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)

- Banks with a return-on-equity gap need more progress on business models
- Banks with a return-on-equity surplus need less progress on business models

Bubble size = tangible assets

While lending capacity varies...

2. Potential Credit Supply Expansion, by Cumulated Assets

Proportion of sample that cannot deliver credit growth of more than 5 percent

Potential credit supply expansion (percent, annualized)

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

3. Required Repricing of Loans, by Cumulated Assets

Proportion of sample with repricing needs greater than 50 basis points

Repricing of net interest margin (basis points)

...raising a question about credit supply.

4. Required Repricing and Potential Credit Supply Expansion

Proportion of sample assets (percent)

5. Required Repricing, by Country

Greater need to change business models

6. Required Repricing, by Type of Bank

Greater need to change business models

Lesser need to change business models

Transition needs differ across countries...

...and by type of banks.

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).