

Top 1000 World Banks 2021: World's top banks weather pandemic storm

The world's largest banks have withstood the pressures from the Covid-19 pandemic, adding 12.7% to their collective Tier 1 capital to reach the highest ever level of \$9.9 trillion, according to *The Banker's* latest ranking of the Top 1000 World Banks. In addition, total assets increased by 16.0%, to \$148.6 trillion, while the deposit base expanded by 17.1%, to \$93.9 trillion.

Compared to the global financial crisis in 2007-09 there is more resilience in the banking sector. Overall, the Top 1000 World Banks increased the allowance for loan losses (or the reserve to cover bad debts) by 25.8%, to \$1.7 trillion, which is a bigger increase than the aggregate loan book, which grew by 11.4%. However, as many jurisdictions have extended their Covid-19 support packages into 2021, the true impact of the pandemic has not hit the banks' loan books yet.

Despite challenging economic conditions, banks have been able to generate pre-tax profits (see table: Top 10 Countries' profit change). However, most countries recorded a reduction in pre-tax profits, with just 16 countries increasing aggregate profits. While the Top 1000's combined profits dropped by 19.2% year-on-year, it is not as catastrophic when compared to the fallout from the financial crisis, when profits plummeted 85.3% in 2009.

China continues to be the engine of growth for the world's banking industry, increasing aggregate Tier 1 capital and total assets by 18.6% and 18.4%, respectively. China, with 144 banks in the ranking, now holds almost double the amount of Tier 1 capital (\$2.96 trillion) than the US (\$1.58 trillion), with 178 banks in the ranking.

The four largest Chinese banks – Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China – have consolidated their positions at the top of the ranking, and have extended their lead over US counterparts (JPMorgan Chase, Bank of America, Citigroup and Wells Fargo) with double-digit growth in Tier 1 capital (see table: Top 20 World Banks 2021). Overall Chinese banks increased their aggregate Tier 1 capital by 18.6%, against 8.5% for US banks.

In addition, profits continued to grow in China by 5.2% year-on-year, while falling by 31.5% in the US and 41.8% in western Europe.

Joy Macknight, editor of *The Banker*, said: "During a challenging year for the world's banking industry, the top Chinese banks have extended their lead over US counterparts with double-digit increases in Tier 1 capital, as well as expanding their asset base and increasing profits. The global banking industry overall has exhibited impressive resilience in such a difficult time."

However, western Europe had another difficult year – due to low economic growth and the interest rate environment hitting the profitability of the region's biggest lenders. Of the largest European economies, banks' aggregate pre-tax profits shrank by 43.71% in Germany, 75.72% in Italy and 47.67% in Netherlands, while France experienced a more modest decline of 11.61%. Spain recorded negative pre-tax profits at an aggregate level, with two of its largest banks, Banco Santander and Bankia, moving from profit to loss in this period (see table: Ten largest moves from profit to loss).

The Asia-Pacific region generated more than half (55.1%) of the world's profits, based on net income data, up from 43.5% in the 2020 ranking, and was the only region to increase its share of profits.

TOP 10 COUNTRIES' PROFIT CHANGE, 2021

Rank	Country	2021 (\$bn)	2020 (\$bn)	Rank 2020	% change
1	China	348	331	1	5.21
2	US	173	252	2	-31.51
3	Japan	41	41	5	-2.01
4	Canada	41	47	3	-14.58
5	France	38	43	4	-11.61
6	South Korea	23	20	8	15.60
7	Russia	21	27	7	-24.11
8	India	20	9	10	133.79
9	Switzerland	20	18	9	15.20
10	Australia	20	29	6	-28.96

Source: www.thebankerdatabase.com

TOP 20 WORLD BANKS, 2021

Rank	Previous rank	Bank	Country	Tier 1 capital (\$bn)
1	1	ICBC	China	440
2	2	China Construction Bank	China	362
3	3	Agricultural Bank of China	China	336
4	4	Bank of China	China	305
5	5	JPMorgan Chase	US	235
6	6	Bank of America	US	200
7	8	Citigroup	US	167
8	9	HSBC Holdings	UK	160
9	7	Wells Fargo	US	158
10	10	Mitsubishi UFJ Financial Group	Japan	144
11	11	Bank of Communications	China	132
12	12	Crédit Agricole	France	127
13	13	BNP Paribas	France	122
14	17	China Merchants Bank	China	106
15	22	Postal Savings Bank of China	China	103
16	14	Sumitomo Mitsui Financial Group	Japan	101
17	15	Banco Santander	Spain	97
18	20	Shanghai Pudong Development Bank	China	96
19	21	Industrial Bank	China	94
20	16	Goldman Sachs	US	93

Source: www.thebankerdatabase.com

TEN LARGEST MOVES FROM PROFIT TO LOSS, 2021

Rank	Global rank	Bank	Country	Region	PTP (\$m)	Previous PTP (\$m)
1	125	BFA Tenedora de Acciones	Spain	Europe	-6,452	800
2	65	Commerzbank	Germany	Europe	-3,206	1,248
3	28	UniCredit	Italy	Europe	-3,009	4,845
4	17	Banco Santander	Spain	Europe	-2,563	14,093
5	210	Banca Monte dei Paschi di Siena	Italy	Europe	-1,668	40
6	455	Umpqua Holdings Corporation	US	North America	-1,456	469
7	474	Pacwest Bancorp	US	North America	-1,162	633
8	126	Allied Irish Banks	Ireland	Europe	-1,149	561
9	158	Saudi British Bank	Saudi Arabia	Middle East	-1,147	872
10	225	Eurobank Ergasias	Greece	Europe	-1,081	178

Source: www.thebankerdatabase.com

**RETURN ON CAPITAL
BY REGION, 2021**

Region	Return on capital (%)
Central Asia	20.12
Caribbean	15.01
South America	12.17
Central America	11.16
Africa	11.03
Central and Eastern Europe	10.70
North America	9.74
Asia-Pacific	8.68
Middle East	7.88
Europe	3.10

Source: www.thebankerdatabase.com

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Notes

Tier 1 capital is the core measure of a bank's financial strength under the Basel regulatory framework.

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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/top1000. The Banker is a service from the Financial Times.

Joy Macknight is the editor of *The Banker*. She joined the publication in 2015 as transaction banking and technology editor and became editor in March 2021. She has been a financial and technology journalist for more than 15 years.

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