diversified financials, insurance, and securities companies. Again, all but one of these is home-region oriented. But ING, a European insurance company, has 51.4% of its sales in North America. Across all 27 financial institutions the average home-region sales figure is 71.9%, see Table 3.

Table 3 here

In terms of the relationship between size and global scope for the 27 financial service companies not classified as banks, as is the case with banks, larger firms are more likely to exhibit a higher percentage of extra-regional sales. In addition, European firms once again show higher levels of extra-regional sales than their North American and Asian counterparts.

The issue of transfer pricing—the artificial reporting of profit across taxation jurisdictions that is prevalent in financial services—puts in doubt the integrity of our conclusions. Unfortunately, other financial indicators of a firm's global scope, such as profit, are exposed to the same problem. Non-financial indicators, such as the number of employees, may also not represent the true importance of a given region if some of the international operations are processed in another region. Similarly, other indicators might not provide a full picture of a firm's expansion because they are only relevant to a line of business. Bank branches might provide insight into the regional retail operations of a

bank but might not represent other lines of business, such a credit cards, securities, or insurance. This paper uses revenues for all cases except for Citigroup, which reports income.

Barriers to Global Expansion in Banking

The banking and other financial services industry does not export material goods, and for that reason, tariff barriers to trade have no direct impact on the industry. Non-tariff barriers to trade, such as government regulations and the domestic environment (including business, cultural, and language differences) are the relevant issues for an analysis of international expansion. These non-tariff barriers to trade make foreign direct investment the primary means of international expansion in the banking and financial services industry.

Around the world, all governments heavily regulate their banking and financial services industries. Some of these regulations are uniform to all banks while others specifically target foreign banks. Restrictions on licensing, for instance, might make the emergence of a new, domestic, or foreign bank very difficult while limitations on branch expansion by foreign banks target non-domestic banks. Similarly, some nations limit the share of the equity in a bank that can be held by any one shareholder, regardless of nationality, while other nations specifically limit the amount of foreign ownership allowed in a bank. Interstate banking restrictions in the United States, which have now been overturned, made a large presence by a foreign bank difficult across state lines. Restrictions on the types of services that a bank may provide also limit the ability of foreign banks to expand across all its business lines. These restrictions have at times been extra-territorial, as was the case pre-1999 in the United States when a foreign bank could not merge with a securities or insurance firm in its own region and continue to operate in

the United States. Some countries specifically restrict the types of services a foreign bank might provide in preference to its domestic banks. China, for example, restricts foreign banks' participation in local currency operations. There are many layers of regulations that may affect the ability of a bank to expand into foreign regions, and this is one factor that undermines the possibility of attaining economies of scale in foreign regions.

A related issue is whether a service company, depending on key human resources and capital, can effectively compete in a foreign country in the long run. In developing countries, access to capital is particularly scarce, and domestic banks in these countries may be unstable and lack the trust of citizens. In this case, a trusted foreign bank might have a competitive advantage over its domestic counterparts. This advantage can allow the foreign bank to expand in the country's development years to become a large player with good knowledge of the market at future stages of development. An example of this advantage can be seen in Citibank's acquisition of Banamex in Mexico. Shortly after the merger, the company gained 1.5 million client accounts. Similarly, the previously state-run banks of Brazil gained credibility after being auctioned to large foreign banks with stable reputations.

Across triad regions, however, international expansion in the financial sector is less likely. The United States and E.U. both have trusted domestic banks and human resources personnel that tailor products to their domestic market. Organic growth is unlikely to be a successful entry strategy because of the established domestic competition. Foreign banks are more likely to undertake acquisitions of already established banks in the market. This is still a risky strategy. The success of the acquired subsidiary depends on the human resources within it. Foreign banks must be cautious and provide enough autonomy to the subsidiary to continue providing competitive locally-

responsive products. Corporate cultural clashes have seen much of an acquisition evaporate in terms of human resources.

Still in question is whether the inter-triad exchange of ownership brings with it any economies of scale that cannot be achieved through expanding intra-regionally. Traditionally, an assumption is made that diversifying into foreign markets decreases risk. It is highly probably, however, that this benefit is outweighed by the burden of overcoming regulations and information costs, including cultural and language differences. In addition, most firm-specific advantages are not transferable to other triad regions which have competitive financial industries of their own. Only in developing countries, where fiscal instability has led many consumers to distrust local financial institutions, can the reputation of these companies provide a true competitive advantage. Even here, banks are restricted from entering some business lines or are unwilling to enter risky businesses. The relative size of these markets with respect to the foreign bank's home-region market makes the significance of these developing regions small in drafting overall strategy.

Cases

We now discuss five cases:- Citigroup, Deutsche Bank, Bank of America, Crédit Suisse, and JP Morgan Chase. These are the five largest banks in the top 500 list.

<u>Citigroup</u>

Overcoming cultural barriers, different regulations, and financial systems makes establishing a truly global bank very difficult. No one has done it as well as Citigroup's Citibank. Formed in 1998 by the merger of Citicorp and Travellers Group, in 2001 Citigroup was the largest financial MNE, and it had a presence in over 100 countries around the world.

Citigroup is a financial services holding company whose activities are conducted through four business segments: Global Consumer, Global Corporate and Investment Bank, Private Client Services, Global Investment Management, and Proprietary Investment Activities. In turn, each of these business units is further segmented. The Global Consumer unit, for instance, includes Cards, Consumer Finance, and Retail Banking (including Citibank) while the Global Investment Management arm includes Life Insurance and Annuities, Private Bank, and Asset Management.

Despite its global scope, Citigroup is a very home-region based North American business, and this is true in virtually every line of business. Indeed, Citibank became less global after the merger with Travellers in 1999 as the latter's insurance business was very localized, and this offset much of Citibank's banking diversification in South America and Asia. In 2002, Citigroup also acquired Banamex, one of the largest banks in Mexico, further strengthening its position within the NAFTA region. Today, 69% of the group's income is derived from within the North American free trade area. Within Citigroup's largest segment, Global Consumer, 73.1% of income is derived from North America. Similarly, 88% of all Global Investment Management income was derived from Citigroup's home region. Together, 51.9% of the income derived from its Global Corporate and Investment Bank and its Private Client Services was intra-regional.

Table 4 displays data on Citigroup's regional indicators for its consumer banking division. Over 70% of the company's revenue is derived from its home region of the triad. NAFTA also accounts for 77.1% of all accounts, but only for 45.5% of all deposits.

Table 4 here

In 2002, Citigroup International (which reports revenues outside of North America) had revenues of $21.5 million, or slightly over 30% of total revenues. Customer accounts outside of North America total $50 million. No region outside of North America accounts for a significantly large portion of revenues.

Table 5 here

Table 5 shows the foreign-to-total ratio of a number of Citigroup's business lines. In all areas, except for commercial loans, the United States accounts for over 50% of the group's operations.

Prior to the merger with Travellers, Citibank's presence in developing countries was relatively more important. The success of that line of business should be analyzed with particular reference to the company's ability to capture market share in developing countries, as opposed to other countries in the triad. Table 4 above reports that 24% of Citibank's consumer banking deposits originate in non-industrialized countries in Asia. This is a higher percentage than for Western Europe or Japan. In addition, Citigroup has almost twice as many branches and offices outside the core triad markets as it does in its own home region.

Citibank enters a developing country with its own marketing strategy. In the first stage of development, the bank caters to the global customer (usually a large corporation) by providing short-term loans, cash management, and foreign exchange services. During a country's second stage of development, as demand grows in the face of a burgeoning middle class, Citibank begins to offer personal financial products.

Citibank's experience in China illustrates the political risk of foreign expansion and the company's international expansion strategy. Citibank opened its first office in China in 1902 but was thrown out by the new Chinese communist government of

Chairman Mao in 1949. Even after Citibank was allowed back into the country, its business was mainly restricted to foreign currency. China's market potential, however, always attracted the bank, and when the country began to show interest in opening its borders and joining the WTO, Citibank stepped in as a key broker in negotiations with the U.S. government. The bank's efforts are paying off. In the 1990s, the Chinese began to open their economy and make commitments for further reforms. By 2001, import tariffs had been decreased to an average of 15% from 44% in 1992. Import tariffs are expected to continue to decrease and average 9% by 2006.

Today, the bank's revenue from corporate business in China is still one-fifth of that of South Korea. Deregulation will not only allow Citibank to open fully functional branches, it will also attract the burgeoning MNEs market and local clients. Citibank can also benefit from large local companies who seek to do international business. Among these is Legend, a Chinese PC manufacturer, that today controls over 25 % of the domestic market and is yet unknown outside the mainland.

Citibank's second marketing stage for emerging markets is expanding into personal banking. Though personal banking has not yet been deregulated, Citibank is already applying for a license in China. In early 2003, Citibank was the first foreign bank to be granted a license to offer internet banking to foreign and local companies as well as consumers. A significant portion of Citibank's income comes from credit cards. Citibank is hoping that increases in disposable income among middle-class Chinese will prove profitable. Once the credit card market becomes saturated, the bank is likely to move consumers into mortgages, personal loans, pension funds, and other financial products.

Though Citibank has a definite first-mover advantage in the Chinese market, it still faces competition from domestic banks, such as the Industrial and Commercial Bank of China and other large foreign competitors, such as the HSBC, which also has extensive

experience in the region. As of 2000, there were 71 foreign financial institutions operating in some form in Shanghai.

Citigroup's international expansion into triad markets and non-triad markets is highly dependent on the expansion of MNEs. These MNEs have created a market for a bank that can handle their financial needs across national borders, and this then leads to a stable income generation stream for the bank. Citigroup offers stability and tailored know-how for MNEs that might not be replicated by more locally-focused banks. In fact, only HSBC can claim to have as large a scope of operations in this market niche. Market entry into this niche is blocked by the relatively large investments required for international expansion; know-how and building a reputation must be undertaken to compete successfully. Citigroup and HSBC both entered this market at an early stage, and this first-mover advantage creates a further barrier for more localized banks.

Deutsche Bank

In 2002, Deutsche Bank derived 66.9% of its revenues from its home-region market of Europe, half of which was derived from Germany. North America accounted for 24.2% of total revenues. The remainder originated in Asia-Pacific, Africa, and South America. Similarly, although over 60% of the bank's employees reside in foreign countries, 71% are located in Europe. Although Deutsche Bank has customers from 76 countries, aspirations to become a global lending provider and labels itself a "universal bank," it is not a global company, but a home-region company with a significant presence in the United States.

In 1999, Deutsche Bank acquired Bankers Trust for $9.2 billion, more than twice its book value. The move was meant to support global ambitions and improve the group's

investment banking arm. At the time, Bankers Trust was the eighth largest U.S. bank, assuring a significant, if not major, presence for Deutsche Bank in the American market. In addition, Deutsche Bank incorporated Bankers Trust's skills in equity underwriting and high-yield debt to its portfolio while strengthening some of its own operations.

Deutsche's drive to become a global bank with strong investment banking capabilities has been supported by other acquisitions. In 1989, Deutsche purchased Morgan Grenfell, a UK based merchant bank. Spain's Banco de Madrid was acquired in 1993, and in 1998 Crédit Lyonnais of Belgium was added to its portfolio. The fall of the USSR also meant that Deutsche could expand not only into East Germany but also into other Eastern European countries. In 1995, Deutsche opened a branch in Warsaw, and a year later a subsidiary was established in Hungary. In Asia, Deutsche Bank acquired a Japanese trust bank and an Australian fund-management company in 1997. More recently, it acquired Scudder, a U.S. asset-management firm in 2002.

Deutsche Bank has 1,711 branches worldwide. In 2002, 936 of these banks were in Germany. Yet, Deutsche is not looking to become a global retail bank. Instead, the firm wants to get out of small-scale banking in Germany altogether and become a global investment power house.

Germany's retail banking system is heavily regulated and fragmented, and despite its size Deutsche accounts for a fraction of domestic deposits. Deutsche Bank is one of four large private German banks that compete with state-owned banks. Competition from mutual and savings banks is likely to result in losses in this market. Meanwhile, guaranteed state-owned regional banks can access funds in capital markets at lower interest rates. With reported costs of 80% of their income, compared to 60% by other European competitors, German banks are continuously ranked at the bottom of the stack. To add to its national complaints, Germany's labor laws make hiring and firing personnel

very difficult and costly. This explains the bank's creating of Bank 24 in 1994 to combine its branch network and online banking. This can potentially allow the divestiture of all retail banking operations.

Deutsche is also highly susceptible to the German market and the broader European market. The recent collapse of German companies, including Philipp Holzmann, the Kirch Group, and Fairchild Dornier cost German banks millions.

Deutsche's international ambitions and move into investment banking are heavily driven by regulations in its domestic market. Its past acquisitions and new strategy do not guarantee a carving of this market. Other banks, such as UBS, attempted similar strategies only to find themselves in dire straits. Nonetheless, Deutsche Bank is successful in securities, foreign exchange, and asset management which might provide an edge against competitors. Mergers and acquisitions, however, are a profitable area the bank is hoping to strengthen but has not yet successfully done so. In addition, the acquisition of other localized banks, such as Banker's Trust, does not provide the necessary know-how for global expansion. At best, the bank can hope to gain a bi-regional scope with its European and U.S. arms acquiring know-how in inter-regional transactions across two regions of the triad. Deutsche is now best positioned to become a bi-regional bank with the potential for luring the business of European firms doing business in the United States. Whether or not Deutsche will be able to successfully compete in the U.S. investment banking market, where domestic companies are already world leaders, or to lure U.S. MNEs with operations in Europe, has yet to be seen.

Bank of America

A leading financial services firm, Bank of America's strength is primarily its home-region retail and corporate banking expertise. The bank's 30 international offices, which

serve customers in over 150 countries, do not translate into a significant international presence. In 2002, Europe, the Middle East, and Africa accounted for 3.4% of Bank of America's revenues. Asia, Latin America, and the Caribbean accounted for 3.1%. The United States and Canada accounted for 93.5% of all revenues; this represents an increase from 92.9% in 2001. In terms of total assets, 92.5% are located in the United States and Canada.

Between 1986 and 1998, NationsBank negotiated a series of acquisitions to strengthen its domestic position, including Bankers Trust of South Carolina (1986), First Republic Bank of Texas (1988), Missouri's Boatman's Bancshares (1996), Florida's Barnett Banks (1996), and Montgomery Securities (1997). In 1998, the bank's major expansion plans concluded with the purchase of Bank of America, and the new entity took on that name. The timing was right. Regulations that had prevented banks from operating across state borders were completely eliminated in 1994. By 2002, Bank of America was ranked as the largest U.S. bank in terms of branches. Consolidation, however, did not turn into a competitive advantage. The new Bank of America was riddled with bad loans and a cost-cutting strategy to justify the price of acquisitions that jeopardized the quality of its customer service and hampered attempts to expand internationally.

A home-region based company with a national strategy, Bank of America, has a competitive edge in the extremely competitive U.S. retail banking market, but not a significant presence in any foreign market. To further broaden its scale and scope, large investments to diversify its revenue generation and customer base have been undertaken. Nonetheless, significant competition within the related markets has led to only minor penetration by the bank into institutional and investment markets. A growing expertise in asset management and investment banking may play a pivotal role if the bank seeks to

become a major global competitor. However, it will be difficult for a product-oriented, low-cost player to compete in the higher-end services that will allow for such growth.

Crédit Suisse Group

Crédit Suisse Group (CSG) origins date back to 1856 when the Schweizerische Kreditanstalt was founded to help finance railway construction and industrialization in Switzerland. CSG rose from being a Swiss railway finance company to one of the world's most revered banks by developing products that meet the diverse needs of corporate, private, and retail customers.

The Swiss banking group utilized its home country's stringent banking/secrecy laws to position itself as an international banking power. While CSG has significant operations in 23 countries, based on the distribution of its revenues and assets across the global triad (North America, Europe, and Asia-Pacific), it remains a home-region firm. Europe accounts for 64.5% of CSG's revenues while the Americas account for an additional 28.0%.

The group entered the U.S. market in 1940 by opening a branch in New York. In 1978, CSG began to cooperate with First Boston, Inc. of the United States, and in 1990 it acquired a controlling position in the firm. CSG acquired Donaldson, Lufkin & Jenrette, a U.S. investment bank in 2000. Crédit Suisse First Boston (CSFB), as the U.S. subsidiary of CSG is known, was considered one of the most successful firms in Wall Street during the booming 1990s.

However, by the early 2000s, the company was running into trouble. Along with other banks, it was being investigated over the advice and financing it provided to Enron. CSFB had entered a partnership with Enron that was used to hold unprofitable assets and eventually contributed to the company's bankruptcy. In 2002, the state of Massachusetts

brought a civil case against CSFB for fraud, accusing the bank of intentionally giving bad advice to small investors.

In 1999, the Japanese Financial Supervisory Agency (FSA) ordered Crédit Suisse Financial Products (CSFP), the derivatives arm of CSFB, to halt all business in Japan. CSFP combined investment and commercial banking disregarding Japanese law, destroyed documents, and obstructed the FSA investigation. However, the FSA did not order CSFP to indefinitely stop operations as a result of any of these things, but because it deemed the products the CSFP offered were "inappropriate". In 2002, the United Kingdom Financial Services Authority fined Crédit Suisse First Boston International (CSFBI), formerly CSFP, £4 million for attempting to mislead Japanese authorities about the extent of its Japanese operations between 1995 and 1998 and for destroying documents. At the time, this was the highest fine the UK authority had imposed on a firm.

The CSG has had to come to the rescue of its international operations, setting aside hundred of millions of dollars to help CSFB through legal suits. CSG is perhaps one of the best examples of how government regulations and political risk can hinder the banking industry from expanding into foreign markets.

JP Morgan Chase

With $29.6 billion and $1.6 billion in revenues and net income, respectively, JP Morgan Chase is a dominant player in the financial services industry. Today, JP Morgan Chase is globally recognized for its retail and investment banking, a combination of the competitive market position in credit cards, home finance, and auto finance that Chase brought to JP Morgan when the companies merged in 2002. Despite this global reputation, its operations are mainly North American based. In 2002, 73% of its revenues

originated in the United States, an increase from 67.7% the year before. Europe, the Middle East, and Africa, on the other hand, only accounted for 17.3%. Asia accounted for a measly 6.4%. The remaining 2.5% of revenues were derived from other regions, including Latin America. In 2001, consumer and commercial loans were 99% and 63% domestic, respectively. The broadened Americas account for 63% of JP Morgan's treasury and security service. Finally, 73% of both investment management and private banking is based in the Americas, mainly in the United States. JP Morgan Chase is another North American regional bank. The group is currently a home-triad based firm that, while recognized for its global expertise, remains locally focused.

Recently, JP Morgan is attempting to pioneer geographic diversification into developing countries of the financial industry's downstream knowledge base. In 2003, JP Morgan transferred its economic research work to Mumbai, India. By hiring abundant, and underpaid, local financial services workers, JP Morgan hopes to decrease costs while attracting the best graduate economists. Their jobs would consist of providing analysis of companies and research reports for investors. JP Morgan insists that the quality of the work will not deteriorate even if the research is being performed by workers in a foreign region with very different circumstances. Nonetheless, to ensure quality, principal analysts in major triad markets will collect information from Indian researchers to produce final reports. Whether JP Morgan will be able to transfer a substantial amount of its production to international offices is yet to be seen.

JP Morgan Chase is predominantly an investment bank that is in the process of diversifying itself through a growing retail and consumer financial services business. In 2002, the group's acquired position via Chase Manhattan in credit cards, home finance, and auto finance buoyed its financial performance in a weak capital market. However, the

firm continues to be focused largely on North America, and it will struggle to grow into a global company unless it acquires a largely foreign firm in the future.

Conclusions

Along with all other sectors, the world's banking industry operates on a regional, not a global, basis. Of the 40 banks in the world's largest firms, none are global, and 39 are home-region oriented, with one being host-region oriented. These 40 banks have an average of 78.3% of their sales in their home region of the triad. The other 27 financial services in the top 500 also have most of their sales in their home regions, an average of 71.9%. The five case studies in the paper further demonstrate the lack of globalization in banking and finance and the need for business strategy to take account of the realties of regional activities.

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Table 1: The Top 500 MNEs, by Industry

	Industry Category	No of Firms in the Fortune 500	No. of Firms in the RNGMA	% of total
	Manufacturing	**206**	**180**	**87.4**
1	Aerospace and Defense	11	11	100.0
2	Chemicals and Pharmaceuticals	19	18	94.7
3	Computer, Office & Electronics	39	36	92.3
4	Construction, Building Materials and Glass	12	11	91.7
5	Energy, Petroleum & Refining	43	31	72.1
6	Food, Drug & Tobacco	18	14	77.8
7	Motor Vehicle and Parts	31	29	93.5
8	Other Manufacturing	13	13	100.0
9	Natural Resource Manufacturing	20	17	85.0
	Services	**294**	**200**	**68.0**
1	Banks	62	40	64.5
2	Entertainment, Printing & Publishing	9	9	100.0
3	Merchandisers	77	63	81.8
4	Other Financial Services	58	27	46.6
5	Other Services	25	21	84.0
6	Telecommunications & Utilities	43	27	62.8
7	Transportation Services	20	13	65.0
	Total	**500**	**380**	**76.0**

Data are for 2001.

Table 2: The Regional Nature of the Banking Industry

	500 Rank	Company	Region	Revenues in bn US$	F/T Sales	% intra regional	North America % of total sales	Europe % of total sales	Asia-Pacific % of total sales
Host-region oriented									
1	136	Santander Central Hispano Group	Europe	30.4	66.1	44.3	55.7 [l]	44.3	na
Home-region oriented									
1	27	Deutsche Bank	Europe	66.8	69.0	63.1	29.3	63.1	6.5
2	31	Credit Suisse	Europe	64.2	73.3	60.9	34.9 [l]	60.9	4.1
3	47	Bank of America Corp.	North America	52.6	na	92.9	92.9 [a]	3.5 [m]	2.7
4	54	JP Morgan Chase & Co	North America	50.4	na	67.7	67.7 [z]	23.2 [m]	6.7
5	59	UBS(q)	Europe	48.5	62.0	58.0	37.0 [l]	58.0	5.0
6	82	Mizuho Holdings	Asia-Pacific	41.5	30.3	74.4	19.7	5.8	74.4
7	85	Fortis (q)	Europe	40.5	na	64.3	21.4 [z]	64.3	na
8	115	Royal Bank of Scotland	Europe	33.8	19.0	81.0	12.0 [z]	81.0 [u]	na
9	137	Sumitomo Mitsui Banking	Asia-Pacific	30.2	22.4	83.4	11.1 [l]	5.6	83.4
10	150	HBOS	Europe	27.8	7.9	92.1	na	92.1 [u]	na
11	154	Barclays	Europe	27.6	na	88.0	6.0 [z]	88.0	na
12	165	Mitsubishi Tokyo Financial Group	Asia-Pacific	26.1	na	64.4	23.6	7.0	64.4
13	168	DZ Bank	Europe	26.0	na	85.6	na	85.6	na
14	174	UFJ Holdings (q)	Asia-Pacific	25.3	29.4	78.5	15.5	6.1	78.5
15	186	Bank One Corp.	North America	24.5	na	100.0	100.0	na	na
16	191	Société Générale	Europe	23.9	na	77.3	15.6	77.3	3.6
17	193	Commerzbank	Europe	23.8	na	85.5	8.5	85.5	3.0
18	201	Westdeutsche Landesbank	Europe	23.1	na	80.0	12.8	80.0	5.1
19	206	Lloyds TSB Group	Europe	22.8	na	81.2	na	81.2 [u]	na
20	211	Wachovia Corp.	North America	22.4	na	100.0	100.0	-	-
21	242	IntesaBci	Europe	19.9	31.6	80.4	na	80.4	na
22	259	Crédit Lyonnais	Europe	18.8	28.0	82.0	8.0	82.0	7.0
23	272	Almanij	Europe	18.1	21.0	97.9	1.9	97.9	-
24	280	Abbey National	Europe	17.8	4.0	99.5	0.5	99.5	-
25	283	Washington Mutual	North America	17.7	na	100.0	100.0	na	na
26	294	Landesbank Baden-Wurttemberg	Europe	16.9	na	94.8	2.7	94.8	2.5
27	299	Royal Bank of Canada (q)	North America	16.5	28.3	71.7	71.7 [c]	na	na
28	304	U.S. Bancorp	North America	16.4	na	100.0	100.0	-	-
29	320	Bayerische Landesbank	Europe	15.8	na	82.1	12.9 [z]	82.1	5.2
30	361	CIBC	North America	13.9	39.8	79.7	79.7 [a]	na	na

Table 2 (Con't)

	500 Rank	Company	Region	Revenues in bn US$	F/T Sales	% intra regional	North America % of total sales	Europe % of total sales	Asia-Pacific % of total sales
31	366	Bank of Nova Scotia (q)	North America	13.7	35.9	71.2	71.2 [a]	na	na
32	370	Toronto-Dominion Bank	North America	13.6	28.5	86.6	86.6 [a]	na	na
33	395	Norinchukin Bank	Asia-Pacific	12.9	na	90.6	2.2	7.2	90.6
34	419	Nordea	Europe	12.2	na	100.0	na	100.0	na
35	449	Bank of Montreal (q)	North America	11.2	46.5	70.7	70.7 [a]	na	na
36	461	Danske Bank Group (q)	Europe	10.9	27.5	94.3	5.1	94.3	0.6
37	463	Daiwa Bank Holdings	Asia	10.9	<10	>90	na	na	>90 [j]
38	473	Bankgesellschaft Berlin (q)	Europe	10.6	22.2	77.8	na	77.8	na
39	475	Norddeutsche Landesb. (q)	Europe	10.6	18.9	94.8	2.9	94.8	2.3
Weighted Average*				**25.3**		**78.3**			
Total				**1,010.9**					

Numbers might not add up due to rounding.
Data are for 2001
Notes: a. Canada and the U.S.; z. United States; l. Americas; m. Europe, Middle East and Africa; u. United Kingdom; j. Japan; f. includes Africa.

q. UBS: Calculated using data on operating income from the Annual Report; Fortis: Europe is Belgium, The Netherlands and Luxembourg. Numbers are estimates using total revenues, net of interest expense; UFJ: Estimated using ordinary income figures from the Annual Report; Royal Bank of Canada: Revenues are estimated using gross revenues as reported in the Annual Report; Bank of Montreal: Estimated using net income business mixed as reported in the Annual Report; Bank of Nova Scotia: Revenues are estimated using income figures as reported in the Annual Report; Bankgesellschaft Berlin: Estimated using income data as reported in the Annual Report. Data for Europe only includes Germany; Norddeutsche Landesb: Data are calculated using income figures as reported in the Annual Report.

* Weighted average is calculated by using the size of firms according to revenues.
na. not available

Table 3: The Regional Nature of Other Financial Services Industries

	500 Rank	Company	Region	Revenues in bn US$	F/T Sales	% intra regional	North America % of total sales	Europe % of total sales	Asia-Pacific % of total sales
Host-region oriented									
1	20	ING Group	Europe	83.0	77.3	35.1	51.4	35.1	3.4
Home-region oriented									
1	9	General Electric	North America	125.9	40.9	59.1	59.1 [z]	19.0	9.1
2	18	Allianz	Europe	85.9	69.4	78.0	17.6 [l]	78.0	4.4 [f]
3	30	AXA (q)	Europe	65.6	77.3	51.2	24.1 [z]	51.2	19.9
4	34	American International Group	North America	62.4	na	59.0	59.0 [a]	na	na
5	50	Assicurazioni Generali (q)	Europe	51.4	67.2	91.4	1.7 [a]	91.4	na
6	52	Fannie Mae	North America	50.8	-	100.0	100.0 [z]	-	-
7	63	State Farm Insurance Cos.	North America	46.7	-	100.0	100.0	-	-
8	73	Morgan Stanley (q)	North America	43.7	25.0	75.0	75.0 [z]	17.9	6.3
9	79	Munich Re Group (q)	Europe	41.9	54.7	72.3	19.3	72.3	4.1
10	95	Merrill Lynch (q)	North America	38.8	31.0	73.0	73.0	16.6 [m]	8.7
11	96	Zurich Financial Services	Europe	38.7	na	51.0	38.3	51.0	na
12	132	Goldman Sachs Group	North America	31.1	35.6	65.9	65.9 [l]	25.0	9.1
13	144	Allstate	North America	28.9	na	100.0	100.0 [a]	na	na
14	157	Prudential Financial	North America	27.2	17.0	83.0	83.0 [z]	na	13.3 [j]
15	209	American Express	North America	22.6	24.7	75.3	75.3	11.0	6.5
16	212	Lehman Brothers Hldgs.	North America	22.4	37.0	63.0	63.0 [z]	29.0	na
17	222	Royal & Sun Alliance	Europe	21.5	55.1	64.8	27.1 [l]	64.8	na
18	260	Loews	North America	18.8	-	100.0	100.0 [z]	na	na
19	330	Mitsui Sumitomo Insurance	Asia-Pacific	15.2	2.0	98.0	na	na	98.0 [j]
20	359	Household International	North America	13.9	9.2	92.5	92.5 [a]	na	na
21	432	Power Corp. of Canada	North America	11.9	32.4	100.0	100.0 [a]	-	-
22	440	Cathay Life	Asia	11.6	-	100.0	-	-	100.0
23	445	Yasuda Fire & Marine Insurance (q)	Asia	11.3	-	100.0	-	-	100.0
24	453	Old Mutual (q)	Europe/Other	11.1	6.6	93.4	na	na	na
25	465	Sun Life Financial Services	North America	10.9	76.9	83.5	83.5 [a]	12.4	2.8
26	483	Manulife Financial (q)	North America	10.5	70.3	71.1	71.1 [a]	na	20.1
Weighted Average*				**37.2**		**71.9**			
Total				**1,003.6**					

Numbers might not add up due to rounding. Data are for 2001
Notes: a. refers to Canada and the United States; z. refers to the United States only. l refers to the Americas; f. includes Africa; m. refers Europe, the Middle East and Africa; j refers to Japan only. Weighted intra-regional sales average is weighted according to revenues. (q) AXA: Europe represents France, the UK, Germany and Belgium. An additional category "other countries" might include other European nations; Assicurazioni Generali: Used premium income (€45.6 billion) to estimate geographic distribution of revenues; Morgan Stanley: Estimated using geographic information for net revenues; Munich Re Group: Calculated using geographic information on premiums (totaling €36.1 billion). This represents 84% of revenues; Merrill Lynch: Estimated using net revenues from Annual Report; Yasuda Fire & Marine Insurance: Now part of Sompo, the Annual Report describes overseas sales as immaterial and does not report them; Manulife Financial: The data are estimated using sales by division (U.S., Canada and Asia) as reported in the Annual Report.* Weighted average is calculated by using the size of firms according to revenues. na. not available

Table 4: International Operations of Citigroup: Consumer Banking Division% of Total

Country/Region	Revenue	No. of Accounts	Deposits
NAFTA	72.7	77.1	45.5
Japan	8.9	3.3	10.2
Other Asia	5.8	6.2	24.2
Western Europe	6.8	6.4	9.1
Latin America	3.6	4.5	7.1
Other	2.2	2.5	4.0
Total	100.0	100.0	100.0

Source: Citigroup, Annual Report, 2001.

Table 5: Selected Indicators of Citigroup's International Scope

average volume in millions of dollars

Indicator	U.S.	Foreign	U.S. as a % of Total
Investments	95,781	38,822	71.2
Brokerage Receivables	25,058	2,517	90.9
Trading Account Assets	81,241	37,304	68.5
Trading of Federal Funds and Securities	104,150	34,087	75.3
Consumer Loans	151,837	79,782	65.6
Commercial Loans	53,834	91,867	36.9
Employees	149,000	123,000	54.8

Source: Citigroup, Annual Report, 2001.