



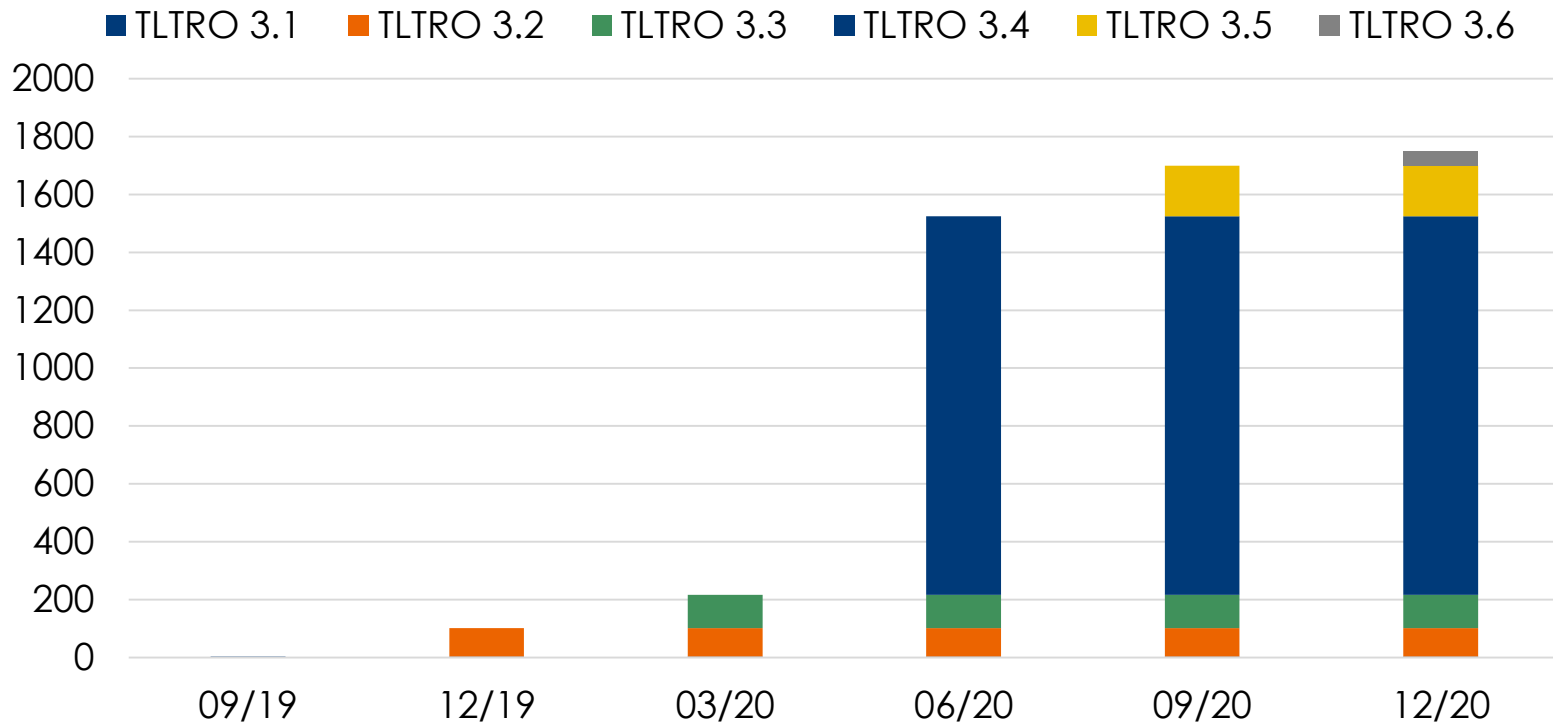
**Review of money markets developments:**

**TLTRO III participation**

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**ECB Money Market Contact Group**  
16th March 2021

# The only worthy tranche of TLTRO 3 was the fourth, which settled last June <sup>1</sup>

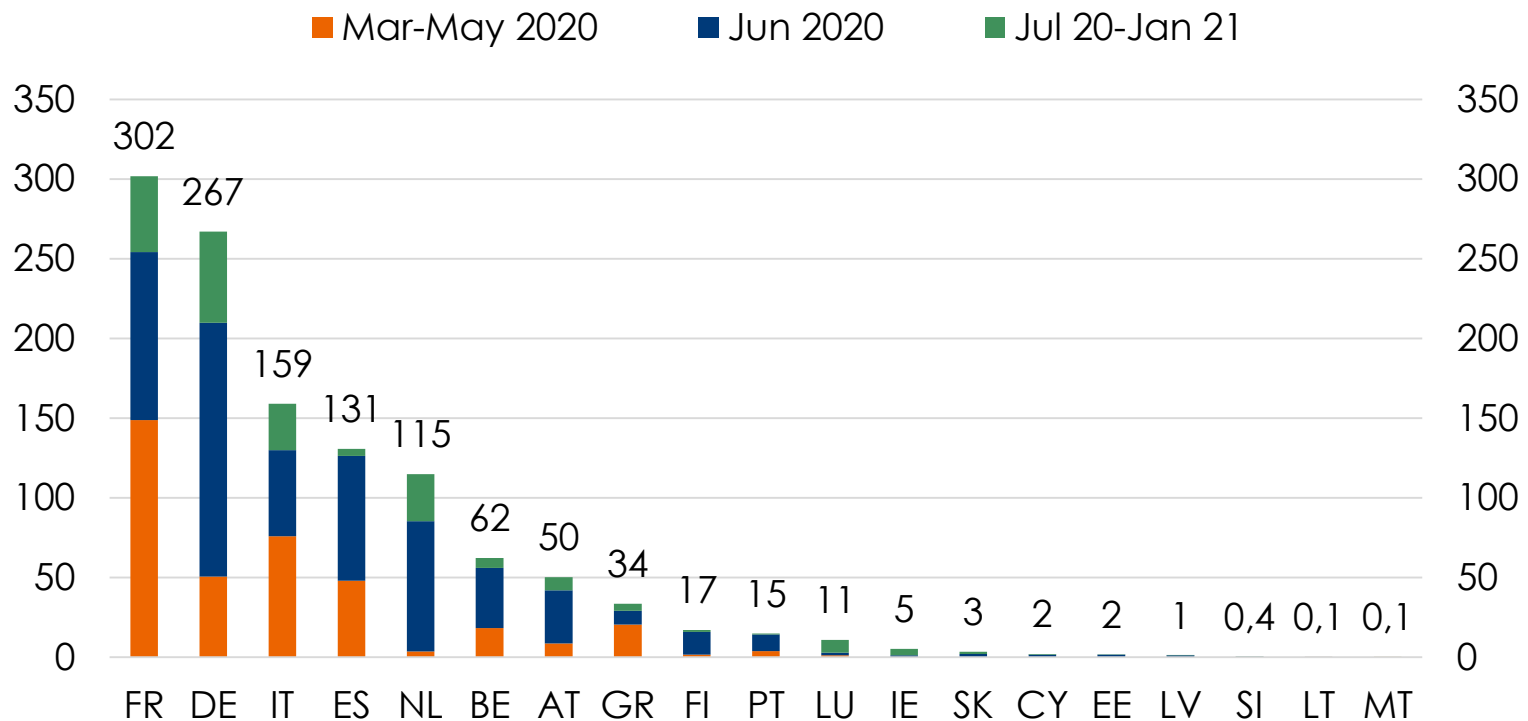
Allotted amount in TLTRO 3 (EUR Bn)



Source: ECB, Bloomberg, Intesa Sanpaolo

# TLTRO 3 funds have also been requested to a large extent by Eurozone core countries

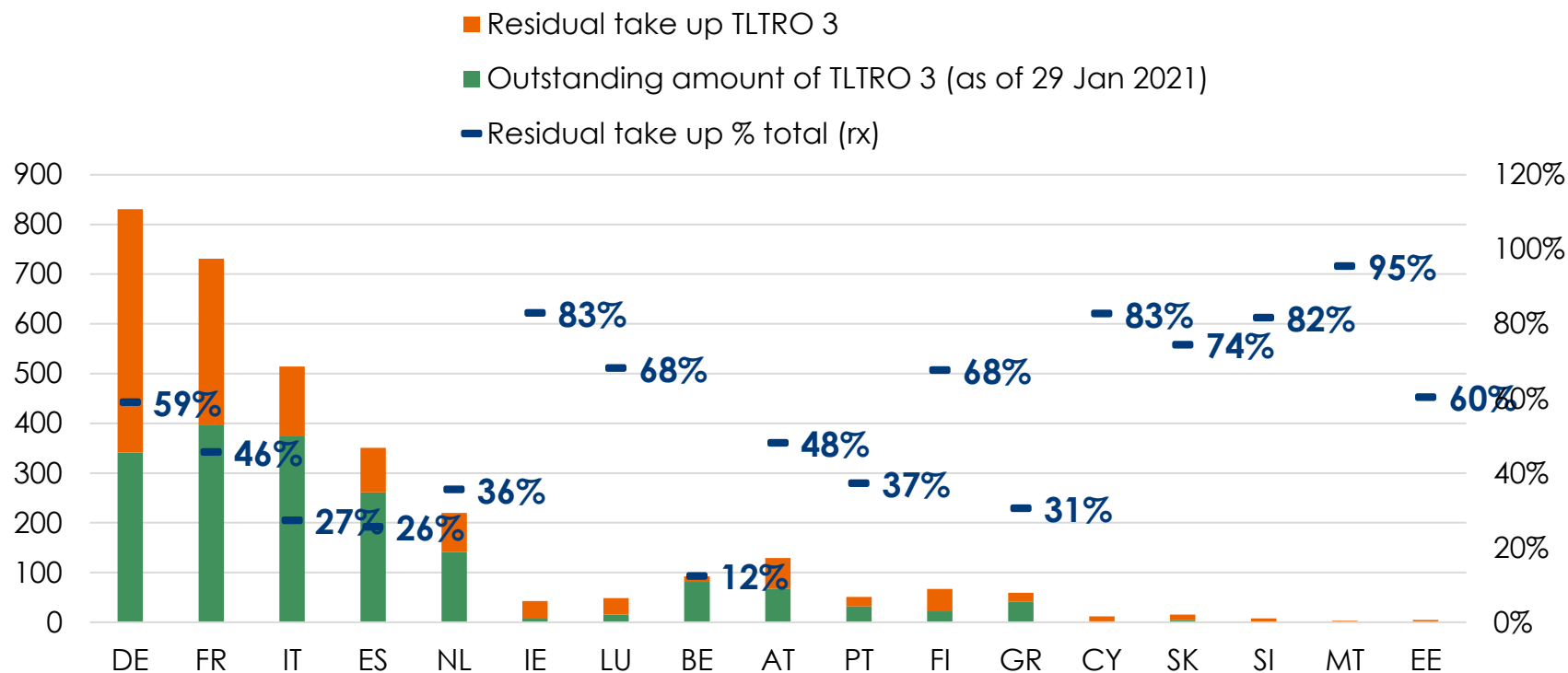
## Change in longer-term refinancing operations at the ECB (EUR Bn)



Source: ECB, Bloomberg, Intesa Sanpaolo

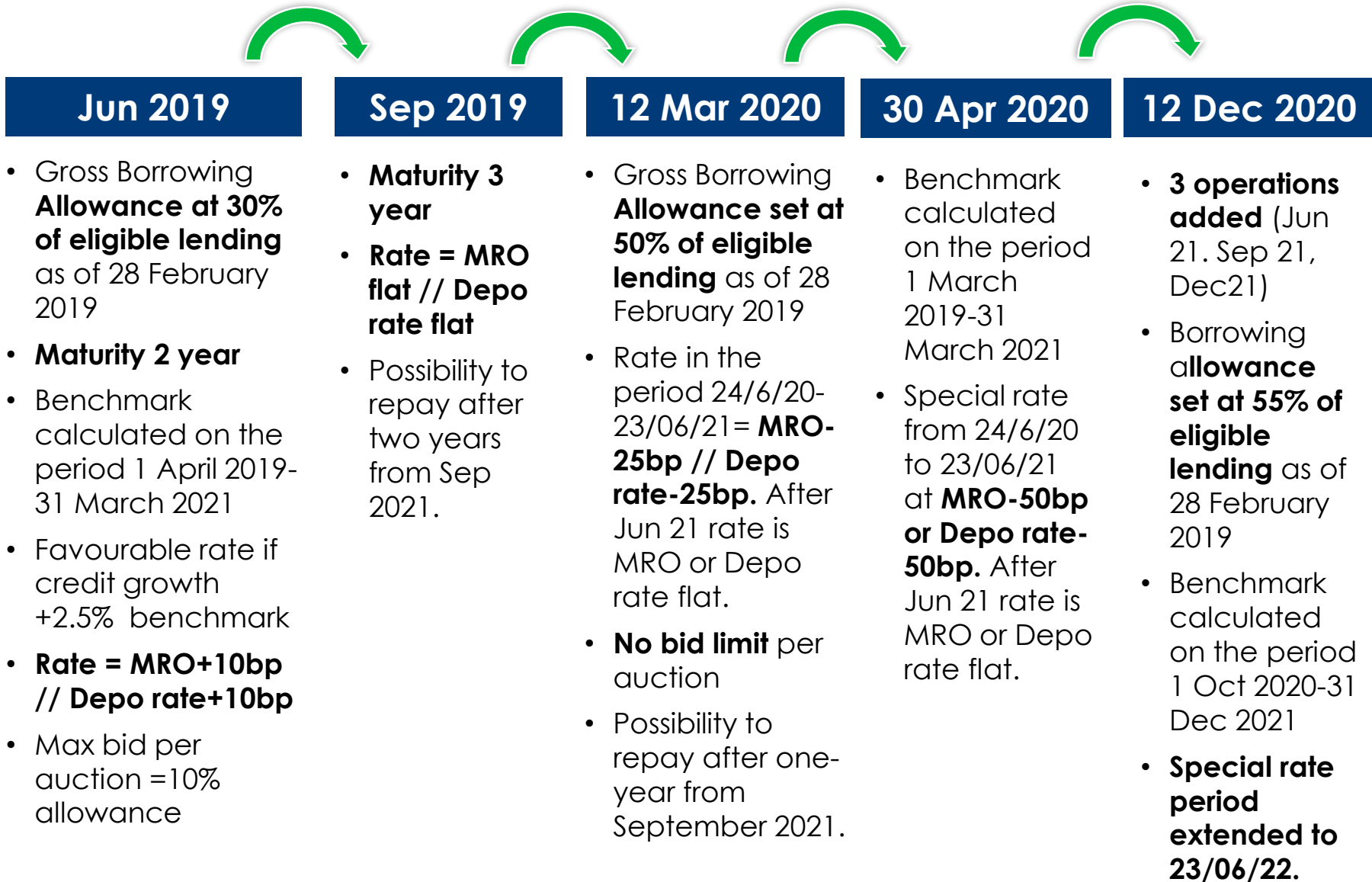
# At the Eurozone aggregate level, the funds still available under TLTRO 3 amount to 45% of the total eligible or 1.4 trillion euros

## Outstanding amount of the TLTRO3 and residual available funds by countries (EUR Bn)



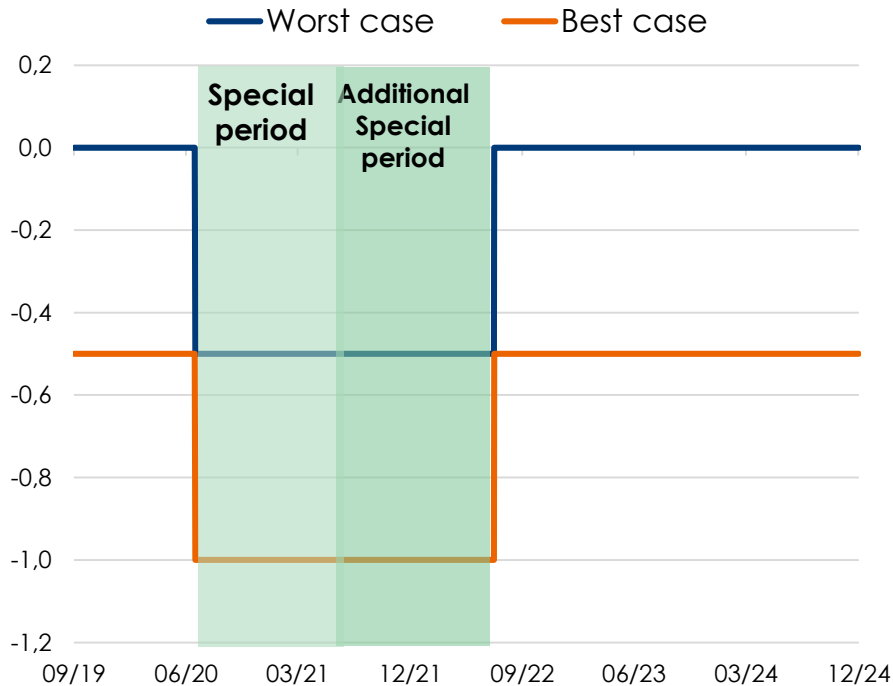
Source: ECB, Bloomberg, Intesa Sanpaolo

# TLTRO III structure getting sweeter and sweeter

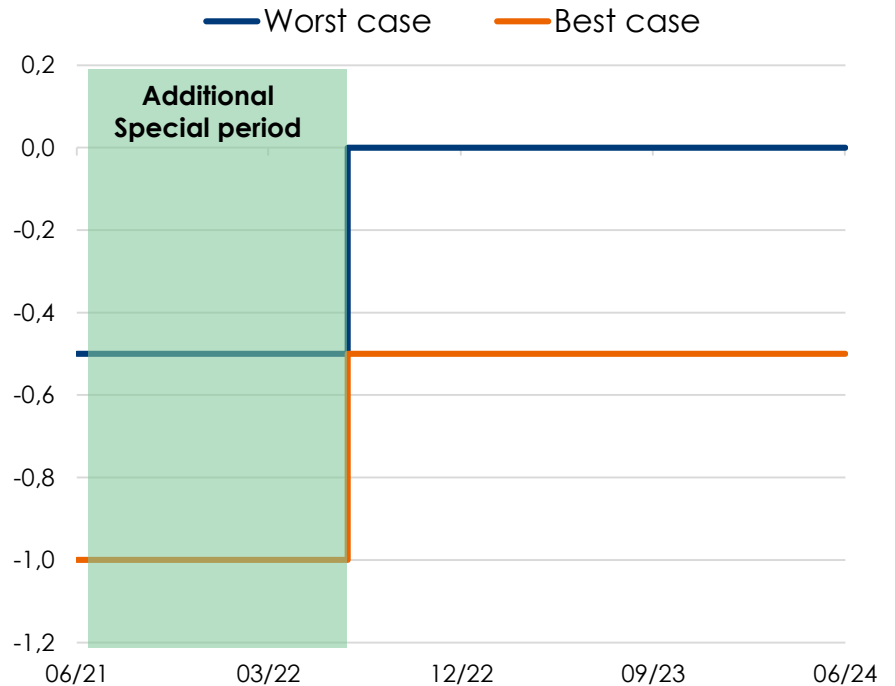


# Take-up at the Mar 21 operation is highly reliant on banks' capacity to reach the lending benchmark and to get -1% rate between Jun 21 and Jun 22

Rates on TLTRO 3.1-TLTRO 3.7 depending on the thresholds reached in terms of lending (%)



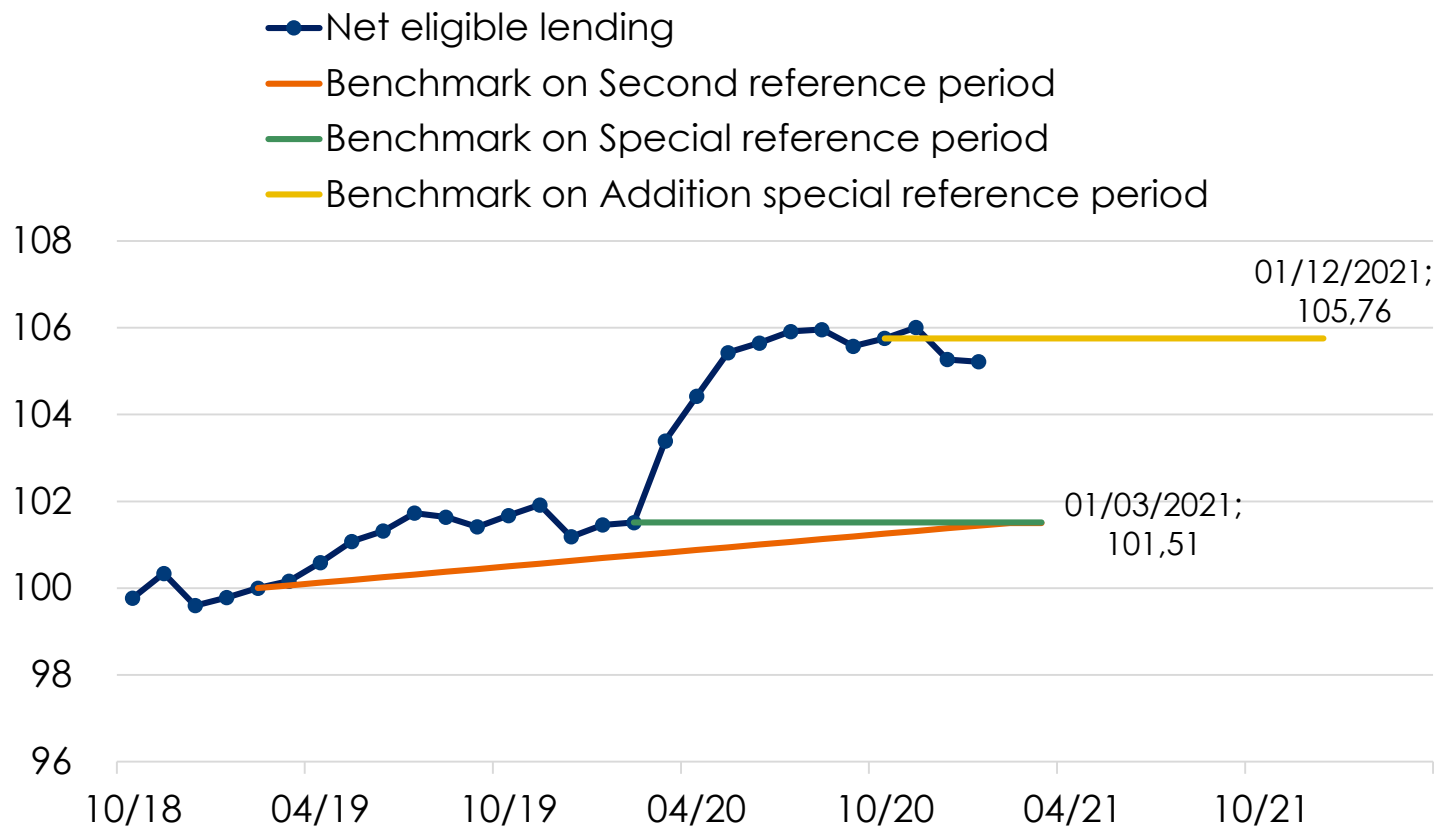
Rates on TLTRO 3.8-TLTRO 3.10 depending on the thresholds reached in terms of lending (%)



Source: ECB, [https://www.ecb.europa.eu/pub/pdf/other/ecb.ECB\\_2019\\_21\\_unofficial\\_consolidated~ad92b41daa.en.pdf?024299400e4d5cd0293ab83c8767364b](https://www.ecb.europa.eu/pub/pdf/other/ecb.ECB_2019_21_unofficial_consolidated~ad92b41daa.en.pdf?024299400e4d5cd0293ab83c8767364b)  
Bloomberg, Intesa Sanpaolo

# The new threshold introduced last December on the lending performance over the period Oct 20-Dec 21 is not easy to reach

## Benchmarks on net lending for the aggregate Eurozone (%)

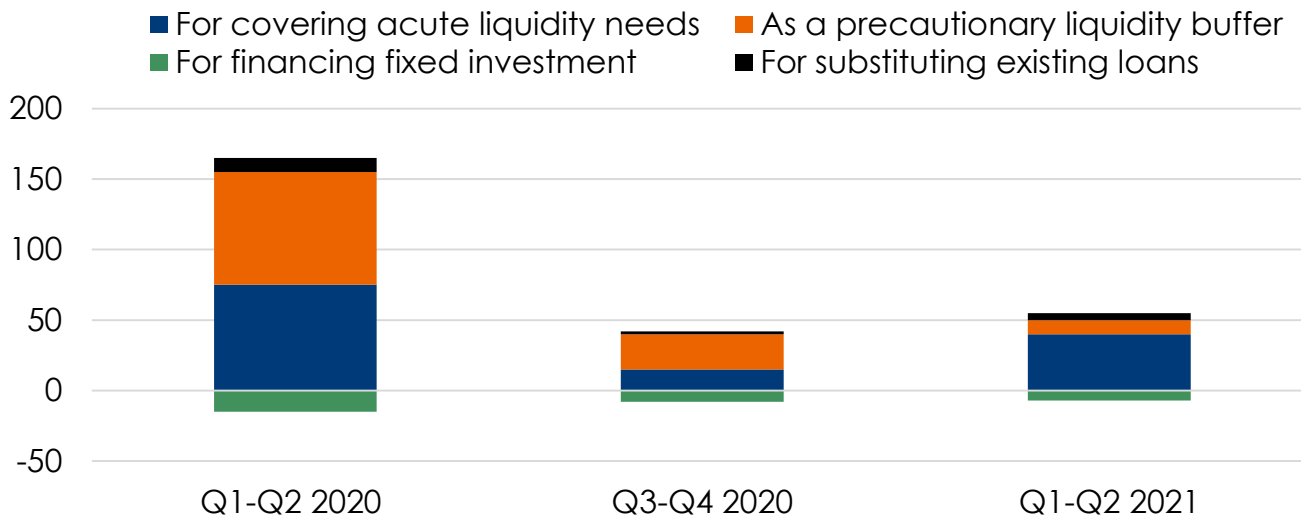


Source: ECB, Bloomberg, Intesa Sanpaolo

# Banks continued to indicate that the need to build precautionary liquidity buffers and to cover acute liquidity needs were the most relevant factors for firms' loan demand

**January 2021 euro area bank lending survey:** "Firms' demand for loans or drawing of credit lines declined further in net terms in the fourth quarter of 2020. This might be explained by the precautionary liquidity buffers built up in previous quarters. Demand for loans for fixed investment declined for the fourth consecutive quarter."

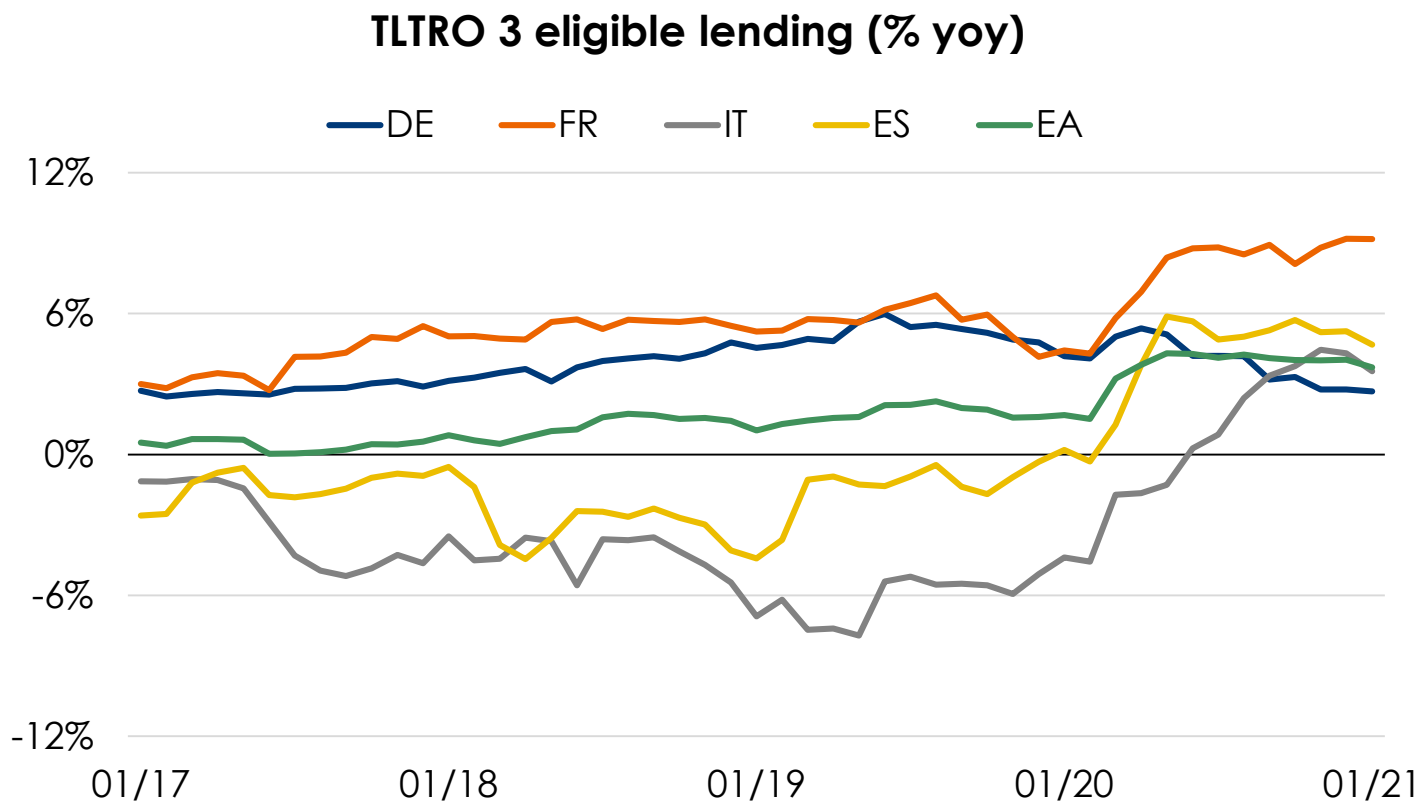
## Factors affecting the demand for loans or credit lines with COVID-19-related government guarantees



Source: ECB, [https://www.ecb.europa.eu/stats/ecb\\_surveys/bank\\_lending\\_survey/html/ecb.blssurvey2020q4-e89c77d212.en.html#toc25](https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/ecb.blssurvey2020q4-e89c77d212.en.html#toc25)  
Intesa Sanpaolo



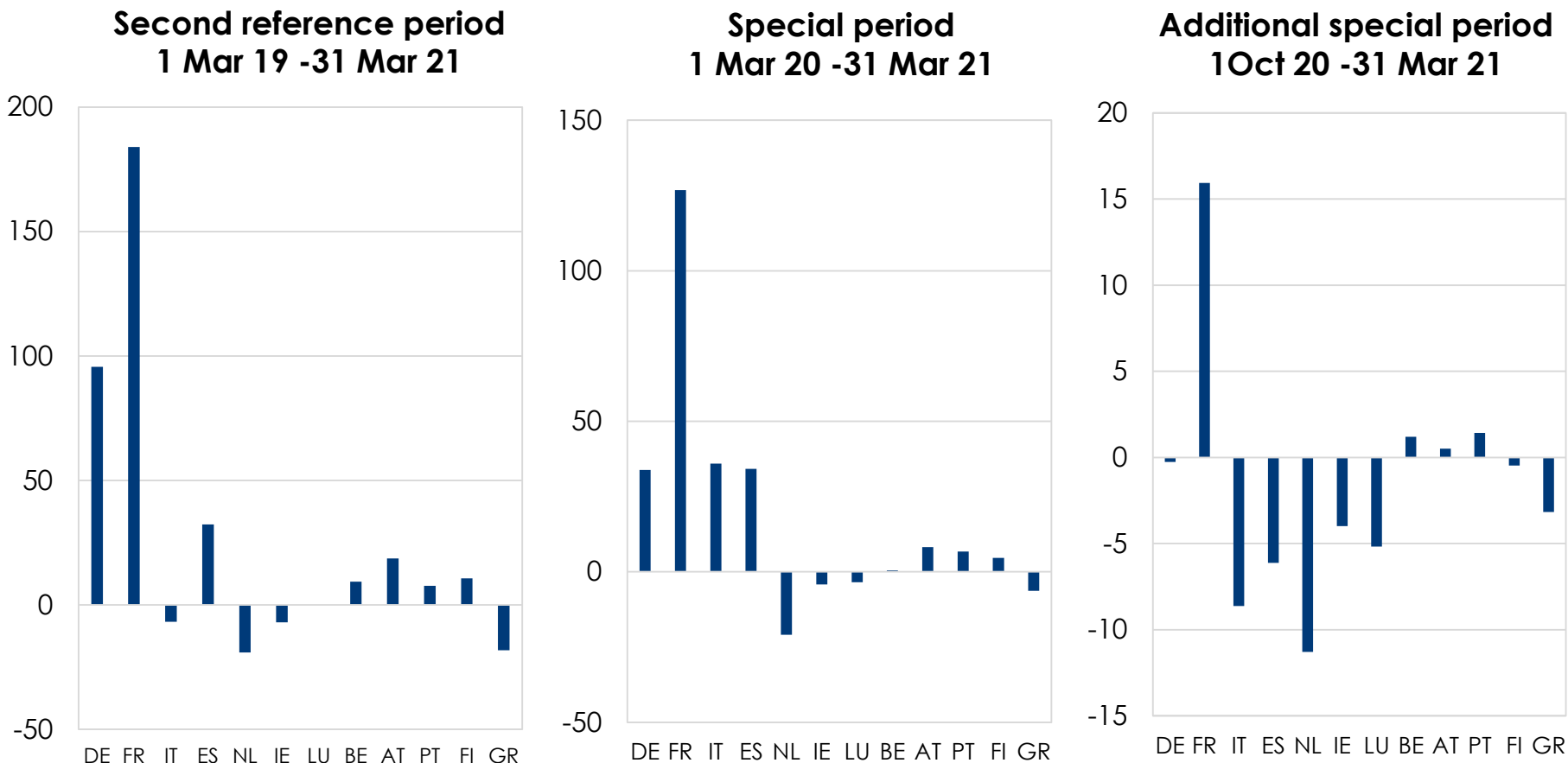
# Net eligible lending climbed after the outbreak of pandemic because corporates increased borrowing from bank's credit lines mainly for precautionary reasons



Source: ECB, Bloomberg, Intesa Sanpaolo

# At national aggregate level, the lending performance is uneven across countries and reference periods

## Eligible lending in TLTRO III reference periods: data ending in Jan 21 (Eur Bn change)



Source: ECB <https://www.ecb.europa.eu/pub/pdf/other/ecb.ecb.2017.21.en.pdf?fa2247400e4d5cd0293ab83c8767364b>, Bloomberg, Intesa Sanpaolo

# The market sources of funding can compete with the maximum rate of the next TLTRO in France and Germany

## TLTRO III.7 cost vs other sources of funding for the banking system of major EA countries (%)

	Germany	France	Italy	Spain
Estimated max gross allowance TLTRO 3.7 (EUR Bn)	490	334	143	93
TLTRO 3.7 min rate %	-0.71	-0.71	-0.71	-0.71
TLTRO 3.7 max rate %	-0.21	-0.21	-0.21	-0.21
<b>Avg TLTRO 3.7 rate % (*)</b>	<b>-0.46</b>	<b>-0.46</b>	<b>-0.46</b>	<b>-0.46</b>
<b>Market funding sources</b>				
3Y Bonds	-0.05	-0.16	0.17	0.11
5Y Covered Bonds	-0.48	-0.47	-0.35	-0.37
12M Repo GC	-0.62	-0.62	-0.53	-0.60
Deposit rate non fin corp	-0.23	0.12	0.39	-0.29
ECB PELTRO	-0.25	-0.25	-0.25	-0.25
<b>Avg rate of market funding (**)</b>	<b>-0.33</b>	<b>-0.28</b>	<b>-0.12</b>	<b>-0.26</b>
<i>Difference vs TLTRO 3 min rate in bp</i>	<b>38</b>	<b>43</b>	<b>59</b>	<b>45</b>
<i>Difference vs TLTRO 3 max rate in bp</i>	<b>-12</b>	<b>-7</b>	<b>9</b>	<b>-5</b>
Cost difference of avg market funding vs TLTRO 3.7 avg rate				
EUR Mln	646	608	490	185
% of 2019 NII	0.95%	0.88%	1.50%	0.27%

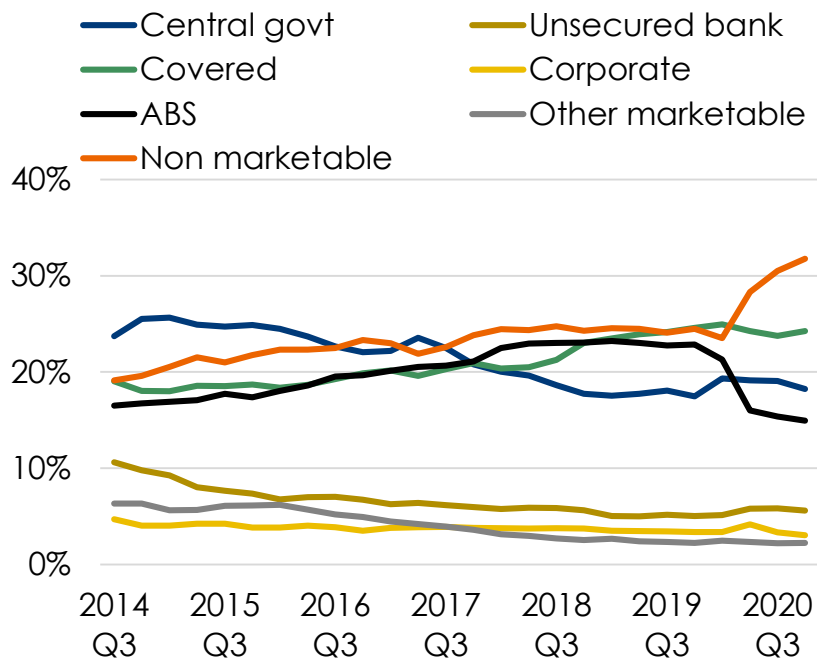
Note: (\*) the rate is a simple average of min and max rates. Min and max rate are an average over the 3 year maturity. (\*\*) Simple average of different market funding rates.

Source: ECB, Bloomberg, Intesa Sanpaolo

# Pledged collateral evolution

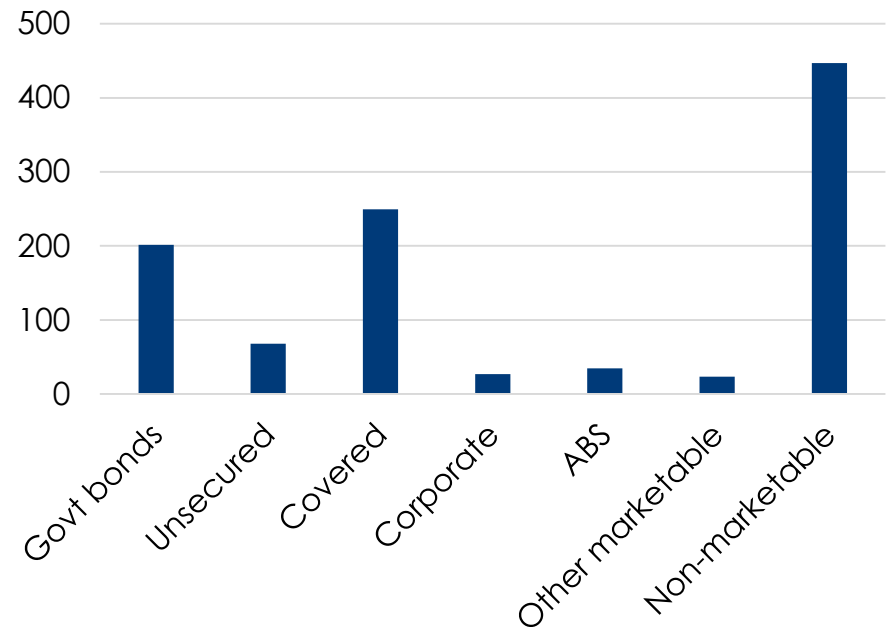
- Eligible marketable assets amounted to 15.6 trillion euro in 4Q20.
- **At the end of Q4 2020, 825 billion euros of non-marketable assets (or credit claims) were posted as collateral for Eurosystem operations, a 447 billion increase from Q4 2019.**

**Pledged collateral at the ECB by asset class  
(% total eligible assets , as of 4Q 2020)**



Source: ECB, Bloomberg, Intesa Sanpaolo

**Pledged collateral by asset class (Net change between Q4'19 and Q4'20, EUR Bn)**



# Our expectations for bank's borrowing at the next four TLTROs

ISP scenario: expected borrowing by country at the TLTRO III series (EUR Bn)

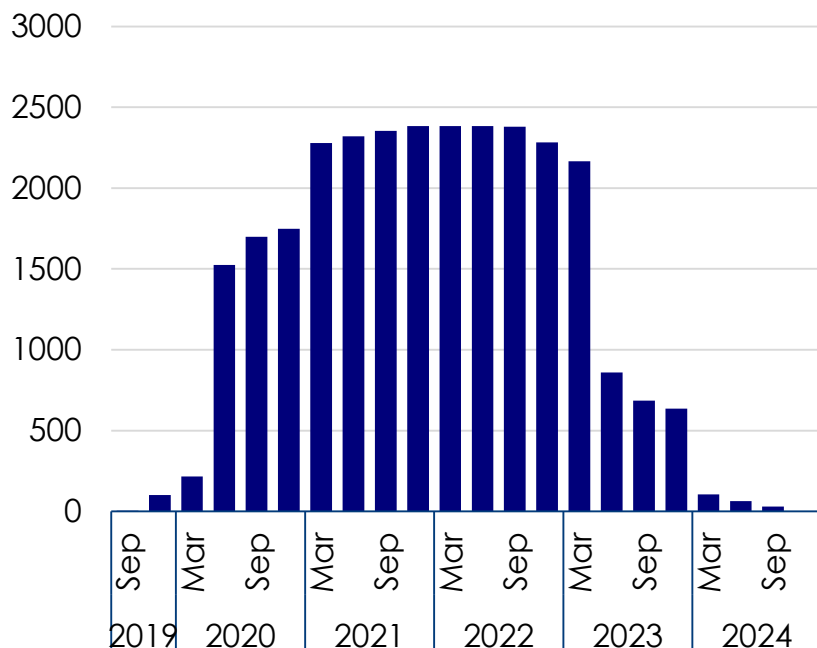
	IT	ES	FR	DE	NE	BE	IE	PT	Other	TOTAL EA
Eligible loans 28/02/2019	935	638	1,329	1,511	399	168	78	235	490	5,784
<b>Max take-up = 55% of elig. Loans</b>	514	351	731	831	220	92	43	129	270	3,181
Long-term refin.operations as of 1/1/21 of which:	373	261	398	341	139	78	7	32	140	1,773
- TLTRO II funds outstanding	2	3	1	-	-	1	1	1	12	21
- TLTRO III funds outstanding	371	258	397	341	139	77	6	31	128	1,748
PELTROs	15	1	-	-	-	-	-	-	-	16
<b>Expected take-up at TLTRO III.7</b>	<b>110</b>	<b>60</b>	<b>120</b>	<b>110</b>	<b>55</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>45</b>	<b>530</b>
<b>Expected take-up at TLTRO III. 8,9,10</b>	<b>15</b>	<b>15</b>	<b>18</b>	<b>13</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>26</b>	<b>105</b>

Source: ECB, Bloomberg, Intesa Sanpaolo

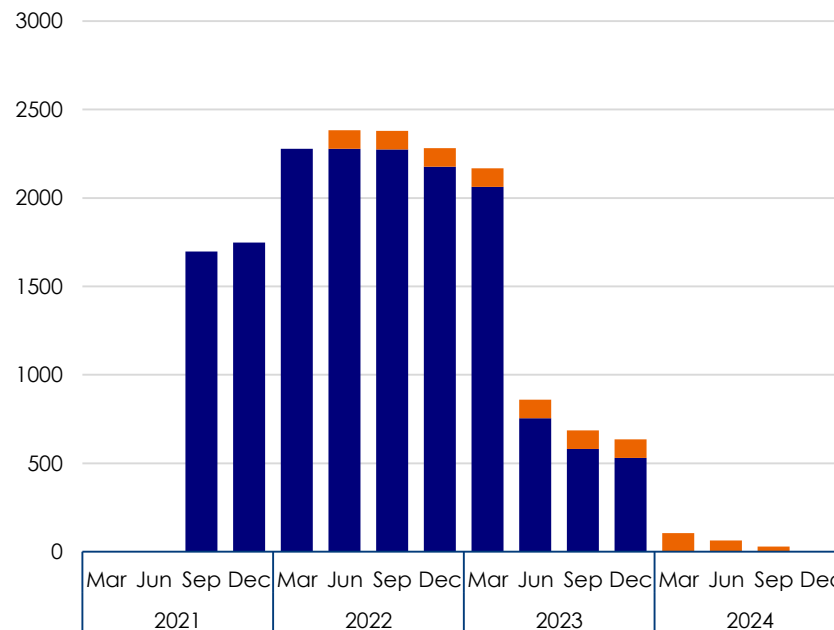
# Early repayments, in particular of TLTRO 3.4 are a source of uncertainty going forward

- Funds borrowed between September 2019 and March 2021 through TLTRO III.1 to TLTRO III.7 can be repaid quarterly after one year from settlement starting in September 2021.
- For the new tree tranches of TLTRO III of June 21, September 21 and December 21, the early repayments option is possible quarterly starting from June 2022.

## Scenario without early reimbursements Outstanding amount of TLTRO 3 (EUR Bn)



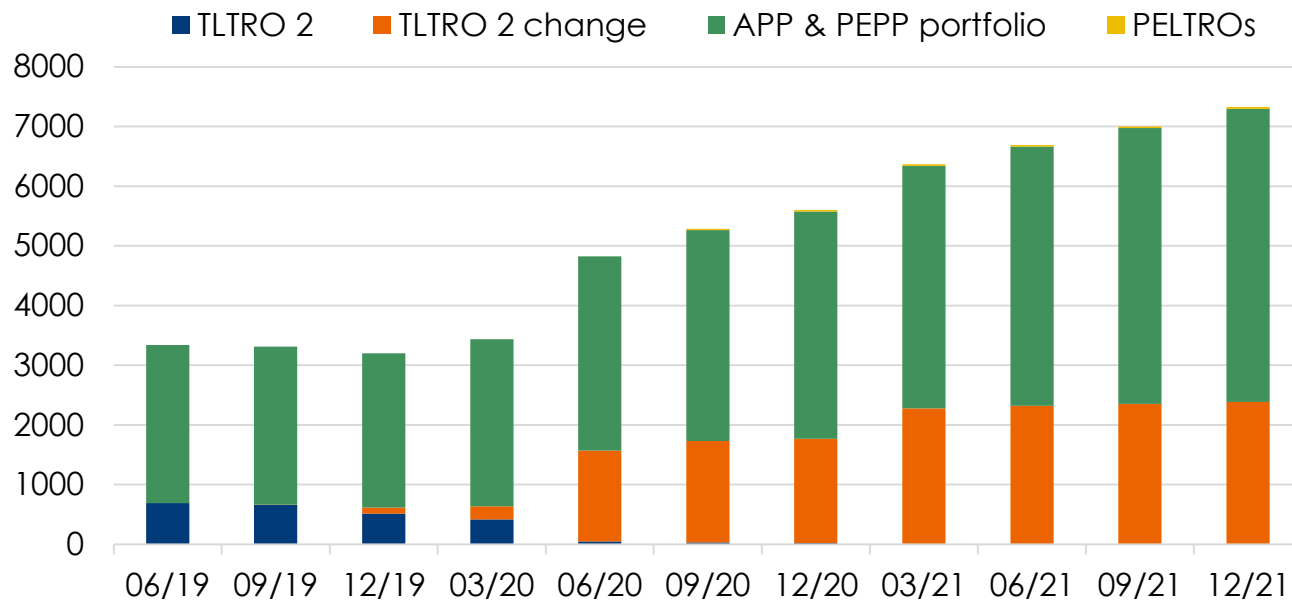
## Cumulative potential funds of early reimbursements of TLTRO3 (EUR Bn)



# Eurosystem assets are expected to increase above 7 trillion euros by the end of 2021

- Eurosystem's long-term refinancing operations are expected to growth to 2.4 trillion euros in 4Q21.
- The ECB securities portfolios is expected to reach 4.9 trillion euros in 4Q21.

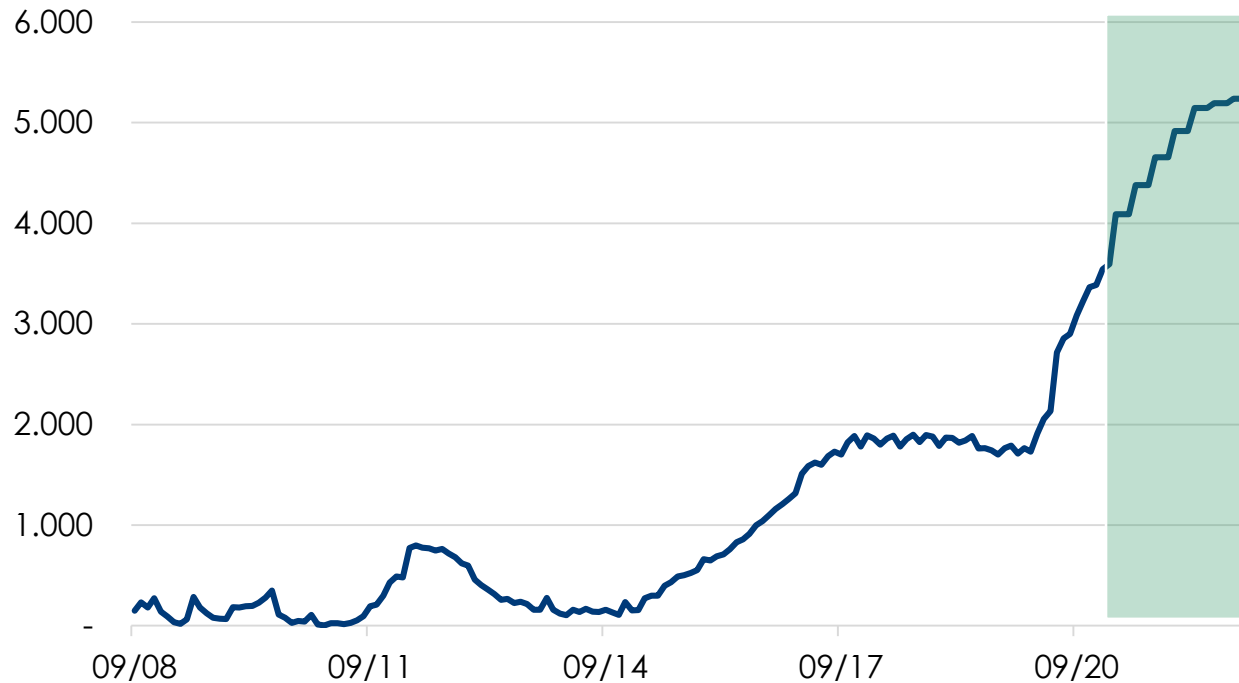
### Eurosystem assets (ISP forecast from Jan 21, EUR Bn)



Source: ECB, Bloomberg, Intesa Sanpaolo

# Excess liquidity will rise steeply above 5 trillion euros

Expected excess liquidity of the Eurosystem (ISP forecast in blue, EUR Bn)



Source: ECB, Bloomberg, Intesa Sanpaolo



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