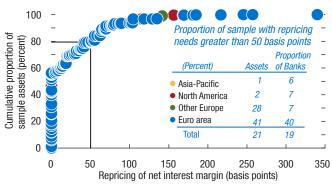
Figure 1.18. Where Are Banks in Their Transition to New Business Models?

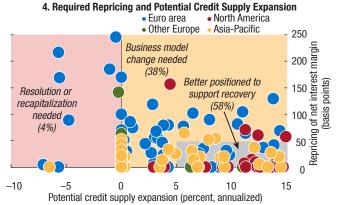
Transition needs are large. While lending capacity varies... 1. Bank Return-on-Equity Gap, 2014:Q2 2. Potential Credit Supply Expansion, by Cumulated Assets (Percentage points) Banks with a return-on-equity Banks with a return-on-equity Proportion of sample that cannot deliver gap need more progress surplus need less progress credit growth of more than 5 percent -100 on business models on business models **Proportion** Furo area ssets of Banks Asia-Pacific sample assets (percent) North America 16 Other Europe Other Furone 28 Euro area Comulative 7 North America -Asia-Pacific 0 -30 -20 -10 10 20 30 -10 5 10 15 20 25 -40 -5 Bubble size = tangible assets Potential credit supply expansion (percent, annualized)

...some banks have unrealistic repricing needs ...

...raising a question about credit supply.

3. Required Repricing of Loans, by Cumulated Assets

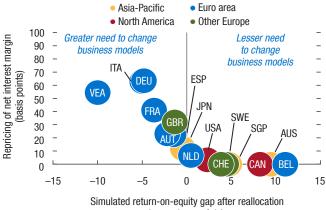




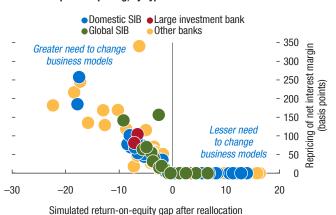
Transition needs differ across countries...

...and by type of banks.

5. Required Repricing, by Country



6. Required Repricing, by Type of Bank



(percentage points)

(percentage points)

Sources: Bloomberg L.P.; SNL Financial; and IMF staff estimates.

Note: Based on a sample of more than 300 advanced economy banks. The return-on-equity (RoE) gap is RoE less a cost of capital of 10 percent. Panel 1 shows 2014:Q2 or latest available data. The other panels are based on simulations. See note to Figure 1.16 for the countries in each region. Panel 5 uses International Organization for Standardization country codes, except for VEA, which is vulnerable euro area countries (in this case Cyprus, Greece, Ireland, Portugal, Slovenia). In panel 6, SIB = systemically important banks. There are 21 global SIBs (average tangible assets of \$1,691 billion), 7 large investment banks (\$1,494 billion), 68 domestic SIBs (\$320 billion), and 213 other banks (\$45 billion).