C.2: Banks‘ funding strategies in the context of monetary policy normalisation

ECB MMCG
March 2nd 2023, Frankfurt a.M.
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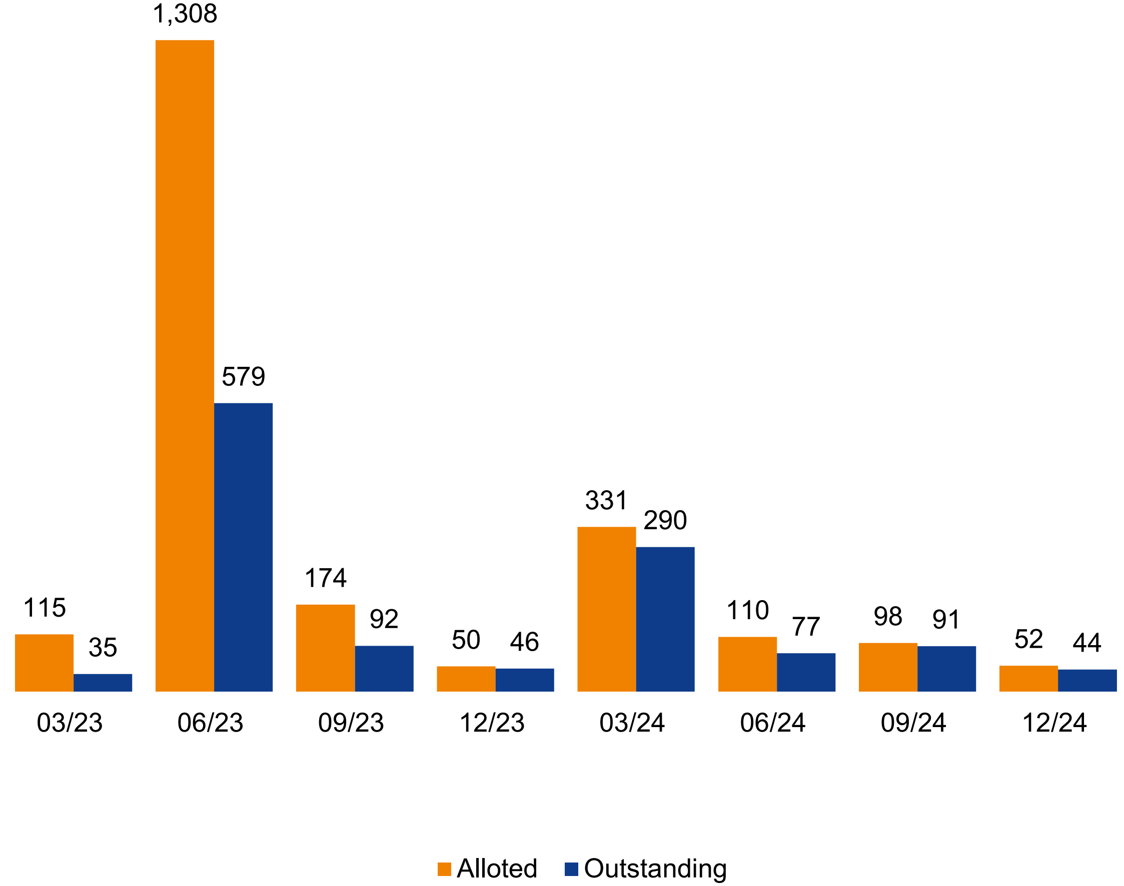
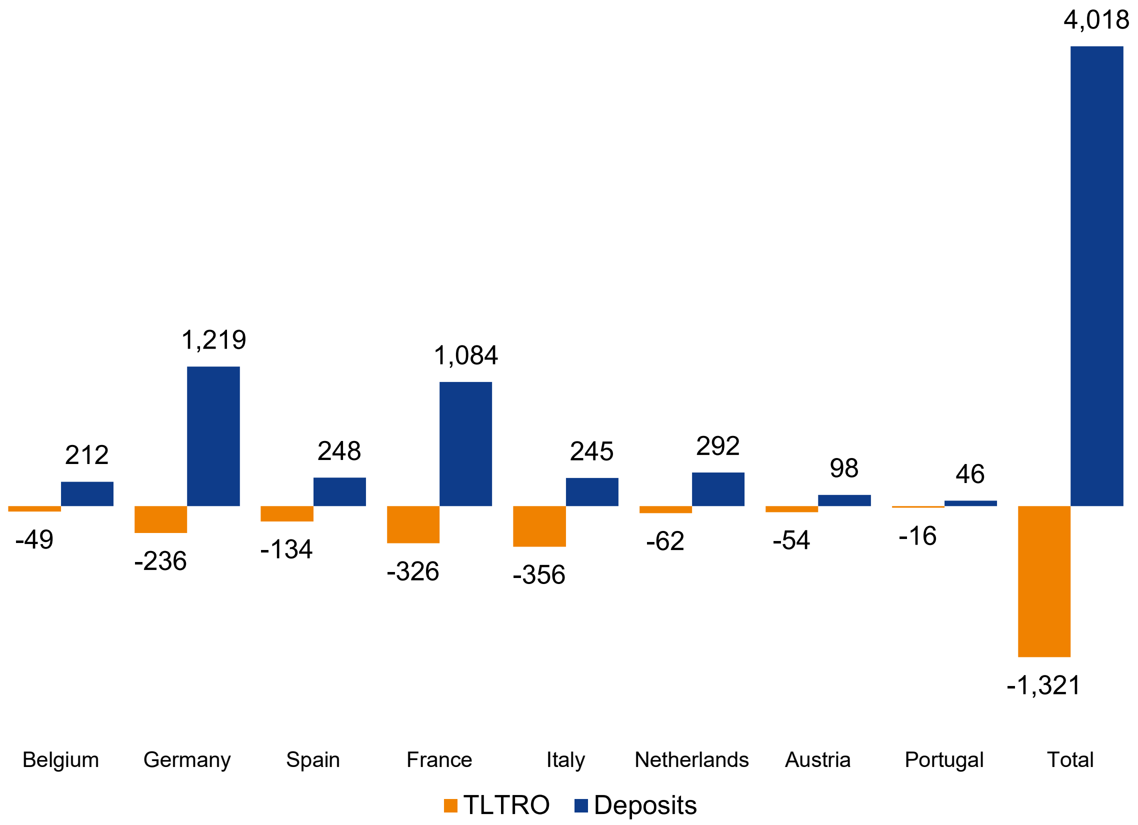
DZ BANK

TLTRO III: Repayment mostly covered by Deposits

TLTRO III Tenders due in EUR bn



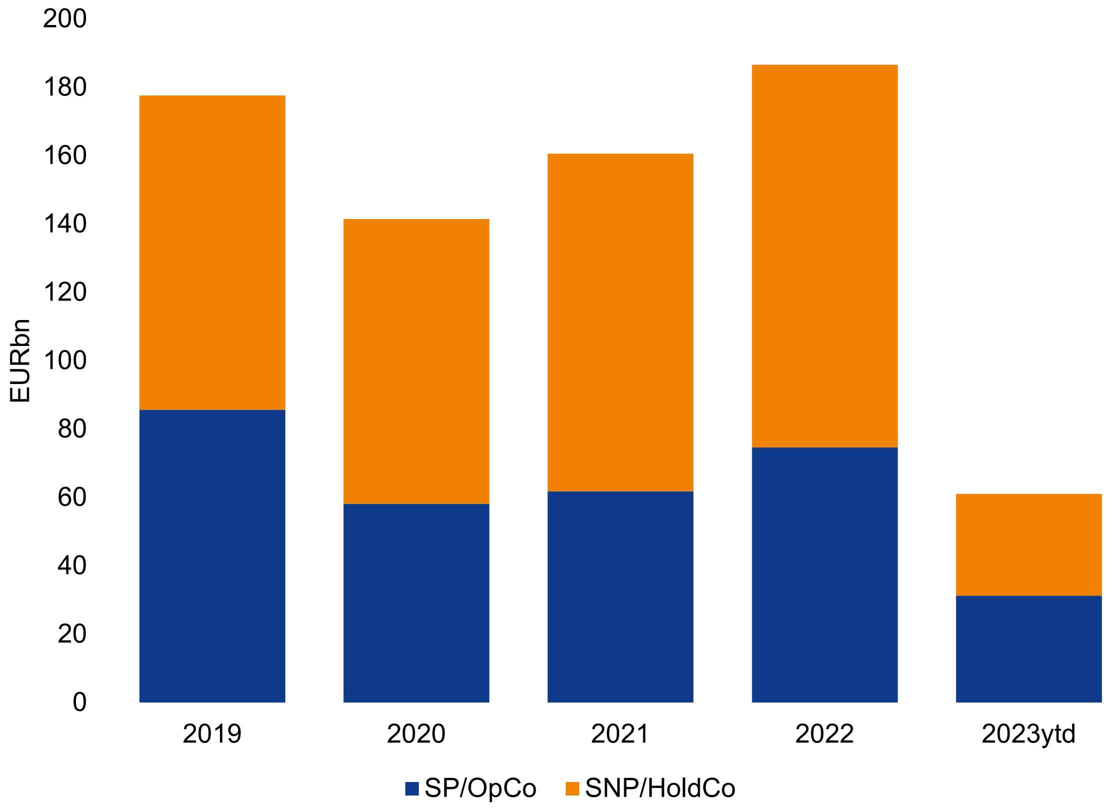
Banking sector longer term refinancing and deposits with the ECB in EUR bn



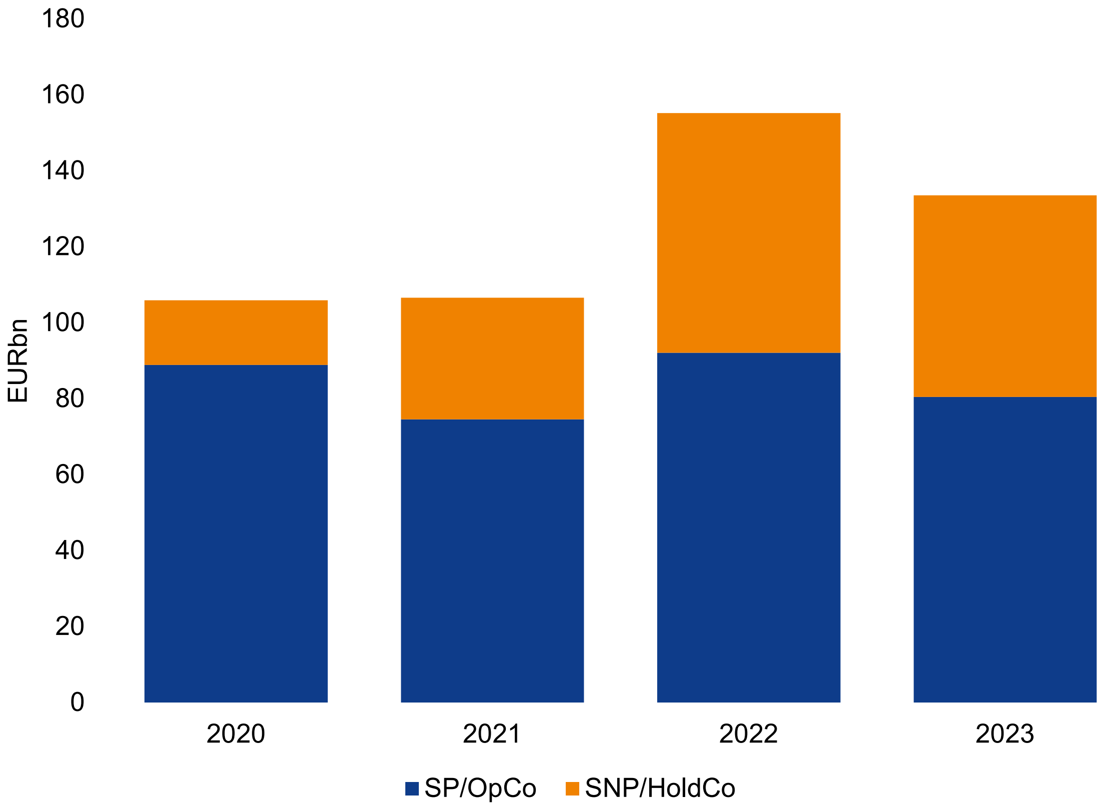
Source: ECB, DZ BANK

Higher share of SP/OpCo due to increasing funding needs; MREL requirements broadly fulfilled, but maturities cause SNP/HoldCo issuance

EUR senior supply by product



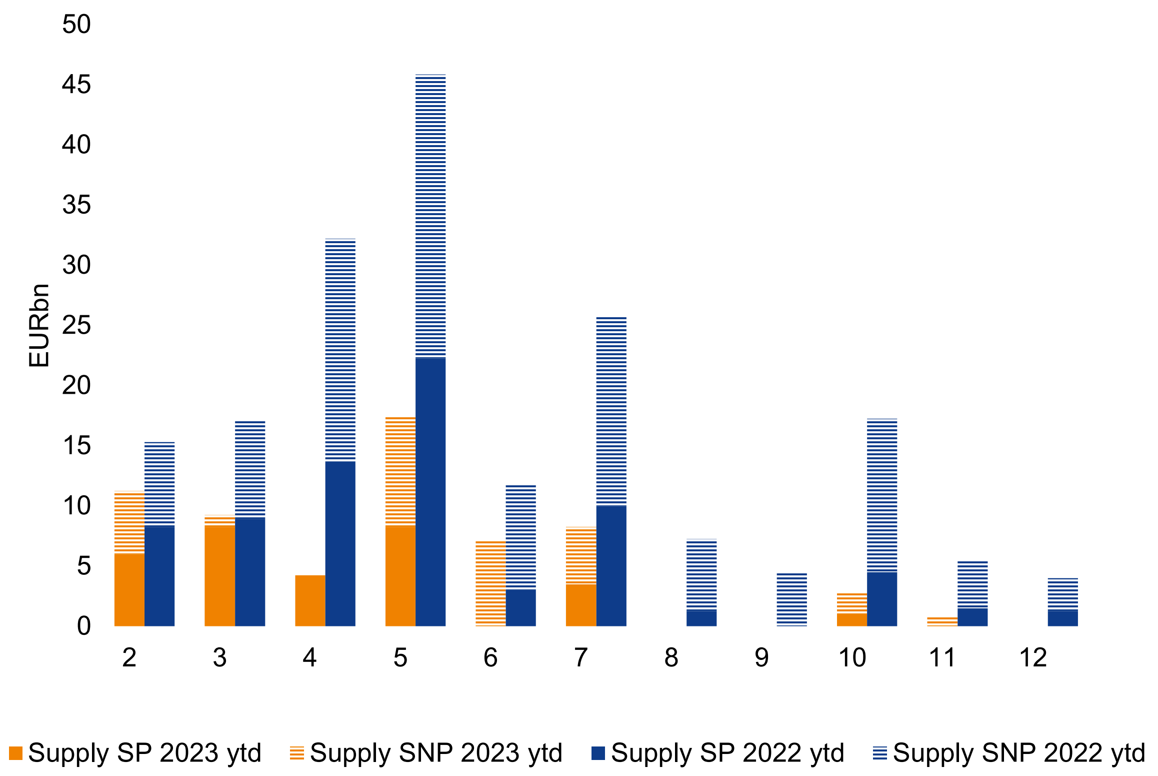
EUR senior maturities by product



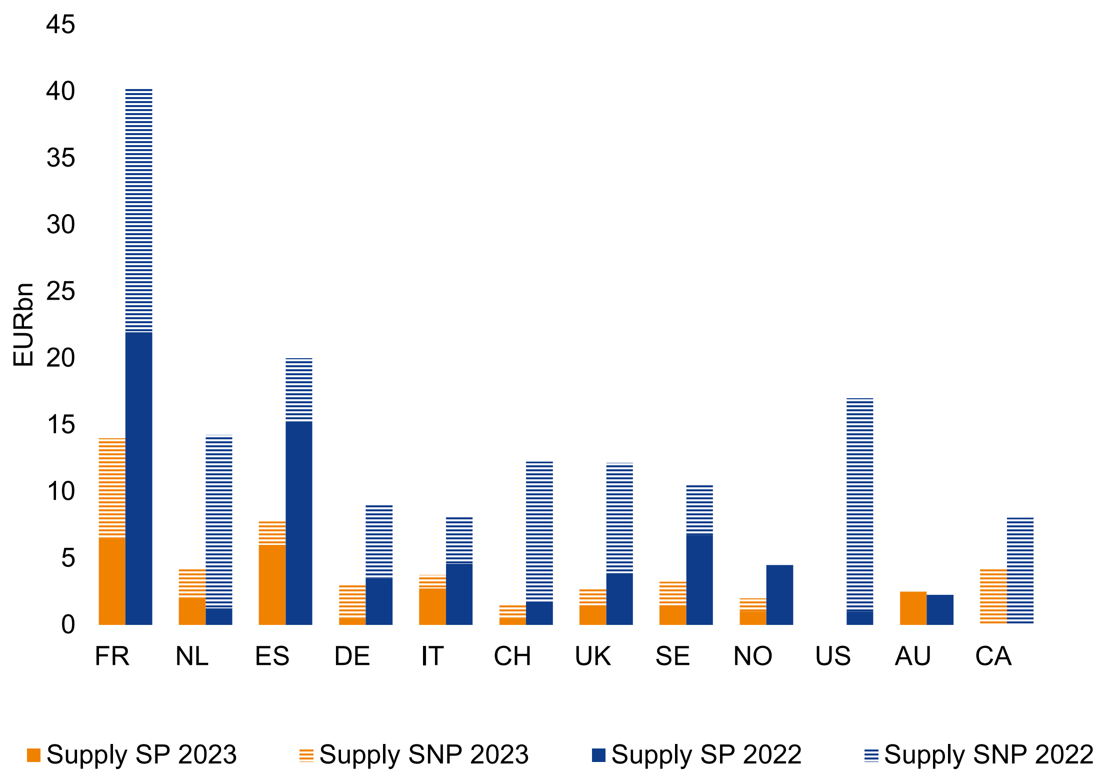
Source: IGM, Dealogic, DZ BANK

Focus on short term maturities in 2023

EUR denominated issuance by term in EUR bn



EUR denominated issuance by country in EUR bn



Source: IGM, Dealogic, DZ BANK

Take away and outlook 2023

- Loan to Deposit ratio has already begun to increase in 2022 due to lesser increase in deposits versus loan business activities. Expectation for 2023 will be further increase in gap between loan volume and deposit volume (potentially sinking)
- Above mentioned changes, lead to possibly increased banks refinancing needs in 2023
- After all, the current fullfillments of MREL-ratio are fairly in line and seen comfortable in current market environment
- Therefore, overall banks funding requirements in SP‘s /OpCo mor in focus instead of driven by meeting regulatory requirements
- Though about 40% of maturing Senior-Issuances are in Senior-Non-Preferred/ HoldCo, we expect this issuance class will slightly be overweight, though not this much as in the years before 2023 (i.e.: 60:40)
- Nevertheless, potentially increasing credit worsening (i.e.loans) could lead to growth of risk-weighted-assets and therefore could lead to additional SNP/HoldCo funding needs to hold current MREL ratios stable.

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