

Covered Banks usage of ECB funding

February 2013 data set

March 2013

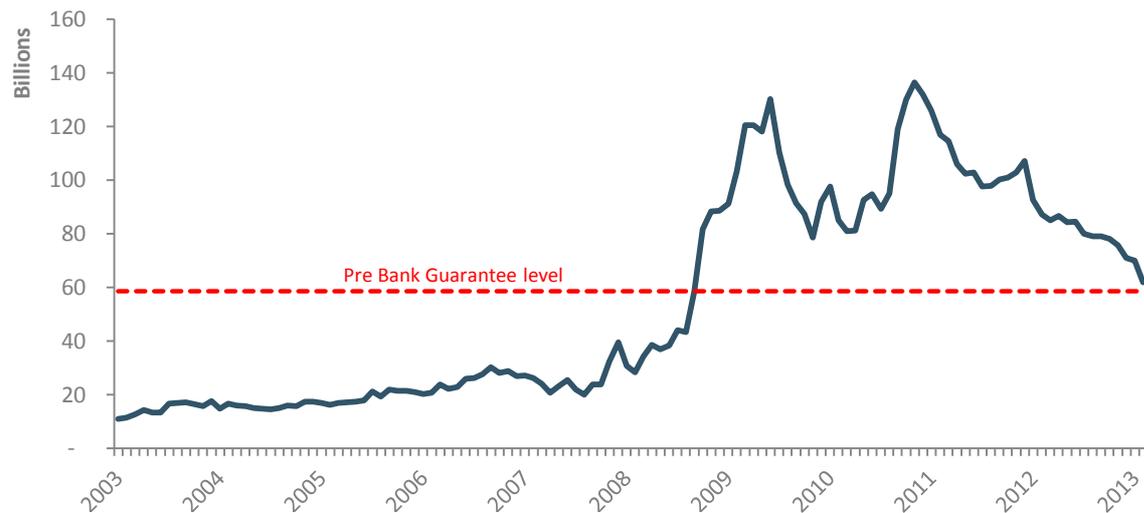


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Usage of ECB facilities by banks in Ireland

Banks operating in Ireland (i.e. both covered and non-covered banks) continue to reduce their level of borrowing from the ECB. During February total utilisation of ECB facilities by banks in Ireland declined by €8.2 billion (c.12%) to €61.9 billion – it's lowest level since September 2008.

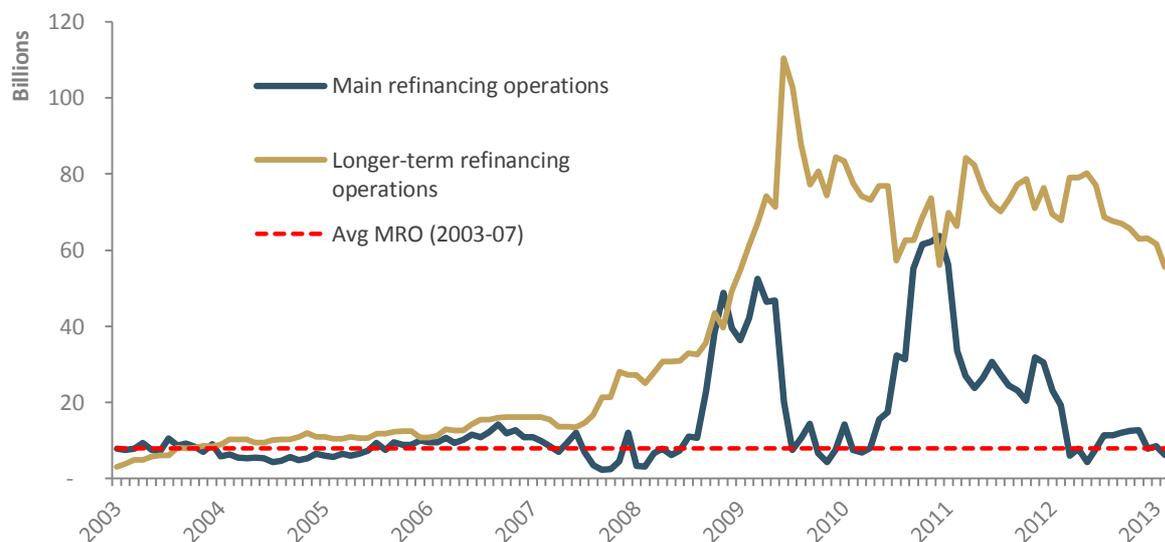
Figure 1. Usage of ECB facilities by banks in Ireland



Source: Central Bank, Department of Finance

Year-on-year, funding drawn from the ECB has reduced by €25.2 billion or 29%. The reduction from peak of €136.4 billion (end November 2010) is €74.6 billion or 55%. However, also important is the mix of funding obtained from the ECB, as shown in Figure 2. As can be seen, utilisation of MRO funding has returned to its 2003-07 average.

Figure 2. Split of LTRO & MRO funding utilised by banks in Ireland



Source: Central Bank, Department of Finance

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As can be seen from figure 2, the level of utilisation by banks in Ireland of the ECB main refinancing operations has returned to its pre-crisis average of c.€8 billion (i.e. average from 2003-07). As the remaining life of LTRO funding is just under 2 years, a balance is needed to ensure a sustainable reduction in usage of ECB funding.

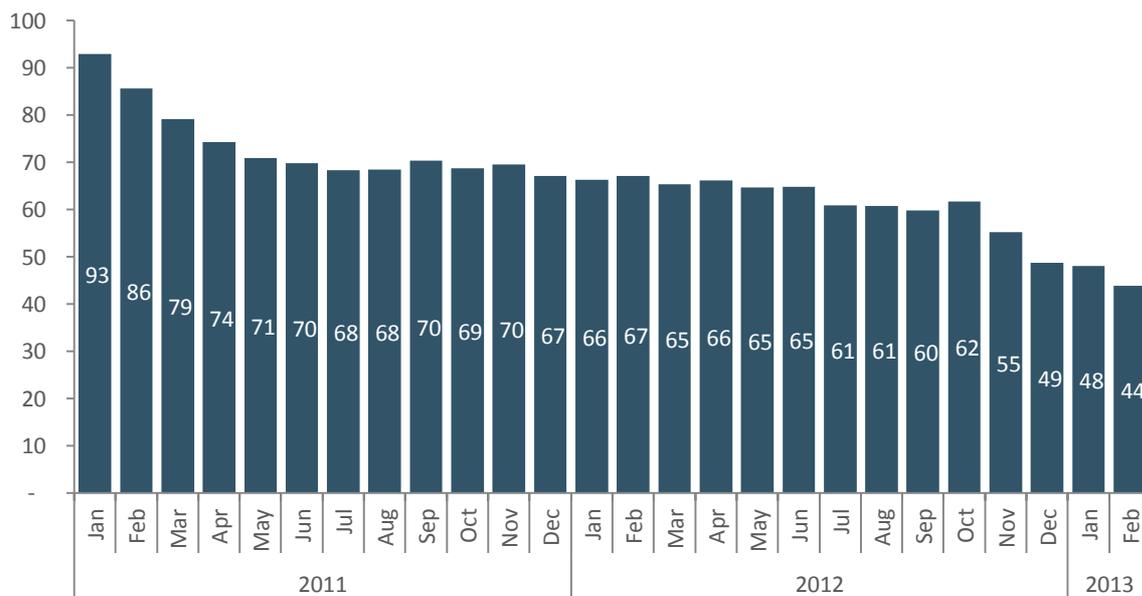
Covered Banks usage of Eurosystem funding

Drawings from the ECB by Covered Banks (excluding IBRC) declined by €4.2 billion (or 9%) during the month of February. The reduction of c.€4 billion was mainly due to the unwinding of the repo transaction between BOI and IBRC (c.€3 billion). The remaining reduction was driven by an increase in deposit balances.

Year-on-year borrowing from the ECB is down €23.3 billion (35%) to stand at €43.9 billion at end-February. 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.

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 utilisation of ECB facilities, €bn



Source: Central Bank, Department of Finance

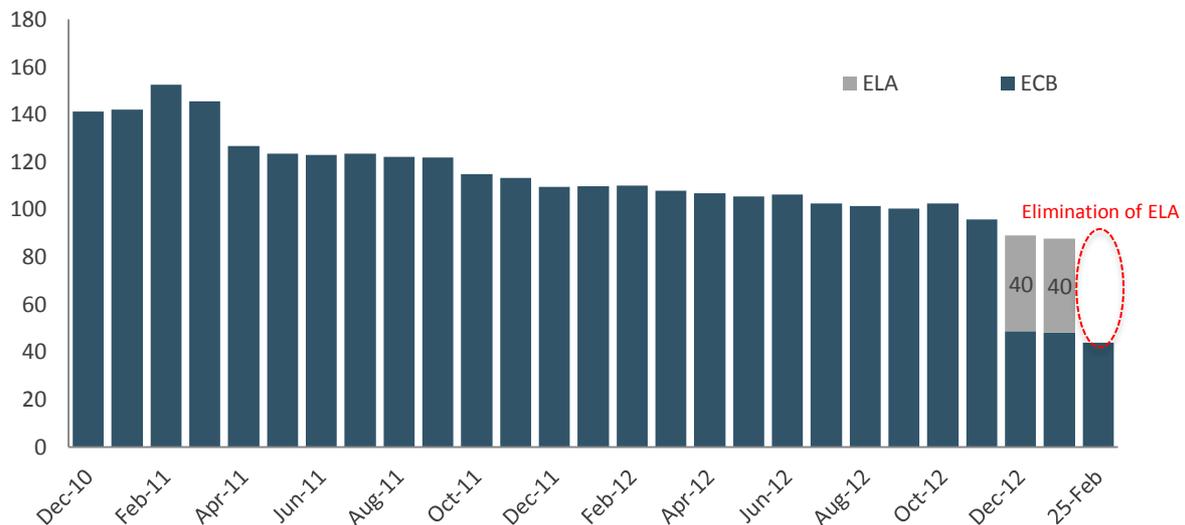


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Impact of IBRC transaction on Eurosystem funding

The IBRC transaction eliminates ELA from the Irish banking system. ELA of c.€40 billion was used exclusively by IBRC.

Figure 4. Eurosystem funding, including ELA (€'bn)



Drivers of reliance on Eurosystem funding

Importantly since November, all of the Covered Banks, AIB, Bank of Ireland and Permanent TSB have returned to international debt markets raising €3.0 billion in new funding from both covered bonds and capital market transactions, secured on a mix of UK & Irish collateral.

The return of the covered banks to international debt markets has contributed to the year-on-year decrease in reliance on Eurosystem funding. More importantly however has been the growth in deposits, which show a year-on-year increase in February of c.€8 billion or 5.2%. Although the pace of year on year increase has moderated somewhat recently, the stability in deposit volumes as the cost of deposit funding has been trending lower.

In addition, during 2012, AIB and BOI substantially completed their asset disposals required by PLAR.

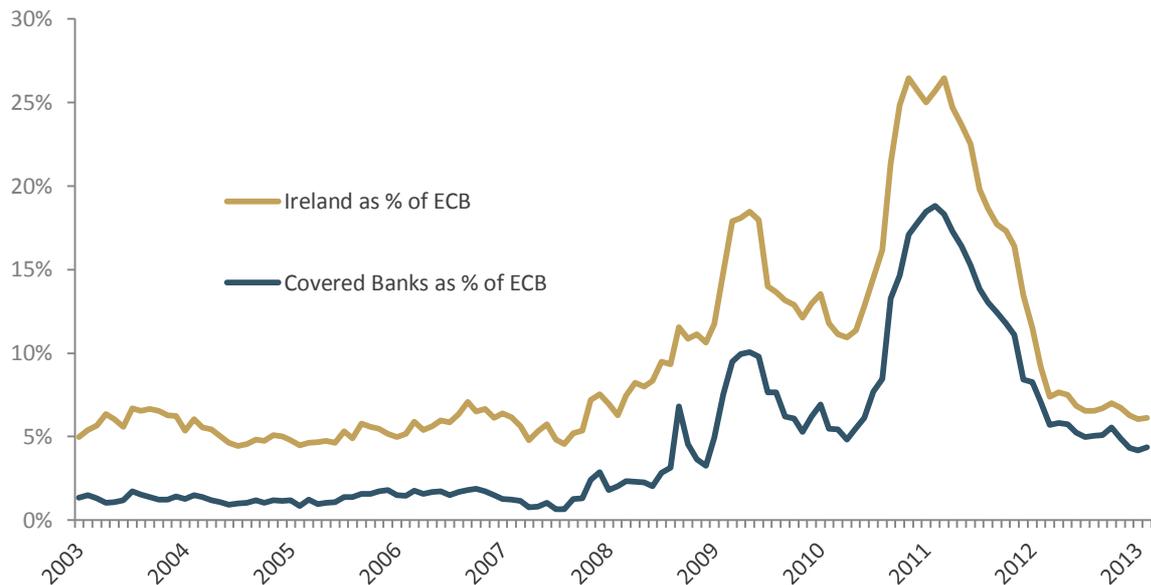
Share of total ECB funding

The share of total ECB funding by banks in Ireland has declined steadily from a peak in November 2010 of c.26.5% immediately after the bailout to 6.1% at end February 2013. The covered banks (excluding IBRC) account for c.4.3% of total Eurosystem funding at end-February 2013, down from a peak of c.18.8%.



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Figure 5. Banks in Ireland: Share of total Eurosystem funding



Source: Central Bank, Department of Finance

Next publication date

16/04/2013 March ECB Funding Note

14/05/2013 April ECB Funding Note

14/06/2013 May ECB Funding Note

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