GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

G-SIBs' 1Q25 RESULTS: CALM BEFORE THE STORM

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GLOBAL SYSTEMICALLY IMPORTANT BANKS' (G-SIBs) SHARES LARGELY REBOUNDED FROM TARIFF SHOCK

G-SIBs' equity prices rose in 1Q25 across all regions, including China, before declining by an average -15% following the US tariffs shock on April 2. Since then, G-SIB shares have rebounded to near quarter-end highs and outperformed market indices (Chart 1.1). The rebound reflected G-SIBs' higher 1Q earnings and improved profitability, especially in Europe and Japan. Earnings distributions were also substantial, signaling a focus on shareholders returns amid increased uncertainty and a slower potential for organic growth. Valuations of Chinese G-SIBs remain lower (at around 0.5 x book value) than their peers, as slowing economic activity and easing monetary policy in China weigh on banks' core profitability. Some European G-SIBs also continue to trade below book value (0.7-0.9 x book, Charts 1.2 and 1.3), reflecting legacy challenges and perceived structural risks (e.g., slower growth, taxes, etc.) vis-à-vis North American peers.

STRONG EARNINGS IN 1Q AND A CAUTIOUS OUTLOOK

G-SIBs reported overall strong results for Q1 (only 3 out of 29 G-SIBs fell short of 1Q25 earnings forecasts). American and European G-SIBs outperformed. The picture was more mixed in Asia, where Chinese G-SIBs reported flat to lower earnings. Japanese G-SIBs closed the fiscal year in March with record high annual profits but weaker performance in the last quarter (1Q 2025) due to lower wealth management and trading fees income. Nearly all G-SIBs have moderated their earnings guidance for 2025/26 (Chart 2.2), in anticipation of erosion of margins due to lower global growth and higher volatility for all business lines.

RESILIENT NET INTEREST AND HIGH NON-INTEREST INCOME AMID HIGH VOLATILITY

Return on assets rose in 1Q for G-SIBs in Japan, Europe and North America, while continued to fall for Chinese G-SIBs (Chart 2.3). Net interest margins (NIM) stabilized in Europe and North America at higher levels than expected, reflecting stickier interest rates (and inflation) in the US, limited pass-through of lower 'front-book' rates to average yields (as loan growth remained low), and more pervasive use of hedges against declining rates in Europe (Charts 2.4 and 2.5). Domestic NIMs surged for Japanese G-SIBs, as policy rate hikes lifted rates on loans while those on deposits remained grounded. Chinese G-SIBs faced mounting pressure on NIMs after the central bank started easing policy in 2023.

G-SIBs also reported strong fee income from trading (fixed income and equities), as volatility prompted clients to rebalance their portfolios, and from wealth management, as AuM volumes and mandates continued to grow in 1Q. Investment banking fees also rose in 1Q (Chart 2.6), especially for US and UK G-SIBs, on the back of revived IPOs and debt underwriting. However, banks warned that the deal pipeline could atrophy if macro conditions worsen. Improvements in operating costs continued in 1Q, especially in Europe, where UBS's integration of Credit Suisse generated $8.4bn of cost synergies.

CAPITAL (AND LIQUIDITY) BUFFERS REMAIN AMPLE

In Europe, North America, and Japan, G-SIBs reported CET1 ratios between 12% and 16%, well above the requirements (7% plus G-SIB and other buffers). Capital ratios were roughly unchanged despite strong profitability due increases in risk-weighted assets (RWA) from the phasing-in of regulatory changes (Basel III) and shareholder distributions rising to above 60% of earnings. Virtually all G-SIBs raised dividends or resumed share buybacks, especially in Europe. Chinese G-SIBs continue to report lower CET1 ratios amid headwind from declining profitability and an increasing balance sheet (and RWA) from policy-driven measures, as the ¥520bn ($72bn) Chinese state recapitalization of four G-SIBs is expected to support lending growth (Charts 3.1 to 3.5, and 5.1). Liquidity and funding metrics remained comfortable, reflecting G-SIBs stable funding profiles (Charts 5.2 to 5.4), although US dollar funding gaps and possible related risks were flagged for European banks in a recent report from the EBA[1].

CREDIT RISK APPEARS CONTAINED ALTHOUGH SOME SIGNS OF CREDIT DETERIORATION ARE EMERGING

G-SIBs' cost of credit risk rose in 1Q but remained below historical averages. Asset quality remained solid, with low NPL inflows (around 2%) reflecting only gradual upticks in defaults (Charts 4.1 and 4.2). However, banks, especially in North America and China, added precautionary provisions (via macro-overlays) following tariff announcements. Asset quality concerns differed across regions: US banks are focused on CRE and consumer credit, European banks pointed to risks in the manufacturing sector given trade tensions, and Chinese banks continue to face property sector and SME risks. North American G-SIBs continue to have strongest asset quality, with the lowest NPL and highest coverage ratios, while European peers lag behind (Charts 4.3 to 4.5).

[1] Analysis on EU banks funding structure and their asset and liability exposures in foreign currency. EBA/Rep/2025/10 April 2025.

G-SIBs' Share price performance and valuations
As of 05/27/2025

Chart 1.1. Stock Prices (1/1/2019 = 100)

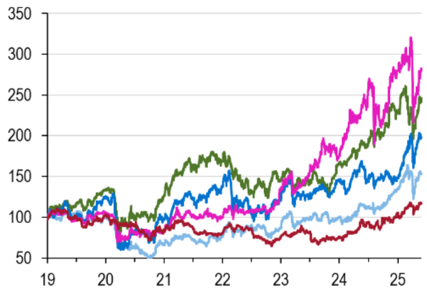


Chart 1.2. Price to Book Ratio

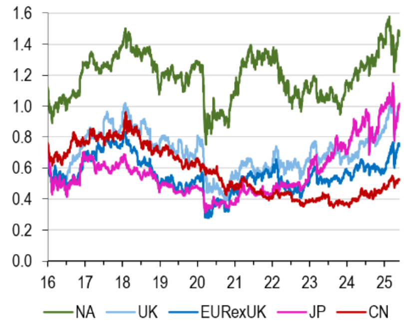


Chart 1.3. Price to Book vs ROE

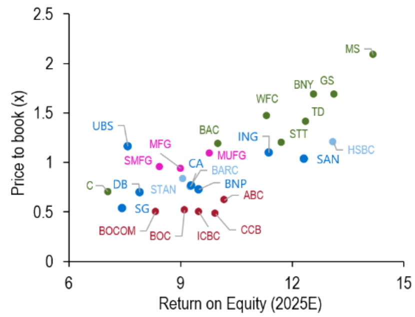


Table 1. Selected Financial Data

Ticker	Bank Name	GSIB Score	Market Cap (USD Bn)	Price to Book	% Price Change (YTD)	CDS	2yr Default Prob (%)	Implied Cost of Debt (%)	Implied Cost of Equity (%)	Dividend Yield (%)	CET1 Ratio (%)	Liquidity Coverage Ratio (%)	Net Income (USD Bn)	Total Asset (USD Bn)	S&P Rating
BAC	Bank of America	327	333	1.2	0.6	62	0.3	5.1	10.0	2.4	11.80	112	6.7	3,153	A-
BNY	Bank of New York Mellon	150	65	1.7	17.4	52	0.5	4.2	9.1	2.1	11.50	116	1.0	405	A
C	Citigroup	361	141	0.7	7.2	62	0.4	4.4	10.4	3.0	13.43	117	3.4	2,368	BBB+
GS	Goldman Sachs	263	196	1.7	7.5	76	0.4	4.6	10.6	1.9	14.80	130	4.1	1,577	BBB+
JPM	JPMorgan Chase	442	737	2.2	10.7	45	0.3	4.3	9.7	2.1	15.40	113	13.4	3,898	A
MS	Morgan Stanley	205	207	2.1	2.8	62	0.4	4.4	10.6	2.9	15.30	130	3.4	1,169	A-
STT	State Street	141	28	1.2	-0.7		0.9	4.4	9.1	3.1	11.00	106	0.5	284	A
WFC	Wells Fargo	164	241	1.5	5.3	60	0.4	5.1	9.3	2.2	11.09	125	4.6	1,909	BBB+
TD	Toronto Dominion	148	119	1.4	23.3	61	0.1	2.8	11.1	4.5	14.90	141	2.1	1,433	A+
RBC	Royal Bank of Canada	172	183	2.0	2.6	51	0.1	2.7	11.1	3.3	13.20	128	2.6	1,487	AA-
North America		237.3	2,249	1.6	7.7	59	0.4	4.2	10.1	2.7	13.24	122	42	17685	
BARC	Barclays	276	63	0.8	22.4	66	0.2	4.4	14.9	2.6	13.90	175	2.3	1,943	BBB+
HSBC	HSBC Group	372	206	1.2	10.5	57	0.2	4.2	13.5	5.9	14.70	139	10.6	3,021	A-
STAN	Standard Chartered	139	37	0.8	17.2	62	0.2	4.2	14.0	2.5	13.80	147	1.4	826	BBB+
United Kingdom		262	306	0.9	16.7	62	0.2	4.3	14.1	3.6	14.1	154	14	5789	
BNP	BNP Paribas	335	99	0.7	30.7	45	0.2	2.3	11.9	6.2	12.40	133	3.4	2,858	A+
CA	Credit Agricole	244	56	0.8	22.6	43	0.2	2.1	9.8	6.8	12.10	144	2.1	2,295	A+
DB	Deutsche Bank	234	55	0.7	48.5	59	0.2	2.0	13.4	2.8	13.80	134	1.5	1,437	A
	GROUP BPCE	146						3.0	10.6	0.0	16.20	142		1,626	
ING	ING Group	150	67	1.1	25.7	52	0.2	2.3	11.9	5.6	13.60	142	1.7	1,081	A-
SAN	Banco Santander	200	122	1.0	59.1	47	0.2	2.1	16.8	3.0	12.90	157	3.1	1,922	A+
SG	Societe Generale	211	44	0.5	77.7	50	0.1	1.9	12.6	2.3	13.40	140	0.7	1,692	A
UBS	UBS Group	287	107	1.2	-2.8	54	0.6	0.2	11.6	2.8	14.30	181	1.8	1,645	A-
Europe		226	550	0.9	37.4	50	0.2	2.0	12.4	3.7	13.59	147	14	14,555	
MUFG	Mitsubishi UFJ Financial Group	247	165	1.1	7.1		0.4	1.0	12.3	3.5	14.18	164	4.1	2,987	A-
MFG	Mizuho Financial Group	162	69	0.9	2.2	51	0.4	0.9	12.0	3.7	13.23	125	1.8	1,922	A-
SMFG	Sumitomo Mitsui Financial Group	173	97	1.0	-3.8	42	0.4	0.9	12.1	3.8	12.44	138	1.8	2,020	A-
Japan		194	332	1.0	1.8	46	0.4	0.9	12.2	3.7	13.28	142	8	6,929	
ABC	Agricultural Bank of China	257	265	0.6	12.0	52	0.1	1.8	6.5	5.5	11.23	133	9.8	5,303	A
BOC	Bank of China	282	212	0.5	16.6	54	0.1	1.7	7.0	2.8	11.82	143	7.8	4,353	A
CCB	China Construction Bank	249	227	0.5	8.2	49	0.2	1.8	7.5	6.3	13.98	125	12.1	5,186	A
ICBC	Industrial & Comm Bank of China	299	328	0.5	9.4	47	0.2	1.7	6.3	6.3	13.89	121	12.2	6,095	A
BOCOM	Bank of Communications	134	73	0.5	8.9		0.2	1.9	7.8	6.0	10.24	140	3.5	1,895	A-
China		244	1105	0.5	11.0	50.6	0.2	1.8	7.0	5.4	12.2	132.3	45	22,831	
Total		233	4,541	1.0	14.9	54	0.3	2.6	11.2	3.8	13.30	139	123	67,790	
Red Highlights				*< 1.0*	*< 0.0*	*Highest*	*Highest*	*Highest*	*Highest*	*Lowest*	*Lowest*	*Lowest*	*Lowest*		
Green Highlights				*Highest*	*> 0.0*	*Lowest*	*Lowest*	*Lowest*	*Lowest*	*Highest*	*Highest*	*Highest*	*Highest*		

Note: Regional averages are asset-weighted average of each bank in the region

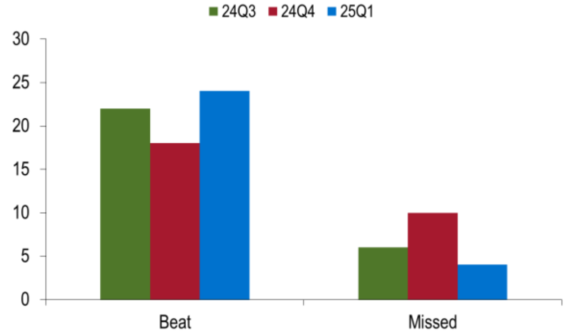
Note: As of 1Q25, unless otherwise noted. Market pricing is as of May 27, 2025. Regional averages are asset-weighted. Throughout this note, "EUR" includes all European banks. "NA" includes US and Canadian banks, "JP" = Japanese and "CN" = Chinese banks. "TOT" is the total across all G-SIBs. Credit Suisse is excluded due to acquisition by UBS.
Source: Bloomberg and IMF Staff Analysis.

Earnings Overview

G-SIBs' earnings surprised to the upside

Chart 2.1. Adjusted Earnings per Share vs. Consensus Estimates

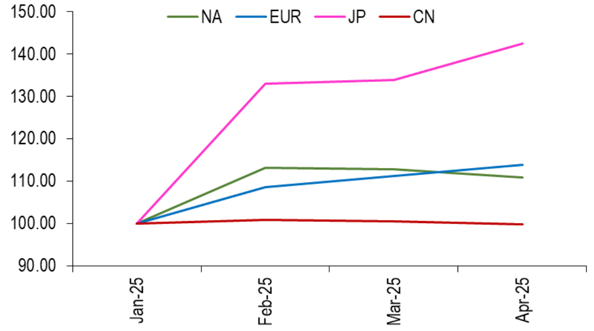
(Number of institutions)



Outlook improved in Japan, cautious in Europe & NA

Chart 2.2. 2026 Consensus Net Income Forecast

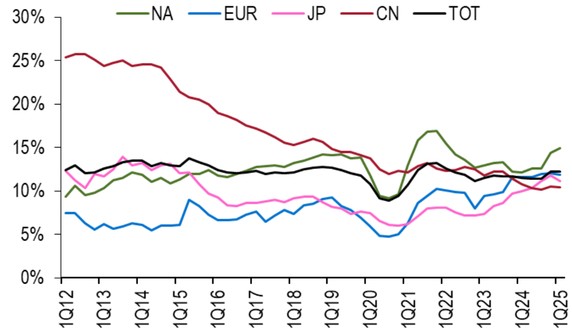
(Average across banks, indexed to January)



ROA continues to decline in China

Chart 2.3.Operating ROE

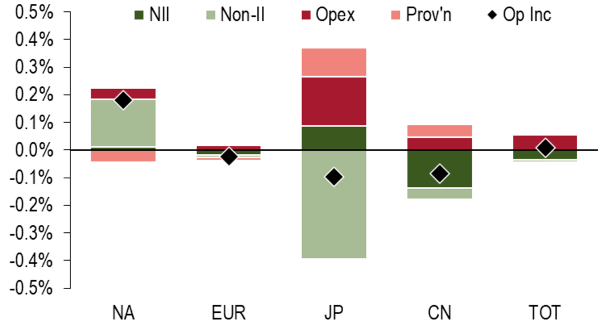
(Percent)



Drivers of ROA differ across regions

Chart 2.4. Decomposition of Quarterly Change in Operating ROA, 2025:Q1 vs. 2024:Q1

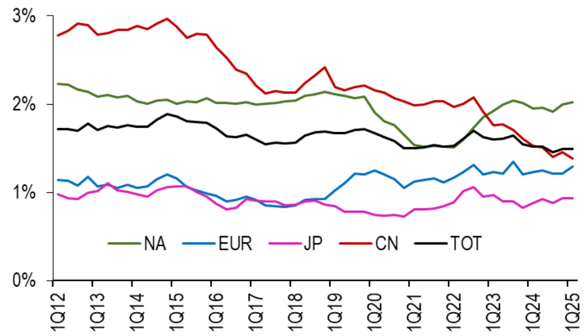
(Percentage points)



Modest NIM pressure in a falling rate environment

Chart 2.5. Annualized Net Interest Margin

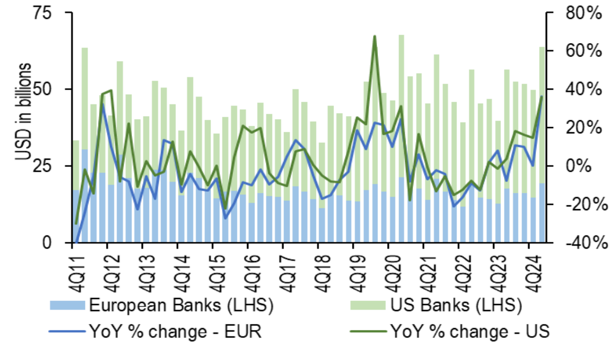
(Percent)



Strong markets revenues support non-interest income

Chart 2.6. Investment Banking and Trading Revenues

(USD in billions; Percent yoy)



Capital

Capital ratios steadied amid hefty distributions to shareholders via dividens and shares repurchases.

Chart 3.1. CET1 Progression: North America
(Percent of risk-weighted assets)

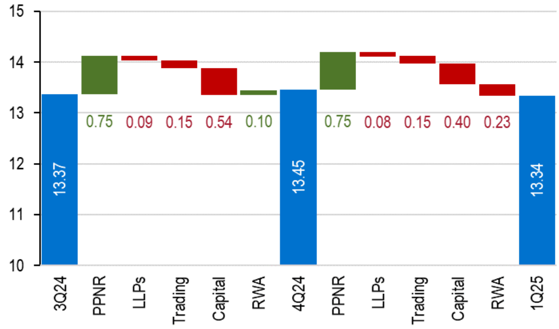


Chart 3.2. CET1 Progression: Europe and UK
(Percent of risk-weighted assets)

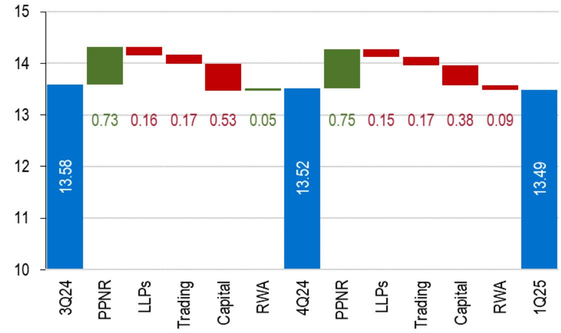


Chart 3.3. CET1 Progression: Japan
(Percent of risk-weighted assets)

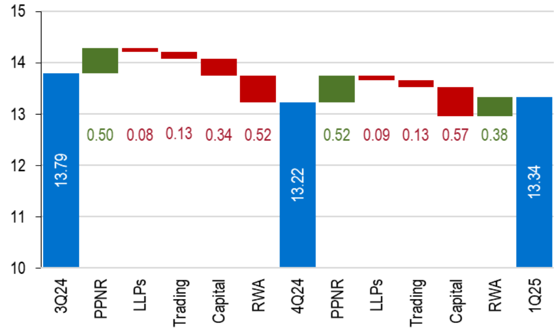
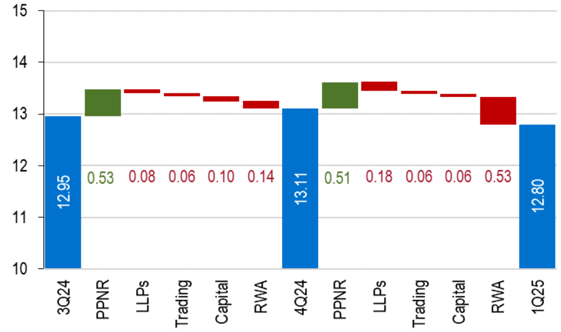
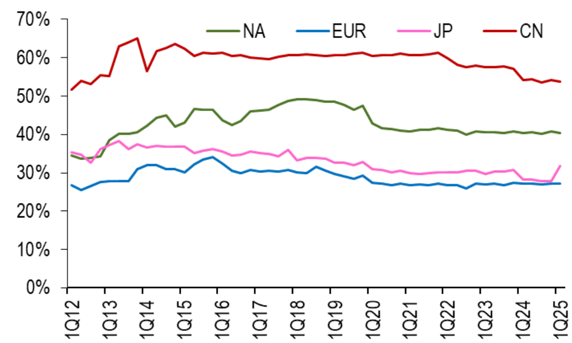


Chart 3.4. CET1 Progression: China
(Percent of risk-weighted assets)



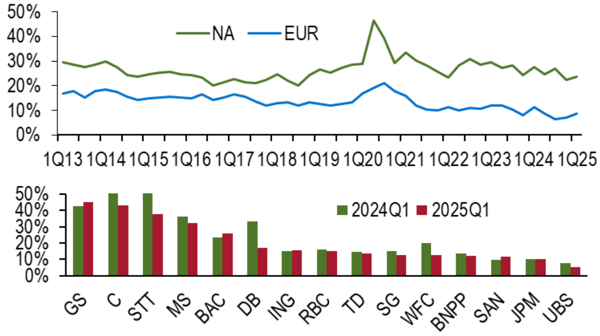
RWA density continues to vary across regions

Chart 3.5. Risk-weighted Assets/Total Assets
(Percentage points)



Exposure to market risk broadly stable

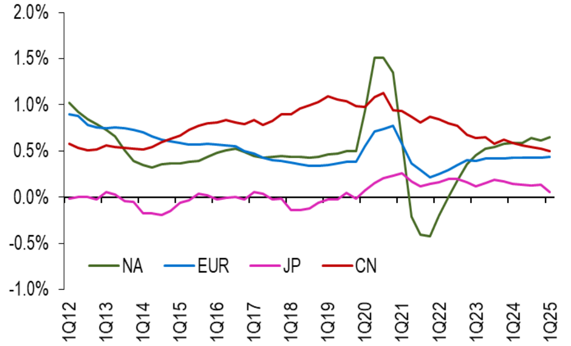
Chart 3.6. Value-at-risk/Total Assets
(Percent of risk-weighted assets)



Asset Quality

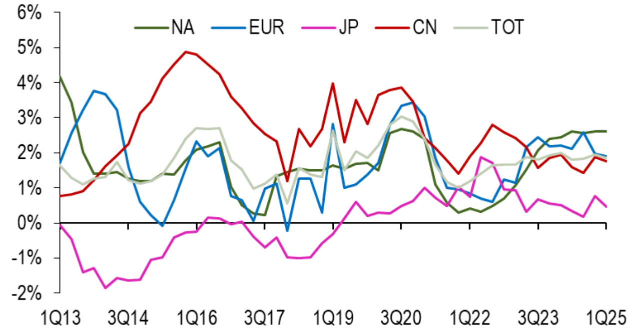
Credit costs have edged up in the US and EUR

Chart 4.1. Loan Loss Provision Expenses / Loans
(4Q trailing, annualized, percent)



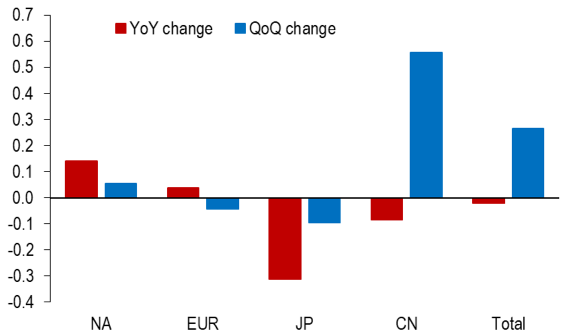
Mirroring underlying new bad debt formation

Chart 4.2. Estimated New NPL Formation Rate
(4Q trailing, annualized, percent)



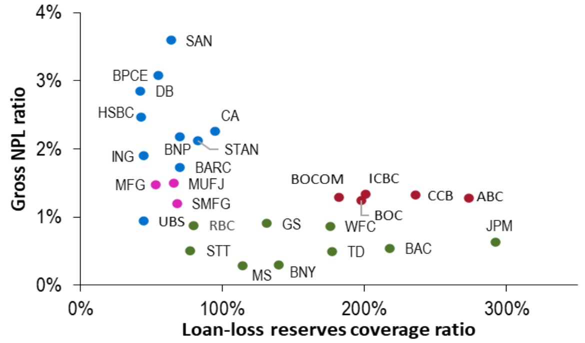
1Q25 Provision ticked-up QoQ

Chart 4.3. Accumulated provisions/Loans
(Percent)



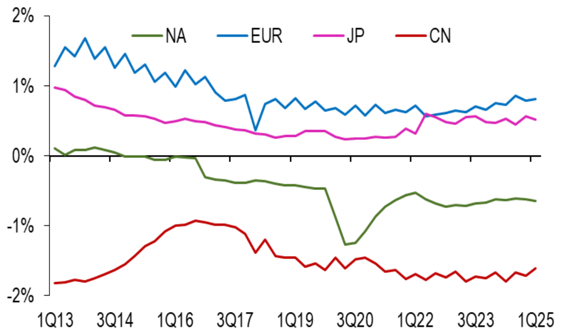
EUR and JP banks retain more NPLs, reserve less

Chart 4.4. Gross NPL and Reserves Coverage Ratios
(Percent)



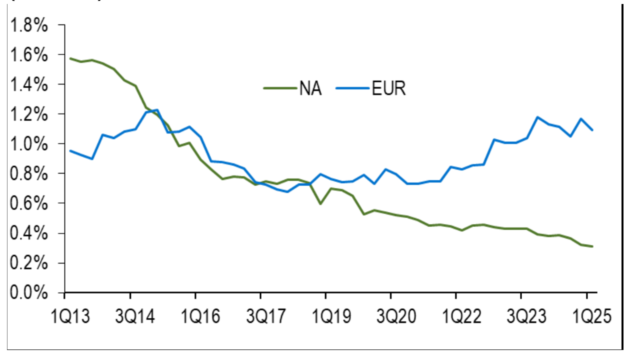
So net NPL ratios vary sharply across regions

Chart 4.5. Net NPL ratio (NPLs - loan-loss reserves)
(Percent)



European GSIBs are holding more iliquid assets

Chart 4.6. Level 3 Assets Share of Total
(Percent)

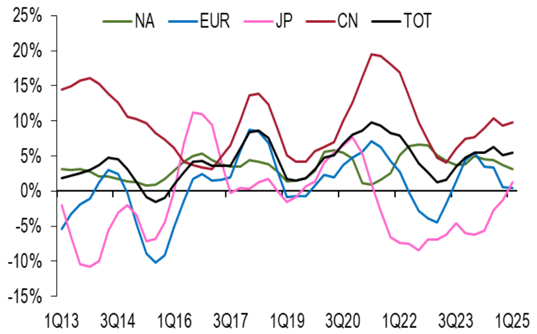


Loan Growth and Funding

Loan growth is recovering in China and Japan

Chart 5.1. Growth of customer loans

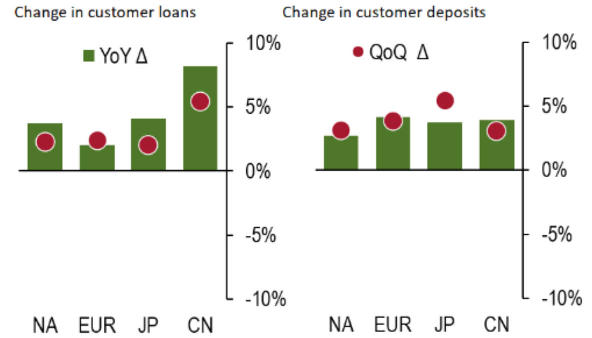
(Percent YoY)



Deposits grew faster than loans QoQ

Chart 5.2. Change of Loans and Deposits

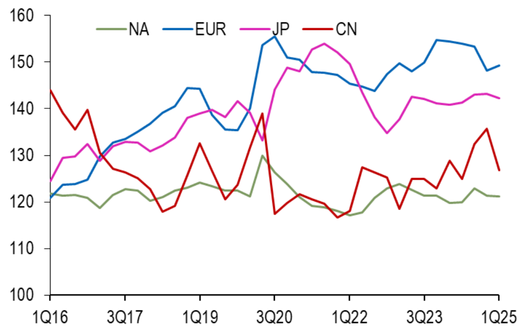
(Percent YoY and QoQ)



Liquidity coverage ratios remain well above required minimum

Chart 5.3. Liquidity Coverage Ratio

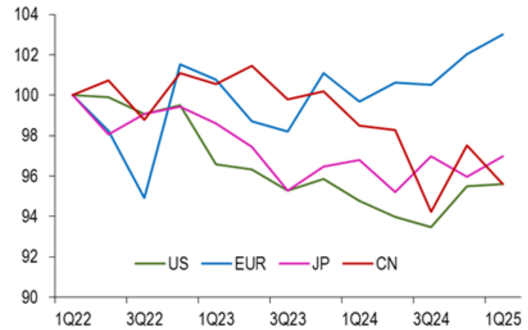
(Percent)



Deposit funding rose in Europe and US, stablilised in Japan, and returned to decline in China

Chart 5.4. Deposits / Liabilities

(Indexed to 2022Q1 = 100)



Sources: Bank financial statements, SNL, Bloomberg LP, and IMF Staff.

Note: Chart 2.1 is based on consensus expectations for 3Q23. Chart 2.2, shows 'underlying' operating performance which excludes tax, non-operating items and misconduct charges. Chart 2.3, Operating ROA based on adjusted assets to common IFRS standard to normalize for balance sheet size. Chart 2.4, NII = Net interest income; Non-II = Non-interest income; Opex = Operating expense; Prov'n = Provision for loan losses; Op Inc = Operating income before taxes and extraordinary items. Chart 3.1 to Chart 3.4, CET1= common equity tier 1 ratio; RWA = risk-weighted assets PPNR = pre-provision net revenue; LLPs = loan-loss provisions; Trading = gains on trading and investment; Capital = capital management (dividends, buybacks, other comprehensive income). Chart 4.2, NPL = non-performing loans; NPL formation ratio is estimated from changes in balance sheet gross NPLs and loan-loss reserves, and income statement provisions. Chart 4.6, Level 3 assets are illiquid holdings difficult to value and perhaps to liquidate.