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BANK OF AMERICA AND THE CHINESE CREDIT CARD MARKET[1]

Charles Dhanaraj, Justin W. Evans and Jing Li wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

Bank of America Corporation (BAC) boasted a vintage year in 2005 with double-digit growth in revenue and net income, despite a weak fourth quarter. In his sixth year as the chief executive officer (CEO) of the second-largest bank in the United States, Ken Lewis was leading BAC through one of its most vibrant growth phases. BAC was reaching the maximum deposit limits in the United States mandated by the Federal Reserve. The bank had just completed its merger with MBNA Corporation (MBNA) on January 1, 2006, creating the largest credit card issuer in the United States as measured by credit card balances. Bruce Hammonds, MBNA's CEO, was appointed as the president of Bank of America Card Services, reporting directly to Liam McGee, president of Global Consumer and Small Business Banking.

BAC's management was giving serious attention to overseas expansion; nowhere was this more the case than in China. In June 2005, BAC paid $3 billion for a nine per cent stake in the China Construction Bank (CCB), one of the largest commercial banks in China. BAC's management wanted to expand its ties with CCB in order to create a new joint venture for exploring the credit card business in China.

Economists, while in general agreement about the growth potential of China's banking sector, had raised serious concerns about the corruption and inefficiency rampant within the sector. Many questioned the ability of foreign banks to influence the system without any significant equity control. Additionally, there were concerns about the strategic role of CCB as a partner for a venture that focused on a consumer-oriented business. Perhaps most seriously, many questioned the viability and profitability of the business model itself — providing credit cards to a debt-averse, thrifty culture in a nation with one of the highest savings rates in the world.

[1] *This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Bank of America Corporation or any of its employees.*

BANK OF AMERICA: THE RISE OF AN AMERICAN GIANT

The Bank of America was founded in 1929 when Amadeo Giannini, founder and owner of the Bank of Italy in San Francisco, completed a merger with Los Angeles-based Bank of America. The resulting entity assumed the name of the acquired firm, but Giannini was named to head the company.

Giannini, designated by Time Magazine as one of its "Builders and Titans" in its survey of the one-hundred most influential people of the 20th century, rose from inauspicious beginnings to help create America's contemporary financial network. His first enterprise, the Bank of Italy, made him a wealthy man. Following his philosophy that "there was money to be made lending to the little guy," Giannini used his bank to extend credit to small businesses and individuals in need of money to rebuild their lives following the devastating earthquake that struck San Francisco in 1906.[2]

Overseeing the operations of the expanded bank, Giannini eventually brought it into the insurance business through his holding company, Transamerica, and continued mergers and expansion of branches across the United States. BAC helped create modern centralized banking operations, automatic check processing, account numbers and the magnetic ink character recognition technology still used today. These technologies enabled credit cards to be linked to individual accounts, so much so that BAC was popularly credited with the invention of the credit card. In 1959, BAC launched its first credit card, the BankAmericard, which changed its name to VISA in 1977. Over the subsequent three decades, BAC continued its strategy of acquiring smaller banks and expanding its revenue and international scope.

In 2005, BAC earned a record $16.5 billion,[3] including $3.8 billion in credit card income[4] (see Exhibit 1). BAC's corporate organization centered around three areas: Global Consumer & Small Business Banking; Global Wealth & Investment Management; and Global Corporate & Investment Banking. BAC offered a variety of services in Asia, including debt capital raising, structured financial products, foreign exchange, derivatives, fixed income sales, trading, research and cash management services.[5] Although BAC aimed to provide comprehensive services to both businesses and individuals, most of BAC's Asia services in 2005 were geared toward commercial interests by serving multinational corporations with business interests in Asia, financial institutions, large local businesses and government agencies.[6]

THE BANKING SECTOR IN CHINA

China's banking sector was one of the most attractive segments in China and was closely watched by investors and regulators globally. As of 2003, there was 20.8 trillion yuan (US$2.6 trillion) in deposits in Chinese banks and China's savings rate was 40 per cent. The People's Bank of China, the country's central bank, regulated the banking industry through the China Banking Regulatory Commission (CBRC). China's four big commercial banks were all state-owned: Industrial and Commercial Bank of China, Bank of China, China Construction Bank, and Agricultural Bank of China. Together, these four accounted for 60 per cent of China's national banking assets. Privately owned banks were rare. China Minsheng Bank Corporation (CMBC) was the first private bank, which started in Beijing in 1996 and was growing rapidly. It was expected to register an asset base of more than 8 trillion yuan (US$1 trillion) by 2007.

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[2] *Time Magazine, www.time.com/time/time100/builder/profile/giannini.html, accessed June 2006.*
[3] *"How We Grow: 2005 Annual Report," Bank of America, http://media.corporate-ir.net/media_files/irol/71/71595/reports/BAC_summaryAR.pdf, p. 8, accessed June 2006.*
[4] *"Form 10-K (2005)," Bank of America, http://media.corporate-ir.net/media_files/irol/71/71595/reports/BAC_summaryAR.pdf, p. 28, footnote 1, accessed June 2006.*
[5] *Bank of America — Asia, http://corp.bankofamerica.com/public/products/regions/asia.jsp#, accessed June 2006.*
[6] *Ibid.*

When China was admitted to the WTO, it agreed to open its banking sector to foreign investors. Many analysts believed that 2006 could be a watershed year for China's banking system. By December 11, 2006, China was obliged under its WTO membership to pursue several reforms in its banking sector,[7] including the removal of all geographic and customer restrictions on local currency businesses and the elimination of any non-prudential measures that restricted the ownership, operation and operational form of foreign-invested banks.

The Chinese government encouraged limited foreign investments in banks as a way of helping to strengthen the financial sector. Foreign companies were allowed to hold up to 25 per cent of a bank's shares, with any individual bank limited to an ownership of 19.9 per cent. Foreign banks had been positioning themselves to take advantage of the opening of China's banking sector to more competition. Branch networks were valued assets in the banking industry, which drove several Western banks to rapidly build such networks in China ahead of the WTO deadline.

Most experts agreed that Chinese banks had huge potential for growth, but during the early 2000s, some banks were hit by corruption scandals and many were seen as inefficient. There was a concerted effort on the part of the Chinese government to modernize the industry, and there were several high-level agreements with the U.S. government that extended technical support to achieve these objectives. Most banks were in the process of rationalizing their branch networks and staff to increase efficiency and profits ahead of the WTO deadline of 2007. However, analysts were still concerned about the extent of non-performing loans in state-owned banks as well as the transparency and long-term stability of the regulatory regime. There were some concerns that CBRC might enforce difficult conditions for overseas investors in retail banking and other financially attractive segments in order to protect Chinese banks as well as to control the supply and demand of money in the domestic market.

CHINA CONSTRUCTION BANK

China Construction Bank's (CCB) history dates back to 1954 when the People's Construction Bank of China was founded as a stated-owned entity. CCB had undergone substantial reforms since 1994 and tried to change itself from a policy bank to a commercial bank. As a result, CCB became a joint-stock commercial bank in September 2004 but was still a state-owned bank. Exhibit 2 presents an overview of key milestones in China Construction Bank.

Headquartered in Beijing, CCB employed more than 300,000 personnel in a network of 13,977 branches and sub-branches in Mainland China, and maintained overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo and Seoul, and representative offices in London and New York. CCB had established banking relationships with many of the largest business groups and leading companies in industries that were strategically important to China's economy. According to *The Banker* magazine in July 2005, CCB ranked 25th among the world's top 1,000 banks based on tier-one capital. CCB began trading on the Hong Kong Stock Exchange in October 2005. Exhibit 3 provides a snapshot of CCB's financials.

CCB's business consisted of three principal segments: corporate banking directed at corporations, government agencies and financial institutions; personal banking directed at individual customers; and treasury operations that included money market activities, investment management and currency trading. CCB was among the market leaders in China in a number of products and services including infrastructure

[7] *John P. Bonin and Yiping Huang, "Foreign Entry into Chinese Banking: Does WTO Membership Threaten Domestic Banks?" The World Economy, August 2002, p. 1079.*

loans, residential mortgages and bank cards. Among the four largest Chinese banks, CCB was recognized for its profitability as well as for having the lowest non-performing loans.

CCB launched its credit card, the Dragon Card, in 1991. By June 2006, CCB claimed that 4.2 million customers held its dual-currency credit card.[8] CCB issued about one million yuan- and U.S. dollar-denominated cards in the first five months of 2006, two-thirds more than the same period a year earlier. Transaction volume on dual-currency cards almost tripled to 13.7 billion yuan ($1.7 billion). Management wanted to increase the lending to homebuyers and earn more fees from credit cards. A majority of the cards were "basically a version of the debit card, with no facility for revolving credit, no interest-free period and very often requiring a security deposit or the guarantee of the monthly salary payment [of the employee to whom the card had been issued], before issuing a card to the prospective cardholder."[9]

In June 2005, Bank of America acquired a nine per cent stake in CCB, paying 24 billion Chinese yuan ($3 billion). The deal was the largest foreign bank deal at that point and gave BAC the right to increase its stake to 19.9 per cent at any time over the following five years. In public statements, BAC declared that China's banking sector had suffered from a poor risk profile in recent years and that the U.S. bank would provide its Chinese counterpart with advice on developing credit cards and improving its risk management. CCB's chairman, Guo, acknowledged publicly that the relationship with its U.S. peer would help CCB make its business more customer-focused.

THE CREDIT CARD BUSINESS

In 1950, Diner's Club was the first company to introduce a charge card concept, where card users were able to use the services of a merchant on credit, but were obligated to pay the monthly statement balance in full when it was due. It started as a nationwide network of high-end customers and was designed to be used for entertainment and travel expenses, but expanded into a general-purpose card. Diners Club charged merchants seven per cent of each transaction, which merchants were willing to accept, as the use of the card was seen as a way to increase business volume.

In 1959, BAC was the first to introduce a general-purpose credit card (as opposed to a charge card). Inter-state banking was prohibited in those days and to overcome this handicap, BAC licensed its credit card to banks outside its area of operation, and soon it created a national network of banks that could effectively compete with Diners Club. In 1977, to accommodate the demands of the growing network, BAC spun off its credit card operations, which eventually evolved into the Visa network. The MasterCard network started in 1966 by a network of competing banks that were not included in the BAC network as a competitive response to the success of BAC's network. American Express Company (American Express) introduced its charge card system in 1958, and Sears, Roebuck and Co. (Sears) established the Discover Card credit card in 1986.

There were four key players in a typical credit card transaction — customer, merchant, bank or other distributor, and the network owner.[10] Network owners (such as Visa, MasterCard, American Express and Discover) owned and operated the electronic payment systems and infrastructure for these credit card transactions. Distributors (typically banks) played the role of diffusing the network. They signed up

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[8] *"China Construction Has 4.2 Mln Credit Card Holders," Bloomberg, June 5, 2006.*
[9] *Steve Worthington, "The Chinese Payment Card Market: An Exploratory Study," The International Journal of Bank Marketing, 21:6/7, 2003, p. 325.*
[10] *Mingchun Sun and Edison Tse, "Sustainable growth of payment card networks: A two-sided market approach," Journal of Business Strategies, 24:2, Fall 2007, p. 166.*

network participants and issued the physical credit cards.[11] Banks were a natural fit to fulfill this function as they had pre-existing customer bases and a great deal of data concerning the financial habits of businesses and individuals. Credit card issuers made money based upon interest charged to outstanding balances on the cards and through several types of fees that were common throughout the industry.[12] Network owners made their money through standard commissions paid by the merchants. See Exhibit 4 for an overview.

The U.S. credit card industry was seen as a mature industry by 2005. For households with incomes greater than $30,000 a year, 92 per cent held at least one card, and the average for all the households was 6.3 cards per household. Visa and MasterCard had grown to networks of about 14,000 and 23,000 banks, respectively, and held market shares of 39.8 per cent and 30.2 per cent, respectively, of overall purchases. American Express, which started as an independent financial services corporation, remained as an independent card issuer and held 23 per cent of the market, and Discover Card, started by Sears, Roebuck and Co. in 1986 and later bought out by Morgan Stanley, held the remaining market share of seven per cent.[13]

Exhibit 5 provides the list of top 10 bank credit card issuers in the United States. In June 2005, Bank of America announced the acquisition of MBNA, making the nation's second-largest bank also its largest credit card issuer, with 40 million active accounts containing $143 billion in outstanding balances. Washington Mutual, Inc. (Washington Mutual) had announced the acquisition of Providian Financial Corporation, including its Providian National Bank (Providian).

CHINESE CONSUMER HABITS

China launched its first credit card in 1985. The issuer was Bank of China and the card was called the Great Wall Card. The Great Wall Card became a member of Visa in 1987 and Bank of China began issuing the first international credit cards in China in 1988. The credit card market probably represented one of the most enticing opportunities for foreign banks in China's burgeoning retail-banking industry. By mid-2003, three million credit cards had been issued to Chinese consumers; that number quadrupled to 12 million two years later and expected to reach 50 million in 2006. Ninety per cent of China's credit cardholders belonged to either the mass-affluent (consumers with an annual household income of between $4,000 and $6,500) or affluent (those with a household income exceeding $6,500) consumer segments.

Many industry experts expected the credit card industry to bring in $1.6 billion in profits by 2013. Many foreign card issuers felt that Chinese consumers showed little loyalty to their primary credit cards. Chinese cardholders had a strong propensity to acquire new cards and then switch a large fraction of their spending to these cards. Credit card issuers did not make much effort to retain their cardholders. Some major multinational banks, including Citibank and HSBC, had already teamed up with local Chinese banks to introduce credit cards for Chinese customers.

Despite the attractiveness of the industry, there were challenges for credit card issuers. Surveys conducted by First Data Corp. and Economist Intelligent Unit suggested that most retail bankers expected that it would be difficult to make money in the credit card market in the near term.[14] The bankers cited reasons

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[11] Ibid., pp. 167-168.
[12] "How do credit card companies make money?" Credit Card Answers, www.creditcardanswers.co.uk/how-do-credit-card-companies-make-money.html, accessed June 2006.
[13] Douglas Akers, et al., "Overview of Recent Developments in the Credit Card Industry," Federal Deposit Insurance Corporation, http://www.fdic.gov/bank/analytical/banking/2005nov/article2.html, accessed June 2006.
[14] "No Quick Profit in China Credit Card Market: Survey," Reuters, June 26.

such as inadequate payment and regulatory infrastructure and a deep-rooted savings culture. In China, there was no unified credit appraisal system to help banks to separate the creditworthy from the risky.

Also, there were falling transfer fees, which the merchants and retailers were pressuring banks to lower even further. Transfer fees in China averaged around 0.7 to 0.8 per cent of spending, compared to the 1.0 to 1.6 per cent typically found in other international markets.

Customers often signed up for cards because a bank came to their workplace. Work-site marketing was the dominant channel for customer acquisition and accounted for as much as half of all card issuances. Chinese banks had a clear advantage in this area due to their strong corporate relationships. In China, 66 per cent of cardholders preferred to pay their credit card bills in cash at bank branches; the second most popular repayment channel was automated teller machines. Thus domestic banks, with their widespread distribution networks, had a significant advantage.

Perhaps the most daunting challenge to credit cards in China was neither the lack of infrastructure nor the legal or accounting systems, but the Chinese philosophy. At roughly 40 per cent, China had one of the highest savings rates in the world, a result of tradition, fiscal discipline and personal experience. "The Confucian value of thrift may be deeply rooted in Chinese culture," wrote a reporter for Time Magazine. "China has a long way to go before it mutates into a nation of carefree, Western-style borrowers. Even in a sophisticated international city like Shanghai, most people have little experience of managing personal debt — and that presents a risk to borrowers and lenders alike. . . . [I]t could still take many years for the credit-card culture to displace the Confucian aversion to debt."[15] However, consumer credit was growing, as evidenced by the steady growth in housing and car loans and the card industry.[16] Between 2000 and 2003, housing loans had quadrupled and car loan amounts had grown 10 times. During the same period, the number of bank cards issued in China had grown from 277 million to 650 million and the loan amounts on these cards had grown from 11 billion RMB to 62 billion RMB.

Another daunting challenge was the fact that more than half of Chinese cardholders were unprofitable customers; a mere two per cent classified themselves as "frequent revolvers" — consumers who almost always leave a balance on their credit cards — while more than 85 per cent of cardholders paid their entire amount due each month. Despite the deep cultural roots that were against borrowing, many Chinese enjoyed the convenience and usefulness of credit cards, particularly when traveling overseas. Many small business entrepreneurs in China financed themselves entirely outside of the formal financial systems, using loans from business connections, families and friends. Credit cards provided another avenue for these small business owners.

BAC and CCB had to proceed quickly if they wanted to gain an early-mover advantage and establish a strong foothold in China. While China presented a stark contrast to the institutions and social norms prevalent in its home market, BAC's top management felt that there are many paths to growth, and the best companies pursue multiple strategies as market conditions change and opportunities arise.[17] Bruce Hammonds had to put together the final recommendation to the board weighing all these considerations.

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[15] "China on Credit," Time Asia Magazine, May 9, 2005.
[16] For an excellent overview in the growth of credit in China, see Liu Mingkang, chairman of the China Banking Regulatory Commission, "Building a Safe and Sound Banking Sector in China" (presentation), www.adb.org/AnnualMeeting/2004/Seminars/presentations/lmingkang-presentation.pdf, accessed June 1, 2008.
[17] Kenneth D. Lewis, "Letter to Shareholders; 2005 Annual Report," Bank of America, http://media.corporate-ir.net/media_files/irol/71/71595/reports/BAC_summaryAR.pdf, p. 3, accessed June 2006.

Exhibit 1

BANK OF AMERICA'S FINANCIAL STATEMENTS
(US$ in millions, except per share information)

	2005	2004	2003	2002	2001
Income Data					
Net interest income	30,737	27,960	20,505	20,117	19,904
Noninterest income	25,354	21,005	17,329	14,874	15,863
Total revenue	**56,091**	**48,965**	**37,834**	**34,991**	**35,767**
Provision for credit losses	4,014	2,769	2,839	3,697	4,287
Gains on sales of debt securities	1,084	1,724	941	630	475
Noninterest expense	28,681	27,012	20,155	18,445	20,709
Income before income taxes	24,480	20,908	15,781	13,479	11,246
Income tax expense	8,015	6,961	5,019	3,926	3,747
Net income	**16,465**	**13,947**	**10,762**	**9,553**	**7,499**
Performance ratios					
Return on average assets	1.30%	1.34%	1.44%	1.46%	1.16%
Return on shareholders' equity	16.51%	16.47%	21.50%	19.96%	15.42%
Total ending equity to total ending assets	7.86	9.03	6.76	7.92	7.92
Total average equity to total average assets	7.86	8.12	6.69	7.33	7.55
Dividend payout ratio	46.61	46.31	39.76	38.79	48.40
Per common share data					
Earnings	4.10	3.71	3.62	3.14	2.35
Diluted earnings	4.04	3.64	3.55	3.05	2.30
Dividends paid	1.90	1.70	1.44	1.22	1.14
Book value	25.32	24.70	16.86	17.04	15.63
Balance Sheet Data					
Total loans and leases	537,218	472,617	356,220	336,820	365,447
Total assets	1,269,892	1,044,631	749,104	653,732	644,887
Total deposits	632,432	551,559	406,233	371,479	362,653
Long-term debt	97,709	92,303	67,077	65,550	69,621
Common shareholders' equity	99,590	84,584	50,035	47,837	48,610
Total shareholders' equity	99,861	84,815	50,091	47,898	48,678
Tier 1 Capital ratios	8.25%	8.20%	8.02%	8.41%	8.44%
Market price per share of common stock	46.15	46.99	40.22	34.79	31.48

Source: Bank of America, Annual Report, 2006.

Exhibit 2

CHINA CONSTRUCTION BANK — MILESTONES

October 1, 1954	China Construction Bank is established against the background of the implementation of the first Five-year National Economic Plan, under the name of "People's Construction Bank of China."
1979	People's Construction Bank of China becomes a financial institution under the direction of the State Council and assumes more commercial banking functions.
1986	CCB is the first Chinese lender to offer personal housing loans.
1994	As a part of the measures by the government in reforming financial and investment systems, CCB hands over its traditional fiscal agent function and its policy-oriented lending to the Ministry of Finance and the newly established State of Development Bank (SDB), respectively.
March 1996	A new logo with the present name of China Construction Bank is established, along with the introduction of a new corporate identity system.
1996	The Electronic Fund Clearing System becomes operational. It offers clients a swift, safe, and efficient electronic fund transfer service, and also makes it possible for cross-region fund transfers to be cleared within 24 hours.
March 1998	Singapore Branch of CCB commences its operations.
1999	Frankfurt branch is founded to foster German-Chinese co-operation.
October 2000	CCB Johannesburg officially begins trading.
January 2004	Individual deposits of CCB exceed RMB 1.5 trillion.
February 2004	CCB Seoul Branch is opened.
Sept. 2004	China Construction Bank Corporation is formed as a joint-stock commercial bank as a result of a separation procedure undertaken by its predecessor, China Construction Bank, under the PRC Company Law.
March 2005	Chairman Zhang Enzhao resigns on March 16, 2005.
2005	Bank of America acquires a 9% stake in China Construction Bank for $3 billion. It represents BAC's largest foray into China's growing banking sector.
October 2005	China Construction Bank makes an initial public offering on the Hong Kong Stock Exchange (SEHK:0939).

Source: www.ccb.com/en/investor/history.html, accessed June 2006.

Exhibit 3

CHINA CONSTRUCTION BANK — KEY FINANCIAL INDICATORS
(in millions of RMB)

	2005	**2004**	**2003**
Income Data			
Net interest income	115,764	101,085	99,494
Net fee and commission income	8,446	6,471	7,545
Net gain/(loss) from securities dealing	455	306	6,016
Net gain/(loss) foreign currency dealing	(1,306)	509	-
Net gain from other operations	336	218	953
Investment Income	2,619	3,302	-15,803
Other non-operating income/(losses)	483	(1,454)	(4,832)
Total revenue	**126,797**	**110,437**	**90,869**
Provision for credit losses	14,533	8,827	8,169
Operating expenses	56,923	50,419	45,227
Income before income taxes	**55,341**	**51,191**	**37,473**
Income tax expense	8,238	2,149	15,086
Net income	**47,103**	**49,042**	**22,387**
Performance ratios			
Return on average assets	1.11%	1.31%	0.70%
Cost-to-income ratio	45.13	46.87	51
Non performing loan ratio	3.84	3.92	4.27
Loan-deposit ratio	61.37	63.8	62.51
Earnings per share	0.24	0.26	0.12
Balance Sheet Data			
Total liabilities	4,296,770	3,712,528	3,195,673
Total assets	4,584,349	3,908,044	3,557,066
Total deposits from customers	3,973,181	3,454,144	3,195,673
Total shareholders' equity	287,579	195,516	186,230
Core Capital Adequacy Ratio	11.08%	n/a	n/a

Source: "Annual Report 2005," China Construction Bank, www.ccb.cn/portal/html/nianbao/101691a.pdf, p.5, accessed June 2006.

Exhibit 4

BENEFITS AND COSTS IN THE CREDIT CARD INDUSTRY

Type of Participant	Function	Benefits	Costs
Cardholder	• Purchases goods and services	• Convenience of making purchases without carrying cash • Ability to time payments to match cash flows • Access to credit • Access to float • Use of bonus features	• Interest rates and fees • Difficulty managing credit
Merchant	• Sells goods and services	• Access to large number of consumers • Ability to sell to consumers needing credit without carrying credit risk • Guarantee of payment	• Need to pay interchange fees on sales to cardholders • Loss of private credit accounts (customer loyalty, marketing information, interest income)
Issuing Bank	• Collects payments from cardholders • Extends credit to cardholders • Distributes cards • Finances receivables • Authorizes transactions • Ability to collect on interest rate spreads	• Ability to collect fees from cardholders • Ability to share in interchange fees from merchants • Ability to cross-sell to consumers	• Operational costs • Fraud risk • Credit risk
Acquiring Bank	• Issues payments to merchant • Routes information enabling authorization, billing, and payment to merchant	• Shares in interchange fees from merchants	• Operational costs • Some fraud risk
Card Association	• Promotes the brand • Establishes rules, standards, and protocols governing participation in network • Sets interchange fee structure	• Collects transaction fees • Collects assessment fees	• Marketing costs • Cost of fraud reduction programs • Operational costs of maintaining network

Source: Douglas Akers, et al., "Overview of Recent Developments in the Credit Card Industry," Federal Deposit Insurance Corporation, www.fdic.gov/bank/analytical/banking/2005nov/article2.html, accessed June 2006.

Exhibit 5

TOP BANK CREDIT CARD ISSUERS IN THE UNITED STATES 2004

Rank	Bank Name	Outstanding ($ millions)	Number of Active Accounts (in thousands)
1	JP Morgan Chase	134,700	42,966
2	Citigroup	115,950	47,880
3	MBNA America	82,118	21,199
4	Bank of America	61,093	18,773
5	Capital One	53,024	24,429
6	HSBC Bank	19,670	13,870
7	Providian	18,536	8,726
8	Wells Fargo	13,455	2,789
9	U.S. Bancorp	10,578	4,056
10	USAA Federal Savings	7,104	1,956
	Total	**$516,228**	**186,644**

Source: www.creditcards.com/credit-card-news/us-bank-credit-card-issuers-acquisitions-1264.php, accessed June 2006.