

## Bank on it: Banks draw another €98bn from the ECB, but the end could be in sight

European banks have once again taken advantage of the ECB's TLTRO-III funding operation, drawing €98bn from the 9th tranche. This is unlikely to have an impact on bank funding conditions, not least when you take into account the early repayments from last week



Source: ING, EBA

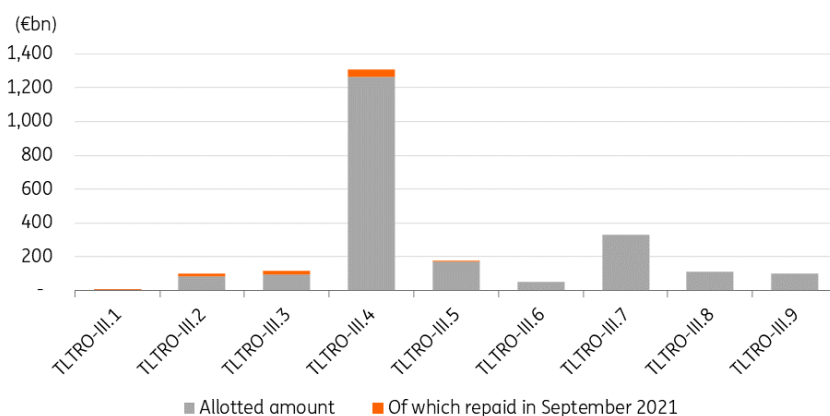
### Banks utilise the ECB's funding operation again

European banks have drawn €97.6bn from the 9th tranche of the ECB's TLTRO-III funding programme. The tranche offers three-year funding for banks until September 2024 with the first repayment option in June 2022. Altogether, 152 banks took part in the operation with the average drawing at €640m.

The 9th tranche will remain among the smaller ones to date. The net liquidity impact on the banking system from the allocation in tranche 9, and the early repayments in September, is a positive €18bn. The limited size is unlikely to have a larger impact on liquidity conditions.

Taking into account the early repayments in September, the size of the total TLTRO-III operation increases to €2,208bn. The European Central Bank announced last week that banks will repay €79bn across the first five tranches of the TLTRO-III operation on 29 September 2021. The early repayments are spread across the tranches with the fourth tranche seeing the largest repayment of €46bn. We've written more about that [here](#).

## The outstanding amounts of the ECB's TLTRO-III funding operation



## The last tranche scheduled for December

Under the current framework, only one more tranche remains and that will be allocated in December this year. As the lending benchmark period runs until the end of the year, the closer we get, the better the banks will know their exact position and whether they're meeting the lending criteria.

We could, therefore, see in the December tranche whether banks have further taken advantage of the attractive interest rate level, increasing their drawings towards their maximum capacity.

So far the impact of the pandemic on the European banking sector has been smaller than perhaps initially feared. Given that, we consider that new tranches are barely needed for now. However, European banks continue to struggle with profitability challenges, which are also aggravated by the ECB's negative rates policy. Here, the funding programme with its attractive pricing clearly offers some pain relief.

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