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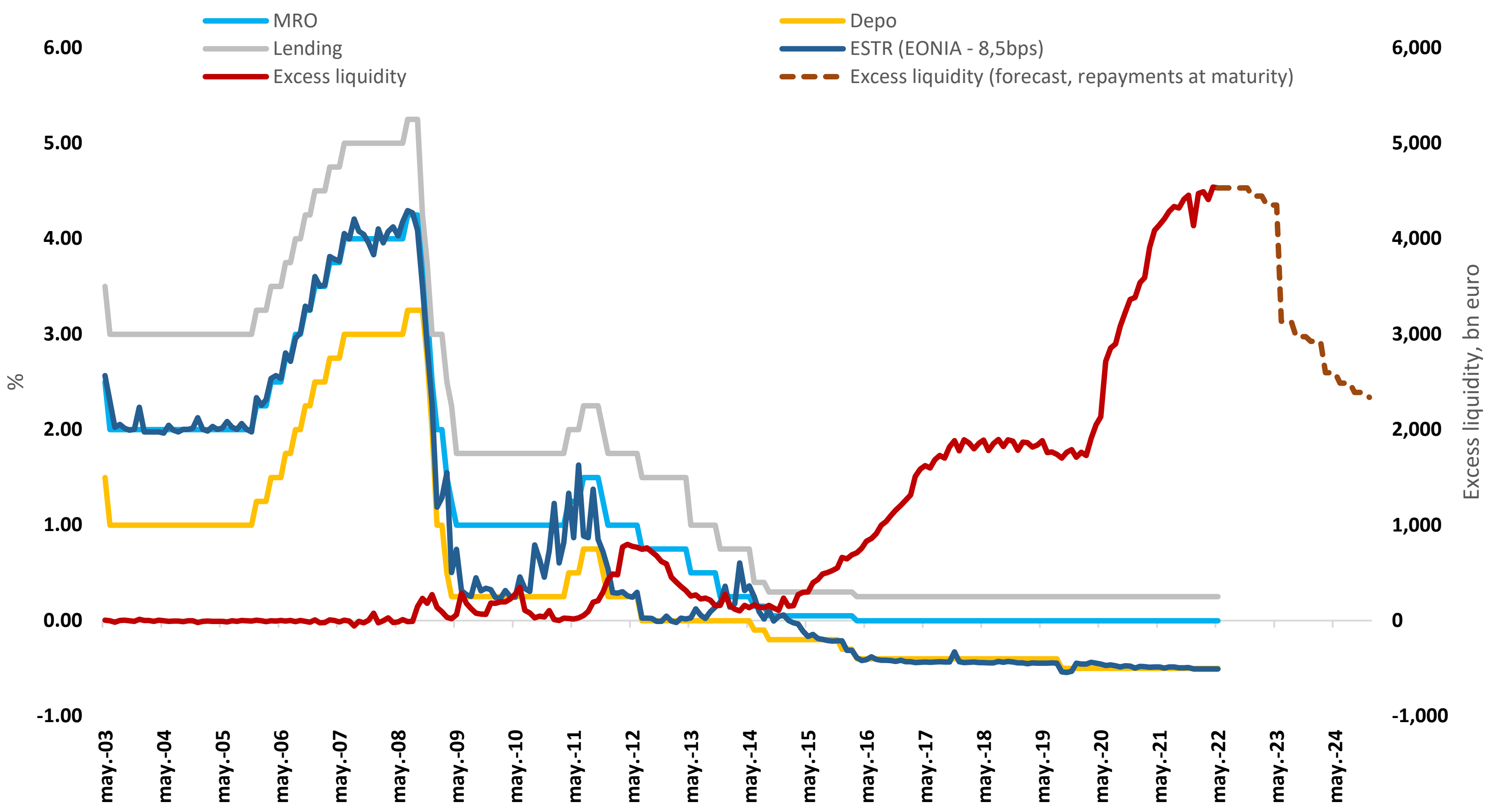
Excess liquidity, ESTR and ECB rates



Sources and notes. Bloomberg. Excess liquidity projections based on excess liquidity at may-2022 and subtracting outstanding TLTROs operations at maturities·

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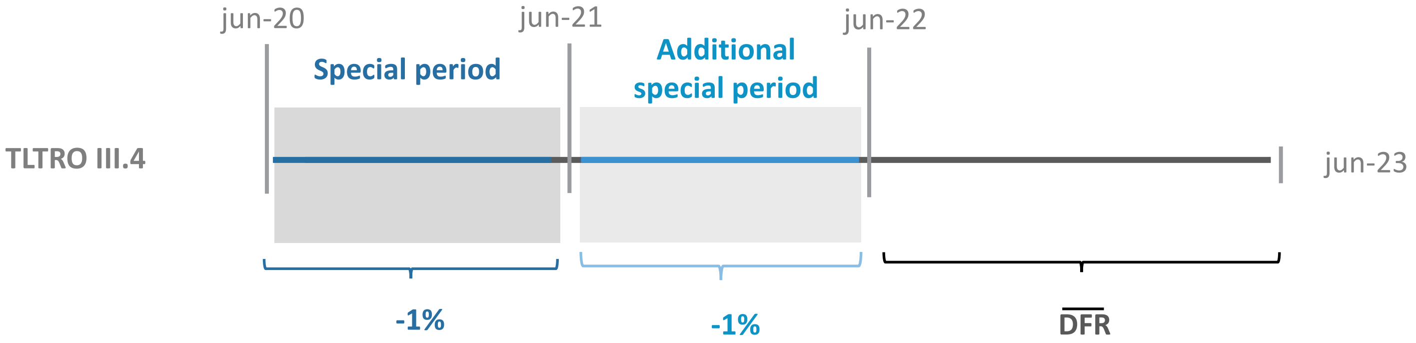
Applicable TLTRO interest rates

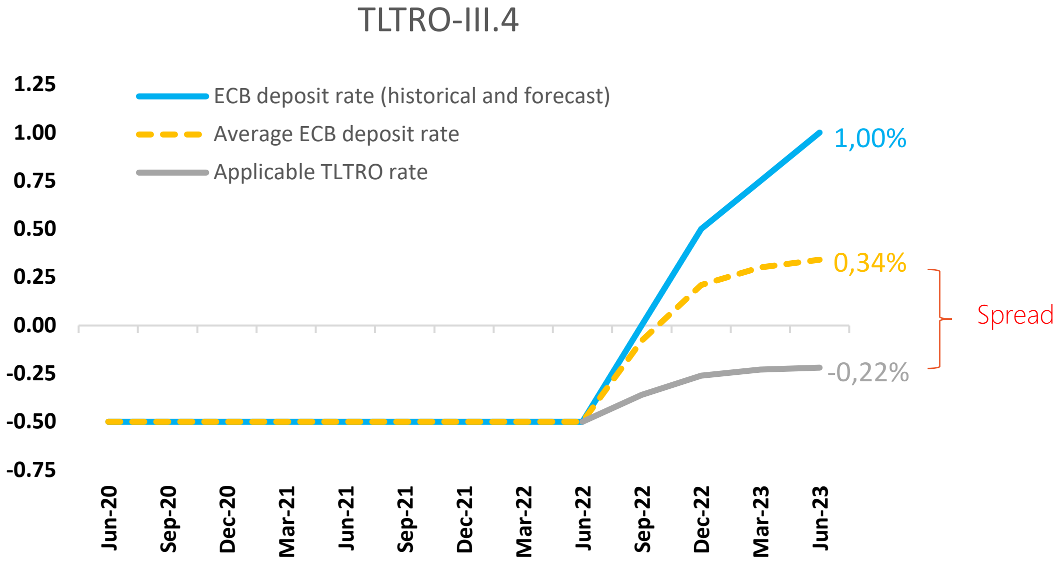
- **Special interest rate periods (jun-20/jun-22):** applicable interest rate is **-1% (if lending performance thresholds are met)**
- **Outside the special interest rate periods**: average of the deposit facility rate (DFR) **over the life** of the respective TLTRO III operation



The applicable interest rate from jun-22 onwards is the **average of the deposit facility rate over the life** of the respective TLTRO III operation, not the average rate of the remaining period.

Market expectations (30-may-2022)

ECB rate hikes (effective date)		ECB depo rate
current		-0,50%
27/07/2022	25pb	-0,25%
14/09/2022	25pb	0,00%
02/11/2022	25pb	0,25%
21/12/2022	25pb	0,50%
08/02/2023	25pb	0,75%
10/05/2023	25pb	1,00%
02/08/2023	25pb	1,25%



Positive impact driven by the spread between applicable TLTRO interest rates and ECB deposit rate.

Example TLTRO-III.4:

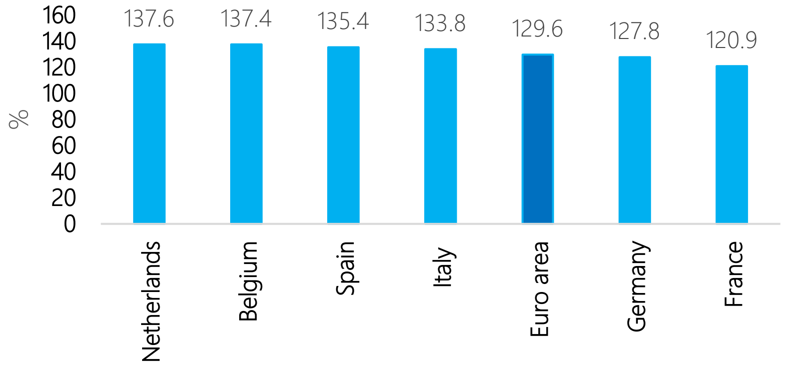
Operation	Settlement	Maturity	Applicable TLTRO rate	Average Depo
TLTRO-III.4	24/06/2020	28/06/2023	-0,22	0,34

The ECB hiking cycle is likely to incentivize banks to keep TLTRO funding till contractual maturity based on the definition of the repricing mechanism.

TLTRO: early repayment considerations

- NSFR considerations are likely to increase repayments of TLTRO take-up deemed excessive. As the residual maturity of TLTRO tranches falls below 12 months, the regulatory use of the funds towards NSFR diminishes and banks have an incentive to repay. This incentive is even larger when the remaining maturity falls below six months.

Net Stable Funding Ratio (NSFR)



Sources and notes: ECB. Domestic banking groups and stand alone banks, foreign (EU and non-EU) controlled subsidiaries and foreign (EU and non-EU) controlled branches, All institutions

- Since 1 April 2022 banks have to include again central bank exposures in the leverage ratio. This could imply a fall in reserves, led by a reduction of outstanding TLTRO balances.

- The large recourse to TLTRO-III was supported by a sizeable expansion of mobilised Eurosystem collateral. The gradual phasing-out gives banks time to adapt to the adjustments to the collateral framework.

- Regulatory bank levies and Single Resolution Fund levies set incentives for banks to reduce leverage.

Even with these considerations the benefits of holding on to TLTROs funding largely exceed the costs.

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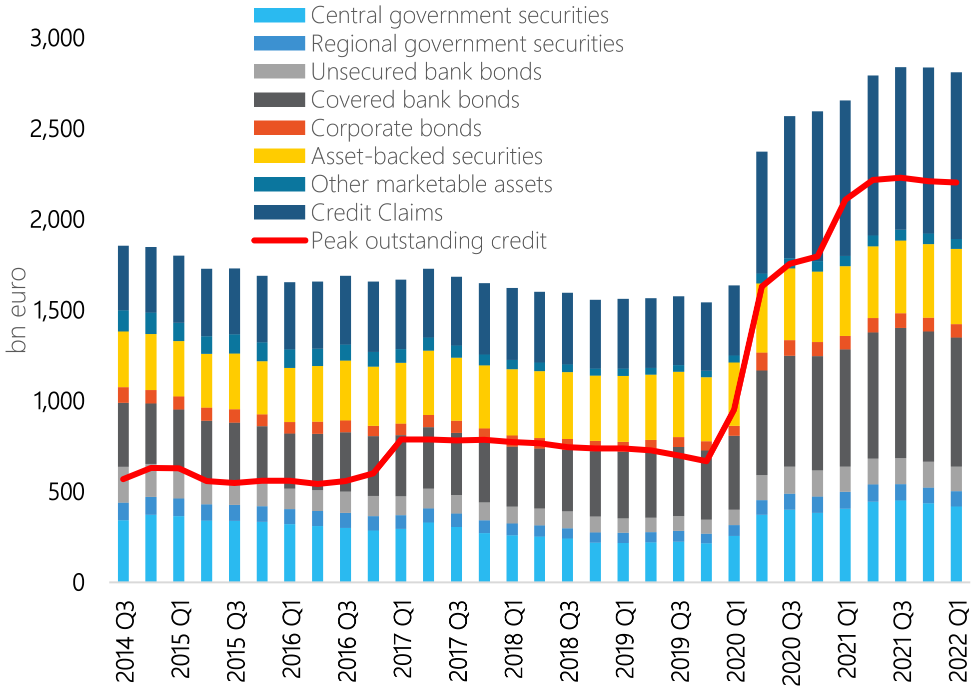
TLTRO: collateral

- April 2020: temporary expansion of the set of eligible assets and reduction of haircuts, extended until June 2022 in dec-22
- **Easing measures** contributed around **€285bn** to the total collateral value (23% of the increase of €1,2trn)*
- **Gradual phase out** of pandemic collateral easing measures
  - Jul-22: **halve** temporary **reduction in haircuts** from the current 20% adjustment to 10%
  - Jun-23: **complete phase** out of temporary **haircut reduction**
  - Mar-24: **phase out remaining** pandemic collateral easing **measures**

TLTRO maturities (€bn)	
sep-22	2
dic-22	84
mar-23	95
jun-23	**1216**
sep-23	162
dic-23	49
mar-24	**329**
jun-24	110
sep-24	97
dic-24	52



	Central govt. securities	Regional govt. securities	Unsec. bank bonds	Covered bank bonds	Corp. bonds	ABS	Other marketable assets	Credit Claims	Total, bn euros
2019 Q1	14%	4%	5%	23%	4%	23%	3%	25%	1.563
2019 Q2	14%	4%	5%	24%	3%	23%	2%	24%	1.565
2019 Q3	14%	4%	5%	24%	3%	23%	2%	24%	1.577
2019 Q4	14%	4%	5%	25%	3%	23%	2%	24%	1.543
2020 Q1	16%	4%	5%	25%	3%	21%	2%	24%	1.636
2020 Q2	16%	3%	6%	24%	4%	16%	2%	28%	2.374
2020 Q3	16%	3%	6%	24%	3%	15%	2%	31%	2.570
2020 Q4	15%	3%	6%	24%	3%	15%	2%	32%	2.595
2021 Q1	15%	4%	5%	24%	3%	14%	2%	32%	2.657
2021 Q2	16%	3%	5%	25%	3%	14%	2%	32%	2.796
2021 Q3	16%	3%	5%	25%	3%	14%	2%	32%	2.841
2021 Q4	15%	3%	5%	25%	3%	14%	2%	32%	2.839
2022 Q1	15%	3%	5%	25%	3%	15%	2%	33%	2.814

+1.2 trn

Source and notes: ECB, https://www.ecb.europa.eu/paym/coll/charts/html/index.en.html
*ECB staff estimates, Gradual phasing-out of pandemic collateral easing measures (europa.eu)