The Irish banking crisis: lessons learned, future challenges

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Agenda

• Causes

• The Irish economic model

• The new approach to supervision

• Future regulatory interventions
Ireland: % change in property prices

[Graph showing the percentage change in property prices over time for commercial and residential properties, with data sources noted for each category.]
The (contrasting) French experience

Residential property prices, New Houses, 1997Q1=100
Ireland: personal sector credit as a % of disposable income
NAMA discounts per institution
(based on 1\textsuperscript{st} tranche of loans transferred)

\begin{itemize}
\item NBS: 58\%
\item Anglo: 55\%
\item AIB: 42\%
\item EBS: 37\%
\item Bank of Ireland: 35\%
\item Average: 49\%
\end{itemize}

Data source: NAMA
Discounts based on nominal value of loans transferred
Covered Bank’s Funding (2004-2007)

- 2004: €94.0bn
- 2005: €113.0bn
- 2006: €135.7bn
- 2007: €148.7bn
- Yearly average 2004-2007: €149.7bn
- Incremental annual growth rate: €22.9bn

- Deposits sourced domestically
- Imported deposits
Ireland: current account deficit (% GDP)
Bond spreads I

Ireland’s 5yr CDS, AIB & BOI 5yr and 10 year benchmark spread over Germany

Current levels
- CDS: 228.345 (closing)
- 10yr Bond spread: 200.5
- AIB CDS: 311.24
- BOI CDS: 291.295

Announcement of enhanced €110bn package for Greece

<table>
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<th>Dates</th>
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ECB securities purchase programme

BOI 5yr CDS

Irish Sovereign 5yr CDS

Ireland’s 10yr benchmark spread over Germany

AIB 5yr CDS
Bond spreads II

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Ireland’s 10yr benchmark spread over Germany
CDS spreads

- EU IMF €45bn package for Greece
- ECB securities purchase programme
- Announcement of enhanced €110bn package for Greece

Greece 5yr CDS
Greece 10yr spread over Germany
Ireland 10yr spread over Germany
Portugal 10yr spread over Germany
Irish 5yr CDS
Benefits of EU membership

Gross national product at current market prices per head of population
(PPS: EU-15 = 100)
Quantitative Easing by Bank of England
Cumulative asset purchases


Majority of assets purchased were UK Gilts together very small amounts of corporate bonds and commercial paper.
IFSC Banks’ assets as % of Irish GDP
(2000-2009)

Data source: Central Bank of Ireland and CSO (real GDP data used)
Covered Banks’ assets as % of GDP (2000-2009)

Data source: Central Bank of Ireland and CSO (real GDP data used)