



Covered Banks usage of ECB funding

January 2013 data set

February 2013

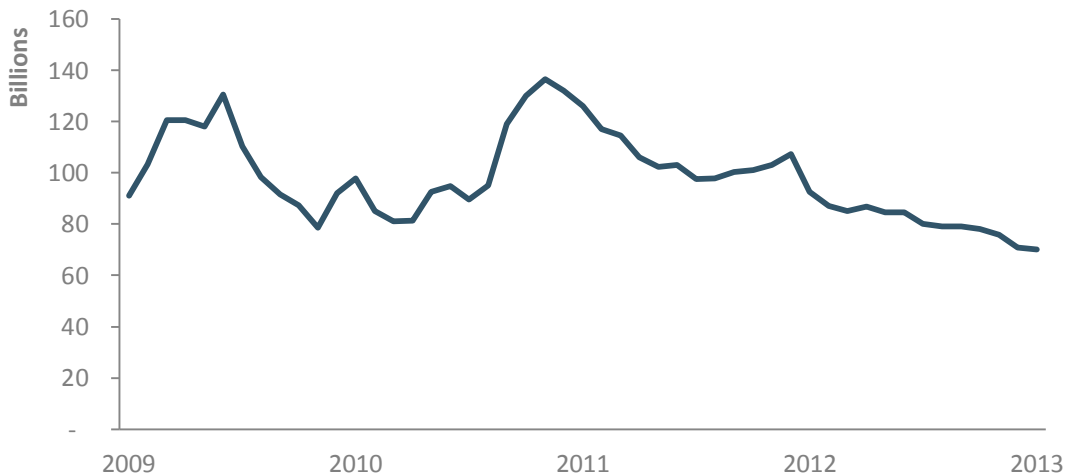


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Usage of ECB funding by banks in Ireland

Banks operating in Ireland (i.e. both covered and non-covered banks) continue to reduce their level of borrowing from the ECB. During January the funding drawn via the ECB refinancing operations declined by €0.9 billion (1.2%) to €70.1 billion – its lowest level since September 2008.

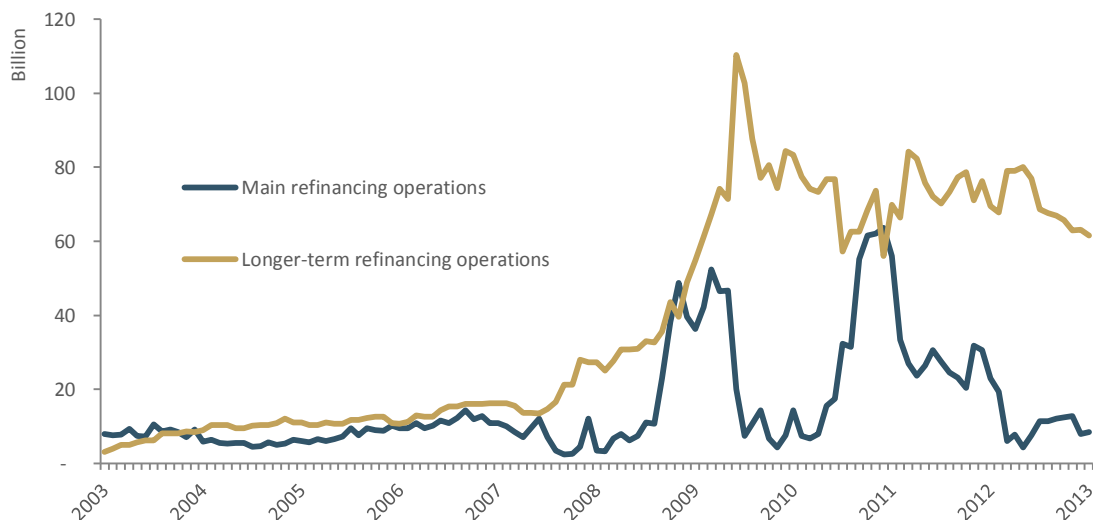
Figure 1. Usage of ECB borrowing by banks in Ireland



Source: Central Bank, Department of Finance

Year-on-year, funding drawn from the ECB has reduced by €22.6 billion or 24%. The reduction from peak (end November 2010) is €66.4 billion or 49%. However, also important is the mix of funding obtained from the ECB, as shown in Figure 2.

Figure 2. Split of LTRO & MRO funding utilised by banks in Ireland



Source: Central Bank, Department of Finance



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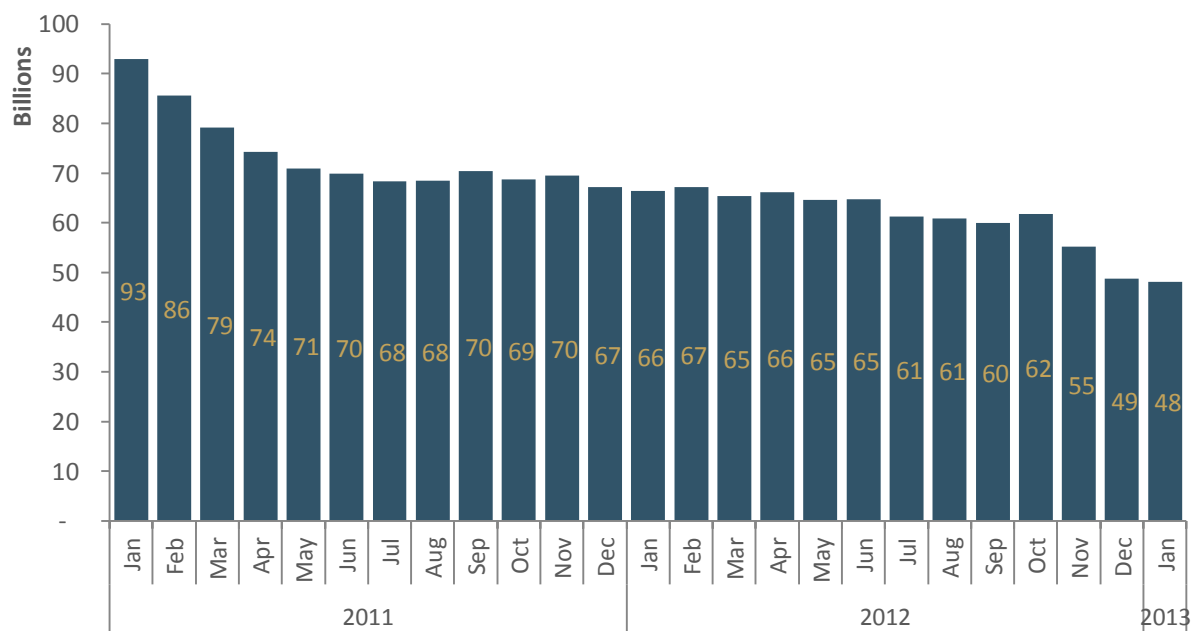
Covered Banks usage of Eurosystem funding

Drawings from the ECB by Covered Banks (excluding IBRC) declined by €0.7 billion (or 1%) during the month of January. This reduction in January was primarily as a result of AIB and PTSB raising €1.1 billion in new funding from capital markets.

Year-on-year borrowing from the ECB is down €18.3 billion (28%) to stand at €48.1 billion at end-January. The steady decline in reliance on ECB funding reflects the continued strengthening of the banking system, albeit from a weak base. The reduction in borrowing from the ECB has been achieved through managed deleveraging, deposit gathering and the return of AIB, BOI and PTSB to international funding markets.

The continued decline in ECB borrowing, on a sustainable basis, demonstrates the stability in deposit volumes and the progress being made in restructuring the domestic banking sector.

Figure 3. Covered banks ECB funding, €bn



Source: Central Bank, Department of Finance

Drivers of reliance on Eurosystem funding

Importantly since November, all of the Covered Banks, AIB, Bank of Ireland and Permanent TSB have returned to international debt markets raising €2.6 billion in new funding from covered bonds and capital market transactions, secured on Irish collateral.

The return of the covered banks to international debt markets has contributed to the year-on-year decrease in reliance on Eurosystem funding. More importantly however has been

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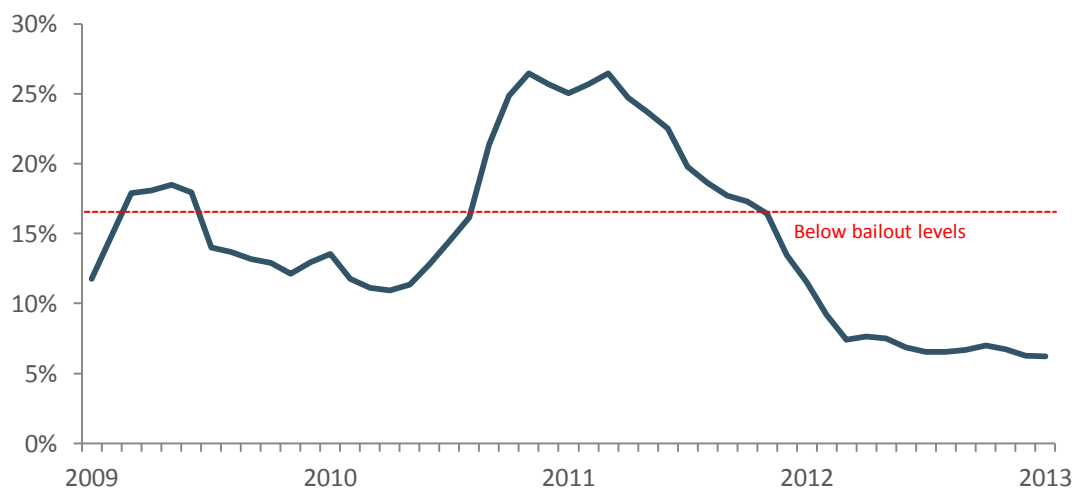
the growth in deposits, which show a year-on-year increase in January of €7.1 billion or 5%. Although the pace of year on year increase has moderated somewhat recently, the stability in deposit volumes as the cost of deposit funding has been trending lower.

In addition, during 2012, AIB and BOI substantially completed their asset disposals required by PLAR.

Share of total ECB funding

The share of total ECB funding by banks in Ireland has declined steadily from a peak in November 2010 of c.26.5% immediately after the bailout to 6.2% at end January 2013. The covered banks (excluding IBRC) account for c.4.2% of total Eurosystem funding at end-January 2013, down from a peak of c.18.8%.

Figure 4. Banks in Ireland: Share of total Eurosystem funding



Source: Central Bank, Department of Finance

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Note to editors; about covered bonds:

Irish covered bonds, known as Asset Covered Securities or ACS, are issued under a legal framework first put in place in 2001 and updated in 2007. The original ACS legislation was widely regarded as 'best of breed' throughout Europe. The ACS covered bond structure has proven to be a robust and valued framework by international investors. The 2007 legislation reinforces the commitment and desire of Government agencies to ensuring that Ireland has a strong legislative framework in place that remains “best in class”.

There are three types of covered bond which can be secured by a pool of assets, namely; (i) public credit; (ii) mortgage credit; and (iii) commercial mortgage credit. However where the issuer issues more than one type of ACS, the assets must be maintained in separate cover pools. Assets can be located in the European Economic Area (EEA), Switzerland, Canada, USA, Japan, New Zealand, or Australia.

Irish covered bonds are regulated by the Central Bank of Ireland. The Cover-Asset Monitor (CAM) monitors ongoing compliance with the ACS framework and is required to report breaches to the Central Bank.



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Next publication date

14/03/2013 February ECB Funding note

16/04/2013 March ECB Funding note

14/05/2013 April ECB Funding Note

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