



Consolidated Banking Statistics: Foreign Claims – Q2 2015

- Domestic banks’¹ claims on foreign residents increased by 1.3 per cent in Q2 2015 bringing the outstanding amount of claims on foreign residents to €100 billion. An increase of 8.2 per cent was observed in the first half of 2015 compared to 2.5 per cent over the same period in 2014. Claims on foreign residents stabilized in Q2 2015 following strong growth in the previous quarter. The quarterly increase was predominantly driven by higher claims on foreign private sectors, although claims on foreign public sectors and foreign credit institutions also grew over the period. The largest increase related to claims on the UK, although a significant increase was also recorded for France. Domestic banks’ largest foreign claims continued to be on the UK which accounted for 72.6 per cent of claims at end-Q2 2015; the majority of which were vis-à-vis the private sector (Table 1).
- The outstanding amount of foreign claims classified as local² increased by 6.1 per cent (€4 billion) in the four quarters to end-June 2015. This follows an increase in Q1 2015 and thus marks the first recording of annual growth in two consecutive quarters since 2010. Cross-border³ claims continued to increase with a rise of 2.4 per cent (€705 million) over the same period.

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

² Local claims refer to lending by non-resident affiliates of domestic banks in the country where the affiliate is located.

³ Cross-border claims cover exposures where the country of ultimate risk differs from the residency of the bank office making the loan.

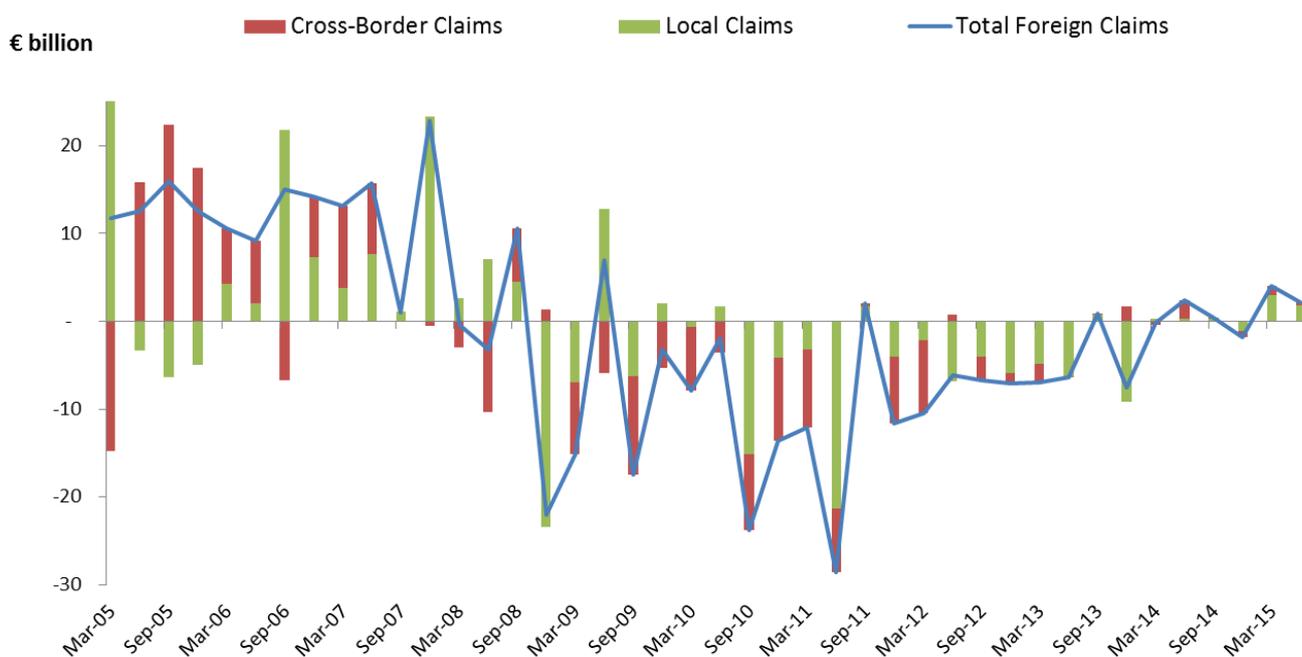
Table 1: Overview of Foreign claims by Country & Sector

	Q2 2015		Change in Quarter	
	€ million	% of total	€ million	% change
<i>By country</i>				
United Kingdom	72,651	72.6%	707	1.0%
United States	5,712	5.7%	70	1.2%
France	4,345	4.3%	378	9.5%
Spain	2,341	2.3%	26	1.1%
Netherlands	2,048	2.0%	-23	-1.1%
Rest of World	13,021	13.0%	151	1.2%
Total	100,118		1,309	
<i>By sector</i>				
Credit institutions	11,648	11.6%	254	2.2%
Public sector	12,468	12.5%	103	0.8%
Private sector	76,002	75.9%	952	1.3%

- At end-June 2015, domestic banks had foreign claims of €100 billion, representing a quarter-on-quarter increase of €1.3 billion (1.3 per cent); this follows a €6.3 billion increase in Q1 2015. Developments in Q2 were driven by a growth in claims on all sectors. Claims on foreign private sectors increased by €952 million (1.3 per cent) during the quarter. Meanwhile, claims on foreign credit institutions and foreign public sectors increased by €254 million (2.2 per cent) and €104 million (0.8 per cent), respectively. Claims on foreign private sectors were predominant, accounting for 76 per cent of total foreign claims at end-June. Claims on foreign public sectors and credit institutions were relatively small in comparison, accounting for 13 per cent and 12 per cent of total foreign claims, respectively.
- The most recent data indicated an increase in foreign claims of 4.9 per cent (€4.7 billion) in the four quarters to end-June 2015. This is the first occurrence of annual growth in two consecutive quarters since 2008. This contrasts sharply with the same period last year, when an annual decline of 4.3 per cent (€4.3 billion) was recorded⁴. The latest data indicate some reversal in the retrenchment in domestic banks' foreign claims.

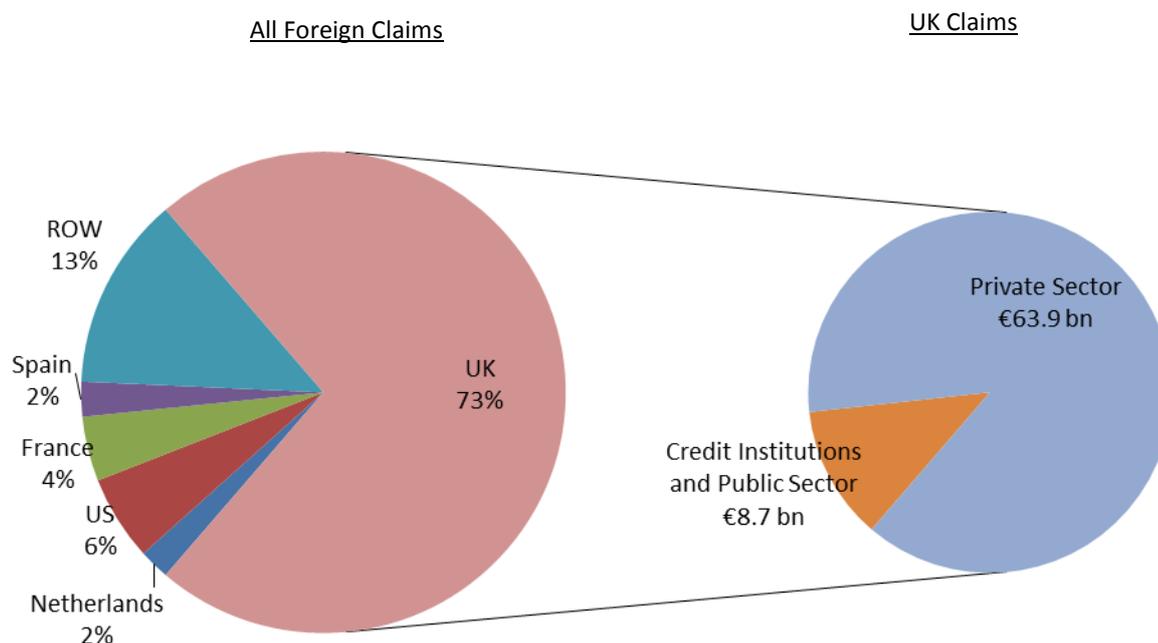
⁴ The magnitude of the year-on-year change recorded at end-Q2 2014 was affected by a change in reporting population, however, even allowing for this a substantial year-on-year decline was recorded at end-Q1 2014.

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



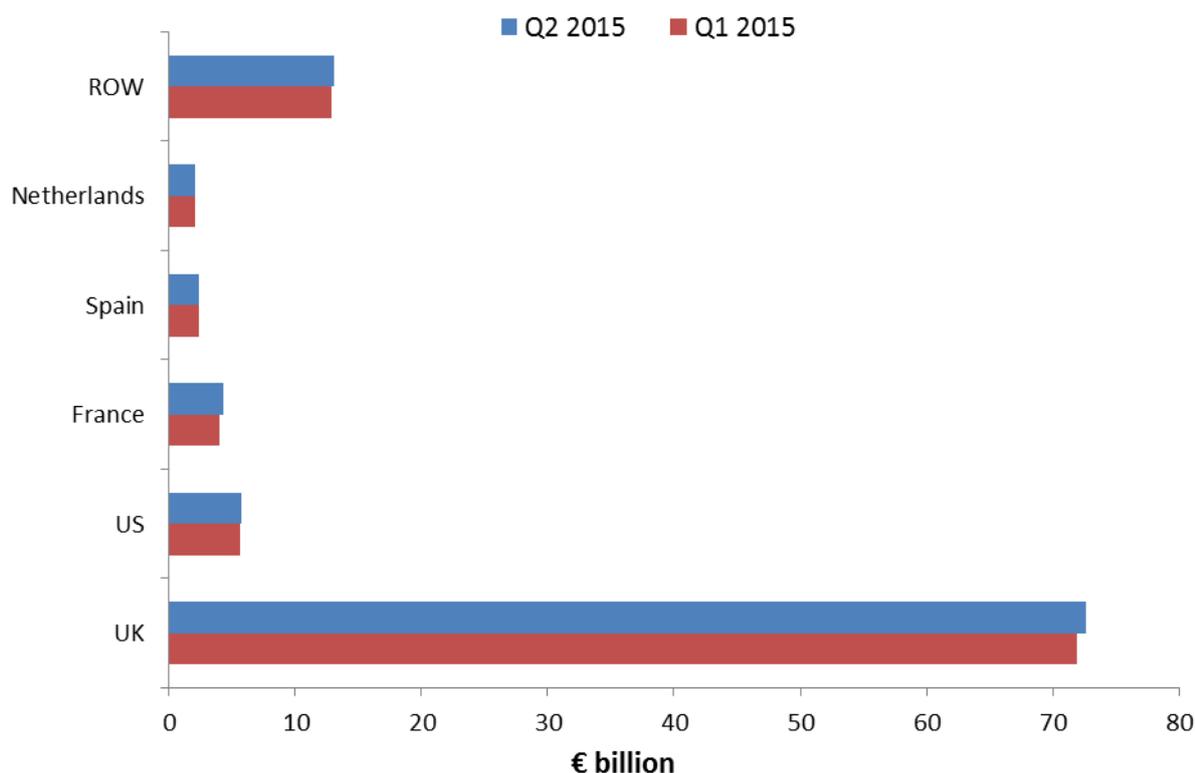
- Consistent with the recent trends, Q2 2015 data show that local claims, at €69.8 billion, were far greater than cross-border claims of €30.3 billion. Over the years from September 2009 to December 2012, cross-border credit declined at a much faster annual rate than local credit. However, 2013 saw a 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 June 2015 recording a year-on-year growth rate of 2.4 per cent in cross-border claims. Local claims showed an annual increase of 6.1 per cent at end-June 2015 following an increase of 3.9 per cent in Q1.

Chart 2: Geographical Breakdown of Foreign Claims (Q2 2015)



- Domestic banks' largest foreign claims were on the United Kingdom (including Northern Ireland), with exposures of €72.7 billion at end-June 2015. Foreign claims on the UK increased by €707 million (1.0 per cent) over the quarter. This was predominantly driven by a rise 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.
- There was a 1.2 per cent or €70 million increase in claims on the US over Q2 2015. This marks the fifth consecutive quarter of increased claims on the US. Developments in Q2 reflected increased claims on the US public sector.
- France, Spain and the Netherlands were also important locations for the foreign claims of Irish banks at end-Q2 2015. Foreign claims on these three countries increased cumulatively by €381 million during Q2 2015. This was driven by a rise in claims on France and Spain of €378 million (9.5 per cent) and €26 million (1.1 per cent), respectively. Meanwhile, claims on Netherlands fell by €23 million (1.1 per cent).

Chart 3: Principal 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-June 2015.**