Figure 1.20. Banking Sector Resilience

Banks have more capital relative to the precrisis period ...
1. Banking System Tier 1 Capital Ratio
   (Percent of risk-weighted assets)

   Europe
   Asia and Pacific
   Other Europe
   North America
   Emerging markets

   Interquartile range
   5th–95th percentile range

   Median

... but equity market valuations are mixed.
2. Bank Price-to-Book Ratios

   Euro area
   United Kingdom
   United States
   Japan
   China

3. Bank Market-Adjusted Capitalization, September 2018
   (Percent)

   Asia and Pacific
   Euro area
   North America
   Other Europe
   Emerging markets

Some banks have a low market value of equity.

Simulations find there are still some weak banks.
4. Advanced Economy Banks with a Simulated Capital Shortfall
   (Percent of assets)

Asia and Pacific
Euro area
North America
Other Europe

Sources: Bloomberg Finance L.P.; Haver Analytics; IMF, Financial Soundness Indicators; Organisation for Economic Co-Operation and Development Banking Statistics database; S&P Global Market Intelligence; and IMF staff estimates.

Note: Panel 1 shows ratios for banking systems in 29 systemically important countries. In panel 3, market-adjusted capitalization = (min {price-to-book ratio, 1} × tangible common equity)/adjusted tangible assets. U.S. bank assets are adjusted for derivatives netting. The size of the circles is proportional to adjusted tangible assets. The dark shaded areas in panel 4 show the simulated fraction of banks in a sample of about 600 advanced economy banks with a 20 percent or higher probability of a capital shortfall measured against a common equity Tier 1 ratio threshold of 4.5 percent and a leverage ratio threshold of 3 percent. See the Online Annex 1.1 for details. Asia and Pacific = Australia, Hong Kong SAR, Japan, Korea, New Zealand, and Singapore; North America = Canada and the United States; Other Europe = Denmark, Norway, Sweden, Switzerland, and the United Kingdom; Emerging markets = Brazil, China, India, Mexico, Poland, Russia, South Africa, and Turkey.