Resilient despite headwinds

South Africa – Major banks analysis

PwC analysis of major banks' results for the reporting period ended 30 June 2018

October 2018

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Contents

The big picture

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Overall financial performance

Key metrics

	1H18		2H17
ROE%, up 15bps	18.8%	↑	18.6%
Common Equity Tier 1 %, down 65bps	12.8%	↓	13.4%
Net interest margin %, down 27bps	4.36%	↓	4.63%
Cost-to-income ratio, improved 68bps	55.1%	↑	55.7%
Credit loss ratio, improved 4bps	0.72%	↑	0.75%

Source: PwC analysis

Growth

	1H18 v 1H17	1H18 v 2H17
Combined headline earnings	12.1%	0.5%
Core earnings	4.8%	2.1%
Bad debts charge	-7.2%	3.7%
Net interest income	5.3%	-0.5%
Total operating income	5.3%	0.8%
Total operating expenses	5.8%	-0.3%

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External developments

As always, the major banks' results should be seen in the context of the macro and domestic economic environment during the period against which they were achieved.

At a global level, economic growth over the period to June 2018, although robust, reflected a pattern of continuing to be less synchronised than expected. This is as trade tensions and global risk aversion led to increased volatility and currency pressures in some emerging market territories, including South Africa.

Both the Eurozone and the US showed relatively strong quarter-on-quarter growth over the first half of 2018. However, Eurozone data indicates that the bloc is increasingly reliant on external demand to drive growth, and therefore the economic outlook in the region may be dampened given concerns over escalating trade tensions.

The recovery in emerging and developing economies also continued, with growth in India accelerating and China proving resilient – offset by a faster-than-expected normalisation of US monetary policy which started to hurt capital flows to emerging markets in Q2-18. Foreign exchange rates declined in many Sub-Saharan African countries in which the major banks operate, while in South Africa, on average, the rand was relatively stronger over the period.

Domestically, the positive economic sentiment that characterised the start of 2018, given political changes, abated quickly, with various domestic factors - including inflationary pressures, the increased VAT rate and higher fuel costs – negatively impacting discretionary consumer and business spending over the period. Statistics South Africa reported in July that consumer price inflation increased from 4.4% year-on-year in May to 4.6% in June – linked primarily to faster increases in the cost of transport.

The latest inflation number is the highest reading since November 2017, but in line with the median forecast of many local economists. While June's reading remained within the South African Reserve Bank's (SARB) target range of 3%-6%, the inflation level was above the 4.5% midpoint that some economic commentators favour. As we now know, the major banks' 1H18 results were achieved in a domestic economy in technical recession following two consecutive quarters of declining GDP growth (Q1: -2.6%; Q2: -0.7%).

Stakeholder expectations

In the current period, slower revenue growth and an increase in the combined impairment charge (driven largely by the impacts of the transition to IFRS 9) or those banks with December year-ends, were offset by disciplined cost management. While IFRS 9 implementation efforts consumed large programmes of work and significant management time during recent periods, we expect IFRS 9 impairment models to continue to be refined over the coming period as the new standard is embedded into business as usual.

IFRS 9 not only impacted the impairment charge of many of the major banks (interest income on defaulted loans was treated as uncollectible and was previously impaired under the impairment charge line) but had other effects too, such as the net interest margin (due to changes in the recognition of interest income on defaulted loans which, under IFRS 9, is no longer presented in the interest income line).

The major banks' return on equity (ROE) as at 30 June 2018 also benefited from the IFRS 9 transitional adjustment charge (through reduced equity as a result of the transition impact taken directly to retained earnings in the opening balance sheet as at 31 December 2017, with those banks with December year-end reporting periods).

Meanwhile, the rapid pace of regulatory reform that banks have become accustomed to continued, with finalisation of the Basel IV package reached in December 2017 – which is focused on "reducing the variability of risk weighted assets and enhancing the credibility of the risk-based regulatory capital framework for banks".

Significant preparatory work will be required ahead of full Basel IV implementation in 2022, as the new framework significantly alters the current approaches for the determination of capital demand (risk-weighted assets). We have observed most banks beginning to set in motion response programmes starting with detailed, group-wide Basel IV impact assessments, and expect this work to become more granular and strategic over the short to medium term.

In January 2018, a draft resolution framework, part of the creation of a modern and globally aligned regulatory framework that will support an effective resolution regime, was released (to industry) for initial review. The framework sets out broad principles for the resolution of banks, systemically important non-bank financial institutions and holding companies of banks. They outlines the various legislative amendments required to ensure the framework's enforceability.

Following the Financial Sector Regulation Act being signed into law in August 2018, we continue to see the 'twin peaks' framework being embedded within the South African financial services regulatory architecture – with growing focus on banking market conduct, as was expected – and large programmes of work being mobilised around conduct/compliance in banks.

As a contribution to the newly formed Financial Sector Conduct Authority's approach to regulating banks' conduct to ensure fairness, the World Bank released the findings of its study, commissioned by National Treasury, of transaction and fixed deposit retail banking products in South Africa in September 2018.

While the report did not specifically note breaches of legislation or regulations, it outlined a number of recommendations anchored around its principal observation – that, generally, South African banking products are potentially too complicated, making it difficult for customers to compare. The report also found that, in some cases, bank fees are charged on terms and conditions which may not be appropriately disclosed.

We expect the banks to reflect in earnest on the observations of the study and continue their existing efforts to ensure the highest standards of fairness in banking and market conduct.

On 26 March 2018, the Prudential Authority published a discussion document: Financial Conglomerate Supervision Framework, intended to form the basis for engagement with the financial services industry on a proposed approach, and to invite further feedback, on proposals relating to the development of a Financial Conglomerate Supervision Framework in South Africa.

A key aspect of the Financial Conglomerate Supervision Framework is to enhance the supervision of large financial groups by ensuring, inter alia, that capital is not used twice within a conglomerate and close attention is paid to group risks (not specific to banking or insurance businesses on a stand-alone basis) such as contagion, concentration, the risk of complex structures and conflicts of interest.

While the discussion document remains subject to finalisation, the definition of a 'financial conglomerate' may capture the major banks within its ambit, which may trigger additional prudential requirements that may seek to capitalise risks prevalent at the conglomerate level. We expect the banks to continue to monitor developments in this area and commence more detailed internal analyses to understand the impacts on their business models and business lines.

Internal responses

Strategically, the major banks continue to comment on many of the themes we have noted previously – including digitising and integrating legacy processes through robotic process automation efforts, and channel and product innovation to deliver richer customer experiences. At the same time, they are also taking steps to get ahead of regulatory changes – including embedding IFRS 9 from 1 January 2018 (for those banks with December year-ends), and initiating programmes to deeply analyse the prudential reforms collectively referred to as 'Basel IV'.

Arguably the theme that resonated most strongly in the banks' results announcements for the current period was their continued focus on building their digital strategies. It is evident from the results that the banks have continued to spend considerable time and cost on their digital strategies, refining and simplifying products and enhancing their loyalty programmes to continue to reward clients - all in a focused effort to attract a greater share of customer wallet. We have also noticed a drive to digitisation beyond the back office, including risk and compliance areas.

At the same time, competition in the banking market is clearly on the rise, as the major banks cautiously observe new entrants, particularly those with fully-digital orientations. The competitive domestic banking market landscape, and the continued transition of customers to digital channels, has become increasingly visible in the combined major banks' results.

This has manifested in the form of lower transactional fees and commissions in retail banking, competitive pressures in deposit pricing and depressed margins in the trading businesses. These competitive pressures are set to increase in the next few months, as the market anticipates the launch of new entrants and wider product offerings from existing banks.

Discovery Bank announced in September that it will acquire FirstRand's effective and economic interest in the Discovery Card loan book and has indicated its intended public launch in the fourth quarter of 2018. In addition, indications are that TymeDigital, Bank Zero and Postbank are drawing closer to their public launches, having recently obtained banking license approvals, while African Bank also announced its intentions to move further into the transactional banking space.

At the same time, in recent weeks we have seen growing interest in the banking market from non-bank financial services players. Old Mutual highlighted the growth it has achieved in the transactional accounts space and also commented that there are opportunities to compete in the transactional banking market.

Results overview

2

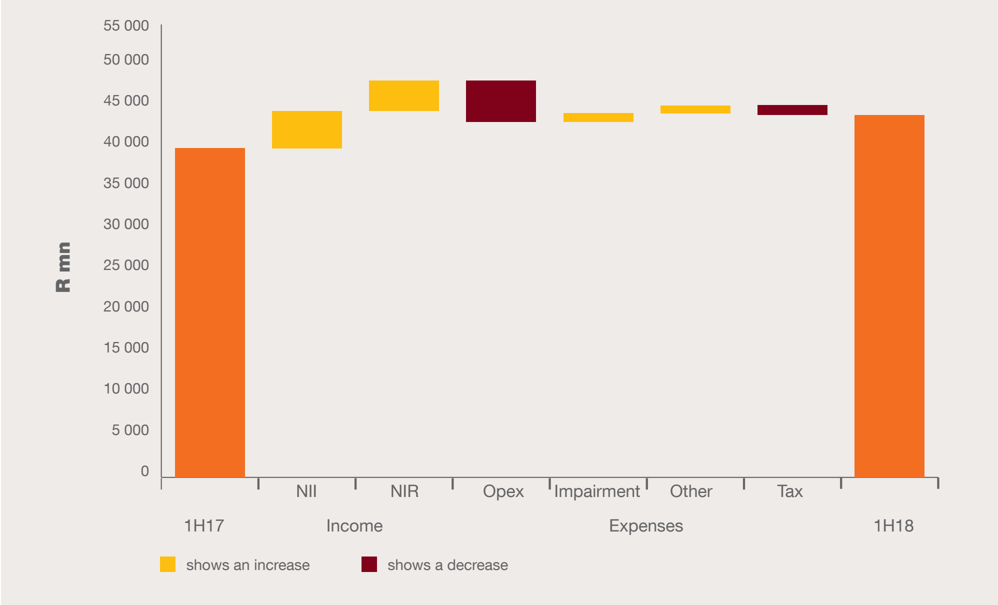
Headline earnings

Against this challenging economic and operating context, and although there were divergent performances between the individual banks, on a combined basis the four major banks registered headline earnings of R40.4bn, which grew 12.1% year on year (against 1H17) and 0.5% against 2H17.

Analysing the major banks results year-on-year (against 1H17) and period-on-period (2H17) presents a tale of two halves - which is borne out in starkly different pictures and reflects a number of factors that adversely influenced the combined financial performance in the first six months of 2018. Key among these factors was a reduction in net interest income of 0.5%, slower non-interest revenue growth of 2.4% and an increase in the impairment charge of 3.7% against 2H17.

At the same time, the contribution from the operations of the major banks in key markets on the continent, outside South Africa, continues to be notable – with the contribution to earnings from the banks' African businesses outside South African now making up a significant proportion of overall group results, up to a third of total earnings in some cases – in spite of the relatively stronger rand offsetting some of the gains.

Figure 2.1 Key drivers of combined profit and loss

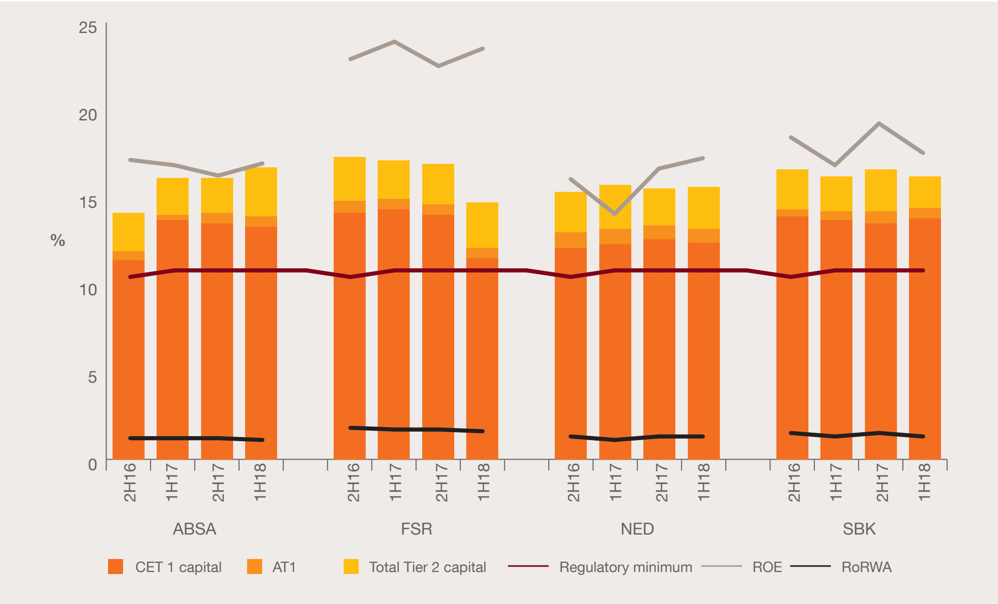


Return on equity

While all major banks remain adequately capitalised well above regulatory minima, the combined ROE grew by a resilient 15bps to 18.8% (2H17: 18.6%).

Consistent with our previous observations, while the ROE experience of individual banks reflects their different experiences and strategies, their return profile continues to reflect a healthy balance between risk and return. At the same time, we continue to observe a focus on managing the 'economic spread' – ROE less cost of equity, i.e. the value created for shareholders. Overall, the major banks' double-digit ROE levels remain significantly above those of their global peers and continue to benefit from diversified franchises and strong management teams.

Figure 2.2 ROE vs regulatory capital

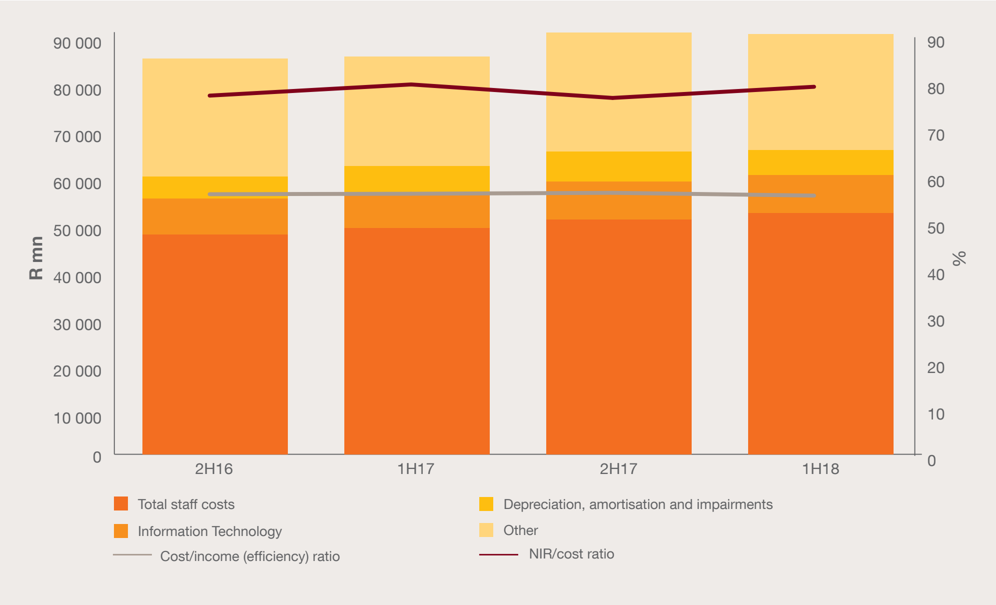


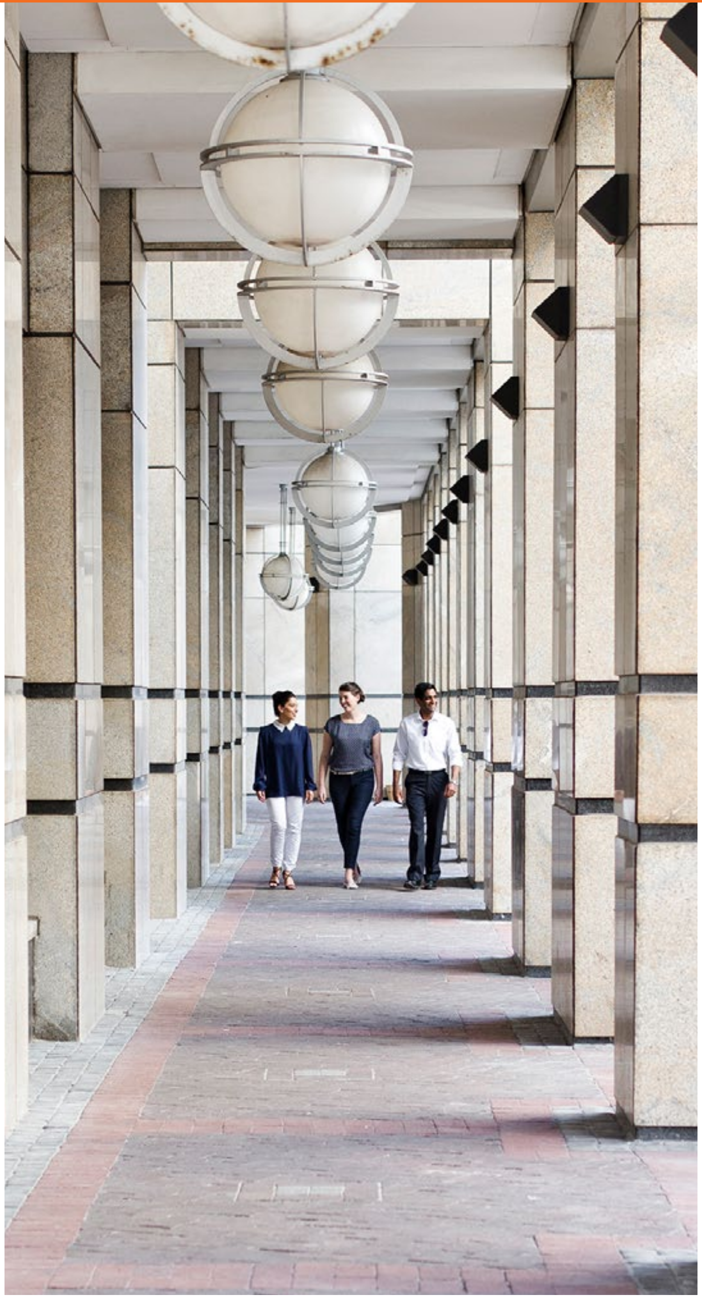
Efficiency

Disciplined cost control and a sharp focus on optimisation initiatives remained high on the agenda of management teams in a slower revenue-generation environment. In spite of this, the current period continued the theme of 'negative jaws' (as total costs grew faster than operating income) which we observed at both 1H17 and 2H17. Reflecting the banks' focus on cost management, the combined cost-to-income ratio dipped to 55.1% at June 2018 (compared to 55.8% and 55.5% at December and June 2017 respectively), highlighting strong cost discipline on the part of all of the major banks – a trend which we expect to continue with increasing focus.

Since we began our Major banks analysis report in South Africa nine years ago, the combined cost-to-income ratio has remained in the 54%-56% range, illustrating the structural challenge in moving the needle on this important ratio. This highlights the balance that the banks need to strike between executing on their strategic priorities while managing overall group costs. Strategic spend includes ongoing investments in system architecture, digitising internal and customer experiences, shoring up cyber defences in an age of heightened cyber risk, broad enterprise risk management solutions to cater to a new breed of emerging risks and data related spend.

Figure 2.3 Operating expenses and efficiency ratio

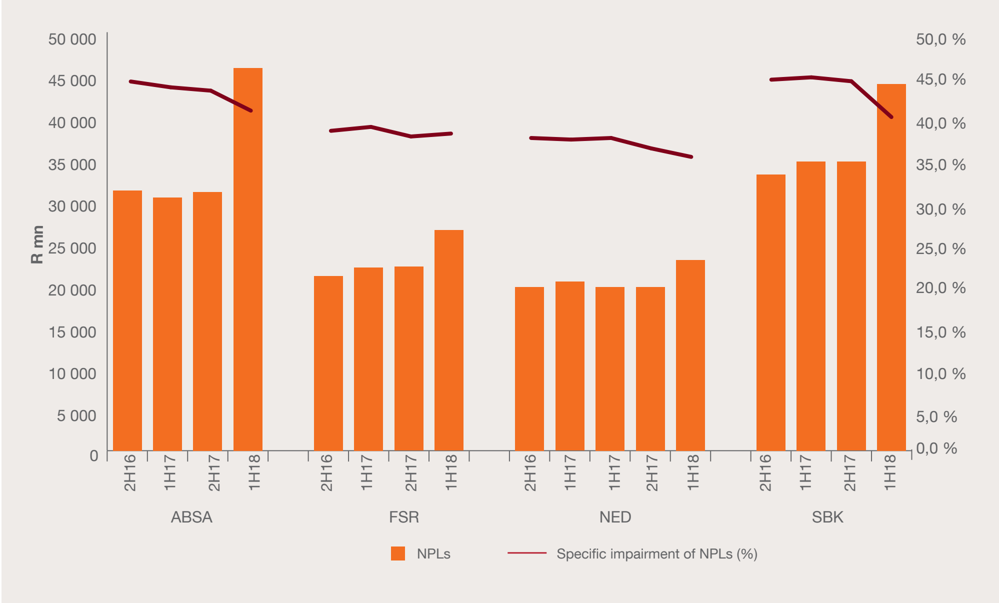




Book Growth	1H18 v 2H17	1H18 v 1H17
Personal and business banking / retail	**11.5%**	**11.9%**
Mortgage loans	2.0%	3.1%
Instalment sale and finance leases	4.1%	6.2%
Card debtors	3.9%	5.1%
Overdrafts and other demand loans	14.6%	14.7%
Term loans and revolving credit accounts	-2.8%	5.5%
Other loans and advances	51.4%	44.5%
Corporate and investment banking	**2.9%**	**5.4%**
Corporate lending	11.3%	14.1%
Commercial property finance	-24.5%	-23.3%
Central and Other	-70.6%	<-100%
Total gross loans and advances	**7.8%**	**9.6%**

Source: PwC analysis

Figure 2.4 NPLs vs specific impairment coverage



Margin growth factors

- Overall balance sheet growth, although moderate
- Changes in asset and liability mix given credit environment and liquidity regulation. Strong growth in lower margin deposit products, given increased competitive pressures
- Ongoing efforts to balance pricing in terms of risk, return and growth – in sharp focus given competitive environment

Margin growth constraints

- Higher funding costs driven by economic environment (uptick in UK base rates), regulatory requirements and competitive pressure in funding markets
- 25 bps cut in repo rate in March 2018, negatively impacted capital and deposit endowment – partially offset by higher capital and deposit volumes
- Unsecured lending margins were negatively impacted by NCAA rate caps and higher ISP on NPLs

Figure 2.5 Net interest margin

Non-interest revenue

We continue to observe that the factors driving non-interest revenue growth (5.4% and 2.4% against 2H17 and 1H17 respectively) remain largely consistent.

NIR growth factors

- Robust fee and commission income growth, benefiting from strong electronic transaction volumes, and aided by migration of customers to electronic channels
- Ongoing customer acquisition
- Loyalty programmes and bundled account packages continue to be refined
- Overall markets performance remained resilient despite the uncertain local macro environment. Flow trading and residual risk activities delivered a balanced performance
- Strong private equity realisation and equity-accounted income

NIR growth constraints

- Competitive pricing and competition for transactional banking / wallet share
- Limited, sub-inflation, fee increases
- Regulatory interventions have curtailed fee and commission growth
- Knowledge-based / IB fees decreased, reflecting impact of muted deal volumes driven by lower corporate activity

Outlook

The outlook for the next six months of the year reported by most banking management teams at the time of announcing their results was positive, although this optimism has been somewhat dampened by recent readings of the domestic economy and the news of technical recession. The internal targets of the major banks continue to be focused on being able to outperform the macros in key financial metrics.

Many analysts and bank management teams will monitor the details surrounding the economic stimulus package outlined by government in September as it plays out, with a particular expectation that the package will aid growth in key industry sectors, including tourism and telecommunications, to help spur economic growth and translate into corporate profitability gains.

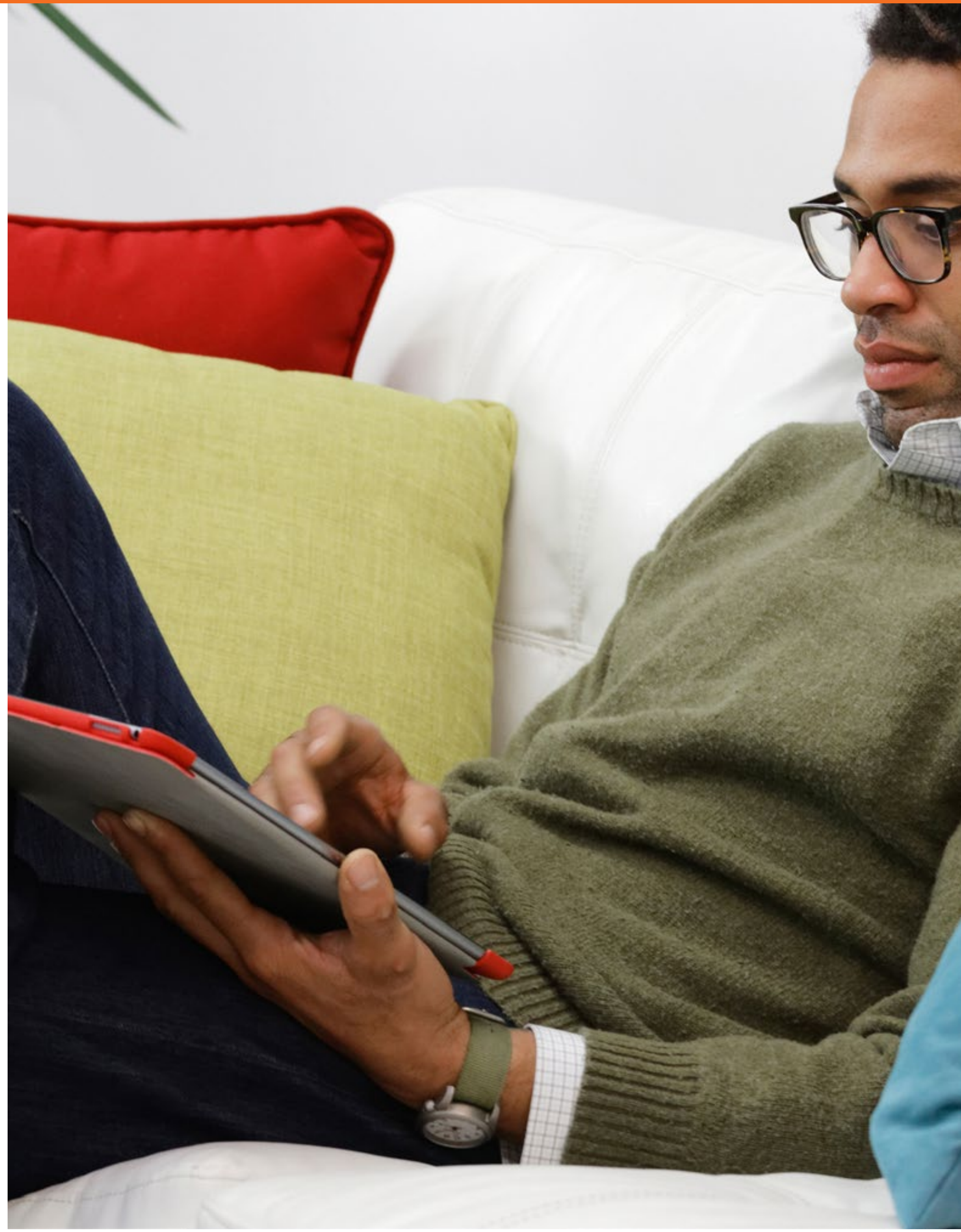
While resolving key policy issues remains a potential obstacle to fixed investment, business confidence and overall economic growth, the banks appear to have appetite to grow judiciously while being mindful of competitive pressures. Balancing return profiles across their franchises and their risk appetite levels against a challenging economic backdrop will remain a major strategic priority for bank management teams. We therefore expect to see sharp focus on the execution of overall bank strategy and relentless optimisation and digitisation efforts across the banks' balance sheets and earnings drivers. We also expect the banks to show a tight hand on cost management, as well as ongoing investment in infrastructure, people and IT systems.

At the same time, and particularly in view of the continued rise of digital and non-bank financial services competitors, we maintain our view that the major banks will seek to continue to further integrate the use of 'bots', analytics and artificial intelligence to make their operations leaner and discover deeper insights that can improve the end-to-end customer experience.

Both locally and globally, there are a range of economic, competitive and wider social challenges that lie ahead which may directly impact the banking industry. Our view remains that leading banks will continue to focus on simplifying operating models and becoming more deeply connected to the customer and the community, creating an ecosystem, in a digitised and differentiated manner.

Table 2.1 Combined results (R millions)

	1H18	2H17	1H17	2H16	1H18 v 1H17
Net interest income	91 033	91 524	86 492	86 668	5.3%
Non-interest revenue	71 618	69 911	67 938	65 662	5.4%
Total operating income	**162 651**	**161 435**	**154 430**	**152 330**	**5.3%**
Total operating expenses	-92 398	-92 630	-87 369	-87 135	5.8%
Core earnings	**70 253**	**68 805**	**67 061**	**65 195**	**4.8%**
Impairment charge	-13 760	-13 266	-14 835	-13 356	-7.2%
Other income / (expenses)	873	563	-68	-1 378	<-100%
Discontinued operations	-	-	-	-	-
Income tax expenses	-13 365	-13 304	-12 189	-12 513	9.6%
Profit for the period	**44 001**	**42 798**	**39 969**	**37 948**	**10.1%**
Attributable earnings	25 514	39 706	36 926	34 194	-30.9%
Headline earnings	40 349	40 161	35 993	37 714	12.1%
Return on equity	**18.8%**	**18.6%**	**17.9%**	**18.6%**	**0.90**



Hot off the press

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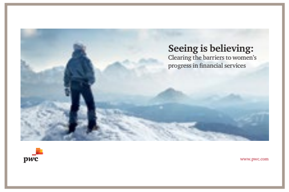
Recent PwC financial services and related publications



Seeing is believing: Changing the barriers to women's progress in financial services

In 2018, we surveyed 290 professional women aged between 28 and 40 who are working in FS about their aspirations, how they feel about their prospects for advancement and what they see as potential obstacles to successful careers. Among other key messages contained in our report, more than half (54%) of women in FS believe that an employee's diversity status (gender, ethnicity, age, etc.) can be a barrier to career progression in their organisation, compared to 45% of women in all industries. More than half (53%) are also worried about the impact that having children might have on their career, compared to 42% of women in all industries. Our survey shows that in the past two years, 60% of the women in FS have been talked over and/or ignored during a meeting. Our report identifies a range of other insights on this important topic and sets out priority actions women believe employers should take to improve career opportunities.

Click here to view

Fair dues: Harnessing fairness to win back trust

Despite years of effort, financial services (FS) companies continue to face a damaging trust gap that makes it harder to connect with customers and sustain their loyalty. Creating a fairer pay structure would help organisations to re-engage with customers, employees and society as a whole. The potential benefits include a stronger licence to operate, innovate and pursue profitable opportunities.

This report looks at how to tackle this difficult challenge, drawing on a survey of attitudes to fair pay within FS that was carried out by the London School of Economics and Political Science (LSE) in partnership with PwC.

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Executive leadership series

Brian Ruane, the Chief Executive Officer of BNY Mellon Government Securities Services (GSS) Corp, sits down with John Garvey, PwC's Global Financial Services Leader to discuss the changes taking place in the market due to technology, as well as his priorities in the coming 3-5 years.

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Financial services technology 2020 and beyond: Embracing disruption

Our global report examines the forces that are disrupting the role, structure, and competitive environment for financial institutions and the markets and societies in which they operate. The post-crisis regulatory frameworks have been gradually settling into place, and financial institutions have been adjusting their business models accordingly. It is now becoming obvious that the accelerating pace of technological change is the most creative force—and also, the most destructive one—in the financial services ecosystem today. In this paper, we set out to capture the real world implications of these technological advances on the financial services industry and those who must supervise and use it.

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Key banking statistics

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R' millions	ABSA				FSR				NED				SBK				Combined				Growth (% and bps)	
	1H18	2H17	1H17	2H16	1H18	2H17	1H17	2H16	1H18	2H17	1H17	2H16	1H18	2H17	1H17	2H16	1H18	2H17	1H17	2H16	1H18v 1H17	1H18v 2H17
Balance sheet																						
Total assets	1 234 643	1 165 979	1 137 876	1 101 023	1 532 310	1 291 724	1 217 745	1 180 462	1 019 015	983 314	965 830	966 022	1 617 569	1 597 968	1 532 004	1 543 758	5 403 537	5 038 985	4 853 455	4 791 265	11.3%	7.2%
Gross loans and advances	874 129	824 072	811 503	789 814	1 140 482	945 008	910 066	880 742	726 933	722 331	721 910	719 226	1 101 730	1 070 471	1 066 214	1 087 421	3 843 274	3 561 882	3 509 693	3 477 203	9.5%	7.9%
Total deposits	802 957	757 257	745 652	728 057	1 267 448	1 040 042	983 529	951 970	801 165	771 584	762 712	761 542	1 275 675	1 258 359	1 226 166	1 228 993	4 147 245	3 827 242	3 718 059	3 670 562	11.5%	8.4%
Risk-weighted assets	771 268	736 892	724 780	703 785	941 000	782 000	738 386	715 240	552 623	528 206	516 051	509 221	986 352	957 045	911 520	883 179	3 251 243	3 004 143	2 890 737	2 811 425	12.5%	8.2%
Loans to deposits ratio	108.9%	108.8%	108.8%	108.5%	90.0%	90.9%	92.5%	92.5%	90.7%	93.6%	94.7%	94.4%	86.4%	85.1%	87.0%	88.5%	92.7%	93.1%	94.4%	94.7%	-1.73	-0.40
Asset quality & provisioning																						
Non-performing loans	45 735	30 891	30 252	31 097	26 331	21 982	21 905	20 851	22 785	19 576	20 190	19 553	43 829	34 521	34 541	33 406	138 680	106 970	106 888	104 907	29.7%	29.6%
Impairments	-27 000	-18 874	-19 067	-19 716	-18 796	-17 276	-16 960	-16 571	-14 265	-12 002	-12 046	-12 149	-30 817	-22 444	-22 816	-21 793	-90 878	-70 596	-70 889	-70 229	28.2%	28.7%
Collective provisions	-8 394	-5 559	-5 908	-5 971	-8 945	-9 011	-8 471	-8 589	-6 255	-4 921	-4 528	-4 832	-13 314	-7 174	-7 376	-7 134	-36 908	-26 665	-26 283	-26 526	40.4%	38.4%
Individually-assessed provisions	-18 606	-13 315	-13 159	-13 745	-9 851	-8 265	-8 489	-7 982	-8 010	-7 081	-7 518	-7 317	-17 503	-15 270	-15 440	-14 659	-53 970	-43 931	-44 606	-43 703	21.0%	22.9%
Non-performing loans (% of advances)	5.2%	3.7%	3.7%	3.9%	2.3%	2.3%	2.4%	2.4%	3.1%	2.7%	2.8%	2.7%	4.0%	3.2%	3.2%	3.1%	3.7%	3.0%	3.0%	3.0%	0.62	0.66
Impairment charge (% of average advances)	0.83%	0.87%	0.96%	0.87%	0.81%	0.87%	0.96%	0.86%	0.53%	0.51%	0.47%	0.69%	0.70%	0.76%	0.96%	0.67%	0.72%	0.75%	0.84%	0.77%	-0.12	-0.04
Impairment coverage ratio	59.04%	61.1%	63.0%	63.4%	71.38%	78.6%	77.4%	79.5%	62.61%	61.3%	59.7%	62.1%	70.31%	65.0%	66.1%	65.2%	65.83%	66.50%	66.54%	67.56%	-0.71	-0.67
Implied loss given default	40.68%	43.1%	43.5%	44.2%	37.41%	37.6%	38.8%	38.3%	35.15%	36.2%	37.2%	37.4%	39.93%	44.2%	44.7%	43.9%	38.30%	40.28%	41.05%	40.95%	-2.75	-1.98
Profit & loss analysis																						
Net interest income	21 188	21 528	20 791	20 910	26 689	24 565	23 383	23 243	14 006	14 076	13 548	13 398	29 150	31 355	28 770	29 117	91 033	91 524	86 492	86 668	5.3%	-0.5%
Non-interest income	15 854	15 377	15 294	14 976	21 498	19 514	20 564	17 663	12 236	12 333	11 730	12 146	22 030	22 687	20 350	20 877	71 618	69 911	67 938	65 662	5.4%	2.4%
Total operating income	37 042	36 905	36 085	35 886	48 187	44 079	43 947	40 906	26 242	26 409	25 278	25 544	51 180	54 042	49 120	49 994	162 651	161 435	154 430	152 330	5.3%	0.8%
Total operating expenses	-21 722	-22 446	-20 833	-21 317	-25 230	-23 511	-23 035	-21 819	-15 232	-15 970	-14 843	-15 141	-30 214	-30 703	-28 658	-28 858	-92 398	-92 630	-87 369	-87 135	5.8%	-0.3%
Core earnings	15 320	14 459	15 252	14 569	22 957	20 568	20 912	19 087	11 010	10 439	10 435	10 403	20 966	23 339	20 462	21 136	70 253	68 805	67 061	65 195	4.8%	2.1%
Impairment charge	-3 431	-3 249	-3 773	-3 554	-4 515	-4 052	-4 313	-3 741	-1 815	-1 710	-1 594	-2 343	-3 999	-4 255	-5 155	-3 718	-13 760	-13 266	-14 835	-13 356	-7.2%	3.7%
Other income/(expenses)	56	91	79	60	426	488	572	469	153	22	-1 084	-1 041	238	-38	365	-866	873	563	-68	-1 378	<-100%	55.1%
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income tax expenses	-3 322	-3 086	-3 204	-2 838	-3 971	-3 894	-3 456	-3 495	-2 346	-2 031	-2 178	-2 011	-3 726	-4 293	-3 351	-4 169	-13 365	-13 304	-12 189	-12 513	9.6%	0.5%
Profit for the period	8 623	8 215	8 354	8 237	14 897	13 110	13 715	12 320	7 002	6 720	5 579	5 008	13 479	14 753	12 321	12 383	44 001	42 798	39 969	37 948	10.1%	2.8%
Attributable earnings	-	7 524	7 781	7 689	13 797	12 749	12 683	10 480	-	6 377	5 244	4 690	11 717	13 056	11 218	11 335	25 514	39 706	36 926	34 194	-30.9%	-35.7%
Headline earnings from continuing operations	8 043	7 821	7 802	7 728	13 936	12 573	11 903	11 859	6 696	6 516	5 271	6 038	11 674	13 251	11 017	12 089	40 349	40 161	35 993	37 714	12.1%	0.5%

R' millions	ABSA				FSR				NED				SBK				Combined				Growth (% and bps)	
	1H18	2H17	1H17	2H16	1H18	2H17	1H17	2H16	1H18	2H17	1H17	2H16	1H18	2H17	1H17	2H16	1H18	2H17	1H17	2H16	1H18v 1H17	1H18v 2H17
Key data																						
Other operating income (% of total income)	42.80%	41.67%	42.38%	41.73%	44.61%	44.27%	46.79%	43.18%	46.63%	46.70%	46.40%	47.55%	43.04%	41.98%	41.43%	41.76%	44.27%	43.65%	44.25%	43.55%	0.02	0.62
Net interest margin (% of total assets)	3.73%	4.11%	0.00%	0.00%	0.00%	0.00%	3.82%	3.79%	2.88%	2.83%	0.00%	0.00%	3.74%	3.71%	0.00%	0.00%	2.59%	2.66%	0.96%	0.95%	1.63	-0.08
Net interest margin (% of average interest earning advances)	4.76%	4.85%	4.81%	4.80%	4.52%	5.26%	5.24%	5.28%	3.67%	3.66%	3.58%	3.45%	4.50%	4.74%	4.60%	3.83%	4.36%	4.63%	4.56%	4.34%	-0.20	-0.27
Standardised efficiency ratio	56.20%	57.90%	55.50%	57.00%	51.12%	52.25%	51.26%	51.94%	55.80%	57.90%	59.30%	56.70%	57.10%	54.90%	56.10%	55.80%	55.05%	55.74%	55.54%	55.36%	-0.49	-0.68
Return on equity	16.9%	16.2%	16.8%	17.1%	23.5%	22.5%	23.9%	22.9%	17.2%	16.6%	14.0%	16.0%	17.5%	19.2%	16.8%	18.4%	18.8%	18.6%	17.9%	18.6%	0.90	0.15
Total number of staff	41 250	41 703	41 714	41 241	46 284	45 026	44 916	45 490	31 272	31 531	32 349	32 401	48 265	48 322	48 427	48 622	167 071	166 582	167 406	167 754	-0.2%	0.3%
Capital ratios																						
CET 1	13.3%	13.5%	13.7%	11.4%	11.5%	14.0%	14.3%	14.1%	12.4%	12.6%	12.3%	12.1%	13.8%	13.5%	13.7%	13.9%	12.8%	13.4%	13.5%	12.9%	-0.75	-0.65
Tier 1	13.9%	14.1%	14.0%	11.9%	12.1%	14.6%	14.9%	14.8%	13.2%	13.4%	13.2%	13.0%	14.4%	14.2%	14.2%	14.3%	13.4%	14.1%	14.1%	13.5%	-0.68	-0.68
Tier 2	2.8%	2.0%	2.1%	2.2%	2.6%	2.3%	2.2%	2.5%	2.4%	2.1%	2.5%	2.3%	1.8%	2.4%	2.0%	2.3%	2.4%	2.2%	2.2%	2.3%	0.20	0.21
Total	16.7%	16.1%	16.1%	14.1%	14.7%	16.9%	17.1%	17.3%	15.6%	15.5%	15.7%	15.3%	16.2%	16.6%	16.2%	16.6%	15.80%	16.3%	16.3%	15.83%	-0.48	-0.47

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