

Deposit trends at Irish Covered Banks

August 2012 data set

September 2012

Consolidated Deposits at Covered Banks

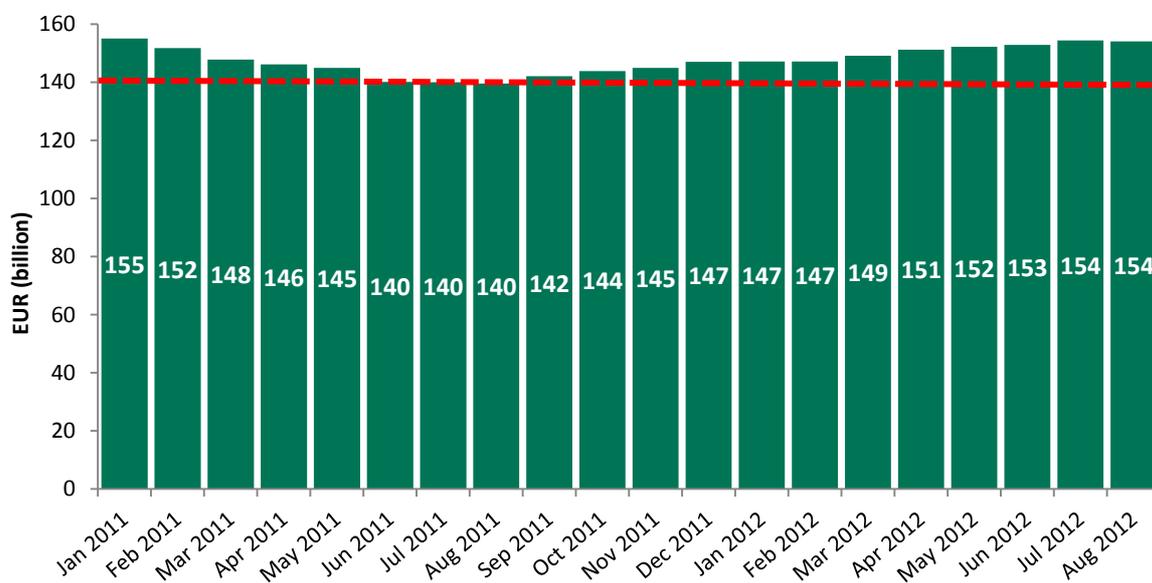
August 2012 data

Headline deposits at covered banks remained stable during August, decreasing marginally by c.€0.3bn (-0.2%) due to exchange rate movements, primarily the strengthening of the Euro relative to sterling. However, deposits have increased by €14.0bn to €154.1bn since reaching a low-point of c.€140bn in July 2011.

Adjusting for exchange rate movements, underlying deposit volumes continued to grow in August by an estimated €0.3bn. This demonstrates continued depositor confidence in the strength of the banking system following its successful recapitalisation last year.

The cumulative growth since the start of the year is c.€7.0bn (4.8%). While the underlying volume growth to August remains positive, FX movements, particularly the weakness of the EUR against STG since the start of the year, continues to account for growth in non-Euro based deposits. We have provided an analysis of deposit volumes on a constant currency basis later in this note.

Figure 1. Customer deposits at Covered Banks (consolidated figures) *



Source: Central Bank of Ireland, DoF

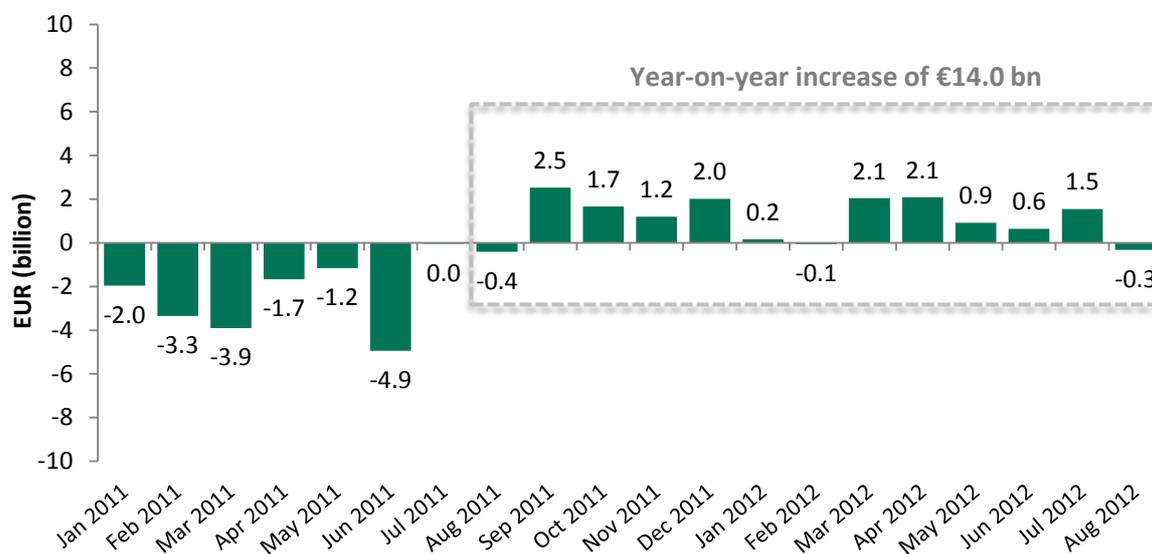
* Excludes NTMA deposits held prior to re-capitalisation, AIB's Polish operations. From January 2012 the figures also include the acquisition of Northern Rock deposits by permanent tsb.

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A look at the monthly trend

The marginal decrease during August of €0.3bn, which was due mostly to foreign exchange movements, follows a rise of €1.5bn in July and brings the net increase so far in Q3 to €1.2bn and the year to date increase to c.€7.0bn (4.8%). As shown in Figure 2 below, there have been steady month on month increases recorded across the Covered Banks each month since last September.

Figure 2. Covered Bank deposit net inflows/outflows (consolidated figures)



Source: Central Bank of Ireland, DoF

Deposit volumes on a constant currency basis

As exchange rates are an important factor in understanding period to period comparisons in deposit volumes, we believe the presentation of results on a constant-currency basis in addition to reporting headline results will help improve the readers ability to understand the trends in covered bank deposit volumes. Constant-currency information compares results between periods as if exchange rates had remained constant period-over-period. We calculate constant-currency by calculating prior-period closing deposit volume using the current period-end foreign currency exchange rate.

Please also note that the deposit volume information presented here is gathered on a geographic basis of where the business is conducted rather than the actual currency of the underlying deposit account. These figures should therefore be considered indicative only,



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but will give a good indication of the period to period movements adjusted for exchange rate movements.

As can be seen in the table below, on a constant currency basis deposit volumes rose by €0.3bn during the month of August. Cumulatively, on a constant currency basis deposit volumes have increased by €5.1bn since the start of the year.

Deposit volumes on a constant currency basis		
Period ended	Period end volume, at current period end rate	Movement between periods
	EUR'000	EUR'000
31 December 2011	148,963	
31 July 2012	153,688	4,725
31 August 2012	154,028	340
Cumulative movement, at constant currency		5,065

Central Bank statistics are very different from those shown in the data set presented above.

Please note (as we covered in our first bulletin: http://banking.finance.gov.ie/wp-content/uploads/Deposit_Note-Republished-25-April-2012.pdf) that the statistics published by the Central Bank of Ireland are compiled using a different methodology than those produced by the Covered Banks themselves.

Covered Banks usage of Eurosystem funding

The usage of Eurosystem funding by AIB, BOI and ptsb reduced by a further €0.4bn in August 2012, reflecting the continued progress that is being achieved by the Banks in terms of deleveraging and deposit gathering.

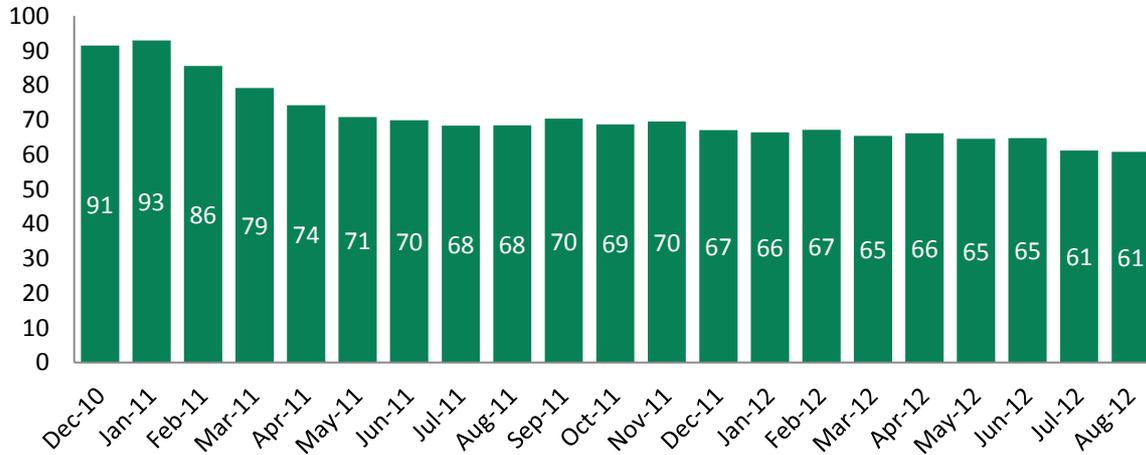
Eurosystem funding to Covered Banks peaked at c.€93bn in January 2011 and has since reduced by 34% or €32bn to €61bn. While there is still much work to do, the continued decline in ECB borrowing demonstrates the progress being made in restructuring the domestic banking system.



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Figure 3. Covered Banks usage of Eurosystem funding

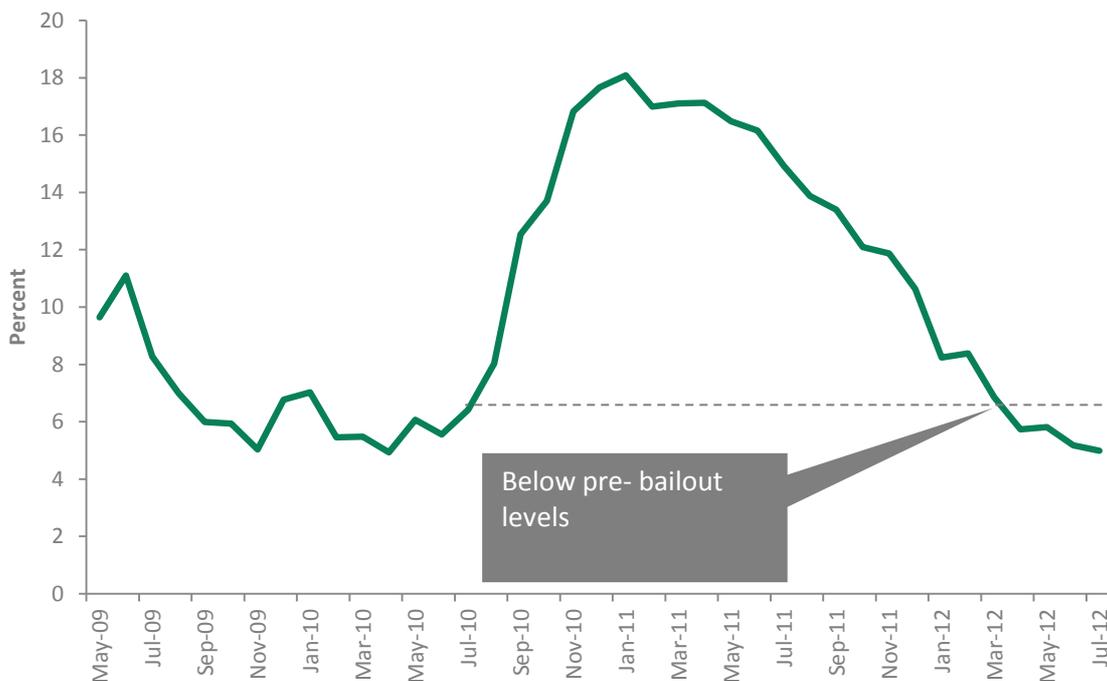
Covered banks (excl IBRC) ECB funding, €bn



Ireland's share of total Eurosystem funding

Ireland's share of total Eurosystem funding has declined steadily from a peak in December 2010, immediately after the bailout. The Irish banking system now accounts for c.5.0% of total Eurosystem funding, down from a peak of c.18.1%.

Figure 4. Ireland's share of total Eurosystem funding





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Next publication date

18/10/2012	September Deposit note
15/11/2012	October Deposit note
20/12/2012	November Deposit note
17/01/2013	December Deposit note

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