



Nordic Banking Structures - Report

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Suomen Pankki

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This report is published jointly by five Nordic central banks. The views expressed are those of the authors and do not necessarily reflect the views of Nordic central banks.

If not otherwise stated, data in this report is collected by Nordic central banks from various sources.

Executive summary

This report was produced in close co-operation between five Nordic central banks. The aim is to provide an overview of the structure of the Nordic banking sector and to highlight important issues for banking business.

Many similarities, but also notable differences, exist among the Nordic countries in the structural aspects of their banking systems. Banking sectors constitute an important part of the Nordic economies, although the relative sizes vary considerably. Banking sector total assets as a percentage of GDP has increased in every Nordic country since 2001. Moreover, many indicators point to continuous technological development and growing productivity in the banking sector. Larger total assets and more customers can be handled with a smaller labour force.

In every Nordic country, the banking markets are dominated by a few large banking groups. In general, the large players are commercial banks. Banking sectors in the Nordic countries are quite concentrated, although the degree varies across the countries. The shares of different subgroups (e.g. commercial banks, savings banks, cooperative banks, mortgage banks)¹ in the national banking markets have changed only marginally during the last five years².

Banking sectors in Nordic countries are tightly integrated. Nordic subsidiaries and branches in other Nordic countries have a larger share of the banking markets than branches and subsidiaries from non-Nordic EEA countries and from outside the EEA area³. Subsidiaries and branches from non-Nordic EEA countries and third countries constitute only a limited part of the Nordic banking sectors. Almost all of the largest Nordic financial groups are present in other Nordic countries.

In general, banks' profitability has improved, as witnessed by the national figures as well as peer group analysis. Growing lending volumes have generated greater net interest income even though interest rate margins have narrowed. Net commission income has also increased and so contributed to increasing operating income. Banks' business in capital market operations has been highly successful. Costs have increased only moderately, and loan losses are either very low or have contributed positively to banks' earnings. Cost efficiency has generally improved since 2002.

¹ The subgroups are defined in the statistical annex.

² Norway is an exception due to DnB NOR (savings bank), which is a result of the merger between DnB (commercial bank) and Gjensidige NOR (savings bank).

³ EEA (European Economic Area) includes the 25 member states of the European Union plus Norway, Iceland and Liechtenstein.

An important feature of Nordic countries is a convergence of lending and deposit rates. This can be explained partly by the lower level of money market interest rates, but also by intensified price competition in loan markets. Balance sheet structures in the banking sector differ among the Nordic countries, which reflect still-existing institutional differences in banking business across the Nordic area.

The competitive situation in the Nordic banking markets is quite intense despite national differences. In addition to price competition, the non-price competition (primary new products) between banks in terms of quality or availability of services is an important aspect, but more difficult to assess.

The use of new technology in banking is common in the Nordic countries. Nordic banks have succeeded in taking advantage of modern banking technology in business operations so as to reduce costs and improve efficiency. One reason for this is that the banking crises in the late 1980s and early 1990s in some Nordic countries forced banks to dramatically improve efficiency and increase the use of new technology. Common attitudes towards modern technology and its usage have been positive in the Nordic countries. Banks and their customers have been open to new innovations and their applications in banking.

This development has substantially affected distribution channels and services. The report maintains that new technology, especially internet services, is driving the banks into a situation where they have to offer the same services via several different delivery channels. Nordic banks have been successful in implementing this strategy.

The future development of the Nordic financial sector may be affected by five general trends, which entail challenges to all financial institutions in Nordic countries. Firstly, cost and competitive pressures are still formidable and banks must face the challenge of increasing competition in the future. Secondly, organic growth is hard to achieve in the traditional markets. This is perhaps the most fundamental reason why large Nordic banking groups have expanded abroad. The process of consolidation continues, and the number of banks will decrease further. Thirdly, technological change continues apace. Technological developments will change the business models, products, services and strategies. Also, the leading position of Nordic banks in payment technology may be at least somewhat weakened in the future.

Fourthly, disintermediation may have an impact on the Nordic banks. This is possible, given the present central position of banks in the financial markets. Technology and product innovations in a competitive environment promote changes in maturity transformation. Fifthly, demographic change will have a strong impact on banks' activities. How to combine modern technology with the need for personal services for an aging population will remain an important question for all banks in the Nordic

countries in the coming years. Customer education might become an important means of enhancing competitive advantage as investment and savings products become more and more sophisticated because of financial innovations.

1 Introduction

This report aims to provide an overview of the structure of the Nordic banking sector and to highlight important issues for discussion: the performance of the banking sector, modern banking technology, and the future development of the Nordic financial sector. The report is a result of close co-operation among the Nordic central banks.

The report is organised as follows. Section 2 contains a general description of the Nordic banking sectors. First, some issues that are common to the whole Nordic area are discussed and Nordic banking sectors are compared to international banking markets. Secondly, a short description of specialities and developments in the banking sectors of each Nordic country is given. Section 3 provides a short overview of banks' performance.

Modern banking technology and customer behaviour are discussed in section 4. The know-how of modern technology is without doubt the driving force in Nordic banking. Section 5 presents five future trends that could affect banking. These trends are broad in nature, but they are also very pronounced. The report claims that the future of Nordic banking depends on how banks and other financial institutions react to these trends and the challenges they pose.

A statistical annex is presented at the end of the report. Data illustrate the structural changes in banking that have taken place in the Nordic countries. The annex and some footnotes also illustrate the challenges of comparing data on the five countries.

2 General description of banking sectors in the Nordic countries

2.1 Overview of Nordic banking sectors

2.1.1 Comparison of Nordic banking sectors

Economic performance has been generally stable and positive in all of the Nordic countries during the last ten years. The main factors supporting positive economic performance have been growing domestic demand and favourable developments in the world economy. In addition, increasing profits in the corporate sector and growth of exports have supported GDP growth in the Nordic area. According to the latest forecasts, GDP is expected to grow at a steady rate in every Nordic country. Other similarities in the Nordic economies are related to low inflation and interest rates, rising equity prices and rapid lending growth. The only country that differs slightly from this overall picture is Iceland. An economic environment with low inflation as well as low and stable nominal interest rates and stable income developments has boosted households' confidence. This favourable macroeconomic development has had a positive impact on the banking industry in the Nordic countries. Financial systems are sound, albeit some threats (e.g. rapid lending growth) do exist.

Considering structural aspects of Nordic banking systems, there are many similarities but also notable differences between the countries. Banking sectors constitute an important part of the Nordic economies, although relative sizes vary considerably. Banking sector total assets exceed GDP in every Nordic country and the ratio has been increasing (table 1). The growth of banks' total assets reflects the rapid lending growth that has taken place in all Nordic countries in recent years. The growth in assets has led to banks' growing dependence on funding from international capital markets. In the case of Iceland, the high asset-to-GDP ratio is explained by credit expansion and foreign acquisitions. Icelandic banks have been eager to offer housing loans since the state-owned housing fund lost its dominant position. They have also offered new products and expanded their corporate lending business. On the other hand, the public has benefited from the tight competition between banks, and the demand for loans has increased. Also, the loans that Icelandic banks' foreign subsidiaries have extended to the general public abroad are included in the figures.

While the assets of the banking sector have increased rapidly, the number of employees in banks has generally decreased. This is demonstrated by the ratio of banking sector employees to population in Nordic countries. However, in Iceland the number of banking sector employees has increased. The figure for Iceland has increased due to domestic and foreign expansion of banks that has required additional work force at head offices.

Table 1. Indicators for Nordic banking sectors

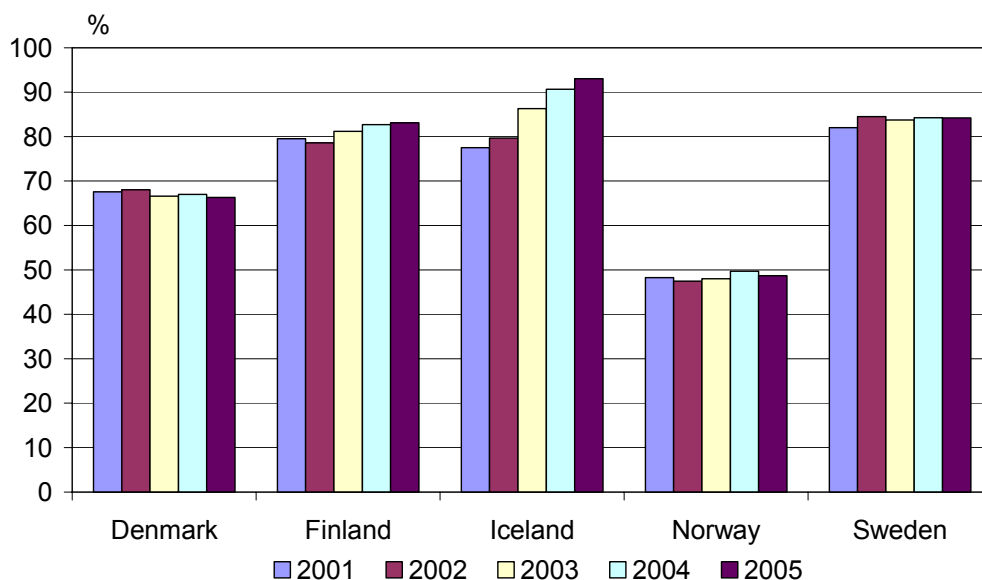
		2001	2002	2003	2004	2005
Banking sector total assets / GDP	Denmark	2.6	2.9	3.0	3.2	3.3
	Finland	1.1	1.1	1.2	1.3	1.4
	Iceland	1.5	1.5	2.0	2.8	4.3
	Norway	1.3	1.4	1.5	1.4	1.5
	Sweden	2.1	2.1	2.1	2.3	2.7
Banking sector employees / 1000 population	Denmark	9.0	8.8	8.5	8.1	7.9
	Finland	5.2	5.2	5.1	4.9	4.8
	Iceland	11.8	12.6	12.5	13.5	14.3
	Norway	6.0	6.0	5.8	5.5	5.4
	Sweden	5.6	5.5	5.3	5.2	5.2

The assets-to-GDP ratio and number of employees in the banking sector per capita also demonstrate the continuous technological development and growing productivity; larger total assets and more customers can be handled with a smaller labour force.

Banking sectors in the Nordic countries are very concentrated. When concentration is measured by CR5 (see chart 1) the least concentrated market is Norway and the most concentrated is Iceland. In Finland and Sweden, concentration ratios are above 80 %. In Iceland, the high concentration ratio is partly explained by foreign acquisitions made by Icelandic banks.⁴ In every Nordic country, the banking markets are dominated by a few large banking groups. Particularly in Iceland, and to a lesser extent in Finland, concentration has increased in recent years. In Denmark, Norway and Sweden concentration has been stable.

⁴ In chart 1, figures are calculated on a solo basis, except the Swedish CR5, which is calculated from group level data. For Norway, CR5 is based on the total credit market comprising commercial banks, savings banks, mortgage banks and other credit institutions. In the case of Iceland, CR5 is based on data that include foreign subsidiaries. Please refer to country-specific notes of the report's statistical annex.

Chart 1. Concentration ratio CR5: ratio of five largest banks' total assets to banking sector total assets



In general, the large players in Nordic banking markets are commercial banks. In table 2 banks in the national banking sector are divided into subgroups. The shares of subgroups in national banking markets have changed only marginally during the last five years. The share of commercial banks has increased while the shares of other banking groups have diminished. The big drop in the share of commercial banks in Norway was caused by a merger of DnB and the savings bank Gjendsidige NOR at the start of 2004.

Savings banks form a substantial part especially in Norwegian banking sector, while their importance is rather limited in Finland, Denmark and Sweden. On the other hand, cooperative banks comprise a significant part of the Finnish banking sector, whereas they are almost non-existent everywhere else.⁵ Mortgage banks form an essential part of the banking systems in Denmark, Norway and Sweden. In Finland, mortgage banks are still rather small players in the market, although their importance has increased during the last couple of years. The great importance of mortgage banks in three Nordic countries and their lesser role in two countries reflects historical and institutional

⁵ In table 2 the share of Finnish cooperative banks is smaller than what is normally presented, since the large cooperative banking group, OP Bank Group, has been split in two. "OKO Bank" (part of cooperative OP Bank Group) is a commercial bank, listed on the Helsinki Stock Exchange, and it operates as a central bank for the whole OP Bank Group. It is recorded under the subgroup "commercial banks". The rest of the OP Bank Group (as well as local cooperative banks) has been allocated to the sub-group "cooperative banks". If the whole OP Bank Group is allocated to cooperative banks, their share is 24 % at the end of 2005.

differences in housing loan markets. It should be noted that mortgage banks are often part of a larger consolidated group, and in case of difficulties (e.g. liquidity problems) they would not stand alone.

Table 2. Total assets of banking sector subgroup / banking sector total assets, %

		2001	2002	2003	2004	2005
Commercial banks	Denmark	54.2	56.2	55.0	54.3	58.9
	Finland	73.7	70.1	72.4	73.7	75.8
	Iceland	61.9	71.6	79.2	80.3	81.3
	Norway	41.9	41.6	41.8	24.3	25.8
	Sweden	63.5	63.4	61.5	63.6	65.0
Savings banks	Denmark	0.0	0.0	0.0	0.0	0.0
	Finland	4.5	4.7	4.5	4.4	4.3
	Iceland	16.5	16.8	13.1	10.3	8.2
	Norway	31.4	31.9	31.8	48.8	48.9
	Sweden	1.8	1.9	1.9	1.7	1.6
Cooperative banks	Denmark	0.0	0.0	0.0	0.0	0.0
	Finland	15.4	16.4	15.9	14.9	14.3
	Iceland	0.0	0.0	0.0	0.0	0.0
	Norway	0.0	0.0	0.0	0.0	0.0
	Sweden	0.0	0.0	0.0	0.0	0.0
Mortgage banks	Denmark	45.8	43.8	45.0	45.7	41.1
	Finland	0.3	0.4	0.5	0.5	1.1
	Iceland	0.0	0.0	0.0	0.0	0.0
	Norway	12.7	13.1	13.7	14.6	14.0
	Sweden	25.1	25.3	26.6	25.3	23.9
Other credit institutions	Denmark	0.0	0.0	0.0	0.0	0.0
	Finland	6.0	8.4	6.7	6.4	5.0
	Iceland	21.7	11.6	7.7	9.4	10.5
	Norway	14.0	13.5	12.6	12.3	11.3
	Sweden	9.6	9.4	10.0	9.3	9.5

Relatively low cultural barriers, expansion of banks' customer bases to other Nordic countries, and the need to seek new business opportunities to gain new revenues and exploit scale economies are some of the forces driving Nordic banks to expand operations into neighbouring Nordic countries. Expansion has usually been accomplished via mergers and acquisitions or by setting up a subsidiary or branch.

Table 3 shows that banking groups are usually present also in markets other than their home markets. The significance of such expansion differs across the Nordic countries. In Denmark, the significance of other Nordic banks has decreased somewhat while in Norway and in Sweden it has increased gradually. In Finland, the dramatic growth in the share of total assets of the banks of other Nordic countries in 2004 is due to Nordea Bank Finland's conversion to a bank owned by a Swedish

holding company (i.e. to a Swedish subsidiary).⁶ Nordea's changing structure does not affect Norwegian or Danish figures since Nordea Bank Norway and Nordea Bank Denmark were owned by a foreign bank throughout 2001 - 2005. Foreign subsidiaries are not present in Iceland.

Table 3. Importance of Nordic banks' subsidiaries and branches in other Nordic countries

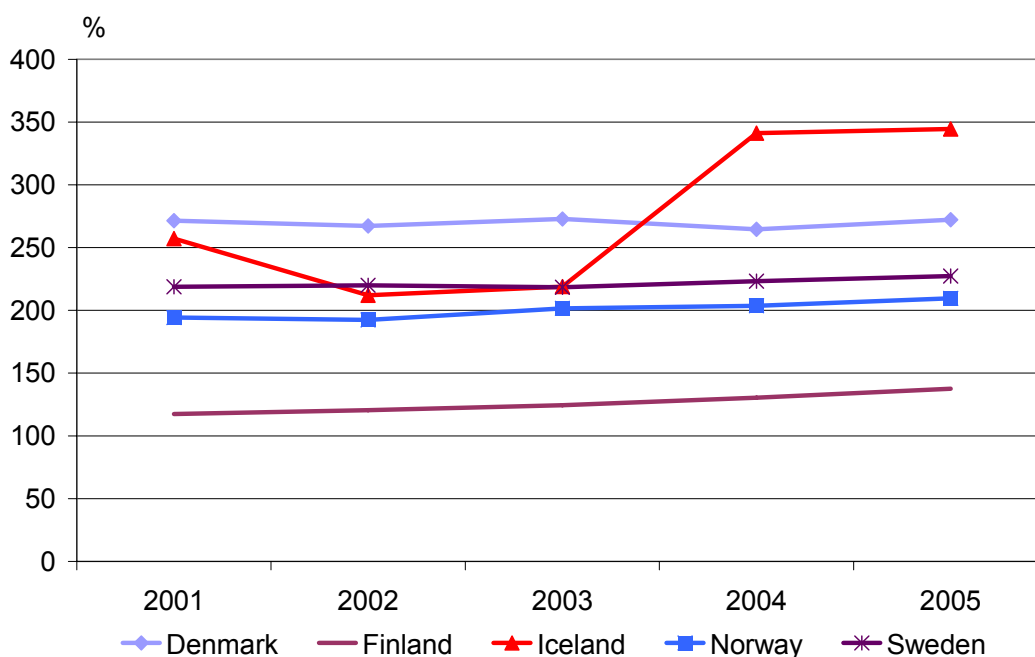
		2001	2002	2003	2004	2005
Total assets of Nordic subsidiaries and branches / total assets of credit institutions, %	Denmark	16.7	16.7	15.6	13.8	13.0
	Finland	6.3	8.5	7.0	59.1	58.0
	Iceland	0.0	0.0	0.0	0.0	0.0
	Norway	22.5	22.5	23.9	23.4	24.1
	Sweden	3.0	3.9	4.9	5.6	6.8
Total assets of subsidiaries and branches of non-Nordic countries / total assets of credit institutions, %	Denmark	2.5	2.6	2.5	2.4	2.5
	Finland	0.5	0.6	0.4	0.4	0.4
	Iceland	0.0	0.0	0.0	0.0	0.0
	Norway	2.8	2.7	2.6	2.9	3.1
	Sweden	2.4	1.7	1.6	1.6	1.6

Nordic subsidiaries and branches in other Nordic countries have more prominent shares of banking markets than branches and subsidiaries from non-Nordic EEA countries and from third countries. Subsidiaries and branches from non-Nordic EEA countries and third countries constitute only a small part of the Nordic banking sectors. Thus banking sectors in Nordic countries are closely integrated.

Deposit and lending stocks have increased in recent years, but the lending stock has grown faster. Lending to households has been the major driving force behind the growth of lending in every Nordic country. Lending in Iceland has increased also because of acquisitions of foreign subsidiaries and domestic credit expansion. Lending exceeds deposits in every Nordic country (see chart 2). In practice this means that in responding to the growing demand for loans, banks need other sources of funding in addition to traditional deposits. In Finland, banks have only recently acquired funding through mortgage institutions, using housing loans as collateral. In Sweden and Denmark, growth in lending has been partly channelled through mortgage credit institutions that have also increased their funding via asset-backed bond issuance. Banks' ratings are generally good and thus they have been able to obtain funding from capital markets on favourable terms.

⁶ If the figures are calculated from total deposits or total lending of subsidiaries, the Finnish figure rises to a lesser extent. This is because the amalgamation of Nordea's business areas blurs the figures for Nordea's legal entities (i.e. banks in the specific country), and thus Nordea Bank Finland's balance sheet also contains intra-group assets and liabilities of Nordea's other banks and business lines.

Chart 2. Banking sector lending / deposits



The balance sheet structures of banks in the Nordic countries are similar in that loans exceed deposits. But the proportions of loans and deposits in total assets differ substantially between countries (charts 3 and 4). At the end of 2005 loans to the public constituted more than 70% of total assets in Iceland and in Norway, while loans constituted around 52% in Finland and in Sweden and around 60% in Denmark. The high proportion in Iceland can be explained by acquisitions of foreign subsidiaries by Icelandic commercial banks and domestic credit expansion. The share of deposits is highest in Finland and Norway and lowest in Iceland. These structures and their differences between countries and banks illustrate institutional differences in banking business in the Nordic area.

Chart 3. Banking sector loans to the public / balance sheet total

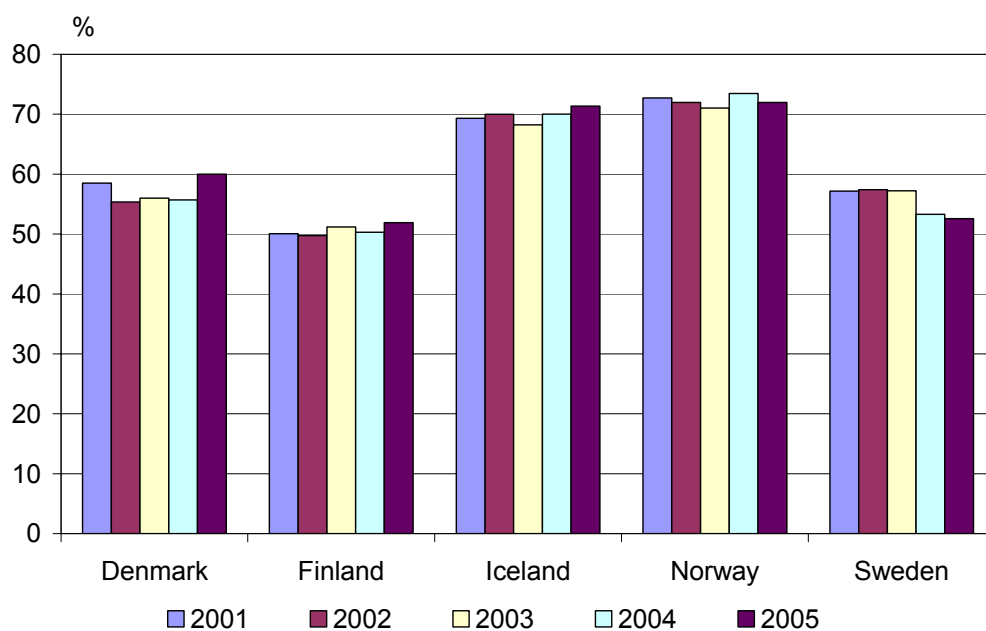


Chart 4. Banking sector deposits of the public / balance sheet total

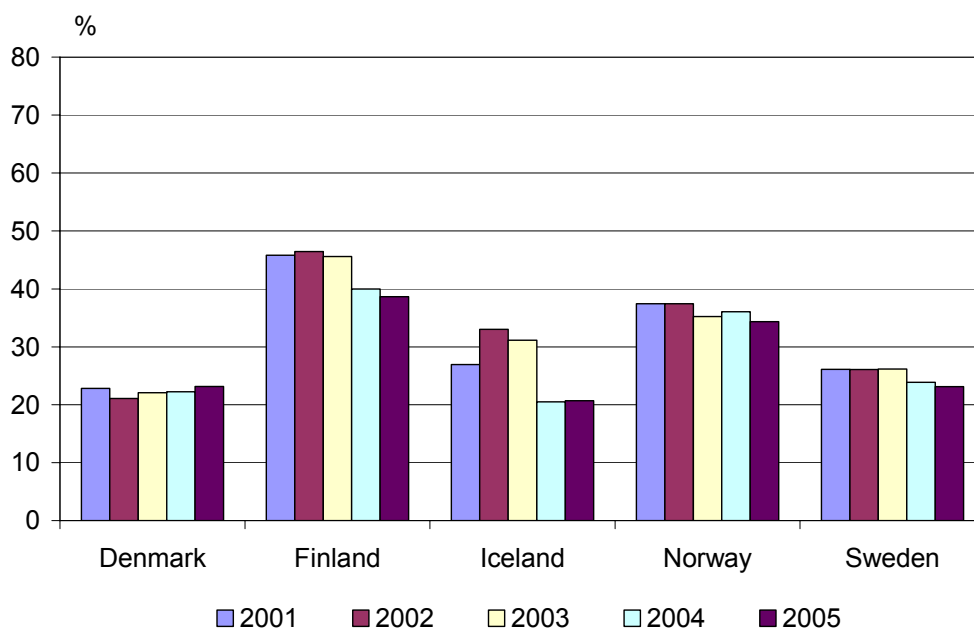


Chart 5. Lending rates (stock, year end)

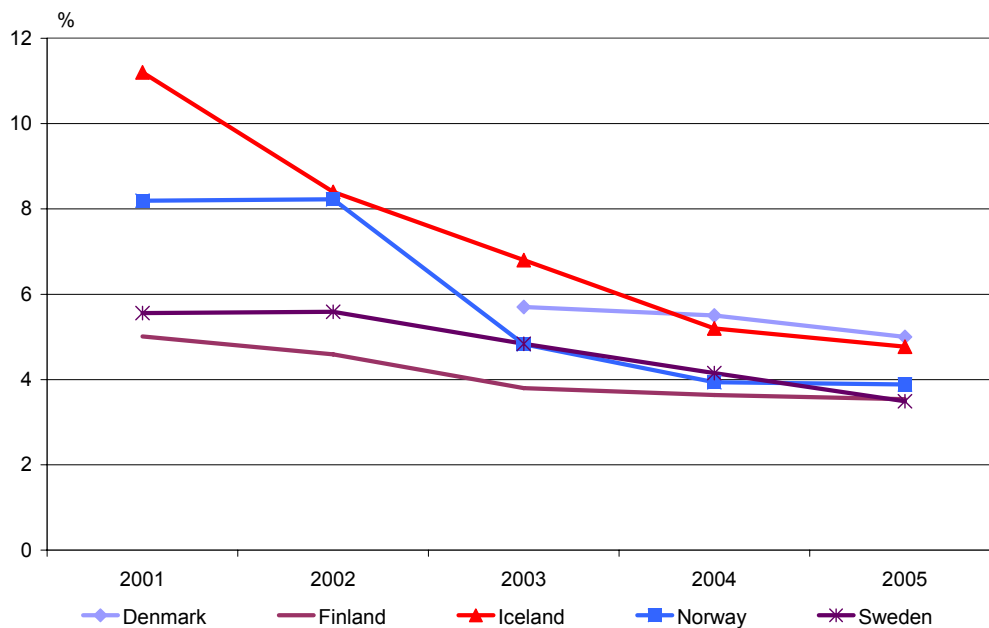
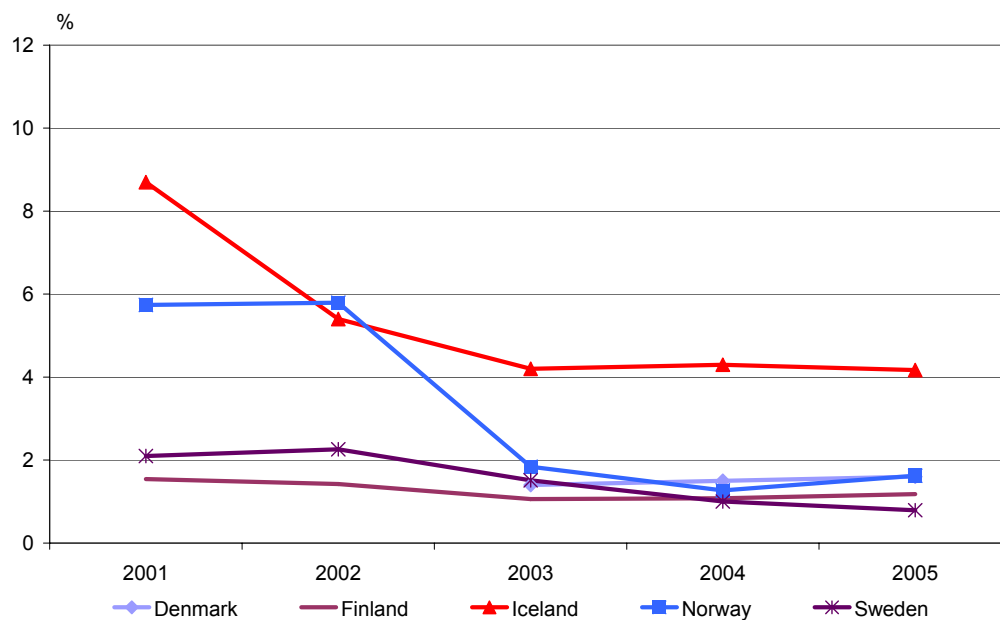


Chart 6. Deposit rates (year end)



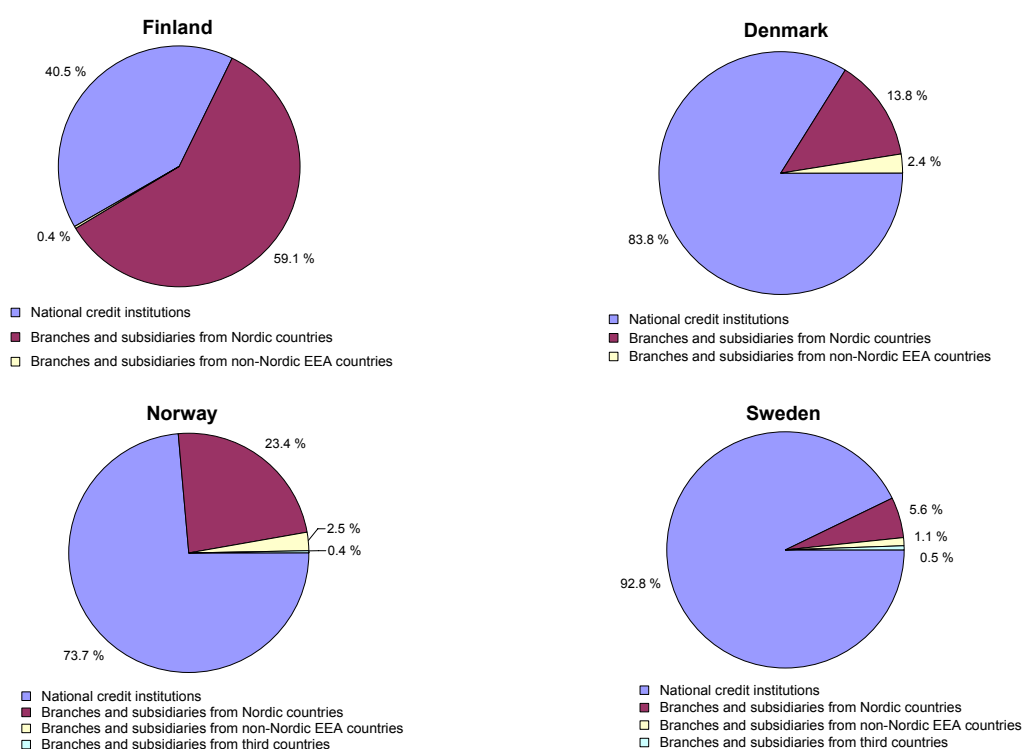
Lending and deposit rates in Nordic countries have converged in recent years (see charts 5 and 6), and today the levels of lending and deposit rates is roughly the same in Nordic countries (except for Icelandic deposit rates). There are at least two explanations for this. Since 2001 market interest rates

have fallen in every Nordic country, which has had a significant impact on lending and deposit rates. Secondly, competition in lending margins has intensified between banks in every country⁷.

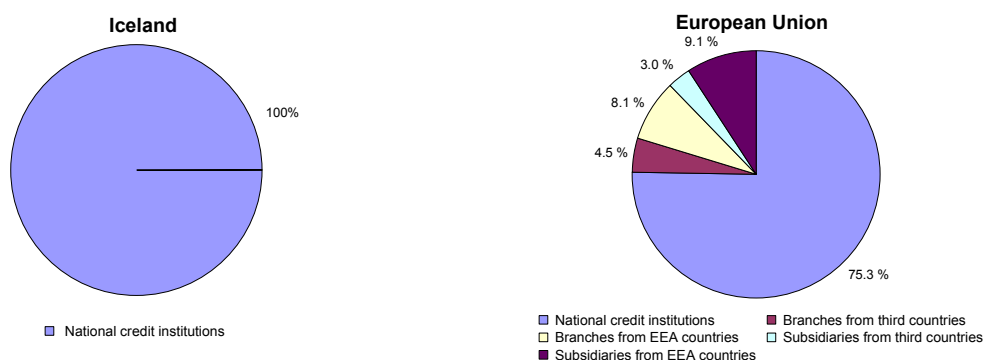
2.1.2 Some international comparisons

When the structures of Nordic banking markets are compared to those of the European Union the structures appear to be similar, although a closer look reveals some differences (chart 7). In both the Nordic countries and the EU, the banking markets are dominated by national credit institutions. Total assets of national credit institutions are more than 73 % of total assets of the banking sector in question. Finland is an exception; national banks account for only 41% of the total market, since Nordea Bank Finland is counted as a Swedish subsidiary.

Chart 7. Share of foreign branches and subsidiaries in banking markets, % of total banking sector assets, 2004



⁷ This has been mentioned several times e.g. in financial stability publications of central banks and in banks' annual and interim reports.



Nordic banking markets include banks from other Nordic countries and from EEA countries. Banks from third countries account for a negligible share of banking markets in Norway and Sweden. At EU-level, the banking markets are more international in nature since banks outside the EEA area are also present in the EU. In the EU, foreign banks from EEA countries constitute 17.2% of the markets while banks from third countries hold 7.5% of total assets of the EU banking sector. These large shares are explained by geographic vicinity and long-standing international linkages between large euro area countries, Switzerland, USA etc.

Table 4. Comparison of cost efficiency and profitability of banking sectors, 2004

	Cost/income -ratio, %	Return on equity, ROE (%)
Nordic countries	54	17.6
EU15	59	12.4
Eurosystem	60	11.7

The Nordic banking sector is more cost effective and more profitable than other European banking sectors (table 4). This stems from rationalisation of the banking sector after the banking crisis period (end of 1980s and early 1990s). Nordic banks have gone through long and often fundamental restructuring processes. The adaptation of new technology in banking has also been a major factor in improving the sector's efficiency and profitability. Lastly, the banking markets have expanded during the last five years in the Nordic countries, and a larger customer base has helped banks to improve efficiency and profitability.

2.2 National banking sectors in detail

2.2.1 Denmark

The Danish banking sector is dominated by two large banking groups (Danske Bank and Nordea) and four medium sized institutions (Jyske Bank, Sydbank, Nykredit Bank and FIH). Danske Bank and Nordea own the second and third largest mortgage credit groups (Realkredit Danmark and Nordea Kredit respectively). Nykredit Bank is owned by the largest mortgage credit group in Denmark, Nykredit.

In addition to the large and medium sized banking groups, the banking sector is characterised by a large number of small banks. In 2004 there were 180 banking institutions in Denmark (including 8 mortgage credit institutes). Smaller institutions have focused their activities on local customers, and most of them have branches only in their own local areas. For historical reasons, the Danish banking sector has a widespread network of branches, which to some degree is demand-determined, as retail customers have traditionally favoured personal contact.

There are several foreign banks operating in Denmark via subsidiaries and branches. At the end of 2005 there were 9 foreign subsidiaries and 26 branches of foreign banks operating in Denmark. Lending to the public (excl. monetary financial institutions) from foreign banks (branches and subsidiaries) constitutes 30% of total lending. Almost all of the foreign activity stems from Nordic banks. Of the total assets in foreign banks operating in Denmark, 84% is from Nordic banks (end-2005). Nordea is the largest foreign bank in Denmark operating as a subsidiary. The large market shares of foreign banks in Denmark are primarily due to mergers and acquisitions, rather than establishment of new branches and subsidiaries.

Despite differences in size and market focus, the banking institutions have a long tradition of cooperation and have, among other things, created a unique common payment infrastructure. The infrastructure makes payments between institutions and customers easy, cheap and efficient. One example is the Dankort, which is the most widely used payment card in Denmark. The Dankort is a nationwide debit card developed by the Danish banks in a joint venture. Thanks to the Dankort, all Danish banks, irrespective of size or number of branches, are able to offer their customers a payment card that is known and accepted across the country. The Dankort thus to some degree supports the Danish financial infrastructure with its large number of small banks. Another example is PBS, a shared direct debit system.

The Danish deposit-guarantee scheme is set up as a private independent institution providing coverage in the event of compulsory winding up or suspension of payments by a credit institution up

to the amount of DKK 300,000 per customer (ca EUR 40,000) and full coverage for special deposits (e.g. capital pensions, child savings accounts, housing savings accounts etc). The fundamental principles of the Danish deposit-guarantee scheme differ somewhat from Nordic practice. In Denmark, unlike rest of the Nordic countries, each bank has a specific quota in the Fund. If the bank leaves the Fund, its contributions are returned.

2.2.2 Finland

In Finland there are about 360 credit institutions. The main bank groups are Nordea Bank Finland, Sampo Group, OP Bank Group, savings banks (incl. Aktia), local cooperative banks and Bank of Åland plc. The Finnish banking sector is highly concentrated, as three main players account for more than 80% of the total market. However, many new credit institutions have been established in Finland in recent years. These new banks focus mainly on consumer lending and are rather small players in the market.

Foreign credit institutions are also present in the Finnish market, and their role was strengthened by Nordea Bank Finland's conversion to a Swedish bank. Handelsbanken also has a growing position in the Finnish market. The rest of foreign credit institutions' branches have concentrated on lending to nonfinancial firms and play only a minor role. Mortgage banks have only recently become more active and, although their importance is still limited, they are expected to grow in the future.

During the last five years the Finnish banking market has gone through major structural changes. The main driving forces have been internationalisation of the banking sector and expansion into insurance business. Nordea's strategy has been to expand its operations to the whole Nordic-Baltic area. Expansion has been realised mainly by acquiring banks from other countries, and this has led to several restructurings of Nordea's organisation. By the end of 2002 Nordea Bank Denmark, Nordea Bank Norway and Nordea Bank Sweden (including Postgirot) were included in Nordea Bank Finland's balance sheet. In 2003 Nordea announced that it is aiming at European company status. Therefore, Nordea Bank Norway, Nordea Bank Denmark and Nordea Bank Sweden were sold back to Nordea plc. Thus Nordea Bank Finland's figures represent the bank's activity in Finnish markets only after 2003. Sampo Group was formed in a merger in 2000 between the bank corporation Leonia plc and insurance company Sampo. At the same time, Sampo plc acquired Mandatum Bank, and in 2001 it bought the life insurance company Henki-Sampo. In November 2001, Sampo Group moved its insurance business to If plc, which was jointly owned by Sampo Group, Skandia and Storebrand. However, in 2004, Sampo bought shares of Storebrand and Skandia and If became fully owned by Sampo Group. Consequently, the insurance sector is a substantial part of Sampo Group, contributing about 80% of company's profit before taxes. OP Bank Group has operated mainly in the domestic

banking market although it has included a life insurance company in the group. Insurance business was relatively small until the end of 2005, when OKO Bank (part of OP Bank Group) announced a merger between OKO Bank and insurance company Pohjola. After this amalgamation, insurance business (life and non-life) will be an important part of OP Bank Group's business operations.

Competition in the Finnish banking markets is tight. All the biggest banks have highly growth oriented strategies, which have been realised through narrowed interest margins, especially in the housing loan market. There have also been downward pressures on customer fees. In recent years, Finnish markets for mutual funds and voluntary pension schemes have been growing rapidly, and banking groups compete for market share also in these areas.

Finnish banks have highly automated systems, and growing numbers of customers are using the Internet for payments and other financial services. Banks are dedicated to increasing Internet usage, and they have made over 3 million electronic banking agreements with their customers. Already in 2003, 68% of Finns older than 15 had access to the Internet from home or elsewhere, and 74% of them were regular users of Internet banking services⁸. A full 95% of all payment transactions are electronic, and the amount of telebanking agreements and transactions is continuously increasing.

In Finland, the Deposit Guarantee Fund is regulated by law and all deposit banks must be members of the Fund. Deposits are guaranteed up to EUR 25,000 per depositor per bank. The deposit guarantee scheme covers deposits of the general public. Deposit balances in excess of EUR 25,000 are guaranteed only if they derive from the sale of a residence in own use and the money is deposited no earlier than six months prior to insolvency of the bank. The Fund is financed by yearly payments by banks. Member banks of the Fund may also be required to provide loans to the Fund. No bank has a specific quota in the Fund. All assets of the Fund are available to cover all losses of customers of any member bank.

2.2.3 Iceland

The banking sector in Iceland has gone through a transition in the last few years that has been characterised by remarkable growth driven by privatisation and deregulation of the sector, and a strong domestic economic environment. This transition can be readily traced to changes in the economic and legal environment in the 1990s and was finalised by the privatisation of the two state-owned banks, Landsbanki and Bunadarbanki in 2003 (Bunadarbanki later merged into Kaupthing Bank). With improved access to new equity and strong encouragement from private shareholders, banks were able to set course for growth and expansion into new markets, both foreign and domestic. Total

⁸ The Finnish Banker's Association's publication: Banking technology in Finland, 2004

consolidated group assets of the sector have grown from EUR 17,142 million in 2001 to EUR 82,630 million in 2005, i.e. to six times GDP. This growth led the Central Bank of Iceland to conclude in its Financial Stability Report that the Icelandic financial system is broadly sound but has a challenging course to navigate ahead.

Currently there are four commercial banks in Iceland. The three largest – Glitnir (former Íslandsbanki), Kaupthing Bank and Landsbanki – provide commercial and investment banking and securities services. The three largest banking groups accounted for approximately 88% of total consolidated group assets of the sector in 2005, compared to 64% in 2001. There are 24 savings banks in Iceland and the fourth commercial bank, Sparisjóðabanki Íslands hf. (Icebank), serves as a banking institution for most of them. The savings banks operate mostly locally. In addition, there are ten other credit institutions operating in Iceland. Their combined total assets grew remarkably in 2005, to exceed the combined assets of the savings banks. This was mostly due to the growth of Straumur-Burdaras Investment Bank through a merger.

The three largest Icelandic banks have increasingly extended their operations abroad during the last few years. After receiving A-category ratings from international rating agencies, the three banks successfully entered foreign capital markets to finance their growth, most notably the European Medium Term Note market, and established revenue sources through foreign subsidiaries. At the end of 2005, around 60% of the assets of Icelandic bank groups were held by foreign subsidiaries, most of them located in northern Europe. It is estimated that more than 50% of their overall income in 2005 was generated abroad. This foreign expansion is the major reason for the growth of the Icelandic banking sector, as subsidiaries' assets are fully counted in the consolidated group figures.

Domestically, the banking sector has also benefited from a strong equity market in the Icelandic stock exchange. The Ices-15 has risen on average by about 60% annually for three years running, resulting in record profits for the banking sector through their equity investments. This has boosted the banks' equity base and market capitalisation. The banks have also financed their growth by issuing new equity. After a strong start in 2006 (up by 25%), the Ices-15 has since levelled off and is roughly holding at the year-beginning level.

Banking sector growth can also be attributed to product innovation and improved operations, most notably in autumn 2004, when banks first offered competitive mortgage loans for residential housing. Since then, the banking sector has doubled its market share of household debt from 27% to 56%, a nominal increase of EUR 4.6 billion, mostly at the cost of the Housing Financing Fund. The state owned Housing Financing Fund is not included in the figures for the banking sector. It has a significant share of the credit market, with total assets of some EUR 6 billion and operates only in the mortgage housing loan market. Since the banks entered the mortgage market with competitive loan

offerings in the second half of 2004, HFF's market share has declined considerably in the last year and a half, falling from roughly 60% to a third of total household debt.

Despite strong competition for market share, there is a high level of co-operation among the institutions in the payment infrastructure. They jointly own Icelandic Banks Data Centre, which operates a common payment infrastructure that enables transactions from virtually any account to another in an efficient manner using same day settlement. Funds are immediately at the recipient's disposal as soon as a transaction is entered. All inter-institutional payments are finally settled through their accounts in the Central Bank. The use of internet accounts and other direct access lines to bank accounts as well as the public's adoption of new technology are also very brisk in Iceland. Altogether, this makes the infrastructure of the Icelandic banking sector highly advanced which supports efficiency.

As a result of the EEA agreement, Icelandic financial legislation has been brought closely into line with EU legislation. In Iceland, The Depositors' and Investors' Guarantee Fund is a private foundation operating with two different departments, The Deposit Department and the Securities Department, with separate finances and accounting. The Act on Deposit Guarantees and Investor- Compensation Scheme (Guarantee Fund) does not impose a general ceiling on amounts to be paid in connection with the deposits, securities or cash that it covers. This means that the Fund must pay guaranteed claims in full to the extent that its assets cover them. The law does allow for the possibility that assets of the Department in question are insufficient to pay the total amount of guaranteed deposits, securities or cash in a member company. In such an event, the payment from each Department is divided between claimants so that the total claim of each, up to a maximum of ISK 1.7 million (about EUR 18,500), is paid in full, and amounts in excess of that figure are paid out proportionally, to the extent that each Department's assets cover them.

2.2.4 Norway

During the past decade, activities of foreign banks in Norway have expanded considerably. The EU action plan for the common internal market for financial services in the EEA area was launched in 1999, at about the time when foreign-owned banks began to grow rapidly. In addition to Danske Bank's acquisition of Fokus Bank, Nordea's acquisition of Kreditkassen and Íslandsbanki's acquisition of BNbank, a number of other foreign banks have established branches or acquired smaller subsidiaries in Norway.

The two largest banks in Norway, DnB NOR and Nordea, have a combined market share in the banking market roughly five times as large as the combined market share of the three largest medium-sized banks (Fokus Bank, Handelsbanken and SpareBank 1 SR-Bank). The largest Norwegian bank,

DnB NOR, had a market share of 36.6%, in terms of total assets, at the end of 2005. Nordea's market share of 13.4% was followed by Fokus Bank (4.6%), Svenska Handelsbanken (3.8%) and Sparebank 1 SR-Bank (3.1%). The concentration ratio is therefore fairly high in the Norwegian banking sector (combined savings bank and commercial bank market).

Commercial banks' share of the total credit market fell from 41.9% at the end of 2001 to 25.8% at the end of 2005. Over the same period, savings banks' total market share rose from 31.4% to 48.9%, due mainly to DnB, which became a savings bank (formerly a commercial bank) in a merger with Gjensidige NOR at the start of 2004. The distinction between commercial banks and savings banks has become increasingly blurred and is therefore used less in analyses. The total market share of mortgage banks and other credit institutions has been fairly stable during the past five years.

At the end of 2005, there were 140 banks registered and located in Norway, six of which were foreign-owned. In addition, there were nine branches of foreign banks. Foreign-owned banks and branches had a market share of just over 30%, in terms of total assets, at the end of 2005. These banks have acquired substantial market shares in both retail and corporate markets. At the end of 2005, year-on-year growth in lending by foreign-owned subsidiaries and branches was much higher than for Norwegian-owned banks. The rate of growth varies considerably, however, from one bank to another. The lending growth rate for the largest bank, DnB NOR, is considerably lower than for the two largest medium sized banks, Handelsbanken and Fokus Bank.

Competition for market position may also engender an increase in lending growth for established banks and a narrowing of loan interest margins. Banks' interest rate margin has declined since the late 1990s, partly due to competition from foreign banks and a generally lower interest rate level. Net interest income has therefore become somewhat less important over the past ten years, but still accounts for roughly two-thirds of banks total operating income. Rapid lending growth has compensated for the narrowing of the interest rate margin, so that banks have been able to maintain net interest income measured in NOK.

Competition in the Norwegian banking sector has exerted downward pressure on fees, including fees for payment transactions. Some banks offer services free of charge to all customers, while others limit free services to loyal customers. Loyal customers must, however, pay a fixed fee to participate in customer loyalty programmes. This makes it more difficult for customers to compare prices for various services.

At the end of January 2006, mortgage companies' overall lending to households, non-financial enterprises and municipalities was equivalent to 15% of bank's overall lending to this segment. Mortgage companies' profits were somewhat lower in 2005 than in 2004.

More and more Norwegian bank customers are using Internet banking services. In 2005 payment transactions over the Internet by retail customers increased by 18% to 132 million transactions. The use of mail giros, giro payments by telephone and over-the-counter giros declined.

The use of payment cards in Norway has increased by 74% from 2000 to 2005. Approximately 756 million payments for goods and services were made using cards in 2005, an increase of 12% on the previous year. Most card transactions involve the Bank-Axcept card, which is linked to the cardholder's bank account. The use of credit cards and international payment cards is increasing rapidly, but these cards are not as widely used in Norway as in some other countries.

Approximately 248 million cash withdrawals were recorded in 2005. Cash withdrawals in connection with goods purchases account for over half of all cash withdrawals. The number of ATM withdrawals has been fairly stable in recent years. There are over 105,000 point-of-sale terminals and approximately 2,200 ATMs in Norway. Over-the-counter cash withdrawals now account for only 5% of all withdrawals.

As a result of the EEA agreement, Norwegian financial legislation has been brought closely into line with EU legislation. However, a far higher deposit guarantee is required of Norwegian banks than is generally the case. The guarantee in Norway is NOK 2 million per depositor, while the EU minimum level is EUR 20,000, which is equivalent to about NOK 160,000. This guarantee is organised as a fund with banks paying a yearly fee. The guarantee fund can also finance its activities by borrowing from the market.

2.2.5 Sweden

The Swedish banking sector is dominated by four large banking groups: FöreningsSparbanken, Handelsbanken, Nordea and SEB. These banking groups have all been expanding their business in other countries. With this expansion, foreign operations have become a more important part of their business activities. As a result the combined total assets of the four major banking groups exceed the total assets of credit institutions in the Swedish market. The four banks are mainly present in the Nordic and Baltic countries. In the Baltic countries, FöreningsSparbanken, SEB and Nordea have a combined market share of approximately 70%. In 2004 the three banks' lending to the Baltic area constituted only 3% of the banks' total loans to the general public. But since lending in the Baltic countries brings higher margins, it is becoming an increasingly important source of income. Of SEB's total lending, over 30% is in the German market.

Looking at the Swedish banking market, i.e. excluding foreign subsidiaries⁹, the four largest banking groups together account for about 75% of credit institutions' total lending to the public. Having several kinds of credit institutions within the group makes the largest banks dominant in the submarkets for banking and mortgage banking as well as in the segment of other credit institutions. There are eight mortgage institutions in the Swedish market. Five of these are part of a banking group, while three are totally or partly owned by the state.

At the end of 2005 there were 22 foreign-owned branches and subsidiaries in Sweden. They together accounted for around 6% of total lending by credit institutions. Danske Bank is the largest foreign bank, and it is the fifth largest bank in the Swedish market.

Competition for market shares can be seen especially in mortgage lending to households. In recent years there has been either no change or some decline in market shares of major banking groups apart from SEB. It is mainly state-owned SBAB and Danske Bank that have achieved some increase in market shares, albeit from a low level.

The use of payment cards has more than doubled since 2001. The number of card payments totalled 883 million in 2004, which amounts to 97.6 transactions per capita.

The banks in Sweden have traditionally had a monopoly on accepting deposits. However in July 2004 this monopoly was abolished, as credit market companies were allowed to accept deposits from the public. As with banks, these deposits are covered by the deposit guarantee. Other limited companies and economic associations are also allowed to accept deposits from the public after registration by Finansinspektionen¹⁰. These companies - known as deposit companies - may accept at most SEK 50,000 (EUR 5,300) per customer in funds not covered by the deposit guarantee.

The Swedish deposit guarantee scheme was designed primarily in accordance with the EC Directive on deposit guarantee schemes. The limit for compensation is set at SEK 250,000 (EUR 26,500) per customer and for each institution. In Sweden the deposit guarantee is financed by a fund, to which the banks are obliged to pay a yearly fee. This approach aims at spreading the costs over a longer period to force all banks – including those which will fail – to contribute to the scheme.

⁹ But including foreign branches.

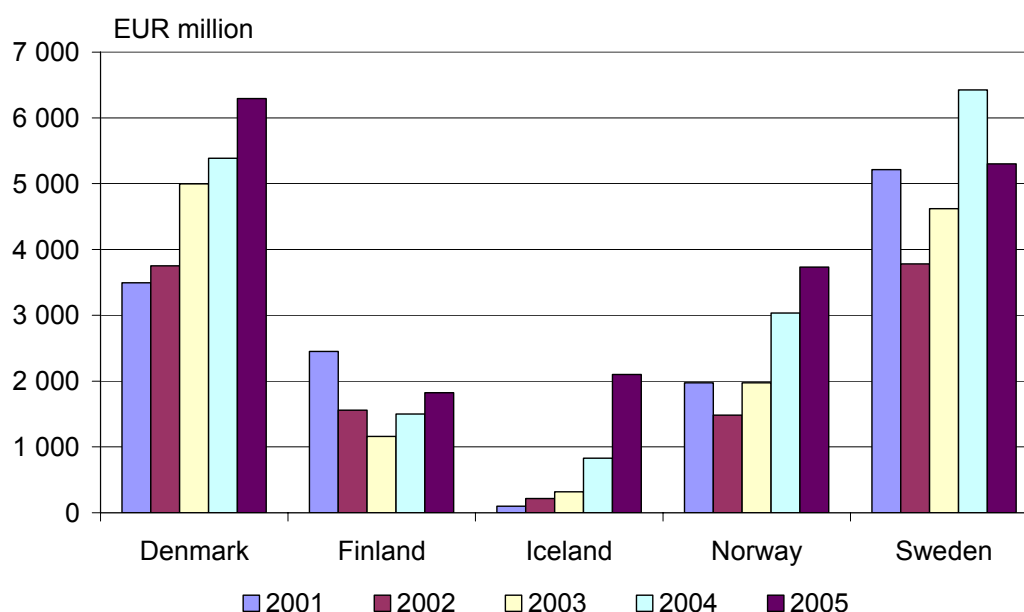
¹⁰ Finansinspektionen is the Swedish financial supervisory authority.

3 Banking sector performance

3.1 Development of profitability and solvency

In general, bank's profits have increased in the Nordic countries. Low nominal interest rates, consumers' strong belief in their own economy, and good macroeconomic conditions have boosted banks' lending to households. Lending growth is generating more net interest income despite the narrowing of interest rate margins. Net commission income has also increased, contributing to increasing operating income. Banks' business in capital markets operations has grown, which has boosted profits. At the same time, costs have increased only moderately. Overall credit quality is very good in the Nordic countries. Loan losses are either very low or they contribute positively to banks' earnings as a consequence of a continuing flow of recoveries and low new provisions.

Chart 8. Net operating profits before tax, 2001 – 2005, EUR million



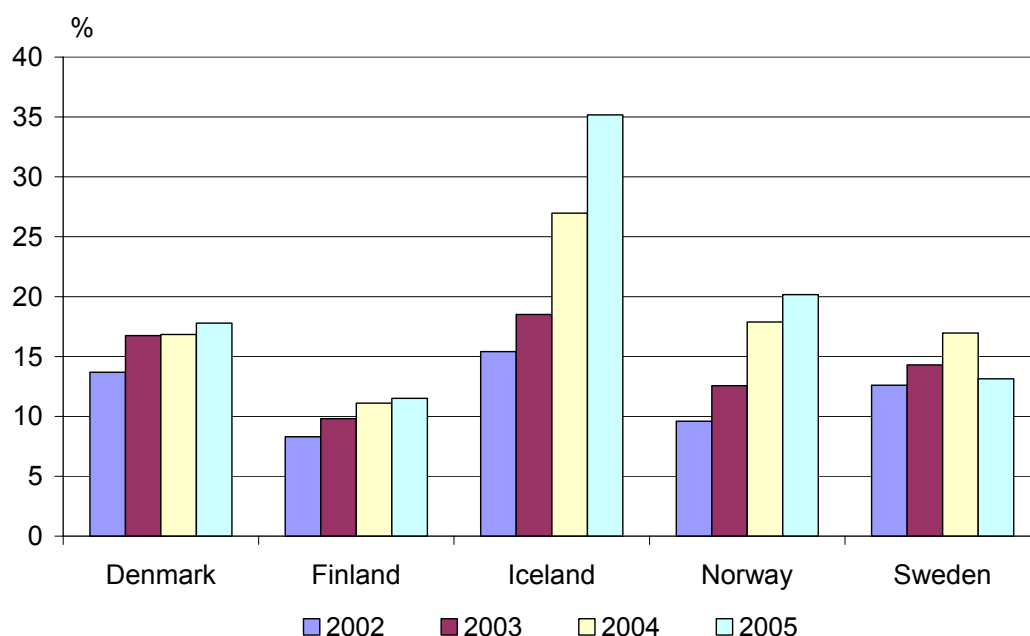
Net operating profits have increased continuously in the last three years in all Nordic countries.

Similarly, profitability (measured by return on equity) has also increased (see charts 8 and 9).

However, significant structural changes and some country-specific factors make it difficult to see the

outcome from the levels and changes in net operating profits and profitability¹¹. For example, the improving trend in profitability is not visible in the reported data for Sweden. That is because two major Swedish parent banks reported a substantial decrease in total operating income in 2004 – 2005. This led to a decrease of net operating profits and return on equity for the national banking sector and is a different development that can be seen for those banks on a group level.¹² To compare, for the four major Swedish banking groups return on equity (ROE) increased between 2004 and 2005 from 15 % to 18 %.

Chart 9. Return on equity (ROE), 2002 – 2005, %



While the market situation has been favourable, banking sector's total assets has grown rapidly in recent years (chart 10). The composition of banks' total income has changed somewhat in recent years, as the proportion of net interest income has receded and the proportion of other income has increased (other income includes fee and commission income, trading income and all other income items). This

¹¹ The figures for Finland have been especially affected by structural changes. For 2001 – 2003 the information from Nordea Bank Finland's (NBF) parent bank is used in chart 8. When (NBF) sold its subsidiaries - Nordea Bank Norway, Nordea Bank Denmark and Nordea Bank Sweden - to Swedish holding company Nordea plc 2003, NBF received significant sales profit, which improved own capital. At the same time, due to sell-off of subsidiaries, NBF's risk weighted assets decreased. At the end of 2005, NBF's capital adequacy was 22.9 % (tier 1: 17.8 %), while the capital adequacy of the whole Nordea Group was 9.2 % (tier 1: 6.8 %). NBF's ROE in 2005 was only 5.6 % (Nordea Group 18.0 %) and it affects crucially the level of Finnish banking sector ROE in chart 8. Nordea's Finnish retail banking operations (not a legal company) have been very profitable: in 2005 the ROE was 38.0 %. Please refer to section 2.2 and to the statistical annex for calculating Finnish ROE in chart 9.

¹² This is due to internal transactions.

has been the result of good opportunities in capital markets to boost revenues and from stiffened price competition in loan activities (chart 11).

Chart 10. Banks' total assets, 2001 – 2005, EUR billion

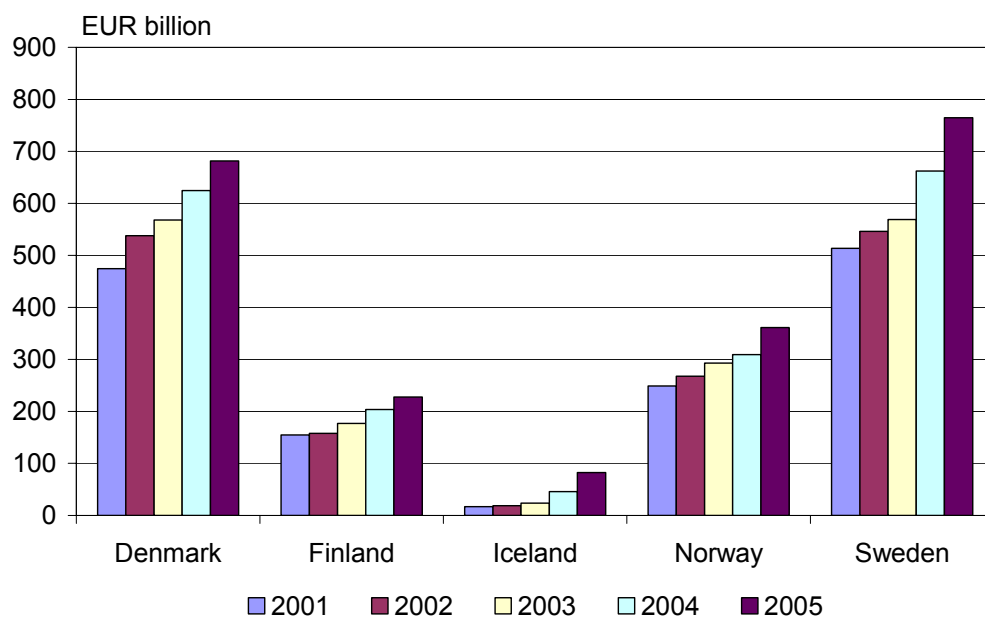


Chart 11. Net interest Income, 2001 – 2005, % of total income

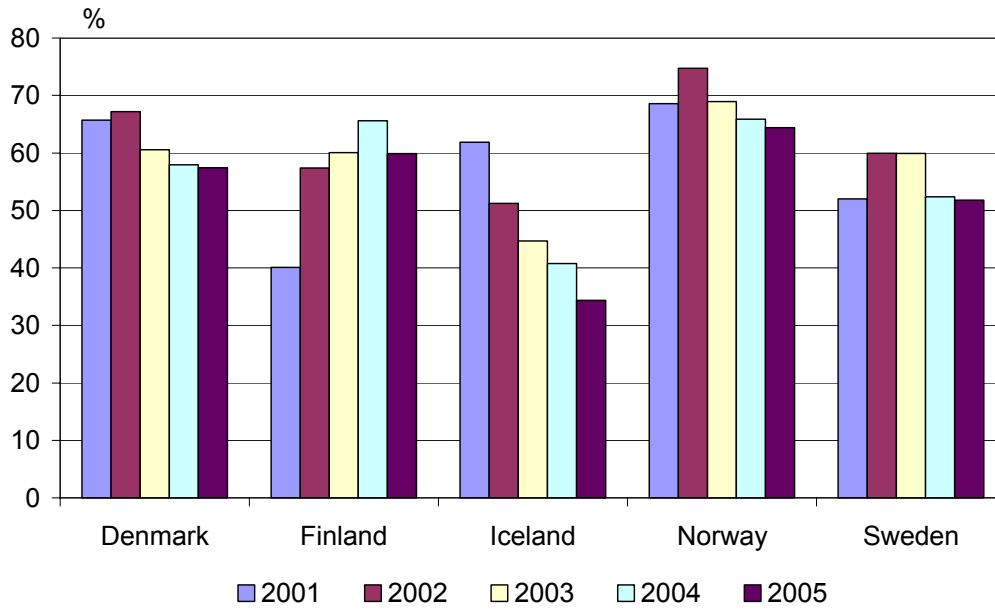


Chart 12. Capital base (tier1+tier2 capital), 2001 – 2005, EUR million

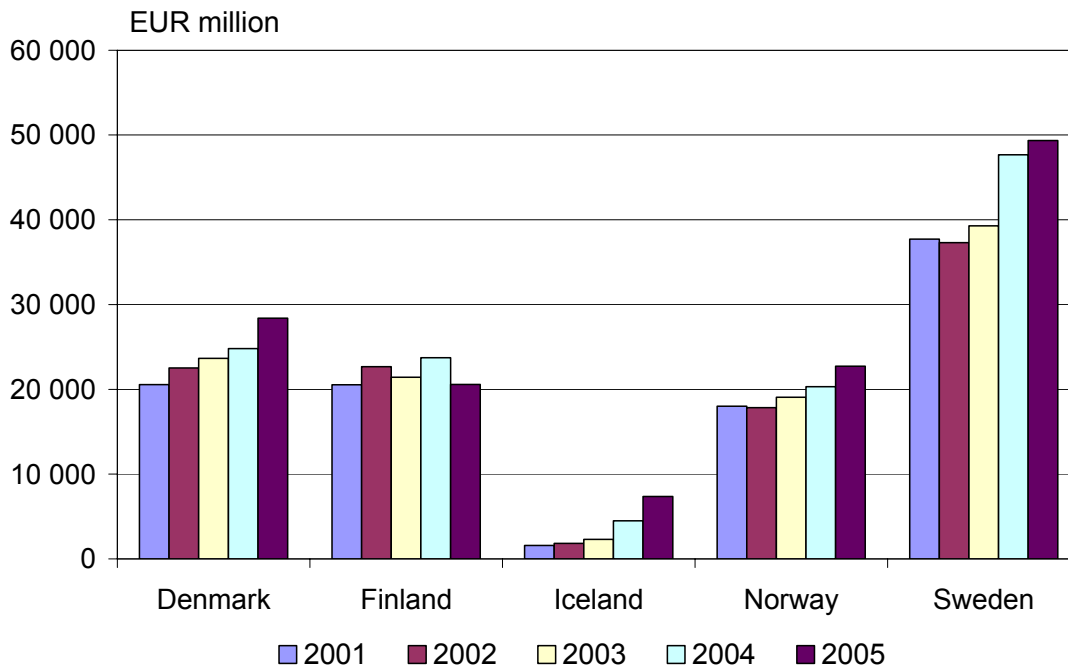
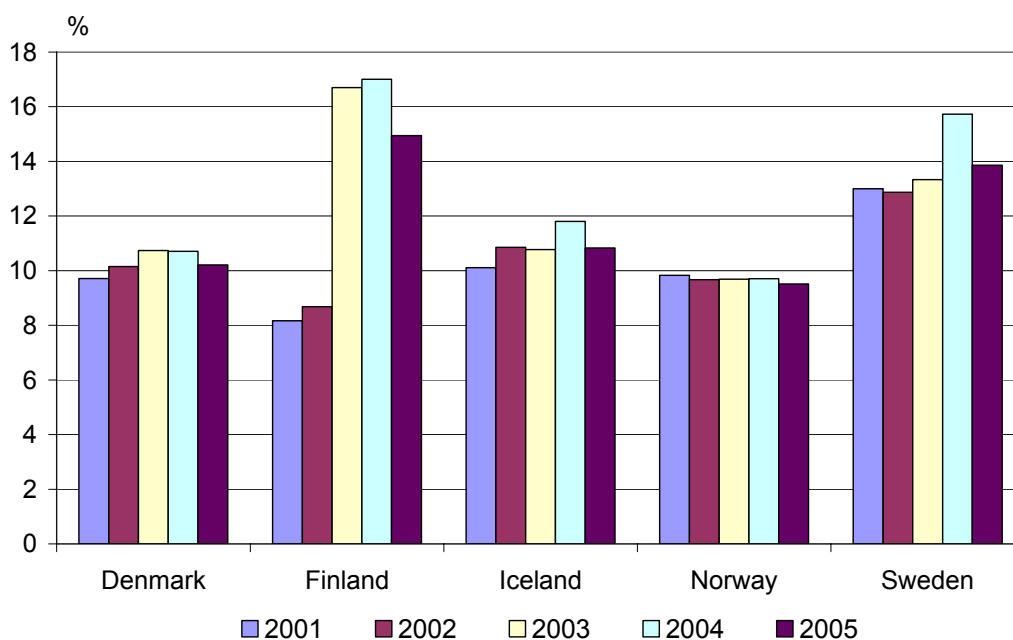


Chart 13. Tier 1 capital adequacy, 2001 – 2005, %



Growth of net operating profits has had a positive effect on Nordic banks' solvency (charts 12 and 13). The capital base has generally increased. At the level of the whole banking sector in the Nordic countries, capital adequacy (measured here by tier 1 capital) has been stable during recent years. Some differences exist between countries in the level of tier 1 capital adequacy. The stable level of capital adequacy is important, given that many large banking groups in the Nordic countries have bought back their own shares.

3.2 Efficiency and competitiveness

The number of employees in Nordic banks has generally decreased in recent years (chart 14). At the same time, assets and business volumes have grown rapidly. This reflects tight cost control and banks ability to improve their efficiency and productivity.

Chart 14. Number of employees in credit institutions, 2001 – 2005

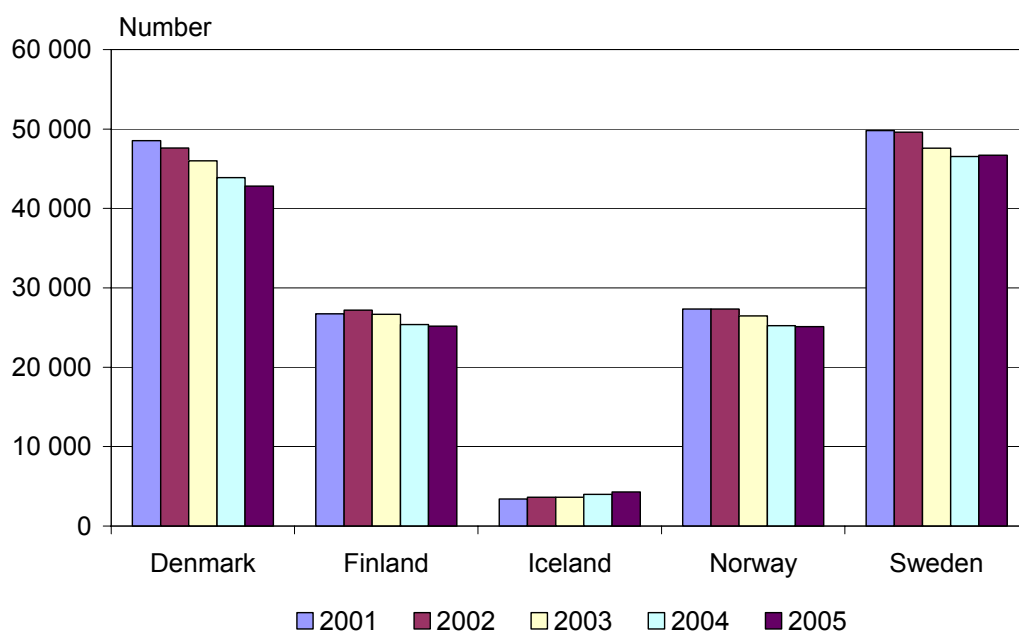
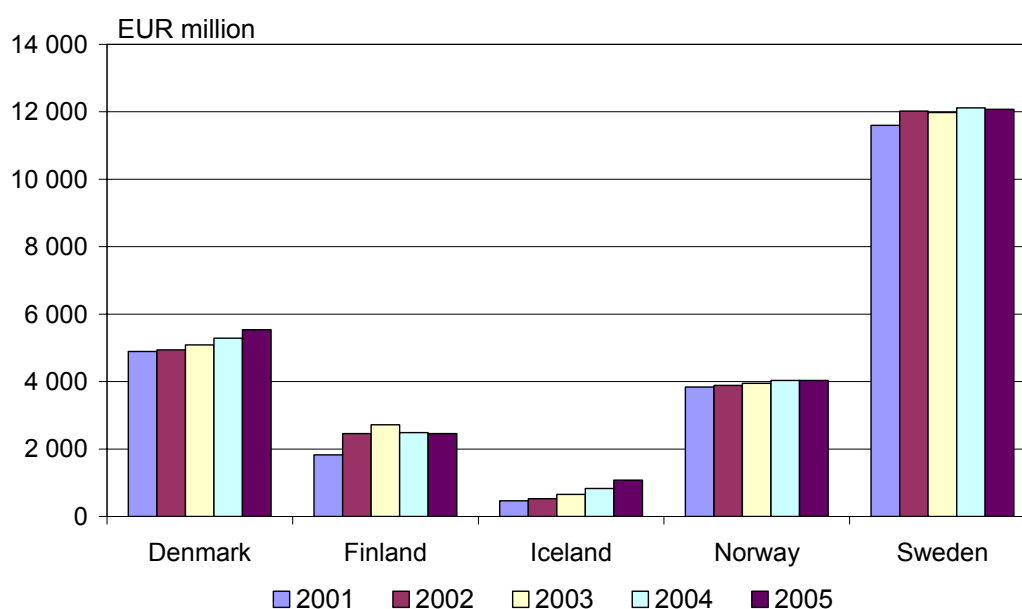


Chart 15. Total operating expenses, 2001 – 2005, EUR million

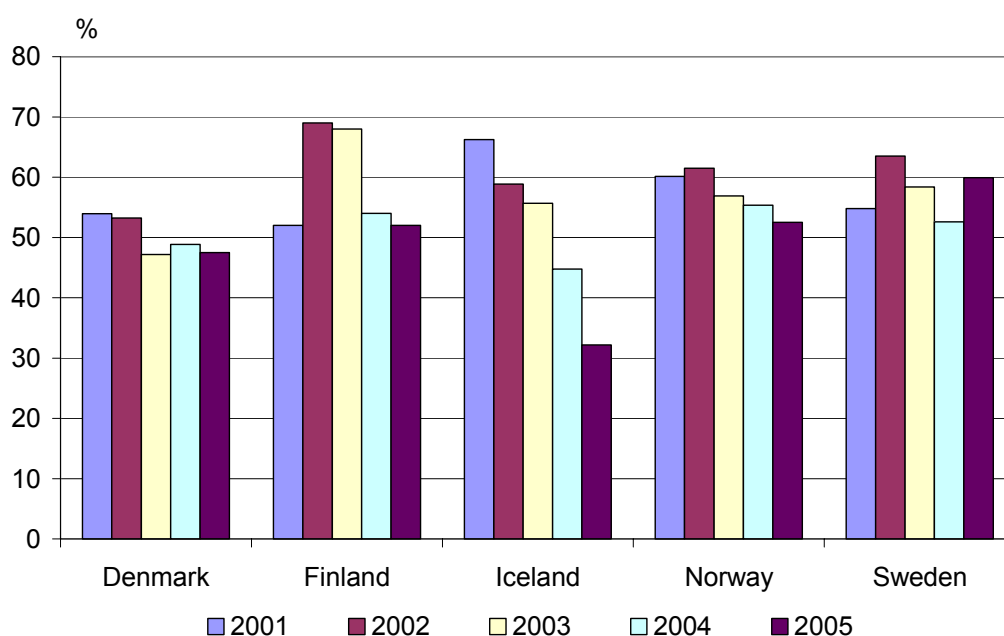


The development of costs and the cost / income ratio are portrayed in charts 15 and 16¹³. The common objective of every financial institution is to control its costs. Banks have, for example,

¹³ Finnish figures are affected by Nordea Bank Finland's restructuring. See section 2.2 and other footnotes. See statistical annex for calculation Finnish cost / income -ratio in chart 16.

outsourced some activities. The merger and acquisition processes and structural changes have produced opportunities to cut costs. On the basis of evidence from recent years, banks in the Nordic countries have been quite successful in this. Banks' costs have increased at a slower pace compared to growth in volumes and in income. Cost efficiency has generally improved since 2002, as can be seen from the cost / income ratio¹⁴. Certain differences exist in the level of this ratio between countries that are hard to explain thoroughly. Differences between countries in this respect may reflect, for example, national differences in pricing policies in retail banking. Icelandic banks' low C/I ratio in 2004 and 2005 is attributable to favourable conditions in Nordic financial markets and to sales profits.

Chart 16. Cost / income ratio, 2001 – 2005



The competitive situation in all Nordic banking markets is quite intense despite national differences. Banks compete intensively for new housing loan customers in every country, and interest rate margins have narrowed. Still, housing loans are only one aspect of the competition. Non-price competition (primary new products) between banks in the quality or availability of services is more difficult to assess. For example, regarding mutual funds and voluntary pension savings, the transparency of

¹⁴ In Sweden, two of the major Swedish banks reported a substantial decrease in total operating income in 2004 – 2005, while costs remained on the same level. This is due to internal transactions and has resulted in an increase in C/I ratio for the Swedish banking sector (excl. other credit institutions). At a banking group level, the four major Swedish banking groups have a C/I ratio of 54%.

pricing is limited, and quality of services is hard to compare. Also, banks cooperate in some areas, for example in payment systems and ATMs (section 4).

3.3 Peer Group Analysis

Since almost all the largest Nordic financial groups are present in other Nordic countries¹⁵ and do business in all segments of the market, it is necessary to conduct a peer group analysis in order to get a better understanding of Nordic banking markets. The Nordic groups are only medium-sized compared to the largest European financial groups. However, they are large by Nordic standards. In this section the term "financial group" is used because these groups also have life-insurance businesses, and in two cases (Sampo Group and OP Bank Group) substantial non-life insurance businesses. That is why some of these groups are also called as financial conglomerates.

The operations of some of the largest Nordic financial groups are highly internationally oriented. Nordic financial groups have expanded their operations to many countries via acquisitions and establishment of subsidiaries and branches. Some groups are keen on taking advantage of opportunities provided by robust economic growth in the new EU member states. In the three Baltic countries, banking markets are dominated by subsidiaries and branches of Nordic groups. The proportions of volumes, revenues and profits that have been generated outside the home-country have increased substantially in recent years for the large Nordic financial groups. Rapid growth in some countries could naturally ease cost and profitability pressures, and all the groups are seeking the benefits of economies of scale. In the peer group, this internationalisation of operations applies to all other groups except OP Bank Group and Jyske Bank Group, which are more domestically oriented.

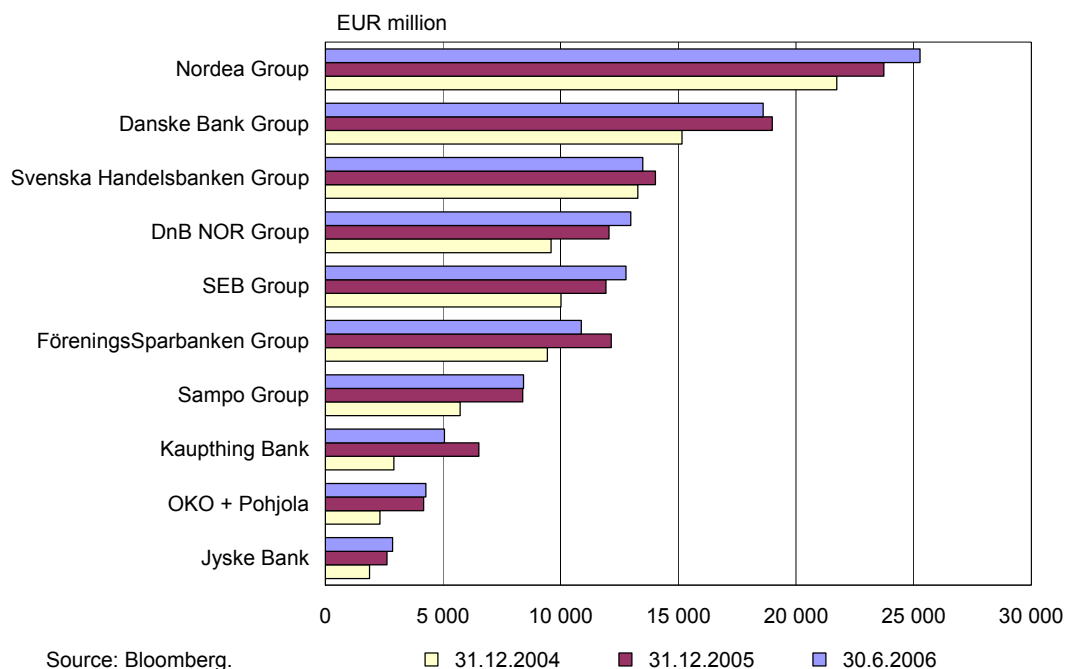
¹⁵ Data for peer group analysis is obtained from financial groups' financial statements published in February 2006 and in July – August 2006. Figures for total assets are converted into euros at exchange rates at the end of the period and figures for income statement at average rates for the year period. Financial ratios are calculated as an average for the years 2004 and 2005.

Table 5. Operating profit of the large Nordic financial groups, 2004 and 2005

EUR Million	Jan-Jun 2006	Jan-Jun 2005	Change, %	Full year 2005	Full year 2004	Change, %	Total Assets June 30, 2006 EUR Million
Danske Bank Group	1139	1117	2	2 387	1 749	36	336 954
Nordea Group	1790	1572	14	3 048	2 745	11	325 450
SEB Group	812	608	34	1 209	1 078	12	215 039
Svenska Handelsbanken Group	979	758	29	1 688	1 460	16	185 419
DnB NOR Group	939	746	26	1 637	1 309	25	155 624
FöreningsSparbanken Group	711	729	-2	1 617	1 140	42	137 969
Op Bank Group	389	293	33	579	511	13	57 828
Sampo Group	558	632	-12	1 295	948	37	46 187
Kaupthing Bank Group	439	355	24	796	288		37 638
Jyske Bank Group	152	149	2	295	263	12	20 270
Total	7 908	6 959	14	14 551	11 491	27	1 518 378

As for the whole financial sector, the pre-tax operating profits of large financial groups have developed very favourably, especially in 2004 and 2005. The results have been positively affected by volume growth, capital gains, good cost-control, low or no loan losses, and new business acquisitions. These favourable results have also impacted positively on market values of the largest Nordic financial groups. In the course of 2005, total operating profits (up 27%) and market values (up 24%) increased together. The information from January-June 2006 indicates, that the growth in operating profits has continued in most of the groups. The falling equity prices in the course of May – June 2006 had an impact to the market values of large Nordic groups (see table 5 and chart 17).

Chart 17. Market value of the large Nordic financial groups, year end 2004 and 2005 and end of June 2006



Although profitability has developed positively, there is considerable variation in the financial ratios of individual groups. The return on equity varies from 12 to 30%. The tier 1 capital adequacy ratio is typically between 7 and 8%, but three groups of ten have notably higher ratios. The correlation between ROE and tier 1, or between profitability and solvency, is very weak on the basis of peer group information (chart 18).

Chart 18. Return on equity (ROE) and capital adequacy of large Nordic financial groups, %

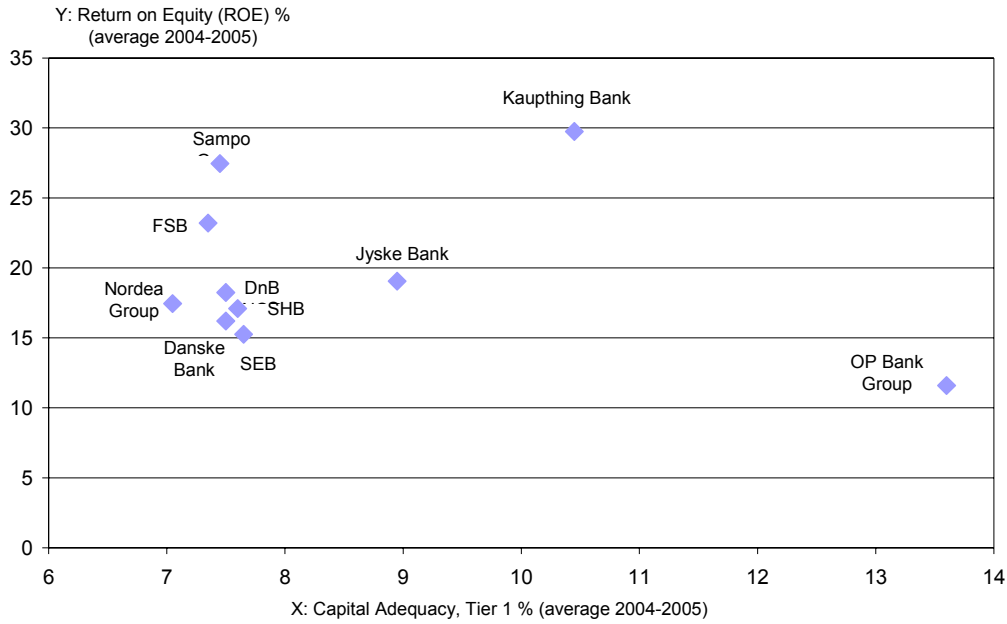
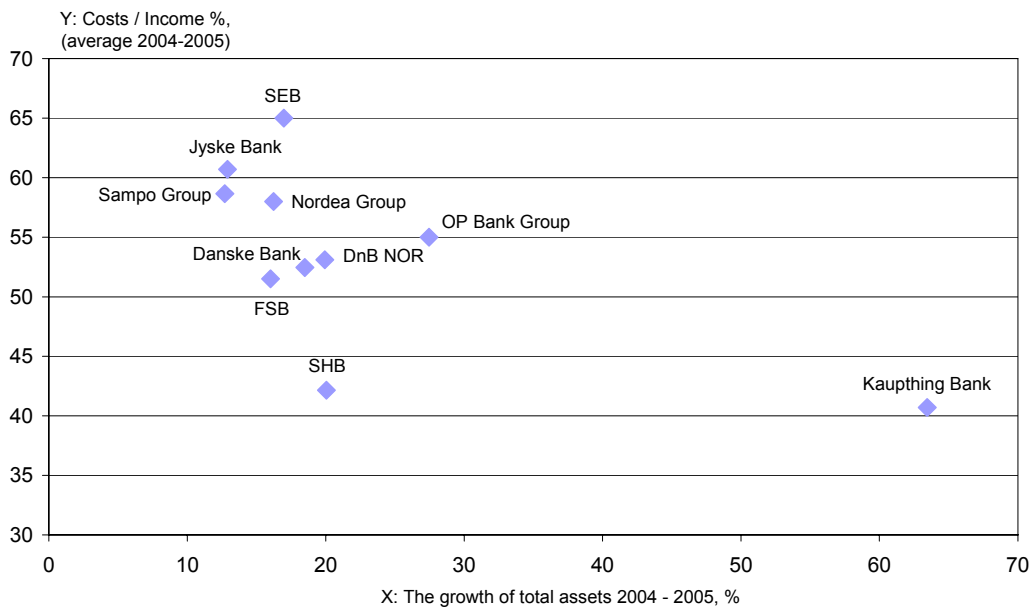


Chart 19. Cost / income ratio and growth rate of total assets of large Nordic financial groups



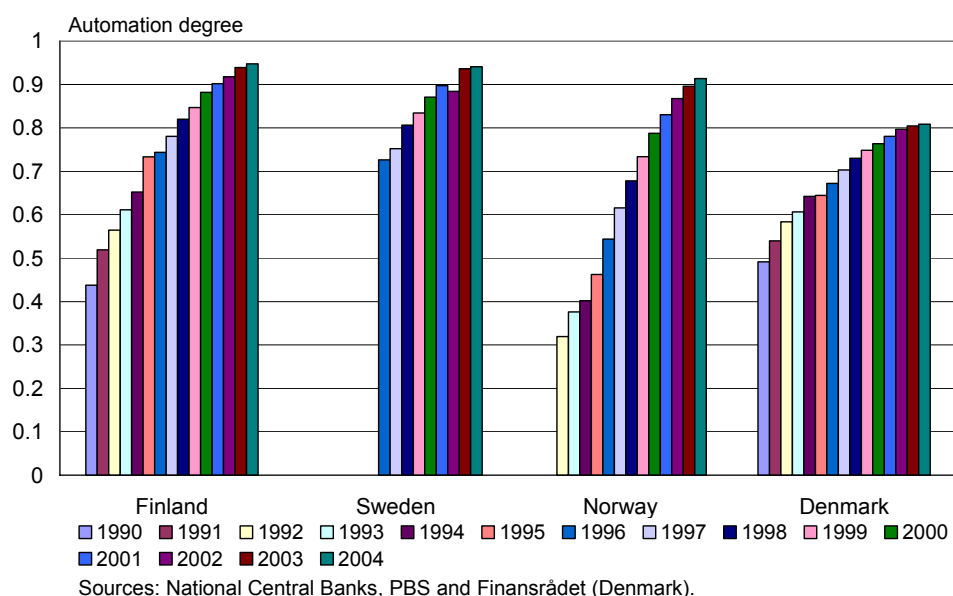
The cost / income ratio also varies considerably. In general, the growth of total assets has been very rapid, but again there are big differences between groups. The correlation between cost / income and growth of total assets, or between efficiency and growth, is very low (chart 19).

There are many reasons for the large variation in financial ratios in the peer group. These groups are perhaps not strictly comparable with each other because of differences in international / domestic orientation, business mix, customer base and operational environment. These factors explain some of the variation. Even so, these groups compete among themselves and with all other financial institutions. They offer similar services and products and they monitored in a similar way by markets and authorities.

4 Modern banking technology and customer behaviour

Banking technology is one of the key issues related to efficiency and competition in banking. All banking activities have been affected and often transformed by technological development. The use of new technology makes it possible to reduce costs in banking and improves the efficiency of operations. Nordic banks have succeeded in taking advantage of modern banking technology in business operations so as to reduce costs and improve efficiency. Compared to the rest of Europe (or rest of world), the distinctive feature of Nordic banking is the spread of e-banking services.¹⁶ An indicator of this is the high level of payment automation in the Nordic countries (chart 20).

Chart 20. Degree of payment automation in four Nordic countries



E-banking is difficult to define precisely. The concept of e-banking typically includes all banking services supplied to customers via Internet or telephone. In Nordic countries Internet penetration ratios are very high. It is typical that all basic banking services can be delivered to customers via the Internet.

¹⁶ European Opinion Research Group EEIG: Special Eurobarometer 202/wawe 60,2.

Bank customers' use of the Internet is on a high level in the Nordic countries, as compared to the common situation in the EU15. In Pan-Nordic banking group, Nordea plc, 52% of all household payments and 66% of all executed equity trades are made over the Internet.¹⁷ The use of mobile phones in banking services is still modest in all the Nordic countries.

There are several reasons why e-banking and modern banking technology are so widespread in Nordic countries. One reason has been the banking crises in the late 1980s and early 1990s in some Nordic countries. Banks were forced to improve efficiency dramatically and to substitute more technically advanced (and cheaper) self-services for labour and dense branch networks. As a consequence, the productivity of the banking industry has improved during the last 10-15 years. Secondly, it is clear, that common attitudes towards modern technology and its usage have been positive in the Nordic countries. Banks and their customers have been open to new innovations and their applications in banking. Thirdly, banks in Nordic countries have been able to price their services so as to induce customers to change their behaviour towards greater use of modern banking technology.

In the process, banks have benefited from a certain monopoly power vis – à – vis their customers. This occurs when it is costly for a customer to change bank for certain services. However, much more important is that new technology also gives rise to new competitive pressures and hence benefits for customers. Once adopted by a competitor, every bank is more or less obliged to supply the same technical service; otherwise it may find itself in a disadvantageous competitive situation. For example, the Internet facilitates real-time comparisons between banks and their products and services, which probably undermine customer loyalty.

This development has substantially affected distribution channels and services. Physical branch networks have decreased, but e-banking services and the number of connections between banks and customers (via payment cards, ATMs, point-of-sale terminals, telephone and mobile phone banking and Internet banking) has increased rapidly. One does not need to visit a bank branch to obtain services.

Despite the above-described developments, Internet-only banks have not gained a foothold in the Nordic market. Local presence through branches in retail banking markets is still important and valued by customers, although some niche players are present. New technology, especially Internet services, is driving banks to offer the same services through several different delivery channels. Nordic banks have been able to successfully implement this new strategy. Nowadays, customer behaviour is a strategic issue for banks, which renders the development of delivery channels crucial. Many Nordic

¹⁷ Nordea plc's annual report 2005.

banks try to gain a competitive edge through advanced customer relationship management and differentiated delivery channels.

Customer education could become an important means to enhancing competitiveness, as investment and savings products become more and more sophisticated with the introduction of financial innovations. The intermediary's responsibility for providing customers with accurate and clear investment information increases as investors must make more and more investment choices themselves, as is increasingly the case in pension saving. The complementary and "tailor made" advisory role is important, as public education is lagging in this field. This role assumes even greater importance as the share of aging customers increases rapidly.

Table 6. ATMs and credit transfers in Nordic countries

		2001	2002	2003	2004	2005
Number of ATMs	Denmark	2 763	2 822	2 873	2 943	3 001
	Finland	2 132	2 110	2 001	1 729	1 689
	Iceland	225	232	239	240	258
	Norway	2 144	2 188	2 217	2 180	2 184
	Sweden	2 567	2 647	2 676	2 701	2 800
Number of ATMs per 100 000 inhabitant	Denmark	51	52	53	54	55
	Finland	41	40	38	33	32
	Iceland	79	80	82	82	86
	Norway	47	48	48	47	47
	Sweden	29	30	30	30	31
Number of credit transfers per inhabitant	Denmark	39	42	45	45	47
	Finland	107	112	121	125	131
	Iceland	-	-	-	-	-
	Norway	80	81	84	88	88
	Sweden	86	49	47	51	56

The density of automatic teller machines (ATMs) and the channels by which credit transfers are transacted reveal some basic facts about Nordic banking and some differences among the Nordic countries (table 6). The networks have expanded (with one exception) and the density has increased or remained stable in recent years. The amount of credit transfers per capita and the channel by which they are transacted vary among the countries. It might be concluded that a saturation level has been reached in ATMs and their number will decrease in the future. This is a positive development, because the use of cards and Internet among banking customers is more efficient.

The differences among Nordic countries vis – à – vis credit transfers are pronounced. Finland leads in credit transfers per capita. The degree of payment automation¹⁸ has passed the 90% level, except in Denmark, where it has however reached 80%.

¹⁸ Payment automation is the proportion of electronic transfers and EFTPOS transactions in all payment transfers.

5 Future developments in Nordic financial sectors

At present, information on banks' performance indicates that the banking industry is healthy in all the Nordic countries. Regarding structural aspects, this section deals with **five trends** which will affect banks and other financial institutions in every Nordic country. These trends are interrelated, very broad in nature, and their overall impacts will become visible only gradually. Still, the trends are very prominent, and every banking and financial institution must acknowledge them and face the challenges they pose.

1. Cost and competitive pressures continue to be prominent. Nordic financial markets can be described as quite concentrated, but also competitive. At least in banks' loan activities, interest rate margins have decreased. The decrease is a result of developments in money market interest rates and intensified competition. Banks will face the challenge of increasing competition in the future. Price competition in interest rates, fees etc, but also non-price (product) competition in terms of quality and range of services, continue unabated. Banks have no choice but to continuously work for tighter cost control, try to achieve economies of scale and scope, and focus on efficiency and profitability. In this context, it is noteworthy that recent developments in banking profits and profitability could come to a halt. This would be a consequence, for example, of weaker-than-expected macroeconomic performance, causing e.g. slower volume growth in balance sheet items. Continuing cost and competitive pressures may also force banks to merge with other institutions, so that the process of consolidation is likely to continue.

Bundling services (for example: housing loans, funds and pensions) provides an opportunity for banks to exploit and even combine economies of scale and scope. The birth of financial conglomerates of banks and insurance companies in Finland might be based, at least partly, on efforts to pursue this objective. On the other hand, mortgage banks, which have limited possibilities to widen their palette of services, could be especially hard hit in terms of competitiveness.

Basel II affects large financial groups in many ways. The new capital accounting requirements will soon be put into practice in different countries, which could have implications for the competitive situation among financial groups. In consequence, the concept of economic capital will be relevant to banks and their shareholders, which will induce further efforts to minimise the amount of "idle

capital". It is likely that shareholder value will receive more and more attention in the business plans of all large Nordic financial groups.

2. Organic growth is difficult in the traditional markets. There are only limited opportunities for organic growth in the Nordic financial markets. An obvious reason is that the Nordic countries are "heavily banked", i.e. there are many banks and other financial institutions in the Nordic financial markets, although the structure in every country is highly concentrated. Moreover, the largest financial groups are large by national standards, whereas by global standards they are only medium or small players. This is perhaps the most fundamental reason why large banking groups have expanded abroad.

The natural area for this expansion has been the Baltic area, where Nordic financial groups' subsidiaries and branches dominate the markets, and Poland. The Baltic markets have good growth prospects, but the financial markets in the three countries are also competitive, and it is hard to achieve quick and easy volume and revenue growth there. Large financial groups are heading for the financial markets in the east: Russia and Ukraine. Germany and the UK are also countries where some Nordic financial groups have a growing presence. The Danish banks, in particular, are heading to the west. Mergers and acquisitions are always possible between smaller or larger Nordic financial groups, but national competition authorities and EU legislation may hinder any larger M&A activities in the Nordic area.

An inverted development would be that foreign banks would enter the Nordic markets. Even though that it is a feasible scenario, e.g. in the form of acquisitions, the relatively small size of the market and the prevailing tight competition reduces the attractiveness of it.

3. Technological change continues apace. Nordic countries are leaders in adoption and use of modern banking technology. Technological progress in banking brings new products and services to customers at a rapid pace. Productivity and quality of services will improve in banking. However, technological advance will change the business models, products, services and strategies. Moreover, the leadership position of Nordic banks in payment technology may be weakened to some extent.

4. Disintermediation may have an impact on Nordic banks. Banks are in the fundamental position of serving as intermediaries between savers and investors. Disintermediation occurs when new entrants come between savers and investors, or savers and investors meet directly in the financial markets. This can be a threat to banks, which could lose information, knowledge and the control of funds from their customers.

In the long run, disintermediation is possible in the Nordic countries, given the present central position of banks in financial markets. Technology and product innovations in a competitive environment promote changes in maturity transformation. Deeper capital markets offer a wider range of services, which can spread the risks associated with mismatches between assets and liabilities. The risk monitoring function, usually associated with banks, is apparently shifting to the rating agencies and participants in capital markets.

5. Demographic change will have a strong impact on banks' activities. In all the Nordic countries, retired generations will comprise a larger proportion of the population in the coming years. This could have a strong impact on banking services and methods applied. How to combine modern technology with the need for personal services for an aging population is a question for all banks to answer in the coming years.

The aging trend might be connected with the process of re-intermediation, which is the gradual process of rationalising investment activities within financial institutions specialised in specific types of investment strategies and instruments. This process is reflected in households' net acquisition of mutual fund shares, whose share in total acquisitions of financial assets has increased rapidly in recent years. The banks are also attempting to penetrate these markets by widening their palette of potential saving and investment services.

Statistical annex

The data used in this report were collected by the national central banks from various sources. This annex contains the data used in the charts and tables and explains the key definitions.

Banks and **credit institutions** are general concepts that refer to institutions that usually hold a banking licence, can receive deposits from the general public and/or provide credit to the general public. The exact definition of a credit institution is specified in the law of each country. For instance, commercial banks, cooperative banks, savings banks, foreign banks' subsidiaries and branches, mortgage banks, and other credit institutions are included in this category. The ESCB's concept "monetary financial institutions" (MFIs) includes credit institutions and certain other financial institutions.

The main focus of this report is to describe the national banking sectors of the Nordic countries and to find similarities and differences between them. In order to provide the best possible picture of an individual country's banking sector, its **national banking sector** includes only the activities of banks within the country's borders and not those in foreign countries. In other words, the national banking sector comprises all activities of banks operating in a country (incl. branches and subsidiaries of foreign banks) but not branches and subsidiaries of the country's banks in other countries.

In table 2 of the report, the national banking sectors are divided into subgroups. A **commercial bank** is owned by shareholders and offers a broad range of deposit accounts, including checking, savings, and time deposits, and extends loans to individuals and businesses. **Savings banks** are mutually held, meaning that the depositors and borrowers are members with voting rights and are able to impact the financial and managerial goals of the organisation. A savings bank is a financial institution which specialises in accepting savings deposits and making mortgage loans. Their main objective historically has been to promote saving, but nowadays they act much like other banks. A **cooperative bank** is a cooperative association that is engaged in banking business. Such an association runs its business for the benefit of its members, and the amount of members and own capital is not pre-defined. **Mortgage banks'** main objective is to finance housing. They raise capital by selling mortgage bonds. These institutions may stand alone or may be part of a bigger financial corporation. **Other credit institutions** include all other institutions in the national banking sector that do not fit into the other categories. These include, for instance, investment banks, leasing companies and branches of foreign credit institutions.

Annex tables 1a and 1b contain general data on banking sectors. **Total number of credit institutions** includes all credit institutions as specified by national law. It comprises all institutions

operating in the country regardless of ownership form. The employees of credit institutions are reported in the data for *total number of credit institutions' employees*.

In order to get an idea of the concentration of Nordic banking markets, a few concentration ratios are given. *Herfindahl index* is calculated as the sum of the squares of all credit institutions' market shares, according to total assets. The underlying data are collected on a solo basis, which means that market shares are calculated for separate legal entities that may be part of a consolidated bank group. The value of the index ranges from 0 to 10.000. Concentration ratio *CR5* is the percentage share of the five largest credit institutions' total assets in total assets of all credit institutions. The size of a credit institution is measured by its total assets.

Interest rates on deposit and lending stocks are average values at the end of the year. The new lending rate is an average of all new lending during the year. General public includes nonfinancial corporations, households, financial corporations (excl. monetary financial institutions) and general government (excl. state government).

A branch is an entity without independent legal status, which is wholly owned by the parent company. If the same credit institution has several branches in a given country, these are counted as a single branch. The branches are divided by nationality of parent company into Nordic and non-Nordic branches and data are presented in annex tables 2a and 2b.

Payment system data in annex table 5 refer to transactions executed during the year. *Card payments* are all payment transactions via a card with a debit, credit or delayed debit function. All card payments, irrespective of where the card was actually used, are included. *A credit transfer* is a payment order, or possibly a sequence of payment orders, for the purpose of placing funds at the disposal of the beneficiary. Both the payment order and the funds described therein move from payer's credit institution to payee's (beneficiary's) credit institution. Credit transfers are counted on the payer's side. A cross-border transaction is counted for the country where the transaction originates. *Direct debit* is an authorised debit, possibly recurrent, to the payer's bank account initiated by the payee. Usually a direct debit is pre-authorised. Both one-off and recurrent direct debits are included. In the case of recurrent direct debits, each individual payment is counted as one transaction. Payments are counted on the payee's side. A cross-border transaction is counted for the country where the transaction originates.

E-banking agreements comprise all agreements made during the year. An agreement gives the subscriber the right to use electric connections with his/her bank in order to use his/hers bank account. *E-banking transactions* include transactions made via mobile phone, PC or other terminal. They include all transactions made during the year. E-banking data is stock (not flow) data. *The number of*

ATMs (automatic teller machines) refers to machines with either cash withdrawal or and credit transfer function (a.k.a. Giro ATMs). This series comprises end-of-year stock data.

The information on peer group is obtained from financial groups' financial statements. Figures for total assets are converted into euros at year-end exchange rates and data for income statement at average exchange rates for the year 2005. Financial ratios are calculated as averages for the years 2004 and 2005.

Country-specific notes

Denmark

Danish figures for income statements and balance sheet data refer to commercial as well as savings banks. Both are listed as commercial banks (parent company data) as there is no way to distinguish them in aggregated accounts.

The data are based on parent company information. The figures cover branches (but not subsidiaries) of Danish banks in other countries. This means that Swedish activities in Danske Bank are included in the figures. Branches of foreign banks are not included.

Finland

Finnish income statement and balance sheet data are notably affected by the treatment of Nordea Bank Finland plc (NBF). In this report, the Finnish commercial banks and country level data for 2001 – 2003 include only Nordea Bank Finland plc's parent company information. This is the case because during those years NBF Group included Nordea Group's large retail banking subsidiaries from Sweden, Denmark and Norway. The total assets of the Finnish banking sector would be over two times as large if NBF Group's figures had been included. For years 2004 and 2005, Finnish figures cover the whole NBF group. The solvency figures refer to the whole NBF Group for the period 2001 – 2005, because no public information on capital adequacy of the parent company of NBF plc is available. Data sets include Sampo Bank Group, not Sampo plc.

The Finnish Return on Equity (ROE, %) in chart 8, and cost / income ratio in chart 15 are calculated as weighted (by total assets) averages from ratios for individual banks. In the calculations, information from Nordea Bank Finland, Sampo Group and OP Bank Group and some smaller banking groups was used.

The Finnish figures in table 5 on the number of ATMs are for machines with cash withdrawal function only (and not credit transfer function). This series is end-of-year stock data.

Iceland

Icelandic banking figures are based on aggregation of credit institutions' annual accounts. The income statement and balance sheet data encompass consolidated group figures and include both figures for foreign subsidiaries and non-banking subsidiaries (e.g. insurance companies). Tables 1 and 2 in the report are an exception to this. Those figures are based exclusively on the activities of domestic parent companies, excluding foreign subsidiaries and non-banking subsidiaries, i.e. figures for banking sector total assets to GDP, sectoral assets breakdown into sub-groups, and number of sector employees.

Banks' income statement data as well as balance sheet data for 2005 exclude the smallest institutions of the Icelandic banking sector.

Norway

The Norwegian data refer to activities of all credit institutions in Norway (Norwegian institutions plus subsidiaries and branches of foreign institutions), but not the activities of Norwegian credit institutions abroad. The data provided are based on the unconsolidated figures of each institution.

The subsector "Other credit institutions" comprises finance companies and state lending institutions. At the end of 2005, the two largest state lending institutions, Norwegian State Housing Bank and Norwegian State Educational Loan Fund, were the fourth and fifth largest credit institutions, respectively, ranked by total assets. State lending institutions have other objectives than making profits, so these institutions are somewhat special compared to other credit institutions. Figures for state lending institutions are not included in the income statement data (annex table 3) nor in the capital adequacy figures (annex table 5). This means state lending institutions are not included in charts that are based on data from annex tables 3 and 5 (i.e. charts 8, 9, 11-13, 15 and 16).

Sweden

Swedish commercial banks comprise Swedish commercial banks (solo basis data) and foreign bank branches. Swedish commercial banks include only the banking business of the larger consolidated groups and not, for example, mortgage banks of the same consolidated bank group.

Annex table 1a. General data on national banking sectors

Number of Credit institutions (CIs)

	2001	2002	2003	2004	2005
Denmark	203	178	203	202	192
Finland	369	369	366	363	363
Iceland	40	38	37	37	38
Norway	220	219	215	211	209
Sweden	320	312	314	304	na

Number of employees of credit institutions

	2001	2002	2003	2004	2005
Denmark	48 538	47 613	45 994	43 877	42 808
Finland	26 733	27 190	26 667	25 377	25 182
Iceland	3 395	3 629	3 618	3 973	4 285
Norway	27 332	27 321	26 463	25 250	25 117
Sweden	49 806	49 621	47 593	46 535	46 697

Total assets of credit institutions, EUR million

	2001	2002	2003	2004	2005
Denmark	454 328	506 694	546 468	607 107	746 328
Finland	163 416	165 661	185 846	212 427	234 523
Iceland	17 142	18 536	23 802	45 952	82 630
Norway	248 763	267 473	293 129	309 357	361 345
Sweden	513 580	546 410	573 169	664 148	764 626

Total lending of CIs to non-financial sector, EUR million

	2001	2002	2003	2004	2005
Denmark	261 579	274 981	291 870	322 812	389 869
Finland	81 010	86 156	94 137	103 944	117 289
Iceland	11 882	12 970	16 233	32 168	58 948
Norway	180 831	192 489	208 199	227 289	260 014
Sweden	293 598	313 584	325 613	352 765	402 014

Total deposits of CIs to non-financial sector, EUR million

	2001	2002	2003	2004	2005
Denmark	96 354	102 919	107 010	122 052	143 255
Finland	69 052	71 535	75 634	79 666	85 270
Iceland	4 619	6 118	7 414	9 431	17 109
Norway	93 112	100 107	103 236	111 560	124 059
Sweden	134 205	142 537	149 064	158 032	176 815

Annex table 1b. General data on national banking sectors

Concentration ratio (CR5), %

	2001	2002	2003	2004	2005
Denmark	67.6	68.0	66.6	67.0	66.3
Finland	79.5	78.6	81.2	82.7	83.1
Iceland	77.5	79.7	86.3	90.7	93.1
Norway	48.2	47.4	48.0	49.7	48.7
Sweden	82.0	84.5	83.7	84.2	84.2

Herfindal index for credit institutions

	2001	2002	2003	2004	2005
Denmark	1 119	1 145	1 114	1 146	1 114
Finland	2 240	2 050	2 420	2 680	2 730
Iceland	1 556	1 453	2 211	2 829	2 807
Norway	632	630	624	939	961
Sweden	1 676	1 768	1 650	1 621	1 593

Interest rates on deposit stock of general public, %

	2001	2002	2003	2004	2005
Denmark	na	na	1.40	1.50	1.60
Finland	1.54	1.42	1.06	1.08	1.18
Iceland	8.70	5.40	4.20	4.30	4.17
Norway	5.74	5.79	1.84	1.27	1.62
Sweden	2.10	2.26	1.51	1.00	0.79

Interest rates on stock of lending to general public, %

	2001	2002	2003	2004	2005
Denmark	na	na	5.70	5.50	5.00
Finland	5.01	4.59	3.80	3.64	3.54
Iceland	11.20	8.40	6.80	5.20	4.77
Norway	8.19	8.22	4.83	3.94	3.88
Sweden	5.56	5.59	4.84	4.15	3.49

Interest rates on new lending to general public, %

	2001	2002	2003	2004	2005
Denmark	na	na	4.50	4.20	4.20
Finland	5.07	4.23	4.75	4.73	4.59
Iceland	14.40	12.20	8.60	8.30	11.04
Norway *	8.19	8.22	4.83	3.94	3.88
Sweden	5.04	5.19	4.11	3.29	3.10

* There are no directly available data on interest rates on new lending to general public in Norway. However, since the share of loans at floating interest rate is very high in Norway, the interest rate on new lending is presumably almost the same as the interest rate on stock of lending to general public.

Annex table 2a. Branches and subsidiaries from foreign countries

Number of branches of credit institutions (CIs) from Nordic countries

	2001	2002	2003	2004	2005
Denmark	6	6	12	12	12
Finland	13	14	12	13	15
Iceland	0	0	0	0	0
Norway	10	10	10	11	14
Sweden	3	3	3	3	5

Total assets of branches of CIs from Nordic countries, EUR million

	2001	2002	2003	2004	2005
Denmark	8 680	9 813	10 628	12 334	16 553
Finland	9 515	13 366	12 297	13 583	11 814
Iceland	0	0	0	0	0
Norway	14 244	15 802	22 774	21 187	28 718
Sweden	15 441	21 209	28 056	37 465	52 023

Number of subsidiaries of CIs from Nordic countries

	2001	2002	2003	2004	2005
Denmark	5	6	6	6	6
Finland	3	3	3	5	6
Iceland	0	0	0	0	0
Norway	9	9	9	9	12
Sweden	1	1	-	-	-

Total assets of subsidiaries of CIs from Nordic countries, EUR million

	2001	2002	2003	2004	2005
Denmark	67 204	75 018	74 841	71 221	80 360
Finland	722	741	716	111 950	124 176
Iceland	0	0	0	0	0
Norway	41 783	44 350	47 145	51 105	58 376
Sweden	59	71	-	-	-

Number of branches of CIs from non-Nordic EEA countries

	2001	2002	2003	2004	2005
Denmark	4	4	5	5	5
Finland	5	5	6	7	6
Iceland	0	0	0	0	0
Norway	10	10	10	10	8
Sweden	18	16	16	17	17

Total assets of branches of CIs from non-Nordic EEA countries, EUR million

	2001	2002	2003	2004	2005
Denmark	11 261	12 981	13 913	14 317	18 476
Finland	889	979	733	784	865
Iceland	0	0	0	0	0
Norway	3 345	3 028	3 137	3 706	4 490
Sweden	9 548	6 917	6 239	7 433	8 163

Annex table 2b. Branches and subsidiaries from foreign countries

Number of subsidiaries of CIs from non-Nordic EEA countries

	2001	2002	2003	2004	2005
Denmark	2	2	2	2	2
Finland	0	0	0	0	0
Iceland	0	0	0	0	0
Norway	5	5	5	5	5
Sweden	1	-	-	-	-

Total assets of subsidiaries of CIs from non-Nordic EEA countries, EUR million

	2001	2002	2003	2004	2005
Denmark	na	na	na	na	na
Finland	0	0	0	0	0
Iceland	0	0	0	0	0
Norway	2 917	3 124	3 377	3 969	4 904
Sweden	41	-	-	-	-

Number of branches of CIs from third countries

	2001	2002	2003	2004	2005
Denmark	1	1	1	1	1
Finland	0	0	0	0	0
Iceland	0	0	0	0	0
Norway	4	4	4	4	4
Sweden	-	-	-	-	-

Total assets of branches of CIs third countries, EUR million

	2001	2002	2003	2004	2005
Denmark	na	na	na	na	na
Finland	0	0	0	0	0
Iceland	0	0	0	0	0
Norway	607	701	765	917	1 163
Sweden	-	-	-	-	-

Number of subsidiaries of CIs from third countries

	2001	2002	2003	2004	2005
Denmark	2	2	2	3	3
Finland	0	0	0	0	0
Iceland	0	0	0	0	0
Norway	3	3	3	3	5
Sweden	1	1	1	1	1

Total assets of subsidiaries of CIs from third countries, EUR million

	2001	2002	2003	2004	2005
Denmark	na	na	na	8 935	11 217
Finland	0	0	0	0	0
Iceland	0	0	0	0	0
Norway	199	242	259	248	546
Sweden	2 526	2 631	2 837	3 252	3 792

Annex table 3. Income statement data for national banking sectors, EUR million

DENMARK

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Net interest income	5 960	6 238	6 529	6 269	6 697
Net fee and commission income	1 818	1 796	1 963	2 160	2 481
Other income	1 290	1 250	2 294	2 390	2 484
Total operating income	9 068	9 284	10 785	10 819	11 662
Staff costs and administrative expenses	4 627	4 721	4 851	5 057	5 170
Other expenses	265	221	237	228	371
Total operating expenses	4 892	4 942	5 088	5 285	5 540
Loan losses	683	590	699	147	-172
Net operating profit	3 493	3 751	4 998	5 387	6 294

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Net interest income	4 594	4 810	4 982	4 737	5 014
Net fee and commission income	1 785	1 759	1 875	2 126	2 392
Other income	1 248	1 174	2 015	2 138	2 072
Total operating income	7 626	7 743	8 872	9 002	9 479
Staff costs and administrative expenses	4 099	4 149	4 224	4 448	4 547
Other expenses	242	199	213	185	318
Total operating expenses	4 340	4 347	4 436	4 634	4 865
Loan losses	674	579	683	220	-112
Net operating profit	2 612	2 816	3 753	4 148	4 726

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Net interest income					
Net fee and commission income					
Other income					
Total operating income	0	0	0	0	0
Staff costs and administrative expenses					
Other expenses					
Total operating expenses	0	0	0	0	0
Loan losses					
Net operating profit	0	0	0	0	0

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Net interest income					
Net fee and commission income					
Other income					
Total operating income	0	0	0	0	0
Staff costs and administrative expenses					
Other expenses					
Total operating expenses	0	0	0	0	0
Loan losses					
Net operating profit	0	0	0	0	0

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Net interest income	1 367	1 428	1 546	1 532	1 682
Net fee and commission income	33	37	87	33	89
Other income	42	76	279	252	412
Total operating income	1 442	1 541	1 912	1 817	2 183
Staff costs and administrative expenses	528	573	627	609	623
Other expenses	23	22	24	43	52
Total operating expenses	551	595	651	651	675
Loan losses	10	11	15	-73	-60
Net operating profit	881	935	1 246	1 239	1 569

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Net interest income					
Net fee and commission income					
Other income					
Total operating income	0	0	0	0	0
Staff costs and administrative expenses					
Other expenses					
Total operating expenses	0	0	0	0	0
Loan losses					
Net operating profit	0	0	0	0	0

FINLAND

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Net interest income	1 720	2 311	2 303	2 629	2 602
Net fee and commission income	577	868	879	763	844
Other income	1 993	848	653	616	899
Total operating income	4 290	4 027	3 834	4 009	4 346
Staff costs and administrative expenses	1 033	1 326	1 355	1 394	1 196
Other expenses	794	1 130	1 364	1 094	1 258
Total operating expenses	1 827	2 456	2 718	2 489	2 454
Loan losses	14	12	-44	20	68
Net operating profit	2 448	1 559	1 159	1 500	1 824

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Net interest income	644	1 281	1 345	1 694	1 612
Net fee and commission income	281	572	560	436	533
Other income	1 827	678	469	398	642
Total operating income	2 752	2 531	2 374	2 528	2 787
Staff costs and administrative expenses	457	701	716	754	767
Other expenses	385	757	1 004	762	749
Total operating expenses	842	1 458	1 720	1 516	1 516
Loan losses	-9	-4	-53	7	45
Net operating profit	1 919	1 077	707	1 005	1 226

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Net interest income	217	203	188	182	196
Net fee and commission income	50	55	66	75	33
Other income	16	15	12	12	66
Total operating income	283	273	266	269	294
Staff costs and administrative expenses	75	82	81	82	86
Other expenses	102	109	111	104	97
Total operating expenses	177	191	192	186	183
Loan losses	2	4	3	3	9
Net operating profit	104	79	71	79	103

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Net interest income	802	764	700	678	697
Net fee and commission income	185	184	199	200	219
Other income	124	121	135	162	154
Total operating income	1 111	1 069	1 034	1 040	1 070
Staff costs and administrative expenses	440	484	501	498	278
Other expenses	243	204	202	175	352
Total operating expenses	683	688	703	673	630
Loan losses	17	12	5	5	5
Net operating profit	411	369	327	362	436

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Net interest income	5	6	7	8	14
Net fee and commission income	0	0	0	-1	-2
Other income	2	2	5	4	4
Total operating income	7	9	12	11	16
Staff costs and administrative expenses	2	2	2	1	3
Other expenses	2	3	4	4	5
Total operating expenses	4	5	6	5	7
Loan losses	0	0	0	0	0
Net operating profit	3	4	6	6	9

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Net interest income	52	56	62	67	83
Net fee and commission income	60	57	54	53	61
Other income	24	32	31	41	34
Total operating income	136	145	147	161	179
Staff costs and administrative expenses	60	57	55	59	63
Other expenses	61	57	43	49	56
Total operating expenses	121	115	98	108	119
Loan losses	5	0	1	5	9
Net operating profit	11	31	48	49	51

ICELAND

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Net interest income	432	459	522	755	1 150
Net fee and commission income	212	365	602	1 047	2 003
Other income	54	71	44	50	193
Total operating income	699	895	1 168	1 852	3 346
Staff costs and administrative expenses	424	477	589	730	1 056
Other expenses	39	50	61	99	21
Total operating expenses	463	527	650	829	1 077
Loan losses	136	153	201	194	167
Net operating profit	100	215	316	829	2 102

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Net interest income	323	319	392	608	1 023
Net fee and commission income	93	275	480	787	1 404
Other income	14	50	23	31	172
Total operating income	431	645	895	1 426	2 599
Staff costs and administrative expenses	247	346	451	578	923
Other expenses	25	30	47	74	12
Total operating expenses	272	375	498	653	934
Loan losses	76	103	148	146	136
Net operating profit	83	166	250	627	1 528

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Net interest income	78	91	95	100	82
Net fee and commission income	25	39	69	96	143
Other income	10	10	8	7	11
Total operating income	112	140	172	204	236
Staff costs and administrative expenses	75	84	89	95	92
Other expenses	5	7	7	14	4
Total operating expenses	79	91	96	109	96
Loan losses	34	29	35	32	17
Net operating profit	-1	20	41	63	122

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Net interest income					
Net fee and commission income					
Other income					
Total operating income	0	0	0	0	0
Staff costs and administrative expenses					
Other expenses					
Total operating expenses	0	0	0	0	0
Loan losses					
Net operating profit	0	0	0	0	0

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Net interest income					
Net fee and commission income					
Other income					
Total operating income	0	0	0	0	0
Staff costs and administrative expenses					
Other expenses					
Total operating expenses	0	0	0	0	0
Loan losses					
Net operating profit	0	0	0	0	0

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Net interest income	32	49	35	47	45
Net fee and commission income	94	51	52	164	456
Other income	30	11	13	11	10
Total operating income	156	111	101	222	511
Staff costs and administrative expenses	102	47	49	57	41
Other expenses	9	14	7	10	5
Total operating expenses	111	61	56	68	46
Loan losses	26	22	18	15	14
Net operating profit	18	28	26	139	451

NORWAY

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Net interest income	4 375	4 725	4 783	4 798	4 946
Net fee and commission income	1 041	1 060	1 129	1 234	1 384
Other income	964	537	1 024	1 252	1 350
Total operating income	6 380	6 322	6 936	7 284	7 680
Staff costs and administrative expenses	1 931	1 953	2 039	2 038	2 113
Other expenses	1 907	1 935	1 908	1 992	1 919
Total operating expenses	3 838	3 888	3 947	4 031	4 032
Loan losses	567	951	1 014	217	-84
Net operating profit	1 975	1 482	1 976	3 036	3 733

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Net interest income	1 808	1 996	1 906	1 062	1 126
Net fee and commission income	548	541	564	345	413
Other income	651	383	571	284	387
Total operating income	3 007	2 921	3 041	1 691	1 926
Staff costs and administrative expenses	1 033	1 003	1 051	586	598
Other expenses	920	903	852	446	484
Total operating expenses	1 953	1 906	1 902	1 031	1 082
Loan losses	302	549	574	-1	-153
Net operating profit	753	465	564	660	997

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Net interest income	1 893	2 050	2 067	2 945	3 003
Net fee and commission income	379	399	460	830	912
Other income	142	8	287	772	806
Total operating income	2 413	2 457	2 814	4 547	4 720
Staff costs and administrative expenses	700	745	764	1 237	1 282
Other expenses	683	738	751	1 236	1 164
Total operating expenses	1 383	1 483	1 515	2 473	2 446
Loan losses	208	320	317	149	17
Net operating profit	822	654	982	1 925	2 257

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Net interest income	0	0	0	0	0
Net fee and commission income	0	0	0	0	0
Other income	0	0	0	0	0
Total operating income	0	0	0	0	0
Staff costs and administrative expenses	0	0	0	0	0
Other expenses	0	0	0	0	0
Total operating expenses	0	0	0	0	0
Loan losses	0	0	0	0	0
Net operating profit	0	0	0	0	0

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Net interest income	238	231	253	233	231
Net fee and commission income	-8	-8	-9	-11	-9
Other income	3	-3	10	8	15
Total operating income	234	220	254	231	237
Staff costs and administrative expenses	28	26	30	30	37
Other expenses	19	23	22	22	29
Total operating expenses	47	50	52	53	66
Loan losses	3	13	5	-7	-5
Net operating profit	183	158	196	185	176

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Net interest income	436	447	557	557	587
Net fee and commission income	121	127	115	69	68
Other income	168	149	156	188	142
Total operating income	725	724	828	815	797
Staff costs and administrative expenses	170	178	194	185	196
Other expenses	285	271	283	288	242
Total operating expenses	455	449	477	473	437
Loan losses	54	69	116	76	57
Net operating profit	217	206	234	265	303

SWEDEN

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Net interest income	8 921	9 714	10 132	9 783	9 039
Net fee and commission income	3 865	3 143	2 986	3 615	4 586
Other income	4 366	3 346	3 792	5 277	3 834
Total operating income	17 152	16 203	16 911	18 675	17 458
Staff costs and administrative expenses	6 452	6 468	6 213	6 540	6 774
Other expenses	4 373	4 821	4 983	4 897	1 845
Write-downs of financial fixed assets incl. net result from associated companies	768	728	782	678	3 453
Total operating expenses	11 593	12 016	11 978	12 115	12 071
Loan losses	346	408	313	135	85
Net operating profit	5 213	3 779	4 620	6 425	5 302

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Net interest income					
Net fee and commission income					
Other income					
Total operating income	0	0	0	0	0
Staff costs and administrative expenses					
Other expenses					
Write-downs of financial fixed assets incl. net result from associated companies					
Total operating expenses	0	0	0	0	0
Loan losses					
Net operating profit	0	0	0	0	0

2b. SWEDISH BANKS (UN-CONSOLIDATED DATA, excl. Savings banks, co-operative banks, branches)

	2001	2002	2003	2004	2005
Net interest income	3 635	3 956	4 095	3 665	3 321
Net fee and commission income	2 571	2 099	2 088	2 692	3 227
Other income	2 211	992	1 421	3 031	1 894
Total operating income	8 417	7 046	7 604	9 387	8 442
Staff costs and administrative expenses	4 459	4 512	4 421	4 877	4 991
Other expenses	250	159	139	147	160
Write-downs of financial fixed assets incl. net result from associated companies	430	565	608	515	647
Total operating expenses	5 139	5 237	5 168	5 540	5 797
Loan losses	278	336	247	155	101
Net operating profit	3 000	1 474	2 189	3 692	2 544

2c. FOREIGN BANK BRANCHES

	2001	2002	2003	2004	2005
Net interest income	245	302	392	411	417
Net fee and commission income	181	150	90	136	233
Other income	29	17	13	21	24
Total operating income	454	470	495	568	673
Staff costs and administrative expenses	248	280	245	261	315
Other expenses	10	14	24	25	26
Write-downs of financial fixed assets incl. net result from associated companies	83	82	100	113	152
Total operating expenses	342	377	369	399	493
Loan losses	45	28	20	-7	3
Net operating profit	67	64	106	177	176

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Net interest income	360	375	359	359	338
Net fee and commission income	116	105	117	134	154
Other income	33	26	27	31	36
Total operating income	509	505	503	524	527
Staff costs and administrative expenses	264	276	280	284	284
Other expenses	87	91	53	48	42
Write-downs of financial fixed assets incl. net result from associated companies	0	3	0	1	0
Total operating expenses	351	369	334	333	327
Loan losses	29	29	23	24	21
Net operating profit	129	107	147	167	179

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Net interest income	3	3	3	3	2
Net fee and commission income	0	0	0	0	0
Other income	0	0	0	0	0
Total operating income	3	3	3	3	3
Staff costs and administrative expenses	1	2	2	3	3
Other expenses	1	2	2	1	1
Write-downs of financial fixed assets incl. net result from associated companies	0	0	0	0	0
Total operating expenses	3	3	3	3	3
Loan losses	0	0	0	0	0
Net operating profit	0	0	0	0	-1

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Net interest income	1 417	1 535	1 641	1 694	1 649
Net fee and commission income	-37	-44	-54	-51	-3
Other income	286	134	54	65	47
Total operating income	1 666	1 625	1 641	1 709	1 694
Staff costs and administrative expenses	111	104	94	131	156
Other expenses	10	10	12	12	7
Write-downs of financial fixed assets incl. net result from associated companies	104	24	5	0	5
Total operating expenses	225	137	112	143	168
Loan losses	-18	-14	-42	-80	-40
Net operating profit	1 459	1 502	1 571	1 646	1 566

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Net interest income	3 261	3 543	3 642	3 651	3 313
Net fee and commission income	1 035	834	745	704	974
Other income	1 807	2 177	2 278	2 128	1 834
Total operating income	6 103	6 554	6 665	6 484	6 120
Staff costs and administrative expenses	1 368	1 294	1 170	984	1 025
Other expenses	4 015	4 545	4 753	4 664	1 609
Write-downs of financial fixed assets incl. net result from associated companies	150	53	68	49	2 649
Total operating expenses	5 534	5 893	5 991	5 697	5 282
Loan losses	12	29	66	44	0
Net operating profit	557	632	608	743	838

Annex table 4. Balance sheet data for national banking sectors, EUR million

DENMARK

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Loans to the public	277 597	297 709	318 062	347 848	408 981
Other interest-bearing assets	157 288	185 459	206 598	222 450	208 188
Other assets	39 684	54 752	43 381	54 215	64 490
Total assets	474 569	537 920	568 040	624 512	681 659
Deposits by the public	108 261	113 403	125 264	139 030	157 946
Debt securities and other interest-bearing liabilities	296 410	328 949	362 846	393 799	417 957
Other liabilities	43 654	66 967	48 852	58 750	67 882
Total equity	26 244	28 601	31 077	32 934	37 875
Total liabilities and equity	474 569	537 920	568 040	624 512	681 659

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Loans to the public	112 538	120 083	125 596	143 385	179 300
Other interest-bearing assets	108 084	131 175	147 243	146 626	162 681
Other assets	36 562	50 930	39 375	49 355	59 834
Total assets	257 184	302 188	312 214	339 367	401 815
Deposits by the public	108 261	113 403	125 264	139 030	157 946
Debt securities and other interest-bearing liabilities	102 983	118 791	131 011	134 085	160 075
Other liabilities	30 220	52 623	37 365	46 800	60 799
Total equity	15 719	17 371	18 573	19 452	22 994
Total liabilities and equity	257 184	302 189	312 213	339 367	401 815

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Loans to the public					
Other interest-bearing assets					
Other assets					
Total assets	0	0	0	0	0
Deposits by the public					
Debt securities and other interest-bearing liabilities					
Other liabilities					
Total equity					
Total liabilities and equity	0	0	0	0	0

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Loans to the public					
Other interest-bearing assets					
Other assets					
Total assets	0	0	0	0	0
Deposits by the public					
Debt securities and other interest-bearing liabilities					
Other liabilities					
Total equity					
Total liabilities and equity	0	0	0	0	0

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Loans to the public	165 059	177 625	192 466	204 462	229 682
Other interest-bearing assets	49 204	54 284	59 355	75 824	45 506
Other assets	3 122	3 822	4 005	4 860	4 656
Total assets	217 385	235 731	255 826	285 146	279 844
Deposits by the public	0	0	0	0	0
Debt securities and other interest-bearing liabilities	193 427	210 158	231 835	259 714	257 881
Other liabilities	13 433	14 344	11 487	11 950	7 083
Total equity	10 525	11 230	12 504	13 481	14 880
Total liabilities and equity	217 385	235 731	255 826	285 146	279 844

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Loans to the public					
Other interest-bearing assets					
Other assets					
Total assets	0	0	0	0	0
Deposits by the public					
Debt securities and other interest-bearing liabilities					
Other liabilities					
Total equity					
Total liabilities and equity	0	0	0	0	0

FINLAND

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Loans to the public	77 530	78 565	90 574	102 453	118 241
Other interest-bearing assets	74 512	76 596	84 294	98 473	107 140
Other assets	2 829	2 805	2 116	2 824	2 500
Total assets	154 871	157 966	176 985	203 749	227 881
Deposits by the public	70 939	73 388	80 715	81 680	88 073
Debt securities and other interest-bearing liabilities	67 385	68 448	78 008	103 675	119 026
Other liabilities	958	948	1 694	1 188	1 337
Total equity	15 589	15 180	16 567	17 206	19 446
Total liabilities and equity	154 871	157 964	176 985	203 749	227 881

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Loans to the public	50 471	48 020	56 622	64 944	73 625
Other interest-bearing assets	62 969	62 066	71 496	84 469	97 889
Other assets	769	660	59	783	1 329
Total assets	114 209	110 746	128 177	150 196	172 843
Deposits by the public	43 674	44 073	49 262	48 155	50 795
Debt securities and other interest-bearing liabilities	57 975	54 821	65 251	88 533	105 718
Other liabilities	40	3	687	76	882
Total equity	12 520	11 849	12 977	13 432	15 448
Total liabilities and equity	114 209	110 746	128 177	150 196	172 843

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Loans to the public	4 614	5 192	5 783	6 499	7 275
Other interest-bearing assets	2 099	2 060	1 939	2 238	2 412
Other assets	256	250	235	234	225
Total assets	6 969	7 502	7 957	8 971	9 912
Deposits by the public	5 132	5 508	5 898	6 409	6 792
Debt securities and other interest-bearing liabilities	1 250	1 402	1 410	1 853	2 317
Other liabilities	2	2	1	1	2
Total equity	585	591	649	707	802
Total liabilities and equity	6 969	7 502	7 958	8 970	9 912

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Loans to the public	17 610	19 347	21 639	24 182	26 997
Other interest-bearing assets	4 517	4 671	4 754	4 494	4 742
Other assets	1 775	1 868	1 800	1 762	933
Total assets	23 902	25 887	28 193	30 438	32 672
Deposits by the public	19 325	20 802	22 229	23 584	25 082
Debt securities and other interest-bearing liabilities	1 283	1 548	2 164	2 837	4 510
Other liabilities	916	936	1 005	1 109	0
Total equity	2 378	2 600	2 795	2 908	3 081
Total liabilities and equity	23 902	25 887	28 193	30 438	32 672

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Loans to the public	386	547	751	990	2 478
Other interest-bearing assets	36	40	49	65	89
Other assets	20	18	17	40	47
Total assets	442	606	817	1 095	2 614
Deposits by the public	17	13	49	52	56
Debt securities and other interest-bearing liabilities	356	510	683	955	2 421
Other liabilities	0	0	0	0	0
Total equity	69	83	85	88	137
Total liabilities and equity	442	606	817	1095	2614

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Loans to the public	4 450	5 459	5 779	5 838	6 890
Other interest-bearing assets	4 890	7 758	6 056	7 206	4 423
Other assets	9	9	6	6	6
Total assets	9 349	13 226	11 841	13 050	11 320
Deposits by the public	2 791	2 993	3 278	3 480	3 428
Debt securities and other interest-bearing liabilities	6 521	10 167	8 500	9 496	7 831
Other liabilities	0	6	2	2	0
Total equity	37	57	61	72	62
Total liabilities and equity	9 349	13 223	11 841	13 050	11 321

ICELAND

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Loans to the public	11 882	12 970	16 233	32 168	58 948
Other interest-bearing assets	3 523	3 831	5 173	8 616	20 486
Other assets	1 737	1 736	2 396	5 168	3 196
Total assets	17 142	18 536	23 802	45 952	82 630
Deposits by the public	4 619	6 118	7 414	9 431	17 109
Debt securities and other interest-bearing liabilities	10 215	9 743	12 871	28 706	53 898
Other liabilities	1 024	1 165	1 608	3 577	3 913
Total equity	1 284	1 510	1 910	4 239	7 711
Total liabilities and equity	17 142	18 536	23 802	45 952	82 630

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Loans to the public	8 381	9 991	13 355	28 343	53 634
Other interest-bearing assets	2 318	3 042	4 303	7 435	16 975
Other assets	962	1 270	2 022	3 981	2 807
Total assets	11 660	14 302	19 679	39 759	73 415
Deposits by the public	3 416	4 825	5 987	7 808	15 621
Debt securities and other interest-bearing liabilities	7 038	7 759	11 177	25 668	48 793
Other liabilities	524	740	1 175	3 057	3 558
Total equity	681	978	1 341	3 226	5 443
Total liabilities and equity	11 660	14 302	19 679	39 759	73 415

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Loans to the public	1 567	1 727	1 751	2 219	2 769
Other interest-bearing assets	356	432	496	601	761
Other assets	245	310	243	319	81
Total assets	2 168	2 469	2 490	3 139	3 611
Deposits by the public	1 061	1 293	1 427	1 622	1 488
Debt securities and other interest-bearing liabilities	739	787	636	1 020	1 626
Other liabilities	135	136	139	155	101
Total equity	233	253	288	342	397
Total liabilities and equity	2 168	2 469	2 490	3 139	3 611

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Loans to the public					
Other interest-bearing assets					
Other assets					
Total assets	0	0	0	0	0
Deposits by the public					
Debt securities and other interest-bearing liabilities					
Other liabilities					
Total equity					
Total liabilities and equity	0	0	0	0	0

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Loans to the public					
Other interest-bearing assets					
Other assets					
Total assets	0	0	0	0	0
Deposits by the public					
Debt securities and other interest-bearing liabilities					
Other liabilities					
Total equity					
Total liabilities and equity	0	0	0	0	0

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Loans to the public	1 934	1 252	1 127	1 606	2 545
Other interest-bearing assets	849	357	374	579	2 750
Other assets	530	156	131	869	309
Total assets	3 313	1 765	1 632	3 054	5 604
Deposits by the public	142	0	0	0	0
Debt securities and other interest-bearing liabilities	2 437	1 197	1 058	2 018	3 478
Other liabilities	364	289	294	365	254
Total equity	370	279	280	671	1 872
Total liabilities and equity	3 313	1 765	1 632	3 054	5 604

NORWAY

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Loans to the public	180 831	192 489	208 199	227 289	260 014
Other interest-bearing assets	53 680	60 170	65 038	64 577	81 768
Other assets	14 253	14 814	19 891	17 491	19 563
Total assets	248 763	267 473	293 129	309 357	361 345
Deposits by the public	93 112	100 107	103 236	111 560	124 059
Debt securities and other interest-bearing liabilities	114 767	138 703	155 811	162 949	198 763
Other liabilities	24 407	12 793	17 517	16 570	18 813
Total equity	16 478	15 869	16 565	18 279	19 706
Total liabilities and equity	248 763	267 472	293 129	309 357	361 341

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Loans to the public	64 797	67 811	72 101	44 989	60 238
Other interest-bearing assets	30 415	33 662	35 784	22 068	22 777
Other assets	8 926	9 704	14 691	8 009	10 304
Total assets	104 138	111 177	122 576	75 065	93 319
Deposits by the public	49 754	51 909	53 088	32 549	36 492
Debt securities and other interest-bearing liabilities	27 689	44 623	50 560	30 652	42 226
Other liabilities	19 728	8 147	12 251	7 542	9 990
Total equity	6 967	6 498	6 677	4 322	4 610
Total liabilities and equity	104 138	111 177	122 576	75 065	93 319

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Loans to the public	63 100	68 334	75 139	117 122	131 981
Other interest-bearing assets	11 271	13 258	14 704	26 198	36 980
Other assets	3 849	3 726	3 439	7 728	7 567
Total assets	78 220	85 318	93 282	151 048	176 528
Deposits by the public	43 358	48 198	50 147	79 011	87 566
Debt securities and other interest-bearing liabilities	25 885	27 816	32 943	54 260	70 489
Other liabilities	2 740	3 007	3 448	7 115	6 976
Total equity	6 237	6 296	6 744	10 662	11 492
Total liabilities and equity	78 220	85 318	93 282	151 048	176 524

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Loans to the public	0	0	0	0	0
Other interest-bearing assets	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	0	0	0	0	0
Deposits by the public	0	0	0	0	0
Debt securities and other interest-bearing liabilities	0	0	0	0	0
Other liabilities	0	0	0	0	0
Total equity	0	0	0	0	0
Total liabilities and equity	0	0	0	0	0

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Loans to the public	20 970	22 758	26 305	29 621	29 866
Other interest-bearing assets	10 566	11 971	13 156	14 639	19 994
Other assets	-51	186	747	846	731
Total assets	31 486	34 915	40 207	45 105	50 591
Deposits by the public	0	0	0	0	0
Debt securities and other interest-bearing liabilities	29 456	32 953	38 052	42 869	48 487
Other liabilities	542	472	565	609	478
Total equity	1 488	1 490	1 590	1 627	1 626
Total liabilities and equity	31 486	34 915	40 207	45 105	50 591

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Loans to the public	31 964	33 587	34 655	35 558	37 930
Other interest-bearing assets	1 427	1 279	1 394	1 673	2 017
Other assets	1528	1197	1014	908	961
Total assets	34 919	36 064	37 063	38 139	40 907
Deposits by the public	0	0	0	0	0
Debt securities and other interest-bearing liabilities	31 738	33 311	34 256	35 168	37 561
Other liabilities	1396	1167	1253	1304	1369
Total equity	1 785	1 586	1 554	1 668	1 977
Total liabilities and equity	34 919	36 063	37 063	38 139	40 907

SWEDEN

1. COUNTRY LEVEL DATA

	2001	2002	2003	2004	2005
Loans to the public	293 598	313 584	325 613	352 765	402 014
Other interest-bearing assets	57 169	61 684	68 723	77 344	101 564
Other assets	162 813	171 142	174 749	232 183	261 048
Total assets	513 580	546 410	569 085	662 292	764 626
Deposits by the public	134 205	142 537	149 064	158 032	176 815
Debt securities and other interest-bearing liabilities	154 269	163 884	177 500	190 058	242 368
Other liabilities	195 109	209 996	210 229	276 311	294 269
Total equity	29 997	29 994	32 293	37 890	40 368
Total liabilities and equity	513 580	546 410	569 085	662 292	764 626

2. COMMERCIAL BANKS

	2001	2002	2003	2004	2005
Loans to the public	250 324	268 737	281 048	305 731	349 051
Other interest-bearing assets	45 050	50 628	54 796	60 528	79 385
Other assets	156 157	165 598	167 890	224 968	250 675
Total assets	451 530	484 964	503 734	591 227	679 111
Deposits by the public	125 243	132 310	138 338	147 332	164 160
Debt securities and other interest-bearing liabilities	114 504	126 146	136 594	147 133	188 786
Other liabilities	186 347	201 519	201 623	264 599	292 185
Total equity	25 437	24 989	27 179	32 163	33 981
Total liabilities and equity	451 530	484 964	503 734	591 227	679 111

2b. SWEDISH BANKS (UN-CONSOLIDATED DATA, excl. savings banks, cooperative banks)

	2001	2002	2003	2004	2005
Loans to the public	117 163	121 866	120 356	127 292	147 118
Other interest-bearing assets	41 669	46 847	49 892	56 132	68 029
Other assets	139 554	146 774	142 487	189 949	217 561
Total assets	298 385	315 487	312 736	373 374	432 708
Deposits by the public	110 232	119 100	124 364	134 168	146 367
Debt securities and other interest-bearing liabilities	51 857	51 026	47 437	57 513	87 720
Other liabilities	120 627	130 821	125 066	-3 497	176 791
Total equity	15 669	14 540	15 870	185 189	21 830
Total liabilities and equity	298 385	315 487	312 736	373 374	432 708

2c. FOREIGN BANK BRANCHES

	2001	2002	2003	2004	2005
Loans to the public	16 562	17 812	18 295	21 780	31 853
Other interest-bearing assets	3 365	3 760	4 893	4 382	11 334
Other assets	7 707	9 265	13 944	21 989	20 792
Total assets	27 634	30 837	37 132	48 150	63 978
Deposits by the public	8 813	8 493	9 803	10 600	15 647
Debt securities and other interest-bearing liabilities	178	522	1 086	2 155	2 817
Other liabilities	18 074	21 136	25 541	34 321	44 181
Total equity	567	686	702	1 073	1 333
Total liabilities and equity	27 634	30 837	37 132	48 150	63 978

3. SAVINGS BANKS

	2001	2002	2003	2004	2005
Loans to the public	7 471	8 198	8 273	9 151	9 903
Other interest-bearing assets	628	773	1 032	1 058	996
Other assets	1 251	1 433	1 397	1 224	1 539
Total assets	9 350	10 404	10 702	11 433	12 439
Deposits by the public	6 874	7 709	8 097	8 576	9 604
Debt securities and other interest-bearing liabilities	230	327	283	278	227
Other liabilities	729	748	618	735	615
Total equity	1 517	1 620	1 704	1 845	1 993
Total liabilities and equity	9 350	10 404	10 702	11 433	12 439

4. COOPERATIVE BANKS

	2001	2002	2003	2004	2005
Loans to the public	59	69	78	87	95
Other interest-bearing assets	11	11	11	8	11
Other assets	13	16	18	23	27
Total assets	83	96	106	119	133
Deposits by the public	70	80	88	98	111
Debt securities and other interest-bearing liabilities	1	1	1	1	2
Other liabilities	4	4	6	7	8
Total equity	9	10	11	12	12
Total liabilities and equity	83	96	106	119	133

5. MORTGAGE BANKS

	2001	2002	2003	2004	2005
Loans to the public	119 971	130 119	141 129	154 660	169 754
Other interest-bearing assets	469	281	589	971	957
Other assets	8 307	8 066	9 864	12 061	11 716
Total assets	128 747	138 466	151 583	167 692	182 427
Deposits by the public	4 545	3 385	3 039	1 882	1 411
Debt securities and other interest-bearing liabilities	78 615	89 238	101 896	101 562	115 116
Other liabilities	38 812	38 688	39 133	56 682	57 721
Total equity	6 776	7 155	7 515	7 566	8 179
Total liabilities and equity	128 747	138 466	151 583	167 692	182 427

6. OTHER CREDIT INSTITUTIONS

	2001	2002	2003	2004	2005
Loans to the public	32 373	35 520	37 482	39 794	43 290
Other interest-bearing assets	11 028	10 014	12 306	14 793	20 237
Other assets	5 981	5 587	7 038	6 938	9 413
Total assets	49 382	51 121	56 826	61 525	72 940
Deposits by the public	3 672	3 769	3 672	2 708	3 675
Debt securities and other interest-bearing liabilities	23 388	22 770	26 797	28 549	36 485
Other liabilities	16 863	18 598	19 865	23 435	25 758
Total equity	5 459	5 983	6 491	6 834	7 021
Total liabilities and equity	49 382	51 121	56 826	61 525	72 940

Annex table 5. Capital adequacy of whole banking sector

Denmark

	2001	2002	2003	2004	2005
Risk-weighted assets, EUR million	252 044	267 279	280 396	302 085	347 440
Tier one capital, EUR million	25 854	28 140	30 428	33 396	36 964
Capital base (=tier 1+ tier 2 capital), EUR million	31 374	34 203	36 501	39 339	45 133
Tier 1 capital adequacy ratio, %	10.3 %	10.5 %	10.9 %	11.1 %	10.6 %
Total capital ratio, %	12.4 %	12.8 %	13.0 %	13.0 %	13.0 %

Finland

	2001	2002	2003	2004	2005
Risk-weighted assets, EUR million	183 594	187 544	111 141	119 070	119 515
Tier one capital, EUR million	14 993	16 277	18 559	20 245	17 862
Capital base (=tier 1+ tier 2 capital), EUR million	20 529	22 671	21 433	23 717	20 578
Tier 1 capital adequacy ratio, %	8.2 %	8.7 %	16.7 %	17.0 %	14.9 %
Total capital ratio, %	11.2 %	12.1 %	19.3 %	19.9 %	17.2 %

Iceland

	2001	2002	2003	2004	2005
Risk-weighted assets, EUR million	13 316	14 048	17 607	34 315	56 934
Tier one capital, EUR million	1 346	1 524	1 897	4 051	6 166
Capital base (=tier 1+ tier 2 capital), EUR million	1 594	1 824	2 289	4 492	7 352
Tier 1 capital adequacy ratio, %	10.1 %	10.8 %	10.8 %	11.8 %	10.8 %
Total capital ratio, %	12.0 %	13.0 %	13.0 %	13.1 %	12.9 %

Norway

	2001	2002	2003	2004	2005
Risk-weighted assets, EUR million	141 725	146 918	155 570	167 452	191 027
Tier one capital, EUR million	13 934	14 201	15 074	16 259	18 177
Capital base (=tier 1+ tier 2 capital), EUR million	18 024	17 834	19 064	20 311	22 708
Tier 1 capital adequacy ratio, %	9.8 %	9.7 %	9.7 %	9.7 %	9.5 %
Total capital ratio, %	12.7 %	12.1 %	12.3 %	12.1 %	11.9 %

Sweden

	2001	2002	2003	2004	2005
Risk-weighted assets, EUR million	217 551	226 908	233 677	251 835	264 391
Tier one capital, EUR million	28 279	29 194	31 155	39 609	36 635
Capital base (=tier 1+ tier 2 capital), EUR million	37 703	37 301	39 278	47 670	49 338
Tier 1 capital adequacy ratio, %	13.0 %	12.9 %	13.3 %	15.7 %	13.9 %
Total capital ratio, %	17.3 %	16.4 %	16.8 %	18.9 %	18.7 %

Annex table 6. Data on payment systems (transactions in millions except for number of ATMs)

Denmark

	2001	2002	2003	2004	2005
Cashless payment instruments:					
Cheques	48.2	41.6	36.7	30.0	25.8
of which face-to-face (paper-based)	na	na	na	na	na
of which electronic	na	na	na	na	na
Card payments	466.9	506.1	566.9	648.0	na
of which face-to-face (paper-based)	na	na	na	na	na
of which electronic	na	na	na	na	na
Credit transfers	210.2	227.2	241.8	245.0	254.5
of which face-to-face (paper-based)	na	na	na	na	na
of which electronic	na	na	na	na	na
Direct debit	137.7	145.9	151.4	158.0	168.1
of which face-to-face (paper-based)	na	na	na	na	na
of which electronic	na	na	na	na	na
E-banking:					
E-banking agreements	na	na	na	na	na
E-banking transactions	na	na	na	na	na
Number of ATMs:	2 763	2 822	2 873	2 943	3 001

Finland

	2001	2002	2003	2004	2005
Cashless payment instruments:					
Cheques	0.8	0.6	0.8	0.6	0.7
of which face-to-face (paper-based)	0.8	0.6	0.8	0.6	0.7
of which electronic	-	-	-	-	-
Card payments	413.0	503.0	584.0	641.0	740.0
of which face-to-face (paper-based)	-	-	-	-	-
of which electronic	-	-	-	-	-
Credit transfers	553.0	584.0	630.0	655.0	691.0
of which face-to-face (paper-based)	70.0	69.0	58.0	52.0	51.0
of which electronic	483.0	515.0	572.0	603.0	640.0
Direct debit	47.8	53.9	64.4	68.8	72.1
of which face-to-face (paper-based)	-	-	-	-	-
of which electronic	47.8	53.9	64.4	68.8	72.1
E-banking:					
E-banking agreements	2.6	2.8	2.9	3.2	3.6
E-banking transactions	110.4	145.3	160.1	205.2	283.7
Number of ATMs:	4 332	4 127	3 955	3 470	3 385

Iceland

	2001	2002	2003	2004	2005
Cashless payments instruments:					
Cheques	3.5	2.7	2.0	1.5	1.1
of which face-to-face (paper-based)	na	na	na	na	na
of which electronic	na	na	na	na	na
Card payments	71.8	75.3	80.6	86.8	97.3
of which face-to-face (paper-based)	na	na	na	na	na
of which electronic	na	na	na	na	na
Credit transfers	na	na	na	na	na
of which face-to-face (paper-based)	na	na	na	na	na
of which electronic	na	na	na	na	na
Direct debit	na	na	na	na	na
of which face-to-face (paper-based)	na	na	na	na	na
of which electronic	na	na	na	na	na
E-banking:					
E-banking agreements	0.1	0.1	0.1	0.2	0.2
E-banking transactions	3.8	5.7	12.5	17.7	24.0
Number of ATMs:	225	232	239	240	258

Norway

	2001	2002	2003	2004	2005
Cashless payment instruments:					
Cheques	2.9	2.0	1.5	1.2	0.8
of which face-to-face (paper-based)	2.9	2.0	1.5	1.2	0.8
of which electronic	0.0	0.0	0.0	0.0	0.0
Card payments	447.0	513.9	593.2	676.1	756.5
of which face-to-face (paper-based)	9.1	10.0	10.4	14.0	16.4
of which electronic	437.9	503.9	582.8	662.1	740.1
Credit transfers	363.8	370.7	385.3	404.6	408.7
of which face-to-face (paper-based)	129.3	109.3	93.9	81.3	63.2
of which electronic	234.5	261.4	291.4	323.3	345.5
Direct debit	33.6	31.3	34.1	35.8	39.9
of which face-to-face (paper-based)	0.0	0.0	0.0	0.0	0.0
of which electronic	33.6	31.3	34.1	35.8	39.9
E-banking:					
E-banking agreements	1.3	1.9	2.4	3.0	3.2
E-banking transactions	62.0	81.4	101.5	138.4	227.8
Number of ATMs:	2 144	2 188	2 217	2 180	2 184

Sweden

	2001	2002	2003	2004	2005
Cashless payment instruments:					
Cheques	1.7	1.5	1.1	1.2	0.9
of which face-to-face (paper-based)	1.7	1.5	1.1	1.2	0.9
of which electronic					
Card payments	402.8	589.3	759.3	956.8	1061.7
of which face-to-face (paper-based)	402.8	589.3	0.0	0.0	0.0
of which electronic	0.0	0.0	759.3	956.8	1061.7
Credit transfers					
of which face-to-face (paper-based)	128.4	131.9	82.8	88.0	87.0
of which electronic	635.9	303.7	334.8	374.0	424.0
Direct debit	98.2	119.4	130.1	143.0	160.0
of which face-to-face (paper-based)	-	-	-	-	-
of which electronic	98.2	119.4	130.1	143.0	160.0
E-banking:					
E-banking agreements	76.0	44.0	11.0	na	na
E-banking transactions	1.5	0.7	0.2	na	na
Number of ATMs:	2 567	2 647	2 676	2 701	2 800

Annex table 7. Peer group data

	Return on Equity (ROE), %				Capital adequacy (tier 1), %			
	Jan - Jun 2006	Jan - Jun 2005	Full Year 2005	Full Year 2004	June 30 2006	Dec 31 2005	June 30 2005	Dec 31 2004
Danske Bank Group	16.6	17.9	18.5	13.9	7.1	7.3	6.8	7.7
Nordea Group	21.2	19.4	18.0	16.9	6.8	6.8	7.0	7.3
SEB Group	19.8	16.5	15.8	14.7	7.5	7.5	7.9	7.8
Svenska Handelsbanken Group	20.9	16.4	17.8	16.4	7.1	7.6	7.0	7.6
DnB NOR Group	19.2	16.9	18.8	17.7	6.6	7.4	7.2	7.6
FöreningsSparbanken Group	18.5	23.1	24.6	21.8	6.5	6.5	5.8	8.2
Op Bank Group	11.9	12.6	11.2	12.0	12.2	13.1	14.0	14.1
Sampo Group	15.2	30.3	28.4	26.5	7.1	7.6	7.6	7.3
Kaupthing Bank Group	36.2	36.0	34.0	22.6	8.7	9.4	12.5	11.5
Jyske Bank Group	9.2	11.3	20.2	17.9	7.7	9.0	8.0	8.9
Average, 10 groups	18.9	20.0	20.7	18.0	7.7	8.2	8.4	8.8

	Costs / Income				Total assets, EUR Million		
	Jan - Jun 2006	Jan - Jun 2005	Full Year 2005	Full Year 2004	June 30 2006	Dec 31 2005	Dec 31 2004
Danske Bank Group	55	52	52	53	336 954	326 269	275 353
Nordea Group	53	55	56	60	325 450	325 549	280 074
SEB Group	59	63	65	65	215 039	201 282	172 075
Svenska Handelsbanken Group	42	43	42	43	185 419	168 369	140 256
DnB NOR Group	49	53	50	56	155 624	135 607	113 072
FöreningsSparbanken Group	53	50	48	55	137 969	127 527	109 926
Op Bank Group	57	53	55	55	57 828	52 845	41 460
Sampo Group	56	62	57	60	46 187	42 985	38 138
Kaupthing Bank Group	41	30	34	50	37 638	33 716	20 627
Jyske Bank Group	63	56	59	63	20 270	18 960	16 793
Average, 10 groups	53	52	52	56			

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