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The governance and ownership of significant euro-area banks

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The governance and ownership of significant euro-area banks

Nicolas Véron

Executive summary

The banking crisis in the euro area, which started in mid-2007 and has yet to be fully resolved, has sparked considerable debate and reform, most notably the initiation of banking union starting in mid-2012. But one issue that has been largely overlooked in the debate is the peculiar ownership and governance structures of euro-area banks. European policymakers and analysts often appear to assume that most banks are publicly listed companies with ownership scattered among many institutional investors (‘dispersed ownership’), a structure in which no single shareholder has a controlling influence and that allows for considerable flexibility to raise capital when needed (‘capital flexibility’). Such an ownership structure is indeed prevalent among banks in countries such as Australia, Canada, the United Kingdom and the United States.

This policy contribution shows, however, that listed banks with dispersed ownership are the exception rather than the rule among the euro area’s significant banks, especially if one looks beyond the very largest banking groups. The bulk of these significant banks are government-owned or cooperatives, or uniquely influenced by one or several large shareholders, or otherwise prone to direct political influence.

As a result, the public transparency of many banks is low, with correspondingly low market discipline; they have weak incentives to prioritise profitability; their ability to shore up their balance sheets through either retained earnings or external capital raising is limited, resulting in insufficient capital flexibility; they tend to take unnecessary risks because of political interference; and their links with governments perpetuate the vicious circle between banks and sovereigns, which has been a key driver of the euro-area crisis.
The euro area's significant banks

The new framework of European banking supervision, also known as the Single Supervisory Mechanism, established the European Central Bank (ECB) as the licensing authority for all banks in the euro area as of 4 November 2014. As a result, and despite many lingering national idiosyncrasies (ECB, 2016a), the euro area can now be considered a single jurisdiction for banking sector policy.

European banking supervision distinguishes between banks labelled significant, known as ‘significant institutions’ (SIs), and all other banks in the euro area, known as ‘less significant institutions’ (LSIs). SIs include all euro area-headquartered banking groups, and euro-area branches and subsidiaries of groups headquartered elsewhere, that have at least €30 billion in total assets, and others that have specific significance in their respective member states or because of their international interconnectedness. The ECB directly supervises SIs, while LSIs are supervised by national authorities under the ECB’s ‘supervisory oversight’. The ECB regularly updates a list of all supervised entities, including SIs and LSIs. This Policy Contribution is based on the list as of 15 November 2016 (ECB, 2016c).

<table>
<thead>
<tr>
<th>Table 1: Euro-area banks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category</strong></td>
</tr>
<tr>
<td>--------------------------</td>
</tr>
<tr>
<td>Euro-SIs</td>
</tr>
<tr>
<td>G-SIBs</td>
</tr>
<tr>
<td>Other euro-SIs</td>
</tr>
<tr>
<td>Significant subsidiaries/branches</td>
</tr>
<tr>
<td>Owned by euro-SIs</td>
</tr>
<tr>
<td>Owned by third-country groups</td>
</tr>
<tr>
<td>Total SIs</td>
</tr>
<tr>
<td>LSIs</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Bruegel based on ECB (2016b) and Schoenmaker and Véron (2016). Note: Assets are as of end-2015; the total for SIs is adjusted to avoid double-counting of significant subsidiaries owned by euro-SIs in Slovakia and Portugal. SIs = significant institutions; G-SIBs = global systemically important banks; LSIs = less significant institutions.

The euro area has 126 SIs (122 after eliminating double counting, see below), of which 97 are euro area-headquartered banking groups (hereafter referred to as ‘euro-SIs’1) and 29 are subsidiaries of other banking groups. Among the latter, four are owned by other euro-SIs but still listed separately by the ECB1, and the other 25 are owned by groups headquartered outside the euro area2. Another distinction is between euro-SIs that the Financial Stability Board (FSB) lists as ‘global systemically important banks’ or G-SIBs, and all others. As of the latest yearly update of the FSB’s list (FSB, 2016), eight of the 97 euro-SIs are labelled G-SIBs.

Data on each SI’s assets are as of end-2015 from Schoenmaker and Véron (2016), with three adjustments to account for recent transactions3. The total adds up to €23 trillion as shown in Table 1; the table also shows the relative importance of LSIs compared to SIs in the

1 These are Portugal’s BPI in the process of being taken over by Spain’s CaixaBank but still listed separately at the time of observation, and three Slovakian banks owned, respectively, by Italy’s Intesa Sanpaolo and Austria’s Erste Bank and Raiffeisen Bank International.

2 The parent groups are headquartered in Sweden (9 cases), the United Kingdom (6), the United States (4), Russia (2), Denmark (1), Norway (1), Switzerland (1) and Venezuela (1).

3 Namely, the acquisition of WGZ Bank by DZ Bank in Germany; that of BPI by CaixaBank; and the merger of Banca Popolare di Milano and Banco Popolare to form Banco BPM in Italy.
Ownership and governance patterns

Information on the ownership and governance structure of each euro-SI is publicly available. It is compulsory for listed company shareholders to report when they cross certain thresholds of ownership. Information about significant shareholdings in listed banks is therefore generally available and reliable. For unlisted banks, relevant information is generally available from corporate sources, such as company websites and annual reports, and, if not, from press reports. Using all these sources, the largest shareholders were identified for almost all banks in the sample, except for a handful of cooperative or family-owned groups for which only the broad outlines of ownership structures could be identified.

To summarise the results, euro-area banks fall into six broad governance arrangements:

- ‘Dispersed’ governance: groups whose parent entities are publicly listed and in which no individual shareholder holds sufficient influence to unilaterally alter the bank’s direction and strategy.
- ‘Minority influence’: groups in which no single shareholder has majority control but one or several minority shareholders have significant leverage over the bank’s direction and strategy. This category covers a variety of situations and includes both publicly listed groups and unlisted groups whose ownership is shared among several minority shareholders. Depending on the case, the influential minority shareholder(s) is from the private sector, the public sector or a not-for-profit entity.
- ‘Private control’: groups in which one private-sector shareholder owns more than 50 percent of the shares and thus has dominant control over the bank’s direction and strategy. The identity of the controlling shareholder varies between cases, which include individuals, families, foundations, investment funds and insurance or industrial groups.
- ‘Cooperative’ governance: banks whose shareholder capital (or a majority thereof) is technically owned by their customers, or by a subset thereof. This category in turn covers diverse arrangements, with various patterns of centralisation and intermediate structures between the customers and the group-level entity. Unlike in the United States, where credit unions tend to be small, cooperative banks in the euro area can be very large (two

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4 Data on total assets of LSIs is from ECB (2016h, Table 7), with minor adjustments to account for the aforementioned mergers and acquisitions and for slight changes of classification between January and November 2016. In that period, State Street Luxembourg and RBS Netherlands lost their SI designation, while Citibank Holdings Ireland became an SI. The total SI assets shown in Table 1 differ from the total shown in ECB’s above-mentioned table, presumably because of slight differences in accounting conventions. (Regrettably, the ECB doesn’t publish the bank-level asset figures that form the basis for its aggregates, neither for SIs nor for LSIs).

5 ECB (2017, Table 4) suggests that this dominance may be eroding, with total assets of LSIs as of end-2016 representing 20 percent of the system’s total, compared with 17 percent as of end-2015. This increase in LSI share, however, might be partly due to changes in the ECB’s measurement policies or to data quality issues.

6 Information on shareholdings in publicly listed banks presented in this Policy Contribution was retrieved from www.4-traders.com, consulted between 25 March and 2 April 2017.

7 This analysis refines and expands on Table 4 in Schoenmaker and Véron (2016).

8 This category also includes the listed Italian ‘popular banks’ that are among the euro-SIs. Following a recent reform, most of these comply with the principle of ‘one share one vote’, the only exception being Banca Popolare di Sondrio. See Valentina Za, ‘Pop Sondrio says court halts transformation into joint-stock Co’, Reuters, 16 December 2016.
of the eight euro area G-SIBs are cooperatives).

- ‘Public sector’ governance: banks created by (local or national) governments and/or that fulfill a public interest, non-commercial objective. These include national policy banks in some member states, dedicated to funding local government activities (eg Finland’s Kuntarahoitus, France’s SFIL or the Netherlands’ BNG Bank), international development (France’s AFD), or small businesses and innovation (bpiFrance), as well as Germany’s elaborate network of local savings banks (Sparkassen) and regional banks (Landesbanken) and other public banks such as La Banque Postale in France or Caixa Geral de Depósitos in Portugal.

- ‘Nationalised’ governance: banks that are currently under government control after being rescued during the financial crisis. In most cases, and unlike public-sector banks, governments plan to privatise them or (in the case of Dexia) wind them up, sometimes under explicit conditions imposed by the European Commission’s Directorate-General for Competition for banks that received state aid.

These six categories allow for a more refined understanding of banking structures than the familiar distinction between listed and unlisted banks. Several categories straddle the listed/unlisted divide. Specifically, all public-sector and privately controlled banks are unlisted, and by definition all ‘dispersed’ banks are listed; but the other categories include listed and unlisted groups. For example, Crédit Agricole has a cooperative governance structure based on 39 regional cooperative banks, but the parent entity, Crédit Agricole SA, is a listed company, whose dominant shareholder (with a 75 percent stake) is a corporate entity jointly owned by the 39 regional banks. Similarly, some nationalised banks are fully owned by their respective national governments, eg Belgium’s Belfius or Portugal’s Novo Banco, but others are publicly listed with the government as a majority shareholder, eg the Netherlands’ ABN AMRO or Spain’s Bankia.

The allocation of each bank to one of these categories is fairly unambiguous, except at the margin between the ‘dispersed’ and ‘minority influence’ categories, where no obvious threshold exists. As a rule of thumb, banks where no single entity holds more than 10 percent of shares have been labelled ‘dispersed,’ except in cases where several significant shareholders (including at least one with shares above 8 percent) are likely to act in concert. Conversely, BNP Paribas has been classified as ‘dispersed’ even though the Belgian government holds 10.2 percent of the shares, because of the latter’s commitment to act as an arm’s-length shareholder.

Banks in the ‘dispersed’ category might also be subject to more subtle forms of control. A growing literature suggests that passive index funds that hold significant ownership stakes in several listed companies in the same sector might reduce competition among those companies (eg Levine 2015; Anton et al, 2016; Azar, Schmalz and Tecu, 2017; Gramlich and Grundl, 2017; Novick, 2017; Posner, Scott Morton and Weyl, 2017; Rock and Rubinfeld, 2017). Investors such as BlackRock, Capital Group, Norges Bank Investment Management (NBIM), State Street global Advisers (SSgA) and Vanguard have stakes of a few percent each in many listed banks with dispersed ownership in both the euro area and the United States, as partly documented in appendices A and B. The debate about the possible impact of such ownership patterns on company behaviour is ongoing and might be relevant for banks in the ‘dispersed’

9 These are BPCE and Crédit Agricole, both headquartered in France. The other euro area-based G-SIBs are BNP Paribas, Deutsche Bank, ING, Santander, Société Générale and UniCredit (FSB, 2016).
10 At the time of observation, the Portuguese government was in the process of selling Novo Banco.
11 The three such cases are Intesa Sanpaolo (where three regional foundations hold a total of 17.5 percent of shares), Bank of Cyprus and Mediobanca, for which a publicly disclosed shareholders’ agreement covers 31 percent of total shares.
12 These are funds that invest in all stocks that participate in the composition of a given index, as opposed to ‘active’ funds that select individual stocks for their expected performance.
category, even though the analysis presented here is agnostic about it. Appendix A presents findings on each euro-Si. Table 2 summarises the findings in terms of governance categories. It also indicates the split between listed and unlisted groups.

Fewer than half (42.3 percent) of euro-SIs are listed, and fewer than half the listed euro-SIs (15.5 percent) have dispersed ownership. Unsurprisingly, listed banks with dispersed ownership tend to be larger, but even so, they represent less than half (44 percent) of all euro-SI assets. Table 3 breaks down these categories by the eight G-SIBs and 89 other euro-SIs. Among other euro-SIs, the shares of each governance category in the number of banks and assets are broadly similar, implying that, once G-SIBs are excluded, the distribution between governance categories is not strongly correlated to size (except for privately controlled banks, which tend to be significantly smaller than average).

### Table 2: Governance structures of euro-SIs

<table>
<thead>
<tr>
<th>Governance structure</th>
<th>Number of banks</th>
<th>Percent of banks</th>
<th>€ billions</th>
<th>% of total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dispersed</td>
<td>15</td>
<td>15.5</td>
<td>9,723</td>
<td>44.0</td>
</tr>
<tr>
<td>Minority influence</td>
<td>22</td>
<td>22.7</td>
<td>2,988</td>
<td>13.5</td>
</tr>
<tr>
<td>Private control</td>
<td>14</td>
<td>14.4</td>
<td>572</td>
<td>2.6</td>
</tr>
<tr>
<td>Cooperative</td>
<td>15</td>
<td>15.5</td>
<td>5,351</td>
<td>24.2</td>
</tr>
<tr>
<td>Public sector</td>
<td>21</td>
<td>21.6</td>
<td>2,172</td>
<td>9.8</td>
</tr>
<tr>
<td>Nationalised</td>
<td>10</td>
<td>10.3</td>
<td>1,312</td>
<td>5.9</td>
</tr>
<tr>
<td>Total</td>
<td>97</td>
<td>100</td>
<td>22,118</td>
<td>100</td>
</tr>
<tr>
<td>Publicly listed</td>
<td>41</td>
<td>42.3</td>
<td>15,229</td>
<td>68.9</td>
</tr>
<tr>
<td>Unlisted</td>
<td>56</td>
<td>57.7</td>
<td>6,889</td>
<td>31.1</td>
</tr>
<tr>
<td>Total</td>
<td>97</td>
<td>100.0</td>
<td>22,118</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Bruegel based on Appendix A. Assets are as of end-2015. Note: SIs = significant institutions.

### Table 3: Governance structures of euro area G-SIBs and other euro-SIs (percent)

<table>
<thead>
<tr>
<th>Governance structure</th>
<th>Share of G-SIBs</th>
<th>Share of other euro-SIs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>By number of banks</td>
<td>By assets</td>
</tr>
<tr>
<td>Dispersed</td>
<td>75.0</td>
<td>73.6</td>
</tr>
<tr>
<td>Minority influence</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private control</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cooperative</td>
<td>25.0</td>
<td>26.4</td>
</tr>
<tr>
<td>Public sector</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nationalised</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Bruegel based on Appendix A. Assets are as of end-2015. Note: SIs = significant institutions; G-SIBs = global systemically important banks.

If anything, data shown in Tables 2 and 3 underestimates the influence of governments in the euro-area banking sector. Beyond the ‘public sector’ and ‘nationalised’ categories, nine banks representing €3,055 billion in assets have a government as their single largest minority

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13 It can safely be estimated that this share would be even lower if LSIs were included. Unfortunately, the ECB does not publish bank-level information on LSI assets, making it prohibitively onerous to extend the analysis presented here to LSIs.
One can reasonably presume that there is some political interference in the governance of at least 64 percent of all euro-area significant institutions, representing 61 percent of total assets.

An additional eight banks, representing €1,597 billion in assets, have as their largest (minority or majority) shareholder a regional or national foundation, which is typically controlled or influenced by political interests (all of them are in only three countries: Austria, Italy and Spain)\(^\text{14}\). Taking into account the fact that cooperative bank governance models are also often politicised, one can reasonably presume that there is some political interference in the governance of at least 64 percent of all euro-SIs, representing €13.5 trillion or 61 percent of total assets\(^\text{15}\).

These findings focus on ownership structures and as such cover only some aspects of the euro-area banks’ governance idiosyncrasies. There are also many specific legal and practical arrangements under which, for example, board members are assessed, selected and renewed. Even among companies with dispersed ownership, in at least some countries, rules and practices can enable a small subset of shareholders, incumbent board members, employees’ unions and/or the bank’s managers to wield disproportionate influence\(^\text{16}\). ‘Shareholder democracy’ is not perfect anywhere, but just like political democracy, it is more distorted in some jurisdictions than in others. An analysis of such differences would complement the results presented in this Policy Contribution.

Unsurprisingly, these euro-area findings mask significant diversity among EU member states. While not the main focus of this Policy Contribution, Table 4 shows the governance structures of euro-SIs by country\(^\text{17}\). One must keep in mind that these findings are only a current snapshot of a constantly evolving reality. For example, some of the Italian banks now labelled ‘dispersed’ (eg UniCredit or Monte dei Paschi di Siena) would have been until recently in the ‘minority influence’ or ‘private control’ categories, but the stakes of regional foundations that dominated their governance have been diluted in successive waves of capital raising (and Monte dei Paschi is expected to be nationalised soon). Similarly, most Greek banks had been ‘nationalised’ before their capital raising of late 2015. These changes will continue. The ownership structures of 11 euro-SIs with total assets of €748 billion are expected to undergo significant changes before the end of 2017\(^\text{18}\), and others might also change ownership soon. Thus, Table 4 does not display permanent structures of national banking systems, at least not for all euro-area countries.

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\(^{14}\) These are, by decreasing order of total assets, BNP Paribas, Commerzbank, Bank of Ireland, National Bank of Greece, Piraeus Bank, Alpha Bank, PBB Deutsche Pfandbriefbank, Aareal Bank and Bank of Valletta. In all these cases except BNP Paribas, the government in question is that of the country in which the bank is headquartered. In all except Aareal and BNP Paribas, the bank is in the ‘minority influence’ governance category.

\(^{15}\) These banks are, by decreasing order of total assets, Intesa Sanpaolo, CaixaBank, Erste Group, UBI Banca, Unicaja, Ibercaja, Kutxabank and Liberbank.

\(^{16}\) These totals are obtained by adding the ‘cooperative’ banks, ‘public sector’ banks, ‘nationalised’ banks, and the 17 (9+8) other groups specifically referred to.

\(^{17}\) For example, UniCredit recently announced a governance overhaul to bring it closer to that of a ‘normal’ listed company with dispersed ownership. See M. Ferrando and A. Graziani, ‘UniCredit, una nuova governance per una public company europea’, Il Sole 24 Ore, 17 April 2017.

\(^{18}\) As a reminder, Table 4, like other results in this Policy Contribution, presents a ‘home-country’ perspective, not a ‘host-country’ one. In other words, the table displays the global assets of banks headquartered in the respective jurisdictions. A host-country perspective, by contrast, would display only the assets located in the jurisdictions, but of all banks irrespective of where they’re headquartered. Thus, for example, countries such as Estonia or Slovakia, which have no euro-SIs headquartered in their territory, do not appear in Table 4.

\(^{19}\) These are Allied Irish Banks, HSH Nordbank, Nova Ljubljanska Banka, Novo Banco, SNS Bank, expected to be at least partly privatised in 2017; Banca Popolare di Vicenza, Veneto Banca and Monte dei Paschi di Siena, expected to be nationalised or resolved; Ibercaja and Unicaja, expected to be listed on the Spanish stock market; and Banco Mare Nostrum, expected to be merged with Bankia.
This section compares the euro area’s larger banks with banks of similar size in Australia, Canada, the United Kingdom and the United States, taken as representing the dispersed-ownership model. The ‘large euro-SIs’ are those with total assets above €30 billion. This subsample comprises 84 of the 97 euro-SIs as of mid-November 2016, representing 99.3 percent of aggregate euro-SI assets. A parallel sample of ‘Anglo-SIs’, comprising all banks headquartered in the four selected countries with total assets above €30 billion, is based on a reference ranking of global banks (The Banker, 2016). This sample consists of 53 groups, as summarised in Table 5 (coincidentally the two samples cover about the same amount of aggregate assets).

Table 4: Governance structures of euro-SIs by country

<table>
<thead>
<tr>
<th>Country</th>
<th>Total euro-SI assets (€bns)</th>
<th>Dispersed</th>
<th>Minority infl.</th>
<th>Priv. control</th>
<th>Coop.</th>
<th>Public sector</th>
<th>Nationalised</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>7,365</td>
<td>2/45%</td>
<td>1/1%</td>
<td>1/1%</td>
<td>3/49%</td>
<td>4/5%</td>
<td>-</td>
<td>11/100%</td>
</tr>
<tr>
<td>Germany</td>
<td>4,435</td>
<td>2/38%</td>
<td>2/14%</td>
<td>1/3%</td>
<td>4/15%</td>
<td>10/31%</td>
<td>-</td>
<td>19/100%</td>
</tr>
<tr>
<td>Spain</td>
<td>3,409</td>
<td>4/72%</td>
<td>3/14%</td>
<td>3/5%</td>
<td>1/1%</td>
<td>-</td>
<td>2/7%</td>
<td>13/100%</td>
</tr>
<tr>
<td>Italy</td>
<td>2,351</td>
<td>6/60%</td>
<td>4/35%</td>
<td>2/3%</td>
<td>1/2%</td>
<td>-</td>
<td>-</td>
<td>13/100%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2,206</td>
<td>1/38%</td>
<td>-</td>
<td>1/30%</td>
<td>2/11%</td>
<td>2/21%</td>
<td>6/100%</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>747</td>
<td>-</td>
<td>1/34%</td>
<td>3/12%</td>
<td>-</td>
<td>-</td>
<td>2/54%</td>
<td>6/100%</td>
</tr>
<tr>
<td>Austria</td>
<td>449</td>
<td>-</td>
<td>1/45%</td>
<td>1/8%</td>
<td>4/47%</td>
<td>-</td>
<td>6/100%</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>342</td>
<td>-</td>
<td>4/100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4/100%</td>
</tr>
<tr>
<td>Ireland</td>
<td>263</td>
<td>-</td>
<td>1/50%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3/100%</td>
</tr>
<tr>
<td>Portugal</td>
<td>234</td>
<td>-</td>
<td>1/32%</td>
<td>-</td>
<td>1/43%</td>
<td>1/25%</td>
<td>3/100%</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>159</td>
<td>-</td>
<td>-</td>
<td>1/79%</td>
<td>1/21%</td>
<td>-</td>
<td>2/100%</td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td>76</td>
<td>-</td>
<td>1/43%</td>
<td>-</td>
<td>1/57%</td>
<td>-</td>
<td>2/100%</td>
<td></td>
</tr>
<tr>
<td>Cyprus</td>
<td>44</td>
<td>-</td>
<td>2/68%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3/100%</td>
<td></td>
</tr>
<tr>
<td>Slovenia</td>
<td>20</td>
<td>-</td>
<td>1/77%</td>
<td>1/23%</td>
<td>-</td>
<td>2/80%</td>
<td>3/100%</td>
<td></td>
</tr>
<tr>
<td>Malta</td>
<td>13</td>
<td>-</td>
<td>1/77%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2/100%</td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
<td>5</td>
<td>-</td>
<td>1/100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1/100%</td>
<td></td>
</tr>
<tr>
<td>Total/ave.</td>
<td>22,118</td>
<td>15/44%</td>
<td>22/14%</td>
<td>14/3%</td>
<td>15/24%</td>
<td>21/10%</td>
<td>10/6%</td>
<td>97/100%</td>
</tr>
</tbody>
</table>

Source: Bruegel based on Appendix A. Note: Each cell displays, for each country, the number of euro-SIs in each category and the corresponding percent share of the aggregate assets of the country’s euro-SIs. Cells are shaded when the asset share is above a significance threshold of 30 percent. Countries are ranked by total euro-SI assets. Assets are as of end-2015. SIs = significant institutions.

Table 5: Anglo-SIs

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of banks</th>
<th>Assets € billions</th>
<th>% of total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>7</td>
<td>2,541</td>
<td>10.1</td>
</tr>
<tr>
<td>Canada</td>
<td>8</td>
<td>3,334</td>
<td>13.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10</td>
<td>7,016</td>
<td>28.0</td>
</tr>
<tr>
<td>United States</td>
<td>28</td>
<td>12,175</td>
<td>48.6</td>
</tr>
<tr>
<td>Total Anglo-SIs</td>
<td>53</td>
<td>25,066</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Bruegel based on The Banker (2016) and a dollar/euro exchange rate of 1.087. Note: Assets are as of end-2015. SIs = significant institutions.
The criteria for inclusion in *The Banker*’s ranking are not identical to the ECB’s criteria for designation as SIs, but the differences (and corresponding selection bias) can be considered insignificant. In both cases, large nonbank public institutions are excluded, such as France’s Caisse des Dépôts et Consignations or Germany’s Kreditanstalt für Wiederaufbau in the euro area, or Canada’s Caisse de Dépôt et de Placement du Québec or Fannie Mae and Freddie Mac in the United States. Most large euro-SIs that do not appear on *The Banker*’s list are public financial institutions for which no equivalent appears to exist in the four ‘Anglo-Saxon’ countries. Otherwise, only five large euro-SIs are missing from *The Banker*’s list, and they represent only 1.0 percent of aggregate euro-SI assets. Conversely, two euro-area groups with assets above €30 billion that appear on *The Banker*’s list are not classified as SIs by the ECB, presumably because both are bank-insurance conglomerates whose banking arms are small enough to be considered LSIs. In sum, applying the ECB’s SI criteria would have yielded a sample of Anglo-SIs very similar, if not identical, to that derived from *The Banker*’s ranking.

In terms of ownership and governance patterns, the contrast with the euro area is evident. All Australian and Canadian banks in the sample except one (Canada’s Desjardins) are listed companies with dispersed ownership. Such banks also dominate in the United Kingdom and the United States. There are no public-sector banks, none under private control, and only one nationalised bank (Royal Bank of Scotland). The only unlisted groups are the cooperatives (one in Canada and three in the United Kingdom), which are all comparatively small. Appendix B provides the full list, and Table 6 summarises the findings.

### Table 6: Governance structures of large euro-SIs versus Anglo-SIs

<table>
<thead>
<tr>
<th>Governance structure</th>
<th>Number of large euro-SIs</th>
<th>Euro-SI assets (€ billions)</th>
<th>Number of Anglo-SIs</th>
<th>Anglo-SI assets (€ billions)</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
<td>% of total assets</td>
<td></td>
<td>% of total assets</td>
</tr>
<tr>
<td>Dispersed</td>
<td>15</td>
<td>9,723</td>
<td>43</td>
<td>21,874</td>
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<tr>
<td>Minority infl.</td>
<td>18</td>
<td>2,943</td>
<td>5</td>
<td>1,543</td>
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<tr>
<td>Private control</td>
<td>11</td>
<td>559</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cooperative</td>
<td>13</td>
<td>5,313</td>
<td>4</td>
<td>529</td>
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<tr>
<td>Public sector</td>
<td>19</td>
<td>2,156</td>
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<td>0</td>
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<td>Nationalised</td>
<td>8</td>
<td>1,269</td>
<td>1</td>
<td>1,120</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>21,963</td>
<td>53</td>
<td>25,066</td>
</tr>
<tr>
<td>Publicly listed</td>
<td>37</td>
<td>15,160</td>
<td>49</td>
<td>24,537</td>
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<tr>
<td>Unlisted</td>
<td>47</td>
<td>6,803</td>
<td>4</td>
<td>529</td>
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<tr>
<td>Total</td>
<td>84</td>
<td>21,963</td>
<td>53</td>
<td>25,066</td>
</tr>
</tbody>
</table>

Source: Bruegel based on appendices A and B. Note: Assets are as of end-2015. SIs = significant institutions.

These are, by decreasing order of balance sheet size as of end-2015, NRW.Bank, HSH Nordbank, Erwerbgesellschaft der S-Finanzgruppe, SFIL, L-Bank, Hamburger Sparkasse, bpiFrance, Agence française de Développement and Kuntarahoitus. In the US, for example, only two state-owned banks appear to exist, Bank of North Dakota and Government Development Bank for Puerto Rico, both with total assets well under the €30 billion threshold.

These are, by decreasing order of balance sheet size as of end-2015, PBB Deutsche Pfandbriefbank, Iccrea, Caisse de Refinancement de l’Habitat, RCI Banque and Precision Capital/Banque Internationale à Luxembourg.

Germany’s Wüstenrot & Württembergische and Italy’s Mediolanum.

The observed differences are not about the respective sizes of both bank samples, which in any case are based on the same size threshold of €30 billion. For comparison purposes, if the euro-SIs sample were limited to the 53 largest instead of 84 (namely, all those with assets above €65 billion), the proportions (by assets) would have been: dispersed (46 percent), minority influence (13 percent), private control (1 percent), cooperative (25 percent), public sector (9 percent), nationalised (5 percent) – altogether a picture very similar to that in Table 6.
Policy analysis and implications

The governance structures of significant banks in the euro area differ markedly from their equivalents in Australia, Canada, the United Kingdom and the United States, and listed banks with dispersed ownership are less prominent in the euro area than is often assumed. Exploring why euro-area banks have different governance patterns would be a highly valuable historical analysis but is not attempted in this Policy Contribution because these patterns arose under a materially different policy framework before the introduction of banking union, and their past drivers are thus only of limited relevance for present and future policy. For the same reason, this Policy Contribution also does not address the role of different governance structures in causing the euro-area banking crisis that started in 2007, and in the associated supervisory failures in most euro-area countries.

The findings that the governance structures of most euro-area banks are potentially vulnerable to some form of political interference and that only a minority are listed companies with dispersed ownership have implications for financial stability, resilience to shocks and other areas of public policy.

• First, the governance patterns make the euro-area banking system less transparent and, as a consequence, less subject to market discipline. Listed companies have to comply with much more stringent disclosure requirements than their unlisted counterparts, and among listed companies, those with dispersed ownership have more incentives to be transparent than those controlled by one shareholder or shareholding group. Many studies of the euro-area banking system (including most of its coverage by investment banks) focus on publicly listed entities, thus missing about two-fifths of the total as measured by assets (if LSIs are included). Other incentives for transparency apply to all banks, for example, the scrutiny of credit rating agencies or the disclosure requirements under the so-called third pillar of the Basel capital framework, but they are not powerful enough. Correspondingly, there is less public and market pressure on banks to respond to changes in the market environment (or market discipline) in the euro area than in other jurisdictions such as the United States, United Kingdom, Canada and Australia.

• Second, all things being equal, euro-area banks have weaker incentives to prioritise profitability among their objectives, since minority investors in a dispersed-ownership structure tend to focus most on profits and dividends. As a result, euro-area banks typically take longer to reconstitute their capital buffers after a shock, even when they are able to retain comparatively more of the profits they make. Simultaneously, the competitive pressure from banks that don’t prioritise profits might erode the profitability of even those banks that respond to capitalist incentives, a familiar complaint of commercial bankers in Germany, for example.

• Third, many of the ownership structures make it more difficult for euro-area banks to raise fresh capital externally when they need it. Controlling or influential shareholders often don’t want to have their stakes reduced and might resist calls for more capital for that reason. In some cooperative or public-sponsored banking structures, it is difficult, in certain cases even impossible, to raise external capital in the form of common equity. For a long time this was a key challenge for many Spanish savings banks (cajas de ahorros) that contributed to their chronic undercapitalisation. In state-owned banks, their government shareholder is often constrained when they need additional capital, because of fiscal stress, the unpopularity of taxpayer-funded bailouts and/or the EU state aid control framework. Listed banks with dispersed ownership have comparatively greater capital flexibility.

26 Of course, shareholders of all banks tend to resist capital increases that would dilute their share of future profits. But in cases of dispersed ownership, there is typically less resistance against the related loss of control.
Fourth, the politicisation of management that results from many euro-area banks’ ownership and governance structures often affects their operations. It can lead banks to deviate from ‘commercially driven’ business decisions, for example, lending more to preferred borrowers or sectors or to the government itself, and/or during economic downturns (eg Sapienza, 2004; Bertay, Demirgüç-Kunt and Huizinga, 2015; Gropp and Saadi, 2015). This can in turn lead to detrimental trade-offs in terms of risk taking and profitability. More straightforwardly, bank politicisation can lead to inefficiency, for example, by driving an outsized influence of staff unions in the bank’s decisions or by tilting recruitment policies towards beneficiaries of political patronage. To be sure, incompetence and poor risk assessment are regularly observed in all kinds of banks, including the most commercially run, but they can still be expected to be somewhat correlated with political interference.

Fifth, the structures of euro-SIs may perpetuate the vicious circle between banks and sovereigns, which is now widely identified as a key driver of the euro-area crisis, in a way that is less obvious but not necessarily less powerful than visible financial linkages such as national deposit guarantees or bank-held portfolios of home-country sovereign debt. Governments are likely to have stronger implicit guarantees for banks that they are linked to through the banks’ governance and ownership. Conversely, banks owned or otherwise directly influenced by governments tend to display higher home bias in their portfolios of sovereign debt (De Marco and Macchiavelli, 2016).

As for possible macroeconomic benefits from banks owned or influenced by the state, evidence is mixed at best. Even when lending by such banks is less procyclical (or in some cases, countercyclical) – ie their lending rises during economic downswings – state banking appears to be costly and inefficient compared with other countercyclical tools (Bertay, Demirgüç-Kunt and Huizinga, 2015). Shifting toward a greater share of listed banks with dispersed ownership can thus bring benefits to the euro-area banking system, particularly in terms of capital flexibility and the gradual elimination of the bank-sovereign vicious circle. In particular, this analysis suggests more reasons to privatise banks in public ownership, including those nationalised during the crisis, and to sell government-held minority stakes, beyond any obligations that member states might have under the EU state aid framework. Such sales should be made to the highest suitable bidder at any moment when market conditions are not evidently adverse, even if the sale price doesn’t allow a government to recoup all losses from past interventions.

More generally, EU policymakers should avoid creating or maintaining any distortions that undermine the dispersed-ownership model. A review of such distortions in the euro area is beyond the scope of this Policy Contribution. The ECB’s prudential supervision appears to be broadly neutral in this respect, in contrast to many past supervisory practices at the national level (Schoenmaker and Véron 2016), despite controversies about its possible preferential treatment of individual banks27. But the prudential rulebook is still far from fully harmonised (ECB 2016a), and national prudential idiosyncrasies might linger that favour specific governance structures. EU legislators should use the ongoing revision of the framework for bank capital requirements to better align with the global standards set by the Basel Committee on Banking Supervision, including stricter regulatory definitions of common equity, the elimination of capital double counting between banking and insurance activities of the same group and dismantling regulatory privileges to specific categories of borrowers (see BCBS,

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27 A pre-crisis literature review by Levy Yeyati, Micco and Panizza (2005) concluded that “we still do not know enough to pass a final judgment on the role of state-owned banks and hence more research is needed”. Much of this comparative literature is focused on emerging markets.

28 See, for example, Laura Noonan, Caroline Binham and James Shotter, ‘Deutsche Bank received special treatment in EU stress tests: German lender’s result was boosted by a special concession agreed by the European Central Bank’, Financial Times, 10 October 2016; and Case Study 1 on Monte dei Paschi di Siena in Transparency International EU (2017).
2014). EU legislation should also allow supervisors sufficient discretion to impose requirements for additional capital above the regulatory minimum, known as Pillar II requirements in the Basel Committee’s jargon. In turn, euro-area supervisors should rigorously enforce the capital requirements framework, not only the ECB on SIs but also national supervisors on LSIs.

Beyond the prudential framework, policymakers at national and European levels should identify and dismantle other aspects of policy, especially (but not limited to) tax arrangements, that may distort banking groups’ structures and be unfavourable to listed banks with dispersed ownership. Some of these distortions may be significant.

None of these recommendations go against the organising principles of the euro area’s existing banking policy framework. Public authorities will have to be persistent in implementing them, given the heavy legacy of links – not only financial but also political and social – between many of the euro-area banks and their local or national political systems. Since the initiation of euro-area banking union, many banks have gradually returned to soundness. More effort is needed, however, for the system to acquire sufficient capital and managerial flexibility, so that it can respond more nimbly to future shocks than it has in the recent past.

References


The Banker (2016) Top 1000 World Banks 2016


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<tr>
<th>Bank</th>
<th>Country</th>
<th>Headquarters</th>
<th>Assets (€ bns)</th>
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<th>Largest shareholder</th>
<th>Other shareholders</th>
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<td>Eurobank Ergasias</td>
<td>GR</td>
<td>Athens</td>
<td>Minority</td>
<td>Fairfax Financial</td>
<td>Investment group (Canada) 16.9% Capital Group 6.33%; Vanguard 2.56%</td>
<td></td>
</tr>
<tr>
<td>L-Bank</td>
<td>DE</td>
<td>Karlsruhe</td>
<td>Public</td>
<td>State of Baden-Württemberg</td>
<td>Regional government (Baden-Württemberg) Public</td>
<td></td>
</tr>
<tr>
<td>Mediobanca</td>
<td>IT</td>
<td>Milan</td>
<td>Minority</td>
<td>UniCredit</td>
<td>see UniCredit 8.5% Bolloré 7.87%; Mediolanum 3.33%; shareholder agreement covers 31%</td>
<td></td>
</tr>
<tr>
<td>Alpha Bank</td>
<td>GR</td>
<td>Athens</td>
<td>Minority</td>
<td>Hellenic Financial Stability Fund</td>
<td>National government (Greece) 11.0% Paulson &amp; Co 6.52%; Baupost 4.65%; Credit Agricole 3.84%</td>
<td></td>
</tr>
<tr>
<td>PBB Deutsche Pfandbriefbank</td>
<td>DE</td>
<td>Munich</td>
<td>Minority</td>
<td>Government of Germany</td>
<td>National government (Germany) 20.0% MainFirst Bank IM 4.99%</td>
<td></td>
</tr>
<tr>
<td>SNS Bank</td>
<td>NL</td>
<td>Utrecht</td>
<td>Nationalised</td>
<td>SNS REAAL</td>
<td>National government (Netherlands) 100.0% Privatisation possibly in 2017</td>
<td></td>
</tr>
<tr>
<td>Banca Pop. dell’Emilia Romagna</td>
<td>IT</td>
<td>Modena</td>
<td>Dispersed</td>
<td>UnipolSai Assicurazioni</td>
<td>Insurer (Italy) 5.0% Dimensional 4.34%; Fondazione Sardegna 3.02%; NBIM 2.96%</td>
<td></td>
</tr>
<tr>
<td>Unicaja</td>
<td>ES</td>
<td>Malaga</td>
<td>Private</td>
<td>Unicaja Foundation</td>
<td>Regional foundation (Andalusia) 86.7% Rest held by institutional investors; IPO forthcoming</td>
<td></td>
</tr>
<tr>
<td>Ibercaja</td>
<td>ES</td>
<td>Zaragoza</td>
<td>Private</td>
<td>Ibercaja Banking Foundation</td>
<td>Regional foundation (Aragon &amp; Rioja) 87.8% Rest held by 3 other regional foundations; IPO forthcoming</td>
<td></td>
</tr>
<tr>
<td>Bankinter</td>
<td>ES</td>
<td>Madrid</td>
<td>Minority</td>
<td>Mr Jaime Botin</td>
<td>Individual (Spain) 22.9% Standard Life 5.25%; Mr Fernando Masaveu 5%</td>
<td></td>
</tr>
<tr>
<td>Kutxabank</td>
<td>ES</td>
<td>Bilbao</td>
<td>Private</td>
<td>Bilbao Bizkaia Kutxa Foundation</td>
<td>Regional foundation (Biscaye) 57.0% Kutxa (San Sebastian) 32%; Caja Vital 11%</td>
<td></td>
</tr>
<tr>
<td>Novo Banco</td>
<td>PT</td>
<td>Lisbon</td>
<td>Nationalised</td>
<td>Portuguese Resolution Fund</td>
<td>National government (Portugal) 100.0% Privatisation expected in 2017</td>
<td></td>
</tr>
<tr>
<td>Aareal Bank</td>
<td>DE</td>
<td>Wiesbaden</td>
<td>Dispersed</td>
<td>Versorgung Bund und Länder</td>
<td>National pension fund (Germany) 6.5% Deka Inv. 5.58%; Dimensional 4.52%</td>
<td></td>
</tr>
<tr>
<td>Issrea Holding</td>
<td>IT</td>
<td>Rome</td>
<td>Cooperative</td>
<td>Banca di Credito Cooperativo di Roma</td>
<td>Cooperative bank (Rome) 4.0% Rest held by 327 other local cooperatives and other shareholders</td>
<td></td>
</tr>
<tr>
<td>HASPA</td>
<td>DE</td>
<td>Hamburg</td>
<td>Public</td>
<td>Haspa Finanzholding (public entity)</td>
<td>Regional government (Hamburg) 100.0%</td>
<td></td>
</tr>
<tr>
<td>BpiFrance</td>
<td>FR</td>
<td>Paris</td>
<td>Public</td>
<td>Government of France</td>
<td>National government (France) 100.0% 50% held through Caisse des Depots et Consignations</td>
<td></td>
</tr>
<tr>
<td>Banque et Caisse d’Epargne de l’Etat</td>
<td>LU</td>
<td>Luxembourg</td>
<td>Public</td>
<td>Government of Luxembourg</td>
<td>National government (Luxembourg) Public</td>
<td></td>
</tr>
<tr>
<td>AXA Bank</td>
<td>BE</td>
<td>Brussels</td>
<td>Private</td>
<td>AXA Group</td>
<td>Insurer (France) 100.0% Credit Agricole 34.7%; SocGen 16.0%; BNPP 6.3%; BPE 6.3%</td>
<td></td>
</tr>
<tr>
<td>CRH</td>
<td>FR</td>
<td>Paris</td>
<td>Minority</td>
<td>Credit Mutuel Group</td>
<td>see Credit Mutuel 36.7% Caja Extremadura 8.84%; Mr Ernesto Tinajero 7.57%</td>
<td></td>
</tr>
<tr>
<td>Liberbank</td>
<td>ES</td>
<td>Madrid</td>
<td>Minority</td>
<td>Caja de Ahorros de Asturia</td>
<td>Regional Foundation (Asturias) 29.7%</td>
<td></td>
</tr>
<tr>
<td>Banco Mare Nostrum</td>
<td>ES</td>
<td>Madrid</td>
<td>Nationalised</td>
<td>FROB</td>
<td>National government (Spain) 65.0% Rest mostly held by local foundations; in process of merger into Bankia</td>
<td></td>
</tr>
<tr>
<td>Banca Popolare di Vicenza</td>
<td>IT</td>
<td>Vicenza</td>
<td>Private</td>
<td>Atlante fund</td>
<td>UniCredit, Intesa SP (23% each) &amp; others 99.3% Nationalisation possible in 2017</td>
<td></td>
</tr>
<tr>
<td>Bank/Institution</td>
<td>Location</td>
<td>Country</td>
<td>Sector</td>
<td>Ownership Structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>----------</td>
<td>---------</td>
<td>--------</td>
<td>---------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banco de Crédito Social Cooperativo</td>
<td>ES</td>
<td>Madrid</td>
<td>Cooperative</td>
<td>Cooperative (Spain) 95.5%, Private investor 4.58%, other cooperatives 0.77%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investia / Argenta Bank</td>
<td>BE</td>
<td>Antwerp</td>
<td>Private control</td>
<td>Van Rumpt family (Belgium) 100.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minicreditbank</td>
<td>DE</td>
<td>Munich</td>
<td>Cooperative</td>
<td>Cooperative (Bavaria) 75.6%, BHL Investments 1.0%, other cooperatives 23.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credito Emiliano</td>
<td>ES</td>
<td>Reggia Emilia</td>
<td>Cooperative</td>
<td>Local interests incl. 26% Cofimar property group, Cooperative banks (Upper Austria) 75.0%, other cooperatives 5.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banca popolare di Sondrio</td>
<td>IT</td>
<td>Sondrio</td>
<td>Private control</td>
<td>NBIM 2.6%, Dimensional 2.57%, Amber Capital 2.05%, Vanguard 2.01%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promontoria Sacher / BAWAG</td>
<td>AT</td>
<td>Vienna</td>
<td>Private control</td>
<td>Cerberus Capital Management 52.1%, GoldenTree Asset Management 35.0%, others 12.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kuntarahoitus (MuniFin)</td>
<td>FI</td>
<td>Helsinki</td>
<td>Public sector</td>
<td>Government of Finland 30.7%, FInlandia Fin 10.0%, others 59.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banca Carige</td>
<td>IT</td>
<td>Genoa</td>
<td>Cooperative</td>
<td>Nationalised 99.2%, Recap.Fund 21.88%, privatisation scheduled to start 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent TSB</td>
<td>IE</td>
<td>Dublin</td>
<td>Nationalised</td>
<td>Government of Ireland 74.9%, other cooperatives 25.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of Valletta</td>
<td>MT</td>
<td>Valletta</td>
<td>Private control</td>
<td>Government of Malta 23.4%, UniCredit 13.75%, others 63.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hellenic Bank</td>
<td>CY</td>
<td>Nicosia</td>
<td>Cooperative</td>
<td>Nationalised 99.2%, privatisation expected in 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Degroof</td>
<td>BE</td>
<td>Brussels</td>
<td>Private control</td>
<td>Controlling families 89.3%, control held by management staff, partners and other 10.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Appendix B: Anglo-SIs (significant institutions headquartered in Australia, Canada, the United Kingdom, and the United States)

<table>
<thead>
<tr>
<th>Banking Group</th>
<th>Country</th>
<th>Headquarters</th>
<th>Assets (€ bns)</th>
<th>Governance</th>
<th>Largest shareholder</th>
<th>Stake</th>
<th>Minority influence</th>
<th>Other shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC</td>
<td>UK</td>
<td>London</td>
<td>2,217</td>
<td>Dispersed</td>
<td>Legal &amp; General</td>
<td>2.8%</td>
<td>Vanguar 2.6%</td>
<td>RBS 1.12%</td>
</tr>
<tr>
<td>JPMorgan Chase</td>
<td>US</td>
<td>New York NY</td>
<td>2,163</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>6.7%</td>
<td>SSgA 8.79%</td>
<td>TD 5.9%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>US</td>
<td>Charlotte NC</td>
<td>1,976</td>
<td>Dispersed</td>
<td>Bank of America</td>
<td>6.3%</td>
<td>Vanguard 6.9%</td>
<td>SSgA 4.7%</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>US</td>
<td>San Francisco CA</td>
<td>1,695</td>
<td>Dispersed</td>
<td>Wells Fargo</td>
<td>6.6%</td>
<td>Vanguard 4.9%</td>
<td>SSgA 9.4%</td>
</tr>
<tr>
<td>Wachovia</td>
<td>US</td>
<td>New York NY</td>
<td>1,593</td>
<td>Dispersed</td>
<td>Wachovia</td>
<td>6.5%</td>
<td>SSgA 9.5%</td>
<td>Bank of America 2.4%</td>
</tr>
<tr>
<td>Barclays</td>
<td>UK</td>
<td>London</td>
<td>1,330</td>
<td>Dispersed</td>
<td>Barclays</td>
<td>6.0%</td>
<td>Capital Group 4.3%</td>
<td>BlackRock 3.9%</td>
</tr>
<tr>
<td>RBS</td>
<td>UK</td>
<td>Edinburgh</td>
<td>1,120</td>
<td>Nationalised</td>
<td>National government (UK)</td>
<td>71.3%</td>
<td>HM Treasury 7.1%</td>
<td>National government (Norway) 3.0%</td>
</tr>
<tr>
<td>Lloyd Banking Group</td>
<td>UK</td>
<td>London</td>
<td>1,108</td>
<td>Dispersed</td>
<td>Nationalised</td>
<td>7.1%</td>
<td>Nationalised</td>
<td>Nationalised</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>US</td>
<td>New York NY</td>
<td>792</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>5.7%</td>
<td>Vanguard 4.7%</td>
<td>TD 3.3%</td>
</tr>
<tr>
<td>Deutsche Bank (TD)</td>
<td>CA</td>
<td>Toronto</td>
<td>777</td>
<td>Dispersed</td>
<td>BGC Global Asset Management</td>
<td>5.7%</td>
<td>TD 3.3%</td>
<td>BGC Global Asset Management 3.3%</td>
</tr>
<tr>
<td>Royal Bank of Canada (RBC)</td>
<td>CA</td>
<td>Toronto (Montreal)</td>
<td>745</td>
<td>Dispersed</td>
<td>TD Asset Management</td>
<td>5.0%</td>
<td>TD 3.3%</td>
<td>BMO AM 3.3%</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>US</td>
<td>New York NY</td>
<td>748</td>
<td>Minority influence</td>
<td>Mitsubishi UFJ Financial Group</td>
<td>23.3%</td>
<td>TD 3.3%</td>
<td>Mitsubishi UFJ Financial Group 3.3%</td>
</tr>
<tr>
<td>ScotiaBank</td>
<td>CA</td>
<td>Toronto</td>
<td>679</td>
<td>Dispersed</td>
<td>BGC Global Asset Management</td>
<td>5.9%</td>
<td>TD 3.3%</td>
<td>BMO AM 3.3%</td>
</tr>
<tr>
<td>Commonwealth Bank</td>
<td>AU</td>
<td>Sydney</td>
<td>618</td>
<td>Dispersed</td>
<td>Commonwealth Bank</td>
<td>5.7%</td>
<td>TD 3.3%</td>
<td>BMO AM 3.3%</td>
</tr>
<tr>
<td>National Australia Bank</td>
<td>AU</td>
<td>Melbourne</td>
<td>614</td>
<td>Dispersed</td>
<td>National Australia Bank</td>
<td>5.7%</td>
<td>TD 3.3%</td>
<td>BMO AM 3.3%</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>UK</td>
<td>London</td>
<td>589</td>
<td>Minority influence</td>
<td>Standard Chartered</td>
<td>11.4%</td>
<td>TD 3.3%</td>
<td>BMO AM 3.3%</td>
</tr>
<tr>
<td>ANZ Banking Group</td>
<td>AU</td>
<td>Melbourne</td>
<td>575</td>
<td>Dispersed</td>
<td>ANZ Banking Group</td>
<td>2.7%</td>
<td>TD 3.3%</td>
<td>BMO AM 3.3%</td>
</tr>
<tr>
<td>Westpac Banking Corp</td>
<td>AU</td>
<td>Sydney</td>
<td>522</td>
<td>Dispersed</td>
<td>Westpac Banking Corp</td>
<td>2.7%</td>
<td>TD 3.3%</td>
<td>BMO AM 3.3%</td>
</tr>
</tbody>
</table>

Sources: ECB (2016c); Schoenmaker & Véron (2016); 4-traders.com (see footnote 6); corporate and media websites. Assets are as of end-2015.
<table>
<thead>
<tr>
<th>Bank of Montreal (BMO)</th>
<th>CA</th>
<th>Toronto (Montreal)</th>
<th>451</th>
<th>Dispersed</th>
<th>TD Asset Management</th>
<th>Investment manager (Canada)</th>
<th>6.7%</th>
<th>RBC GAM 6.17%; CIBC WM 4.11%</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Bancorp</td>
<td>US</td>
<td>Minneapolis MN</td>
<td>388</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>5.9%</td>
<td>Berkshire Hathaway IM 5.02%; SSgA FM 4.40%</td>
</tr>
<tr>
<td>BNY Mellon</td>
<td>US</td>
<td>New York NY</td>
<td>362</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>6.2%</td>
<td>T. Rowe Price 5.61%</td>
</tr>
<tr>
<td>PNC Financial Services</td>
<td>US</td>
<td>Pittsburgh PA</td>
<td>330</td>
<td>Dispersed</td>
<td>Wellington Management</td>
<td>Investment manager (Boston)</td>
<td>8.4%</td>
<td>Vanguard 6.73%; SSgA 4.93%; BlackRock 4.12%</td>
</tr>
<tr>
<td>CIBC</td>
<td>CA</td>
<td>Toronto</td>
<td>325</td>
<td>Dispersed</td>
<td>TD Asset Management</td>
<td>Investment manager (Canada)</td>
<td>7.8%</td>
<td>RBC GAM 6.23%; 1832 AM 5.77%; BMO AM 4.06%</td>
</tr>
<tr>
<td>Capital One</td>
<td>US</td>
<td>Tysons VA</td>
<td>307</td>
<td>Dispersed</td>
<td>Dodge &amp; Cox</td>
<td>Investment manager (San Francisco)</td>
<td>9.4%</td>
<td>Capital Group 7.81%; Vanguard 6.34%; Fidelity 5.63%</td>
</tr>
<tr>
<td>Nationwide Building Society</td>
<td>UK</td>
<td>Swindon</td>
<td>265</td>
<td>Cooperative</td>
<td>Nationwide Mutual Insurance Company</td>
<td>Cooperative (UK)</td>
<td>100.0%</td>
<td>Over 14 million cooperative members of NMIC</td>
</tr>
<tr>
<td>State Street</td>
<td>US</td>
<td>Boston MA</td>
<td>226</td>
<td>Dispersed</td>
<td>T. Rowe Price Associates</td>
<td>Investment manager (Baltimore)</td>
<td>9.8%</td>
<td>Massachusetts Fin. Services 8.38%</td>
</tr>
<tr>
<td>BB&amp;T Corp</td>
<td>US</td>
<td>Winston-Salem NC</td>
<td>193</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>6.5%</td>
<td>SSgA 4.96%; BlackRock 4.42%; Dodge &amp; Cox 2.82%</td>
</tr>
<tr>
<td>SunTrust Banks</td>
<td>US</td>
<td>Atlanta GA</td>
<td>176</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>6.9%</td>
<td>SSgA 5.44%; Fidelity 5.32%; BlackRock 4.92%</td>
</tr>
<tr>
<td>Desjardins Group</td>
<td>CA</td>
<td>Québec</td>
<td>165</td>
<td>Cooperative</td>
<td>Fédération des Caisses Desjardins du Québec</td>
<td>Cooperative banks (Québec)</td>
<td>100.0%</td>
<td>Owned by 313 local credit unions in Quebec and Ontario</td>
</tr>
<tr>
<td>National Bank of Canada</td>
<td>CA</td>
<td>Montreal</td>
<td>152</td>
<td>Dispersed</td>
<td>Caisse de Dépôt et de Placement du Québec</td>
<td>Regional government (Québec)</td>
<td>2.6%</td>
<td>BMO AM 2.48%; BlackRock 2.34%</td>
</tr>
<tr>
<td>American Express</td>
<td>US</td>
<td>New York NY</td>
<td>148</td>
<td>Minority influence</td>
<td>Berkshire Hathaway</td>
<td>Investment group (Nebraska)</td>
<td>16.8%</td>
<td>Vanguard 5.41%; SSgA 4.40%; BlackRock 3.51%</td>
</tr>
<tr>
<td>AllyFinancial</td>
<td>US</td>
<td>Detroit MI</td>
<td>146</td>
<td>Dispersed</td>
<td>Harris Associates LP</td>
<td>Investment manager (Chicago)</td>
<td>7.8%</td>
<td>Vanguard 7.52%; Boston Partners 4.06%; JPM IM 3.76%</td>
</tr>
<tr>
<td>Macquarie Group</td>
<td>AU</td>
<td>Sydney</td>
<td>138</td>
<td>Dispersed</td>
<td>Macquarie IM</td>
<td>Investment manager owned by Macquarie</td>
<td>4.4%</td>
<td>BlackRock 2.99%; Colonial First State AM 1.91%</td>
</tr>
<tr>
<td>Fifth Third Bancorp</td>
<td>US</td>
<td>Cincinnati OH</td>
<td>130</td>
<td>Dispersed</td>
<td>T. Rowe Price Associates</td>
<td>Investment manager (Baltimore)</td>
<td>8.0%</td>
<td>Vanguard 7.41%; SSgA 5.72%; Invesco 5.37%</td>
</tr>
<tr>
<td>Regions Financial</td>
<td>US</td>
<td>Birmingham AL</td>
<td>116</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>10.8%</td>
<td>SSgA 6.07%; Fidelity 5.99%; BlackRock 4.81%</td>
</tr>
<tr>
<td>M&amp;T Bank</td>
<td>US</td>
<td>Buffalo NY</td>
<td>113</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>9.0%</td>
<td>Fidelity 6.11%; SSgA 5.52%; BlackRock 4.50%</td>
</tr>
<tr>
<td>Northern Trust</td>
<td>US</td>
<td>Chicago IL</td>
<td>107</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>5.9%</td>
<td>Northern Trust Investments 5.70%; Wellington Mgmt 5.64%</td>
</tr>
<tr>
<td>KeyCorp</td>
<td>US</td>
<td>Cleveland OH</td>
<td>88</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>9.6%</td>
<td>SSgA 5.55%; BlackRock 4.67%; T. Rowe Price 3.74%</td>
</tr>
<tr>
<td>Discover Financial</td>
<td>US</td>
<td>Riverwoods IL</td>
<td>80</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>6.5%</td>
<td>SSgA 5.49%; Boston Partners Global Investors 4.31%</td>
</tr>
<tr>
<td>Comerica</td>
<td>US</td>
<td>Detroit MI</td>
<td>66</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>9.1%</td>
<td>SSgA 5.15%; BlackRock 4.68%; Fidelity 4.26%</td>
</tr>
<tr>
<td>Huntington Bancshares</td>
<td>US</td>
<td>Columbus OH</td>
<td>65</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>9.5%</td>
<td>Fidelity 7.04%; SSgA 5.89%; BlackRock 4.67%</td>
</tr>
<tr>
<td>CIT Group</td>
<td>US</td>
<td>New York NY</td>
<td>62</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>7.7%</td>
<td>Capital Group 7.55%; First Pacific Advisors 6.75%</td>
</tr>
<tr>
<td>Zions Bancorporation</td>
<td>US</td>
<td>Salt Lake City UT</td>
<td>55</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>9.7%</td>
<td>Invesco 6.69%; SSgA 6.17%; BlackRock 4.58%</td>
</tr>
<tr>
<td>Yorkshire Building Society</td>
<td>UK</td>
<td>Bradford</td>
<td>52</td>
<td>Cooperative</td>
<td>3.5 million members</td>
<td>Cooperative (Yorkshire)</td>
<td>Coop.</td>
<td></td>
</tr>
<tr>
<td>Bank Name</td>
<td>Country</td>
<td>Location</td>
<td>Ownership Type</td>
<td>Manager Company</td>
<td>Manager Location</td>
<td>Manager Percentage</td>
<td>Other Managers (%)</td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
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<td>------------------</td>
<td>-------------------------------------------</td>
<td>---------------------</td>
<td>--------------------</td>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>Coventry Building Society</td>
<td>UK</td>
<td>Coventry</td>
<td>Cooperative</td>
<td>Cooperative</td>
<td></td>
<td>18 million members</td>
<td>Cooperative (Yorkshire)</td>
<td></td>
</tr>
<tr>
<td>New York Community Bancorp</td>
<td>US</td>
<td>Westbury NY</td>
<td>Dispersed</td>
<td>BlackRock Fund Advisors</td>
<td>Investment manager (New York)</td>
<td>46</td>
<td>8.0%</td>
<td></td>
</tr>
<tr>
<td>Suncorp Metway</td>
<td>AU</td>
<td>Brisbane</td>
<td>Dispersed</td>
<td>Capital Research &amp; Mgmt Co.</td>
<td>Investment manager (Los Angeles)</td>
<td>44</td>
<td>4.8%</td>
<td></td>
</tr>
<tr>
<td>Virgin Money</td>
<td>UK</td>
<td>Newcastle upon Tyne</td>
<td>Minority influence</td>
<td>Mr. Richard Branson</td>
<td>Individual (UK)</td>
<td>42</td>
<td>34.9%</td>
<td></td>
</tr>
<tr>
<td>SVB Financial Group</td>
<td>US</td>
<td>Santa Clara CA</td>
<td>Dispersed</td>
<td>Vanguard Group</td>
<td>Investment manager (Pennsylvania)</td>
<td>41</td>
<td>7.5%</td>
<td></td>
</tr>
<tr>
<td>Cooperative Bank</td>
<td>UK</td>
<td>Manchester</td>
<td>Minority influence</td>
<td>The Co-operative Group</td>
<td>Cooperative (UK)</td>
<td>40</td>
<td>20.0%</td>
<td></td>
</tr>
<tr>
<td>People’s United Financial</td>
<td>US</td>
<td>Bridgeport CT</td>
<td>Dispersed</td>
<td>SSgA Funds Management</td>
<td>Investment manager (Boston)</td>
<td>36</td>
<td>13.4%</td>
<td></td>
</tr>
<tr>
<td>Bank of Queensland</td>
<td>AU</td>
<td>Brisbane</td>
<td>Dispersed</td>
<td>Alliance Bernstein</td>
<td>Investment manager (New York)</td>
<td>32</td>
<td>3.6%</td>
<td></td>
</tr>
<tr>
<td>Laurentian Bank of Canada</td>
<td>CA</td>
<td>Montreal</td>
<td>Dispersed</td>
<td>Caisse de Dépôt et de Placement du Québec</td>
<td>Regional government (Quebec)</td>
<td>31</td>
<td>7.9%</td>
<td></td>
</tr>
</tbody>
</table>

Sources: The Banker (2016; see footnote 20); 4-traders.com (see footnote 6); corporate and media websites. Assets are as of end-2015.