



EUROPEAN CENTRAL BANK

EUROSYSTEM

TLTRO-III: new operations

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ECB-CONFIDENTIAL
Market sensitive



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Recent changes in TLTRO-III operations (10 December 2020)

- **Increase in borrowing allowance** from 50% to 55%
- **Extension of lower interest rate** from 24 June 2021 to 23 June 2022
- **New condition:** eligible net lending \geq benchmark from 1 Oct 2020 to 31 Dec 2021
- **Three new operations:** June, September and December 2021

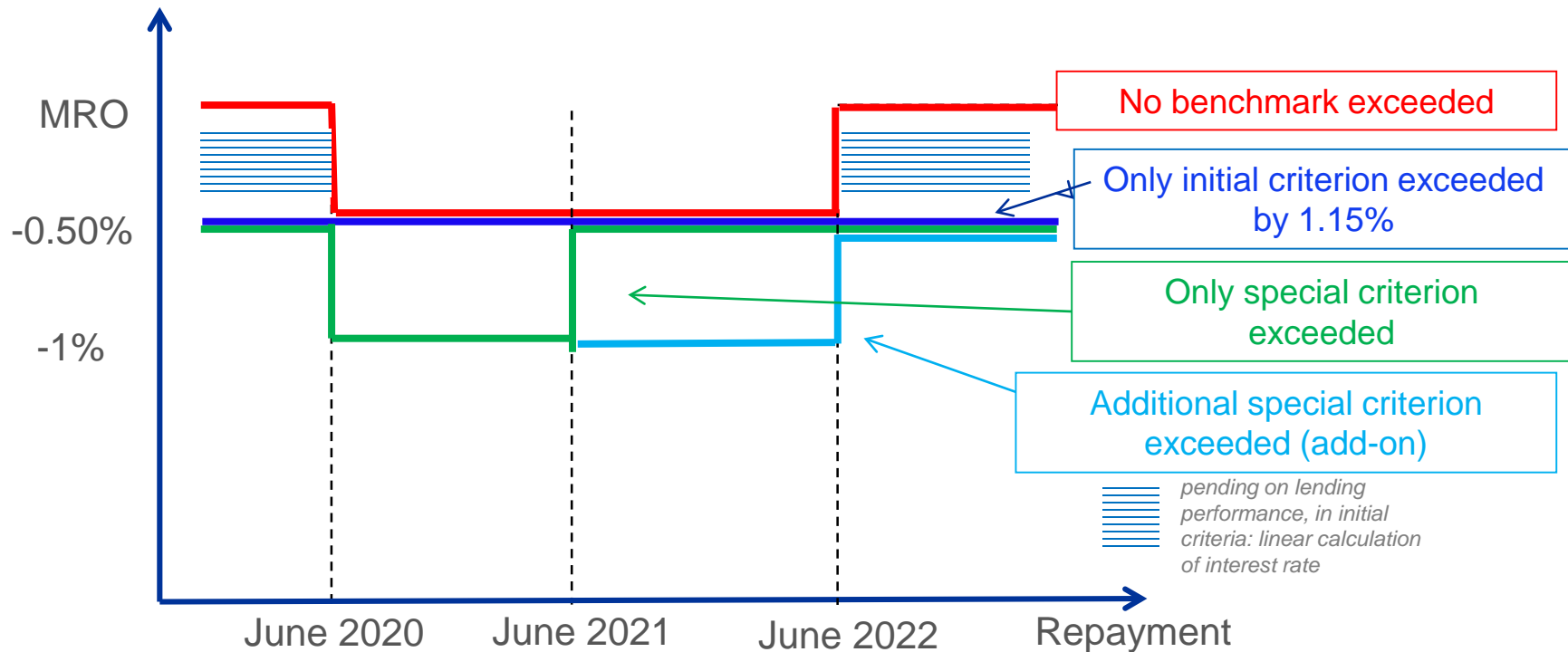
Interest rate calculation: “old” operations versus “new” operations

- **First seven (“old”) TLTRO-III operations can benefit from lower interest rate by exceeding thresholds in one or more of the three lending assessment criteria:**
 - Initial criterion: 1.15% from 1 April 2019 to 31 March 2021
 - Special criterion: 0% from 1 March 2020 to 31 March 2021
 - Additional special criterion: 0% from 1 October 2020 to 31 December 2021

- **Last three (“new”) TLTRO-III operations can only benefit from lower interest by exceeding the threshold of the additional special lending criterion** ➡ Previous criteria cannot be applied as they have expired at the time of participation

TLTRO-III interest rate calculation

Amounts borrowed in first seven operations (TLTRO-III.1 – TLTRO-III.7)

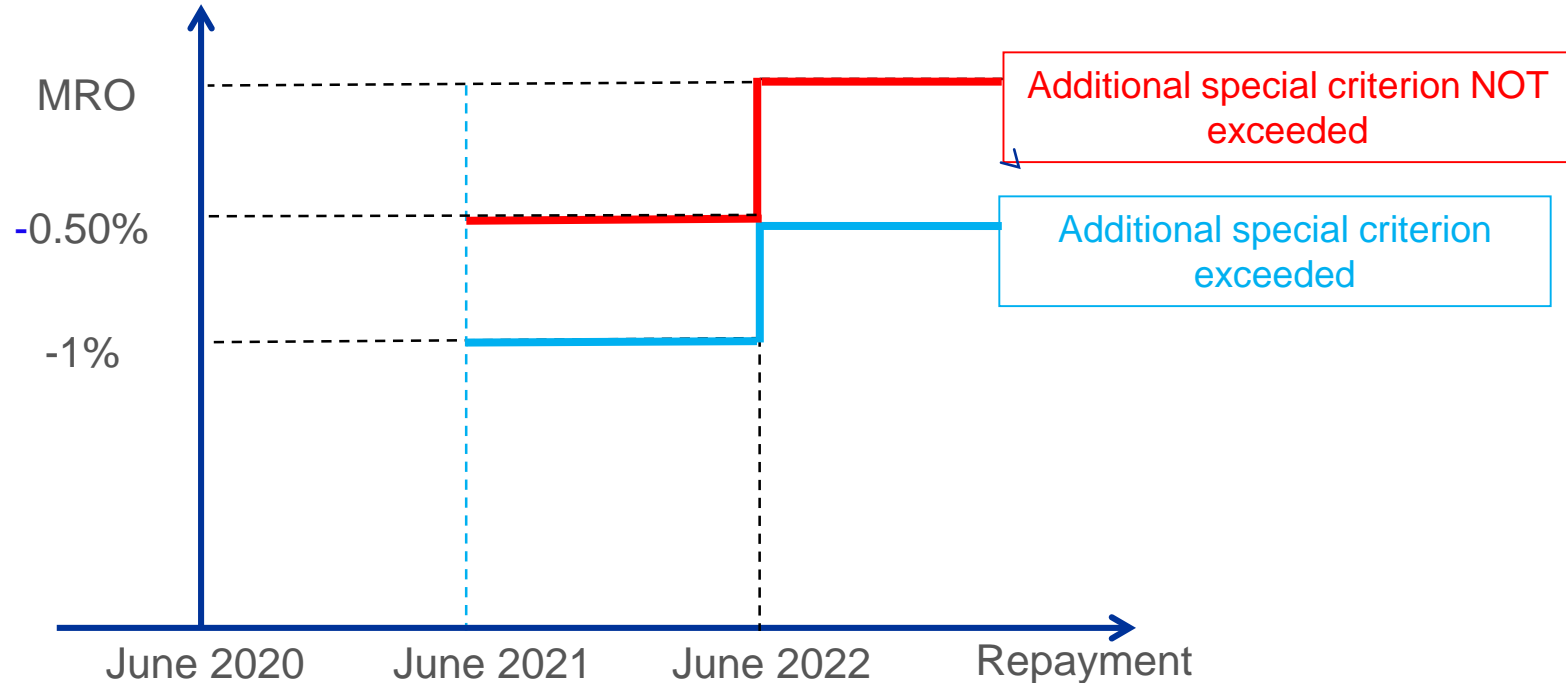


*Assuming ECB rates remain unchanged

TLTRO-III interest rate calculation

Borrowing in the last three operations (TLTRO-III.8 – TLTRO-III.10)

The initial criterion and the special criterion cannot be applied

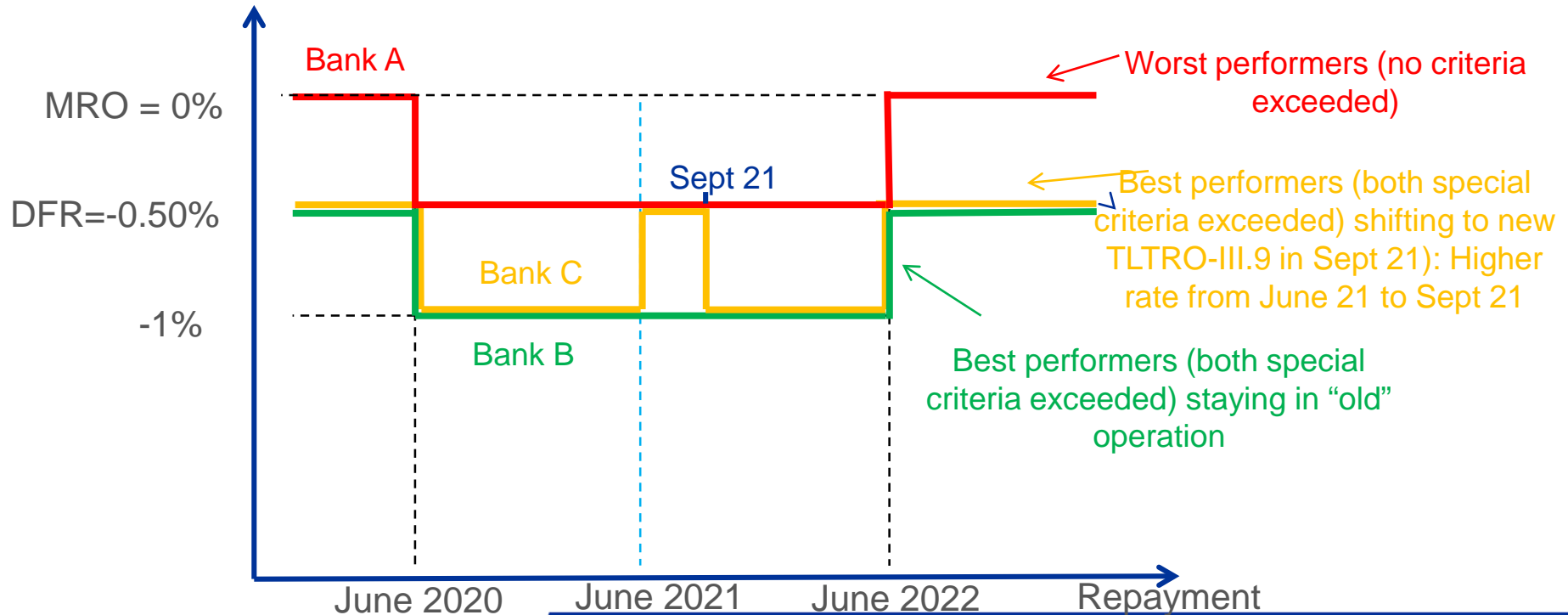


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TLTRO-III Repayments: Interest rate implications

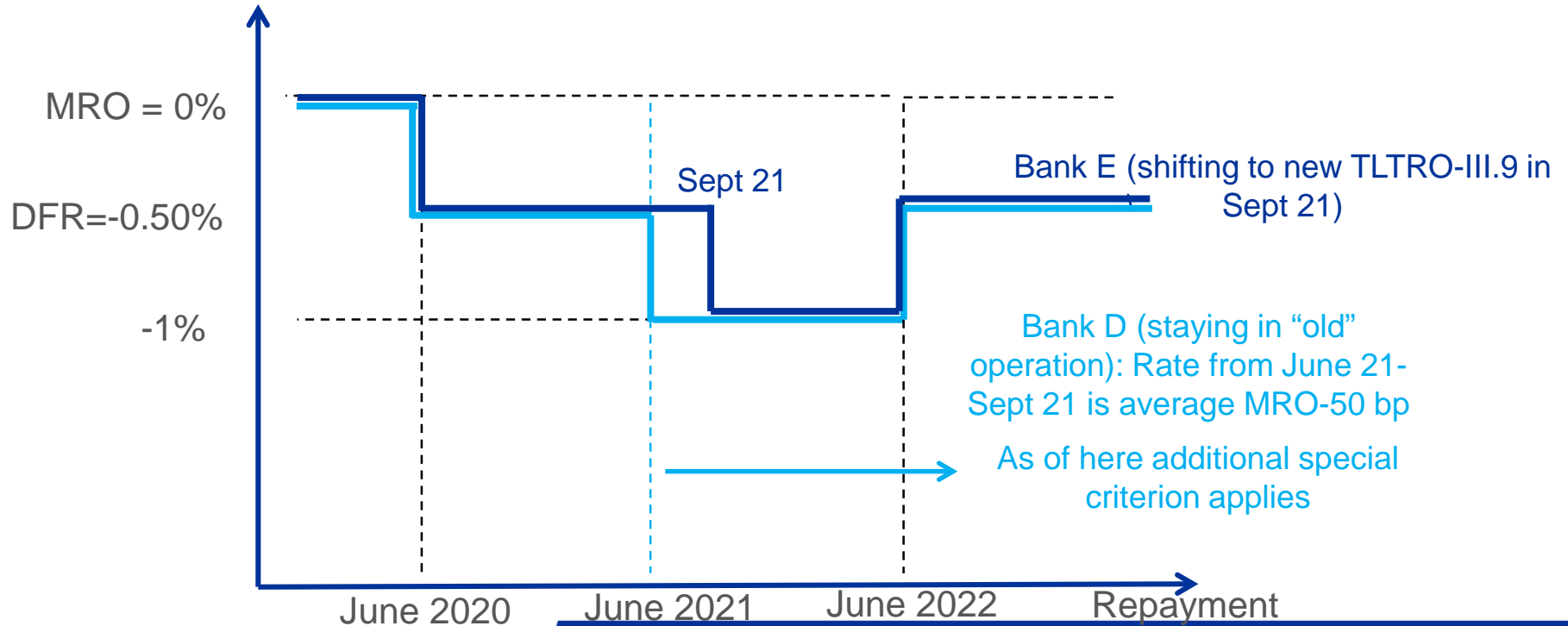
- **Counterparties can voluntary repay operations in Sept and Dec 2021 and simultaneously participate in the last two operations – No roll-over:**
 - Interest rate is paid at repayment
 - Maturing and new borrowing amounts are netted
 - Collateral can be reused
- **Implications of shifting to new operations:**
 - **Rate from 24 June 2021 until the repayment date will always be average MRO - 50 bps:** the assessment of the additional special criteria cannot be done at the time of repayment.
 - **Amounts borrowed in the new operations are not subject to the benefits of the three criteria (slide 3), but only the benefits of the additional special criteria:** for the amounts repaid, the first two criteria are applied

Best and worst performers (with and without repayment)



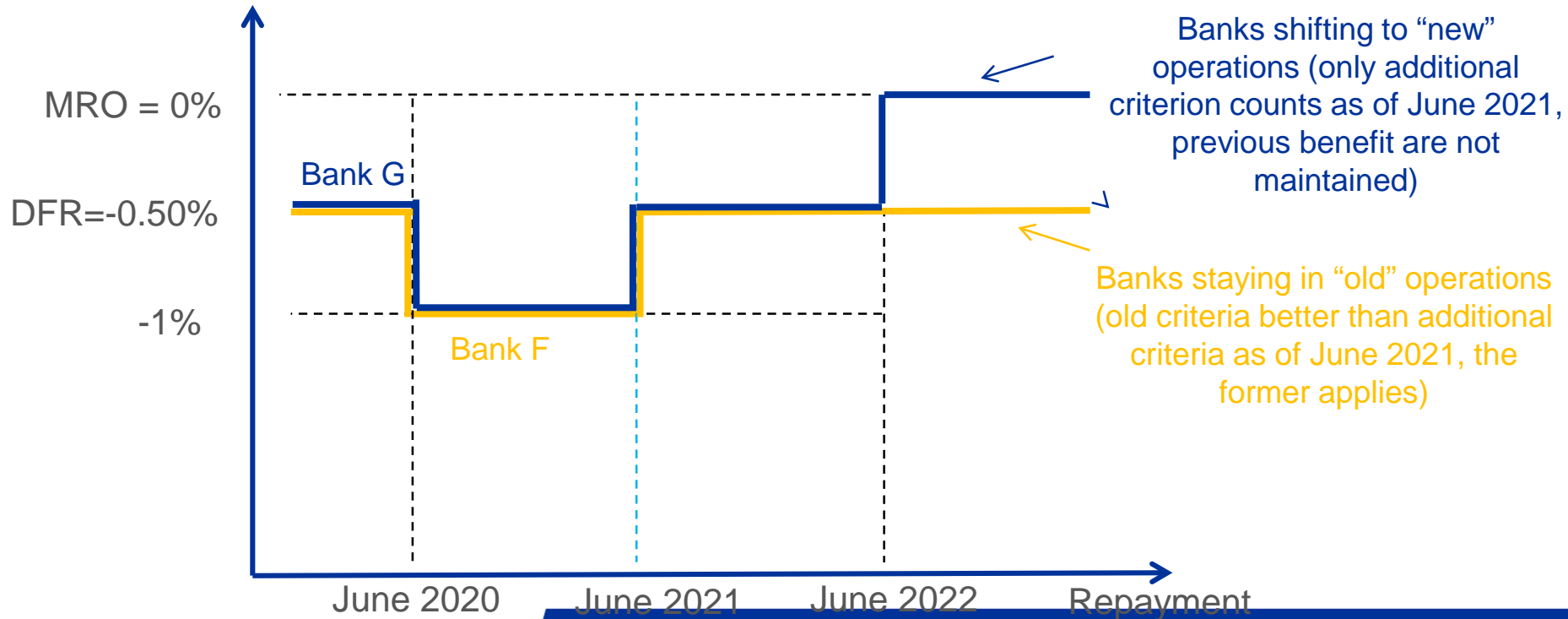
*Assuming ECB rates remain unchanged

Banks not exceeding first two criteria but exceeding additional special criteria



*Assuming ECB rates remain unchanged

Banks exceeding two first criteria but not exceeding additional special criteria



*Assuming ECB rates remain unchanged

Summary

Consequences of shifting amounts from old to new operations

- **(1) Not possible to get -1% from June 2021 to repayment-date**
(during this period average MRO -50 bp applies - either for 3 or 6 months)
- **(2) Lock in operations which rate depends on a single criterion**
instead of depending on three criteria (for old operations, if new criterion not met, the other criteria still apply to avoid less favourable rates)

From the Eurosystem point of view,

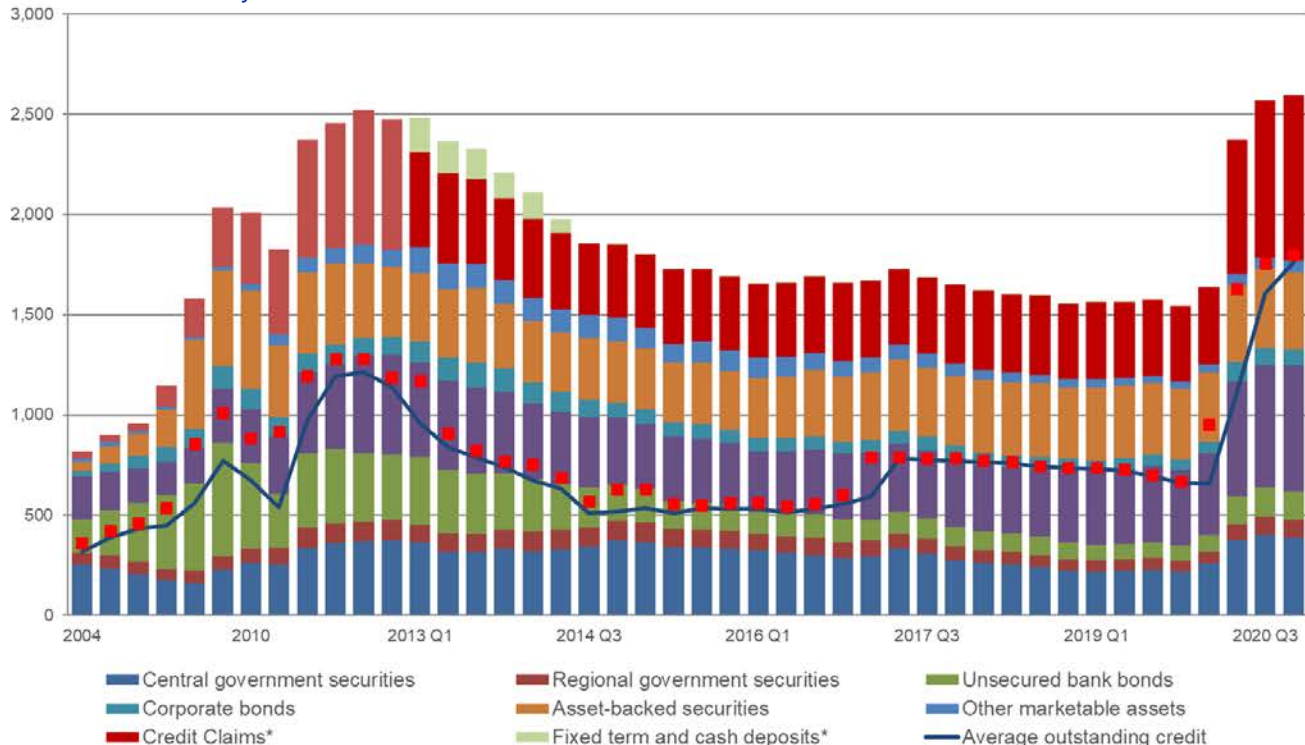
- Incentives to “enter *early and stay-in*”: the programme serve the purpose of maintaining favourable lending conditions in the system.
- The three new operations offer maturity flexibility and average DFR in the worst-case scenario until June 2022: better conditions than previous TLTROs (average MRO)

Collateral composition and developments over time

EUR billion, after valuation and haircuts

Use of collateral: averages of end of month data over each time period shown

Credit: based on daily data



Credit Claims / 2020 Q4 (2019 Q4) / 824.9 (377.8)

ABS / 2020 Q4 (2019 Q4) / 387.4 (352.8)

Corporate bonds / 2020 Q4 (2019 Q4) / 78.3 (51.7)

Covered bank bonds / 2020 Q4 (2019 Q4) / 629.1 (379.5)

UBBs / 2020 Q4 (2019 Q4) / 145.1 (77.4)

Regional government securities / 2020 Q4 (2019 Q4) / 90.1 (54.3)

Central government securities / 2020 Q4 (2019 Q4) / 382.7 (215.0)