

Deposit trends at Irish Covered Banks

January 2013 data set

February 2013

Consolidated Deposits at Covered Banks

January 2013 data

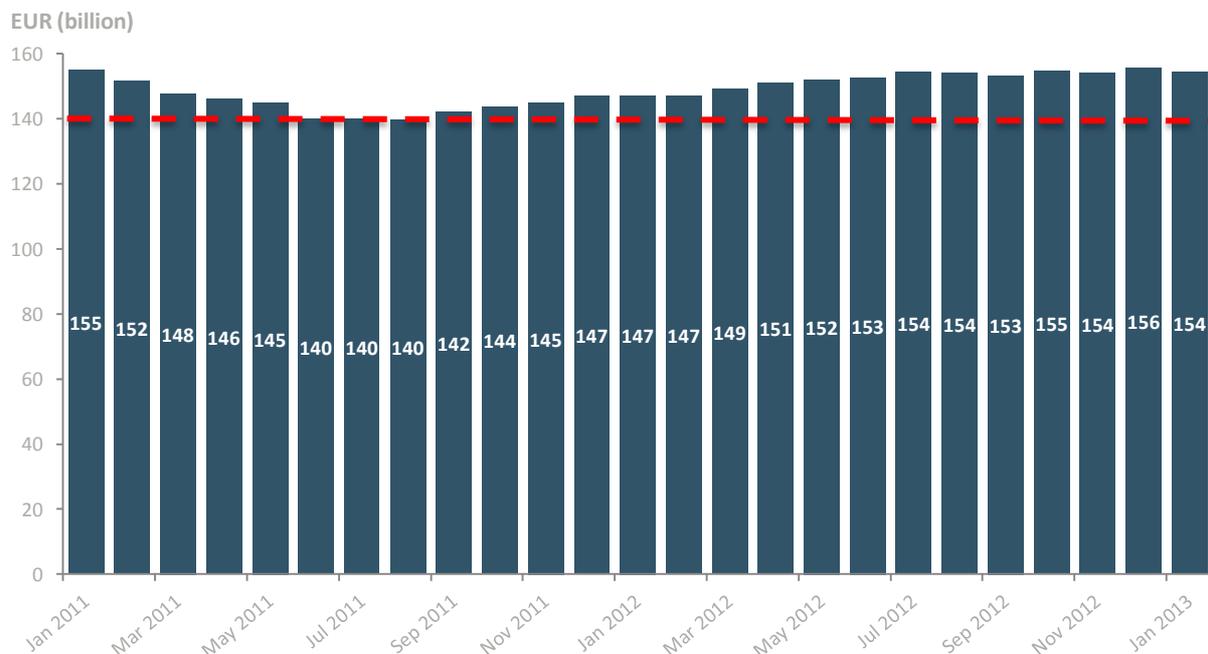
Headline deposits at covered banks remained stable in January at €154.3bn, decreasing by c.€1.4bn (c.-0.9%) during the month due to foreign exchange rate movements. On a constant currency basis, underlying deposits were €0.2bn higher month on month in January.

The decrease in headline deposits during January was largely due to the weakening of Sterling against the Euro since December. Headline UK Retail deposits were down €2.1bn since December with volume fluctuations only accounting for c.€0.4bn of the movement and the remainder attributable to unfavourable foreign exchange movements. Notwithstanding that, some of the decrease in Irish Retail figures of -€0.3bn in January is likely due to seasonal factors such as Revenue payments falling due.

The cumulative growth for the last 12 months (i.e. Jan 2012 versus Jan 2013) remains strong with headline deposits up c.€7.1bn (4.8%) year on year although the pace of year on year increase has moderated somewhat.

The stability in customer deposit volumes among the covered banks comes at a time when the cost of deposit funding is reducing across the banking system as a whole.

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.

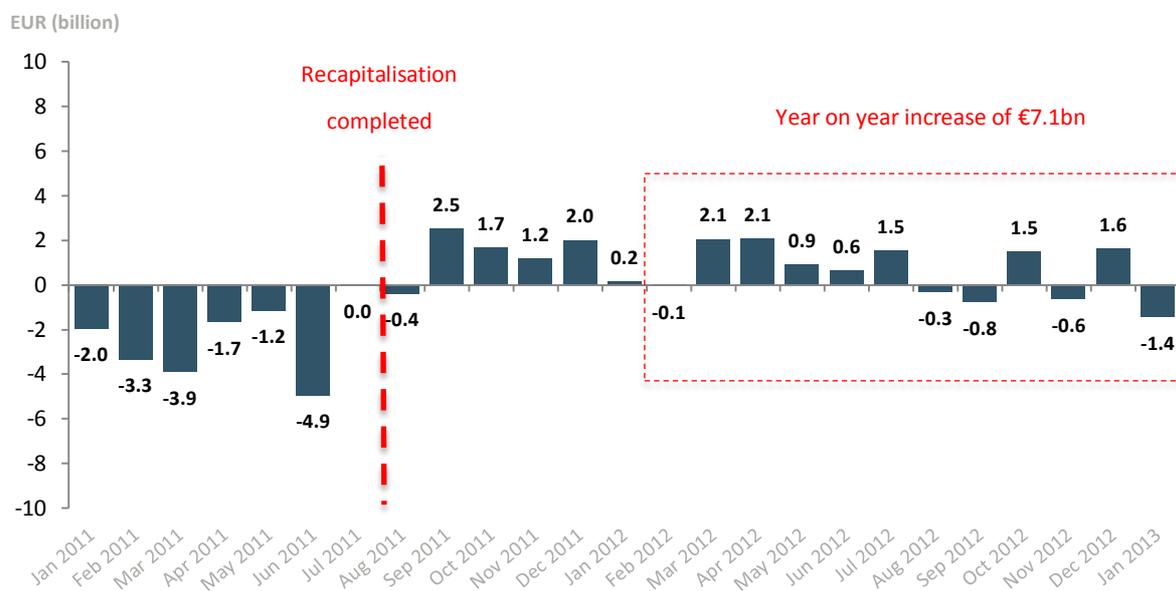
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A look at the monthly trend

The decrease in headline deposits during January of €1.4bn, which was due primarily to the weakening of Sterling affecting balances in the UK, continues the general theme of stability evident in underlying deposit volumes. Volumes in the UK were broadly unchanged in January.

As shown in Figure 2 below, there has been steady quarter on quarter increases recorded across the Covered Banks since Q3 2011 following the successful recapitalisation of the banking system. In fact deposits have increased by c.€14.3bn (c.10.2%) since the recapitalisation was completed.

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



Source: Central Bank of Ireland, DoF

Covered Banks usage of Eurosystem funding

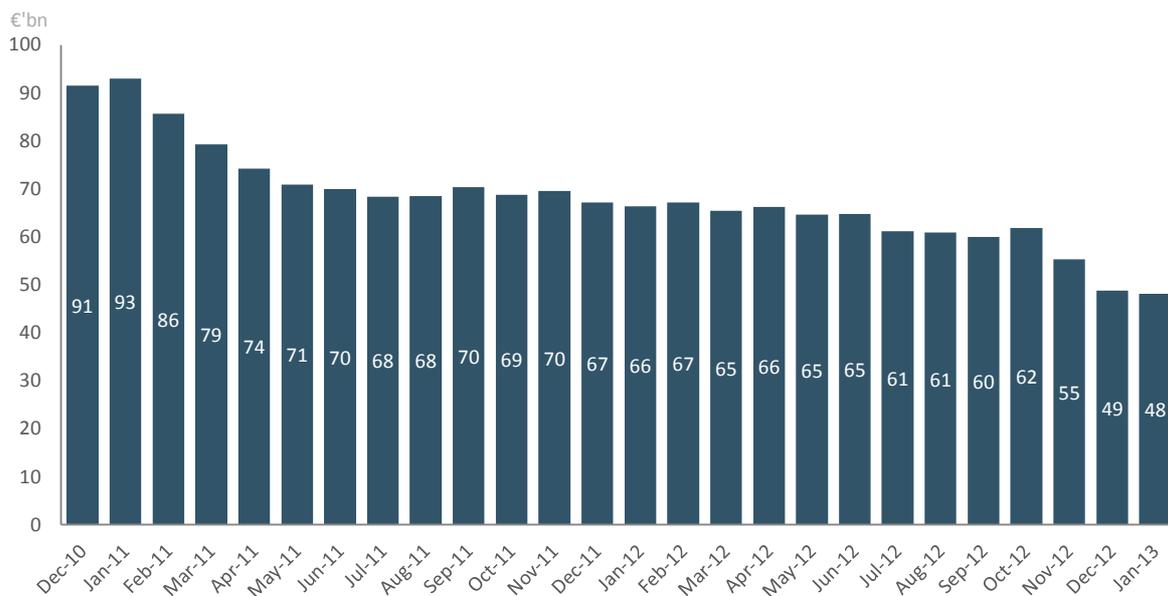
Drawings from the ECB by Covered Banks (excluding IBRC) declined by €0.7 billion (or 1%) during the month of January. This reduction in January was primarily as a result of AIB and PTSB raising €1.1 billion in new funding from capital markets.

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.

Consolidated Deposits at Covered Banks

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 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, 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 remained stable; up by €0.2bn in January.

Deposit volumes on a constant currency basis

Period ended	Period end volume, at current period end rate	Movement between periods
	EUR'000	EUR'000
December 2012	154,081	
January 2013	154,322	241
Cumulative movement, at constant currency		241

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.



Next publication date

14/03/2013 February Deposit note

16/04/2013 March Deposit note

14/05/2013 April Deposit note

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