

## Press release

10 December 2020

# ECB prolongs support via targeted lending operations for banks that lend to the real economy

- Extension by an additional 12 months, to June 2022, of period of favourable interest rates for banks that lend to the real economy
- Three additional three-year operations in June, September and December 2021
- Borrowing allowance raised to 55% of eligible loans

The Governing Council of the European Central Bank (ECB) today decided on modifications to the terms and conditions of the third series of targeted longer-term refinancing operations (TLTRO III). The extension of the pandemic-related low interest rate period, the addition of three more operations and the increase in the amount that can potentially be borrowed under TLTRO III will preserve the very attractive funding conditions that over the past few months have supported banks' efforts to keep credit flowing to the real economy in a time of high stress. This will help banks to secure the liquidity they need to extend loans to households and firms on very favourable lending terms.

For the period from 24 June 2021 to 23 June 2022, the interest rate on all outstanding TLTRO III operations will remain 50 basis points below the average rate applied in the Eurosystem's main refinancing operations over the same period. The interest rate on the main refinancing operations is currently 0%. For counterparties whose eligible net lending between 1 October 2020 and 31 December 2021 reaches the lending performance threshold, the interest rate applied on all TLTRO III operations outstanding over the period from 24 June 2021 to 23 June 2022 will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than -1%. The deposit facility rate is currently -0.5%.

### European Central Bank

Directorate General Communications, Global Media Relations Division  
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany  
Tel.: +49 69 1344 7455, Email: [media@ecb.europa.eu](mailto:media@ecb.europa.eu), Website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

The lending performance threshold that needs to be met in order for a participating counterparty to attain the minimum interest rate on TLTRO III operations over the extended period of reduced interest rates is set at 0% between 1 October 2020 and 31 December 2021. The new evaluation period provides further incentives for banks to maintain the level of credit support that they have provided since the start of the pandemic.

Three new TLTRO III operations with a maturity of three years will be allotted in June, September and December 2021. These new operations will ensure that counterparties can flexibly benefit from the prolonged support. Participants in the operations announced today will, on a quarterly basis starting in June 2022, have the option of withdrawing from or reducing the amount borrowed in the new TLTRO III operations, before maturity.

For banks that reach the lending performance threshold of 0% between 1 October 2020 and 31 December 2021, the interest rate applied after 23 June 2022 will be the average interest rate on the deposit facility over the life of the respective TLTRO III operation. For banks that do not reach this lending performance threshold and that participate in TLTRO III operations conducted in the period to March 2021, the interest rate applied after 23 June 2022 will remain the rate established in accordance with the Decision of 30 April 2020 (ECB/2020/25). For banks that do not reach the lending performance threshold and that participate in the new TLTRO III operations in June, September and/or December 2021, the interest rate after 23 June 2022 will be the average rate applied in the Eurosystem's main refinancing operations over the life of the respective TLTRO III operation. The interest rate applied before 24 June 2021 will remain the rate established in accordance with the Decision of 30 April 2020 (ECB/2020/25).

The maximum amount that counterparties will be entitled to borrow is raised from 50% to 55% of their stock of eligible loans as at 28 February 2019 for all future TLTRO III operations, starting from the March 2021 operation. The amount that counterparties can borrow under each future TLTRO III operation is reduced by any amounts that they have previously borrowed under any TLTRO II or TLTRO III operations that are still outstanding.

These changes to the terms and conditions of TLTRO III will apply to all TLTRO III operations and will be implemented via a fourth amendment to the Decision of the ECB of 22 July 2019 on a third series of targeted longer-term refinancing operations (ECB/2019/21), as amended by the Decisions of the ECB of 12 September 2019 (ECB/2019/28), 16 March 2020 (ECB/2020/13) and 30 April 2020 (ECB/2020/25). The amendment will be published on the ECB's website and subsequently in the Official Journal of the European Union.

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Directorate General Communications, Global Media Relations Division  
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany  
Tel.: +49 69 1344 7455, Email: [media@ecb.europa.eu](mailto:media@ecb.europa.eu), Website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

For media queries, please contact [Silvia Margiocco](#), tel.: +49 69 1344 6619.

## Notes

- The ECB announced TLTRO III on 7 March 2019 and details on 6 June 2019. It announced changes to TLTRO III on 12 September 2019, an easing of the conditions on 12 March 2020 and a recalibration on 30 April 2020.
- Further information on TLTRO I, TLTRO II and TLTRO III can be found on the ECB's website.

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