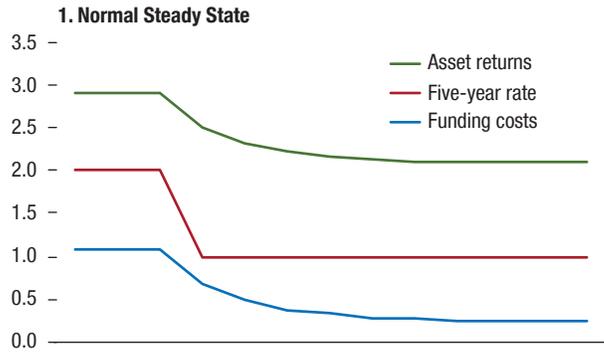
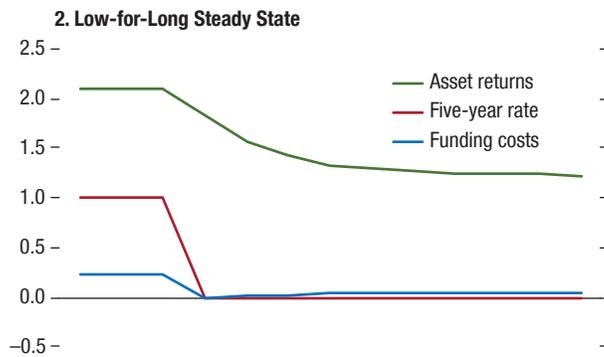


**Figure 2.4. Japan: Evolution of Bank Net Interest Margins in Normal and Low-for-Long Settings**  
(Percent)

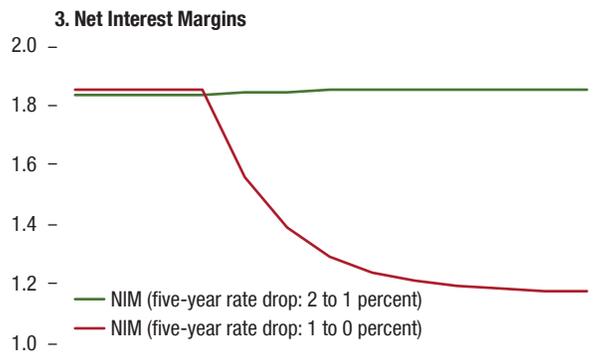
Asset returns and funding costs normally adjust proportionally as interest rates fall ...



... but asset returns fall significantly more once funding costs hit the zero lower bound ...



... compressing net interest margins in periods of prolonged low interest rates.



Sources: Fitch Connect; and IMF staff calculations.  
Note: NIM = net interest margin.