European banks face structurally higher funding costs...

Bank deposit rates have fallen slowly in countries with higher deposit growth.

Yields on long-term deposits have been slow to adjust.

Sources: European Central Bank; Federal Deposit Insurance Corporation; Fitch Ratings; SNL Financial; and IMF staff estimates and analysis.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. MFI = monetary financial institution.

1Spread shown is the banking system weighted average deposit rate minus the average annual three-month interbank rate.