

DEPOSIT TRENDS AT IRISH COVERED BANKS

September 2013 data set



October 2013



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Department of Finance

September 2013 data

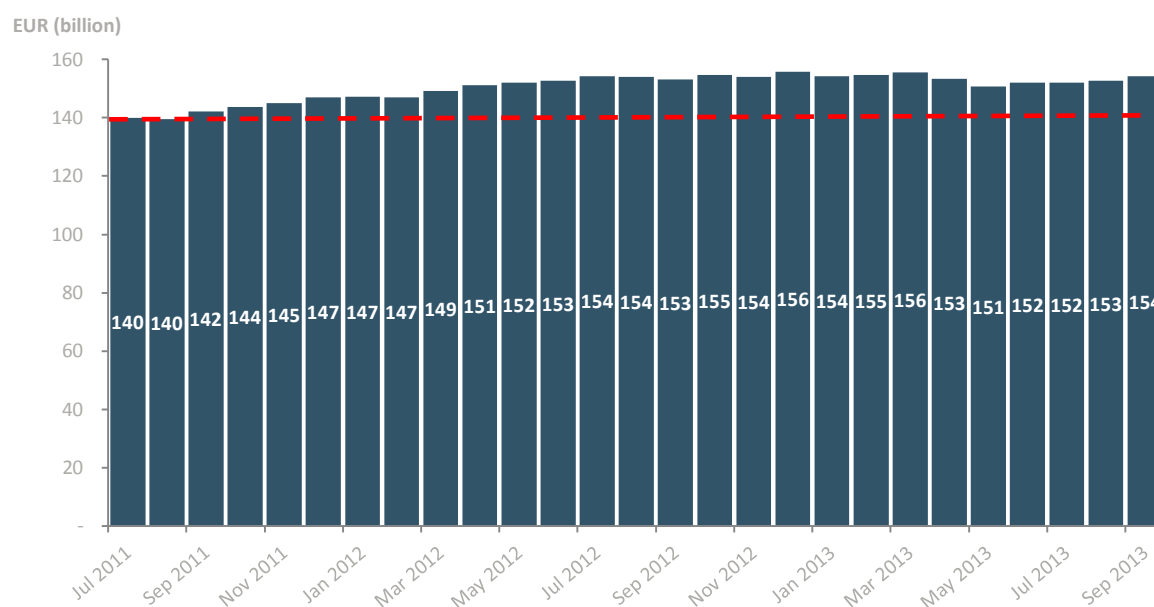
Deposit volumes remained broadly stable in September 2013 at €154.3 billion, with deposits increasing by €1.6 billion month-on-month.

This was largely due to :

- Short-term inflows which are expected to leave the system in the coming months ;
- Sterling also continued to strengthen against the Euro during September.

Drawings from the ECB by Covered Banks continuing to decline during the month of September to stand at €32.68 billion (see our September ECB Funding Note for further detail - <http://banking.finance.gov.ie/presentations-and-latest-documents/>).

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



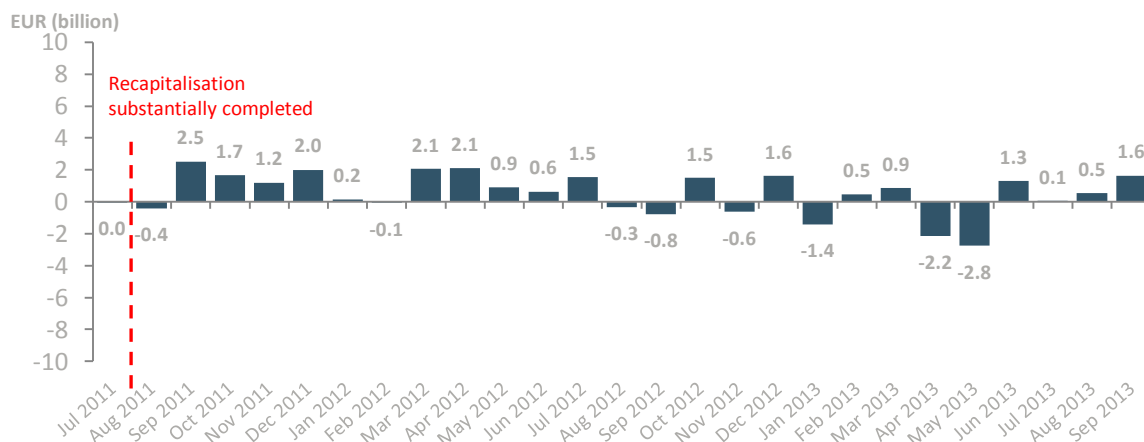
Source: Covered Banks, DoF

* excludes NTMA deposits held prior to recapitalisations, AIB's former Polish operations and includes the Northern Rock deposit book acquired by ptsb in January 2012. The figures are also adjusted for reclassification referred to in previous notes.



As shown in Figure 2 below, deposits have increased by c.€14.2 billion (c.10%) since the recapitalisation were completed and up c.€1.0 billion year-on-year.

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



Source: Covered Banks, DoF

Month-on-month data

Headline deposits were up by €1.6 billion for the month of September, largely due to short-term inflows which are expected to leave the system in the coming months.

Balances in the UK were also positively affected with Sterling continuing to strengthen against the Euro. September was the second consecutive month Sterling has strengthened against the Euro - up 1.7% vis-à-vis August exchange rates.

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 March 2013.

Year-to-date data

Underlying deposits, other than UK balances, are up €2.9 billion year-to-date. However, this is offset by lower deposits in the UK of €3.0 billion.

The main driver of the decrease in headline deposits of c.-€1.5 billion year-to-date, has been the impact of reclassifications and FX movements which combined account for the majority of the decrease since the start of the year.

Even though Sterling has strengthened for the last two months against the Euro it still remains 3% weaker compared to the €/Sterling exchange rate at the end of 2012 ; thus deposit balances in the UK for the year-to-date remain to be negatively impacted as illustrated in Table A on page 4.



Table A : 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 December 2012		155.8
<i>Less movements since Dec 12:</i>		
Reclassification outflows	-1.5	
Reclassification inflows	1.2	
FX Movements	<u>-1.1</u>	
	-1.4	94%
Movements in Deposit Volumes other than UK	2.9	
Movements in UK Deposit Volumes	<u>-3.0</u>	
Total Deposit Volume Movement	-0.1	6%
		-1.5
Deposit Volumes as at 27 September 2013		<u>154.3</u>

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

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.

As can be seen in the Table B below and consistent with the discussion above, on a constant currency basis deposit volumes remained broadly stable - up €1.0 billion in September.

Table B : Deposit volumes on a constant currency basis using current period-end rate

Deposit volumes on a constant currency basis

Period ended	Period end volume, at current period end rate	Movement between periods
	€'mn	€'mn
28 December 2012	154,621	
30 August 2013	153,236 -	1,384
27 September 2013	154,266	1,030
Cumulative movement, at constant currency	-	355

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

Please also note that the deposit volume information presented here is gathered on a geographic basis (where the business is conducted rather than the actual currency of the underlying deposit accounts). 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.



Note on statistics

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 dates

21 November 2013 October data set Deposit Note

19 December 2013 November data set Deposit Note

Further information and feedback

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