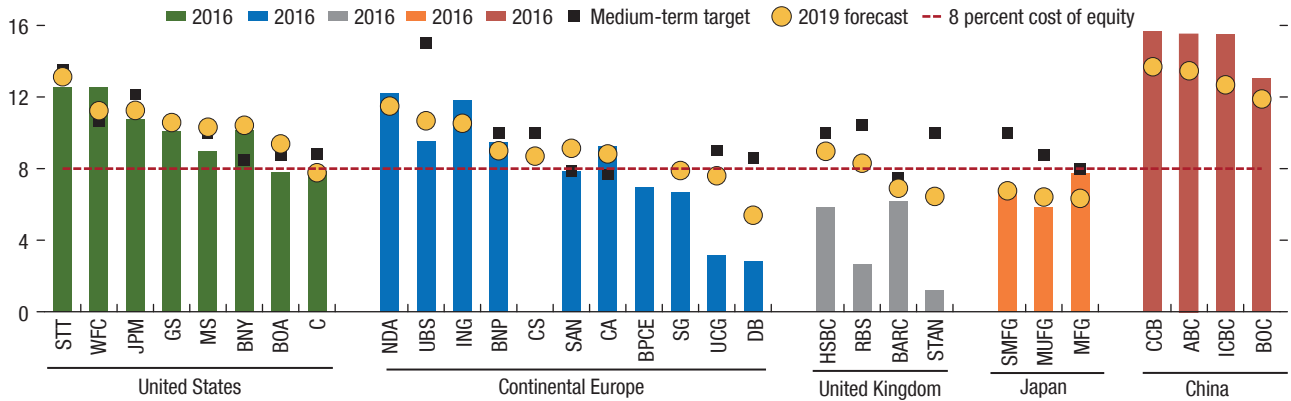## Figure 1.8. Global Systemically Important Banks: Financial Performance Gaps
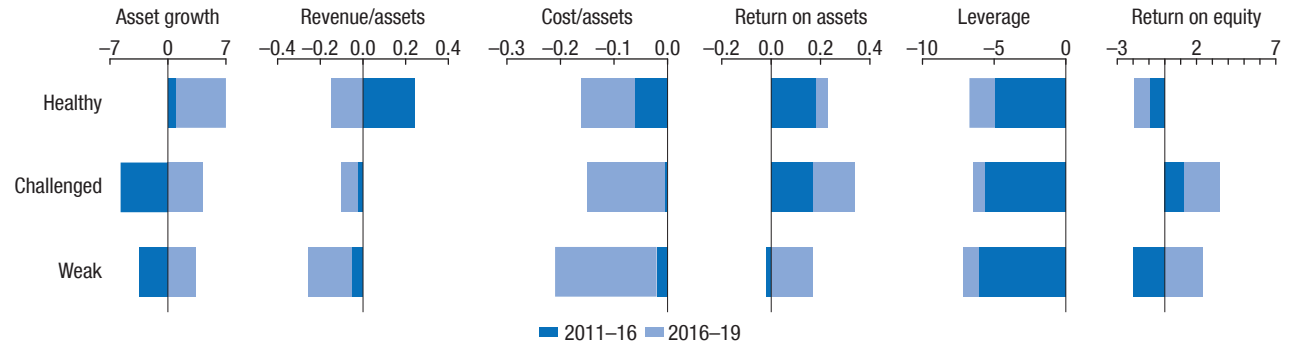
Most US GSIBs should reach profitability targets, but European and Japanese GSIBs face significant gaps.

1. GSIB Return on Equity: 2016 Underlying, 2019 Consensus Forecasts, and Management Medium-Term Target
(Percent)

Legend: 2016 (green) 2016 (blue) 2016 (gray) 2016 (orange) 2016 (red) ■ Medium-term target ○ 2019 forecast -- 8 percent cost of equity

Country groupings: United States (STT, WFC, JPM, GS, MS, BNY, BOA, C); Continental Europe (NDA, UBS, ING, BNP, CS, SAN, CA, BPCE, SG, UCG, DB); United Kingdom (HSBC, RBS, BARC, STAN); Japan (SMFG, MUFG, MFG); China (CCB, ABC, ICBC, BOC)

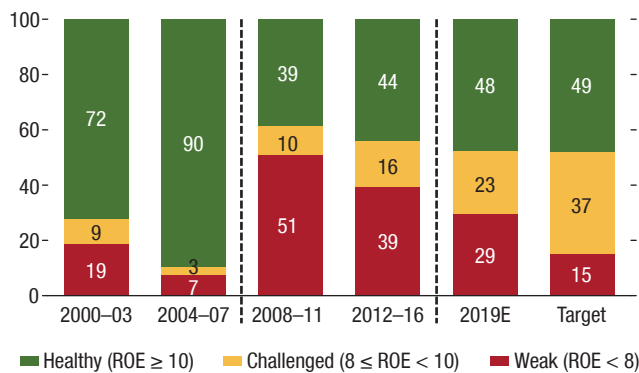Balance sheet reflation and cost improvement are expected to help profitability ...

2. GSIBs: Annualized Asset Growth in Percent and Changes in Profitability Drivers and Metrics
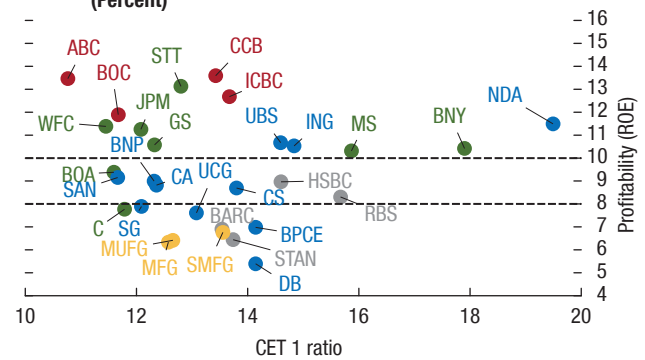(Percentage points)

Asset growth | Revenue/assets | Cost/assets | Return on assets | Leverage | Return on equity

Categories: Healthy, Challenged, Weak

Legend: 2011–16, 2016–19

... whereas global banks, representing about one-third of GSIB assets, are still expected to have weak profits.

3. Percent of GSIB Assets by Return-on-Equity Thresholds, 2019 Consensus Forecasts

	2000–03	2004–07	2008–11	2012–16	2019E	Target
Healthy	72	90	39	44	48	49
Challenged	9	3	10	16	23	37
Weak	19	7	51	39	29	15

Legend: Healthy (ROE ≥ 10) Challenged (8 ≤ ROE < 10) Weak (ROE < 8)

Some banks have thin capital buffers and weaker profitability prospects.

4. GSIBs: Profitability and Capital Position, 2019 Consensus Forecasts
(Percent)

X axis: CET 1 ratio (10 to 20); Y axis: Profitability (ROE) (4 to 16)

Banks plotted: ABC, BOC, STT, CCB, ICBC, JPM, WFC, GS, BNP, UBS, ING, MS, NDA, BNY, BOA, SAN, CA, UCG, CS, HSBC, RBS, C, SG, BARC, BPCE, MUFG, MFG, SMFG, STAN, DB

Sources: Bank financial filings; Bloomberg Finance L.P.; SNL Financial; and IMF staff analysis.
Note: Underlying profit is reported net income excluding conduct and litigation charges, restructuring costs, and noncash valuation adjustments. In panel 1, CS has an ROE of −0.3 percent in 2016. Management's ROE targets, where not available directly, are estimated from their stated return on tangible equity targets, assuming a constant ratio of current tangible equity to total equity. In panel 2, asset growth is on an annualized basis. In panels 2 and 3, future asset forecasts are estimated using consensus RWA forecasts and assuming constant RWA density. In panel 3, a balanced sample of the current 30 GSIBs are considered for the entire duration. In all panels, 2016 numbers are used for BPCE due to lack of analyst forecasts. Forward-looking analyst forecasts consensus is gathered from Bloomberg. In panel 4, the colors correspond to those in panel 1. See footnote 1 in the text for an explanation of the abbreviations in panels 1 and 4. CET 1 = common equity Tier 1 capital; GSIB = global systemically important bank; ROE = return on equity; RWA = risk-weighted asset.