

Deposit trends at Irish Covered Banks

May 2013 data set

June 2013

May 2013 data

Deposits volumes remained stable in May 2013 at €150.7bn. Underlying volume¹ movements were lower by c.€1.8 billion during May.

Month-on-Month

Headline deposits² declined by €2.8 billion during the month driven by outflows in the UK and ROI retail. The weakening of Sterling by c.2% during the month resulted in an estimated negative impact of €0.7 billion. In addition, a reclassification during the month of €0.3 billion contributed to the decrease in headline deposits. Adjusting for both of these items, underlying deposits decreased by €1.8 billion during May. The main driver of this was a decrease in balances in ROI retail accounts, due to a combination of factors, notably the lower interest rate environment and the improving funding position of the covered banks, which has eased competition for deposits. An analysis of these movements is set out in Table A below.

Table A: Reconciliation of movements in May deposit volumes

	€bn	As a % of Headline May Deposit Volumes
May Headline Deposit Movement		-2.8
<i>of which:</i>		
Reclassification of NBF1 Balance	-0.3	-0.2%
Movements in Deposit Volumes other than UK	-1.2	-0.8%
Movements in UK Deposit Volumes	-1.3	-0.8%
Total Deposit Volume Movement	<u>-2.8</u>	-1.8%
of which FX Movement	<u>-0.7</u>	-0.4%
May Headline Deposit Movement on a Constant Currency Basis	<u><u>-2.1</u></u>	-1.4%

Table above may be impacted by rounding. Figures based on estimates by DoF using official volume data & fx rates.

Year-to-date

Underlying deposits other than UK balances are up €0.7 billion year to date, offset by lower deposits in the UK of c.€2.4 billion. The change in deposits in the UK is due to a combination of different strategic actions underway at both AIB and BOI. The main driver of the decrease in headline deposits of €5.0 billion year to date, has been the impact of

¹ Refers to headline deposits, as adjusted for Department of Finance estimates of exchange rate movements, exceptional items and once-off reclassifications.

² Headline deposits are the sum of Retail, Corporate and Non-bank financial institutional balances across each of the covered banks, as reported to the Central Bank of Ireland in accordance with their reporting requirements.

reclassifications and FX movements which combined account for almost 2/3^{rds} of the decrease since the start of the year. See table B below for further details.

Table B: Reconciliation of movements in deposit volumes for the year to date

	€bn	As a % of Total €bn Movement since Dec 12
Deposit Volumes as at 28 Dec 2012		155.8
<i>Less movements since Dec 12:</i>		
Reclassifications	-1.5	-30%
FX Movements	-1.8	-36%
	<u>-3.3</u>	<u>-66%</u>
Movements in Deposit Volumes other than UK	0.7	13%
Movements in UK Deposit Volumes	-2.4	-48%
Total Deposit Volume Movement	<u>-5.0</u>	<u>-100%</u>
Deposit Volumes as at 31 May 2013		<u>150.7</u>

Note: All figures rounded to nearest €bn. Figures based on estimates by DoF using official volume data & fx rates.

Year-on-Year

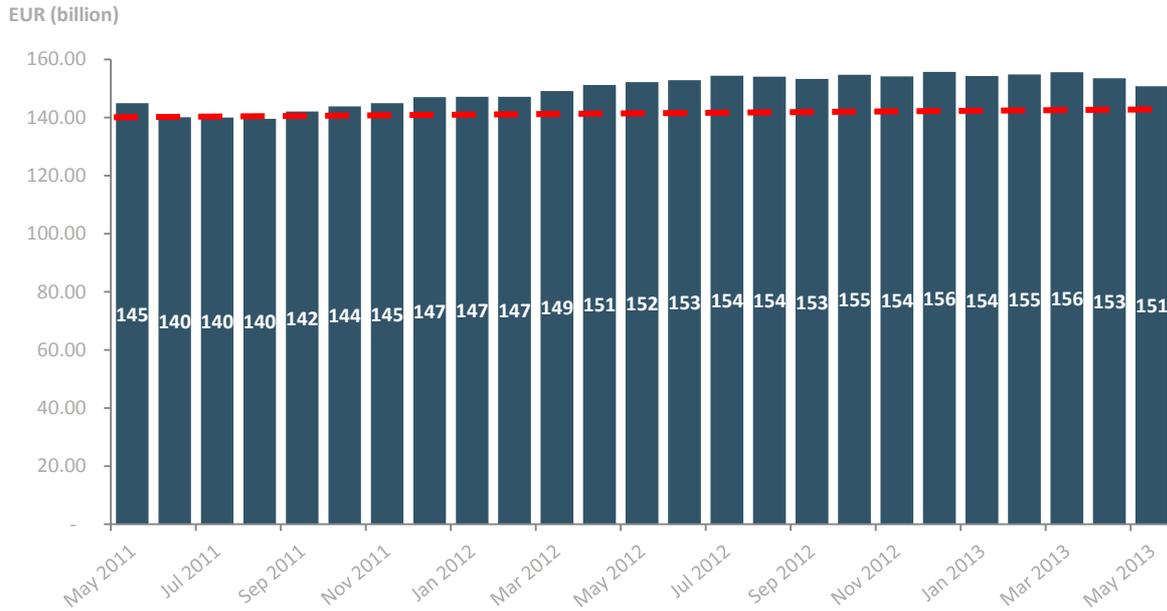
May 2012 versus May 2013 now shows a fall in headline volume growth for the last 12 months with headline deposits down c.-€1.4 billion (c.-0.9%). However, as discussed above this includes two significant once-off reclassifications which if ignored; cumulative year on year growth would be c.+€0.1 billion.

The moderation in the rate of growth of deposit volumes is not unexpected when account is taken of the deposit gathering initiatives by the Covered Banks in 2012, together with the substantial completion of their deleveraging programmes. These factors have resulted in a lower balance sheet funding requirement among the covered banks, which is supported by the return of the Covered Banks to market issuance.

As anticipated, we continue to observe an insignificant impact on deposit volumes in the Covered Banks as a result of the ending of the ELG Scheme for new liabilities on the 28th of March 2013.



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

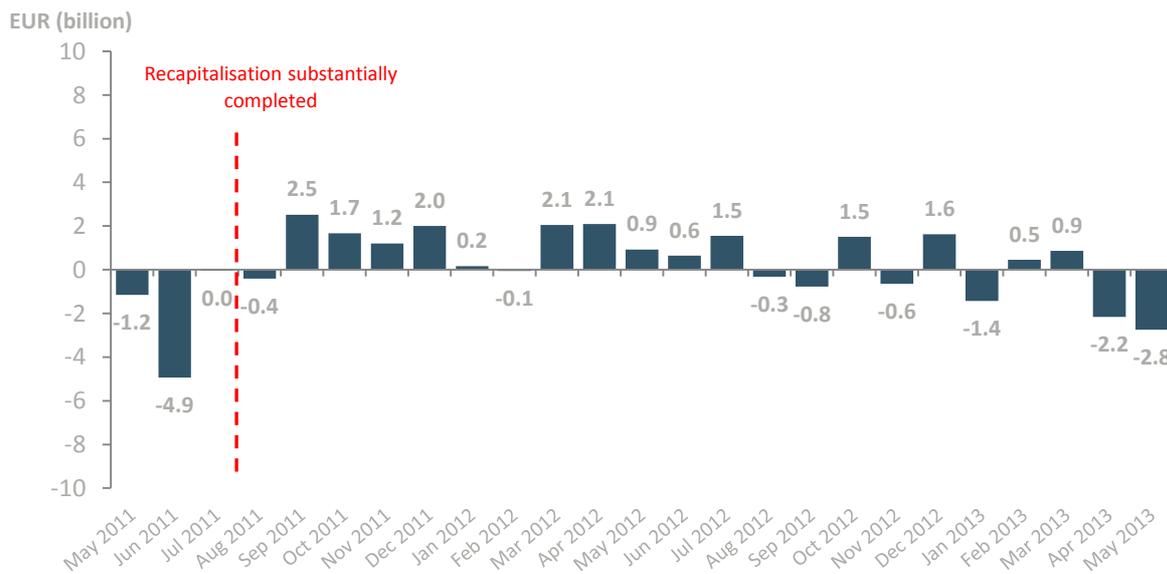


Source: Central Bank of Ireland, DoF

*Excludes NTMA deposits held prior to re-capitalisation, AIB's Polish operations. From January 12 the figures also include the acquisition of Northern Rock deposits by Permanent TSB.

Note: In April 13 there was a reclassification of a life assurance company within a Covered Bank. From April 13 the figures will exclude the life assurance balance. In May 13 there was a reclassification of an NBFi balance which will no longer be shown in deposit figures.

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



Source: Central Bank of Ireland, DoF

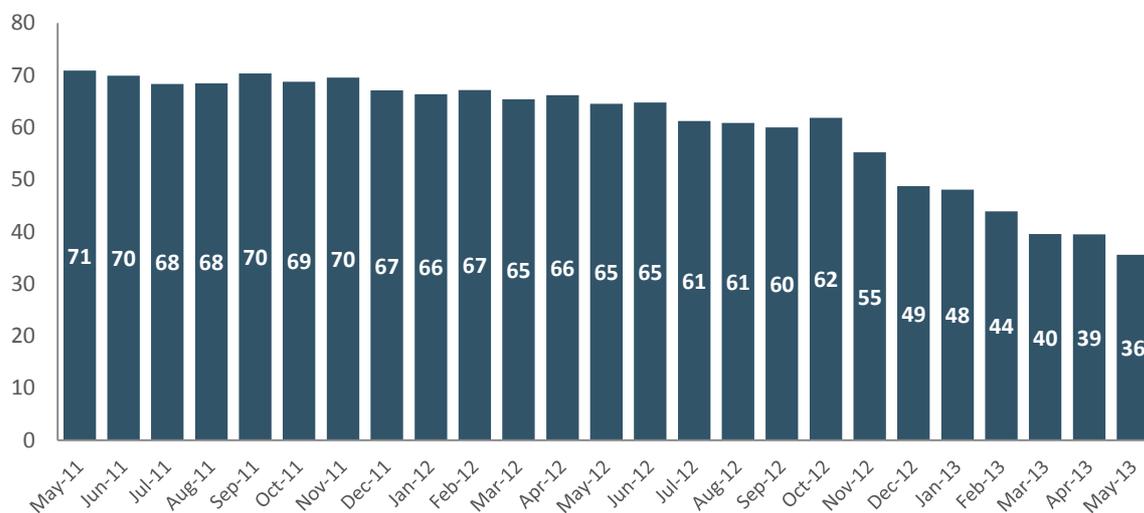
Consolidated Deposits at Covered Banks

Covered Banks usage of Eurosystem funding

The decline in drawings from the ECB by Covered Banks of c.€3.9bn (or c.-9.9%) during the month of May, reflects the improving funding position of the banking system. ECB borrowings declined during the month of May which reflects a reduction in the balance sheet funding requirement within the Covered Banks during the month, with issuances in the market most notably BOI issuing an unsecured senior bond at the end of the month, and the Covered Banks also used cash reserves to pay down some of their ECB borrowings.

Year-on-year borrowing from the ECB is down c.-€29.1bn (c.-45%) to stand at c.€35.55bn at end-May. 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.

Figure 3. Covered banks ECB funding, €bn



Source: Central Bank of Ireland, DoF

Note: These figures are rounded to the nearest € bn

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 and consistent with the discussion above, on a constant currency basis deposit volumes remained broadly stable; down c.-€2.1bn in May.

Deposit volumes on a constant currency basis

Period ended	Period end volume, at current period end rate	Movement between periods
	EUR'000	EUR'000
28 December 2012	153,977	
26 April 2013	152,859	(1,117)
31 May 2013	150,724	(2,136)
Cumulative movement, at constant currency	-	3,253

Note: These figures are rounded to the nearest € '000

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

18/07/2013 June Deposit note

22/08/2013 July Deposit note

19/09/2013 August Deposit note

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