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

ECB MMCG
March 2nd 2023, Frankfurt a.M.
Oliver Deutscher
TLTRO III: Repayment mostly covered by Deposits

Source: ECB, DZ BANK

MLC/36 March 2nd, 2023 Page 2

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**
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
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 fulfillments 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.
Disclaimer

This document is for information purposes only. This document has been prepared by DZ BANK AG Deutsche Zentral-Genossenschaftsbank ("DZ BANK") and may only be distributed outside Germany in accordance with the local legal requirements, and persons coming into possession of this information and these materials should inform themselves about and observe the local legal requirements.

This document constitutes neither a public offer nor a solicitation of an offer for the purchase of securities or financial instruments. DZ BANK does not act as investment adviser or portfolio manager. This document does not constitute a financial analysis. All evaluations, opinions or explanations contained herein are those of the author of the document and do not necessarily correspond with those of third parties.

DZ BANK assumes no liability for damages caused directly or indirectly by the distribution and/or use of this document and/or for damages which are in any way connected with the distribution/use of this document. Any investment decision with respect to securities or any other financial instruments should be based on an individual advice and a prospectus or information memoranda and under no circumstances on this document.

The contents of this document correspond to the status at the point in time at which the document was drafted. Future developments may render them obsolete without the document’s having been changed accordingly.