



Domestic banks¹ claims on foreign residents increased by €1.1 billion (1.4 per cent) in Q1 2018, bringing the outstanding amount of claims to €78.5 billion. A rise in claims on the banking sector was the principal driver with an increase of €606 million. Claims on the United Kingdom grew by €1.3 billion (2.5 per cent) over the quarter, marking the first quarterly rise since end-December 2015. Exchange rate adjustments had a significant influence on this increase in claims. Conversely, claims on the United States decreased by €477 million (6.9 per cent). Domestic banks' largest foreign claims continued to be on the UK, which maintained its position with 67 per cent of total claims at end-March 2018.

Table 1: Overview of Foreign Claims by Country & Sector, end-March 2018

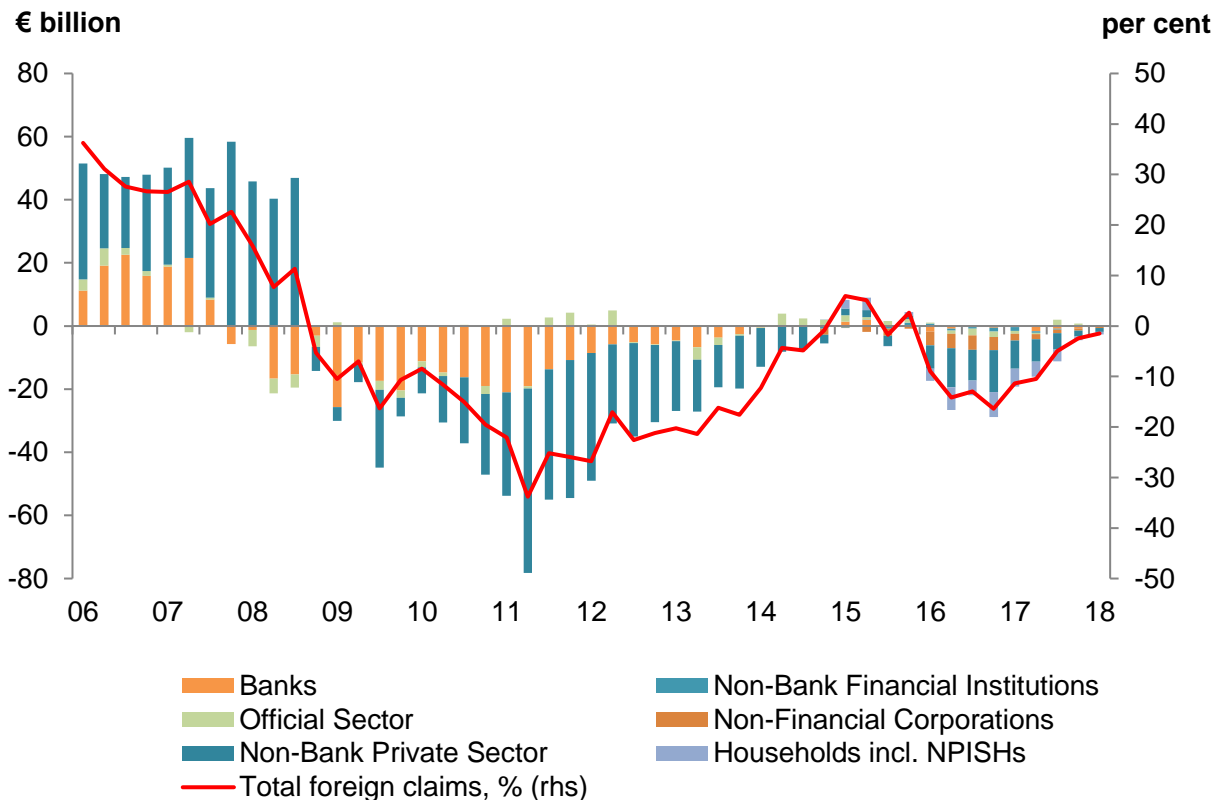
	Q1 2018		Change in Quarter	
	€ million	% of total	€ million	% change
<i>By country</i>				
United Kingdom	52,482	66.9%	1,305	2.5%
United States	6,427	8.2%	-477	-6.9%
France	3,785	4.8%	178	4.9%
Spain	2,289	2.9%	-5	-0.2%
Netherlands	1,550	2%	5	0.3%
Rest of World	11,933	15.2%	58	0.5%
Total	78,466	100%	1,066	1.4%
<i>By sector</i>				
Banks	9,372	11.9%	606	6.9%
Official Sector	13,702	17.5%	113	0.8%
Non-Bank Financial Institutions	6,227	7.9%	-166	-2.6%
NFCs	21,368	27.2%	346	1.6%
Households	27,798	35.4%	168	0.6%

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

Developments in Foreign claims by Sector

- The predominant increases in foreign claims were recorded on the banking, non-financial corporate and household sectors with rises of €606 million, €346 million and €168 million, respectively. In contrast, there was a fall of €166 million in foreign claims on non-bank financial institutions in Q1 2018. Almost two thirds of Irish-resident banks foreign claims were vis-à-vis the household and NFC sectors, with exposures relatively unchanged at 35 per cent and 27 per cent, respectively. Claims on foreign official sectors (17 per cent), banks (12 per cent), and non-bank financial institutions (8 per cent) continued to be smaller in comparison.
- On an annual basis, foreign claims recorded a decline of €1.2 billion, or 1.5 per cent. Despite falling in magnitude, annual declines in foreign claims have been recorded for nine consecutive quarters.

Chart 1: Foreign Claims; net flows (4-qr sum) and annual rate of change²



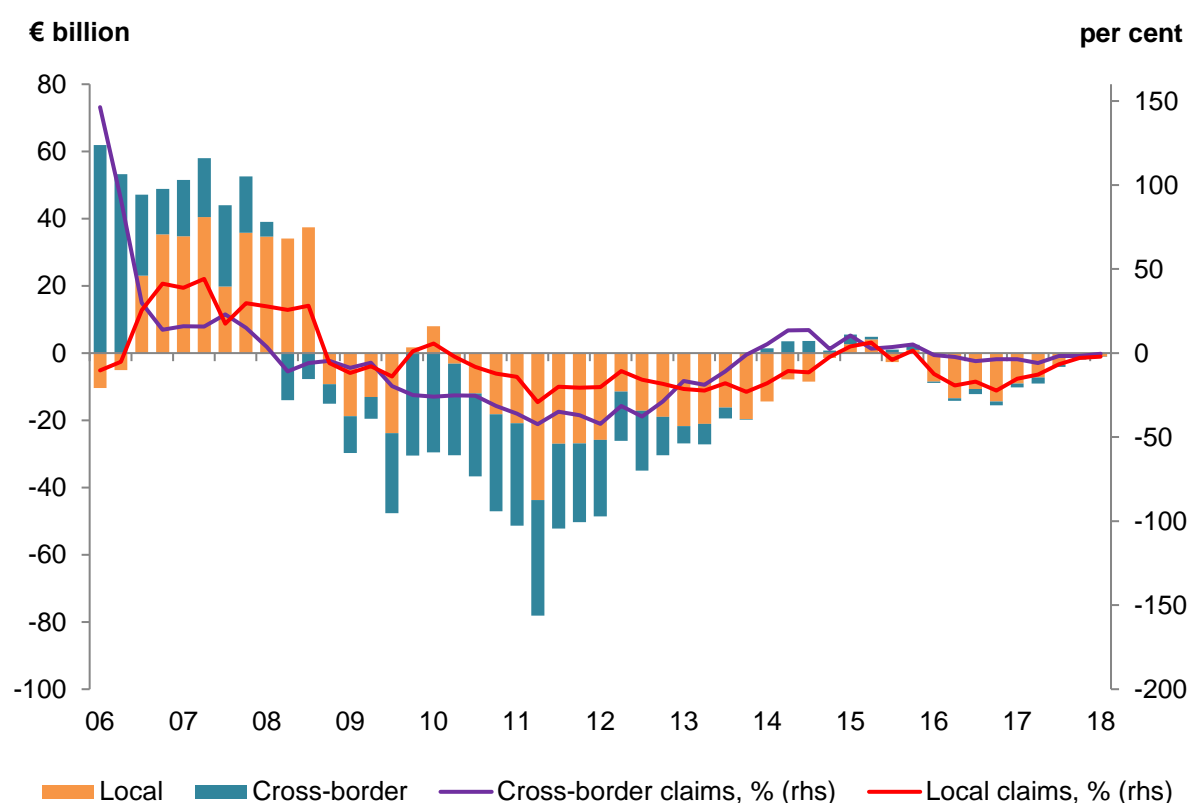
² From Q4 2013, the non-bank private sector has been broken down further into three sub-categories. However, as this chart uses a four-quarter sum, the breakdown is only available from Q4 2014 onwards. Before this, the non-bank private sector is shown as an aggregate figure.

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Developments in Local & Cross-Border Claims

- Local claims³ stood at €49.5 billion at end-March 2018. This represented a €736 million rise during the quarter, which marks the first increase in this category for three quarters. Local claims fell by €1 billion (2.1 per cent) on an annual basis to end-Q1 2018. This annual fall in local claims represents 90 per cent of the annual decline in total foreign claims, continuing a long-term trend.
- Cross-border⁴ claims were higher at €28.9 billion at end-March 2018, following growth of €330 million (1.2 per cent) over the quarter. This quarter saw a return to increases in the cross-border claims category, following a fall of €208 million in Q4 2017. In annual terms, cross-border claims recorded a fall of 0.4 per cent, or €113 million, in Q1 2018.

Chart 2: Local and Cross-Border claims; net flows (4-qr sum) and annual rate of change



³ 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 of an Irish headquartered bank lending to UK resident).

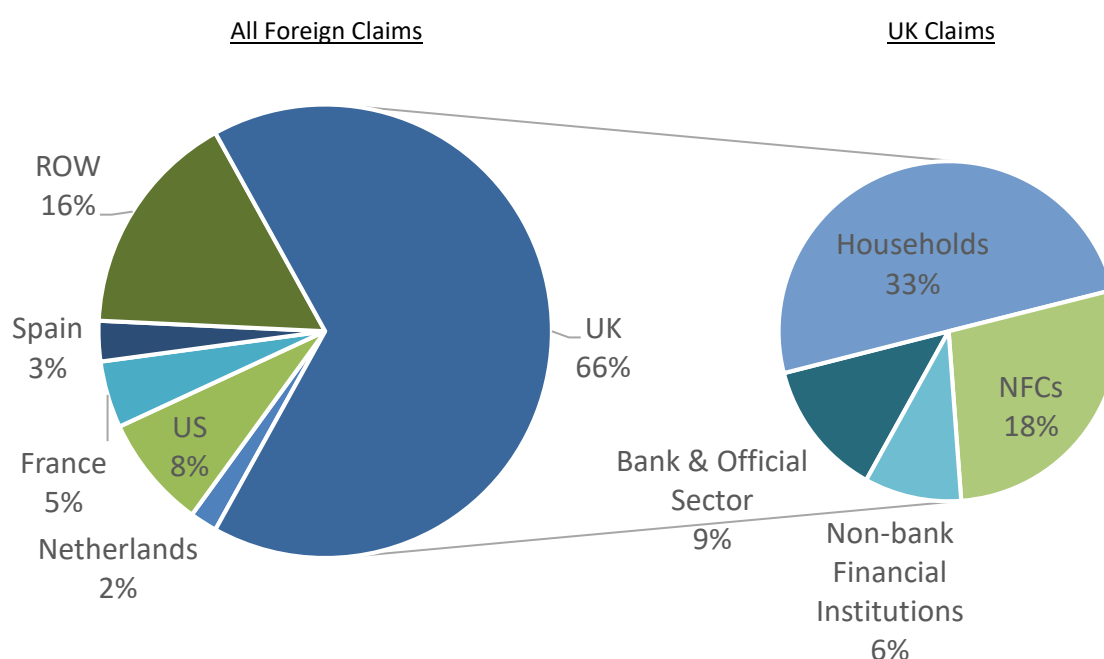
⁴ Cross-border claims refer to claims where the location of the bank office that books the position is different to the location of the claim counterpart (e.g. an Irish bank office lending to UK residents).

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Developments in Claims by Location of Counterparty

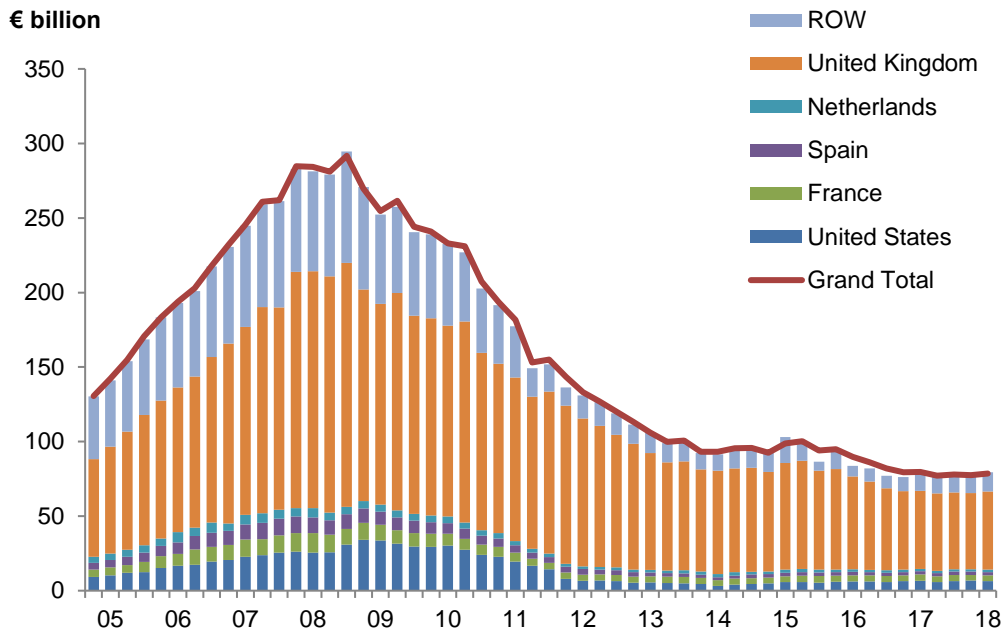
- Domestic banks' largest foreign claims were on the United Kingdom (including Northern Ireland), with exposures of €52.5 billion at end-March 2018. Foreign claims on the UK rose by €1.3 billion (2.5 per cent) over the quarter. This represents the first quarterly increase in this figure since Q4 2015. It was predominantly driven by a rise in claims on the official sector and NFCs, with claims on UK official sector recording the largest increase of €764 million. A contributing factor to the rise in claims with the UK was changes in Euro to Pound Sterling exchange rates. Chart 3 shows that claims on the UK are primarily vis-à-vis the NFC and household sectors, while exposures to banks and the official sector are relatively small in comparison.

Chart 3: Geographical Breakdown of Foreign Claims, end-March 2018



- There was a 6.9 per cent, or €477 million, decline in claims on the US over Q1 2018. This decrease was primarily driven by a fall in claims on the official sector of €530 million.
- France, Spain and the Netherlands were also important locations for the foreign claims of domestic banks at end-Q1 2018. Foreign claims on France experienced the largest movement over the quarter, with a rise of €178 million. The Netherlands and Spain witnessed smaller movements, with growth of €5 million and a reduction of €5 million, respectively.

Chart 4: 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 Q4 2004 and the latest data published relate to end-Q1 2018.