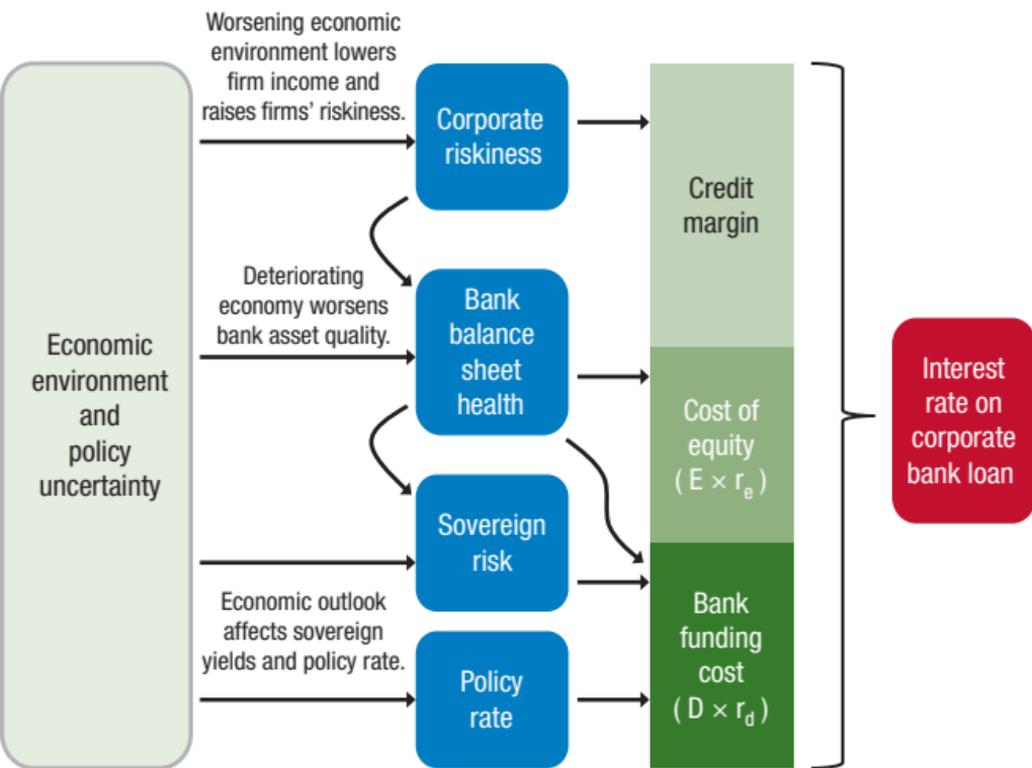


Figure 1.49. Factors Affecting Bank Interest Rates on Corporate Loans



Source: IMF staff.

Note: E = proportion of equity backing the loan; r_e = required rate of return on equity; D = proportion of wholesale funding and deposits backing the loan; r_d = marginal bank funding cost. This simplified loan pricing equation abstracts from tax rates and other expenses or benefits related to the loan.