



## GLOBAL MARKETS ANALYSIS

Monetary and Capital Markets

# GSIBS' 3Q24 RESULTS: CONTINUED ROBUST PERFORMANCE

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### GLOBAL SYSTEMICALLY IMPORTANT BANKS (G-SIBS) EQUITY PRICE RALLY CONTINUES

GSIB equity prices rose sharply during 3Q24 in all regions except Europe (ex-UK), with Japan up 32% and North American, British and Chinese G-SIBs also rising 17-20% (Chart 1.1). Most of the gains reflect increased price-to-book (PBR) multiples, indicating improved earnings outlook and more bullish equity market sentiment. This price movement continued price strength observed in recent quarters. However, all Chinese and most European G-SIBs continue to trade below book value, mainly reflecting low prospective returns or higher cost of equity amid domestic uncertainty (Charts 1.2 and 1.3).

### EARNINGS OUTLOOK HAS IMPROVED FOR NORTH AMERICAN AND JAPANESE G-SIBS

Only three of 29 G-SIBs fell short of 3Q24 earnings forecasts. However, 2025 earnings' expectations for European and Chinese banks have been relatively steady, while US and Japanese 2025 banks earnings' expectations have risen in 2024 (Charts 2.1-2.3).

### BETTER-THAN-EXPECTED NET INTEREST AND NON-INTEREST INCOME SUPPORTED EARNINGS

Return on assets rose quarter-on-quarter in Q3 for G-SIBs in Japan, European and North America, and fell only for Chinese banks. Rising profitability was driven mainly by positive revenue dynamics, with net interest income and margins delivering less negative sequential drag than the market expected in an environment of declining interest rates (Charts 2.4 and 2.5). This result seems to reflect a mix of continued subdued loan growth and limited pass-through of lower 'front-book' rates to average yields (due to more fixed-rate lending or more limited loan growth) and more pervasive and effective hedges against declining rates. Subdued pressure on net interest income and margins was outweighed by strong non-interest income generation due mainly to high capital market and wealth management volumes (Chart 2.6). Earnings were supported by continued improvements in operating costs, especially in Europe and North America.

### CAPITAL BUFFERS RISING IN NORTH AMERICA AND JAPAN, FALLING FOR EUROPEAN AND CHINESE G-SIBS

Average CET1 ratios in the North America and (particularly) in Japan rose over the past two quarters on strong profitability and stable pay-out ratios, while European and Chinese peers reported small CET1 declines due to aggressive capital distribution and weaker earnings accretion, respectively (Charts 3.1 to 3.4). Europe and China report similar capital ratios to US peers despite much lower average risk weights (or 'RWA density' - risk-weighted assets/total assets) (Charts 3.5 and 3.6).

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

The cost of credit risk (net inflows of loan-loss provisions/total loans) has risen in Q3 to 64 bps in North America, up 10 bps from the previous trailing four quarter average, mirroring increasing defaults and delinquencies, while in Europe the cost of risk remained lower through 2024 as banks could leverage on unused provisions overlays booked in past years (i.e. during the pandemic or after Russia's invasion of Ukraine) to mitigate the P&L impacts of credit deterioration (Charts 4.1 and 4.2). Provision charges in 3Q24 were flat QoQ, except in China (Chart 4.3). North American G-SIBs report the strongest balance sheet asset quality, with low gross non-performing loan (NPL) ratios and highest reserves coverage ratios, while European peers are the weakest, with loan-loss reserves well below NPLs (Chart 4.4). These patterns are broadly consistent over time, but the divergence between North American and European G-SIBs has widened slightly over the past two years (Chart 4.5). Moreover, North American G-SIBs have steadily shrunk their "Level 3" (illiquid, hard-to-value) assets, while European peers' Level 3 positions have increased in recent years (but ticked downward slightly over the past few quarters).

### LOAN GROWTH RECOVERING; LIQUIDITY STABLE OVERALL, POSSIBLY FRAGILE IN SOME AREAS

In general, G-SIB loan growth in 2024 has been broadly consistent with historical patterns, in contrast with the more tepid loan growth of broader regional banking sectors. North American G-SIBs' annual loan growth of 4.4% is slightly above averages over the past five ten years; while European banks' loan growth has stagnated following a post-COVID acceleration; and both Japanese and Chinese G-SIBs' loan growth is recovering from recent lows (Chart 5.1). In 3Q24, deposit growth exceeded loan growth in all regions except for Chinese G-SIBs, due to sharp QoQ loan growth (Chart 5.2). Average liquidity coverage ratios have been generally stable well above the 100% required minimum; European banks have the largest buffers while North American banks the lowest. (Chart 5.3). However, bank funding stability measured by customer deposits' share of total liabilities suggests increased reliance on non-deposit (i.e., wholesale) funding, particularly in North America and China (Chart 5.4).

## GSIBS' Share price performance and valuations As of 12/10/2024

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

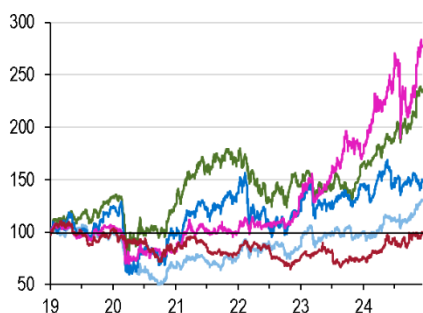


Chart 1.2. Price to Book Ratio

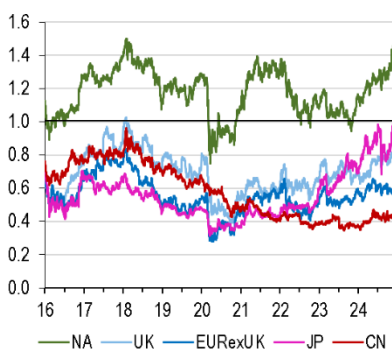


Chart 1.3. Price to Book vs ROE

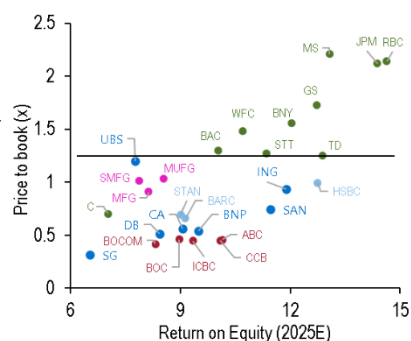


Table 1. Selected Financial Data

| Ticker           | Bank Name                       | GSIB Score<br>Dec-2023 Data | Market Cap<br>(USD Bn) | Price to<br>Book | % Price<br>Change<br>(YTD) | CDS     | 2yr Default<br>Prob (%) | Implied<br>Cost of<br>Debt (%) | Implied<br>Cost of<br>Equity (%) | Dividend<br>Yield (%) | CET1<br>Ratio (%) | Liquidity<br>Coverage<br>Ratio (%) | Net<br>Income<br>(USD Bn) | Total<br>Asset<br>(USD Bn) | S&P<br>Rating |
|------------------|---------------------------------|-----------------------------|------------------------|------------------|----------------------------|---------|-------------------------|--------------------------------|----------------------------------|-----------------------|-------------------|------------------------------------|---------------------------|----------------------------|---------------|
| BAC              | Bank of America                 | 327                         | 352                    | 1.3              | 36.4                       | 52      | 0.2                     | 5.2                            | 10.5                             | 2.3                   | 11.80             | 115                                | 6.7                       | 3,153                      | A-            |
| BNY              | Bank of New York Mellon         | 150                         | 59                     | 1.6              | 54.9                       | 22      | 0.2                     | 4.2                            | 9.3                              | 2.3                   | 11.90             | 116                                | 1.0                       | 405                        | A             |
| C                | Citigroup                       | 361                         | 136                    | 0.7              | 39.7                       | 52      | 0.2                     | 4.2                            | 10.3                             | 3.1                   | 13.71             | 117                                | 3.4                       | 2,368                      | BBB+          |
| GS               | Goldman Sachs                   | 263                         | 193                    | 1.7              | 54.0                       | 55      | 0.2                     | 4.6                            | 10.9                             | 2.0                   | 14.60             | 133                                | 4.1                       | 1,577                      | BBB+          |
| JPM              | JPMorgan Chase                  | 442                         | 686                    | 2.1              | 43.3                       | 41      | 0.2                     | 4.2                            | 9.5                              | 2.0                   | 15.30             | 114                                | 13.4                      | 3,898                      | A             |
| MS               | Morgan Stanley                  | 205                         | 207                    | 2.2              | 37.9                       | 53      | 0.2                     | 4.3                            | 10.7                             | 2.9                   | 15.10             | 134                                | 3.4                       | 1,169                      | A-            |
| STT              | State Street                    | 141                         | 29                     | 1.3              | 28.4                       |         | 0.4                     | 4.3                            | 9.5                              | 3.1                   | 11.60             | 107                                | 0.5                       | 284                        | A             |
| WFC              | Wells Fargo                     | 164                         | 242                    | 1.5              | 47.5                       | 52      | 0.3                     | 4.9                            | 9.4                              | 2.2                   | 11.30             | 127                                | 4.6                       | 1,909                      | BBB+          |
| TD               | Toronto Dominion                | 148                         | 92                     | 1.3              | -12.8                      | 39      | 0.2                     | 2.7                            | 11.1                             | 5.6                   | 13.10             | 138                                | 2.1                       | 1,432                      | A-            |
| RBC              | Royal Bank of Canada            | 172                         | 178                    | 2.1              | 33.2                       | 36      | 0.0                     | 3.0                            | 10.8                             | 3.3                   | 13.20             | 128                                | 2.6                       | 1,487                      | AA-           |
| North America    |                                 | 237.3                       | 2,175                  | 1.6              | 36.2                       | 45      | 0.2                     | 4.2                            | 10.2                             | 2.9                   | 13.16             | 123                                | 42                        | 17,684                     |               |
| BARC             | Barclays                        | 276                         | 49                     | 0.7              | 73.3                       | 63      | 0.1                     | 5.0                            | 14.5                             | 3.1                   | 13.80             | 170                                | 2.3                       | 1,943                      | BBB+          |
| HSBC             | HSBC Group                      | 372                         | 172                    | 1.0              | 20.9                       | 49      | 0.1                     | 4.7                            | 12.4                             | 6.4                   | 15.20             | 137                                | 10.6                      | 3,021                      | A-            |
| STAN             | Standard Chartered              | 139                         | 31                     | 0.7              | 49.2                       | 58      | 0.2                     | 4.2                            | 13.2                             | 2.4                   | 14.20             | 143                                | 1.4                       | 826                        | BBB+          |
| United Kingdom   |                                 | 262                         | 252                    | 0.8              | 47.5                       | 56      | 0.1                     | 4.6                            | 13.4                             | 3.9                   | 14.4              | 150                                | 14                        | 5,789                      |               |
| BNP              | BNP Paribas                     | 335                         | 71                     | 0.5              | -4.5                       | 46      | 0.2                     | 2.3                            | 11.6                             | 7.7                   | 12.70             | 133                                | 3.4                       | 2,858                      | A+            |
| CA               | Credit Agricole                 | 244                         | 42                     | 0.6              | 2.6                        | 43      | 0.2                     | 2.3                            | 9.6                              | 8.0                   | 11.70             | 152                                | 2.1                       | 2,295                      | A+            |
| DB               | Deutsche Bank                   | 234                         | 36                     | 0.5              | 36.8                       | 59      | 0.2                     | 2.6                            | 11.6                             | 2.7                   | 13.80             | 135                                | 1.5                       | 1,437                      | A             |
| GROUP BPCE       |                                 | 146                         |                        |                  |                            |         |                         | 2.8                            | 9.9                              | 0.0                   | 15.60             | 154                                |                           | 1,626                      |               |
| ING              | ING Group                       | 150                         | 51                     | 0.9              | 11.8                       | 47      | 0.2                     | 2.2                            | 12.2                             | 7.3                   | 14.30             | 146                                | 1.7                       | 1,081                      | A-            |
| SAN              | Banco Santander                 | 200                         | 76                     | 0.7              | 23.5                       | 45      | 0.2                     | 2.2                            | 17.3                             | 4.2                   | 12.50             | 161                                | 3.1                       | 1,922                      | A+            |
| SG               | Societe Generale                | 211                         | 22                     | 0.3              | 10.9                       | 51      | 0.5                     | 2.2                            | 11.7                             | 3.4                   | 13.20             | 156                                | 0.7                       | 1,692                      | A             |
| UBS              | UBS Group                       | 287                         | 111                    | 1.2              | 9.5                        | 53      | 0.5                     | 0.2                            | 13.3                             | 2.3                   | 14.30             | 212                                | 1.8                       | 1,645                      | A-            |
| Europe           |                                 | 226                         | 410                    | 0.7              | 12.9                       | 49      | 0.3                     | 2.1                            | 12.1                             | 4.4                   | 13.51             | 156                                | 14                        | 14,555                     |               |
| MUFG             | Mitsubishi UFJ Financial Group  | 247                         | 144                    | 1.0              | 49.1                       |         | 0.3                     | 0.8                            | 10.8                             | 3.3                   | 14.35             | 163                                | 4.1                       | 2,987                      | A-            |
| MFG              | Mizuho Financial Group          | 162                         | 64                     | 0.9              | 58.0                       | 38      | 0.3                     | 0.7                            | 10.4                             | 3.4                   | 13.69             | 132                                | 1.8                       | 1,922                      | A-            |
| SMFG             | Sumitomo Mitsui Financial Group | 173                         | 98                     | 1.0              | 65.3                       | 42      | 0.3                     | 0.7                            | 10.8                             | 3.2                   | 13.18             | 134                                | 1.8                       | 2,020                      | A-            |
| Japan            |                                 | 194                         | 305                    | 1.0              | 57.5                       | 40      | 0.3                     | 0.8                            | 10.7                             | 3.3                   | 13.74             | 143                                | 8                         | 6,929                      |               |
| ABC              | Agricultural Bank of China      | 257                         | 239                    | 0.5              | 38.9                       | 63      | 0.2                     | 1.8                            | 6.6                              | 3.0                   | 11.42             | 127                                | 9.8                       | 5,303                      | A             |
| BOC              | Bank of China                   | 282                         | 193                    | 0.5              | 29.2                       | 60      | 0.1                     | 1.7                            | 7.3                              | 3.4                   | 12.03             | 138                                | 7.8                       | 4,353                      | A             |
| CCB              | China Construction Bank         | 249                         | 204                    | 0.5              | 34.4                       | 55      | 0.2                     | 1.8                            | 7.5                              | 3.4                   | 14.10             | 120                                | 12.1                      | 5,186                      | A             |
| ICBC             | Industrial & Comm Bank of China | 299                         | 292                    | 0.4              | 26.2                       | 55      | 0.1                     | 1.8                            | 6.5                              | 3.2                   | 13.95             | 138                                | 12.2                      | 6,095                      | A             |
| BOCOM            | Bank of Communications          | 134                         | 67                     | 0.4              | 21.8                       |         | 0.2                     | 2.0                            | 8.3                              | 3.3                   | 10.30             | 144                                | 3.5                       | 1,895                      | A-            |
| China            |                                 | 244                         | 996                    | 0.4              | 30.1                       | 58.3    | 0.2                     | 1.8                            | 7.3                              | 3.2                   | 12.4              | 133.4                              | 45                        | 22,831                     |               |
| Total            |                                 | 233                         | 4,138                  | 0.9              | 36.8                       | 50      | 0.2                     | 2.7                            | 10.7                             | 3.6                   | 13.43             | 141                                | 123                       | 67,789                     |               |
| Red Highlights   |                                 |                             |                        | < 1.0            | < 0.0                      | Highest | Highest                 | Highest                        | Lowest                           | Lowest                | Highest           | Highest                            | Lowest                    |                            |               |
| Green Highlights |                                 |                             |                        | Highest          | > 0.0                      | Lowest  | Lowest                  | Lowest                         | Highest                          | Highest               | Highest           | Highest                            | Highest                   |                            |               |

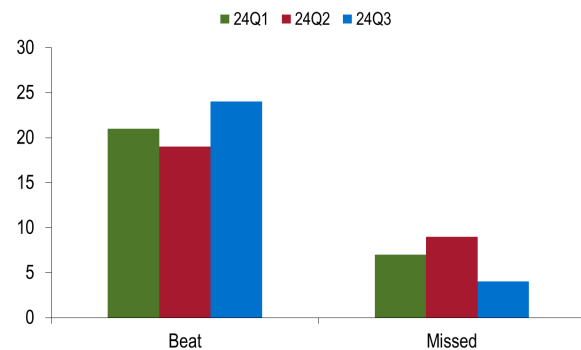
Note: Regional averages are asset-weighted average of each bank in the region

Note: As of 3Q24, unless otherwise noted. Market pricing is as of December 13, 2024. 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

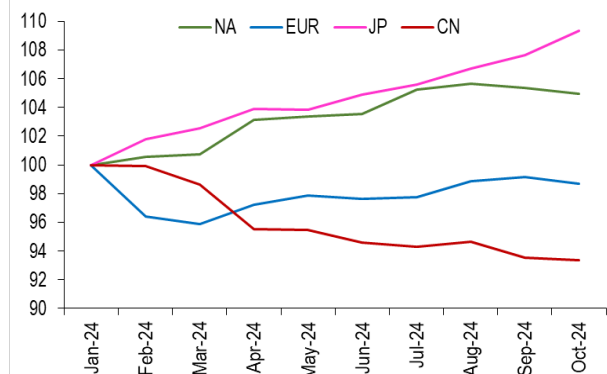
*GSIB earnings surprised to the upside*

**Chart 2.1. Adjusted Earnings per Share vs. Consensus Estimates**  
(Number of institutions)



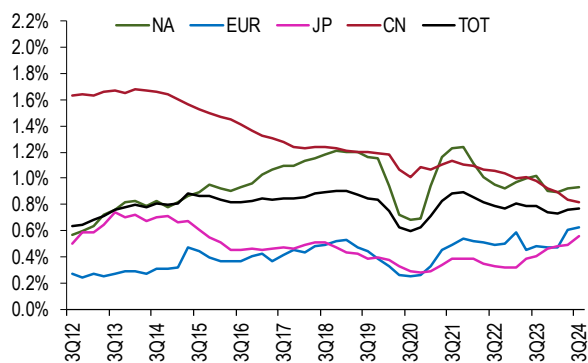
*Outlook has improved in Japan and the US*

**Chart 2.2. 2025 Consensus Net Income Forecast**  
(Average across banks, indexed to January)



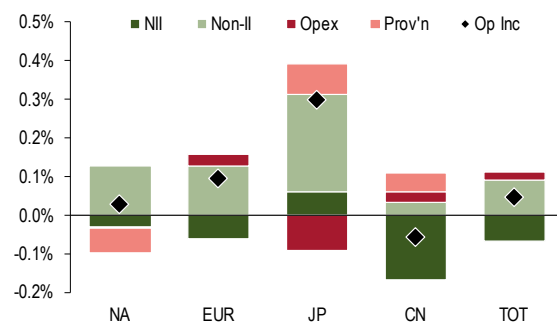
*... ROA up sharply in EUR and JP; bounce in NA ...*

**Chart 2.3. Operating ROA**  
(Percentage points, ex conduct charges)



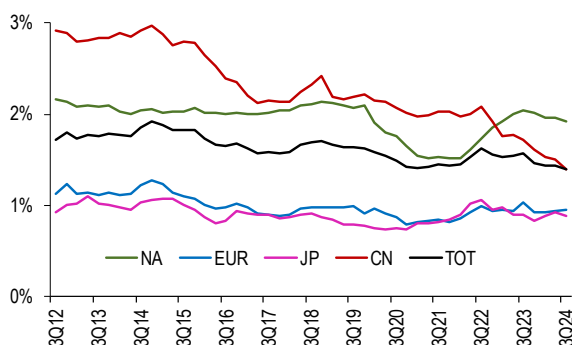
*as non-II gains overcompensate for NII pressure*

**Chart 2.4. Decomposition of Quarterly Change in Operating ROA, 2024:Q3 vs. 2023:Q3**  
(Percentage points)



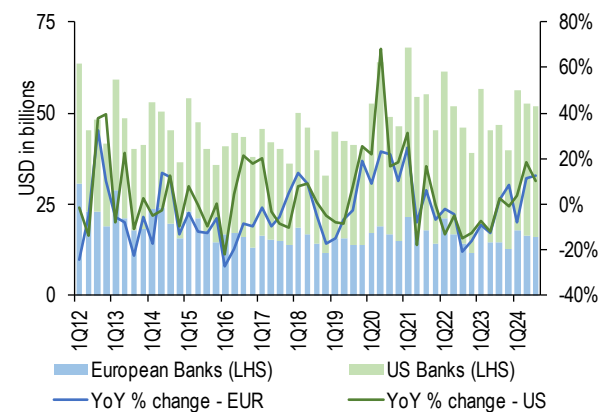
*Modest NIM pressure in a falling rate environment*

**Chart 2.5. Annualized Net Interest Margin**  
(Percent)



*Strong markets revenues support non-interest income*

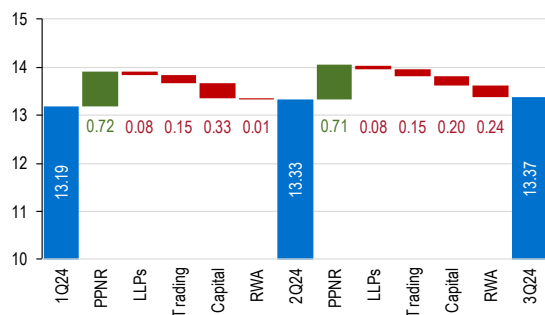
**Chart 2.6. Investment Banking and Trading Revenues**  
(USD in billions; Percent yoy)



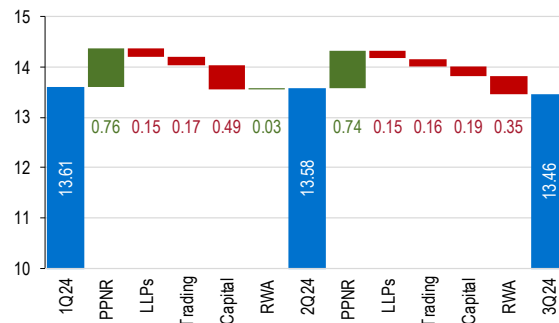
## Capital

Capital ratios have risen modestly in the US and Japan and fallen slightly in Europe/UK and China

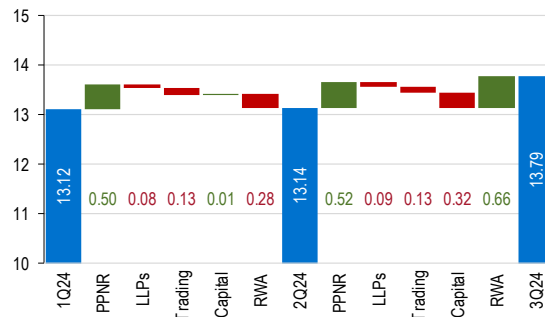
**Chart 3.1. CET1 Progression: North America**  
(Percent of risk-weighted assets)



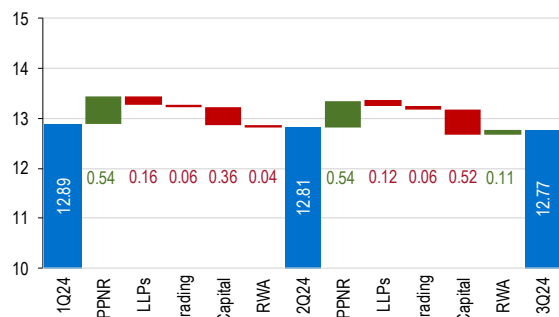
**Chart 3.2. CET1 Progression: Europe and UK**  
(Percent of risk-weighted assets)



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

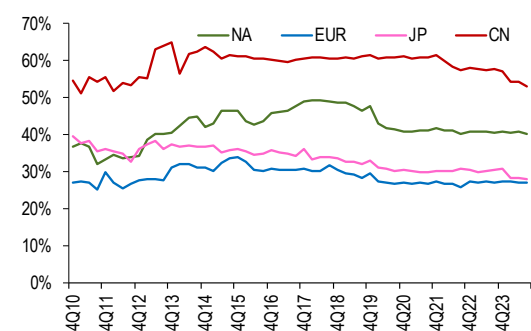


**Chart 3.4. CET1 Progression: China**  
(Percent of risk-weighted assets)



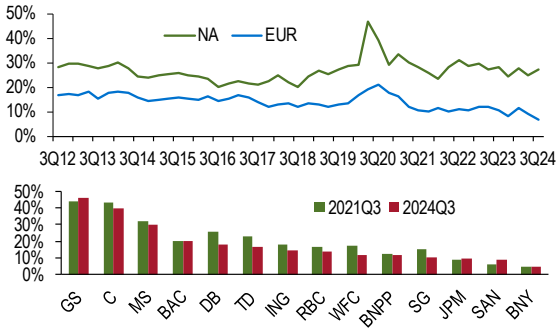
RWA density varies across banks and is gradually declining in some regions

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



Most G-SIBs are reducing value-at-risk

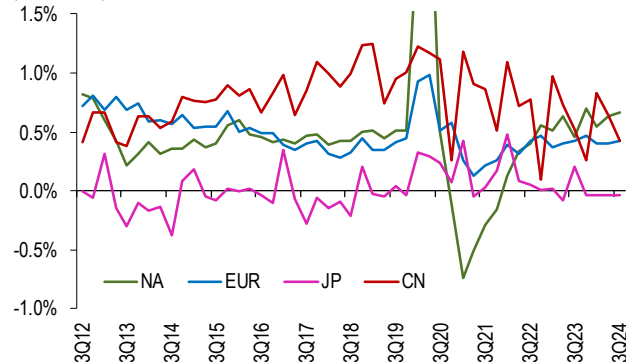
**Chart 3.6. Value-at-risk/Total Assets**  
(Percent of risk-weighted assets)



## Asset Quality

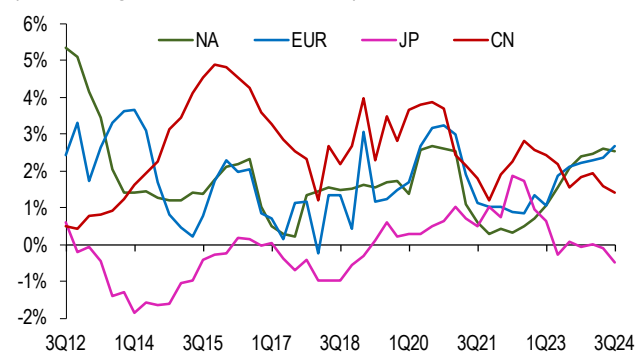
*Credit costs have trended up in the US and EUR*

**Chart 4.1. Change in Provision Expense / Loans (Percent)**



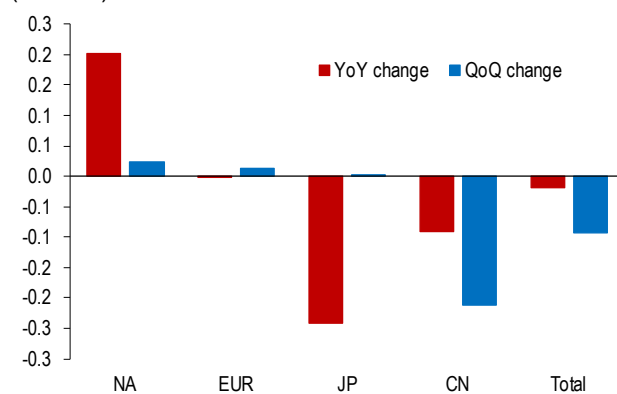
*Mirroring underlying new bad debt formation*

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



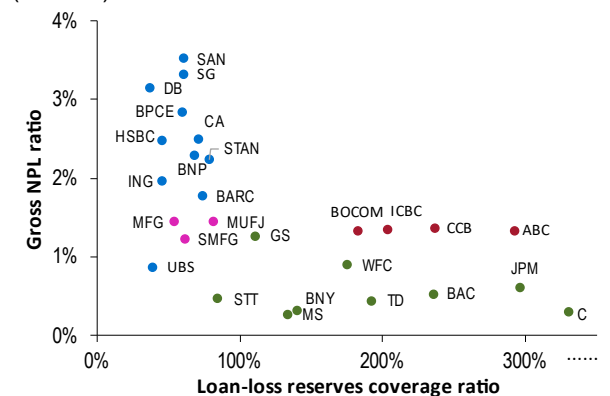
*3Q24 provision charges were stable QoQ*

**Chart 4.3. Provisions/Average Loans (Percent)**



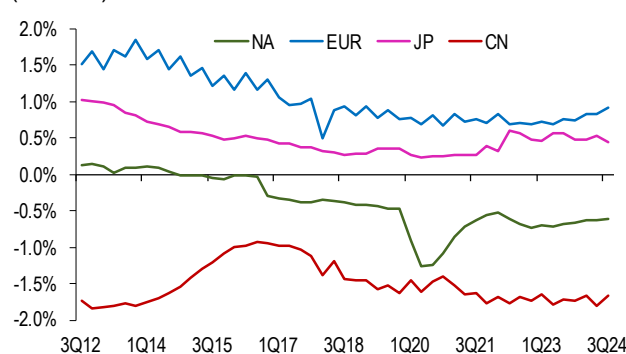
*EUR and JP banks retain more NPLs, reserve less*

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



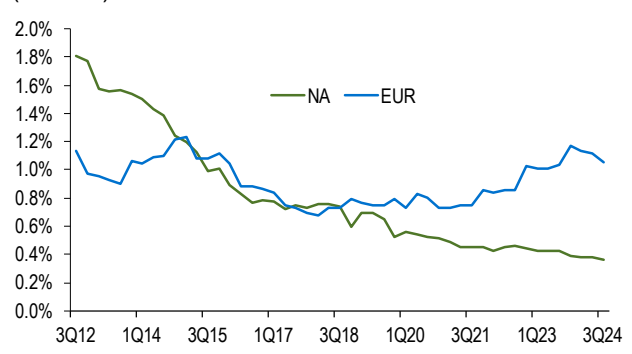
*So net NPL ratios vary sharply across regions*

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



*Level 3 assets also higher and rising in EUR*

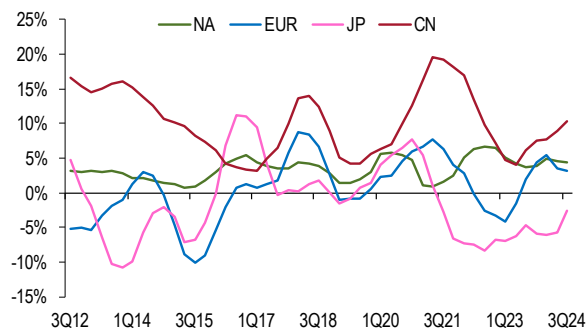
**Chart 4.6. Level 3 Assets Share of Total (Percent)**



## Loan Growth and Funding

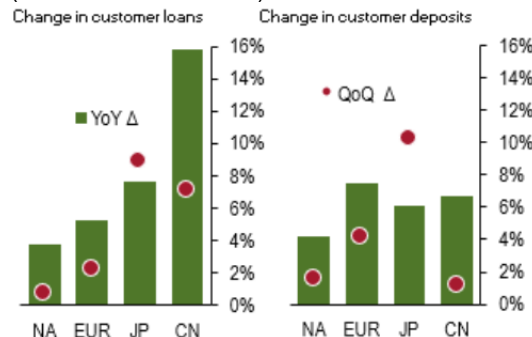
*Modest loan growth, decelerating in US and EUR*

**Chart 5.1. Growth of customer loans**  
(Percent YoY)



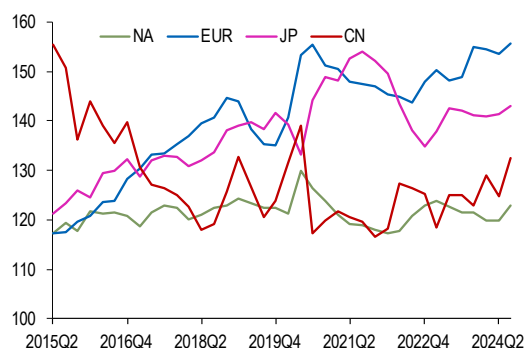
*Deposits grew faster, except JP QoQ*

**Chart 5.2. Change of Loans and Deposits**  
(Percent YoY and QoQ)



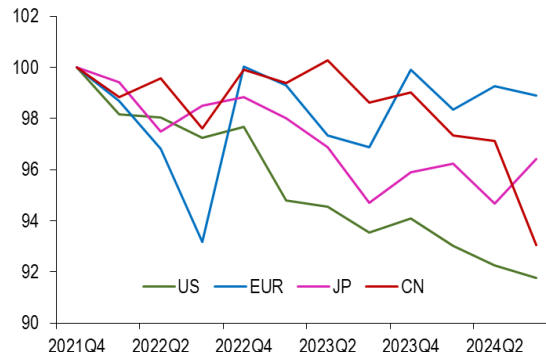
*Liquidity coverage ratios remain well above required minimum*

**Chart 5.3. Liquidity Coverage Ratio**  
(Percent)



*Broad metrics suggest deposit funding has declined, so reliance on wholesale funding has risen*

**Chart 5.4. Deposits / Liabilities**  
(Indexed to 2021Q4 = 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.