

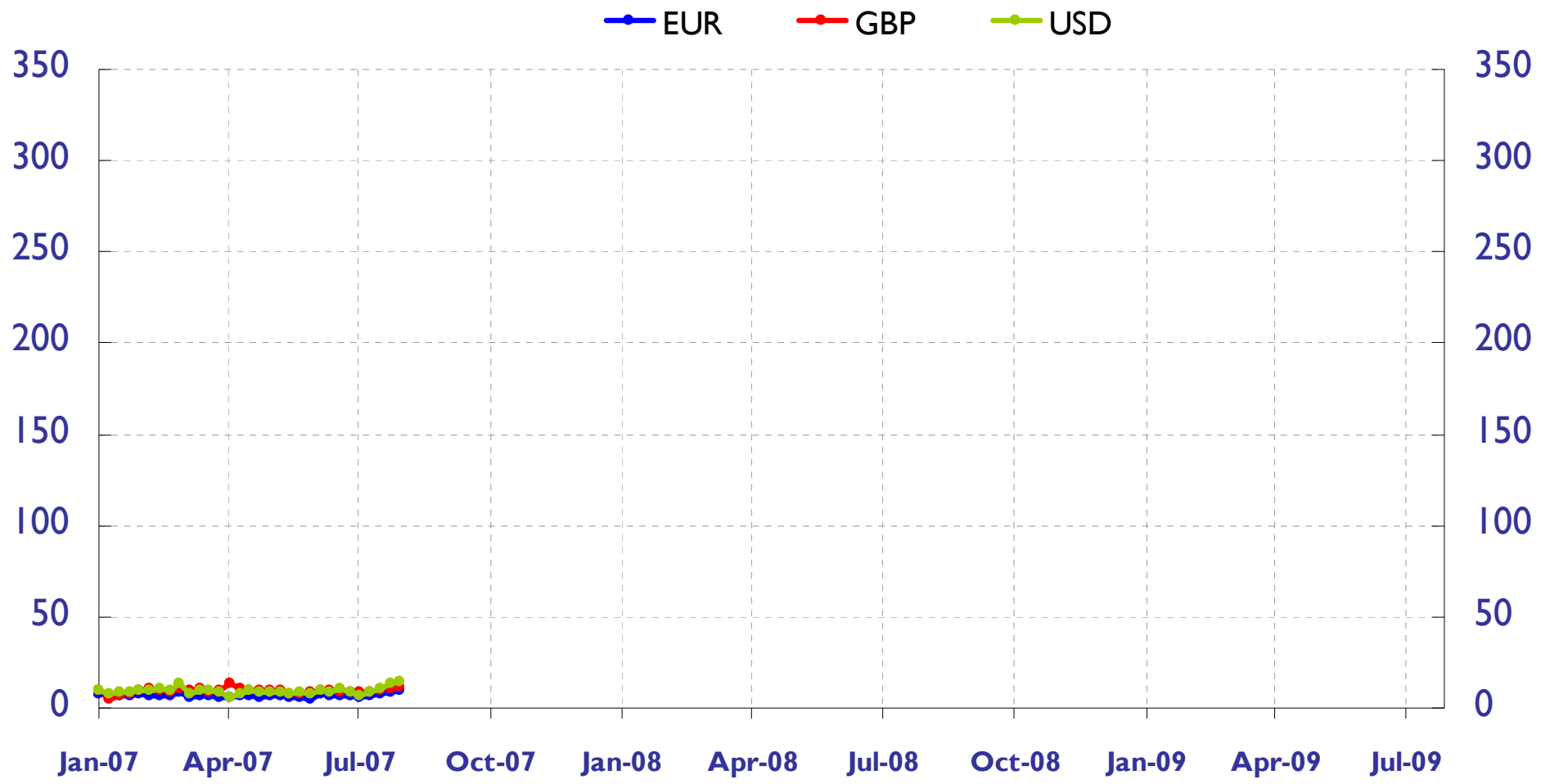
The ECB's Enhanced Credit Support

Jean-Claude Trichet

President of the European Central Bank

University of Munich, 13 July 2009

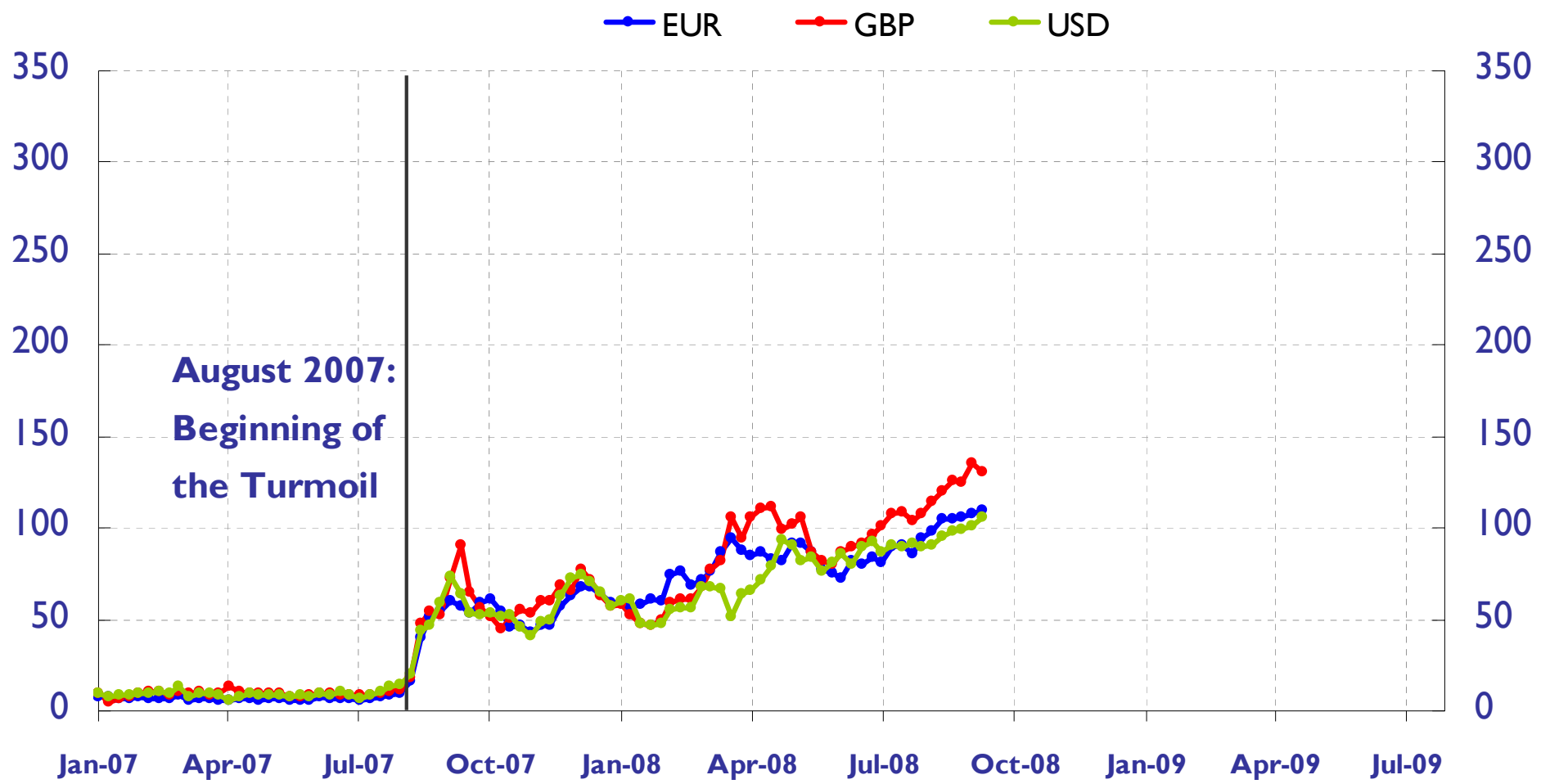
Interbank market spreads



Note: Spreads are the difference between 12-month Euribor/Libor and Overnight Index Swap rates, in basis points.

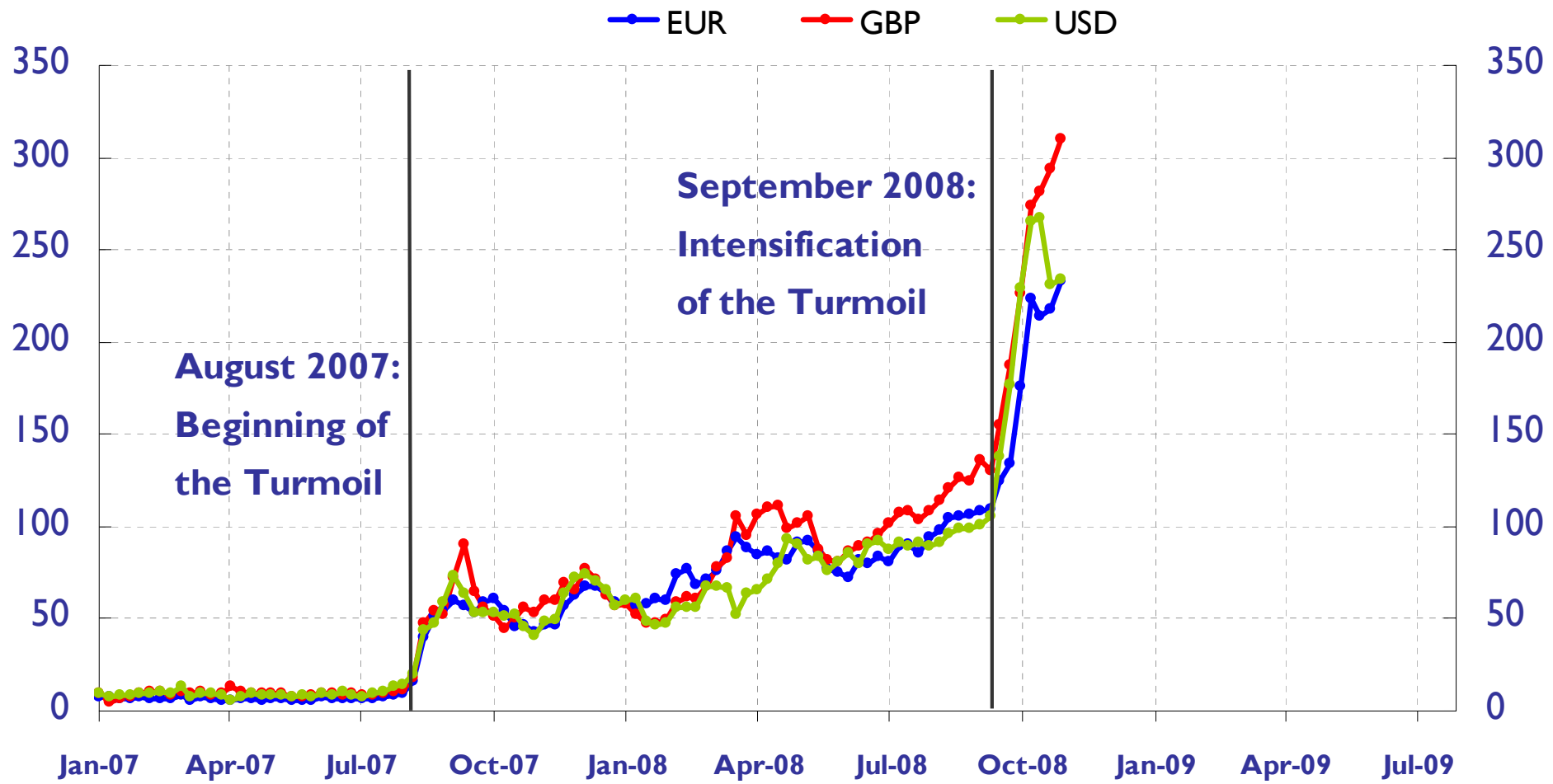
Source: Bloomberg and ECB's calculations.

Interbank market spreads



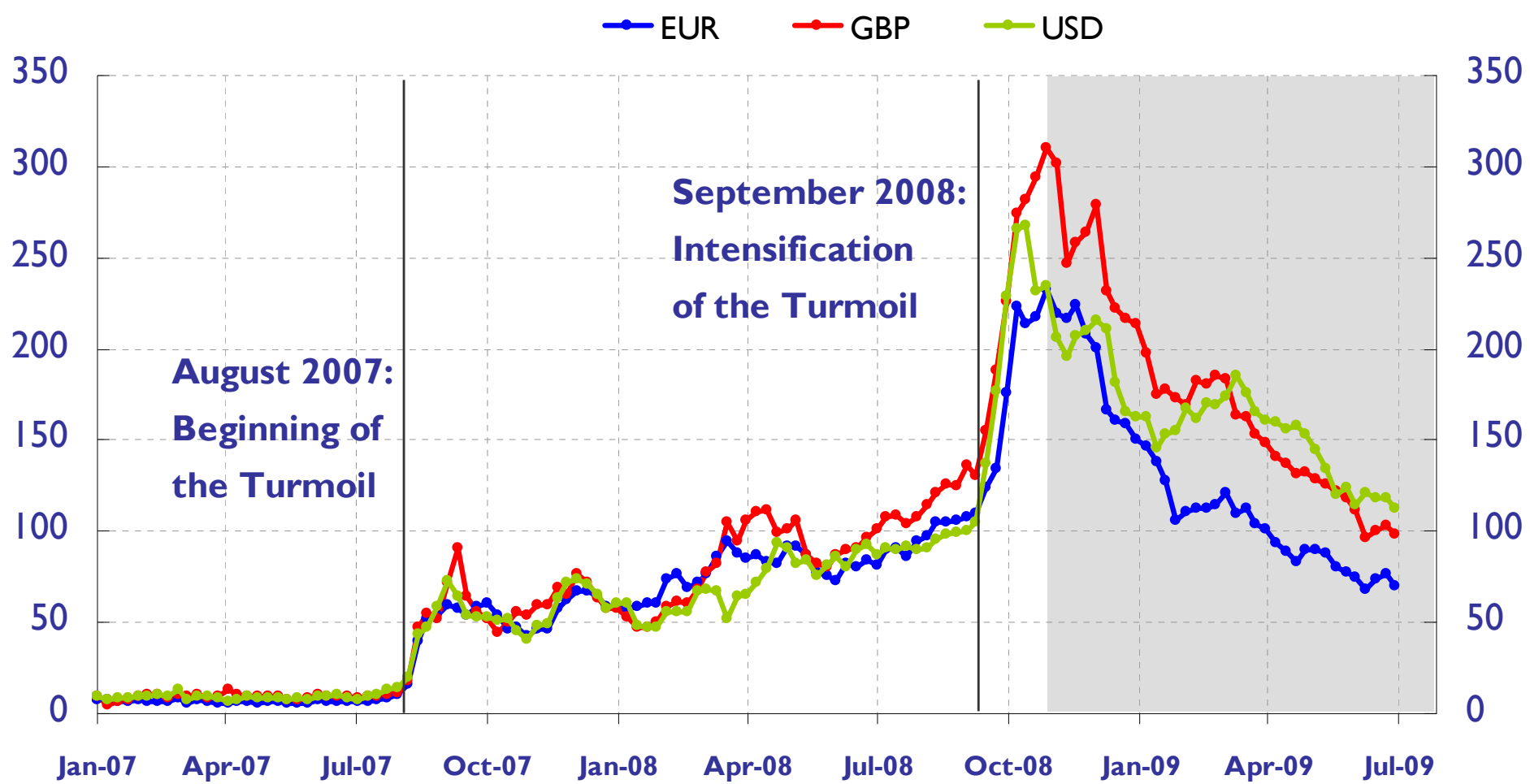
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Interbank market spreads



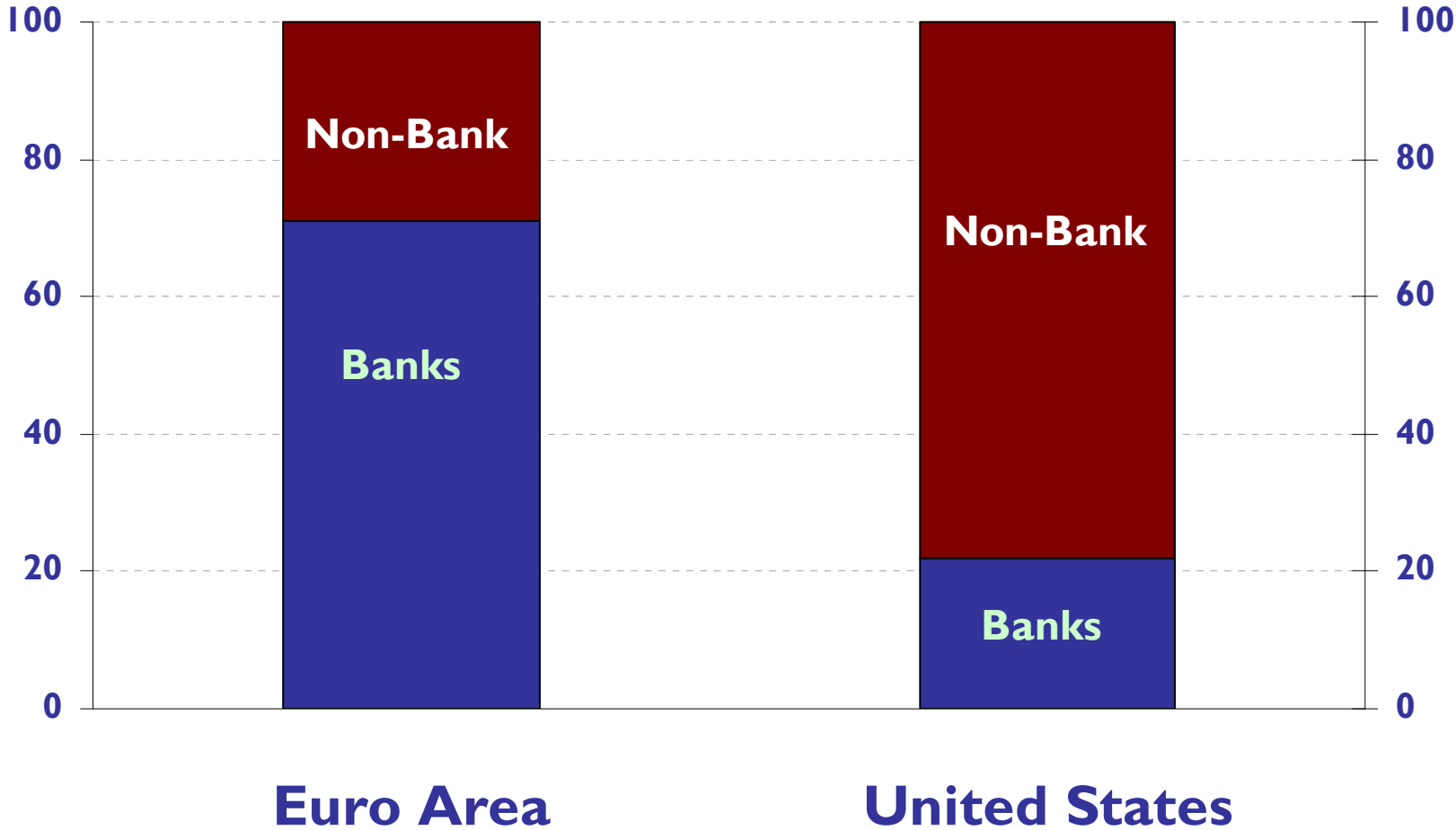
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Interbank market spreads



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Source: Bloomberg and ECB's calculations.

Sources of finance for corporations



Note: Breakdown of the sources of external financing of non-financial corporations, in percent, average 2004 – 2008

Source: ECB Monthly Bulletin, April 2009

Selected monetary policy indicators

| | Euro Area | United States |
|------------------------------------|------------------|----------------------|
| Policy rate | 1.00 | 0.00 – 0.25 |
| Interbank rates | | |
| - Unsecured rate (12-month) | 1.64 | 1.73 |
| - Unsecured-secured spread | 0.70 | 1.24 |
| Bank rates (long-term) | 3.99 | 3.52 |
| Credit premium (BBB spread) | 2.22 | 2.59 |

Note: Data in percent; average May-June 2009. Unsecured rate: 12-month Euribor/Libor; secured rate: 12-month swap. The BBB spread is the difference between the BBB- and AA-rated 10-year corporate bond yields (composite index). Bank rates refer to May 2009. Source: Bloomberg and ECB's calculations.

The ECB's enhanced credit support

Set of primarily bank-based measures to enhance the flow of credit beyond the standard interest rate channel

- Fixed-rate full-allotment**
- Expansion of collateral**
- Longer-term liquidity provision**
- Liquidity provision in foreign currencies**
- Financial market support through purchases of covered bonds**

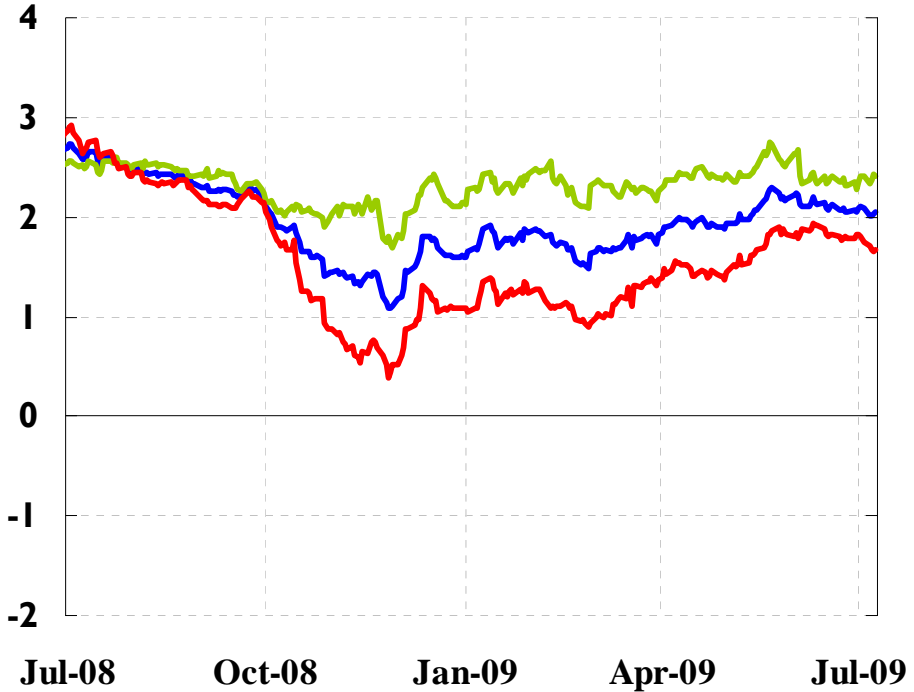
Conclusions

- **Enhanced credit support is in full continuity of the mission of the ECB that started 10 years ago**
- **Responses can be bold, but need to keep medium-term orientation to maintain confidence at all levels**
- **ECB: anchor of stability and confidence in challenging times**

Solid anchoring of expectations

Euro area

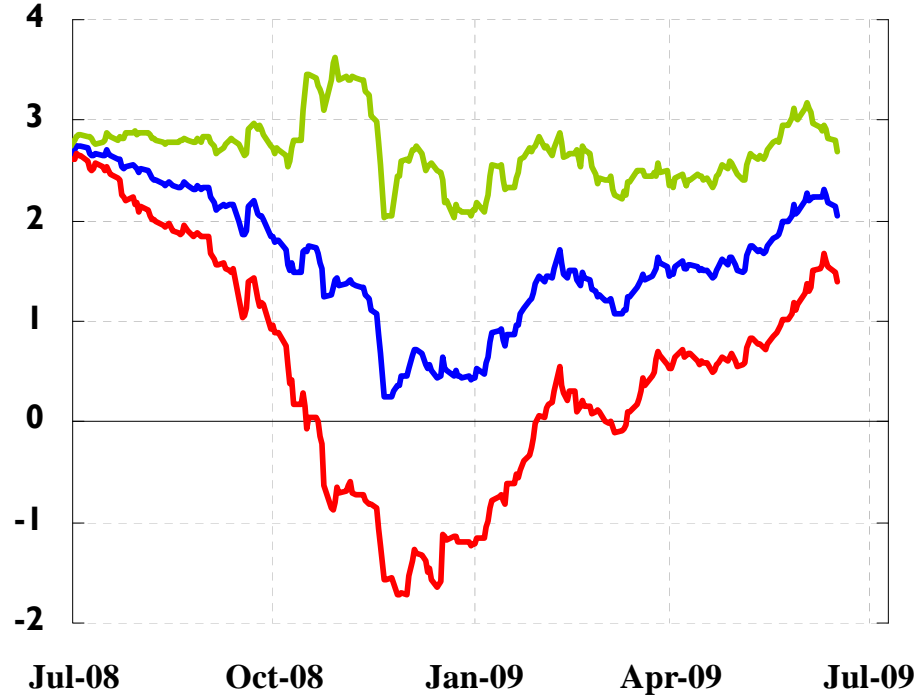
- 10-year BEIR (seas. adj.)
- 5-year forward 5 years ahead BEIR (seas. adj.)
- 5-year BEIR (seas. adj.)



Note: Data in percent; Last observation 9 July 2009
 Source: Reuters, ECB Calculations.

United States

- 10-year BEIR
- 5-year forward 5 years ahead BEIR
- 5-year BEIR



Note: Data in percent; Last observation 16 June 2009
 Source: US Federal Reserve.

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