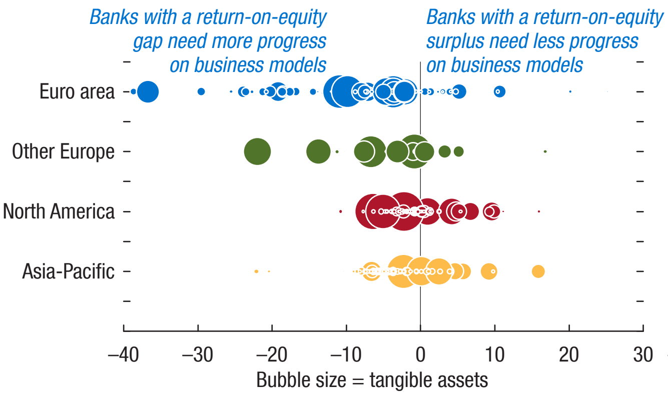
Figure 1.18. Where Are Banks in Their Transition to New Business Models?

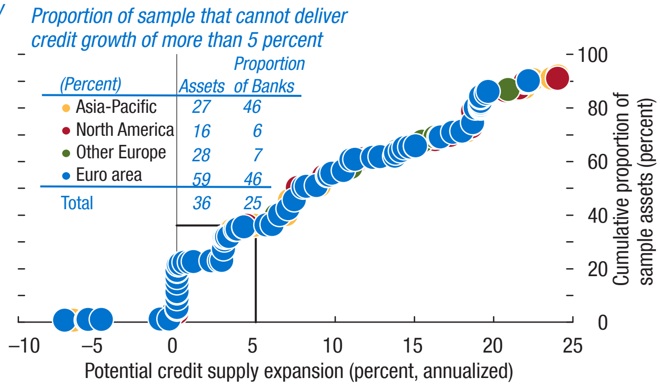
Transition needs are large.

1. Bank Return-on-Equity Gap, 2014:Q2
(Percentage points)



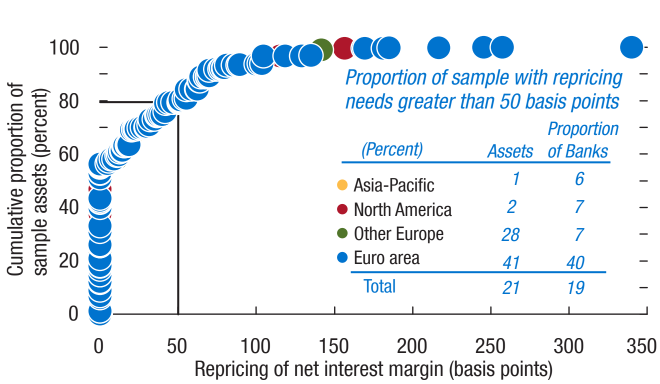
While lending capacity varies...

2. Potential Credit Supply Expansion, by Cumulated Assets



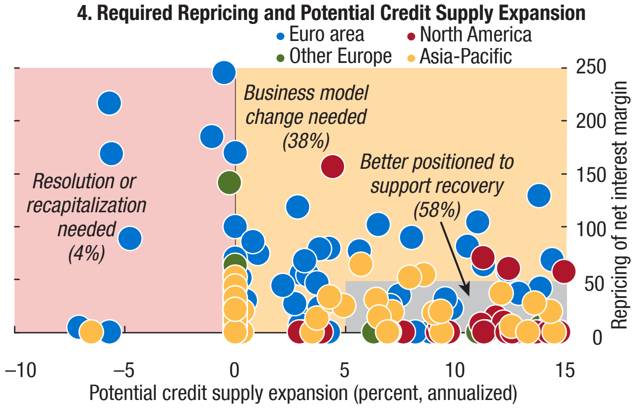
...some banks have unrealistic repricing needs ...

3. Required Repricing of Loans, by Cumulated Assets



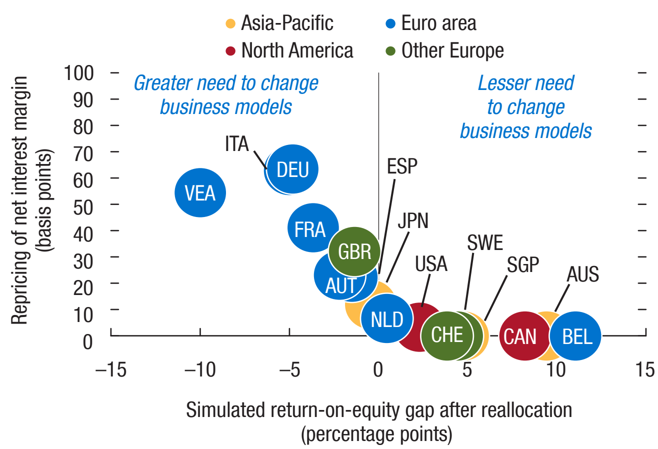
...raising a question about credit supply.

4. Required Repricing and Potential Credit Supply Expansion



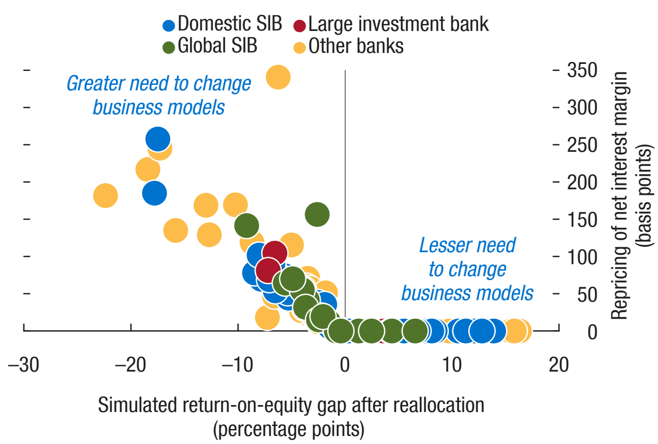
Transition needs differ across countries...

5. Required Repricing, by Country



...and by type of banks.

6. Required Repricing, by Type of Bank



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).