

# ECB Research

## TLTRO – low take up, but ECB should not be concerned

- In the ECB's TLTRO3.1 operation (19 September) banks took only EUR3.4bn, while banks decided voluntarily to repay EUR32bn next week. Despite the low take up resulting in net liquidity drainage, the ECB and markets should not be concerned, with excess liquidity still above EUR1.7trn. Only 28 banks participated in the operation.
- TLTRO operations will run quarterly until March 2021, so banks will have plenty of opportunities to take liquidity. The ECB should not be concerned with low take up.

### Take up surprisingly low

Euro area banks decided to take EUR3.4bn in TLTRO3.1 operations today. This was markedly lower than expected (also lower than our below-market consensus of EUR20-30bn), however it will not impact the loose liquidity standards.

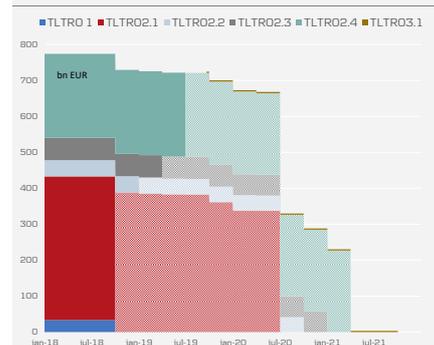
The low liquidity take up needs to be seen in the context of changed terms last week where the ECB decided that the quarterly operations running until March 2021 should be each of 3-year maturity but also sweetened the rate by 10bp (now from MRO to deposit rate).

Today's operation cannot be rolled into the 7<sup>th</sup> and last operation in March 2021, as the early repayment optionality in today's operation only falls in September 2021. That may also have been a reason for the low take up. However, we expect the ECB to extend the TLTROs as we believe it is an underappreciated and uncontroversial tool.

### Space in core, but not expected to take much

The maximum potential take up of 30% of eligible lending leaves more space in core countries than in peripheral countries. We estimate that on a banking system level, German banks would be able to take up to EUR368bn over the 7 operations. Similarly, Italian and Spanish banks could take up to EUR43bn and EUR44bn respectively.

### TLTRO maturity profile



Note: shaded area indicates potential early repayment.

Source: ECB, Danske Bank

### TLTRO maturity profile

(bn EUR)	Maturity	Original amount (bn EUR)	Outstanding amount	Voluntary early repayment
TLTRO2.1	Jun-20	399.3	334.8	61.2
TLTRO2.2	Sep-20	45.3	42.5	2.8
TLTRO2.3	Dec-20	62.2	57.8	4.3
TLTRO2.4	Mar-21	233.5	222.4	6.5
TLTRO3.1	Sep-22	3.4	3.4	0

Source: ECB, Danske Bank

### Potential take up over all 7 operations

(bn EUR)	Eligible loan stock (Feb.19)	Max eligible take-up (30% of eligible loan stock)	Currently outstanding LTRO by country (Aug.19)	Potential max new take up	Pot max new take up % of GDP
Germany	1511	453	85	368	11
Netherlands	403	121	28	93	13
Austria	235	71	18	53	14
France	1329	399	110	289	13
Finland	122	37	7	30	13
Luxembourg	89	27	5	22	39
Belgium	168	51	23	28	6
Spain	642	193	149	44	4
Italy	936	281	238	43	3
Portugal	93	28	19	9	5
Ireland	78	23	2	21	7
Greece	108	32	8	25	14
Other	95	29	3	26	
<b>Euro area</b>	<b>5887</b>	<b>1766</b>	<b>TLTRO 692</b>	<b>1024</b>	<b>9</b>

Source: ECB, Danske Bank

### Senior ECB / Euro Area Analyst

Piet P. H. Christiansen  
+45 45 13 20 21  
phai@danskebank.dk

### Senior Analyst

Aila Mihr  
+45 45 12 85 35  
amih@danskebank.dk

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This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this research report are Piet P. H. Christiansen, Senior Analyst, and Aila Mihr, Senior Analyst.

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