

Deposit trends at Irish Covered Banks

September 2012 data set

October 2012



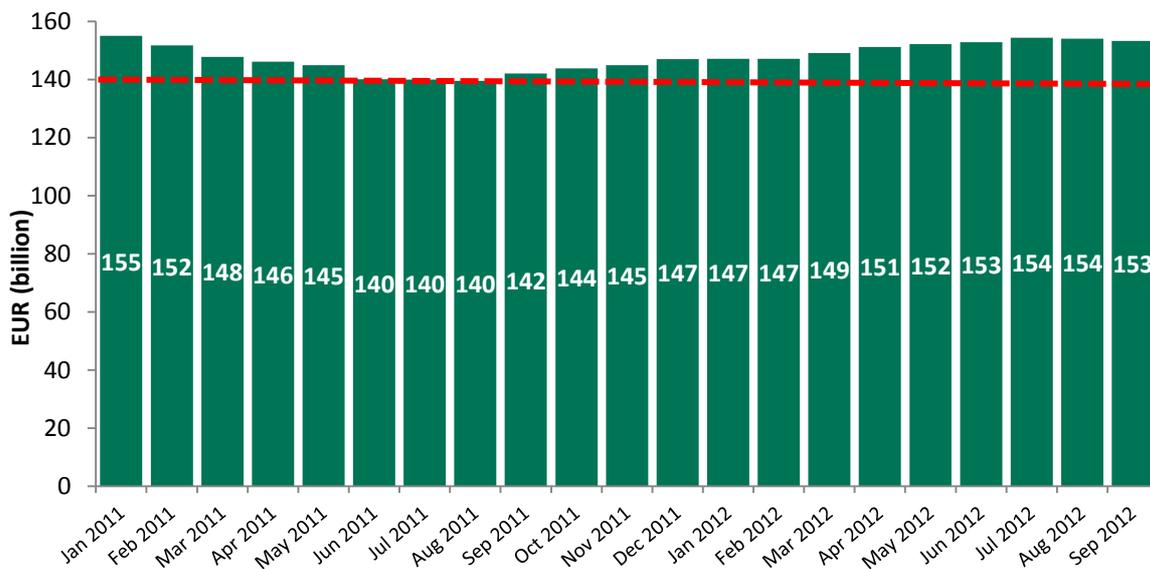
Consolidated Deposits at Covered Banks

September 2012 data

Headline deposits at covered banks remain stable during September, decreasing marginally by c.€0.8bn (-0.5%) due mainly to business as usual outflows. On a constant currency basis, deposits were €0.6bn lower. The main driver of the decrease during September was softer volumes in Corporate deposits and Non-Bank Financial Institutional deposit balances in both Ireland and Overseas locations. These movements have been impacted by Corporate and NBFi activity due to Q3 quarter end (for example, transfers to Government accounts; large loan repayments and remittances by multinational Corporates). Foreign exchange movements also accounted for some of the decline (estimated to be €0.2bn).

The cumulative growth since the start of the year remains strong with headline deposits up c.€6.3bn (4.3%). The year-on-year increase in September is €11.1bn or 7.8%, although the pace of year on year increase has moderated.

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

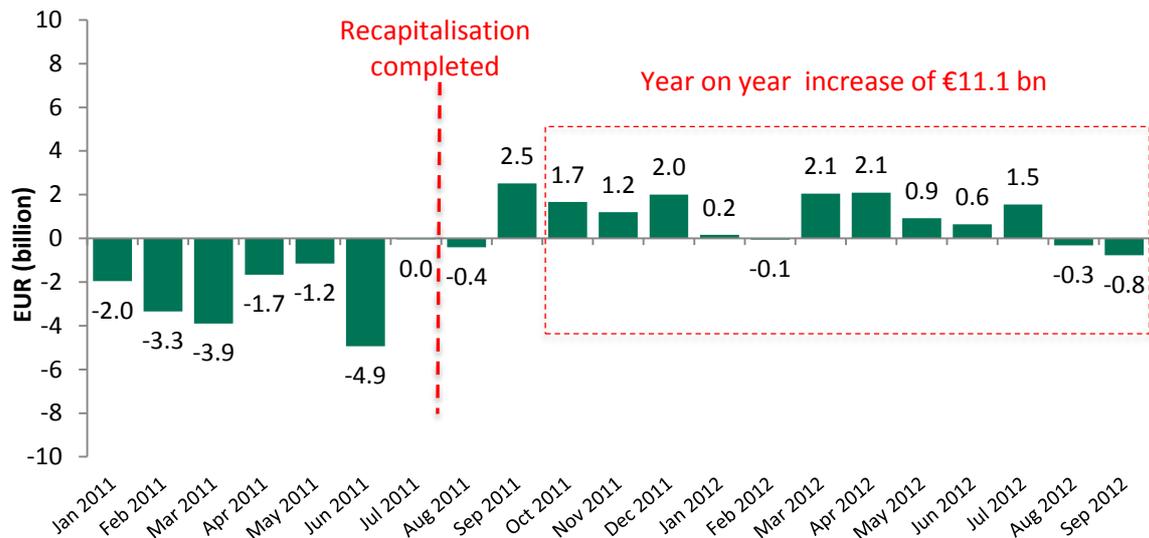
The marginal decrease during September of €0.8bn, which was due mostly to Corporate and NBFi movements, follows a small decline of €0.3bn in August and brings the net increase in Q3 to €0.4bn and the year to date increase to c.€6.2 (4.5%). As shown in Figure



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2 below, there have 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.

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.

As can be seen in the table below, on a constant currency basis deposit volumes fell by €0.6bn in September, but remain cumulatively higher by €4.4bn since the start of the year.



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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	148,818	
31 August 2012	153,878	5,060
30 September 2012	153,260 -	618
Cumulative movement, at constant currency		4,442

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 €0.8bn during September 2012, reflecting the continued progress that is being achieved by the Banks in terms of deleveraging and deposit gathering.

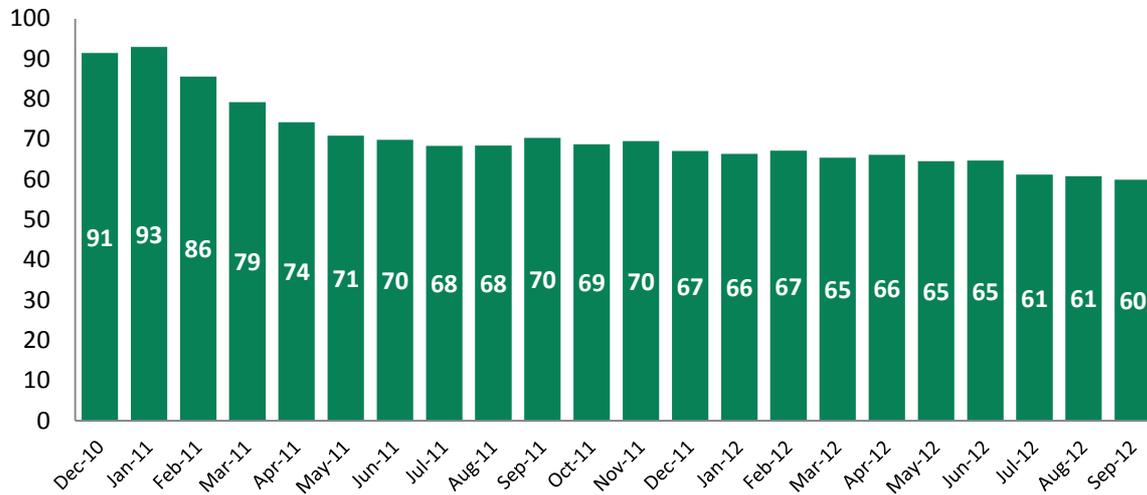
Eurosystem funding to Covered Banks peaked at c.€93bn in January 2011 and has since reduced by 35% or €33bn to €60bn. While there is still much work to do, the continued decline in ECB borrowing demonstrates the progress being made in restructuring the domestic banking system.



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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.5.0% of total Eurosystem funding at 30 September 2012, down from a peak of c.18.1%.

Figure 4. Ireland's share of total Eurosystem funding





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Next publication date

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

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