

## Deposit trends at Irish Covered Banks

October 2012 data set

November 2012



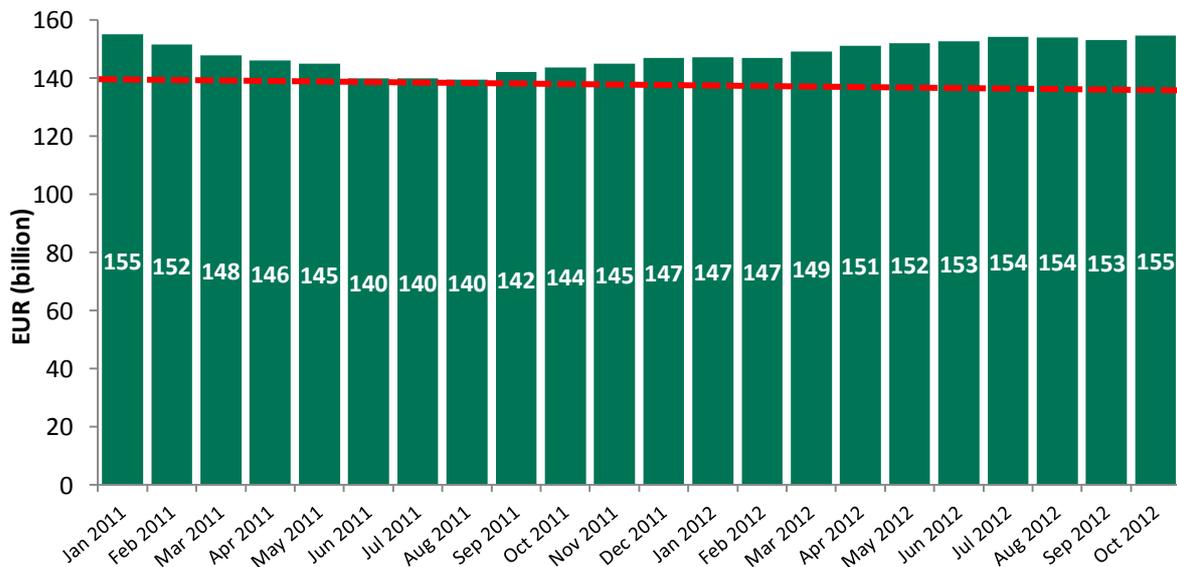
## Consolidated Deposits at Covered Banks

### October 2012 data

Headline deposits at covered banks remained stable in October at €155bn, growing by c.€1.5bn (c1.0%) during October, reaching their highest level since January 2011. The growth in deposits during October was largely due to Corporate and Retail deposits in Ireland, offset by a small decline in deposits by NBFIs. On a constant currency basis, deposits were €1.7bn higher month on month in October. The trend in deposit volumes in October may reflect an element of seasonality as flows are typically stronger on the back of tax planning by corporates and individuals in advance of the 31 October tax deadline.

Notwithstanding this, the cumulative growth since the start of the year remains strong with headline deposits up c.€7.8bn (5.3%) or c.€6.1bn on a constant currency basis. The year-on-year increase in October is €10.9bn or 7.6%, although the pace of year on year increase has moderated somewhat.

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.

### A look at the monthly trend

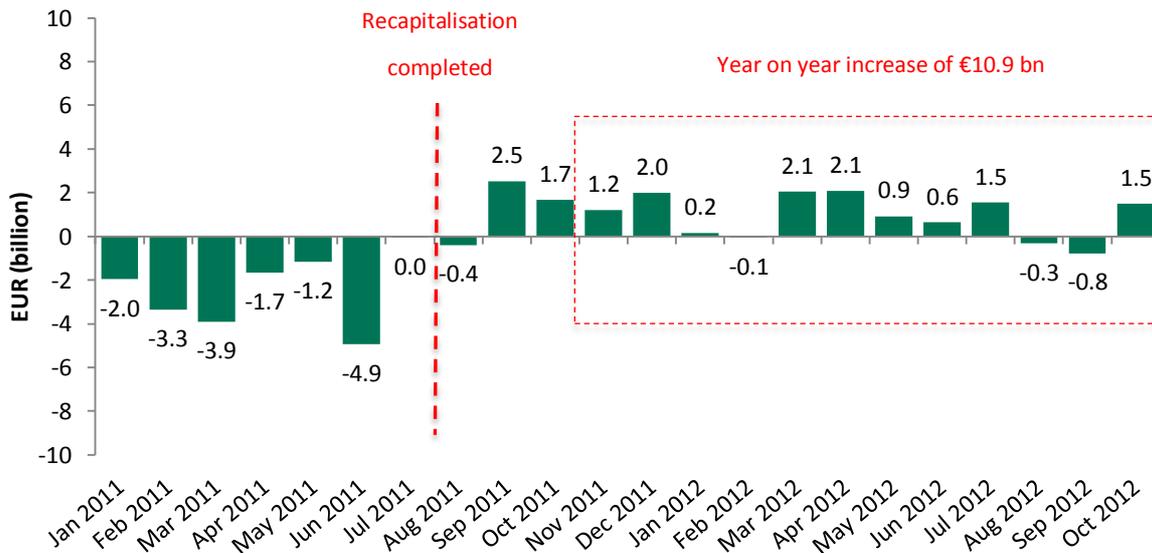
The increase during October of €1.5bn, which was due mostly to Corporate and Retail movements, continues the general theme of stability evident in deposit volumes both in Ireland and the UK. Volumes in the UK were broadly unchanged in October, with modest



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foreign exchange movements noted during the month. As shown in Figure 2 below, there has been steady quarter on quarter increases recorded across the Covered Banks each quarter since Q3 2011 last September, following the successful recapitalisation of the banking system. In fact deposits have increased by c.€14.7bn since the recapitalisation was completed.

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



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As can be seen in the table below, on a constant currency basis deposit volumes increased by €1.7bn in October, and cumulatively are €6.1bn higher 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	148,657	
30 September 2012	153,094	4,436
31 October 2012	154,763	1,669
<b>Cumulative movement, at constant currency</b>		<b>6,106</b>

**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](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 increased by c.€2.1bn during October 2012, reflecting a technical switching of collateral between monetary financing operations. The downward trend in borrowing from the Eurosystem has continued in early November, reinforced by balance sheet restructuring and deposit gathering.

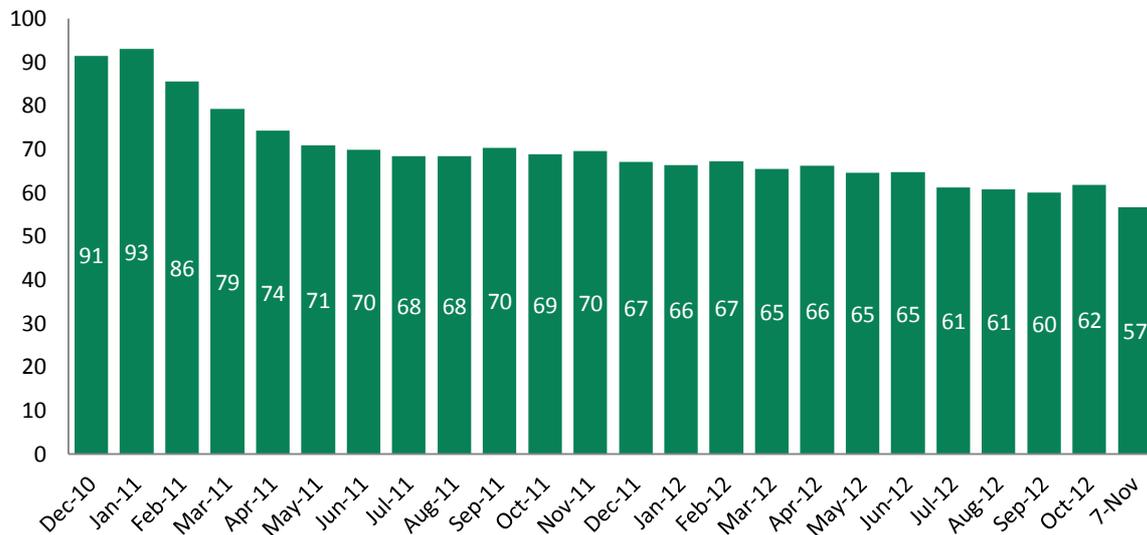
Eurosystem funding to Covered Banks peaked at c.€93bn in January 2011 and has since reduced by 39% or €36bn to €57bn. While there is still much work to do, the continued decline in ECB borrowing demonstrates the progress being made in restructuring the domestic banking system.



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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 covered banks (excl IBRC) system accounts for c.5% of total Eurosystem funding at 31 October 2012, down from a peak of c.18.1%.

Figure 4. Ireland's share of total Eurosystem funding





## Consolidated Deposits at Covered Banks

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### Next publication date

20/12/2012 November Deposit note

24/01/2013\* December Deposit note (\* Please note revised date due to year end reporting.)

14/02/2013 January Deposit note

14/03/2013 February Deposit note

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