

UK BANKS FALL BEHIND INTERNATIONAL RIVALS WHILE CHINA DOMINATES

UK banks continue to lose ground to international rivals in The Banker's latest ranking of Top 1000 banks. UK banks' combined profits were down 22% year on year, exacerbated by weak performance from key players such as Barclays and Royal Bank of Scotland. The outlook for UK banks is even more uncertain following the surprise UK vote to leave the European Union.

French banks performed better, increasing their profits by 30%, but German banking profits fell 63% - the largest fall in Europe and the 5th largest in the world.

Chinese banks continue to dominate the ranking based on tier 1 capital, holding the top 2 positions as well as 4 out of the top 5 places. But there are signs that Chinese banking performance has peaked with profits falling 3.5% - the first drop since 2004 - and bad loans on the rise.

HSBC is the only British bank now in the global top 10, placing 9th. Back in 2006, before the financial crisis, HSBC was the world's second largest bank, and Royal Bank of Scotland the 7th largest. A decade ago, UK banks contributed 10% of world banking profits compared to China's 4%. This year, China contributed nearly 32% of world profits and the UK's share was a mere 2.6%.

Losses at Royal Bank of Scotland and Standard Chartered, and profit falls at Barclays and Lloyds, helped pull down UK bank profits by 22%. This is the first drop since 2013 and follows a near 50% rise last year. Royal Bank of Scotland, which placed 3rd in 2008, has lost money for eight consecutive years, and fell another place in the 2016 ranking to 19th position. Barclays fell from 13th to 17th while two UK challenger banks - Metro at 969th and Sainsbury's Bank at 803th - entered the ranking for the first time.

Brian Caplen, editor of The Banker, says: "While the advent of challenger banks is a healthy sign, they are still very small. The real story of UK banks this year is restructuring, downsizing and falls in profits. They are much less significant in global terms than before the global financial crisis."

French banks remain competitive with Credit Agricole staying in 11th place and BNP Paribas in 12th. In contrast, German bank profits fell 63% and are now behind those of Azerbaijan, Kazakhstan, India and Brazil. Germany's leading Deutsche Bank saw an 18% decrease in capital - the largest among the top 25 banks - sending the bank tumbling from 16th to 21st in the global ranking.

Chinese bank ICBC is in first place and China Construction Bank second. The highest placed western bank is JP Morgan in 3rd place, joined by Bank of America, Citigroup and Wells Fargo in the global top 10. America's banks made \$206bn as a group, 12% more than last year, and second only to Chinese banks, which made \$308bn.

Key emerging markets such as Brazil, India and Russia performed badly in the ranking due to sharp decreases in their currencies against the dollar, and/or falls in commodity prices, causing economic slowdowns. Russia's Sberbank dropped 12 places from 43 to 51 and Brazil's Itau fell 16 places from 41 to 57. Indian bank profits fell 65% and a number of Indian banks fell into losses.

Notes to editors

The Banker which was founded in 1926 is currently celebrating its 90th anniversary. The magazine is the same age as the British Queen. The Banker began ranking banks in 1970. Back then the top ranked bank was Bank of America with \$25bn in assets. Today's top ranked bank ICBC is 136 times as large with \$3,422bn in assets. The UK's largest bank HSBC is 96 times larger by the same measure.

Tables

TOP 10 WORLD BANKS 2016			
Rank (prev rank)	Bank	Country	Tier 1 capital (\$m)
1 (1)	ICBC	China	274,432
2 (2)	China Construction Bank	China	220,007
3 (3)	JPMorgan Chase	US	200,482
4 (4)	Bank of China	China	198,068
5 (6)	Agricultural Bank of China	China	185,607
6 (5)	Bank of America	US	180,778
7 (7)	Citigroup	US	176,420
8 (8)	Wells Fargo	US	164,584
9 (9)	HSBC	UK	153,303
10 (10)	Mitsubishi UFJ	Japan	131,753

Source: www.thebankerdatabase.com

TEN LEAST PROFITABLE COUNTRIES		
Rank	Country	Aggregate pre-tax profits (\$m)
1	Greece	-14,047
2	Cyprus	-684
3	Azerbaijan	-649
4	Portugal	-390
5	Ukraine	10
6	Bulgaria	11
7	Uzbekistan	59
8	Slovakia	77
9	Bermuda	79
10	Gabon	94

Source: www.thebankerdatabase.com

TEN MOST PROFITABLE COUNTRIES		
Rank	Country	Aggregate pre-tax profits (\$m)
1	China	307,993
2	US	206,431
3	Japan	57,280
4	France	41,394
5	Canada	35,767
6	Australia	35,077
7	UK	25,327
8	Spain	21,810
9	Netherlands	14,361
10	Sweden	12,634

Note: Excludes Venezuela. Source: www.thebankerdatabase.com

RETURN ON CAPITAL BY REGION

Region	Return on capital (%)
Africa	28.03
Asia-Pacific	16.05
Central and eastern Europe	5.13
Western Europe	7.61
Middle East	14.18
North America	16.03
Central America, South America and Caribbean	22.41
Total	13.71

Source: www.thebankerdatabase.com

CHANGES IN PROFIT SHARES (2006-2016)

Country/region	2006	2016
China	4.29%	31.63%
Japan	7.96%	5.88%
Asia, excluding Japan and China	8.05%	10.71%
UK	10.09%	2.6%
Europe, excluding UK	32.21%	13.09%
US	26.51%	21.2%
Rest of the world	10.89%	14.89%

Source: www.thebankerdatabase.com

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About The Banker:

The Banker is the world's premier banking and finance resource, providing global financial intelligence since 1926.

The Banker is the key source of data and analysis for the industry. The Banker's **Top 1000 World Banks** ranking has been setting the industry benchmark since 1970, providing comprehensive intelligence about the health and wealth of the banking sector.

To find out more visit www.thebanker.com/top1000worldbanks.

Brian Caplen has been a financial and business journalist for more than 25 years. He has worked in Hong Kong and the Middle East and reported from all over the world. He joined The Banker in 2000 and became editor in 2003.

About The Banker Database:

The Banker Database provides comprehensive financial data, news feeds and executive contact data on the leading banks in every country. Our data has been standardised for regional reporting and regulatory variations, and forms the basis of The Banker's monthly bank rankings.

Over the past five decades our rankings have become the industry standard for measuring bank performance and strength. The database tracks banks in more than 190 jurisdictions representing 90% of the world's total banking assets. **To find out more about The Banker Database visit www.thebankerdatabase.com.**

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