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UK BANKS OUTPACE EUROZONE, DEFYING BREXIT GLOOM

Says The Banker's Top 1000 World Banks ranking 2019

1 July, 2019: British banks defied the Brexit gloom and the fallout from the US-China trade war to increase their total profits by one third, according to The Banker's latest ranking of the Top 1000 World Banks. By contrast many European countries such as Germany, the Netherlands and Denmark saw their banking profits fall.

In the UK, HSBC earned strong profits from Asia, RBS continued its return to profits after years of losses and Barclays turned a loss into a profit even after setting aside \$150m as Brexit provisions (see Table 1).

Reflecting the country's position as a global financial centre, the UK's largest bank HSBC makes nearly 90% of its profits in Asia. The bank cast aside the prospects of a damaging trade war between the US and China and increased its net income by 26% to \$15bn which makes up 48% of total UK profits.

Says The Banker's editor Brian Caplen: "Due to its large size, when HSBC has a good year, UK banking profits as a whole tend to have a good year. Add to that the improved performance at RBS and Barclays and another strong set of results from Lloyds and the UK banking sector starts to look increasingly healthy."

"Unlike the situation before the financial crisis, UK banks are not taking undue risks to make profits and the sector is well-capitalised. They should be safe in the case of a no-deal Brexit."

A no-deal Brexit would not trouble French banks either as their profits and return on capital were higher than those of British banks. While HSBC is the only bank from either country to place in the top 10 (at number 9) France has four banks in the top 30 compared to only two UK banks (see Tables 2 and 3). The Banker's Top 1000 World Banks ranks banks according to Tier 1 capital which is a measure of a bank's strength.

Some UK banks are much smaller than they were before the crisis. RBS was the third largest bank in the 2008 ranking but is now in 41st position. Its balance sheet used to be four times larger than the current one.

Even with the uplift in profits UK banks' return on capital is at the lower end of world standards at 8%, the same as the European average. By contrast banks in North America are returning 15% and in Africa 20%. This reflects the higher amounts of capital that UK banks now hold and the slower growth in the UK market.

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Table 1

TOP UK BANKS BY PROFITS			
Bank	Net income (\$bn)	% change	% total UK profits
HSBC	15	26	48
Lloyds	5.5	16	18
Barclays	3	348	10
RBS	2.6	38	8
Standard Chartered	1.1	-12	4
Nationwide	1.05	11	3

Source: www.thebankerdatabase.com

Table 2

TOP UK AND FRENCH BANKS IN THE TOP 30 WORLD BANKS			
Rank	Bank	Country	Tier 1 \$bn
9	HSBC	UK	147
12	Crédit Agricole	France	101
13	BNP Paribas	France	98
20	Group BPCE	France	72
25	Barclays	UK	67
29	Société Générale	France	58

Source: www.thebankerdatabase.com

Table 3

TOP 10 WORLD BANKS				
Rank	Previous	Bank	Country	Tier 1 capital \$bn
1	1	ICBC	China	338
2	2	China Construction Bank	China	287
3	4	Agricultural Bank of China	China	243
4	3	Bank of China	China	230
5	5	JP Morgan Chase	US	209
6	6	Bank of America	US	189
7	7	Wells Fargo	US	168
8	8	Citigroup	US	158
9	10	HSBC	UK	147
10	9	Mitsubishi UFJ	Japan	146

Source: www.thebankerdatabase.com

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.

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