2018 GSIB Key Ratio’s Analysis - Japanese focus

GSIB Coverage:
As published by Financial Stability Board (FSB) 16th November 2018 (29 banks)

Sources:
Company externally published results and investor presentations

Measures:
ROE – Return on Equity
ROTE – Return on Tangible Equity
CET1 – Core Equity Tier 1 (Capital Adequacy Ratio)
SLR – Supplementary Leverage Ratio
TPR – Total Payout Ratio

GSIB Ratio’s Legend:
Japanese GSIB’s returns declined in 2018 – with MHFG particularly badly hit
Japanese, UK and some EUR GSIB's are struggling to deliver returns on equity > cost of equity capital (circa 9-11%)
Japanese GSIB capital adequacy is low relative to peers.
Japanese GSIB’s are at the low end of the SLR range (most leveraged)
MHFG has raised its CIR target after struggling in 2018 and is now in a group of peers >75% CIR where efficiency improvement is critical.
MHFG maintained dividend payouts even after poor results and MUFG and SMFG conducted buybacks despite challenges ....