



EUROPEAN CENTRAL BANK

EUROSYSTEM

Towards a new Eurosystem balance sheet

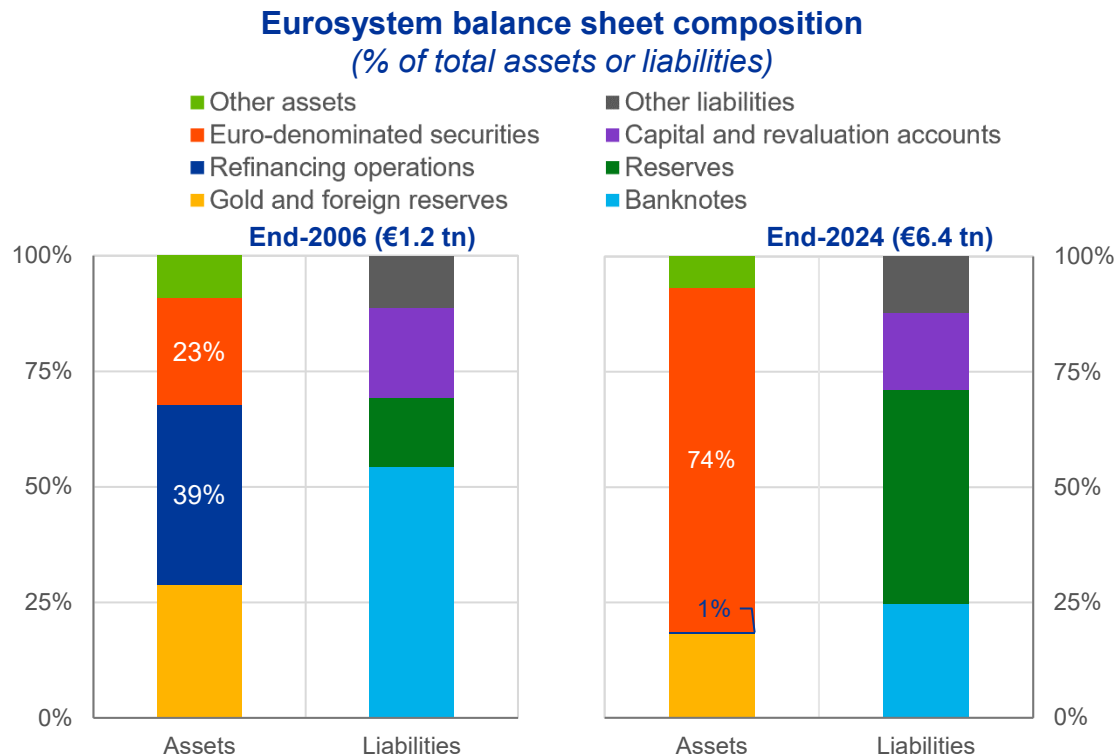
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ECB Conference on Money Markets
Frankfurt am Main, 6 November 2025

QE fundamentally changed the composition of the Eurosystem's balance sheet

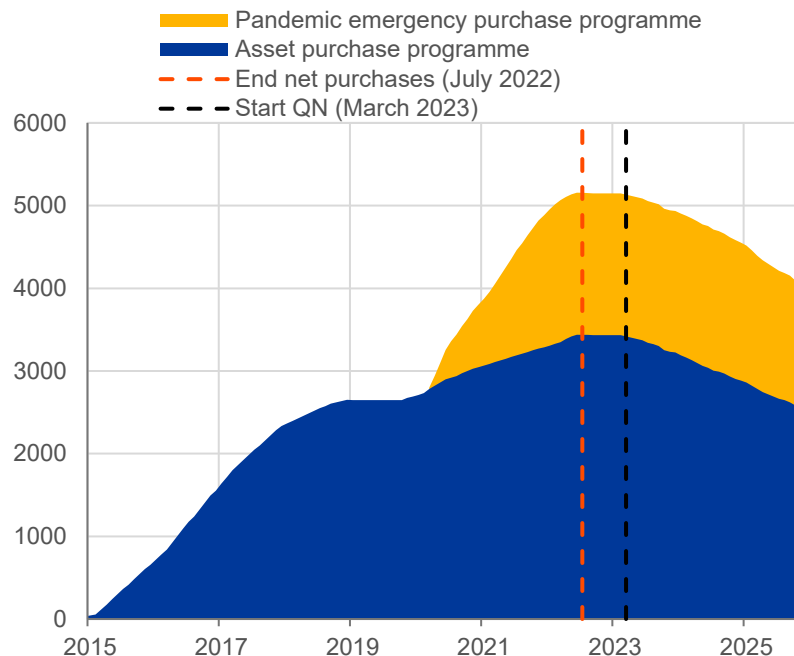


Sources: ECB and ECB calculations.

Notes: The chart depicts the composition of the Eurosystem's consolidated balance sheet as of 31 December 2006 and 31 December 2024, based on daily financial statements. The categorization is as follows: i) Gold and foreign reserves = A1, A2.2 & A3; ii) Credit operations = A5.1-5; iii) Euro-denominated securities = A4, A7 & A11.2 (Other financial assets); Banknotes = L1; Reserves = L2.1 & L2.2; Capital and revaluation accounts = L13 (Provisions), L14 (Revaluation accounts) & L15 (Capital and reserves). Remaining assets and liabilities are classified under "Other assets" and "Other liabilities", respectively. A11.2 includes also other financial assets than euro-denominated securities.

Quantitative normalisation (QN) removes residual stimulus from the market

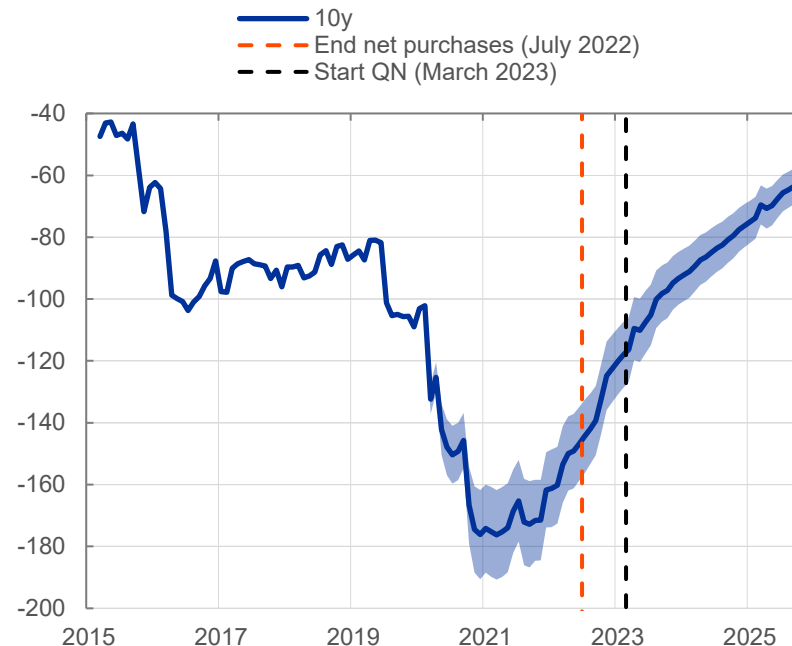
Eurosystem securities holdings under APP and PEPP (EUR bn)



Source: ECB.

Notes: The chart depicts cumulative holdings of securities under the Asset Purchase Programme and the Pandemic Emergency Purchase Programme. Net purchases were concluded in July 2022. Quantitative normalisation began in March 2023 with the partial reinvestments under the Asset Purchase Programme. Latest observation: October 2025.

Estimated impact of APP and PEPP sovereign bond holdings on risk premia (basis points)

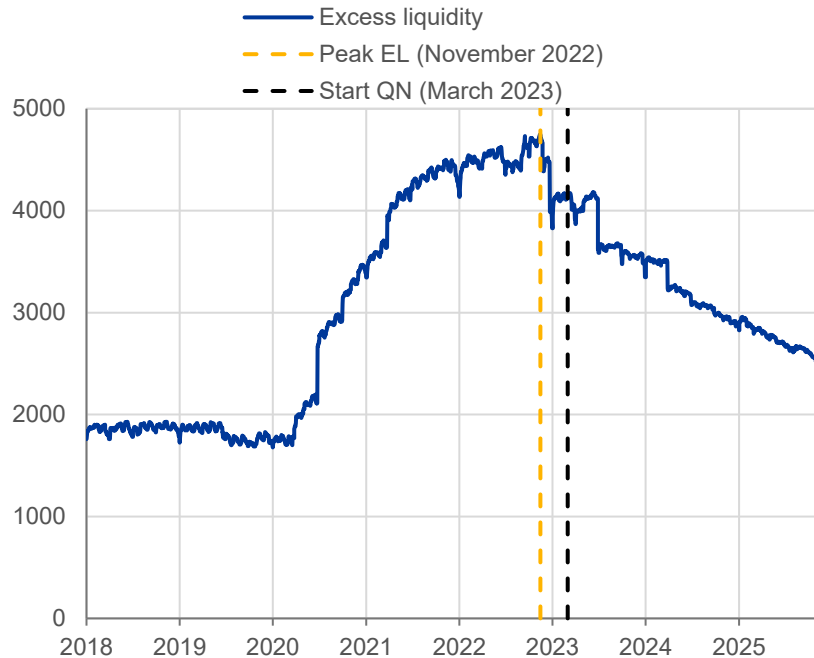


Source: ECB calculations.

Notes: The upper range of estimates are derived using an arbitrage-free affine model of the term structure with a quantity factor (see Eser et al., 2023). The lower range is derived using an alternative version of the model recalibrated so that the model-implied yield reactions to the March PEPP announcement match the two-day yield changes observed after 18 March 2020. The model results are derived using GDP-weighted averages of the zero-coupon yields of the big-four sovereign issuers (DE, FR, IT, ES). Latest observation: October 2025 (monthly data).

Banks have kept LCR broadly constant despite large fall in excess reserves

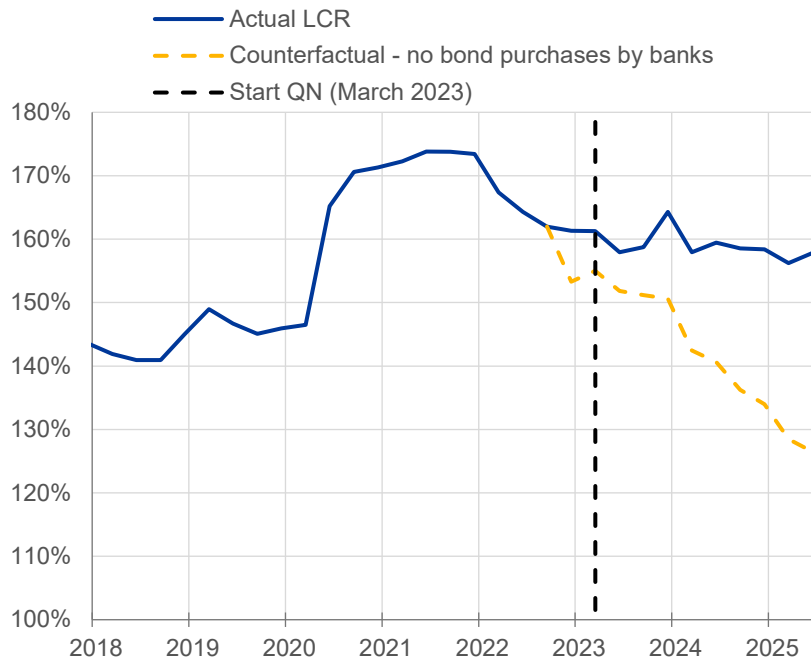
Excess liquidity evolution (EUR bn)



Source: ECB.

Notes: The chart depicts the daily evolution of excess liquidity from 1 January 2018 until 4 November 2025. Excess liquidity peaked on 14 November 2022. Quantitative normalisation began in March 2023 with the partial reinvestments under the Asset Purchase Programme.

LCR and counterfactual LCR (percentages)



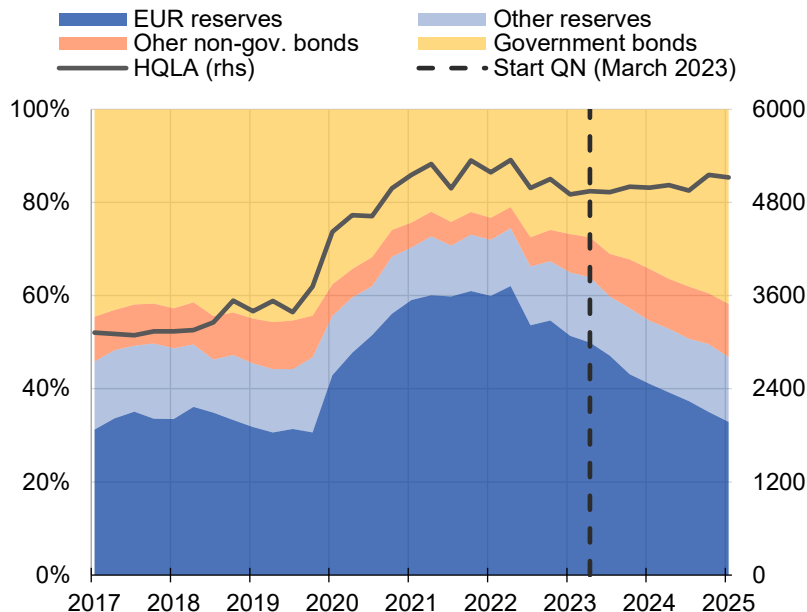
Source: ECB (Supervisory statistics).

Notes: The counterfactual LCR simulation assumes that government bonds of banks remain fixed at the level from Q3 2022. All other LCR components evolve as the actual. In reality, the government bonds absorbed by non-banks also affect banks' LCRs. This is because non-banks likely would reduce their deposits with banks to pay for the bond purchases, affecting both the net outflows (LCR denominator) and bank HQLA (LCR numerator). The impact on the LCR of non-bank bond absorption is ambiguous.

Share of government bonds in banks' HQLA has risen measurably in recent years

HQLA evolution and composition of significant banks

(LHS % of HQLA, RHS EUR bn)

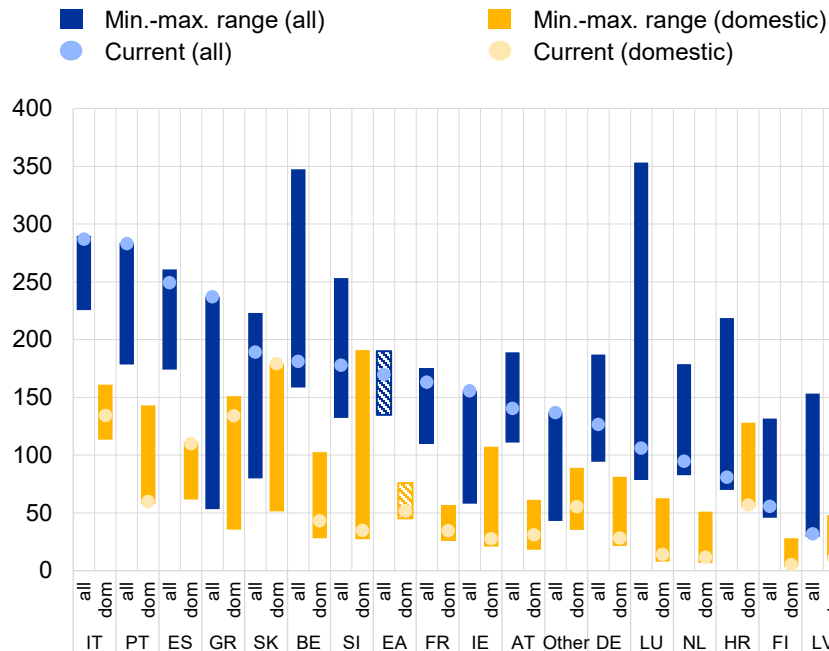


Sources: ECB (Supervisory statistics, MOPDB) and ECB calculations.

Notes: Total high-quality liquid assets reported by significant institutions in EUR bn and their composition. The EUR reserves are derived from aggregated MOPDB data, while foreign currency reserves are proxied as the remaining assets with central banks reported under the LCR. Latest observation Q2 2025.

Domestic and total sovereign bond holdings as share of banks' CET1

(2014-2025, % of CET1)



Sources: ECB (Supervisory statistics) and ECB calculations.

Notes: Sample of 343 banks, unbalanced sample of significant and less significant institutions. The range shows the sovereign bond holdings by banks between Q4 2014 and Q2 2025.

HQLA shift also reflects changes in returns, raising sensitivity of LCR to price shocks

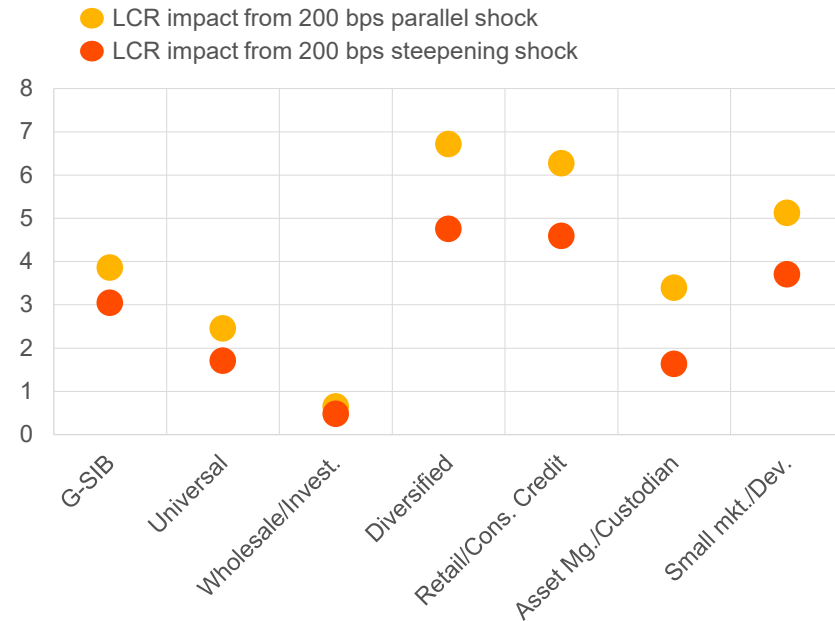
Spread between euro area yields and expected average ECB deposit facility rate (percentage per annum)



Sources: ECB, Bloomberg and ECB calculations.

Notes: The chart depicts the spread of euro area GDP-weighted yield over overnight indexed swap rates of matching maturity linked to the euro short-term rate (€STR). The spread is adjusted by the difference between the €STR and ECB deposit facility rate so as to show the spread to the market-implied DFR. Latest observation: 3 November 2025.

Estimated reduction in LCRs from 200 basis point shock by bank business model (Q2 2025, percentage of LCR denominator)



Sources: ECB (supervisory data, SHS) and ECB calculations.

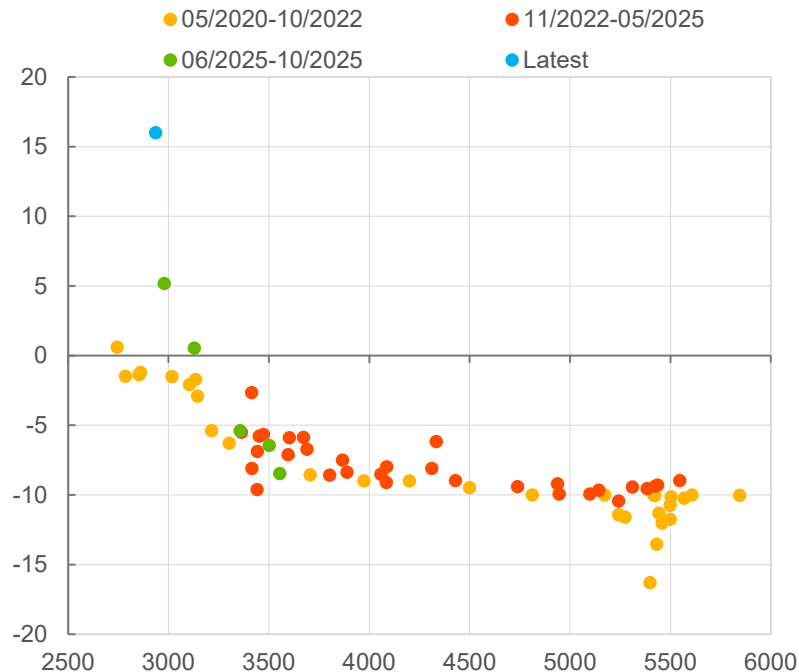
Notes: Sample of 87 significant institutions. Impact estimates represent mark-to-market losses on banks' government bond portfolios in response to an interest rate shock of 200 bps where the yield curve either shifts upward by 200 bps in a parallel fashion or steepens gradually, reaching a shift of 200 bps for maturities greater than 10 years. Worldwide unencumbered Level 1 government bonds are considered (covering more than 85% of total government bond holdings). The reported impact is gross of hedging, which means it may be overestimated.

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No direct link between QN and interest rate control in a demand-driven framework

United States: Reserves and spread of repo rates over interest on reserve balances

(y-axis: SOFR spread to IORB in bps, x-axis reserves + ONRRP in US bn)



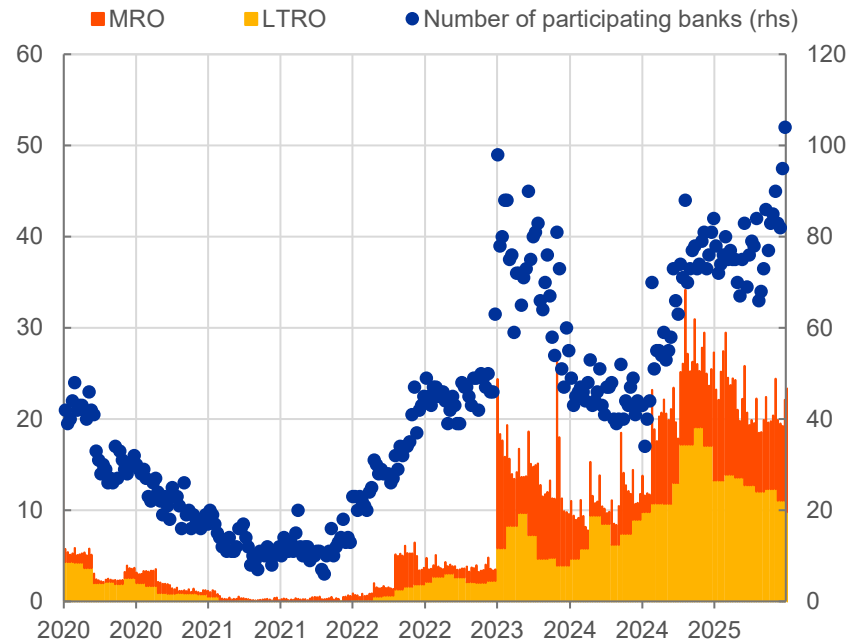
Sources: Bloomberg and ECB staff calculations.

Notes: Reserves are calculated as the sum of bank reserves held with the Federal Reserve and overnight reverse repo usage (ONRRP). IORB refers to interest on reserve balances, SOFR refers to the secured overnight financing rate. Dots refer to monthly averages except for latest.

Latest observation: 28 October 2025.

Take-up and number of banks participating in ECB standard refinancing operations

(LHS EUR bn, RHS number of banks)

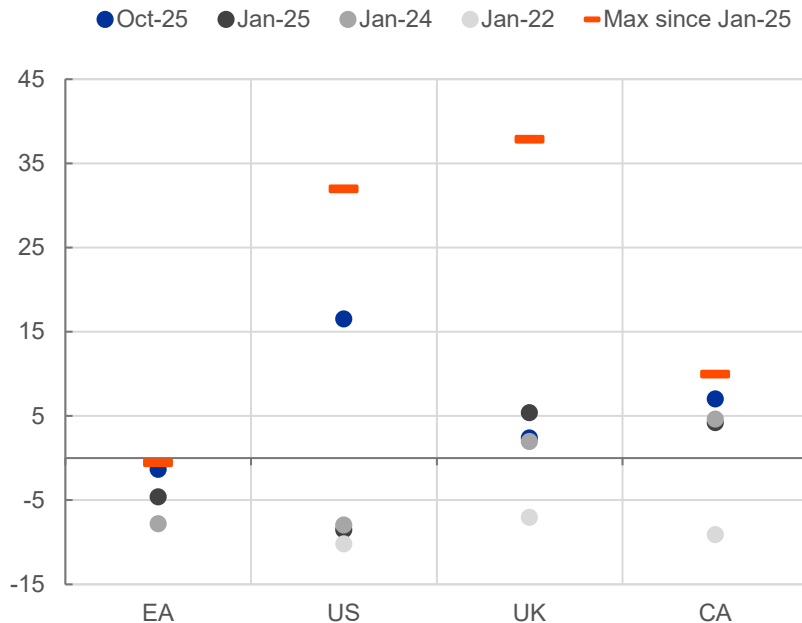


Sources: ECB calculations.

Notes: Standard refinancing operations consist of MROs allotted weekly and 3-month LTROs which are allotted on a monthly frequency. Number of unique participants are shown in the blue dots. Latest observation: 28 October 2025.

Excess liquidity remains abundant, while reserves are being redistributed effectively

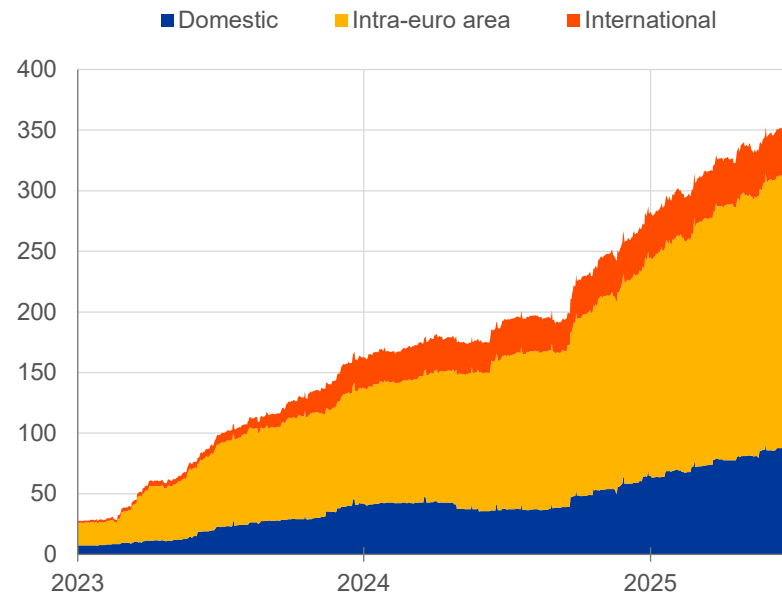
Spread of repo rates over policy rates (basis points)



Sources: Bloomberg, ECB (MMSR), Federal Reserve, Bank of Canada.

Notes: Monthly average repo rates spreads over policy rates. Euro area repo includes 1-day repo against EGB. Highest daily observation in the spread is depicted as a bar. Latest observation 4 November 2025.

HQLA redistribution in euro area repo markets using non-HQLA collateral (EUR bn)

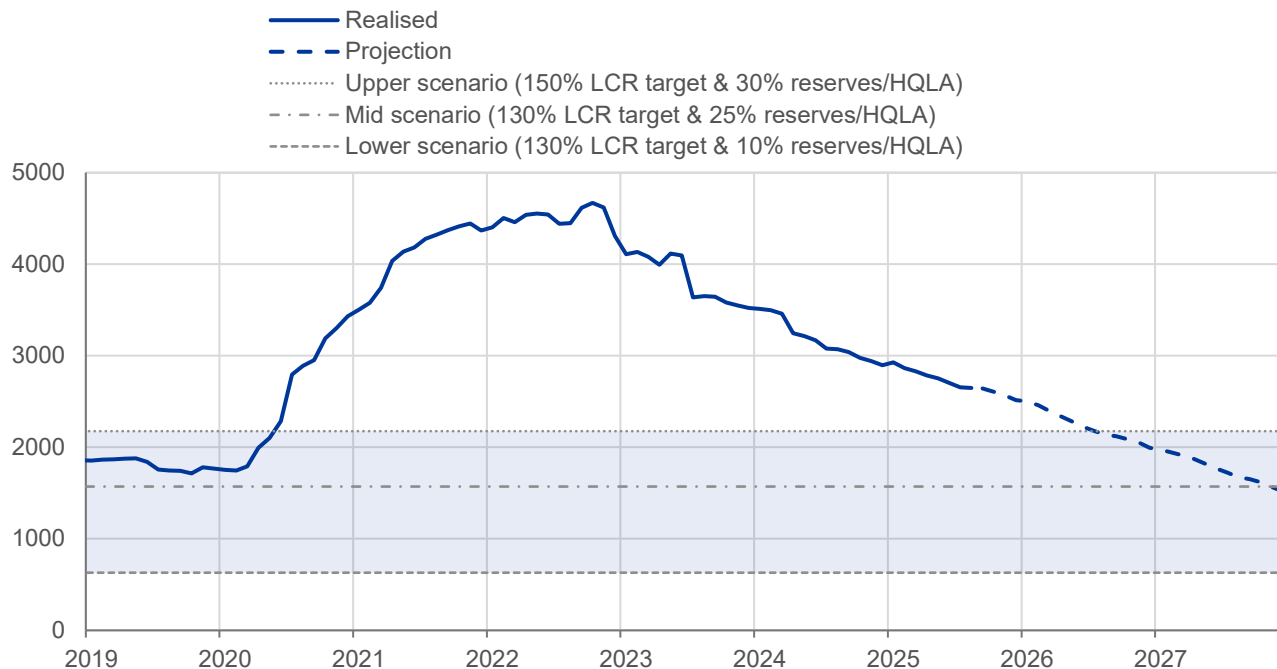


Sources: SFTD, ECB (MOPDB) and ECB calculations.

Notes: Outstanding volumes of HQLA redistribution to banks borrowing in repo against non-HQLA collateral, residual maturities above 30 days and accounting for the LCR haircuts of the underlying collateral and counterparty. Domestic cover within EA country repos, intra-euro area borrowing repos of a bank from a counterparty that are both located in the euro area and International is repo borrowing between EA banks and counterparties located outside the euro area. Open-term repo or evergreen transactions are excluded.

Scenarios suggest that banks may want to hold a significant buffer of excess reserves

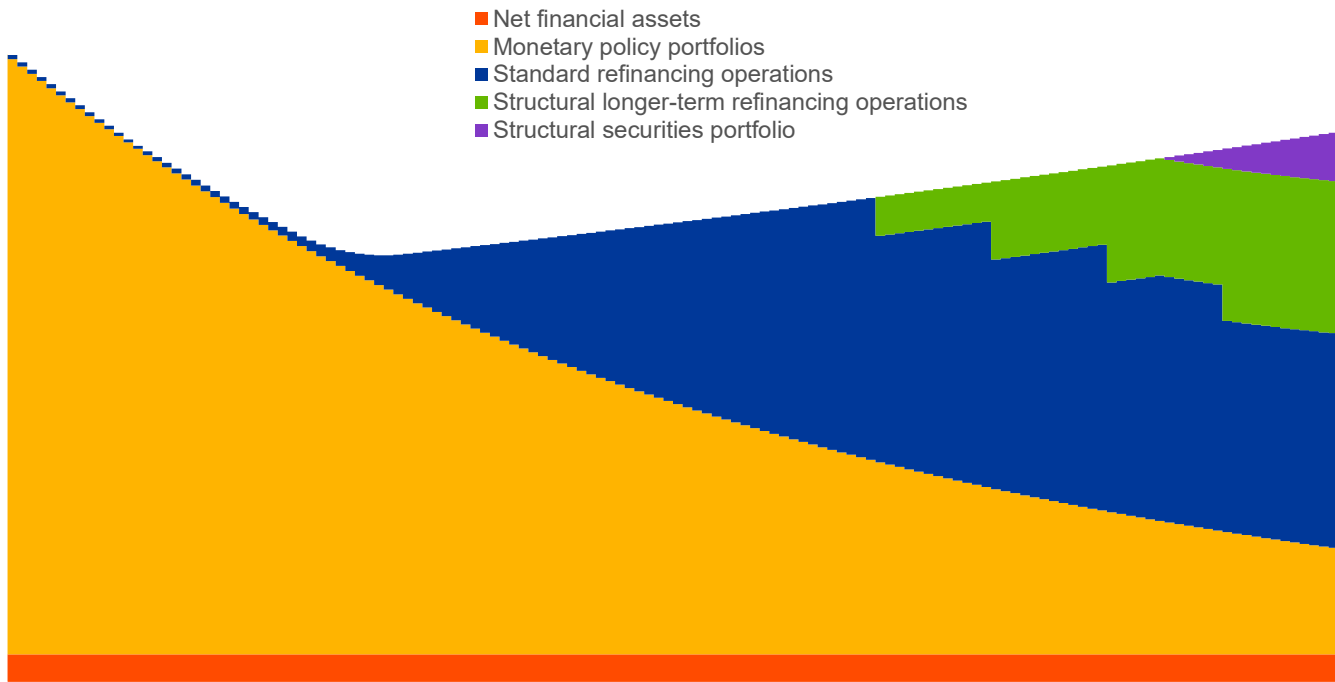
Excess reserves and bank reserve demand scenarios (EUR bn)



Sources: ECB (Supervisory statistics and MOPDB), ECB calculations.

Notes: The simulations take the current levels of the LCR and the share of EUR reserves in HQLA for significant banks and show the hypothetical reserve demand that would correspond to specified aggregate reserve shares and LCR target levels. It is assumed that less significant institutions target the same level as significant banks and that the other banks holding EUR reserves with the Eurosystem experience a proportional decline in reserves as the banks covered by LCR reporting. Scenario lines should not be interpreted as point estimates. The projections are based on quarterly Eurosystem internal balance sheet projections and assume take-up in standard refinancing operations is in line with the median SMA respondent.

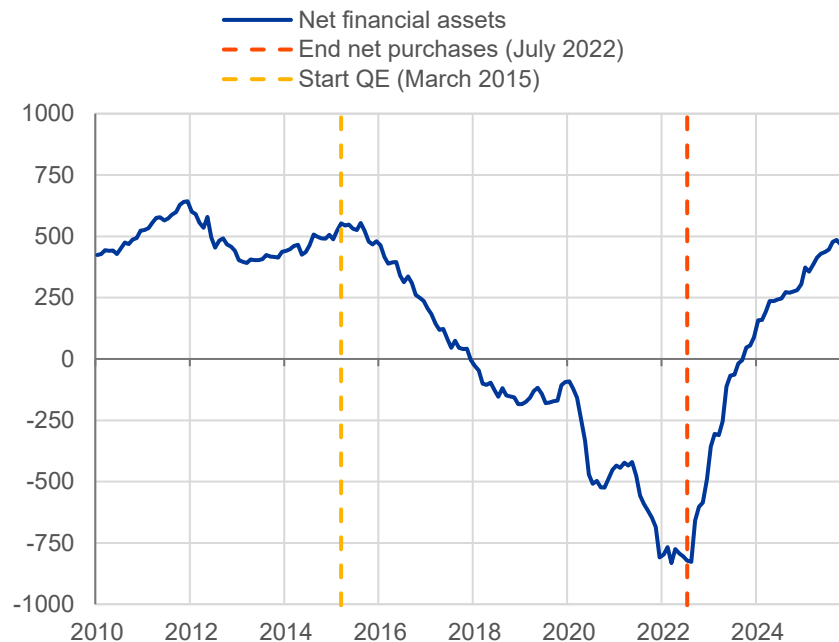
Stylised evolution of the Eurosystem liquidity supply in the new operational framework



Source: ECB.

Legacy portfolios and net financial assets by far exceed autonomous factors and MRR

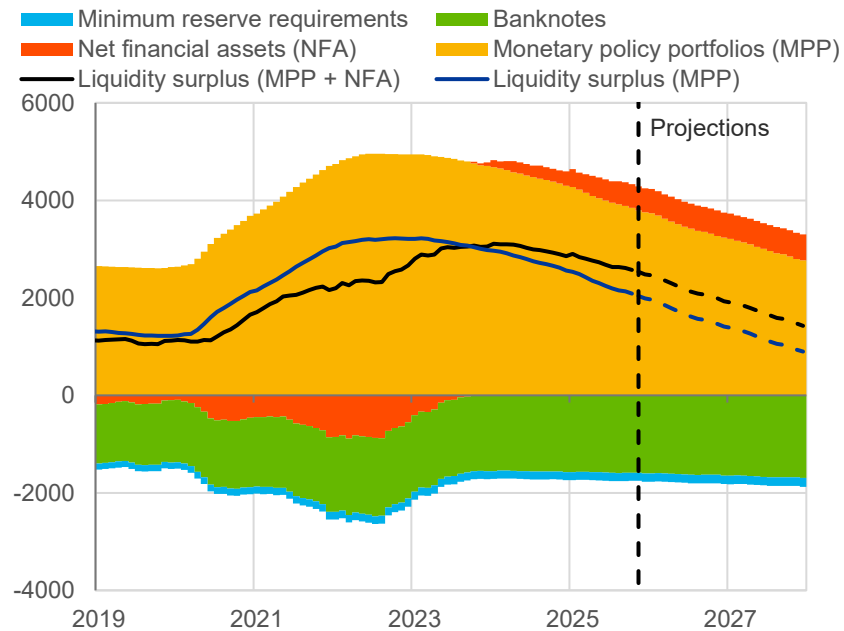
Evolution of Eurosystem net financial assets (EUR bn)



Sources: ECB and ECB calculations.

Notes: The chart depicts the evolution of the Eurosystem net financial asset position as monthly averages since January 2010 until October 2025. The net position comprises all non-monetary policy-related activities undertaken by the national central banks and the ECB. On the asset side, it includes holdings such as foreign-denominated and domestic securities and gold, while on the liability side, it primarily consists of deposits from governments and other non-bank entities. Further details here: https://www.ecb.europa.eu/ecb-and-you/explainers/tell-me-more/html/anfa_qa.en.html

Liquidity surplus from monetary policy portfolios and net financial assets (EUR bn)



Sources: ECB and ECB calculations.

Notes: Liquidity surplus from monetary policy portfolios is calculated as the difference between monetary policy holdings and the sum of minimum reserve requirements and banknotes. Liquidity surplus from monetary policy portfolios and net financial assets incorporates also net financial assets as a liquidity providing component. Projections are based on quarterly Eurosystem internal balance sheet projections.

Thank you very much for your attention!