



Consolidated Banking Statistics: Foreign Claims – Q3 2015

Domestic banks¹ claims on foreign residents decreased by €6.9 billion (6.9 per cent) in Q3 2015, bringing the outstanding amount of claims on foreign residents to €93.2 billion. This represents the largest quarter-on-quarter decrease since Q4 2013. The quarterly decrease was observed across all sectors with the largest fall in claims on private sectors. The largest country decrease related to claims on the UK, which showed a drop of €6.8 billion (or 9.4 per cent) over the quarter. The decline in Q3 2015 reflected asset sales, foreign exchange movements and retrenchment in lending over the period. Domestic banks' largest foreign claims continued to be on the UK accounting for 71 per cent of claims at end-Q3 2015, the majority of which were vis-à-vis the private sector (Table 1).

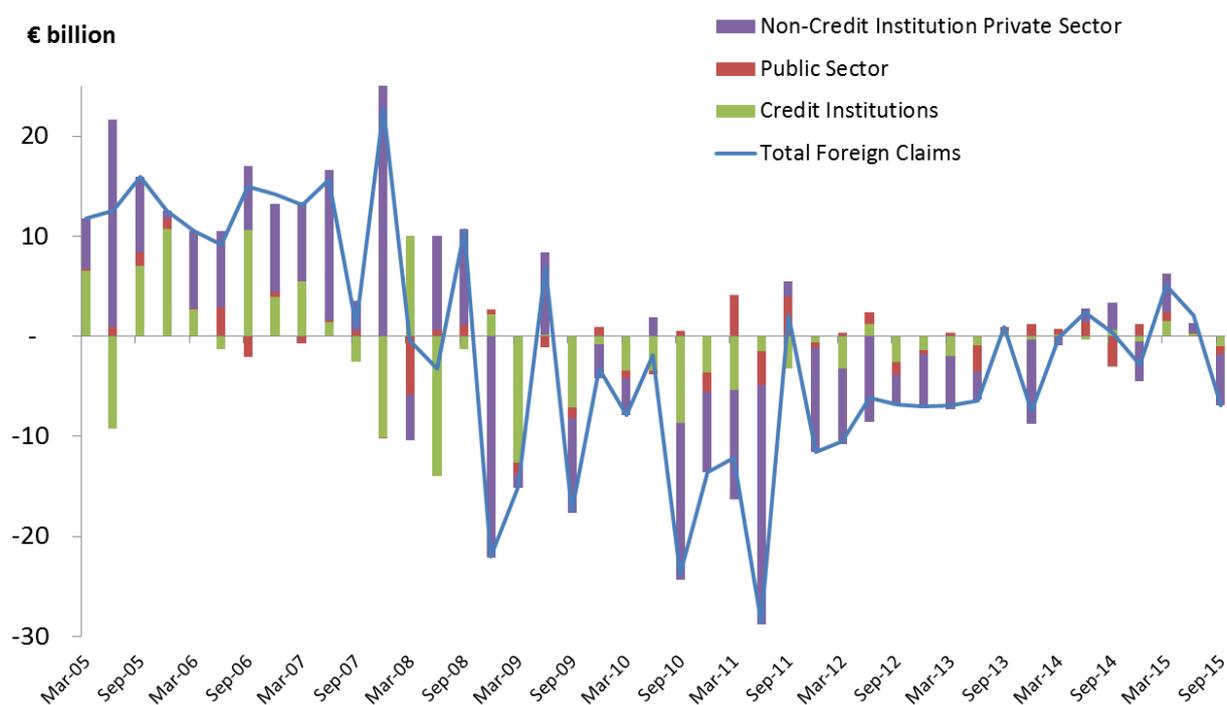
Table 1: Overview of Foreign Claims by Country & Sector, end-September 2015

	Outstanding Balance		Change in Quarter	
	€ million	% of total	€ million	% change
<i>By country</i>				
United Kingdom	65,811	70.6%	-6,840	-9.4%
United States	5,396	5.8%	-316	-5.5%
France	4,415	4.7%	70	1.6%
Spain	2,495	2.7%	154	6.6%
Netherlands	1,717	1.8%	-331	-16.2%
Rest of World	13,354	14.3%	333	2.6%
Total	93,188		-6,930	
<i>By sector</i>				
Credit institutions	10,618	11.4%	-1,030	-8.8%
Public sector	11,755	12.6%	-714	-5.7%
Private sector	70,815	76.0%	-5,187	-6.8%

¹ In this case, the Central Bank of Ireland defines *domestic banks* as those banks whose ultimate parent entity is resident in Ireland.

- Claims on foreign private sectors declined by €5.2 billion (6.8 per cent) during the quarter. Meanwhile, claims on foreign credit institutions and foreign public sectors fell by €1 billion (8.8 per cent) and €714 million (5.7 per cent), respectively. Claims on foreign private sectors accounted for 76 per cent of total foreign claims at end-September 2015. Claims on foreign public sectors and credit institutions were relatively small in comparison, accounting for 13 per cent and 11 per cent of total foreign claims, respectively.
- The most recent data indicated a decrease of 2.7 per cent (€2.6 billion) in foreign claims in the year to end-September 2015. Despite this, the drop in foreign claims is not as pronounced as the reduction observed in the same period last year (4.8 per cent)². The negative annual growth rate arising from the decline in foreign claims in Q3 reverses the trend of positive annual growth in the previous two quarters.

Chart 1: Quarter-on-Quarter Change in Foreign Claims



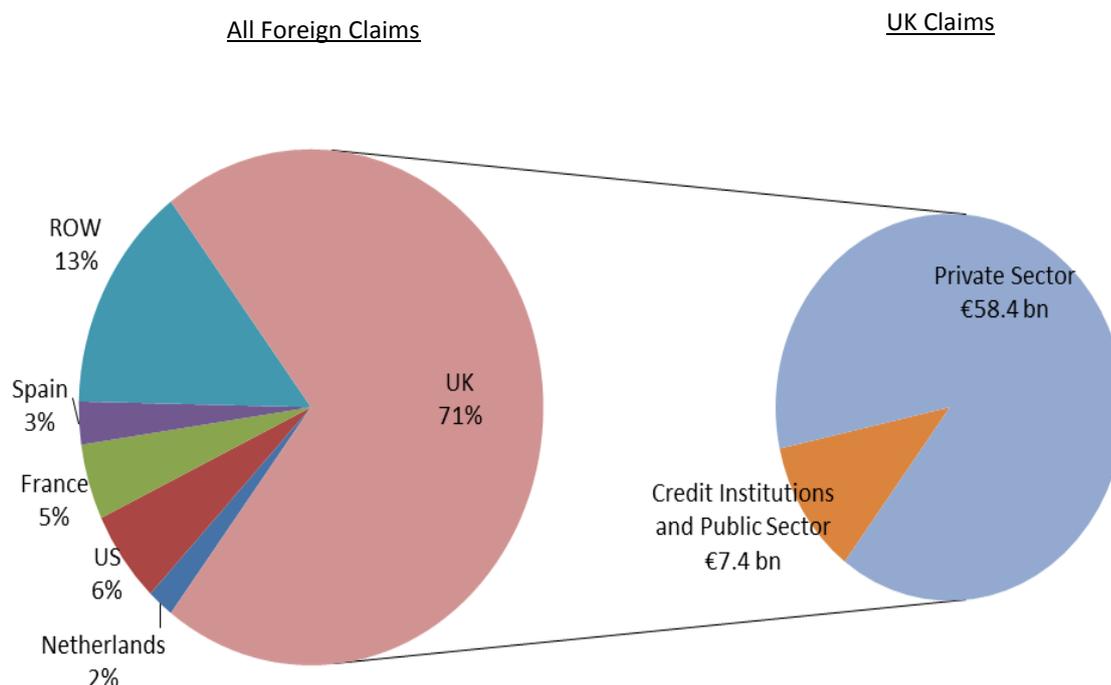
² The magnitude of the year-on-year change recorded at end-Q3 2014 was affected by a change in reporting population, however, even allowing for this a substantial year-on-year decline was recorded at end-Q3 2014.

- Cross border claims refer to claims where the location of the bank office that books the position is different to the location of the claim counterpart (e.g. an Irish bank office lending to UK resident). Local claims are claims where the location of the bank office that books the position is the same as the location of the claim counterpart (e.g. UK subsidiary lending to UK resident). Consistent with the recent trends, Q3 2015 data show that local claims, at €62.5 billion were far greater than cross-border claims of €30.7 billion.
- Local claims fell by €7.3 billion in Q3 2015 following two consecutive quarters of growth. This quarterly decline was driven by asset sales, retrenchment in lending and movements in foreign exchange. Conversely, cross-border claims continued to increase with a rise of 3.4 per cent (€1 billion) over the same period.
- Over the years from September 2009 to December 2012, cross-border credit declined at a much faster annual rate than local credit. However, 2013 saw a reversal of this trend, with the annual rate of decline in local claims outpacing that of cross-border claims. In Q1 2014 the annual rate of change for cross-border claims turned positive. This trend has continued to-date, with September 2015 recording a year-on-year growth rate of 3.4 per cent in cross-border claims. Local claims showed an annual decrease of 5.4 per cent at end-September 2015, following an annual increase of 6.1 per cent in June 2015.

Claims by Location of Counterparty

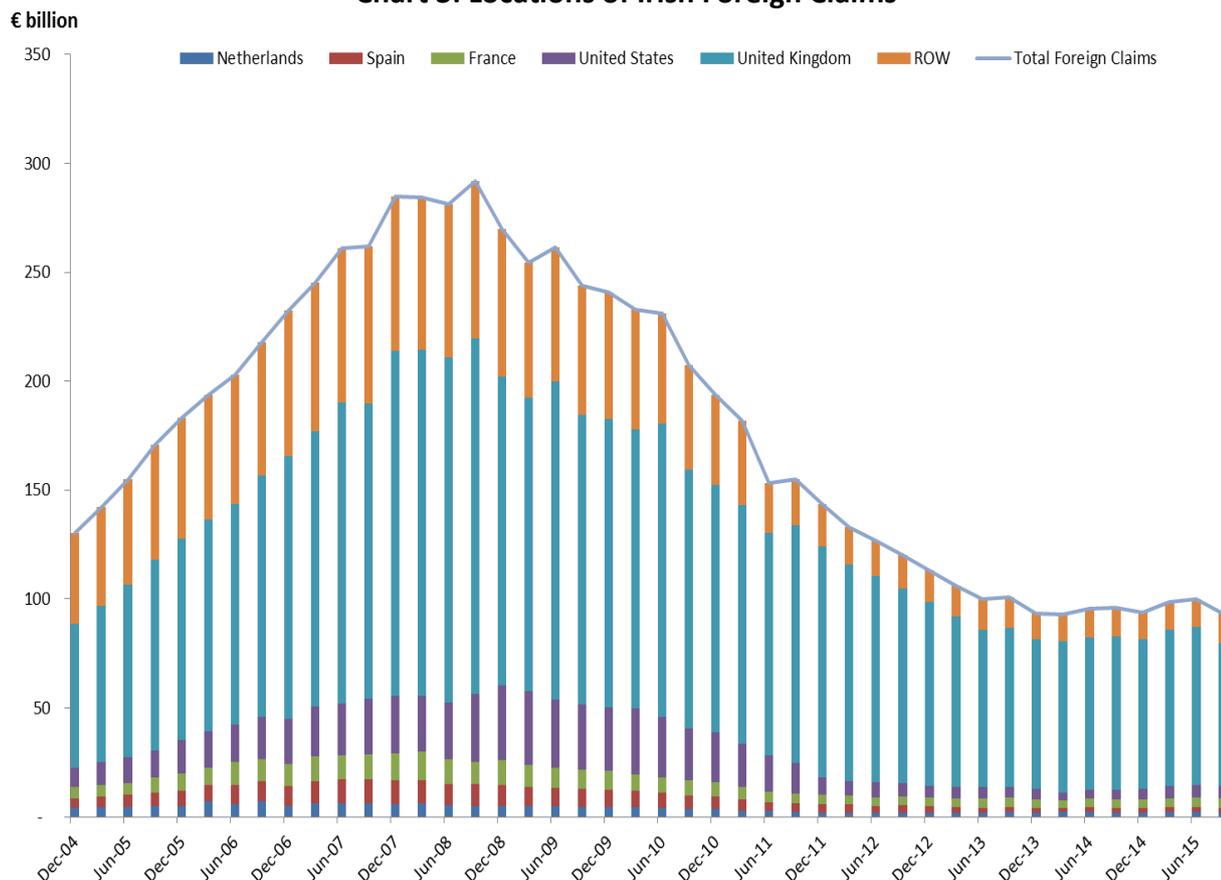
- Domestic banks' largest foreign claims were on the United Kingdom (including Northern Ireland), with exposures of €65.8 billion at end-September 2015. Foreign claims on the UK decreased by €6.8 billion (9.4 per cent) over the quarter. This was predominantly driven by a fall in claims on the UK private sector. Chart 2 shows that the vast majority of the domestic banks' claims on the UK are on the non-bank private sector, while exposures to credit institutions and the public sector are relatively small in comparison.

Chart 2: Geographical Breakdown of Foreign Claims, end-September 2015



- There was a 5.5 per cent or €316 million decline in claims on the US over Q3 2015. Developments in Q3 reflected reduced claims on US credit institutions.
- France, Spain and the Netherlands were also important locations for the foreign claims of Irish banks at end-Q3 2015. Foreign claims on these three countries decreased cumulatively by €107 million during Q3 2015. This was driven by a fall in claims on Netherlands of €331 million (16 per cent). This was partly offset by increased claims on France and Spain of €70 million (1.6 per cent) and €154 million (6.6 per cent), respectively.

Chart 3: Locations of Irish Foreign Claims



Note:

The consolidated banking statistics detail the claims of the domestic banks on non-residents, by counterpart country and sector on an ultimate risk basis i.e. according to the country and sector where the ultimate guarantor of the risk resides. The dataset used is similar in methodology to the Consolidated Banking Statistics published by the Bank for International Settlements (BIS), but differs in coverage, as it refers only to the domestic Irish banks.

The tables can be accessed on the Central Bank of Ireland [website](#). **The dataset begins in December 2004 and the latest data published relate to end-September 2015.**