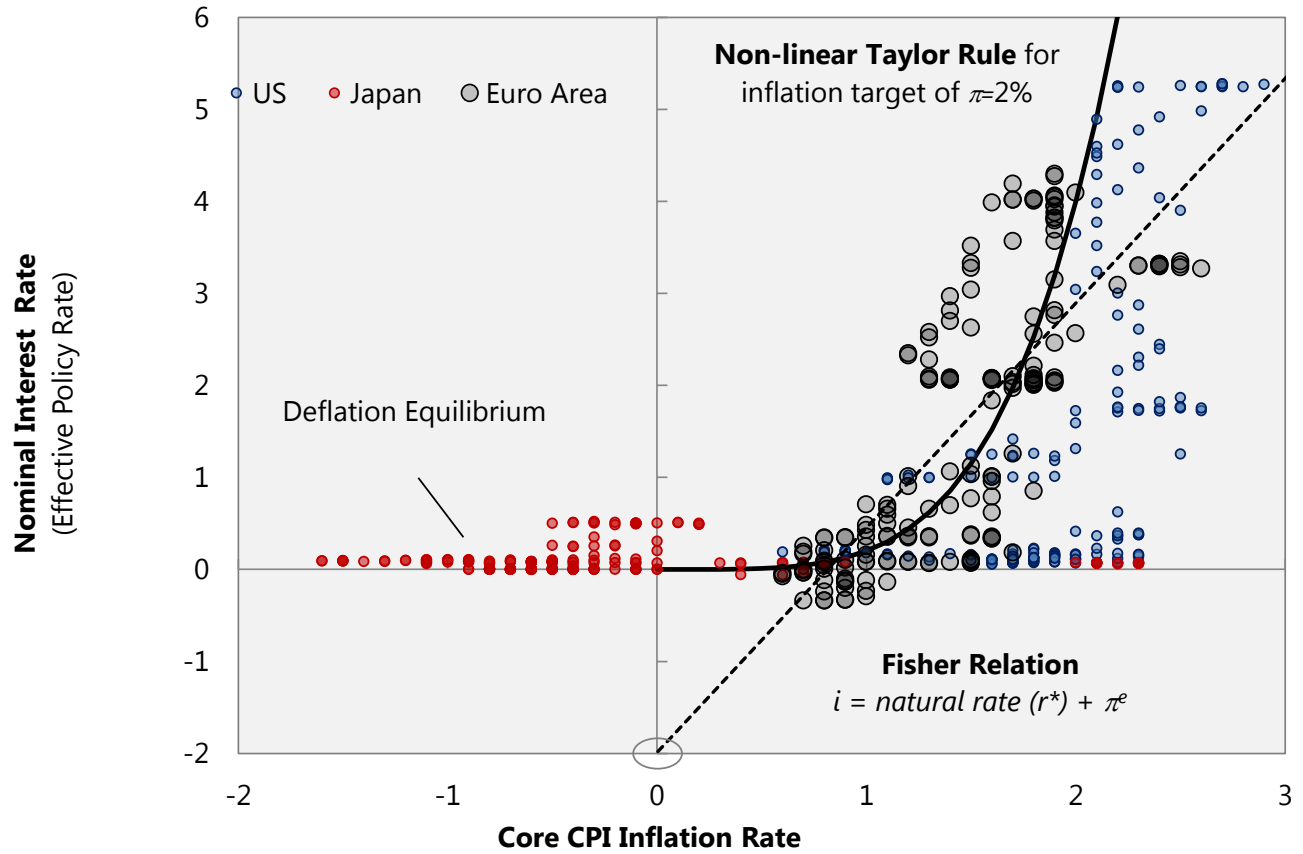


Exhibit 1

Inflation and Interest Rates, Jan. 2002-Sept. 2016

(Percent, monthly)

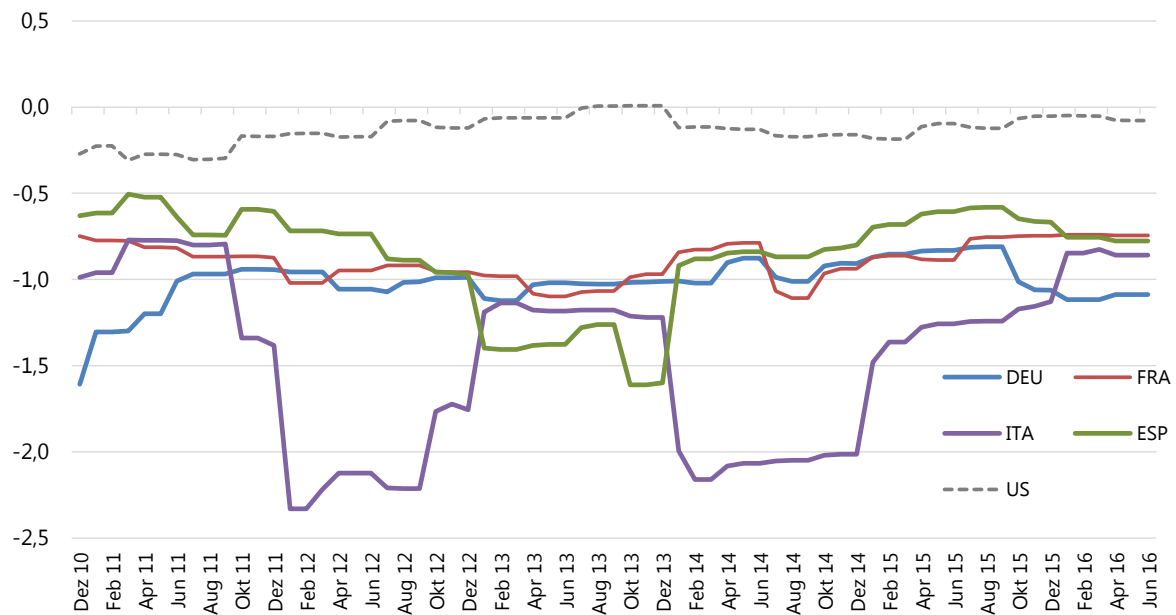


Source: Bloomberg, Haver Analytics, and IMF staff calculations.

Exhibit 2

Euro Area: Return on Assets Deficiency ("RoA Gap"), 2010-2016

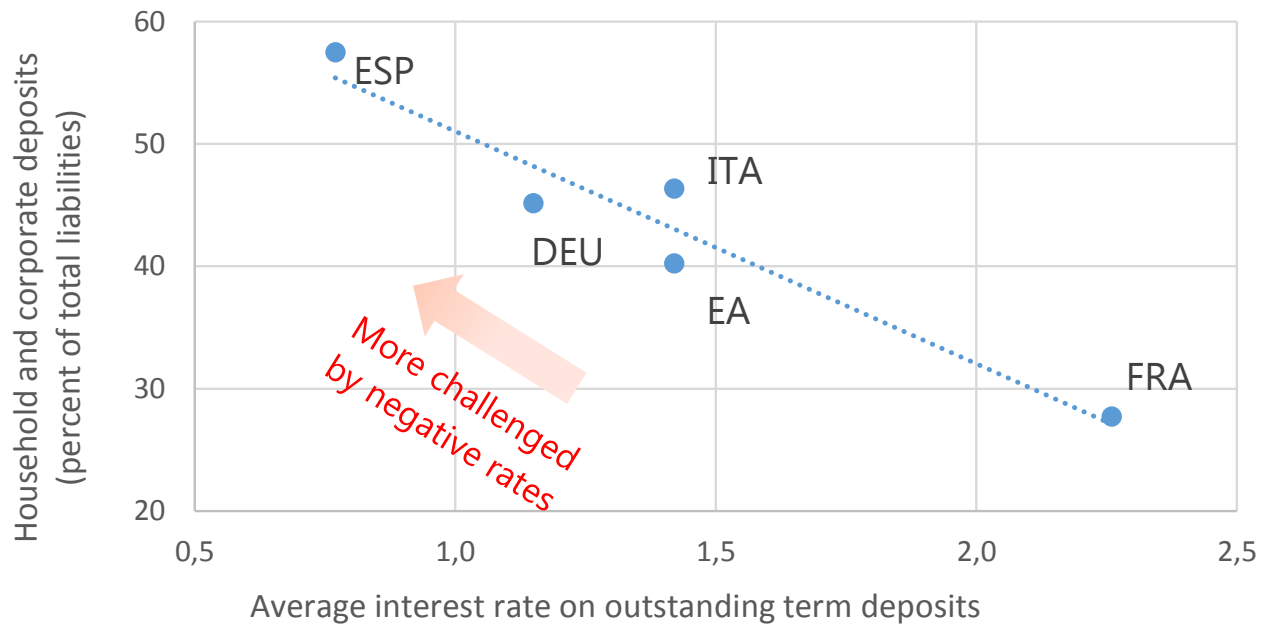
(percent) 1/



Sources: Bloomberg L.P., ECB, and staff calculations. Note: 1/ The gap represents the difference between the reported and implied RoA. The latter is derived by dividing the reported capital adequacy ratio (CAR) by the inverse of the leverage ratio and the average risk-weighting

Exhibit 3.1

Figure 1. Deposits as a Share of Total Liabilities and Interest Rates on Deposits

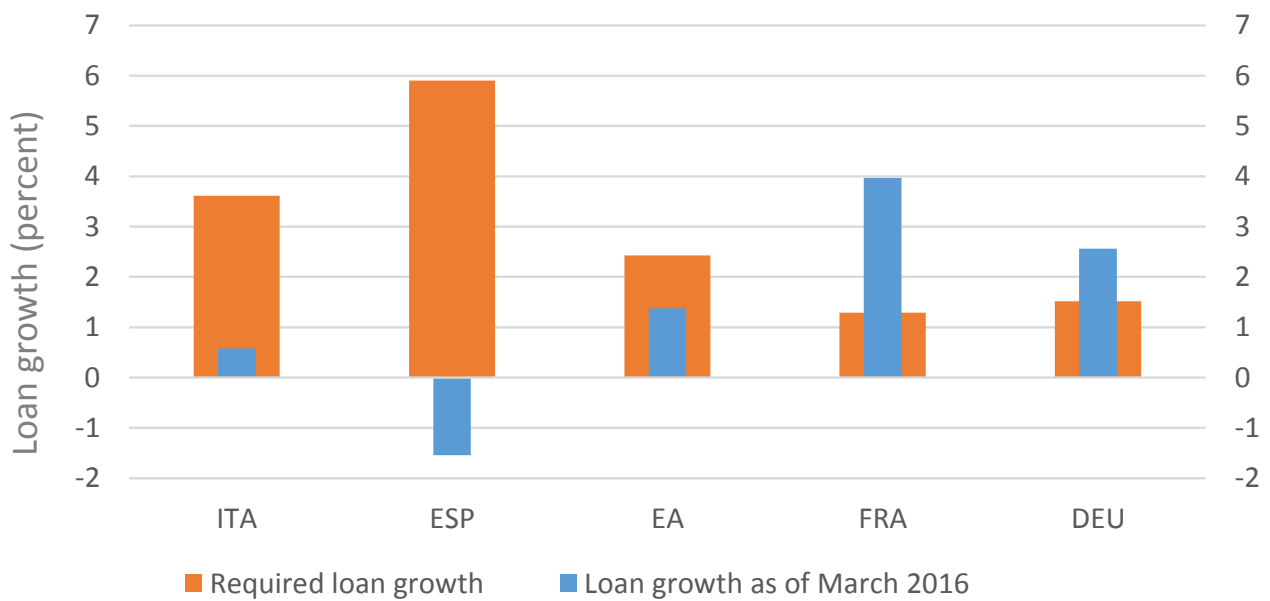


Sources: Bloomberg L.P., Haver, and IMF staff calculations.

Note: Deposits from non-monetary financial institutions, as of January 2016; deposit rates are based on households and non-financial corporations.

Exhibit 3.2

Figure 2. Annual Loan Growth Required to Maintain Net Interest Margin as of end-2015

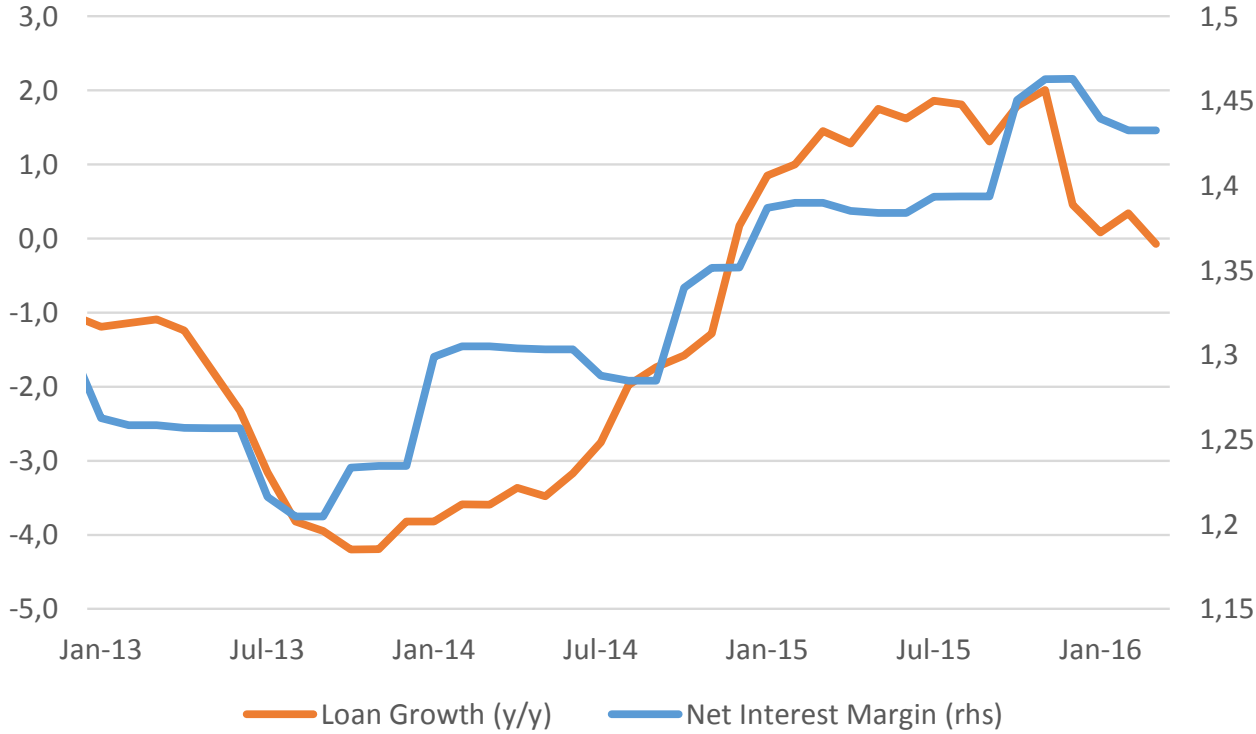


Sources: Bloomberg L.P., EBA Transparency Exercise (2015), ECB, SNL, and IMF staff calculations.

Note: based on the historical pass-through of policy rates and the elasticity of net interest margins to changes in term premia between Jan. 2010 and Feb. 2016; total mortgage and corporate loans at end-2015 to EA residents; scenario assumes an increase of monthly asset purchases (until Sept. 2017) by the ECB and a reduction of the deposit rate by 10bps (as per ECB decision on March 10).

Exhibit 3.3

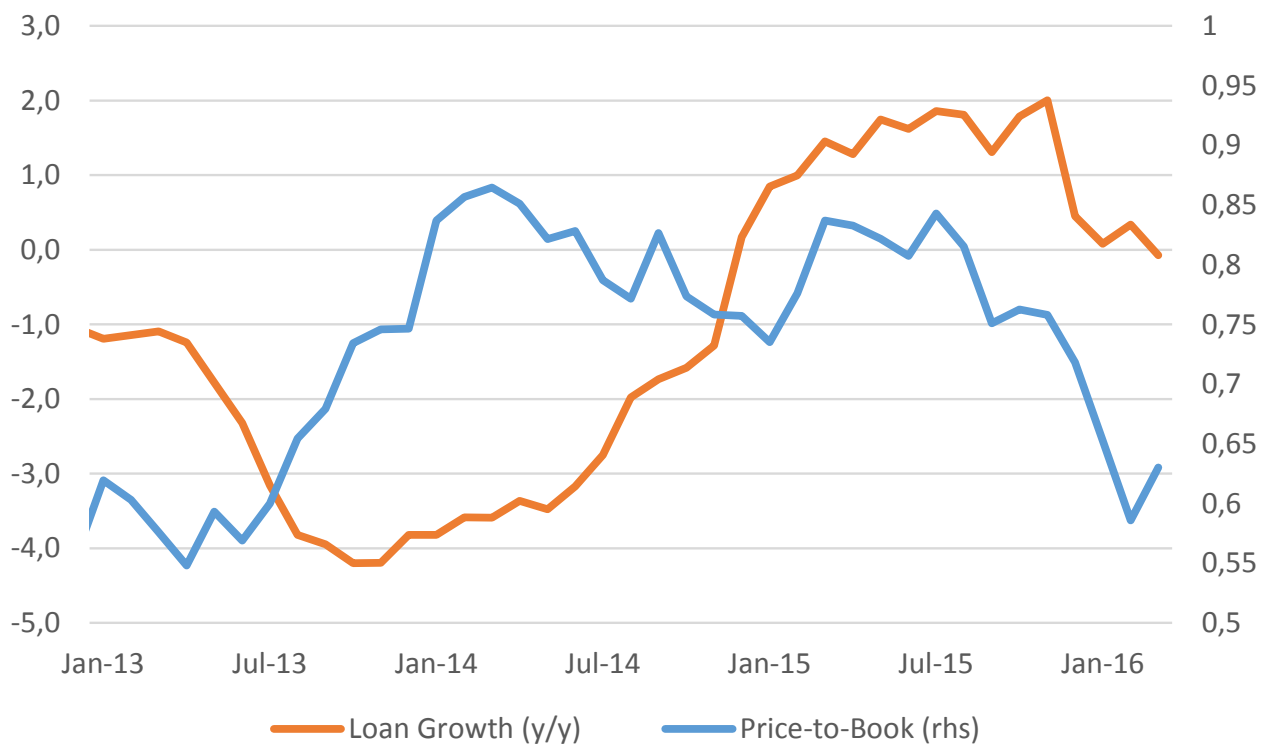
Figure 3. Average Net Interest Margin and Credit Growth (weighted by bank assets)



Sources: Bloomberg, L.P.; and author's calculations.

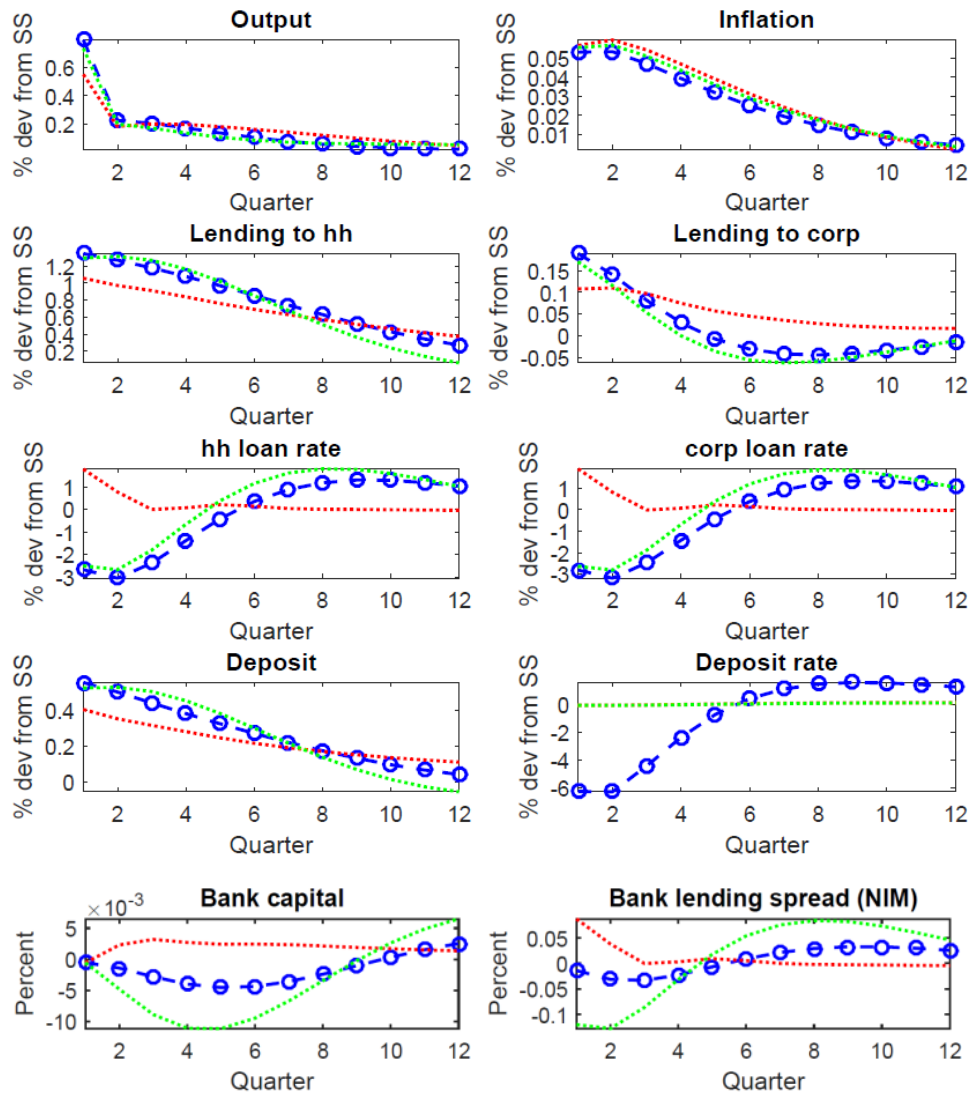
Exhibit 3.4

Figure 4. Average Price-to-Book Value and Credit Growth (weighted by bank assets)



Sources: Bloomberg, L.P.; and IMF staff calculations.

Exhibit 4



Source: authors. Note: blue line=unchanged pass-through scenario (first scenario, base case); green dotted line=sticky deposit scenario but non-binding solvency constraint for banks (second scenario); red line= sticky deposit scenario and binding solvency constraint for banks (third scenario).

Exhibit 5

