Most US GSIBs should reach profitability targets, but European and Japanese GSIBs face significant gaps.

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

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

Some banks have thin capital buffers and weaker profitability prospects.

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.