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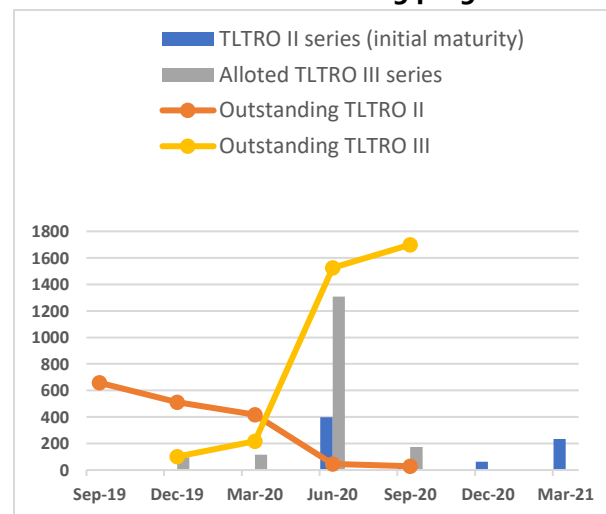
Scope Insights – The stigma for European banks of resorting to central bank funding as a recurring source of cheap refinancing continues to fade after more modest but still significant take-up of the ECB's latest funding programme for euro area banks, TLTRO.

Latest ECB figures show that the total amount of TLTRO III.5 allotment stands at EUR 174.5bn, with 388 bidding banks, a sharp drop from record take-up for TLTRO III.4 earlier this summer: EUR 1.3tr with 742 bidding banks.

We were expecting a more modest take-up of TLTRO III at the end of this month, ([see Scope's 3 September report on TLTRO III](#)) because many large banks had reached their maximum borrowing capacity in June, benefiting from the more attractive pricing conditions granted to early birds. Liquidity positions have been strengthened already and prospects of new lending opportunities to the real economy – which the TLTRO series are supposed to back – are not that bright as measures to combat the Covid-19 pandemic weigh heavily on many sectors.

Banks have also accelerated the roll-over of TLTRO II series through early voluntary repayments, with an outstanding amount (see the orange line in **Figure 1**) already well below the initial repayment schedule running till March 2021 (blue column).

Figure 1: Allotted, outstanding amounts in ECB's two latest TLTRO funding programmes





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