



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Central Bank of Ireland **Financial Stability Review 2025:II**



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# Notes

1. Unless otherwise stated, this document refers to data available on 24 October 2025.
2. Unless otherwise stated, the aggregate banking data refer to all credit institutions operating in the Republic of Ireland.

The term “domestic banks” refers to the three banks offering retail banking services within the Irish State: Allied Irish Banks plc, The Governor and Company of the Bank of Ireland and Permanent TSB, unless stated otherwise.

3. The following symbols are used:

|   |          |     |                  |
|---|----------|-----|------------------|
| e | estimate | H   | half-year        |
| f | forecast | rhs | right-hand scale |
| Q | quarter  | lhs | left-hand scale  |

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# Preface

The Central Bank is responsible for maintaining monetary and financial stability and ensuring the financial system works in the interests of the community.

The *Financial Stability Review* evaluates the main risks facing the financial system and assesses the resilience of the financial system to those risks. A resilient financial system is one that is able to provide services to Irish households and businesses, both in good times and in bad. The Central Bank's policy actions seek to ensure that the financial system functions in this manner.

The structure of this publication mirrors the overall approach the Central Bank takes in reaching a judgement around its macroprudential policy stance.

- The first section outlines the Central Bank's assessment of the main risks facing the Irish financial system over the short to medium term.
- The second section outlines the Central Bank's assessment of the resilience of the domestic-facing financial system to adverse shocks and its ability to absorb, rather than amplify, shocks of this nature.
- The third section explains the Central Bank's policy actions to safeguard financial stability and ensure that the resilience of the financial system is proportionate to the risks it faces.

Ireland is host to a large and diverse financial sector. A large part of that financial sector serves international clients, with limited direct implications for the domestic economy. This publication focuses on the segments of the financial sector that provide services to Irish households and businesses.

The Central Bank is committed to transparency over its judgements around financial stability and uses the *Financial Stability Review* as a key vehicle to explain the policy actions taken, within its mandate, to safeguard financial stability. The publication reflects, and is informed by, the deliberations of the Central Bank's Financial Stability Committee. It focuses on adverse outcomes that may materialise, and their potential implications for domestic financial stability in the event of materialisation, rather than on presenting economic forecasts.

# Overview

Global trade policy uncertainty remains above historical norms but has fallen since the last Review, reflecting more clarity on tariff levels in the short-term. Although recent developments have contributed to a somewhat improved global growth outlook, risks facing the financial system remain elevated. As equity markets reach record highs, and corporate bond spreads are compressed, there is a clear disconnect between economic uncertainty and the pricing of risk in financial markets. Vulnerabilities within segments of the global non-bank financial intermediation (NBFi) sector have the potential to amplify adverse market shocks, while warning signs in private credit markets have brought lending standards by non-banks into focus. Fiscal deficits persist in many advanced economies, leading to growing sovereign debt burdens. The triggering of more than one of these risks at the same time would be a particular challenge for global financial stability.

The Irish economy is particularly exposed to international developments in an environment of high uncertainty and shifting global policy priorities. Over the medium and longer term, downside risks to domestic economic growth remain significant, given Ireland's structural openness and reliance on US foreign direct investment (FDI). Government finances are overly reliant on corporation tax receipts, and the need to address infrastructural deficits must be balanced with sustainable levels of spending growth. Despite significant exposures to global developments, Irish households, businesses and financial institutions currently have relatively healthy balance sheets and the domestic banking system has the capacity to absorb a severe shock to the economy.

The global economic outlook has improved following a reduction in trade tensions, but measures of uncertainty are still well above historical norms. Trade policy uncertainty eased in recent months and the US-EU agreement in August 2025 provided some clarity on tariff levels. But the potential for further trade policy shocks remains. To date, the impact of tariffs on the global economy has been modest and global growth has remained steady, although it will take time for the global economy to adjust to the new trading arrangements. While growth forecasts have improved modestly since the last Review, they are still lower than at the start of 2025 and rely on current agreements being maintained.

Equity markets continue to rise, with valuations in US technology stocks particularly elevated, while corporate bond spreads are at multi-year lows. Major equity indices have risen to record levels, driven by US technology and artificial intelligence (AI) stocks, and supported by expectations of strong earnings growth. Debt financing is playing an increasing role for companies investing heavily in AI. Corporate bond spreads are compressed, providing further evidence of buoyant risk appetite and a disconnect between valuations and uncertain macroeconomic conditions. High exposures of US households and foreign investors to US equity markets means that any sharp correction would have far-reaching implications.

Persistent fiscal deficits in many advanced economies and rising expenditure are increasing sovereign debt burdens. Sovereign indebtedness in the US is projected to reach a historical high by 2029, and deficits are rising in the euro area. This will likely reduce the capacity for governments to use fiscal policies to respond in the event of a downturn. Despite these factors, markets are currently charging historically low spreads on euro area countries' sovereign debt.



A sudden repricing of sovereign debt would have adverse spillovers to economic growth, asset prices and the wider financial system, including due to the increasing sovereign exposures of both banks and non-bank entities.

Concerns about lending standards in private credit have intensified, and the NBFIs sector has the potential to amplify any market shocks. Warning signs may be emerging in private credit markets, where recent high-profile bankruptcies have raised questions over potential weaknesses in underwriting standards. The scarcity of information around lending practices in private credit, together with complex opaque interconnections with other parts of the global financial system, can act as an amplifier of shocks. More broadly, in light of elevated leverage or liquidity mismatches, certain segments of the NBFIs sector have the potential to amplify adverse market shocks, given they provide funding for banks, hold sovereign debt and are significant investors in global equity markets.

Growth in the domestic economy has remained strong, but risks from geopolitical and trade uncertainty are significant given Ireland's structural openness and reliance on US FDI. Near-term indicators of economic activity are positive, but Central Bank analysis suggests that the domestic economy is likely to be one per cent smaller than it otherwise would have been in the medium-term, due to new tariff agreements. A small number of highly globalised sectors continue to drive output, employment and corporate taxes and weakening of FDI flows to Ireland represents a key source of macro-financial risk.

Headline budget surpluses mask fragility in government finances which should be carefully managed at a time when growth in infrastructure investment is needed. The underlying general government balance, which removes windfall corporation tax receipts, is projected to further deteriorate in the coming years. At the same time, investment is needed to alleviate capacity constraints which are evident in the supply of housing, critical energy and physical infrastructure. Balancing sustainable growth in spending while addressing investment gaps is crucial in mitigating already present overheating risks.

Credit growth has picked up, driven by mortgage lending and supported by easing interest rates, but overall growth remains consistent with increased nominal income. Financing conditions for domestic households and businesses remain supportive with interest rates gradually declining. Mortgage credit growth has accelerated but at a pace consistent with growth in disposable incomes, and new lending standards remain prudent. A sustainable credit growth path, in line with demand, is important to support future economic activity.

House price inflation remains elevated, due to the continued imbalance between the demand and supply for housing. Despite rising household income, growth in property prices has resulted in a higher growth in the house price-to-income ratio in Ireland relative to other countries. And the fall in institutional residential real estate investment activity in recent years poses risks to future supply. A complex and protracted planning process, infrastructural capacity constraints, and an insufficient supply of zoned land could impede future investment in housing and have been the focus of government policies to increase housing supply.

The domestic commercial real estate (CRE) market continues to stabilise, though structural market changes since the pandemic are likely to persist. In 2025, industrial and retail CRE sectors saw a return to growth in capital values for the first time since 2022 and 2019,

respectively, with sentiment indicators pointing towards a continuation of the CRE recovery. However, the outlook for the office sector is mixed. Against a backdrop of still elevated but slowly improving vacancy rates, market participants expect prime office space values to return to growth, with further declines expected for non-prime office assets. The rate of CRE receiverships remains contained, with little evidence of disorderly adjustments in the market.

**Household borrowers and businesses are in a relatively strong financial position and appear resilient even in the event of an escalation of geopolitical risks.** For households, debt servicing capacity varies across income cohorts but has remained resilient over a period of severe shocks to interest rates and inflation. Profit margins for domestic firms continue to be robust and measures of distress are low. In an adverse scenario, featuring an escalation of geopolitical risks, the number of firms in financial distress would remain contained, while most households would have the capacity to cover debt payments and cost of living expenses.

**Domestic bank profitability has moderated but market expectations point to a stable outlook, while the EBA 2025 stress test suggests domestic banks are resilient in the face of a macroeconomic shock.** Along with stable profitability, asset quality indicators at domestic banks continue to improve. The EBA adverse scenario combined a severe recession with an escalation in geopolitical fragmentation. The CET1 capital ratio of domestic banks in the sample fell 2.5 percentage points from its 2024 starting point, supported by a higher interest rate path in the scenario, and remained well above regulatory minimums. Domestic banks must also ensure resilience to operational and cyber risks, which can have systemic importance and cause outages to critical infrastructure.

**Macroprudential capital buffers continue to provide resilience to the banking sector proportionate to the systemic risks it faces.** The CCyB rate of 1.5 per cent provides resilience against macro-financial risks, which is of particular importance in the current uncertain environment. The O-SII buffer enhances resilience of those institutions which are systemically important. The number of identified O-SIIs is unchanged, with the associated institution specific buffer rates also unchanged apart from a small reduction for one institution.

**The mortgage measures prevent the emergence of an unsustainable relationship between credit and house prices, supporting the resilience of borrowers, lenders and the broader economy.** New mortgage lending remains robust, supported by strong growth in incomes, with first-time buyers being the largest segment. Lending standards remain sustainable and there is no evidence that new mortgage lending is excessively driving house prices.

**Developing and implementing a macroprudential framework for non-banks, with a focus on the investment funds sector, remains a priority for the Central Bank.** At an international level, the Central Bank supports the implementation of agreed reforms on non-bank leverage and on open-ended funds liquidity. Domestically, the Central Bank is engaged in work to understand better how price-based liquidity management tools are used by Irish-domiciled funds. The Central Bank also continues to monitor the implementation of the macroprudential measures for Irish property funds and GBP-denominated liability driven investment (LDI) funds.

## Réamhrá

Tá an Banc Ceannais freagrach as cobhsaíocht airgeadaíochta agus airgeadais a choimeád ar bun agus as a chinntiú go bhfeidhmeoidh an córas airgeadais ar mhaithe le leas an phobail.

*San Athbhreithniú ar Chobhsaíocht Airgeadais*, déanaimid measúnú ar na príomhrioscaí atá ann don chóras airgeadais agus ar athléimneacht an chórais airgeadais i leith na rioscaí sin. Is ionann córas airgeadais athléimneach agus córas atá in ann seirbhísí a chur ar fáil do theaghlaigh agus do ghnóthaí Éireannacha le linn tréimhsí maithe agus drochthréimhsí araon. Le gníomhaíochtaí beartais an Bhainc Ceannais, féachtar lena chinntiú go bhfuil an córas airgeadais in ann turraingí dochracha a iompar seachas a mhéadú.

Tá struchtúr an fhoilseacháin seo ag teacht leis an gcur chuige foriomlán atá ag an mBanc Ceannais chun teacht ar bhreithniú maidir lena sheasamh beartais macrastuamachta.

- Sa chéad mhír, déantar cur síos ar mheasúnú an Bhainc Ceannais ar na príomhrioscaí atá roimh chóras airgeadais na hÉireann sa ghearrthéarma agus sa mheántéarma.
- Sa dara mír, leagtar amach measúnú an Bhainc Ceannais ar athléimneacht an chórais airgeadais intíre i leith turraingí dochracha agus ar a chumas rioscaí den sórt sin a iompar seachas a mhéadú.
- Sa tríú mír, déantar cur síos ar ghníomhaíochtaí beartais an Bhainc Ceannais chun cobhsaíocht airgeadais a chosaint agus chun a chinntiú go bhfuil athléimneacht an chórais airgeadais comhréireach leis na rioscaí atá roimhe.

Tá earnáil mhór ilchineálach airgeadais in Éirinn. Tá fás ag teacht ar an gcuid sin de sheirbhísí earnála airgeadais a fhreastalaíonn ar chliaint idirnáisiúnta, agus tá impleachtaí díreacha teoranta ann don gheilleagar intíre. Díritear san fhoilseachán seo ar na codanna sin den earnáil airgeadais a chuireann seirbhísí ar fáil do theaghlaigh agus do ghnóthaí Éireannacha.

*San Athbhreithniú*, léirítear breithnithe ón gCoiste um Chobhsaíocht Airgeadais de chuid an Bhainc Ceannais agus tá na breithnithe sin mar bhonn eolais don *Athbhreithniú*. Ní hé is aidhm don *Athbhreithniú* réamhaisnéis eacnamaíoch a chur ar fáil, ina ionad sin díríonn sé ar thorthaí díobhálacha a d'fhéadfadh teacht chun cinn agus ar na himpleachtaí a d'fhéadfadh a bheith acu don chobhsaíocht airgeadais intíre. Tá an Banc Ceannais tiomanta do thrédhearcacht a chuid breithnithe maidir le cobhsaíocht airgeadais agus tá sé beartaithe aige an foilseachán seo a úsáid mar bhealach tábhachtach chun míniú a thabhairt ar na gníomhaíochtaí beartais a ghlactar laistigh dá shainordú chun cobhsaíocht airgeadais a chosaint.



# Forbheathnú

Tá an éiginnteacht a bhaineann leis an mbeartas trádála domhanda níos airde ná na noirm stairiúla go fóill ach maolaithe ón tráth a foilsíodh an tAthbhreithniú deireanach, rud a léiríonn tuilleadh soiléireachta maidir leis na leibhéil taraifí sa ghearrthéarma. Cé gur chuir forbairtí le déanaí le hionchas atá beagáinín feabhsaithe don fhás domhanda, tá na rioscaí don chóras airgeadais ard i gcónaí. Agus margaí cothromais ag leibhéil atá níos airde ná riamh, agus raonta difríochta bannaí corparáideacha laghdaithe, is léir go bhfuil neamhréir idir an éiginnteacht eacnamaíoch agus praghsáil riosca sna margaí airgeadais. D'fhéadfadh leochaileachtaí i ndeighleoga den earnáil idirghabhála airgeadais neamhbhainc (NBFÍ) dhomhanda turraingí díobhálacha sa mhargadh a mhéadú, fad atá aird tarraingthe ag comharthaí rabhaidh i margaí creidmheasa phríobháidigh ar chaighdeán iasachtaithe na neamhbhanc. Tá easnaimh fhioscacha ann i gcónaí in go leor geilleagar sárfhorbartha, rud a fhágfaidh go mbeidh ualaí méadaitheacha fiachais cheannasaigh. Chruthófaí dúshlán ar leith don chobhsaíocht airgeadais dhomhanda dá spreagfaí níos mó ná ceann amháin de na rioscaí seo ag an am céanna.

Tá geilleagar na hÉireann neamhchosanta ar fhorbairtí idirnáisiúnta i dtimpeallacht ina mbíonn móréiginnteacht i réim agus tosaíochtaí beartais domhanda athraitheacha. Sa mheántéarma agus san fhadtéarma, tá rioscaí suntasacha ar an taobh thíos ann i gcónaí don fhás eacnamaíoch intíre i bhfianaise oscailteacht struchtúrach agus spleáchas na hÉireann ar infheistíocht dhíreach choigríche (IDC) ó na Stáit Aontaithe. Tá airgeadas an Rialtais ag brath an iomarca ar fháltais ó cháin chorparáide, agus ní mór an gá le dul i ngleic le heasnaimh bhonneagair a chothromú le leibhéil inbhuanaithe fáis caiteachais. D'ainneoin neamhchosaintí suntasacha ar fhorbairtí domhanda, tá cláir chomhardaithe sách folláin ag teaghlaigh, gnóthaí agus institiúidí airgeadais na hÉireann agus tá an cumas ag an gcóras baincéireachta intíre mórthurraing don gheilleagar a sheasamh.

Tá feabhas tagtha ar an ionchas eacnamaíoch domhanda de thoradh laghdú ar theannas trádála ach tá slata tomhais na héiginnteachta i bhfad os cionn na norm stairiúil go fóill. Tháinig maolú le míonna beaga anuas ar an éiginnteacht maidir leis an mbeartas trádála agus, le comhaontú SA-AE, cuireadh soiléireacht éigin ar fáil i ndáil le leibhéil na dtaraifí. Ach, tá an fhéidearthacht ann i gcónaí go mbeidh turraingí breise ann don bheartas trádála. Go dtí seo, bhí iarmhairt na dtaraifí ar an ngeilleagar domhanda measartha beag agus bhí an fás domhanda seasta, ach tógfaidh sé tamall ar an ngeilleagar domhanda dul in oiriúint do na socrúithe trádála nua. Cé go bhfuil feabhas beag tagtha ar na réamhaisnéisí fáis ón tráth a foilsíodh an tAthbhreithniú deireanach, tá siad níos ísle ná mar a bhí ag tús 2025 agus bunaithe ar an tuiscint go bhfanfaidh na comhaontuithe reatha i bhfeidhm.

Tá margaí cothromais ag ardú i gcónaí, agus tá luachálacha i stoic teicneolaíochta SA an-ard, fad atá raonta difríochta bannaí corparáideacha ag leibhéil ilbhliantúla ísle. Tá méadú tagtha ar mhórinneacsanna cothromais chuig na leibhéil is airde riamh, rud atá á spreagadh ag teicneolaíocht SA agus stoic na hintleachta saorga (IS), agus tá ionchais maidir le fás láidir ar thuillimh ag cur leis an méadú. Tá ról an mhaoinithe fiachais ag éirí níos tábhachtaí do chuideachtaí a bhfuil infheistiú mór á dhéanamh acu in IS. Tá raonta difríochta bannaí corparáideacha craptha, rud a léiríonn tuilleadh fianaise maidir le fonn riosca buacach agus

neamhréir idir luachálacha agus dálaí maicreacnamaíocha éiginnte. Tá teaghlaigh SA agus infheisteoirí eachtracha neamhchosanta go mór ar mhargaí cothromais SA, rud a chiallaíonn go mbeadh impleachtaí fadréimseacha ag aon cheartú géar.

Tá méadú ag teacht ar ualaí fiachais cheannasaigh de thoradh easnaimh sheasmhacha fiachais in go leor geilleagar sárforbartha mar aon le caiteachas méadaitheach. Tuairtar go sroicfidh féichiúnas ceannasach sna SA an leibhéal is airde riamh faoi 2029, agus tá easnaimh sa limistéar euro ag méadú. Is dócha go laghdóidh sé seo an cumas atá ag rialtais leas a bhaint as beartais fhioscacha i gcás ina dtarlódh cor chun donais. D'ainneoin na dtosca seo, tá na raonta difríochta is ísle riamh á ngearradh ag margaí faoi láthair ar fhiachas ceannasach tíortha sa limistéar euro. Bheadh iarmhairtí díobhálacha ag athphraghsáil thobann an fhiachais cheannasaigh ar fhás eacnamaíoch, ar phraghsanna sócmhainní agus ar an gcóras airgeadais níos leithne, lena n-áirítear mar gheall ar neamhchosaintí méadaitheacha ceannasacha na mbanc agus na n-eintiteas neamhbhainc.

Tá géarú tagtha ar an inní maidir le caighdeáin iasachtaithe creidmheasa phríobháidigh, agus d'fhéadfadh earnáil NBFÍ aon turraingí sa mhargadh a mhéadú. Féadfaidh go bhfuil comharthaí rabhaidh ag teacht chun cinn sna margaí creidmheasa phríobháidigh, áit a bhfuil féimheachtaí ardphróifíle ag tarraingt aird ar laigí ionchasacha i gcaighdeáin frithgheallta. Féadfaidh easpa eolais ar chleachtais iasachtaithe i dtaca le creidmheas príobháideach, mar aon le hidirnaisc chasta dhoiléire le codanna eile den chóras airgeadais domhanda, turraingí a threisiú freisin. Ar bhonn níos leithne, agus i bhfianaise giaráil ardaithe nó neamhréireachtaí leachtachta, féadfaidh deighleoga áirithe d'earnáil NBFÍ turraingí díobhálacha sa mhargadh a threisiú, toisc go mbíonn maoiniú do na bainc á sholáthar acu, fiachas ceannasach á shealbhú acu, agus toisc gur infheisteoirí suntasacha acu sna margaí cothromais domhanda.

Tá fás sa gheilleagar intíre láidir i gcónaí, ach tá rioscaí suntasacha ann a eascraíonn as an éiginnteacht gheopholaitiúil agus trádála i bhfianaise oscailteacht agus spleáchas struchtúraach na hÉireann ar IDC SA. Tá na táscairí maidir leis an ngníomhaíocht eacnamaíoch sa ghearrthéarma dearfach, ach tugtar le fios in anailís a rinne an Banc Ceannais gur dócha go mbeidh an geilleagar intíre aon faoin gcéad níos lú ná mar a bheadh seachas sin sa mheántéarma mar gheall ar na comhaontuithe nua maidir le taraifí. Tá aschur, fostaíocht agus cánacha corparáideacha fós á spreagadh ag líon beag earnálacha mórdhomhandaithe agus is príomhfhoinsé riosca mhacra-airgeadais é lagú sreafaí ICD go hÉirinn.

Tá leochaileacht san airgeadas rialtais á ceilt ag barrachais buiséid phríomha agus ba cheart iad sin a bhainistiú go cúramach tráth a mbeidh gá le fás ar infheistíocht i mbonneagar. Tuairtar go mbeidh meathlú breise sna blianta atá le teacht ar chomhardú an rialtais ghinearálta, lena n-eisiatar fáлтаis ó cháin chorparáide. An tráth céanna, tá gá le hinfeistíocht chun na srianta acmhainne atá le feiceáil i soláthar tithíochta, bonneagair riachtanach fuinnimh agus fhisiciúil a mhaolú. Tá sé ríthábhachtach go ndéanfaí fás inbhuanaithe ar chaiteachas a chothromú, fad a rachfar i ngleic le heasnaimh infheistíochta, d'fhonn rioscaí reatha an róthéimh a mhaolú.

Tá luasghéarú tagtha ar an bhfás creidmheasa, rud atá á spreagadh ag iasachtú morgáiste agus a bhfuil rátaí úis maolaitheacha mar thaca leis, ach tá an fás foriomlán comhréireach i gcónaí le hioncam ainmniúil méadaithe. Tá dálaí tacaíochta maoiniúcháin ann i gcónaí do theaghlaigh intíre agus do ghnóthaí sa mhéid go bhfuil rátaí úis ag maolú de réir a chéile. Tá luasghéarú

tagtha ar fhás creidmheasa ach ar luas atá ag teacht leis an bhfás ar ioncaim indiúscartha, agus tá caighdeán nua iasachtaithe stuama ann i gcónaí. Tá conair fáis creidmheasa inbhuanaithe, i gcomhréir leis an éileamh, riachtanach chun tacú le gníomhaíocht eacnamaíoch amach anseo.

**Tá boillsciú praghsanna tithíochta ardaithe i gcónaí mar gheall ar an míchothromaíocht leanúnach idir soláthar agus éileamh tithíochta.** D'ainneoin ioncam méadaitheach teaghlaigh, tá fás níos airde ar an gcóimheas idir praghsanna tithe agus ioncam in Éirinn i gcomparáid le tíortha eile mar gheall ar an bhfás ar phraghsanna réadmhaoine. Agus tá rioscaí don soláthar amach anseo ag baint leis an laghdú ar ghníomhaíocht infheistíochta institiúidí i réadmhaoín chónaithe le blianta beaga anuas. D'fhéadfaí go gcuirfí bac ar infheistíocht i dtithíocht amach anseo de thoradh próiseas casta fadtréimhseach pleanála, srianta ar acmhainne bonneagair, agus soláthar neamhleor talún criosaithe, agus táthar ag díriú ar na nithe sin i mbeartais rialtais chun soláthar tithíochta a mhéadú.

**Tá margadh intíre réadmhaoine tráchtála (CRE) ag cobhsú i gcónaí, ach is dócha go leanfaidh na hathruithe struchtúracha atá tagtha ar an margadh ó thráth na paidéime i leith.** In 2025, chonacthas fás athuair ar luachanna caipitil in earnálacha tionsclaíocha agus miondíola CRE den chéad uair ó 2022 agus 2019 i leith, faoi seach, agus tugann táscairí seintiminte le fios go leanfaidh an téarnamh ar CRE. Tá an t-ionchas don earnáil oifige measctha áfach. I bhfianaise rátaí folúntas atá ardaithe i gcónaí ach ag feabhsú go mall, measann rannpháirtithe sa mhargadh go dtiocfaidh fás athuair ar luachanna spásanna oifige den scoth, agus tuartar go mbeidh laghduithe breise ar shócmhainní oifige eile. Tá ráta glacadóireachta CRE srianta i gcónaí, agus níl mórán fianaise ann ar choigeartuithe mí-ordúla sa mhargadh.

**Tá staid airgeadais sách láidir ag iasachtaithe teaghlaigh agus gnóthaí agus is cosúil go bhfuil siad athléimneach fiú amháin i gcás géarú ar rioscaí geopholaitiúla.** I gcás na dteaghlach, ní hionann an cumas seirbhísithe fiachais ar fud na gcohort ioncaim ach bhí sé athléimneach le linn tréimhse inar tharla mórthurraingí do rátaí úis agus boillscith. Tá corrlaigh bhrabúis na ngnólachtaí intíre stóinseach i gcónaí agus tá na tomhais ar anás íseal. I gcás neamhfhabhrach ina mbeadh méadú ar rioscaí geopholaitiúla, bheadh líon na ngnólachtaí ar an anás teoranta i gcónaí, fad a bheadh an cumas ag formhór na dteaghlach íocaíochtaí fiachais agus costais mhaireachtála a iompar.

**Tá maolú tagtha ar bhrabúsacht na mbanc intíre ach tugann ionchais an mhargaidh le fios go bhfuil tuar cobhsaí ann, fad a thugann tástáil struis ÚBE 2025 le tuiscint go bhfuil na bainc intíre athléimneach in aghaidh turraing mhaicreacnamaíoch.** Mar aon le brabúsacht chobhsaí, leanann táscairí cáilíochta sócmhainní sna bainc intíre de bheith ag feabhsú. I gcás neamhfhabhrach ÚBE, breathnaíodh ar chúlú dian i dteannta géarú ar ilroinnt gheopholaitiúil. Sa sampla sin, bhí laghdú 2.5 pointe céatadáin ar chóimheas caipitil CET1 na mbanc intíre sa sampla ón bpointe tosaigh in 2024. Bhí conair rátaí úis níos airde sa chás sin ag tacú leis, agus d'fhan sé i bhfad os cionn na n-íosleibhéal rialála. Ní mór do na bainc intíre athléimneacht a áirithiú i leith rioscaí oibríochtúla agus cibear-rioscaí freisin, ar rioscaí iad a mbaineann tábhacht shistéamach leo agus a d'fhéadfadh bristeacha bonneagair ríthábhachtaigh a chruthú.

**Leanann maoláin caipitil macrastuamachta d'athléimneacht a chur ar fáil don earnáil baincéireachta atá ar comhréir leis na rioscaí sistéamacha atá ag bagairt uirthi.** Le ráta CCyB arb ionann é agus 1.5 faoin gcéad, cuirtear athléimneacht ar fáil i leith rioscaí macra-airgeadais,

agus tá tábhacht faoi leith ag baint leis seo i dtimpeallacht reatha na héiginnteachta. Le maolán O-SII, feabhsaítear athléimneacht na n-institiúidí sin a bhfuil tábhacht shistéamach leo. Tá líon O-SIIanna gan athrú, agus tá rátaí gaolmhara na maolán atá sonrach d’institiúidí ar leith gan athrú freisin, cé is moite de laghdú beag i gcás ceann amháin de na h-institiúidí.

Leis na bearta morgáiste, cuirtear bac ar theacht chun cinn gaolmhaireachta neamh-inmharthana idir praghsanna creidmheasa agus tithíochta, rud a thacaíonn le hathléimneacht iasachtaithe, iasachtóirí agus an gheilleagair níos leithne. Tá iasachtú morgáiste nua, a bhfuil fás láidir ar ioncaim mar thaca leis, stóinseach i gcónaí, agus is iad ceannaitheoirí céaduaire a dhéanann suas an deighleog is mó de. Tá caighdeáin iasachtaithe inmharthana i gcónaí agus níl aon fhianaise ann go bhfuil praghsanna tithe á spreagadh go mór ag iasachtú morgáiste nua.

Is tosaíocht don Bhanc Ceannais i gcónaí é creat macrastuamachta a fhorbairt agus a chur chun feidhme do neamhbhainc, le béim ar leith ar an earnáil cistí infheistíochta. Ar an leibhéal idirnáisiúnta, tacaíonn an Banc Ceannais le cur chun feidhme athchóirithe comhaontuithe ar gh iaráil neamhbhainc agus ar leachtacht cistí neamhiata. Ar an taobh intíre, tá obair á déanamh ag an mBanc Ceannais chun tuiscint níos fearr a shealbhú ar an gcaoi ina mbaineann cistí atá lonnaithe in Éirinn úsáid as uirlisí praghasbhunaithe bainistíochta leachtachta. Ina theannta sin, leanann an Banc Ceannais d’fhaireachán a dhéanamh ar chur chun feidhme na mbeart macrastuamachta i leith cistí réadmhaoine Éireannacha agus cistí infheistíochta dliteanas-spreagtha (LDI) arna n-ainmniú in GDP.

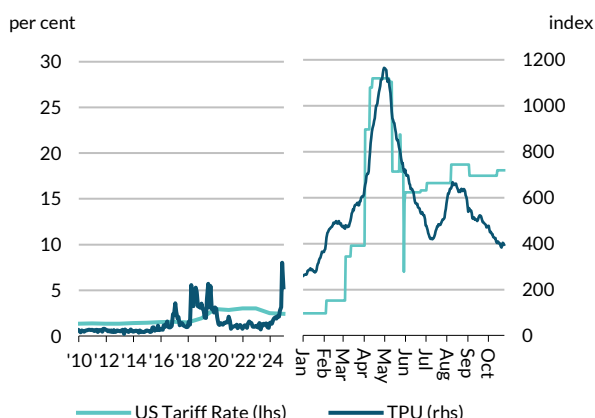
# Global Risk Assessment

Global trade policy uncertainty has fallen since the last Review, contributing to a more positive global growth outlook. However, trade policy and geopolitical uncertainty remain elevated. By contrast, risk appetite amongst market participants is very high by historical standards. US stock market valuations have continued to rise and corporate bond credit spreads remain low compared to historical averages, leading to risks of sharp corrections if investor sentiment shifts. Concerns have also risen over lending standards by non-bank lenders following a rapid expansion in private credit markets in recent years. Sovereign debt levels remain on an upward trajectory in major economies, leaving sovereigns with a lower capacity to respond in the event of future crises. More broadly, in light of high leverage and liquidity mismatches, certain segments of the broader NBFIs sector have the potential to amplify adverse market shocks, given they provide funding for banks, may hold a sizable share of certain sovereign debt markets, and are significant investors in global equity markets. Structural risks related to the increasing frequency and likelihood of climate related and cyber incidents may act to trigger and amplify existing macro-financial vulnerabilities. Global financial stability is particularly vulnerable to the materialisation of more than one of these risks at the same time.

Global trade policy uncertainty has fallen since the last Review but remains well above historical norms. While bilateral agreements between the US and its trading partners have been reached, the macro-financial outlook continues to be affected by the potential for new trade announcements, with their consequent implications for global growth. Trade policy uncertainty has fallen in recent months (Chart 1), and the US-EU agreement in August has provided greater clarity on tariff levels and reduced the likelihood of further deteriorations in the trading environment. However, the future configuration of global trade remains uncertain. Furthermore, global uncertainty is amplified by geopolitical risks and political uncertainty across key economies.

**Chart 1: Uncertainty has fallen since April but remains elevated**

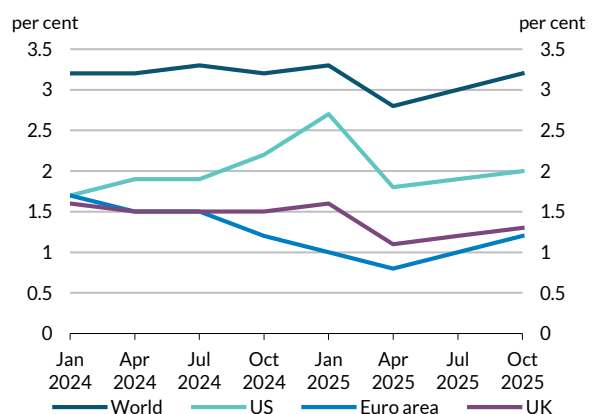
US effective tariff rate and World Trade Policy Uncertainty Index



Source: The Budget Lab analysis, Caldara et al  
Notes: The Budget Lab figure used for 2025 is calculated using tariff regime as of October 17th. Last observation for World Trade Policy Uncertainty is 24th October.

**Chart 2: A stabilisation in the trade outlook has supported a modest improvement in projected growth for 2025**

Evolution of real GDP growth outlook for 2025



Source: IMF World Economic Outlook  
Notes: Data shows the evolution of 2025 projected real GDP growth outlook across IMF WEO publications.

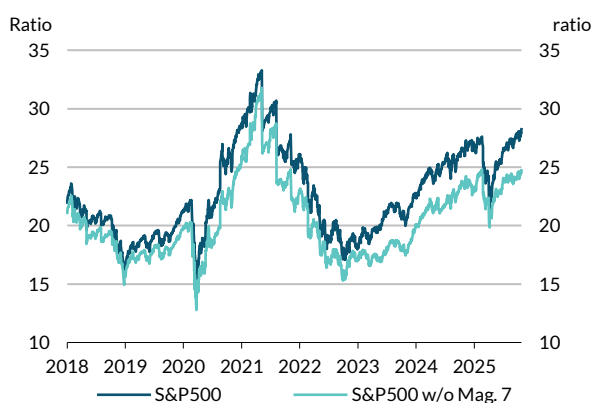
The global macroeconomic outlook has improved following the reduction in trade tensions, but downside risks remain elevated. The impact of tariffs on the global economy has so far been

modest and global growth has remained relatively steady in the first half of 2025.<sup>1</sup> Despite the resilience of economic growth to ongoing trade tensions, projections for growth across many advanced economies for 2025 are still lower than they were at the beginning of this year (Chart 2). The frontloading of inventory and investment supported growth in the first half of the year, but some of that effect will likely unwind in the second half of the year. More broadly, the current elevated level of economic and geopolitical uncertainty globally makes growth forecasts challenging and susceptible to large revisions.

**Very high valuations in AI related stocks and historically high market concentration increase vulnerabilities stemming from a significant US stock market correction despite recent market resilience to shocks.** Despite high levels of uncertainty in the macro-economic backdrop, risk appetite remains buoyant in financial markets. The US stock market has risen to record levels raising concerns of stretched valuations. Price-earnings ratios in the tech sector are growing at a notably high rate, in particular the Magnificent 7, largely on account of their involvement in AI-related activities (Chart 3).<sup>2</sup> The pricing of AI-related stocks is reliant on favourable projections for earnings growth. A substantial shift in investor risk appetite, major negative developments in the business models of AI-related companies, or a series of correlated macroeconomic or financial shocks could lead to a significant market correction. Equity financing is generally less risky from a financial stability perspective than debt financing. However, if such a stock market correction occurs, it may change investor perceptions of risk and lead to a repricing of risks in other markets such as corporate or sovereign credit markets. Increasing levels of exposure to US equity markets over the last number of years, both in US households and among foreign investors, mean that the impact of a correction could have significant consequences for US consumption growth and for global wealth. More recently, large bond issuance by companies investing heavily in AI have signalled a shift in the financing of these projects, with debt financing playing an increasingly important role.

**Chart 3: The US tech sector has driven increased valuations for the overall stock market**

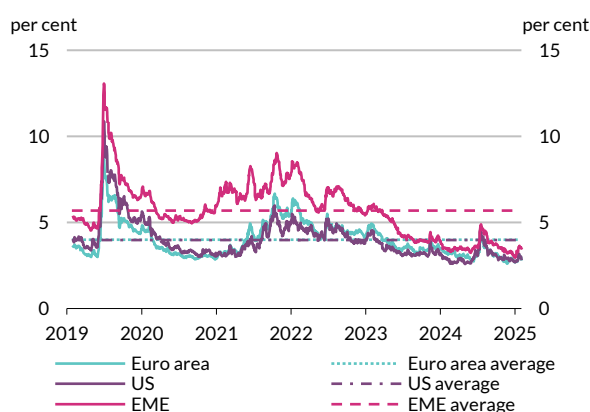
P/E ratio of the S&P500 Index including and excluding the Magnificent 7 companies



Source: Bloomberg and Central Bank of Ireland calculations  
Notes: Adjusted earnings P/E ratios and market cap of the Magnificent 7 companies. The Magnificent 7 companies are among the predominant stocks relating to AI. Last observation 24th October.

**Chart 4: High yield corporate bond spreads are reaching multi-year lows**

High-yield corporate bond spreads



Source: Ice Data Indices via Federal Reserve Bank of St Louis  
Notes: The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot sovereign curve. Dashed lines indicate historical averages since October 2019. EME refers to emerging market economies. Last observation 24th October.

<sup>1</sup> IMF World Economic Outlook October 2025.

<sup>2</sup> Magnificent 7 refers to a group of seven large-cap technology stocks: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.



**Corporate bond spreads are at multi-year lows and appear disconnected from the uncertain macro-economic and geopolitical environment.** Across the US, euro area, and emerging markets, corporate bond spreads have continued to narrow (Chart 4). The premium for investment grade corporate bonds over government debt has now reached lows not seen in the US and euro area since 1998 and 2018, respectively.<sup>3</sup> Furthermore, the spread between emerging market investment grade debt and Treasuries has also fallen to multi-year lows. Safe haven sovereign debt has seen higher yields, while investor appetite for riskier debt remains strong. These compressed credit spreads and subdued market volatility may not fully reflect the uncertain macro-economic and geopolitical environment, and a shock could expose a mispricing of risk.

**Concerns over lending standards in private credit have intensified following several high-profile bankruptcies.** While credit spreads in public debt markets remain compressed, warning signs are emerging in the less transparent private credit markets. In September, two notable failures highlighted these vulnerabilities: auto-loan specialist Tricolor Holdings and car-parts supplier First Brands Group both filed for bankruptcy. First Brands had borrowed heavily from private credit funds which invested in working capital facilities, while Tricolor had issued subprime auto-loan asset-backed securities that carried high credit ratings just weeks before collapse. These cases have raised uncertainty concerning the underwriting standards and due diligence practices within private credit and leveraged loan markets, which have experienced rapid growth in recent years. The increased use by private credit funds of structures where periodic interest to be paid on a loan is instead added to the existing debt stock also adds to these concerns.

**The total market value of digital assets is growing rapidly and as their interconnectedness with traditional financial markets increases, so do their implications for financial stability.** Stablecoins – digital assets which aim to maintain a fixed value relative to a given currency – play a large role in the crypto sector. They serve as a link between fiat currencies and crypto assets such as bitcoin. It is estimated that stablecoin issuers hold about €125 billion in US Treasuries. While still a small percentage of the overall Treasury market, these assets warrant monitoring for run risk that could potentially lead to a fire sale of Treasuries, especially if it coincided with other adverse developments in money markets.<sup>4</sup>

**Persistent budget deficits and rising government expenditure are leading to higher public debt burdens.** While the unwinding of public health measures helped to reduce debt levels in most countries in the years following the pandemic, global and euro area public debt ratios are projected to increase over the medium term. Recent political uncertainty in some large euro area economies has intensified market concerns about whether governments will be able to reduce deficits and put public debt on a downward trajectory. This is also true for the US where sovereign debt is projected to reach a historic high relative to GDP by 2029.<sup>5</sup> Deficits are again rising in the euro area, with the European Commission revising the forecast for budget deficits up for both 2025 and 2026 (Chart 5). Recently agreed defence spending targets (an increase from 2 to 5 per cent of GDP per annum) in NATO countries helped to drive a significant increase in projected expenditure over the medium term (Chart 6). Since the majority of euro area countries are

<sup>3</sup> While the previous low points in the investment grade corporate bond to government spreads can be explained by yields on corporate bonds decreasing faster than those on government debt, the current situation can be better explained as sovereign yields increasing at a higher pace than corporate bond yields.

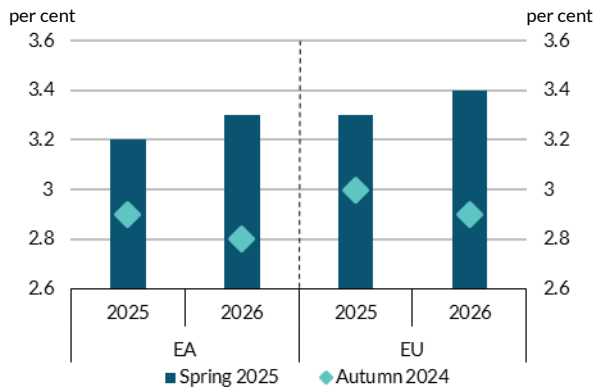
<sup>4</sup> Jacewitz, A. (2025) [Stablecoins Could Increase Treasury Demand, but Only by Reducing Demand for Other Assets](#), *Economic Bulletin*, Federal Reserve Bank of Kansas City

<sup>5</sup> Congressional Budget Office (2025) [The Budget and Economic Outlook: 2025 to 2035](#).

projected to run budget deficits over the coming years, this spending will largely be funded by further borrowing.

**Chart 5: Euro area projected deficits are increasing**

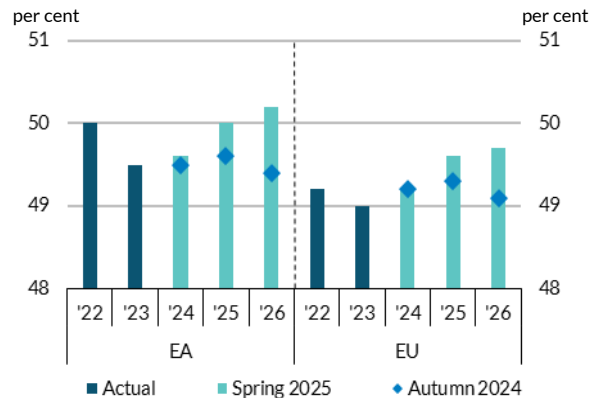
EA projected deficits as percentage of GDP



Source: European Commission Spring 2025 and Autumn 2024 Economic Forecast

**Chart 6: Public expenditure has been revised up in the euro area**

EA public expenditure as percentage of GDP



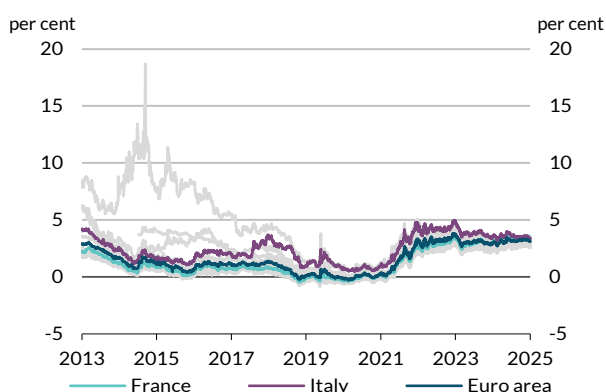
Source: European Commission Spring 2025 and Autumn 2024 Economic Forecast

### A sudden repricing of sovereign debt could lead to stress in other parts of the financial system.

Despite significant fiscal challenges in some countries and elevated geopolitical risks, markets are currently charging historically low spreads between euro area countries' sovereign debt yields (Chart 7). Previous crises such as the European sovereign debt crisis have shown that sovereign repricing can occur suddenly, increasing borrowing costs and potentially inhibiting the ability of governments to respond to adverse shocks. If such a scenario were to occur while countries are running large deficits, fiscal consolidation could be required. This would have knock-on effects on economic growth and asset prices more broadly. Despite falling domestic sovereign bond holdings by the banking sector in many countries, the interlinkages between euro area sovereign debt markets and banks could create feedback loops that may amplify financial stress (Chart 8).

**Chart 7: Higher sovereign yields and lower spreads could increase the risk of sudden repricing**

10-year EA sovereign bond yields

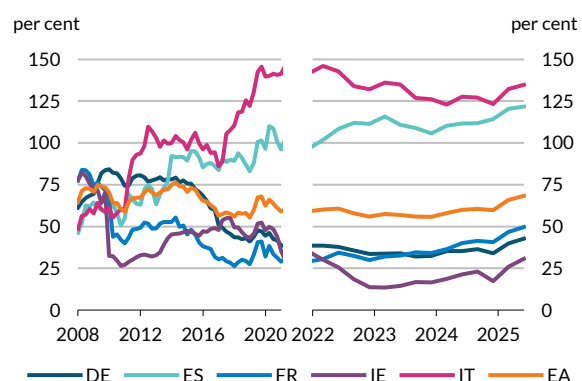


Source: Bloomberg

Note: The lines show selected EA countries which regularly issue 10 year bonds with Italy, France and EA average shown in colour. Last observation 24th October.

**Chart 8: Banks' sovereign exposures have generally increased over the last three years**

Share of bank capital and reserves invested in EA government debt



Source: ECB Balance Sheet Items (BSI)

Notes: Selection of some major economies in the euro area. Values are the holdings of euro area government debt securities relative to the total capital and reserves of the respective deposit-taking institutions. Last observation 2025 Q2.

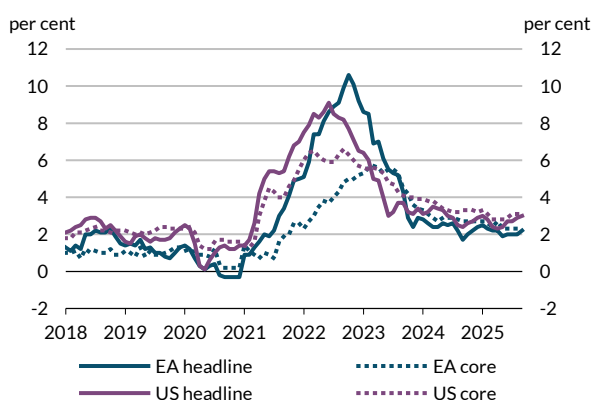
The NBFIs sector has become an increasingly important part of global financial intermediation, bringing many benefits in terms of diversification of funding sources, but some sectors have the

potential to amplify shocks in the event of a market correction. Recent crises (March 2020 "dash-for-cash" and 2022 Gilt turmoil) revealed certain NBFIs' vulnerability to shocks, especially those with high leverage or liquidity mismatches. Their growing size and interconnectedness with key markets, particularly sovereign debt and banking sectors, means they can amplify shocks. During stress events, large redemptions may force investment funds to sell government debt, while leveraged funds face collateral calls. Both factors drive coordinated selling that can sharply increase sovereign borrowing costs and debt sustainability risks. NBFIs are also important providers of short- and long-term funding to banks. Withdrawal of short-term funding or fire sales of banking sector debt securities during crises transmit stress to the banking sector and ultimately the real economy through reduced credit provision. Investment funds' portfolios are also increasingly concentrated in US NFC assets, largely driven by elevated valuations in the US stock markets. Any large falls in the US stock market could be amplified in the event of redemption or margin call driven fire sales in these funds.<sup>6</sup>

Inflation is moderating in the US and Europe, but the path ahead depends on volatile factors including trade policy, currency movements, and energy prices. US inflation data has shown an increase in recent months (Chart 9) but seems to have avoided a severe tariff shock, although the full inflationary impact of tariffs is unclear. In both the US and euro area, inflation is expected to fall further in 2026. This moderation in inflation has in turn led to a stable monetary policy outlook (Chart 10). Despite the benign outlook, some of the factors that have supported the process of euro area disinflation – including euro appreciation and falling energy prices – remain vulnerable to sudden changes in financial conditions.

Chart 9: Inflation is returning to target levels

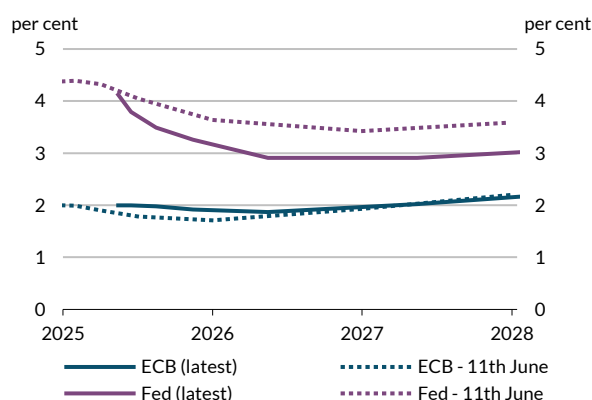
Euro area and US inflation



Source: Eurostat and Bureau of Labor Statistics via Haver Analytics  
Notes: Last observation September.

Chart 10: US and Euro area are in different stages of their rate cycles

Market implied policy rates for the ECB and Fed



Source: Bloomberg and Central Bank of Ireland calculations  
Notes: Latest data show market expectations of policy rates as of 24th October. The ECB rate refers to the deposit facility rate.

The economic, market, and geopolitical-related risks highlighted above interact with a range of structural risks from outside the financial system, which have the potential to trigger and amplify existing vulnerabilities, with one such example being climate related risks. The financial system is vulnerable to rising climate related risks which could amplify existing vulnerabilities. Extreme heat events have become more pervasive in Europe, increasing the frequency of severe events such as wildfires.<sup>7</sup> Such events have already had a direct effect on the real economy and financial system in countries such as Greece and Spain, as Europe experienced the warmest summer on record

<sup>6</sup> See the Central Bank of Ireland's 2024 [Market Based Finance Monitor](#).

<sup>7</sup> [World Meteorological Organisation](#)

leading to wildfires in these countries.<sup>8</sup> Policymakers and industry must continue to reinforce the financial system's ability to absorb climate risks, while enabling ongoing investment in the transition to a net-zero economy.

Cyber related incidents are another cross-cutting risk which has the potential to disrupt the financial system. Given the increasingly complex geopolitical environment, cyber security threats continue to contribute to systemic risk. The financial system is particularly exposed, with the banking/financial services sector on average experiencing the highest annual costs of data breaches worldwide for the last twelve years and the number of reported incidents under the Network and Information Systems directive increasing each year.<sup>9</sup> The Amazon Web Services outage around October 20 also highlighted further vulnerability among financial services due to their reliance on third party service providers, with some commercial banks in the UK as well as trading platforms such as Robinhood and Coinbase experiencing IT disruptions.

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<sup>8</sup> [European Commission: DG ECHO](#)

<sup>9</sup> [IBM Cost of a Data Breach 2024 Report](#); [ENISA Threat Landscape: Finance Sector](#)

# Domestic Risk Assessment

*Compared with the prevailing conditions at the time of the last Review, near term domestic risks have abated. This reflects an easing in trade policy uncertainty following the US-EU trade agreement and continued domestic economic resilience. Over the medium and longer term, downside risks to domestic economic growth remain significant, given Ireland's structural openness and reliance on US FDI. Any materialisation of these risks could impact borrower credit quality and sovereign fiscal space with implications for domestic financial stability. The current profile of domestic financial stability vulnerabilities remains unchanged since the last Review, with cyclical risks rising, but contained.*

Despite the recent turbulent international environment and still elevated policy uncertainty, the Irish economy has remained resilient, but risks to the outlook remain tilted to the downside. High trade policy uncertainty in advance of the announcement of US-EU trade agreements contributed to a large frontloading of exports to the US early in 2025.<sup>10</sup> The overall impact on the economy of the unwinding of these effects appears so far limited. Further, lower consumer sentiment and weaker manufacturing PMIs accompanying the international uncertainty have not led to a marked slowdown in spending and activity to date. The new transatlantic trade agreement, though not yet fully implemented, provides some clarity to businesses and households. Overall, the central forecast is one of continued growth in each of the next three years.<sup>11</sup> However, analysis indicates the domestic economy would be one per cent smaller relative to a scenario without any new tariffs, driven by lower investment and a shift in exports to non-US markets.<sup>12</sup> While the outlook is broadly positive, uncertainty remains elevated and risks to the outlook are tilted to the downside.

Notwithstanding recent developments, short and long-term risks from economic and trade policy uncertainty to the Irish economy remain. Short-term estimates of tail risks to the Irish economy when global economic policy uncertainty is accounted for reveal the vulnerability of the economy to unexpected shocks in fiscal, regulatory, and trade policy. The analysis shows that the probability of large falls in economic activity increase considerably when global and US economic policy uncertainty rises (see Box A on geopolitical uncertainty for more). The long-term implications for Ireland of the new and evolving global trading environment are less certain as global value chains reorganise, and global growth responds. The inherent unpredictability of policy uncertainty shocks calls for continued vigilance and sustained resilience within the financial system.

Sector-specific – and in some cases firm-specific – risks have the potential to spill over into the broader economy. A small number of highly globalised sectors, such as the pharmaceutical and ICT industries, account for a disproportionate share of output, employment, corporate tax receipts, and export earnings (Chart 11). Any reduction in the attractiveness of Ireland as a destination for inbound FDI due to changes in the international trade, regulatory, or tax environment remains a key economic and financial stability risk over the medium term.

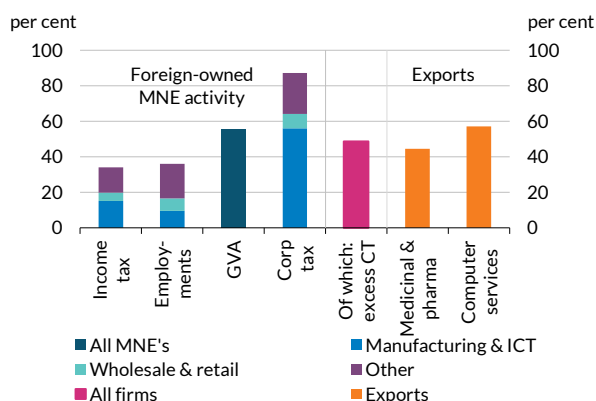
<sup>10</sup> In the first three months of 2025 export growth in goods increased by 63 per cent compared to the corresponding period in 2024. The increase was almost entirely accounted for by exports to the US, predominantly of pharmaceutical products.

<sup>11</sup> For current forecast and commentary on the growth prospects of the domestic economy see the latest Central Bank of Ireland [Quarterly Bulletin](#).

<sup>12</sup> For more see [On the fault line? The Irish economy in a time of geoeconomic fragmentation](#).

**Chart 11: A small number of sectors account for a disproportionate share of economic activity**

Share of MNE contribution to various measures of activity and the importance of certain sectors for Irish exports

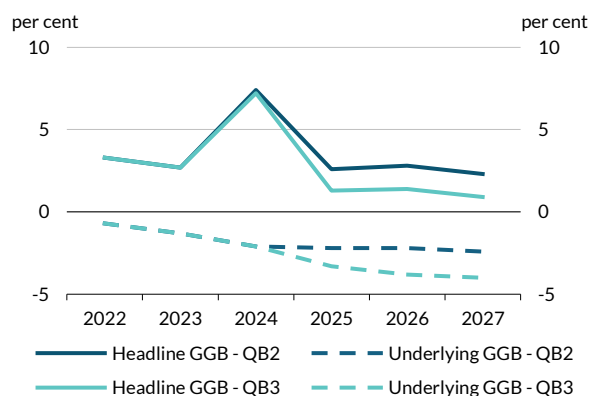


Source: CSO, The Revenue Commissioners and Central Bank of Ireland calculations

Notes: Data for MNE activity are for 2023, except for Gross Value Added (GVA) which relates to 2022. GVA relates to non-EU owned MNE's GVA as a percentage of economy wide total. Medicinal and pharmaceutical products are expressed as a percentage of total goods exports. Computer services exports are expressed as a percentage of total service exports. Goods exported and Services exported are for 2024 and 2023, respectively.

**Chart 12: The underlying general government balance (GGB) is projected to further deteriorate**

Headline and underlying general government balances as a percentage of GNI\*



Source: Central Bank of Ireland

Notes: Headline refers to the full GGB i.e., receipts less expenditure. Underlying controls for windfall corporation tax receipts.

The channels through which dislocations in international trade could impact the Irish financial system are multifaceted. Foreign-owned multinationals operating in Ireland are mainly funded from outside the Irish financial system and often rely on intra-group transfers. An analysis of domestic banks' balance sheets suggests lending to corporates in trade-exposed sectors is relatively small.<sup>13, 14</sup> However, given the integrated nature of domestic activity, the wider corporate loan book could be exposed to the second round effects of an MNE-specific or trade-related shock. Given the composition of lending, particularly across the domestic banking sector, an important channel of contagion from a trade-related shock to the financial system may relate to household credit exposures, specifically, the possibility amongst households employed in trade-exposed sectors.

#### Ongoing headline budget surpluses belie underlying fragilities in the Government's fiscal position.

While corporation tax receipts have risen four-fold since 2015, an increasing proportion of these are considered transitory in nature. Windfall corporation tax receipts have afforded the Government increased spending capacity in recent years. Countercyclical fiscal spending has proven beneficial in supporting the economy and households during recent periods of stress. However, maintaining an expansionary fiscal stance during periods of sustained economic growth can not only pose overheating risks to the economy in the short term but also limit the government's flexibility to respond to future shocks. The risk has been exacerbated by a pattern of persistent expenditure overruns in recent years. The underlying general government balance (GGB) is projected to further deteriorate in the coming years.<sup>15</sup> These forecasts provide for a more transparent assessment of the current fiscal stance and potential future fiscal vulnerabilities (Chart 12). In the event of a sudden loss of windfall corporation tax receipts, the underlying deficit

<sup>13</sup> On aggregate, corporate lending accounts for less than 17 per cent of domestic banks' total assets.

<sup>14</sup> Along with the domestic banking sector, Irish corporates also receive credit from other banks, the Government and non-bank entities. For more see [The Central Bank's Frontier Statistics: Total Domestic Credit](#).

<sup>15</sup> The GGB is the difference between the revenue and expenditure of all government levels—central, state, and local government, plus social security funds. The underlying GGB is a further adjustment which controls for the impact of windfall corporation tax receipts.



could increase the sensitivity of the Irish fiscal position to a loss in market confidence or to broader financial market-based shocks (see *Risks: Global*).

**Infrastructural deficiencies within the economy need to be carefully addressed to avoid unnecessarily pro-cyclical spending.** Sustained growth in infrastructure investment is needed to alleviate capacity constraints and meet future requirements in sectors like energy generation and transmission, water and waste management, and digital infrastructure.<sup>16</sup> The immediate impact of current infrastructural deficits is evident in domestic housing, a main component of household balance sheets and linked to investment. A balanced growth of current and investment spending is critical in avoiding overheating risks in an economy still operating at or close to its productive capacity.

**Despite some easing of late, house price inflation remains elevated and continues to outpace income growth.** Against a backdrop of robust economic growth and weak housing supply (relative to estimated demand), house price growth has outpaced growth in household incomes. This has exacerbated affordability pressures for many Irish households. Periods of high house price growth – especially when associated with rising indebtedness – are often associated with the build-up of financial stability risks. A cross-country comparison of developments this decade in the house price-to-income ratio, a standard measure of housing affordability for households, places Ireland at the upper end of the distribution (Chart 13). However, this has not been associated with an increase in aggregate indebtedness or weak lending standards.<sup>17</sup> An emerging structural consequence of continued affordability pressures and limited supply is that households are purchasing property later in life. Despite developments in loan terms remaining broadly stable in recent years, the gradual aging of the FTB new loan book has resulted in an increasing share of new lending taking place where the expected borrower age at loan maturity is at or above 66 years old. While retirement age varies by sector, indebtedness later in life can affect consumption choices if not planned carefully. Lenders have a role in assessing affordability over the lifetime of the mortgage, in line with their consumer and prudential commitments.

**Continued lower residential investment activity poses risks to the delivery of new housing supply but recent government policy and budgetary initiatives could alleviate certain structural supply pressures.**<sup>18</sup> An increase in Q3 has seen some increase in RRE investment activity over the first three quarters of 2025 relative to the equivalent period in 2024.<sup>19</sup> Investment activity in Irish residential property however remains well below the levels seen in the early years of the decade (Chart 14). Lending by domestic banks for residential development in Ireland has also declined somewhat between 2024 and 2025, representing around a quarter of total annualised new commercial real estate lending by banks (approximately €2 billion) in the most recent data. This

<sup>16</sup> Over the previous decade, government infrastructure investment has been growing in line with EU averages though deficits are evident with continued capital investment needed over the longer term.

<sup>17</sup> For more on the evolution of household indebtedness, in the context of the Central Banks mortgage measures policy framework, see [Madouros \(2025\), "The Macropprudential Mortgage Measures Ten Years on: Taking Stock", Cantillon Lecture, Dublin Economics Workshop](#) and [Resilience: Households](#).

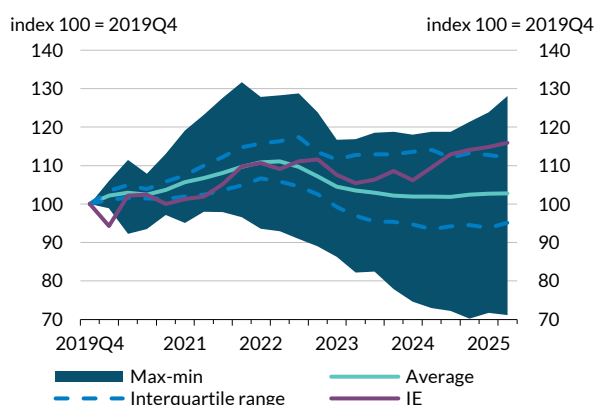
<sup>18</sup> Some of the recent policy initiatives aimed at increasing investment in the Irish RRE market and thus housing supply include, [reform of the residential rental sector](#) (June 2025), [introduction of new planning guidelines to improve apartment viability](#) (July 2025) and the announcement of a suite of measures in [Budget 2026](#) (October 2025), such as a reduced VAT rate of 9 per cent on new apartment development, extension of the residential development stamp duty refund scheme, tax relief for construction expenses and income from cost rental units and increased investment in supporting infrastructure.

<sup>19</sup> According to data from CBRE, €1.6 billion of Irish commercial property investment occurred during the first three quarters of 2025, up from €1.3 billion during the same period of 2024. Investment in residential real estate assets made up €276 million and €257 million of these respective totals. For comparison, €3.3 billion of CRE transactions occurred over the opening three quarters of 2019, of which €1.5 billion were classified as residential.

may reflect, in part, less new developments/commencements and/or greater competition for existing projects over the period. Investment performance indicators suggest that the Irish residential real estate market remains a comparatively attractive proposition. Prime residential rental yields in the Cork and Dublin markets compare favourably with other European locations and can continue to support inward investment.<sup>20</sup> However, financing alone cannot solve the problem.<sup>21</sup> A complex planning environment, infrastructural capacity constraints, and an insufficient supply of zoned land could impede future investment, posing risks to the delivery of housing and affecting the international competitiveness of the Irish economy. Recent government policy and budgetary initiatives should alleviate certain constraints, but supply shortages may continue in the near term given the existing demand shortfalls. Ongoing housing supply shortages could deter economic activity and could also lead to a de-anchoring of house price expectations and fuel further increases.

**Chart 13: Ireland is amongst the countries where the house price to income ratio has increased most in recent years**

Cross-country house price-to-income ratio indices

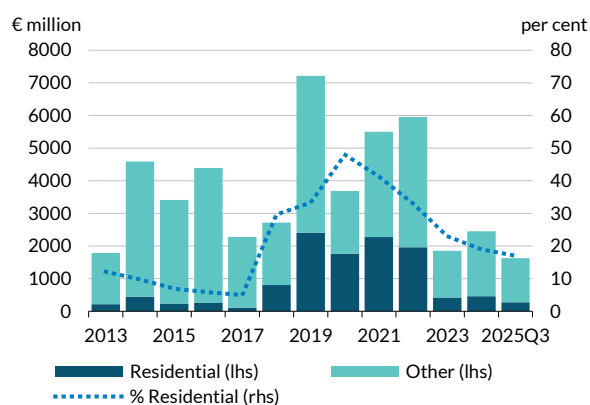


Source: OECD and Central Bank of Ireland calculations

Note: Calculations of maximum, minimum, average and inter quartile range values based on a sample of 29 OECD countries, consisting of 24 EU members (excludes Ireland, Cyprus and Malta), plus Canada, Australia, New Zealand, the USA and UK. Data for Ireland based on Central Bank's own house price to income ratio calculations. Last observation 2025Q2.

**Chart 14: There has been a marked slowdown in real estate investment expenditure in recent years, particularly in the residential property sector**

Residential element of CRE investment volumes



Source: CBRE Research

Notes: 'Other' includes investment expenditure related to office, retail, industrial, logistics and mixed commercial property assets. Last observation 2025Q3.

### Housing transactions remain steady with an increasing level of acquisitions by the public sector.

Non-households purchased a significant share (about one fifth) of the approximately 60,000 residential properties that transacted in the 12 months to June 2025.<sup>22</sup> The public sector increased its share of non-household RRE purchases to 52 per cent in 2024, from an average of about one third between 2015 and 2022.<sup>23</sup> These patterns are consistent with a retrenchment of institutional investors from the RRE markets in recent years. Non-household demand may support new housing construction and has the potential to act in a countercyclical manner.

<sup>20</sup> For instance, a recent study by property investment and fund management firm [Catella](#) suggests prime residential rental yields are highest in Cork (6.25 per cent) and joint-6<sup>th</sup> highest in Dublin (5.5 per cent), across a sample of 59 cities located throughout 16 European countries.

<sup>21</sup> For more on see [Working Group on Housing and the Macroeconomy \(2024\), "Economic policy issues in the Irish housing market" Central Bank of Ireland, September.](#)

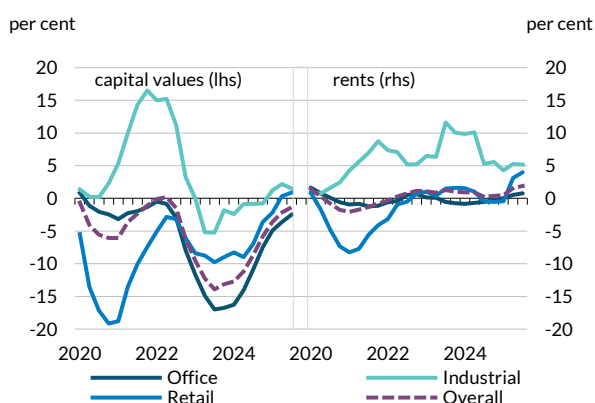
<sup>22</sup> Non-households consist of private institutional investors (such as property companies, real-estate funds, financial and insurance firms) and publicly financed entities (such as local authorities, the Land Development Agency, housing charities and approved housing bodies).

<sup>23</sup> On addition, seven in ten new homes acquired by non-households in 2024 were bought by publicly funded entities.

There have been further signs of a stabilisation in the domestic CRE market, although downside risks remain in some segments. CRE-related lending remains a significant exposure of the Irish financial system. In conjunction with borrowers' capacity to repay loans, movements in the underlying value of CRE can have a material impact on the resilience of the financial system.<sup>24</sup> The decline in overall CRE capital values continued to ease in the opening nine months of 2025 – with the industrial and retail sectors experiencing annual growth in the first and second quarters of the year (Chart 15).<sup>25</sup> Sentiment indicators point towards a continuance of the CRE recovery, with an increased share of investors reporting a CRE market upturn alongside cheap or fair market values and improved credit conditions.<sup>26</sup> Investors expect capital values within the broader Irish commercial property market to return to positive growth over the course of the coming 12 months.<sup>27</sup>

**Chart 15: The pace of CRE capital value decline continues to moderate**

Annual change in CRE capital value and rental growth indices

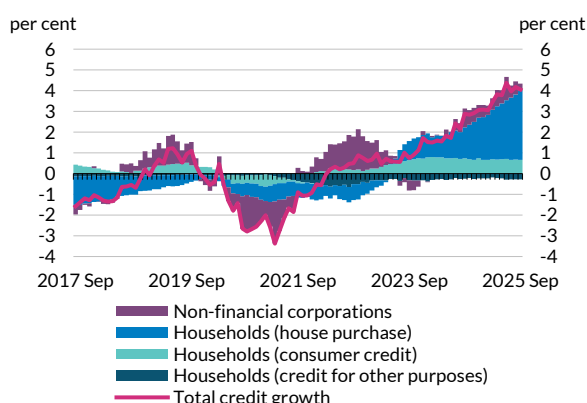


Source: MSCI

Notes: Observations in left pane denote annual changes in CRE capital values, while those in right pane denote annual changes in CRE rents. Last observation 2025Q3

**Chart 16: Credit dynamics continue to strengthen**

Contribution by loan type to annual growth of total bank credit



Source: Central Bank of Ireland Credit and Banking Statistics

Notes: Calculations based on data from Tables A.1 and A.6. As of January 2022, Table A.6 has been discontinued following an updated ECB regulation on the treatment of securitised loans. Credit considers only loans from banks to Irish residents. Last observation September 2025.

The CRE market has benefited from an easing in financial conditions, but the structural factors which contributed to the recent downturn are likely to persist. Survey evidence is for further capital value declines in secondary office and, to a lesser extent, retail markets. Older and less energy efficient stock is particularly vulnerable. Like many other sectors of the economy, increased exposure to highly synchronised international capital flows and a significant reliance on multinationals and firms engaged in international trading activity leaves the Irish CRE market vulnerable to prevailing macroeconomic and geopolitical uncertainty. The path of future Dublin office vacancy rates remains uncertain with [Kennedy and O'Gorman \(2025\)](#) discussing the potential driving factors.<sup>28</sup> Notwithstanding the elevated level of uncertainty, the latest available data suggest Dublin office vacancy rates are tracking towards the more benign scenario laid out in

<sup>24</sup> In aggregate, asset quality concerns remain low across domestic banks loan portfolio. However, the share of CRE related exposures classified as stage 2 under IFRS accounting rules remains relatively high when compared to other loan portfolios. For more on risk of CRE to the financial system, see the previous [FSR Special Feature](#).

<sup>25</sup> Overall CRE capital values were 1.4 per cent lower year on year in 2025Q3, compared to a decline of 8.7 per cent a year earlier in 2024Q3.

<sup>26</sup> For more see [RICS Global Commercial Property Monitor Q2 2025](#)

<sup>27</sup> A breakdown of responses to the latest RICS GCPM indicates that this also includes an expectation of a return to positive growth for the prime Irish office sector.

<sup>28</sup> For more see, [Kennedy and O'Gorman \(2025\)](#) "What next for the Dublin office vacancy rate? A framework to examine short-run scenarios", Central Bank of Ireland Staff Insight, No. 9, Volume 2025.

[Kennedy and O’Gorman \(2025\)](#), having fallen to 16.7 per cent in 2025Q3 from 19 per cent earlier in the year.<sup>29,30</sup>

Credit conditions in the domestic economy remain broadly comparable to those that prevailed at the time of the last Review, with robust new mortgage lending and no material evidence of unsustainable dynamics at present. Bank interest rates for both mortgage and NFC borrowers remain stable with a moderate downward trajectory – albeit at a slower pace than official interest rates. Aggregate credit growth advanced by the Irish banking system to the domestic economy has further accelerated since the last Review (Chart 16). Lending to households for house purchases continues to be the main contributor to overall bank credit growth. This contrasts with NFC lending, which remains relatively muted.<sup>31</sup> Recent research examining the financial cycle in Ireland finds that the credit cycle is in an expansionary phase (Chart 17).<sup>32</sup> A closer analysis of mortgage lending dynamics show that the recent expansion of new mortgage credit is broadly in line with disposable income growth and that the mortgage measures have helped constrain the emergence of a tail of highly indebted households (see *Policy: Mortgage measures*). There is the potential for mortgage credit growth to further increase should economic and financing conditions continue to remain favourable and housing supply increases.<sup>33</sup>

A disorderly correction in global equity markets could spill over to the domestic economy through several channels, depending on direct and indirect exposures. While Irish households typically invest less in financial assets, a sharp price correction would reduce both household financial wealth with knock-on implications for personal consumption and financial resilience. The degree of equity financing varies across Irish firms with larger indigenous firms and MNEs typically more exposed. Widespread risk aversion alongside a correction may also undermine the capacity of Irish listed firms to attract funding and grow, affecting employment and lender credit risk. An additional conduit through which the domestic economy is exposed to financial market activity is via the NBFIs sector. Non-bank lenders are a growing provider of finance for the SME sector. A shock to financial markets may therefore impede the provision of credit sourced from NBFIs. The recovery in domestic housing supply is also dependent on the return of external financing from market-based entities alongside the alleviation of other structural constraints and infrastructural gaps.

On aggregate, the banking system remains the main provider of financial services in Ireland and the provision of banking services remains concentrated in a small number of providers. Banks account for almost two-thirds of credit advanced to the Irish economy.<sup>34</sup> However, the provision of banking services is mainly concentrated in a small number of lenders.<sup>35</sup> Five banking groups account for in excess of 80 per cent of lending to the non-financial private sector within the State (Chart 18). The reliance on such a small number of banking entities points to potential

<sup>29</sup> For more current vacancy rates and office market developments see, [Dublin office Market 3 2025](#), CBRE.

<sup>30</sup> Under [Kennedy and O’Gorman’s](#) benign scenario, Dublin office vacancy rates would decline from 18.6 per cent at end-2024, to 17.1, 16.3 and 14.4 per cent over 2025, 2026 and 2027, respectively.

<sup>31</sup> Available data for bank lending to enterprises shows credit grew by 3.1 per cent in the year to 2025Q2. In contrast, lending to SME’s – which accounts for just under half of outstanding bank lending to enterprises- declined by 4.5 per cent over the same period.

<sup>32</sup> In a recent study [Mugrabi & Rünstler \(2025\)](#) estimate the Irish credit cycle stands at 3.90 percentage points above its long-run trend.

<sup>33</sup> Loan application data from the CCR and BPF1 point to continued growth in loan application, albeit with some recent evidence of an easing in the volume of mortgage applications (BPF1).

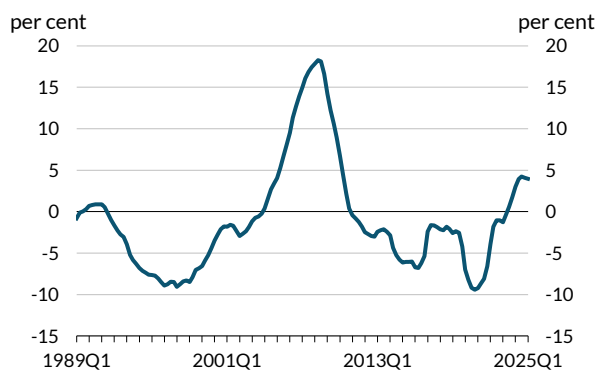
<sup>34</sup> For more see the Central Bank of Ireland’s [Frontier Statistics: Total Domestic Credit](#).

<sup>35</sup> The banking system can be broadly categorised into two groups: a small number of retail banks offering banking services to the domestic economy and a second group of internationally focused (or non-retail) banks that while located in Ireland, primarily albeit not exclusively, conduct activities and provide banking-related services to counterparties outside of Ireland.

substitutability concerns.<sup>36</sup> The risks are further elevated by the fact that the domestically-focused banks exhibit a high degree of similarity in terms of business models and exposure to assets (i.e., property-related lending).

**Chart 17: Credit cycle developments have strengthened**

National credit cycle

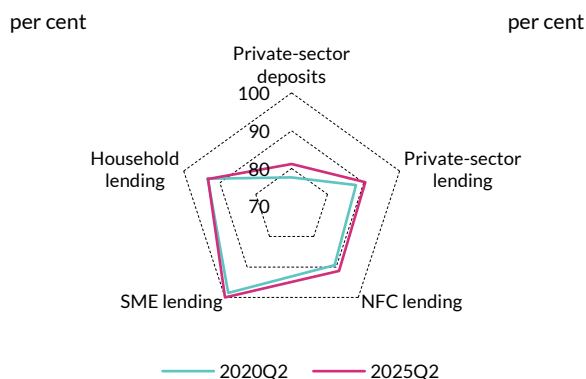


Source: Central Bank of Ireland

Notes: analysis is based on the work of [Mugrabi & Rünstler \(2025\)](#).

**Chart 18: Domestic banking services are heavily concentrated into a small number of banking groups**

Market share of the top five banking groups



Source: Central Bank of Ireland

Note: Data are collected on a residency basis and for the purposes of analysis are adjusted for group structure. Five largest banking groups are calculated per category and may not be the same across markets or points in time.

The non-bank financial intermediation (NBFI) sector is an important provider of financial services to the domestic economy. Based on the latest available statistics, the sector is the second largest provider of credit, accounting for over a quarter of outstanding credit. NBFIs are both competition to the traditional banking sector and a complement for banks in areas that fall outside of the risk appetite of the banking system.<sup>37</sup> While the sector operates a diverse range of business models, a common theme throughout is the reliance on market funding. With greater reliance on market dynamics, NBFI lending can amplify the credit cycle which in turn could undermine medium-term economic growth. An area which has benefited from NBFI lending is the SME sector.<sup>38</sup> The share of new lending accounted for by the NBFI sector has steadily grown in recent years (for more, see *Resilience: Non-bank financial sector*). A retrenchment in lending by non-banks, potentially because of tighter global financing conditions, could undermine the ability of some sectors to operate.

Interconnected financial systems, like the one operating in Ireland, have the potential to act as a channel through which risks may propagate. An internationally integrated financial system helps to facilitate the flow of capital and can positively contribute to economic growth. However, such interdependency can magnify shocks in periods of stress. As noted in *Risks: Global*, the growing importance of the NBFI sector within the international financial system represents a structural trend. From an Irish perspective, the level of interconnectedness of the domestic financial system varies by individual firms. Domestic banks' exposures to the broader financial system tend to be

<sup>36</sup> An important caveat is that this analysis focuses on outstanding lending. Data on the flow of new credit indicates greater competition between banks but also between banks and non-banks.

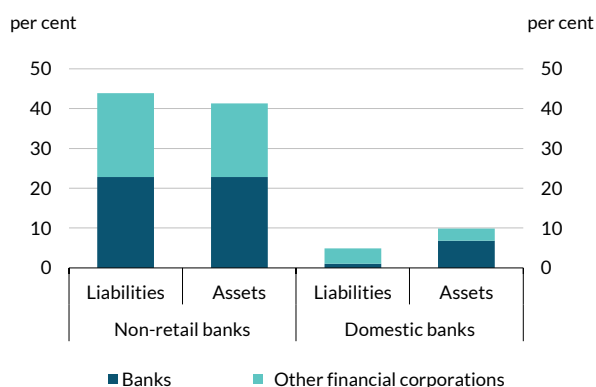
<sup>37</sup> One such example is the share of total real estate lending accounted for by NBFI sector. For more see the previous [FSR Special Feature](#).

<sup>38</sup> The SME sector encapsulates a broad range of businesses activities which operate diverse business models. In aggregate SME's are important contributors to economic activity and employment. For more on the role of SME's see <https://www.cso.ie>.

small when compared with the more outwardly-focused banks (Chart 19).<sup>39</sup> While both segments of the banking system report exposures to other financial corporations, it is the non-retail banking sector where these exposures can be mainly found.<sup>40</sup> In the case of the non-retail banks' exposures, these primarily reflect deposits sourced from - and loans advanced to - other financial institutions as well as intra-group exposures.<sup>41</sup>

**Chart 19: Non-retail banks are more interconnected with the rest of the financial system than domestic banks**

Interconnectedness of the Irish banking system across banking assets and liabilities



Source: Central Bank of Ireland

Notes: Financial interconnectedness relates to the on-balance sheet exposures of banks to 1) other credit institutions (i.e., banks) and 2) other financial corporations. All data are expressed as a percentage of total assets. Non-retail refers to international banks located in Ireland. Exposures may reflect intragroup activity. Data as at 2025Q1.

**The evolving pace of financial innovation presents the Irish financial system with both opportunities and challenges in the near term.** The adoption of new processes and technologies can contribute to increased efficiencies and innovation across various aspects of the financial system. However, the rollout of new advancements can potentially impact parts of the existing financial system (for example, see Box B for the implications of digitalisation on banks' deposit franchise value). Fintechs and digital assets are competition for domestic banks.<sup>42</sup> Higher competition fosters consumer choice and innovation but could also lead to greater business model risk if not managed by incumbent financial firms competing to retain market share.<sup>43</sup> Innovations can lead to execution risk as financial providers implement new technologies that are not fully understood. For example, the increasing use of AI – while having many potential benefits – may lead to heightened herd behaviour, leading to increased cyclicity in financial markets. Overall, the provision of such technological services remains concentrated across a small number of

<sup>39</sup> International banks' intra-financial liabilities primarily relate to interbank deposits and deposits from other financial institutions. Higher levels of interconnectedness in international banks will partly reflect the fact that most of those banks are part of international banking groups and reflect intra-group activity.

<sup>40</sup> Other financial corporations are financial corporations other than credit institutions such as investment firms, investment funds, insurance companies, pension funds, collective investment undertakings, and clearing houses as well as remaining financial intermediaries and financial auxiliaries.

<sup>41</sup> Care should be taken when interpreting the large share of intra-financial exposure held by the non-retail banking sector which may reflect intragroup activity rather than exposures to third parties.

<sup>42</sup> The proposed digital euro is one such form of digital asset that could impact banks. A recent [technical analysis](#) conducted by the ECB found the potential impact on euro area banks was expected to be relatively contained.

<sup>43</sup> Financial disintermediation in and of itself is not inherently a negative outcome, however, a disorderly transition away from the status quo may have a deleterious impact on economic output.



providers which may heighten the risk of a system-wide operational disruption should one or more of these services become compromised.<sup>44,45</sup>

In the absence of a concerted action over the remainder of the decade the Irish economy will face some element of climate risk with implications for the financial system. Ireland is legally bound to achieve carbon neutrality by 2050. Failure to meet this objective, or the intermediate targets, could lead to significant environmental and economic damage – as well as increased financial penalties for the Irish Government. As the economy transitions to net zero, the implementation of necessary policies will alter the underlying structure of the economy. In turn these may have macroeconomic and financial outcomes which will impact the viability of some businesses – and as a result employment – and the economic value of certain assets. Risks are most evident in carbon-heavy intensive sectors which face the biggest challenges in adapting and innovating existing practices. Households, as well as firms, may also be directly affected as insurance gaps and flood cost affect financial positions and collateral values (for more see *Resilience: Insurance firms*). A failure to act – or to act sufficiently as has been the case to date – leaves the macro-financial system exposed to both physical and transition risks.<sup>46</sup>

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<sup>44</sup> To help mitigate these risks and strengthen the IT security of financial entities, the EU has implemented the [Digital Operations Resilience Act \(DORA\)](#).

<sup>45</sup> Broader macro-financial concerns also stem from the globally important network of undersea communications cables located in Ireland's Exclusive Economic Zone (EEZ). In the current heightened geopolitical environment, cybercriminal and state-sponsored agents may look to capitalise on such vulnerabilities at a cost to firms or the wider economy.

<sup>46</sup> For more on the Central Bank's analysis of climate change and progress in relation to national decarbonisation, see the [Climate Observatory](#).

## Box A: Economic policy uncertainty and its financial stability implications

By Michael Wosser and Emil Bandoni

**Geopolitical conflicts, trade tensions, and political fragmentation have contributed in recent years to heightened economic policy uncertainty.** Economic policy uncertainty can alter the behaviour of firms and households by shifting expectations about the policy stance in the future, with implications for the macro-financial environment and financial stability. Beyond their immediate disruptions, geopolitical events and trade tensions often propagate through channels such as commodity price volatility, shifts in investor confidence, and changes in international capital flows. The cumulative effect of policy uncertainty is a macro-financial environment where growth prospects are potentially lower. From a financial stability perspective, understanding how policy uncertainty transmits through the macro-financial system, eventually reducing growth prospects, is critical for assessing vulnerabilities. This box examines the effects of elevated economic policy uncertainty on aspects of Ireland's macro-financial environment.

**One of the most widely used indicators for quantifying such uncertainty is the Economic Policy Uncertainty (EPU) Index.** The EPU index proxies uncertainty that firms and households perceive about the future path of monetary, fiscal, regulatory, and trade policies. Given the small, open nature of the Irish economy, this index of global economic policy uncertainty can be thought of as a measure of exogenous uncertainty with respect to the Irish macro-financial environment, with increases in the EPU index signalling greater ambiguity about the global policy environment. Empirical analysis, including from the Central Bank,<sup>1</sup> has shown that policy uncertainty shocks are associated with lower investment and employment, as firms postpone capital expenditure and households adopt a more cautious approach to consumption.<sup>2</sup> The resulting decline in aggregate demand can weigh on growth and amplify the macro-financial environment's sensitivity to additional shocks. Central Bank analysis estimates that temporary increases in EPU reduce economic activity by 1.7 per cent after four quarters.

**To illustrate the financial stability implications of uncertainty, we present one-year-ahead forecast distributions of Irish modified domestic demand, focusing on tail risk under different scenarios.**<sup>3</sup> The Central Bank's Growth-At-Risk (GaR) model estimates the full probability distribution of potential modified domestic demand (MDD) growth outcomes at a certain horizon. The framework allows for the explicit quantification of tail risk to Irish economic growth – namely, the likelihood of very weak or negative growth outcomes. Tail risks to growth, measured by the 5<sup>th</sup> percentile of the growth forecast distribution, typically increase when financial stability risks are growing.

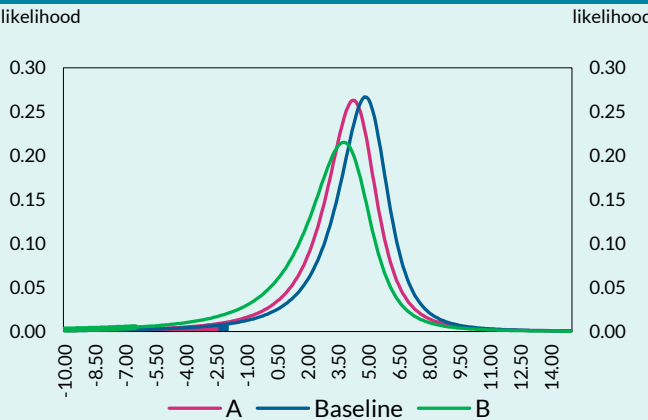
**Our analysis shows that large policy uncertainty shifts the growth forecast distribution to the left, reducing median growth forecasts in line with previous estimates, and increasing tail risk to growth.** The GaR model shows that the Irish economy becomes more vulnerable to downside risks during episodes of heightened economic policy uncertainty. This is illustrated by comparing simulated one-year-ahead forecast distributions with a baseline case where the EPU index is not included in the model (Chart A). We present two simulated scenarios for the one-year ahead growth forecast for 2026Q2. In the first, the EPU index is set to its 2024Q3 value, before the most recent spike in uncertainty. The distribution shifts to the left compared with that of the baseline. Tail risk deteriorates from an annual growth rate of -1.9 per cent to -2.4 per cent. In the second scenario, a (typically short-lived) two-standard-deviation above the mean EPU value is imposed. In this case, the tail risk deterioration is even more stark (annual growth rate of -6.45 per cent).

**To delve further into how policy uncertainty affects the macro-financial environment in a small, open economy like Ireland, we also use a second empirical approach applying a VAR methodology.**<sup>4</sup> The

GaR framework captures how policy uncertainty amplifies tail risks, which is the key concern from a financial stability perspective, but it does not reveal the specific transmission channels through which uncertainty operates. To better understand how uncertainty affects the macro-financial environment and these transmission mechanisms, we employ a VAR model that traces the impact of increases in economic policy uncertainty across key macro-financial variables. In this context, we consider policy uncertainty to be exogenous to the Irish macro-financial environment.

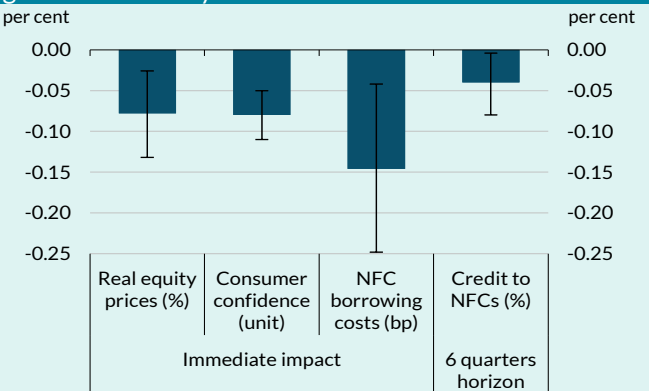
**VAR analysis shows that exogenous policy uncertainty can transmit by directly reducing consumer confidence, equity prices, and credit to non-financial corporations.** Financial markets act as immediate transmission channels for uncertainty, which tends to raise volatility and risk aversion, leading to asset price declines and tighter credit conditions. Complementing the tail risk analysis, the VAR model indicates that a two-standard-deviations increase in the EPU index reduces Irish equity prices and consumer confidence within a quarter, although by modest amounts (Chart B). Credit to non-financial corporations responds with a longer lag, as uncertainty influences investment and hiring decisions, ultimately lowering credit demand. Financing conditions may ease in the short run, however, likely reflecting accommodative monetary policy responses to uncertainty shocks. Declining interest rates and credit volumes are in line with uncertainty representing a demand shock (as shown by Leduc and Liu, 2016). The model estimates a negligible impact on real house prices and on the overall level of financial stress in the economy.

Chart A: The effect of economic policy uncertainty upon MDD forecasts



Source: Central Bank of Ireland calculations  
Notes: The baseline specification represents the forecast distribution for IE MDD in 2026Q2, without the inclusion of EPU in the model. The x-axis reflects growth rates. Distribution “A” includes the EPU index where the value of the index has been set to its 2024Q3 level. Distribution “B” also reflects simulated estimates when the EPU index is set to two standard deviations above its mean. Actual EPU briefly exceeded this threshold in 2024Q4 and again in 2025Q2 when US tariff-related uncertainty caused the EPU index to spike sharply upwards.

Chart B: Equity prices, business credit volumes, and consumer confidence slightly decrease after a global uncertainty conditions sudden increase



Source: ECB, European Commission, Central Bank of Ireland, EPU and CSO  
Notes: Immediate and 6-quarter horizon responses of different variables to a two-standard deviations economic policy uncertainty (EPU) change, estimated from a Bayesian Vector Autoregression model where uncertainty is treated as exogenous estimated between 2003q1 and 2025q1. Consumer confidence and NFC borrowing cost have a different measurement unit, as they are expressed in index units and percentage points respectively. 68 per cent credibility intervals shown.

<sup>1</sup> The Central Bank’s [2025 Q1](#) Quarterly Bulletin estimates that policy-related uncertainty shocks reduce economic activity.  
<sup>2</sup> See [Bloom \(2009\)](#) and [Baker et al. \(2016\)](#).  
<sup>3</sup> We augment the Bank’s Growth At Risk forecasting model ([O’Brien and Wosser, 2021](#)) with the inclusion of the EPU Index. This allows us to compare and contrast the forecast MDD distribution from the baseline specification (excluding EPU) with one where EPU has been included.  
<sup>4</sup> We use a VARX model for this analysis, estimated with Bayesian methods with Minnesota prior and standard hyperparameters. The Global EPU index is added as an exogenous variable and is assumed to impact other variables without itself being affected by them. An EPU shock is defined as a two-standard deviations increase in global policy uncertainty, similar in size to the cumulative EPU increase between 2024Q3 and 2025Q1.

## Box B: The implications of digitalisation on banks' deposit franchise value

By Michele Pelli and Fergal McCann

The global economy is experiencing a rapid period of technological change, which may disrupt incumbents, and force rapid reallocation within and across sectors. The banking sector is no different. Digitalisation of financial services brings opportunities for banks, from speed of processing transactions, integration of markets, stronger borrower screening and monitoring, and the proliferation of additional services through personalised financial management products.

In Ireland, these opportunities are particularly pronounced, given the levels of digital adoption among its relatively young population. Central Bank analysis of [ECB Consumer Expectations Survey](#) data confirms that, relative to elsewhere in the euro area, Irish consumers are highly likely to report using banking apps daily, to regularly use mobile payments, and to report that businesses in their locality offer card or other electronic means of payment.

Digitalisation of financial services can also bring risks which need to be managed. Any long-run assessment of the financial stability implications of the digitalisation of financial services must, among others, acknowledge the potential for a fundamentally altered competitive landscape to emerge, as the financial system and consumers adapt to ongoing innovation. In this Box, we focus on one specific implication of digitalisation in finance, in relation to banks' deposit franchise value.

Commercial banks are in the business of **maturity transformation**. They borrow short-term primarily through the issuance of deposits and invest long-term primarily through loans. For centuries, the “stickiness” of deposits has contributed to what is often referred to as **deposit franchise value**: the value derived from the ability of banks to attract and retain low-cost deposit funding. Crucially, as illustrated by [Koont, Santos, and Zingales](#) (2025), it serves as a natural hedge against the losses banks suffer on their asset sides when facing an interest rate increase. During periods of interest rate increases, this “stickiness” also typically leads to greater increases in interest rates on lending relative to deposits, increasing interest margins.

The shift towards online and digital banking can have implications for this mechanism, both through the entry of “neobanks” and the innovative response of incumbents. On **deposit pricing**, digitalisation has the potential to increase the sensitivity of depositors to deposit rates. Empirical evidence from the [ECB](#) shows that digital banks' users are significantly more price-sensitive, reallocating their deposits more readily in response to interest rate changes than retail depositors at traditional banks. Koont et al. (2025) confirm the same phenomenon for digital-broker banks' customers in the U.S. market. In turn, these banks must pass-through policy rates to deposits more completely to attract or retain them. Competition from non-deposit products such as money market funds, whose yields more directly track monetary policy interest rates, also increases. Koont et al. (2025) highlight that integrated brokerage offerings can facilitate this form of competition, without even the need for a customer to switch banks.

The increased digitalisation of banking also has the potential to affect the **volatility of deposit quantities in times of stress**. The literature (e.g., [Ofir and Elmakiess](#), [Shy](#), and [Cookson et al.](#)) identifies three primary drivers of higher sensitivity of deposits flows. First, technological advances enable instantaneous withdrawals through mobile apps, eliminating physical frictions such as branch visits that traditionally slowed deposit outflows during stress periods. Second, social media facilitates rapid

information dissemination, which can affect depositor behaviour. Third, digital banking reduces psychological frictions, related to face-to-face interaction with bank staff, that previously may have deterred withdrawal decisions. These mechanisms have the potential to increase the volatility of deposit quantities for all banks, which could lead to the need to hold higher shares of lower-yielding liquid assets to manage the risks that come from rapid withdrawal risk. [ECB](#) analysis confirms that this is already the case among the small cohort of digital-first banks in the euro area.

The above-mentioned implications of digitalisation on deposit franchise value could have important macro-financial implications. A slow-moving scenario could involve the above forces gradually increasing funding costs of the banking system, as more customers switch to digital offerings, either among incumbents or new entrants, and become more price-sensitive. This would reduce profit margins, or require higher interest rates and potentially risk-taking on lending. In times of stress, there could also be implications for the speed of deposit flows. The March 2023 US crisis was a striking example of the speed with which digital depositors can reallocate funds in response to news. Among others, these structural changes stemming from digitalisation have important implications for liquidity management by banks, and need to be taken into account in their own liquidity stress testing as well as their contingency funding plans.

# Resilience

## Households

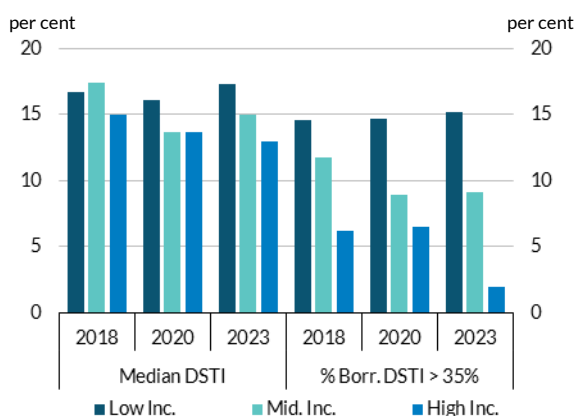
*The aggregate financial position of households remains strong. A robust labour market has supported income growth and high savings rates over recent years. Debt service burdens are moderate, though financial buffers are more modest for lower income borrowers. Mortgage arrears cases continue to decline, despite recent interest rate and cost-of-living pressures. Households are exposed to geopolitical risk through Ireland's global trade activity and employees in exposed sectors have significant mortgage debts. In a plausible adverse scenario where interest rates and cost-of-living pressures rise, microsimulation evidence suggests that the share of mortgage borrowers with stretched finances would rise from 6.4 per cent to 8.7 per cent.*

The aggregate financial position of households remains strong, with healthy balance sheets and moderate debt service burdens. Net wealth has grown substantially over the last decade, reflecting growth in housing equity as well as financial assets such as deposits.<sup>47</sup> Aggregate household indebtedness fell from a financial crisis-era peak of 225 per cent of disposable income in 2009 to 93 per cent in 2025 Q1.<sup>48</sup>

**Debt service burdens are modest for most households.** The median debt service to income (DSTI) ratio – the sum of debt instalments as a share of net income – was 14 per cent in 2023, according to new household survey data for 2023 (Chart 20). This is quite similar to the median DSTI ratio observed in previous household survey waves in 2018 and 2020, despite the higher interest rate environment. Lower income borrowers tend to have higher DSTI ratios than higher income borrowers. In addition, a DSTI ratio above 35 per cent can be an indication of borrower stretch, and there are significantly more lower income borrowers (15 per cent) above this threshold compared with higher income borrowers.

**Chart 20: Debt service burdens are modest for most households**

Median DSTI ratio and share of borrowers with DSTI > 35% by income tercile

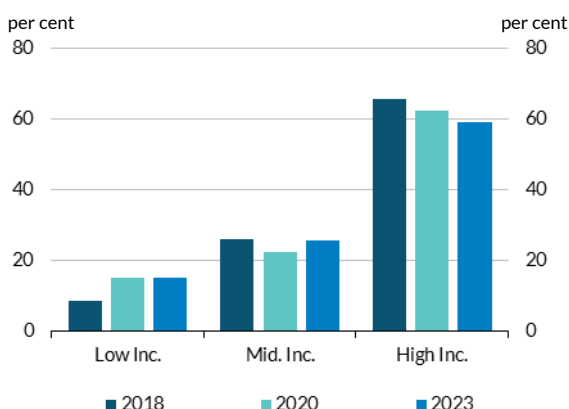


Source: Household Finance and Consumption Survey

Note: Debt service to income (DSTI) is the ratio of debt instalments to net income.

**Chart 21: Lower income borrowers have more modest financial buffers**

Proportion of net liquid assets held by households across income terciles



Source: Household Finance and Consumption Survey

Notes: Households group into low, middle, and high income terciles. Net liquid assets are the sum of liquid financial assets minus non-collateralised debt.

<sup>47</sup> See the Central Bank's [Household Wealth statistical publication](#).

<sup>48</sup> Measured as the ratio of total household financial liabilities from the Quarterly Financial Accounts to a four-quarter rolling sum of gross disposable income from the Institutional Sector Accounts.

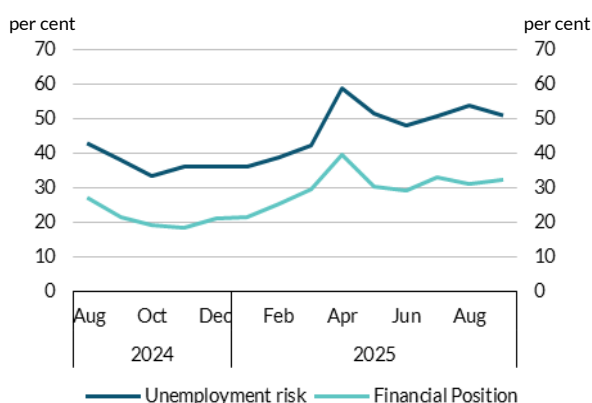


**Lower income borrowers have more modest financial buffers.** While aggregate household deposits have grown strongly in recent years, these liquid assets are unevenly distributed across households and potentially mask vulnerabilities among some households (Chart 21). Liquid asset holdings in nominal terms, and relative to regular debt instalments, are smaller for lower income households. While the debt servicing position of households in aggregate appears robust, there is a small cohort of lower income borrowers with modest liquid asset holdings, potentially stretched debt servicing burdens, and relatively low capacity to cut non-debt expenditure.

**Households are exposed to geopolitical risk through Ireland's global trade activity.** Households grew more concerned about their personal financial positions in spring 2025, coinciding with the imposition of tariffs and intensification of trade disruption (Chart 22). The announcement of 25 per cent tariffs on steel and aluminium in March, followed by broader global tariffs in April, coincided with a decline in consumer sentiment.<sup>49</sup> Apprehension that a global trade conflict would significantly weaken Ireland's economic outlook drove consumer confidence to its lowest level in two years. A monthly survey conducted by the European Commission sheds more light on the channels through which trade tensions affect households, with Irish households reporting a growing perception of unemployment risk and a deterioration in their personal finances.

**Chart 22: Households grew more concerned about their financial position in 2025, coinciding with a sharp intensification of trade negotiations**

Shares of consumers reporting increased unemployment risk and worsening financial conditions in the next 12 months

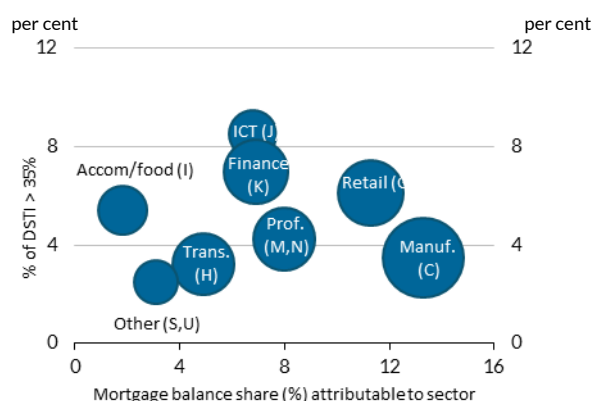


Source: European Commission Business Consumer Survey

Notes: The navy-blue line represents the share of surveyed Irish consumers that expect an increase in unemployment risks in the next 12 months, while the teal line represents the share of surveyed households who anticipate a worsening of their financial conditions in the next 12 months

**Chart 23: Households working in the most exposed sectors tend to have lower debt servicing burdens**

Share of mortgage loans owned, borrowers with DSTI above 35% and output changes under the EBA adverse scenario by selected sectors



Source: HFCS, CSO and EBA

Note: The bubble size represents percentage change in GVA across sectors in the EBA adverse scenario, representing sectors more exposed to macro-economic downturn triggered by an escalation of geopolitical tensions.

**Borrowers employed in sectors exposed to a macro-economic downturn triggered by an aggravation of geopolitical tensions account for a significant share of mortgage balances, though debt service burdens in these sectors do not appear to be stretched** (Chart 23). Ireland's high-value export sectors are deeply integrated into global value chains, the impact of trade wars varies significantly across industries (Lukmanova and O'Grady, 2025). This vulnerability is also evident in the sectoral gross value added (GVA) declines described in the EBA 2025 stress test adverse scenario, which had a particular focus on deteriorating geopolitical tensions, with a large trade shock. In that scenario, the largest declines for Ireland are observed in the Manufacturing, Finance, and Wholesale & Retail sectors. The share of borrowers with DSTI ratios above 35 per cent is less

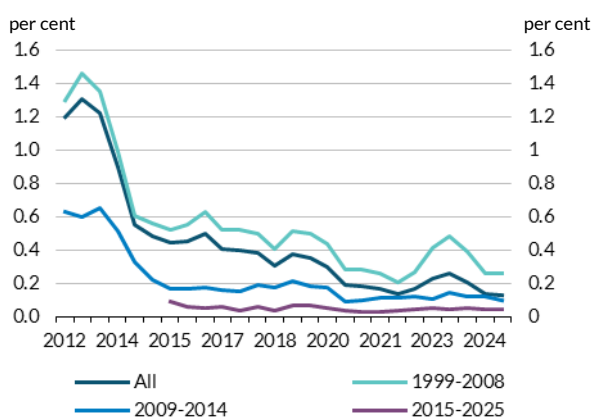
<sup>49</sup> See the [Irish League of Credit Unions consumer sentiment publication](#).

than 10 per cent across sectors, with more Finance and ICT employees presenting stretched debt service burdens relative to Manufacturing employees.

**Mortgage arrears cases continue to decline despite the impact of higher interest rates and cost-of-living pressures.** The share of mortgage accounts in Ireland in arrears of greater than 90 days past due was 3.5 per cent in 2025 Q2, having halved since 2021 Q1. This figure relates to loans owed to bank and non-bank institutions, including non-lending entities that acquired distressed mortgages. The arrears share has continued to track down overall, despite the effect of higher interest rates and broader cost-of-living pressures for borrowers. More detailed data from the domestic banks shows that flows into arrears remained low up to 2025 Q2 and are most prevalent among loans originated prior to the 2008 financial crisis (Chart 24). The modest rise in early mortgage arrears observed around 2023 was primarily driven by tracker-rate borrowers and those with a history of repayment difficulties (Shaikh, Kilgarriff and Gaffney, 2023). Flows into mortgage arrears could rise if sustained higher tariffs exert significant pressure on the labour market.

**Chart 24: New mortgage arrears cases at domestic banks are at a low level**

Share of mortgage loans transitioning to arrears of over 90 days by loan origination period

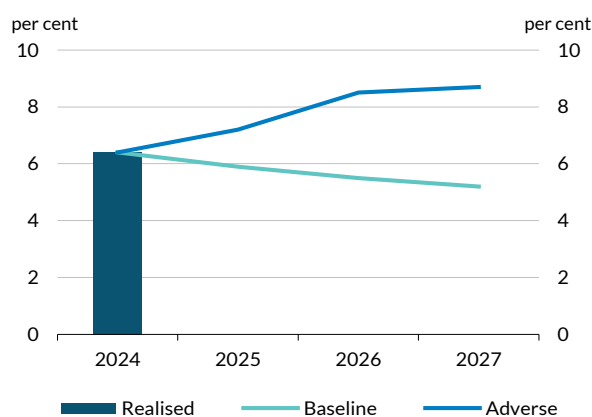


Source: Central Bank of Ireland

Notes: The share of domestic bank Irish PDH residential mortgage loans transitioning from less than 90 days-past-due (DPD) to over 90 DPD by loan origination period. Last observation June 2025.

**Chart 25: The share of mortgage borrowers with stretched finances would rise under an adverse scenario featuring an escalation in geopolitical risk**

Simulated share of mortgage balances held by 'at-risk' borrowers



Source: Singh and Yao (2025)

Notes: The simulated share of mortgage balances owed by households with debt repayments plus core household expenses in excess of 70 per cent of net income by scenario. The adverse scenario between 2025 and 2027 is based on the EBA 2025 EU-wide stress testing scenario.

**Microsimulation evidence suggests that the share of mortgage borrowers with stretched finances would rise under an adverse scenario featuring an escalation in geopolitical risks** (Chart 25). These borrowers would spend more than 70 per cent of their net income on debt repayments and core household expenses. Taking into account the impact on earnings growth by sector, inflation and energy costs consistent with the EBA 2025 stress test adverse scenario, Singh and Yao (2025) find that the share of mortgage balances owed by borrowers with stretched finances would rise from 6.4 per cent to 8.7 per cent.<sup>50</sup> This compares with a realised value of 15.7 per cent in the 2013 HFCS survey wave, when household loan distress was close to its post-GFC peak. Although this is reflective of a single scenario and cannot capture all channels that affect households, this finding points to broad financial resilience across household borrowers.

<sup>50</sup> The impact of this shock comes largely through disposable income declines for borrowers employed in geopolitically exposed sectors, rather than through acute and persistent unemployment shocks. See Singh and Yao (2025) for more detail.

## Non-financial corporations

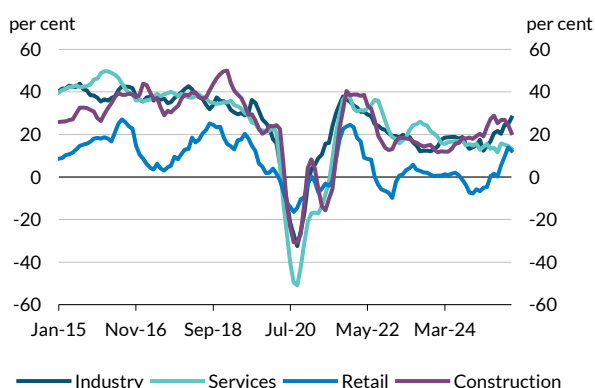
*Domestic firms reported robust activity in the first half of 2025, despite the rise in geopolitical risk and uncertainty around the international trading environment. However, the direct exposure of domestic SMEs to the US is larger than that of most euro area counterparts. In an adverse scenario, sectors with greater geopolitical exposure witness a larger drop in simulated profit margins relative to a baseline scenario. However, the current financial health of these exposed firms remains strong and typically demonstrates greater resilience than less exposed sectors.*

Consumer demand indicators remain strong in the Irish economy, supporting profitability for domestic firms. In the year to July 2025, retail sales volumes and total domestic card payments increased by 4.2 and 9.3 per cent, respectively.<sup>51</sup> With both unemployment and inflation expected to remain low, final consumer expenditure growth is projected to grow steadily until 2026.<sup>52</sup>

Business activity continued to expand in the first half of 2025, with growth rates increasing in the industry, retail, and construction sectors (Chart 26). In the services sector, the net share of domestic firms reporting increased business activity remained broadly steady in the year to October 2025 at approximately 14 per cent.<sup>53</sup> Other sectors, particularly Industry and Retail, reported a significantly higher share of firms with increased business activity over the same period.<sup>54</sup> This indicates the continuing resilience of domestic firms in recent years.

**Chart 26: Domestic firms reported increased business activity in the first half of 2025**

Net share of firms reporting increased business activity

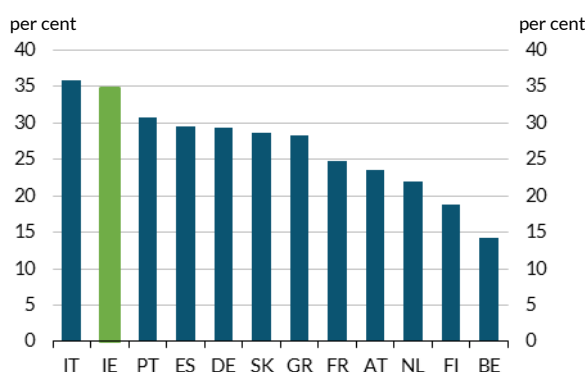


Source: European Commission Business and Consumer Surveys

Notes: Net share of firms reporting increased business activity. Each series is a six-month rolling average. Survey returns for Ireland only. Business activity refers to production (industry), business situation (services), sales (retail), and building activity (construction).

**Chart 27: Over one-in-three SMEs have a direct US export exposure**

The share of SMEs with direct exports to the US



Source: ECB SAFE

Note: EA is a sample of euro area countries consisting of Austria, Germany, Spain, Finland, France, Greece, Italy, Netherlands, Portugal, and Slovakia.

Irish SMEs are more directly exposed to the US than most euro area counterparts (Chart 27). 35 per cent of Irish SMEs report some direct exports to the US, compared with a euro area median of 28 per cent. Irish and Italian SMEs are the most directly exposed to the US in the euro area. In

<sup>51</sup> See the [CSO Retail Sales Index](#) and the [Central Bank of Ireland's Payment Statistics](#).

<sup>52</sup> See the [Central Bank of Ireland's 2025Q2 Quarterly Bulletin](#).

<sup>53</sup> Business activity refers to production (industry), business situation (services), sales (retail), and building activity (construction).

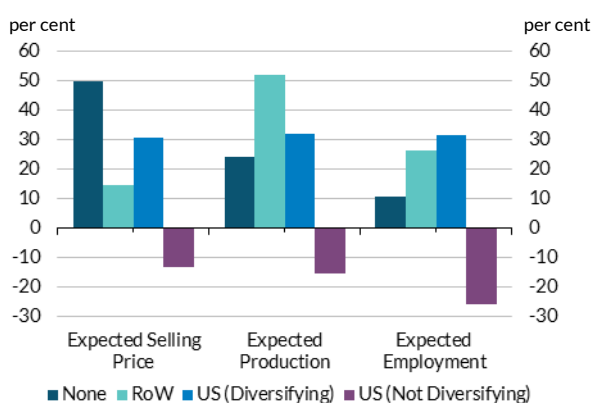
<sup>54</sup> The lower retail average is driven by lower returns at the beginning of the year (a trend present from August 2024 to March 2025). In contrast, the net shares of domestic firms reporting increased business activity in the retail sector stood at 5.7 and 10 per cent in July and August 2025, respectively.

addition to the direct exposure to geopolitical risk emanating from the US, there are likely to be further spillover or indirect effects on firm profitability.<sup>55</sup>

Firms that export to the US tend to be larger and well-diversified, placing them in a strong position to adapt to changing trade patterns. Around 70 per cent of domestic firms' goods exports are to the EU or UK, with about 12 per cent exported to the US, and domestic exporters to the US typically have trading links with multiple countries (*Quarterly Bulletin, 2025 Q3*). Given increased geopolitical risk and uncertainty regarding US trade policy, Irish firms exporting to the US may be well positioned to diversify into other markets. Domestic exporters who plan to do this expect materially better outcomes than non-diversifying firms (Chart 28). Diversifying exporters report a strong increase in expected production and employment, in contrast to non-diversifying firms who expect a decline in activity.

**Chart 28: Firms that plan to diversify away from US exports are more optimistic about their future performance**

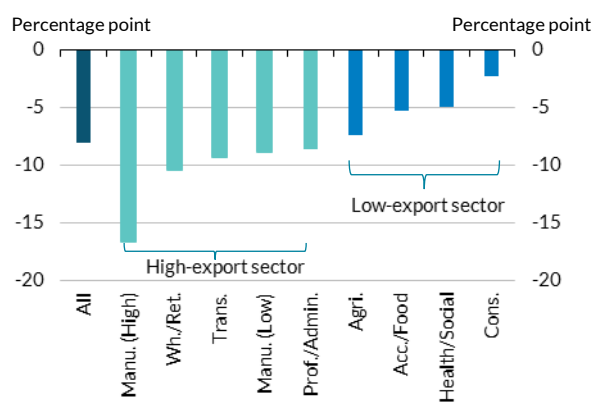
Net share of firms reporting increase in expectations by export status



Source: European Commission Business and Consumer Surveys  
Notes: Industry (July 2025) survey only. Survey returns for Ireland only.

**Chart 29: Profit margins would contract significantly under conditions consistent with the EBA 2025 stress test adverse scenario**

Projected cumulative fall in profit margins in the adverse scenario by 2027



Source: Department of Finance Credit Demand Survey, Central Bank of Ireland QB No. 2 2025, EBA 2025 EU-wide stress test  
Notes: Teal bars are sectors with above average export propensity. Light blue lines are sectors with below average export propensity.

Profit margins would contract significantly under conditions consistent with the EBA 2025 adverse scenario, particularly in high-export sectors (Chart 29).<sup>56</sup> Some exporters may be well positioned to adapt due to their size and diversification strategies, but profit margins could still adjust significantly before reaching a new steady state. Under a baseline scenario, SME profit margins are expected to remain robust. In contrast, under an adverse scenario that incorporates heightened geopolitical fragmentation, the median profit margin would decrease to below 13 per cent by 2027 from a starting point of 23 per cent in 2024. The median profit margin declines by a relatively large amount in high export sectors – for example manufacturing and wholesale/retail trade. Despite an increase in the proportion of loss-making firms, the resilience of SMEs remains strong. Under plausible assumptions, approximately 10 to 15 per cent of SMEs could face liquidity distress by 2027, up from 5 per cent in 2024.<sup>57</sup> This modest increase in the proportion of SMEs in financial distress demonstrates the continued resilience of Irish SMEs even under relatively stressed conditions.

<sup>55</sup> See the [Central Bank \(2025\) Signed Article on geoeconomic fragmentation](#).

<sup>56</sup> See [Mahony and Adhikari \(2025\)](#) for further details.

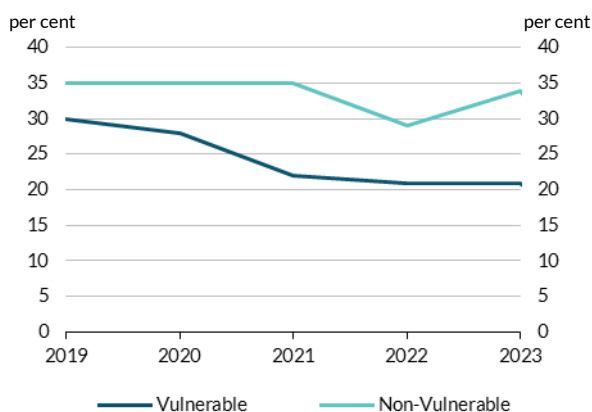
<sup>57</sup> See [Mahony and Adhikari \(2025\)](#) for further details. A firm is said to be in liquidity distress if its cash holding can cover less than three months of operational losses.

**Borrowers in sectors most exposed to geopolitical risk tend to have lower book leverage than other NFC borrowers** (Chart 30).<sup>58</sup> Sectors that have been identified as vulnerable appear to have moderate debt-weighted book leverage ratios on aggregate, and a smaller share of firms has leverage in excess of 0.8 relative to the non-vulnerable sectors. Within the vulnerable sectors, [Central Bank \(2025\)](#) highlighted certain industries as particularly exposed.<sup>59</sup> Computer services firms stand out as having a higher proportion of high leverage firms, with over a third of firms in this sector above the 0.8 threshold. These specific firms are at increased insolvency risk, with less flexibility to respond to external shocks.

**Irish NFC borrowers continue to display strong loan performance indicators.** A summary indicator of loan quality shows continued improvement across all borrower cohorts, with the exception of CRE borrowers. The share of domestic bank loan balances in either arrears, forbearance, or non-performing status declined by 1 percentage point in the first half of 2025, following a similar decline in the second half of 2024. The share of non-real estate SME and Large Corporate loan balances in any of these three states stood at 6 and 5 per cent in June 2025, respectively. This is substantially lower than CRE loan balances (at 13 per cent). Despite this evident vulnerability, CRE receivership numbers remain low by historical standards (Chart 31). This low number of receivership cases signals that lenders are not seeking to secure possession of underlying collateral assets on a widespread basis.

**Chart 30: Firms in geopolitically exposed sectors are less likely to have high leverage**

Debt-weighted share of firms with book leverage ratio exceeding 0.8 by geopolitical exposure

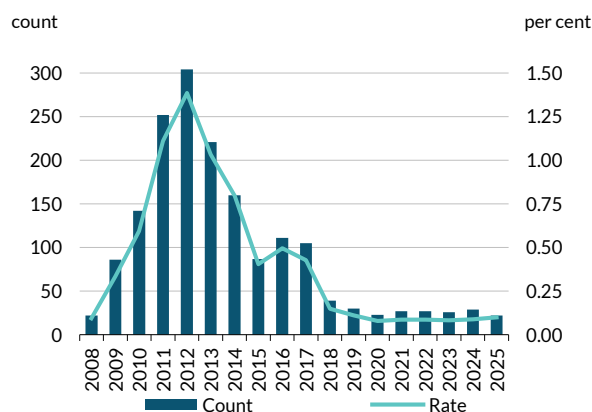


Source: AnaCredit and Dun and Bradstreet

Notes: Vulnerable refers to manufacturing (C), wholesale and retail trade (G), transportation and storage (H), professional and administrative (MN), and information and communication (J). Non-vulnerable covers the remaining sectors. Book leverage is defined as total liabilities to total assets.

**Chart 31: CRE receiverships remain low**

The count and share of active CRE companies to which receiverships



Source: Companies Registration Office and CSO

Notes: The count and share of active real estate companies entering receivership. Last observation August 2025.

<sup>58</sup> Book leverage is the ratio of total liabilities to total assets.

<sup>59</sup> See [Central Bank \(2025\) Signed Article on geoeconomic fragmentation](#) for further details. Specifically, the four most exposed 2-digit industries (as measured by number of workers in firms that export to the US) are Wholesale Trade (46), Food Product Manufacturing (10), Computer programming, consultancy and related activities (62), and Retail Trade (47).

## Domestic banks

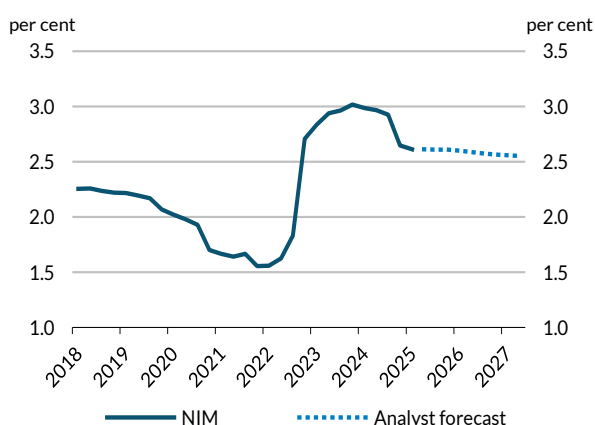
Domestic bank profitability has moderated since the peak of the interest rate cycle but remains above its pre-2022 level. While market expectations suggest a stable outlook, lower ECB rates may further impact bank margins. Asset quality has continued to improve, despite the lagged effects of past higher interest rates and cost-of-living pressures, although domestic bank loan exposures are subject to geopolitical risk through direct and indirect channels. Capital levels remain above regulatory minimums and domestic banks performed comparatively well under the 2025 EBA stress test. Sensitivity analysis points to bank capital resilience to heightened US tariff rates.

Domestic bank profitability has moderated since the interest rate cycle peak but remains above its pre-2022 level. The structure of domestic bank business models means that net interest income is the driving factor behind profitability, particularly in periods where loan impairments are low. While down from a peak of 3.0 per cent in 2024 Q1 to 2.6 per cent in 2025 Q2, analysts expect net interest margins to remain relatively stable in the short term (Chart 32).

The improved profitability level and stable outlook have coincided with higher returns on equity and price-to-book ratios for domestic banks. The aggregate return on equity for domestic banks was 10 per cent in 2025 Q2, substantially above the pre-pandemic average of 7 per cent (Chart 33). The return on asset ratio for the sector is similarly improved and stood at 1 per cent in 2025 Q2. The aggregate price-to-book ratio for the domestic banks is now slightly above parity, though there is meaningful variation across banks. This indicates that equity investors view the sustainability of banks' business models more favourably now than in recent years.

**Chart 32: Analysts expect net interest margins to remain stable in the short term**

Aggregate net interest margin and analyst projections

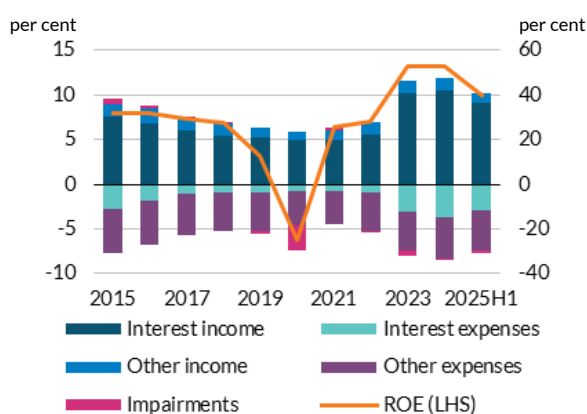


Source: Bloomberg and Central Bank of Ireland

Notes: Net interest margin of the three domestic banks. 'Analyst Forecast' refers to Bloomberg professional forecasters series.

**Chart 33: Return on equity remains substantially above its pre-2022 level**

Return on average equity and its decomposition



Source: Central Bank of Ireland

Note: Annualised data. Other income encompasses net fee and commission income and other operating income. Other expenses encompass other operating expenses, other continuing operations, staff expenses and tax expenses.

Asset quality indicators continue to improve (Chart 34). The share of domestic bank loan balances classified as IFRS9 stage 2 or stage 3 has continued to trend downwards since 2022, although the share was steady in the most recent data.<sup>60</sup> This is despite the rise in interest rates experienced by borrowers, cost-of-living pressures faced by households, and input cost pressures faced by business borrowers. The stage 2 and stage 3 shares stood at 8.9 per cent and 1.9 per cent in 2025

<sup>60</sup> The former refers to cases where borrowers have experienced a 'significant increase in credit risk' since origination and the latter is equivalent to EBA non-performing status.

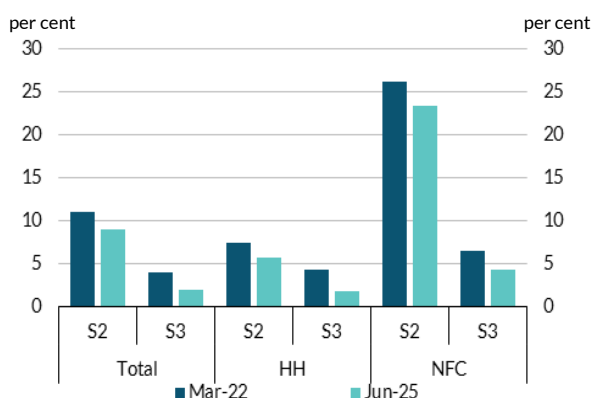


Q2, respectively. Clear pockets of vulnerability exist, particularly the continued high level of stage 2 exposures among NFC borrowers (23.4 per cent). The CRE and the manufacturing sectors had among the highest stage 2 ratios as of 2025 Q2.

**Domestic banks' loan exposures are subject to geopolitical risk through direct and indirect channels.** NFC lending represents just under 20 percent of total assets and close to half of these exposures are to firms outside of Ireland (Chart 35). While this exposure is a modest share of total assets, these direct exposures to firms in the US, the UK, and other global economies are significant as a share of bank capital. Irish household and NFC borrowers are vulnerable to geopolitical risks due to the strong trade and FDI ties with the US ([Signed Article Vol. 2025 No. 3](#)). Domestic NFC borrowers also rely on the US as an export market more than euro area peers (see *Resilience: NFCs*) and the spillover effects from a slowdown in MNE activity could provide a further indirect channel impacting their ability to service their debts.

**Chart 34: Asset quality indicators have continued to improve**

Share of outstanding loan exposures classified as IFRS9 stage 2 and stage 3 by counterparty type

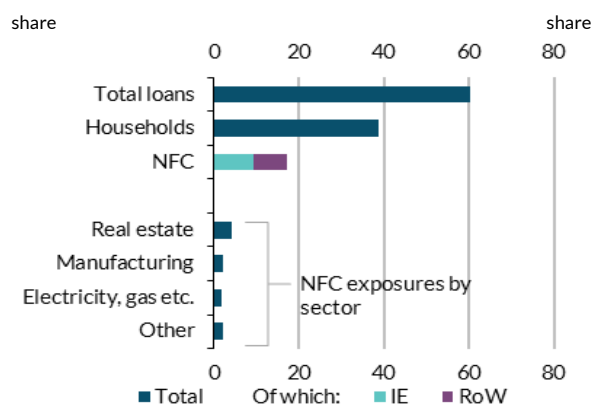


Source: Central Bank of Ireland

Notes: The share of domestic bank loan exposures classified as IFRS9 stage 2 and stage 3 by counterparty type. 'HH' refers to households.

**Chart 35: Loan exposures are subject to geopolitical risk through direct and indirect channels**

Breakdown of domestic bank loan exposures



Source: Central Bank of Ireland

Notes: All data expressed as a percentage of total assets. Data as of 2025 Q2.

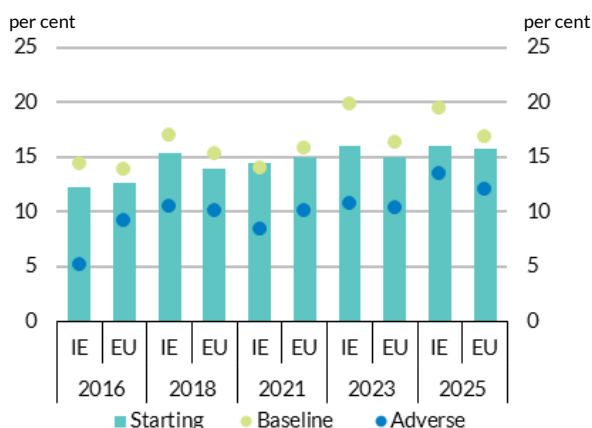
**The results of the EBA 2025 stress test indicate that domestic banks are resilient even under a severe but plausible macroeconomic shock** (Chart 36). The hypothetical adverse scenario under the 2025 exercise combined a significant recession – in which unemployment in Ireland reached 11.7 per cent – with an escalation in geopolitical fragmentation and trade disruption. While Irish banks' CET1 capital ratio fell 2.5 percentage points from its 2024 starting point, and EU banks experienced a decrease of 3.7 percentage points, it is important to note that the EBA adverse represents only one scenario. Banks may face additional downside risks that are not captured by the EBA adverse scenario. A key aspect of the EBA stress test outcome for Irish banks was the strength of net interest income and its impact in offsetting the capital impact of loan impairments. This highlights the importance of the interest rate environment in determining the impact of a broad-based macroeconomic downturn on domestic bank capital.

**Sensitivity analysis suggests that a further increase in tariffs relative to the EBA adverse stress test scenario would result in a relatively small increase in direct NFC loan losses for domestic banks** (Chart 37). Sectors are classified as "Non-Vulnerable" or "Vulnerable" based on the magnitude of their gross value added (GVA) shocks in the EBA adverse scenario. Loss rates were higher in the EBA stress test for the more vulnerable sectors, which includes Manufacturing and Wholesale & Retail. By estimating the impact of additional US tariffs – at a plausible scale in line with international discussion in 2025, but beyond those included in the EBA scenario – on sector-

level GVA and loan quality transition rates, a range of incremental losses at the sectoral level are simulated. The analysis suggests that further incremental tariff increases would result in a relatively small increase in losses beyond what is already captured by the EBA stress test adverse scenario. However, the full extent of potential losses for Irish banks due to tariffs is uncertain, as there could be long-term impacts on economic conditions, consumer behaviour, and trade dynamics. As such, banks need to ensure that their capital management remains appropriate for such downside risks.

**Chart 36: The 2025 EBA stress test suggests that domestic banks are resilient to a severe adverse shock**

CET1 ratios of Irish and EU banks under the baseline and adverse scenario of recent EBA stress tests

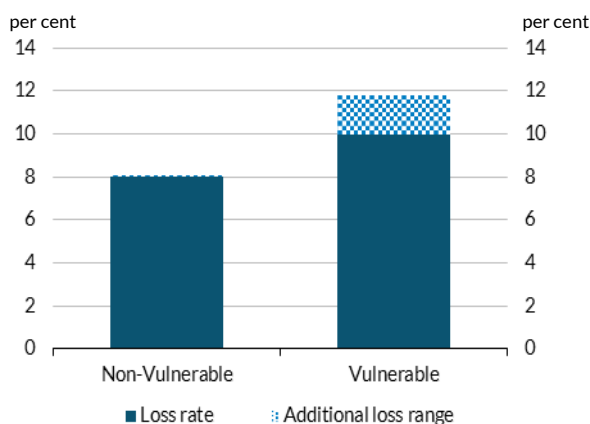


Source: EBA Stress Test data

Notes: Common equity tier 1 (CET1) ratio by jurisdiction and EBA stress test vintage.

**Chart 37: Sensitivity analysis suggests resilience of bank capital to heightened US tariffs**

NFC loan loss rates at domestic banks by sector grouping



Source: Central Bank of Ireland

Notes: Vulnerable NFC sectors are those with relatively higher gross value-added shocks in the adverse scenario. They include agriculture, forestry and fishing, mining and quarrying, manufacturing, wholesale and retail trade, Real Estate and transportation and storage. Loss rate is calculated as the change in the stock of provisions between the end of the adverse scenario horizon and the starting point divided by total exposure at the starting point. The blue bars show the loss rate in the EBA 2025 adverse scenario, while the shaded area shows a range of additional losses based on the impact of further US tariffs

**Basel III has boosted domestic banks' fully loaded capital ratios, but maintaining current resilience is important amid heightened geopolitical and trade uncertainty.** The Capital Requirements

Regulation 3 (CRR3), implementing the final Basel III reforms, came into effect in the EU in January 2025.<sup>61</sup> The EBA stress test was the first to capture the impact of these new rules. Under CRR3, on a fully-loaded basis, the overall CET1 ratio for EU banks would decline by approximately 130bps, mainly due to a new rule that limits how much banks can reduce their capital requirements using internal models (the "output floor") relative to the standardised approach. In contrast, domestic banks saw their aggregate CET1 ratio increase by approximately 120 basis points, due to changes in how they calculate risk weights. While their capital ratios improved due to the application of CRR3, banks must exercise prudence in planning profit or capital distributions to shareholders to ensure their continued resilience against external shocks.

<sup>61</sup> The market risk framework (FRTB) in the EU has been postponed to 1 January 2027.

## Non-bank financial sector

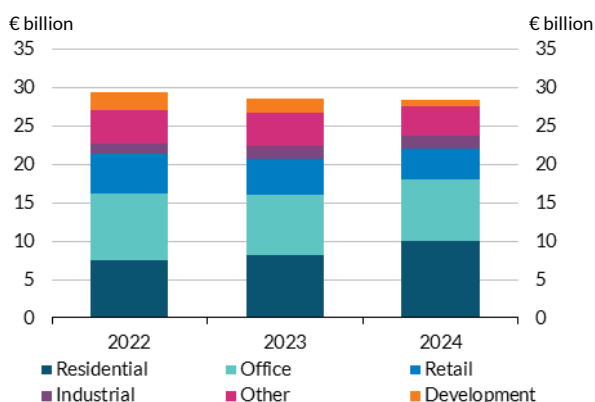
### Investment funds and non-bank lenders

*Irish property funds faced a challenging CRE market environment in 2024, characterised by falling valuations, low overall market transactions and reduced investment activity. Overall, leverage fell slightly for the sector as a whole, despite falling valuations. The value of Irish property funds' holdings of CRE assets fell slightly over 2024, with office, retail and other holdings reducing, whereas residential and industrial holdings increased. There was a notable switch for residential property funds from bank to non-bank financing. More broadly, non-bank lenders continue to increase their overall share of credit supply in the domestic Irish economy. The share of non-bank lending to SMEs continued to grow over 2024 to 36.5 per cent despite falls in new lending to real estate SMEs.*

The value of Irish property funds' holdings of CRE assets fell slightly over 2024, with office, retail and other holdings reducing whereas residential and industrial holdings increased. Falling non-residential CRE values and net sales by Irish property funds contributed to a marginal fall in Irish property funds' holdings of real estate assets (by 1 per cent) to €28.4 billion in 2024. The decrease in the value of holdings was strongest among non-residential CRE assets, with holdings of other, retail and office assets declining by 20, 14 and 3 per cent respectively.<sup>62</sup> These sectoral declines in holdings were largely offset by a 17 per cent increase in the value of residential CRE holdings over 2024. Additionally, Irish property funds' holdings of development assets fell by 61 per cent in the year to €0.8 billion in 2024, reflecting both completions and a lack of new development activity (Chart 38). This fall in new development assets was concentrated in residential CRE and mirrored the drop off in investment activity in the Irish residential CRE sector since 2022 (See Risks: Domestic).

**Chart 38: Property funds exposure to CRE assets has continued to fall over 2024, but exposure to residential assets increased**

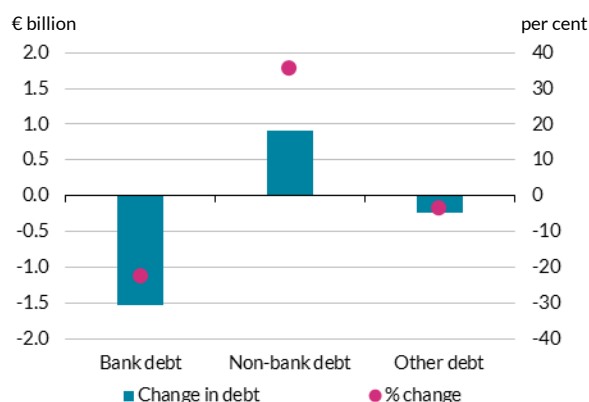
Irish property funds exposure to CRE by sector and year



Source: IPF returns and Central Bank of Ireland calculations  
Notes: Property funds holdings of development assets are valued at their current cost of their production. Last observation 2024.

**Chart 39: Property funds are increasingly exposed to debt from non-bank institutions and less exposed to bank debt**

Changes to debt amounts during 2024 by debt type alongside the corresponding share of total debt during 2024



Source: IPF returns and Central Bank of Ireland calculations  
Note: 'Other debt' includes debt from shareholder loans, related party debt and other non-specified debt. Last observation 2024.

Irish property funds were net sellers of Irish CRE assets with sales represent 65 per cent of total CRE market transactions and purchases representing 42 per cent in 2024. Irish property funds were net sellers of Irish CRE assets in 2024, with net sales of other and retail CRE assets of €0.4 billion and €0.3 billion respectively, and net purchases of residential CRE assets of €0.3 billion. The

<sup>62</sup> These figures reflect holdings of both development and finished CRE assets for each sector.

2024 figures reflect an increase in sales (from approximately €1 billion to €1.6 billion) and to a much lesser extent, a decrease in purchases (from approximately €1.1 billion to €1 billion) compared to 2023. Lower total market sales of CRE in 2024 means that Irish property funds' sales and purchases accounted for an increasing share of overall market transactions in 2024.<sup>63</sup>

**Leverage decreased across the sector in 2024 as Irish property funds reduced bank debt, partly offset by increased borrowing from non-bank institutions.** Overall leverage among Irish property funds fell over 2024, from 49 per cent in 2023 to 47 per cent.<sup>64</sup> The decline in leverage was strongest among non-residential funds, where leverage fell from 49 per cent in 2023 to 46 per cent in 2024, while leverage among residential funds increased marginally from 48 per cent to 49 per cent. Irish property funds also reduced debt over 2024 from €15.91 billion to €15.07 billion, with reductions in bank and other debt of €1.75 billion, partially offset by increased exposure to €0.91 billion of non-bank debt (Chart 39).

**Non-bank lenders provide a significant and growing share of credit to SMEs in Ireland, with indicators of borrower's inability to repay loans remaining low.** Non-bank lenders are loan-originating entities that are not banks, credit unions or government entities, and are considered to be part of the private credit markets (Box C provides details on the activities of Irish authorised funds that are active in international private credit markets).<sup>65</sup> The volume of new lending to SMEs increased 14 per cent over 2024, from €2.2 billion to €2.5 billion (Chart 40), with the share of non-bank lending to SMEs increasing from 35 per cent in 2023 to 36.5 per cent (Chart 41).<sup>66</sup> This was driven by strong growth in new lending among general lenders and asset finance providers, which posted year-on-year growth of 57 and 45 per cent respectively. New lending by specialist property lenders decreased 7 per cent over the same period. Despite concerns over credit quality and lending standards in private credit markets (see *Risks: Global*), indicators of borrowers' inability to repay loans have remained at low levels throughout 2024.

<sup>63</sup> Overall market transactions data is available from CBRE, using a four quarter moving averages.

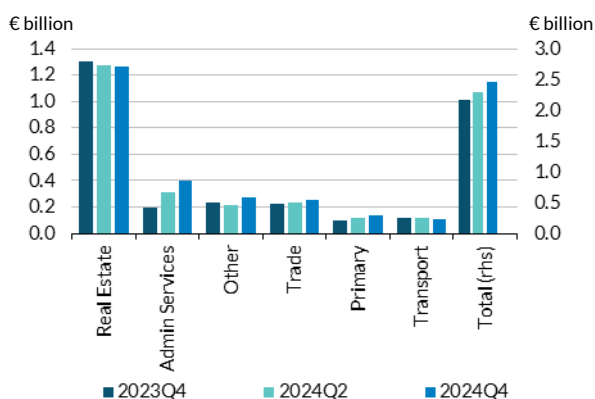
<sup>64</sup> The sample here differs from the sample used for estimating leverage in *Policy: Non-banks*, here the sample is the full Irish property fund cohort, whereas in *Policy: Non-banks* the focus is on funds who need to comply with the macroprudential measures by end-2027.

<sup>65</sup> Non-bank lenders are categorised into Asset Finance Providers, General Lenders, Specialist Property Lenders and Other using an activity-based approach. Lending activity is measured by whether a non-bank lender has a high concentration of lending in one specific sector or whether it has a high concentration in the product types they offer. See [Moloney et al \(2023\)](#) for more information on the categorisation of non-bank lenders.

<sup>66</sup> Total lending to companies (both SMEs and large companies) from non-bank lenders stands at 35.8 per cent (€25.5 billion) as of Q1 2025, see Frontier Statistics Chart 9 [here](#).

**Chart 40: The volume of new lending to SMEs grew strongly in 2024**

Volume of new lending to SMEs by non-banks

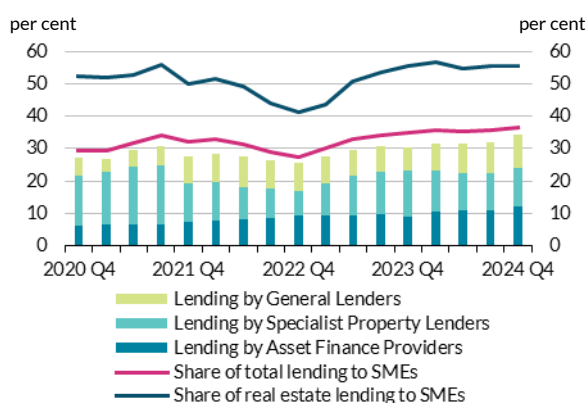


Source: CCR and Central Bank of Ireland calculations

Notes: Non-bank lending for each period outlined shows lending for the previous 4 quarters up to the date mentioned, e.g., 2024Q4 shows the amount of new credit provided for the 2024Q1-2024Q4 period. The real estate sector includes SMEs in real estate activities and construction. Last observation 2024Q4

**Chart 41: The share of non-bank lending to SMEs has increased**

Share of lending to SMEs by non-banks, with breakdown by lender and borrower category



Source: CCR and Central Bank of Ireland Credit and Banking Statistics  
Notes: All series are four-quarter moving averages. The share of total lending to SMEs is the share of new loan agreements from non-bank lenders relative to the sum of gross non-bank loan agreements and bank gross new lending. Lending by General Lenders, Specialist Property Lenders and Asset Finance Providers all refer to the share of total new lending to SMEs accounted for by each lender category. Last observation 2024Q4.

**Sectoral trends in non-bank lending varied considerably over 2024, with a reduction in the volume of lending to SMEs involved in real estate.** Non-banks increased new lending to SMEs involved in admin services (such as rental and leasing activities), trade and other services. However, the volume of new lending to SMEs involved in real estate activities decreased 3 per cent over 2024 from €1.30 billion to €1.26 billion. This reduction in new lending comes against a backdrop of overall lower investment activity in Irish real estate markets. Despite this decline, the overall proportion of financing coming from non-bank lenders to SMEs in the real estate sector stayed roughly unchanged over 2024 at 55.5 per cent.

## Box C: New insights on Irish-authorised private credit funds

By Barra McCarthy and Béibhinn Whelan

**Private credit has become an established feature of the global financial system.** Broadly defined as lending by non-bank financial institutions to businesses, private credit fund assets at a global level are estimated to have grown from \$0.2 billion to \$2,500 billion over 2000-2024. Within Europe, it is estimated that private credit funds had assets of approximately €500 billion by the end of 2024.<sup>1</sup>

**Previous analysis has explored non-bank lending to Irish companies and households, whereas this box focuses on private credit funds based in Ireland.** Non-bank lenders are an established feature of Ireland's credit market, with around a quarter (€56 billion) of all loans owed to non-banks. Research indicates companies who only borrow from non-banks tend to be more vulnerable to shocks (i.e. less liquid and more leveraged), and that non-bank credit supply is more sensitive to external financial conditions than banks.<sup>2</sup> However, this research has mainly focused on non-bank lending by financial intermediaries that are *not* investment funds. This box adds to the understanding of private credit in Ireland's financial sector using Central Bank of Ireland data to quantify private credit funds and undertake an analysis of their leverage, liquidity and interconnectedness.

**While private credit funds are still small relative to bank credit, continued strong growth and interlinkages with the banking sector could contribute to financial stability risks.** Private credit funds use less leverage than banks, so if they provide loans instead of banks then the leverage of the financial system should decrease.<sup>3</sup> However, where instead private credit provides leverage in excess of what the banking sector would provide to borrowers, these funds are increasing leverage of the borrowing sector, and likely to weaker borrowers.<sup>4</sup> Term loans and revolving facilities provided by banks to private credit funds may expose them to risks if private credit fund borrowers begin to face repayment difficulties.<sup>5</sup> Private credit funds invest in highly illiquid assets, and are at risk of liquidity mismatches if open-ended - and ECB analysis suggests a significant share of euro area private credit funds are.<sup>6</sup>

**Private credit funds constitute a small share of Ireland's investment fund sector, but have grown over recent years.** For this box, funds are categorised as private credit if terms associated with private credit appear in their fund name or investment strategy details or if more than 50 per cent of their assets are invested in private credit instruments (i.e. directly originated loans, securitised loans and unlisted debt instruments). This produces a lower bound on private credit exposures for investment funds, as it excludes private credit funds that do not meet the criteria or funds with partial investments in private credit. Assets under management (AUM) have increased from €18.1 billion in 2019 to €70 billion in 2024.<sup>7</sup> This outpaced growth in European private credit funds, whose AUM doubled over the same period (Chart A), although private credit funds in Ireland are still a small share of the total in Europe.

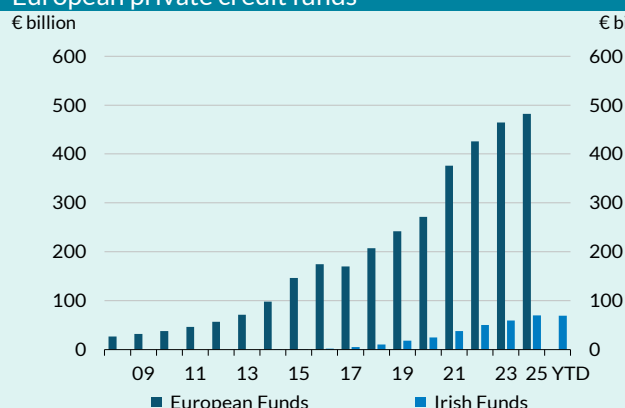
**Irish-authorised private credit funds play a limited role in Ireland's credit market and Irish investors have limited exposure to them.** At end 2024, the total value of outstanding credit issued by Irish borrowers was €1.0 billion. This represents approximately 2 per cent of the outstanding balance of all loans advanced by Irish non-banks to Irish borrowers.<sup>8</sup> Irish households and businesses hold less than €0.5 billion in Irish-authorised private credit fund shares, while the comparable figure is €0.2 billion for banks, insurance companies and pension funds combined.<sup>9</sup>

**Private credit funds in Ireland mainly finance European companies, but other investment funds' shares may constitute the largest component of private credit funds' balance sheets, highlighting the challenges in understanding the interlinkages of this sector.** Of €25.1 billion in private credit investments, €13.1 billion is accounted for by European issuers, while the US is the single largest recipient country, with €9.6 billion. Private credit funds invest between €23.6 billion and €27.3 billion



in other investment funds. Uncertainty over the figure arises as country and sector information is not available for equity held by subsidiaries of private credit funds, but a significant share of this will relate to other funds. Luxembourg and Cayman fund shares constitute the majority of this investment (€11.5 billion and €7.2 billion, respectively). Complex, multi-fund investment structures are not unique to private credit, but it means there is difficulty in tracking where money ultimately flows from and to.

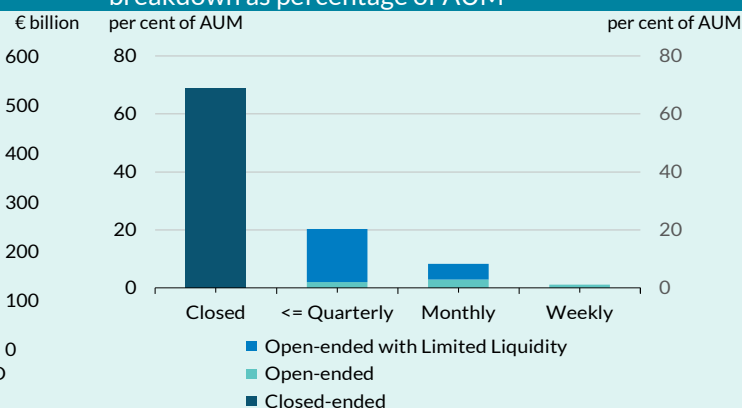
**Chart A: Assets under management of Irish and European private credit funds**



Source: Money Market and Investment Fund Return, Central Bank of Ireland and Morgan Stanley

Notes: 2025 YTD is the AUM figure for Irish private credit funds in June 2025. All other figures are for year end. Morgan Stanley data includes distressed debt and direct lending funds. Central Bank of Ireland aims to avoid the inclusion of distressed debt funds.

**Chart B: Redemption profile and dealing frequency breakdown as percentage of AUM**



Source: Money Market and Investment Fund Return, Central Bank of Ireland and Fund Profile return, Central Bank of Ireland

Notes: Majority of private credit funds in Ireland are closed-ended with most of the remainder operating with limited liquidity. The '<=Quarterly' bucket includes funds with quarterly, annual and other dealing frequencies.

**Neither leverage nor liquidity mismatches are material risks for these private credit funds.** Of approximately 215 funds, 8 were receiving loans at end-2024, with the value of these loans not exceeding €0.2 billion. However, where funds are part of a multi-fund investment structure there could be leverage we are not able to see. The closed-ended nature of most private credit funds in Ireland prevents investors from redeeming shares (Chart B) – some 69 per cent (by AUM) are closed. A further 24 per cent that do allow redemptions do not allow them regularly (i.e. they are open-ended, but with limited liquidity).

**To conclude, while private credit funds may pose risks to financial stability, and a full understanding of these risks is made challenging by their complex structures and lack of transparency, these risks appear to be less material in Ireland.** These funds form a small cohort by AUM, and links to the domestic economy appear limited. Furthermore, they invest less than half their assets in private credit instruments, and leverage and liquidity risks are not substantial. While risks currently appear limited for Irish funds, recent defaults by larger US private credit borrowers (e.g. First Brands and Tricolor) suggest a need to remain observant of developments in private credit markets.

<sup>1</sup> For global figures see: Alvalos, Doerr and Pinter - "[Global Drivers of Private Credit](#)", Bank for International Settlements Working Paper; For European figures see Morgan Stanley - "[Investing in European Private Credit](#)".

<sup>2</sup> See "[The SME Lender Relationship Network in Ireland](#)", Central Bank of Ireland; "[Non Bank Lenders to SMEs: Sensitivity to Financial Conditions](#)", Central Bank of Ireland.

<sup>3</sup> See "[Could the Growth of Private Credit Pose a Risk to Financial System Stability](#)", Boston Fed.

<sup>4</sup> See "[Private Credit: Characteristics and Risks](#)", FEDS Notes.

<sup>5</sup> See "[Bank Lending to Private Credit: Size, Characteristics, and Financial Stability Implications](#)", FEDS Notes.

<sup>6</sup> See ECB Financial Stability Review, May 2024, Special Feature C "[Private markets, public risk? Financial stability implications of alternative funding sources](#)".

<sup>7</sup> These figures for assets under management consolidate master-feeder investment structures and investments made by funds through special purpose vehicle subsidiaries located in Ireland. Data is unavailable to distinguish which particular private credit strategies Irish authorised funds are pursuing (e.g. direct lending), although a conscious effort has been made to exclude distressed credit funds.

<sup>8</sup> See "[Frontier Statistics: Total Domestic Credit](#)", Frontier Statistics, Central Bank of Ireland.

<sup>9</sup> These figures rely on first counterparty reporting of funds' investors. If these sectors indirectly hold shares in Irish resident private credit funds their claims may be higher.

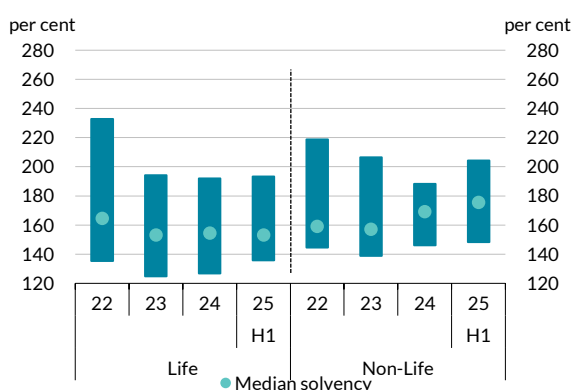
## Insurance firms

*The aggregate solvency of the Irish insurance sector remains robust. Despite a persistently volatile macroeconomic environment, the sector as a whole has enjoyed premium growth, underwriting profit, and positive investment returns. Insurers are exposed to geopolitical risk through its impact on macroeconomic developments, financial market turbulence, climate change, and insured risks. While insurers have been resilient up to now, robust governance and risk management frameworks must be maintained in order to navigate the current risk environment.*

The solvency of Irish (re)insurers remains well in excess of regulatory requirements, despite the persistently volatile external environment. The sector's aggregate solvency coverage was 179 per cent in 2025Q2.<sup>67</sup> This is down eight percentage points from 2024Q2, but this is accounted for by strong premium income and investment returns (which increase capital requirements), as well as dividend distributions, rather than poor risk outcomes. Across all firms, the median solvency coverage was 193 per cent, while 99 per cent of firms have a result above 128 per cent. All of the largest domestically-focused retail firms have solvency coverage above 135 per cent (Chart 42).<sup>68</sup>

**Chart 42: Domestic insurers' solvency positions remain robust**

Solvency coverage ratio distributions by category

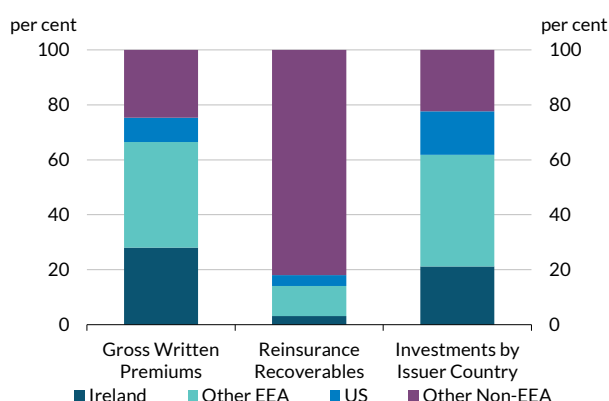


Source: Central Bank of Ireland

Notes: The box at each time shows the range of results. The sample is the largest domestic life and non-life insurance firms at 2024YE. Last observation 2025Q2.

**Chart 43: Irish (re)insurers have a significant international footprint**

The geographic breakdown of key performance and investment metrics



Source: Central Bank of Ireland

Note: Premiums and recoverables are at 2024YE; investments are at 2025Q2. Premiums reported as 'other countries' comprise 0.5 per cent of total and are shown as 'Other non-EEA'.

Ireland's (re)insurance industry has an international footprint and firms are exposed to the increasingly turbulent geopolitical environment. 72 per cent of Irish (re)insurers' gross written premiums related to international risks in 2024, while 38 per cent of firms' investments are issued outside the EEA as at 2025Q2.<sup>69</sup> Irish (re)insurers also make extensive use of reinsurance for risk management purposes. 97 per cent of reinsurance is placed outside of Ireland, with 86 per cent placed outside the EEA.<sup>70</sup> With such international reach comes a heightened exposure to geopolitical change. Irish (re)insurers have proved resilient to the direct and indirect effects of geopolitical turbulence in recent years. Nonetheless, the persistently volatile geopolitical environment will arguably remain the most important source of uncertainty for (re)insurers, underpinning the need for careful management of a spectrum of risks that includes: inflation spikes that drive increases in the costs of (re)insurance claims and expenses; corrections and

<sup>67</sup> Solvency coverage is measured as the ratio of available capital (known as "own funds" under Solvency II) to the solvency capital requirement.

<sup>68</sup> Life and non-life insurance undertakings with Irish gross written premiums above €200m in 2024.

<sup>69</sup> Excluding investments that are reported without a country of issue.

<sup>70</sup> Measured by reference to the Solvency II value of reinsurance recoverables at year-end 2024.

volatility of global financial markets; direct insurance losses on certain lines of business; and, reduced economic activity affecting the demand for insurance.

Particularly topical aspects of the Irish (re)insurance sector's international footprint are its relatively high exposures to the US and to currency risk. In 2024, 9 per cent of Irish firms' gross written premiums related to US risks, the second highest proportion across EEA countries. While a small number of reinsurers account for the majority of US premiums, nonetheless 31 firms derived more than 10 per cent of their premiums from the US. More generally, the extent of Irish firms' international reach translates to a relatively high exposure to currency risk. This is demonstrated by the €3.7 billion of capital held by firms to protect against currency risk, representing 30 per cent of market risk capital and 13 per cent of the total capital requirement. This level of capital would be sufficient for all firms to withstand significant currency movements. To date, firms have been resilient against recent currency moves of note, including US dollar depreciation.

Domestic insurers represent a significant portion of the Irish (re)insurance sector, and their business models have proved resilient. Although the largest domestically-focused retail firms are a relatively small cohort, they represent 29 per cent of the overall Irish sector by gross written premiums. These firms have demonstrated resilience in a challenging macroeconomic environment and, in 2024, grew their gross written premiums, achieved positive investment returns, and maintained stable solvency coverage. Within the domestic motor market, premiums continue to increase, though at a reducing rate.<sup>71</sup> This is in the context of a significant increase in the total cost of damage claims which has contributed to a reduced level of underwriting profit.<sup>72</sup>

Irish (re)insurers are significant investors in financial markets, with the typical firm maintaining a relatively low risk portfolio. Irish firms held €121 billion of non-linked investments at 2025Q2.<sup>73</sup> While 51 per cent are allocated to fixed interest securities, these assets are a good match to insurance liabilities, helping to hedge firms against changes in market interest rates. Significant investments in sovereign and corporate bonds generate credit spread risk, though bond holdings are typically issued by counterparties of high credit quality while corporate bonds are of short duration. Irish firms have a relatively low allocation to riskier assets and have not increased direct investments in so-called 'alternative assets', including private debt and equity. Finally, it is important to acknowledge that life insurers also hold €320 billion of mainly unit-linked investments which have a greater allocation to assets such as equities – while insurance policyholders retain the primary exposure to most of these assets, insurers retain significant second-order risk exposures through the link between future fee incomes and the value of assets under management.

Irish (re)insurers must continue to adapt to important changes in the general risk environment, notably climate change and cyber risk. Rapidly accelerating climate change requires a response in every aspect of all firms' businesses, including underwriting, investment management, counterparty exposures, and in-house operations. Robust cybersecurity risk management practices are required to safeguard all firms' operational resilience against an evolving cyber threat landscape, while Ireland is also home to specialist firms underwriting cyber insurance globally. The future paths of climate and cyber risks are uncertain and will be shaped in no small part by geopolitics.

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<sup>71</sup> See [CSO](#) for details.

<sup>72</sup> See [National Claims Information Database](#).

<sup>73</sup> Investments that are not held within a unit-linked or index-linked fund.

## Sovereign

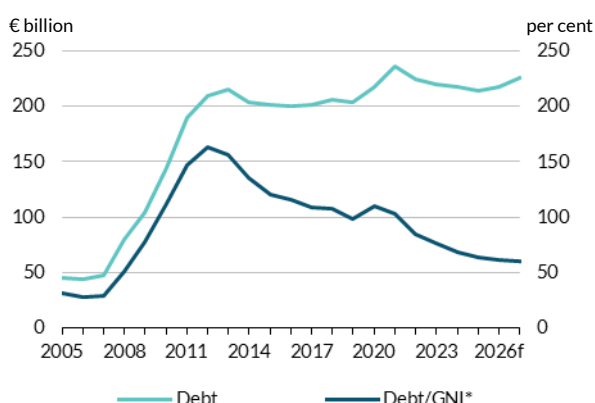
*The underlying budgetary position is in deficit and geopolitical developments, notably changes in US trade policy, pose significant downside risks to the Government's tax revenue. While overall debt dynamics remain favourable at present, resilience could be supported by anchoring spending growth to a national spending rule and broadening the tax base.*

Overall debt dynamics remain favourable, but the underlying general government balance (GGB) is in deficit and projected to deteriorate in coming years. General government debt is expected to decline – as a share of GNI\* – to approximately 60 per cent by 2027, aided by a favourable interest-growth differential (Chart 44). The headline GGB is also projected to be in surplus in 2025. However, once 'excess' corporation tax (CT) receipts that cannot be explained by underlying developments in the Irish economy are excluded, the underlying GGB is in deficit.

The reliance of the public finances on CT receipts is a key vulnerability. These receipts account for approximately one third of total revenue and are collected from an exceptionally narrow base of firms (Chart 45). There are material downside risks to continued revenue growth from this historically volatile source. Further escalation in geopolitical tensions that disrupts trade flows, supply chains and FDI could reduce the CT base. Implementing measures to broaden the tax base and diversify revenue collection would mitigate this risk and improve resilience.

**Chart 44: The general government debt ratio has fallen over recent years**

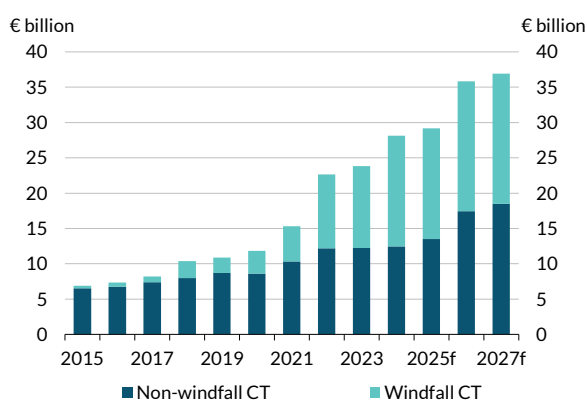
General government debt ratio and nominal level



Source: Central Bank of Ireland and CSO

**Chart 45: A large proportion of CT revenue relates to windfall receipts which are subject to reversal**

Corporation tax receipts



Source: Central Bank of Ireland and Revenue Commissioners

Notes: CT revenue excludes Apple monies related to CJEU ruling.

Significant spending pressures also challenge the sustainability of public finances. Government spending for 2025 has been revised upwards and is expected to exceed underlying revenue growth over 2025-2027. Resilience would be improved by introducing a national fiscal rule. The revised National Development Plan provides an extra €25.6 billion over 2026-2030 for investment but ageing and climate change will maintain pressure on spending over the long run. Maintaining payments into the Government saving funds will improve resilience, but additional revenue is needed to keep the public finances on a sustainable path over the medium term.

Financing costs are insulated from tighter market conditions in the short term due to the majority of debt interest being fixed at low rates, while upcoming redemptions are modest in scale. Cash balances currently stand at approximately €33 billion (equivalent to close to 10 per cent of GNI\*) and are expected to remain significant going into 2026. This strong balance sheet position provides near-term flexibility in the event of further volatility in the sovereign bond markets or a shift in market appetite for euro area sovereign debt.

# Macprudential policy

The Central Bank's macroprudential policies (Table 1) aim to safeguard financial stability. The Central Bank's macroprudential policy framework has three broad pillars: macroprudential capital buffers, the mortgage measures, and policies relating to non-banks, in particular investment funds. The Central Bank monitors and assesses each of its macroprudential policies regularly to ensure its policy stance remains appropriate for the prevailing systemic risk environment – promoting resilience proportionate to the risk environment.

**Table 1 | Summary of macroprudential policies**

|                                           | Instrument                                                                                                                                                                                                                                                                                                                                                               | Policy stance                                                                                                                                                                                                                                                                  | Additional information                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Macroprudential capital buffers for banks | <ul style="list-style-type: none"> <li>• <b>O-SII buffer</b> – aims to safeguard resilience of systemically important institutions.</li> </ul>                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>• 6 O-SIIs identified</li> <li>• Institution specific buffer rates range between 0.5% - 1.5%</li> </ul>                                                                                                                                 | <ul style="list-style-type: none"> <li>• 6 O-SIIs have buffer rates in place.</li> <li>• The 2025 review resulted in a minor adjustment to the buffer rate for one institution, which comes into effect immediately.</li> </ul>                                                                                                                                                                                                                                                                    |
|                                           | <ul style="list-style-type: none"> <li>• <b>CCyB</b> – aims to safeguard resilience of the banking sector as a whole, with a view to facilitating a sustainable flow of credit to the economy through the financial cycle.</li> </ul>                                                                                                                                    | <ul style="list-style-type: none"> <li>• 1.5%</li> </ul>                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>• The Q4 2025 review maintained the CCyB rate at 1.5%.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                           |
| Mortgage measures                         | <p>Aims to ensure sustainable lending standards in the mortgage market.</p> <ul style="list-style-type: none"> <li>• <b>LTV</b> – provides a buffer against the risk of house price falls, which could leave borrowers in negative equity.</li> <li>• <b>LTI</b> – provides a long-term link between developments in the housing market and the real economy.</li> </ul> | <ul style="list-style-type: none"> <li>• LTV: 90% for PDH loans, 70% for BTL loans</li> <li>• LTI: 3.5 times for SSB loans; 4 times for FTB lending</li> <li>• 15% of new FTB &amp; SSB lending segment is allowed above the limits. 10% in the case of BTL lending</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Policies relating to non-banks            | <p><b>Irish property funds</b> – aims to safeguard resilience of the sector, reducing the risk that financial vulnerabilities might amplify adverse shocks in future periods of stress.</p> <ul style="list-style-type: none"> <li>• <b>Leverage limit</b></li> <li>• <b>Liquidity guidance</b></li> </ul>                                                               | <ul style="list-style-type: none"> <li>• Leverage limit: 60% total debt to total assets ratio</li> <li>• Liquidity guidance: generally, property funds should provide for a liquidity timeframe of at least 12 months</li> </ul>                                               | <ul style="list-style-type: none"> <li>• Applies to funds domiciled in Ireland, authorised under domestic legislation, and investing over 50% of their portfolio in either directly or indirectly held Irish property assets.</li> <li>• Measures have applied to newly authorised funds since Nov 2022. An implementation period is provided for funds authorised prior to this date whereby leverage limits become effective from November 2027 and liquidity guidance from May 2024.</li> </ul> |
|                                           | <p><b>Irish authorised GBP-denominated LDI funds</b> – aims to safeguard resilience of these funds to sudden increase in yields.</p>                                                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>• 300 bps minimum yield buffer</li> </ul>                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>• Applies to GBP LDI funds domiciled in Ireland.</li> <li>• Measures have applied to newly authorised funds since 29 April 2024 and to all funds since 29 July 2024.</li> </ul>                                                                                                                                                                                                                                                                             |

## Macroprudential capital buffers

### Countercyclical capital buffer

*The CCyB rate on Irish exposures will remain at 1.5 per cent. Under the Central Bank's strategy for the CCyB, the 1.5 per cent rate is considered appropriate for when cyclical risk conditions are neither elevated nor subdued. Maintaining resilience is important in the context of the current macro-financial environment, which is characterised by a high degree of uncertainty for Ireland's small and globalised economy. Future CCyB rate decisions will be based on macro-financial conditions in a manner consistent with this strategy.*

The CCyB is the Central Bank's primary macroprudential policy instrument to safeguard resilience against macro-financial risks, including those stemming from the small and globalised nature of the Irish economy. The CCyB achieves this objective by building loss-absorbing capacity as the risks facing the banking system grow and reducing (or releasing) the CCyB as risks materialise or imbalances unwind. In that way, and interacting with the broader macroprudential and micropudential toolkit, the banking system is better able to withstand adverse shocks, without restricting the supply of credit to the economy. In meeting this objective, the Central Bank has set out that it expects to maintain a CCyB rate of 1.5 per cent, when cyclical risk conditions are deemed to be neither elevated nor subdued (Chart 46).

**Maintaining the CCyB rate at 1.5 per cent is consistent with the current macro-financial environment.** The assessment of macro-financial conditions underpinning the policy stance covers the macroeconomy, credit, real estate developments as well as banking sector conditions. The macro-financial backdrop (both global and domestic) is complex, and there are somewhat contrasting cyclical risk signals across sectors but with an overall assessment that, in aggregate, risk conditions remain aligned with maintaining the buffer rate at 1.5 per cent. As discussed in *Risks: Domestic*, the economy so far has displayed resilience, operating at near full employment. The central outlook is for continued growth, but significant downside risks remain, primarily from the external environment (see *Risks: Global*). Credit dynamics in aggregate continue to strengthen, particularly mortgage credit (Chart 47). But these developments do not present material indications of elevated risk at present. In contrast, more subdued cyclical dynamics are evident in SME credit<sup>74</sup> and the CRE market. Looking at banking sector conditions (see *Resilience: Domestic Banks*), while pockets of vulnerability exist, capital buffers support resilience against adverse events with the sector seemingly well placed to be able to absorb stressed scenarios.

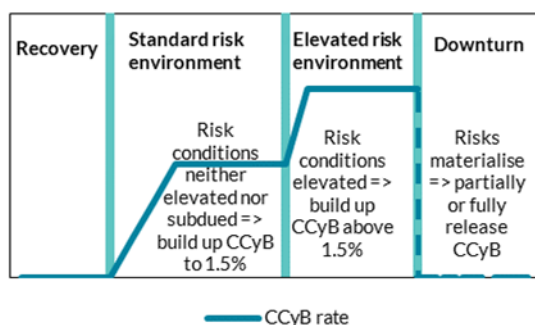
**Maintaining resilience is important in the context of the current, uncertain, macro-financial environment and the risks facing the financial system.** Future CCyB rate decisions will be based on macro-financial conditions in a manner consistent with the Central Bank's strategy for the CCyB (Chart 46). The CCyB could be increased above 1.5 per cent were the Central Bank to deem that cyclical risks reflect emerging imbalances or were elevated. On the other hand, having the CCyB in place provides scope for its release, should it be required in response to a materialisation of risks. As the risk environment can evolve quickly, the Central Bank remains alert to the need to adjust the buffer in either direction.

<sup>74</sup> While a modest uptick in new SME lending (both bank and non-bank) has been evident based on the most recently available data, the year-on-year growth rate in SME bank credit has generally remained negative and as of 2025Q2 stood at -4.5 per cent.



**Chart 46: The CCyB policy stance reflects the Central Bank's strategy for the buffer**

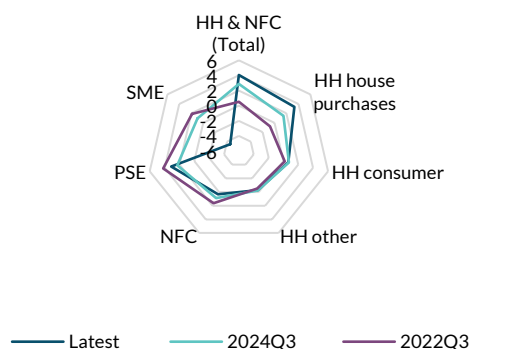
The Central Bank's framework for macroprudential capital



Source: [The Central Bank's framework for macroprudential capital](#)  
Notes: Stylised representation.

**Chart 47: Credit for house purchases and private sector enterprises have the highest growth rates**

Year-on-year credit growth by market segment (2022-2025)  
per cent



Source: Central Bank of Ireland Credit and Banking statistics  
Note: PSE denotes private sector enterprises. Last observation for monthly data is September 2025 and for quarterly data is June 2025.

## Buffers for systemically important institutions

*This year's O-SII assessment has resulted in the same six institutions being identified as systemically important as last year. Each O-SII is required to maintain an institution-specific buffer requirement which supports the resilience of the institution. For five of the six identified institutions, the buffer rate remains unchanged, with an adjustment to the buffer rate for one institution reflecting a refinement to the O-SII buffer framework. Buffer rates seek to reflect the systemic importance of each institution and the channels through which the institution is interconnected with both the domestic and international economy as well as with the broader financial system.*

O-SII buffers provide an additional layer of loss-absorbing capital for those institutions identified as systemically important. Institutions that are systemically important to the domestic economy or to the economy of the EU are referred to as O-SIIs. The failure of one of these systemically important institutions would have a greater impact on the financial system and economy than the failure of a non-O-SII. Higher capital requirements for these institutions, in the form of O-SII buffers, enhance the resilience of these institutions in line with their systemic nature.

This year's assessment has resulted in six institutions being identified as systemically important – representing no change relative to last year's assessment. Five institutions – AIB, BofAE, BBI, BOI, CEP – were identified in accordance with the mandatory EBA scoring methodology (Chart 48). One institution, PTSB, was identified as an O-SII based on supervisory judgement, given its importance in terms of providing financial intermediation services to the domestic non-financial private sector. The outcome reflects the make-up of the Irish banking system, which is composed of two distinct groups of banks, one serving the domestic economy and the other serving mainly European or global economies.

The institution-specific O-SII buffer rate for five of the O-SIIs remains unchanged, with an adjustment being made to the buffer rate for one institution (BofAE). Buffer rates seek to reflect the relative systemic importance of each institution and the channels through which the institution is interconnected with both the domestic and international economy as well as the broader financial system. Set by guided discretion, the O-SII buffers seek to ensure that those institutions which are most systemically important to the Irish economy have buffers which reflect

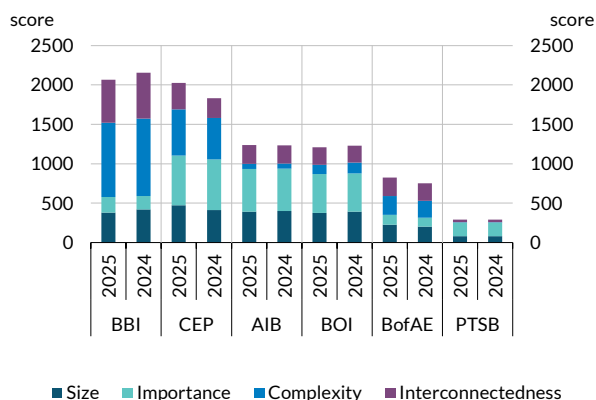
this domestic importance and those with less direct links to the economy have buffers which acknowledge the systemic importance through their international business and size. All buffers comply with the ECB's floor methodology (Chart 49), which aims to ensure minimum buffers are in place that are aligned with institutions' systemic importance and more broadly aims to foster a more consistent treatment of the most systemically important institutions across the euro area.<sup>75</sup> For those institutions where no change in the buffer rate is being made, buffer rates are already applicable. The adjusted buffer rate for BofAE comes into effect immediately.

### The O-SII buffer increases the resilience of those institutions that are most systemically important.

The adjustment in the buffer rate for BofAE does not reflect a substantive change in its underlying systemic footprint. Rather, it reflects a refinement to the overall O-SII buffer framework which looks to appropriately capture each institution's systemic footprint, acknowledging its relative importance both from a domestic and European perspective. At a national level, reflected for example in their respective EBA scores, BofAE's systemic footprint is substantively smaller than that of the two other O-SIIs with a similar internationally focused business model. Additionally, the institution's footprint in the context of the Banking Union (BU) is modest relative to other O-SIIs.<sup>76</sup> Acknowledging these factors, a modest adjustment in the buffer rate for the institution is seen as appropriate. The impact of the change on the aggregate weighted O-SII buffer rate across the identified institutions, and therefore the level of resilience in the system, is marginal, reducing from 1.12 per cent to 1.08 per cent.<sup>77</sup>

**Chart 48: Channels of systemic importance differ across identified institutions**

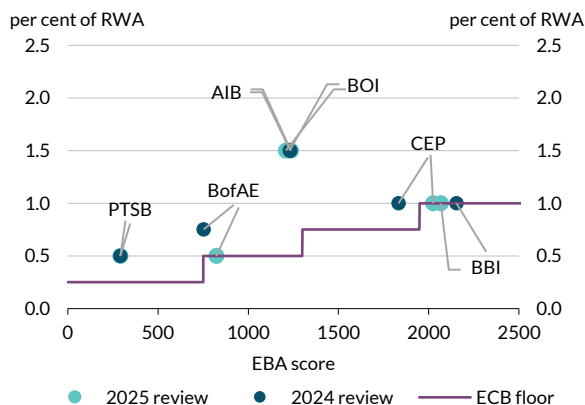
EBA O-SII score and category contributions



Source: Central Bank of Ireland

Notes: Data are contributions to overall EBA score. For each year only data for identified O-SIIs are shown.

**Chart 49: Buffer rates seek to provide resilience reflecting the relative systemic importance and channels of interconnection of individual institutions**  
O-SII buffer rates and ECB floor



Source: Central Bank of Ireland and ECB

Note: RWA refers to risk-weighted assets. ECB floor relates to the minimum buffer based on national EBA score.

<sup>75</sup> On 1 January 2025, the ECB started using an enhanced floor methodology. The enhanced methodology incorporates a banking union perspective for assessing systemic importance alongside the existing national perspective of systemic importance (See [Governing Council statement December 2024](#) & [Enhancing the ECB's O-SII framework, August 2025](#)). The Central Bank views the development of a European perspective to the O-SII buffer framework as a positive step, helping to provide additional insights on institutions' relative systemic importance at a banking union level - information which further supports O-SII buffer setting.

<sup>76</sup> This has been informed by banking union scores calculated by the ECB in line with their enhanced floor methodology. The ECB have noted they will disclose the bucket placements of individual O-SIIs every year after the national authorities complete their O-SII identification processes.

<sup>77</sup> Based on RWAs as of end-2024.

## Macroprudential mortgage measures

### Mortgage measures

*The mortgage measures are a key pillar of the Central Bank's macroprudential framework, aimed at ensuring sustainable lending standards in the mortgage market. The mortgage measures continue to prevent the emergence of an unsustainable relationship between credit and house prices and support the resilience of borrowers, lenders and the broader economy. New mortgage lending remains robust, supported by strong growth in incomes, with first-time buyers being the largest segment. There is no evidence that new mortgage lending is excessively driving house prices. Further, while a somewhat larger share of lending above the headline limits took place in 2025H1 than in recent years, the proportion of lending taking place at high LTIs remains contained.*

The mortgage measures are a key component of the Central Bank's macroprudential framework, aimed at ensuring sustainable lending standards in the mortgage market. The measures work by setting limits on the amount of money that people can borrow to buy residential property relative to their incomes and deposits. In doing so, the measures look to prevent the emergence of an unsustainable relationship between credit and house prices and ultimately support the resilience of borrowers, lenders and the broader economy.

New mortgage lending in 2025H1 continued at robust levels, seeing the highest H1 level of new lending since the mortgage measures were introduced. A total of €6.5 billion of new mortgage lending originated in 2025H1, an increase of 24 per cent compared to the same period in 2024 (Chart 50).<sup>78</sup> Underlying this, all lending types (FTB, SSB, BTL and refinances) saw increased lending values on a year-on-year basis but FTB lending remains the dominant component, accounting for circa 60 per cent of new lending in 2025H1.

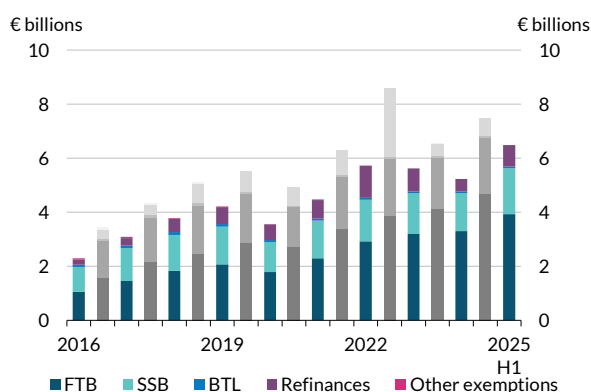
The distribution of new lending has adjusted to the new limits set by the targeted recalibration of the measures that came into effect in 2023, while overall lending standards remain contained. The targeted recalibration in 2023 sought to address some of the economic costs of the measures that had built-up over time, without unduly reducing the benefits of the measures. Since then, the distribution of new lending has adjusted to the new limits, so that in 2025H1, approximately 50 per cent of FTB lending took place between 3.5-4 times income (Chart 51). This is similar to the share seen in 2024 but substantially higher than prior to 2023. A similar pattern is evident in SSB lending where a shift in lending into the 80-90 per cent LTV range has occurred since 2023.<sup>79</sup> Looking at the overall distribution of PDH lending over time shows that the median LTI has increased, from 2.8 in 2016 to 3.4 in 2025H1, reflecting affordability pressures in the housing market. At the same time, the upper end of the distribution is significantly more contained than prior to the financial crisis – with the 90<sup>th</sup> percentile LTI now around 4 times compared to above 5.5 times in the mid-2000s. From an affordability perspective, there was a reduction in the proportion of new lending taking place at higher LSTI (>35 per cent) ratios. As interest rates have come down, this share has declined from a peak in late-2023. In 2025H1, the share of FTB/SSB new lending at LSTI ratio of >35 per cent was 5.5/9 per cent, respectively.

<sup>78</sup> The Central Bank publishes a regular overview of new mortgage lending under the mortgage measures which is available on its website [here](#).

<sup>79</sup> 34 per cent of SSB lending by value took place between 80 and 90 per cent LTV in 2025H1. The equivalent figures in 2022 and 2024 respectively were 12 per cent and 32 per cent.

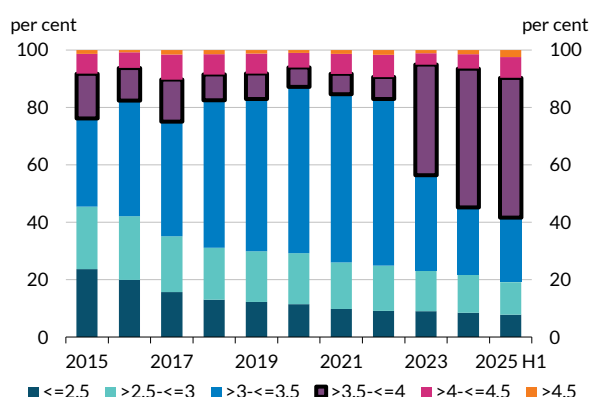
**Chart 50: New mortgage lending remained robust in 2025H1 with FTB lending accounting for the largest share**

Breakdown of new lending volume by type (2016 – 2025H1)



**Chart 51: The share of FTB lending in the LTI range of 3.5-4 has adjusted to the recalibration in 2023. The share of lending above 3.5x LTI increased in 2025H1 relative to 2024.**

FTB LTI categories



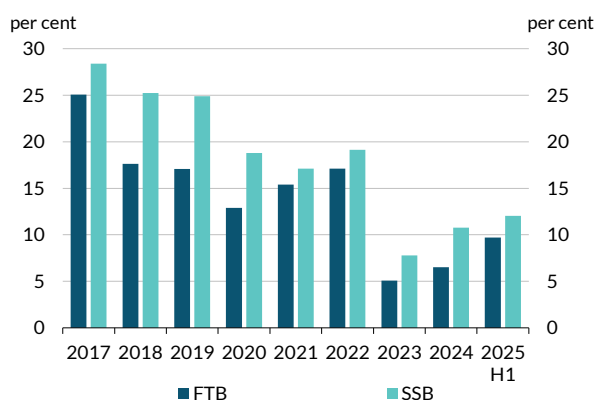
The allowances, or the share of lending allowed above the headline limits, remain an important part of the mortgage measures framework, and while utilisation increased somewhat in 2025H1, it remains substantially below the levels seen prior to the recalibration in 2023. In 2025H1, circa 10 per cent of FTB lending took place above the headline limits, or 11 per cent in the case of SSB lending (Chart 52). Both represent somewhat of an increase on levels seen in 2023 and 2024. At the same time, the share of lending with an allowance remains well below that seen prior to the targeted recalibration in 2023 (Chart 52). Reducing the reliance on the allowances was one of the elements underlying the outcome of the framework review. Nonetheless, the allowances continue to be an important feature of the mortgage measures framework, allowing lenders to take account of individual circumstances and for issues faced in particular segments of the market to be addressed.<sup>80</sup> The system of carryover allows institutions to utilise allowances unused in a given year in the first half of the following year.<sup>81</sup> In aggregate across all lenders and lending types, there was approximately €1 billion in unused allowances in 2024. The value of loans issued in 2025H1 under the carryover system amounted to in the region of €250 million.

<sup>80</sup> In recent years there has been a somewhat lower share of borrowers in Dublin and joint borrowers in the FTB allowance group. In contrast, within the allowance group for SSBs there has been an increase in the share of borrowers in Dublin.

<sup>81</sup> Carryover permits, within the specified limits of the measures, lenders who have allowance lending which has not been allocated in a given year to utilise this in the first half of the following year, on the condition that such lending was fully approved in the given year.

**Chart 52: The share of lending above the headline limits is increasing for both FTB and SSB borrowers, but remains lower than historical values**

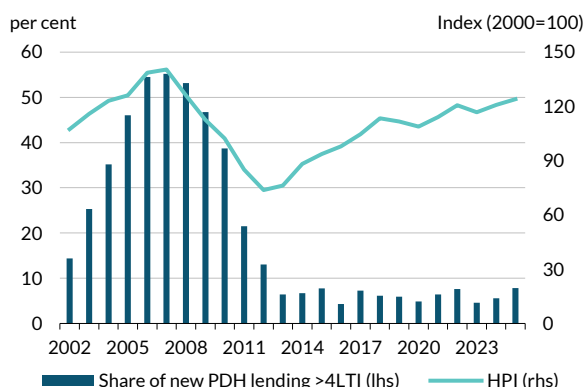
Share of new lending above LTI and LTV limits



Source: Central Bank of Ireland Monitoring Templates Data  
Notes: PDH in-scope loans for new property purchase and self-build. Share of value.

**Chart 53: The mortgage measures have helped to contain the emergence of a tail of highly indebted households even as house prices have increased relative to incomes**

Share of new PDH lending above 4x LTI and house price-to-income ratio



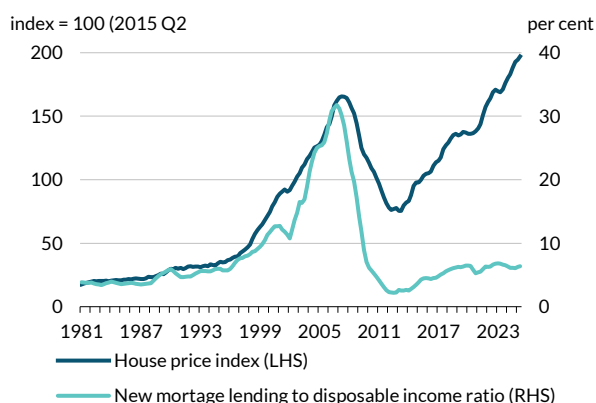
Source: Central Bank of Ireland Loan-level data and Monitoring Templates Data, CSO and Central Bank of Ireland calculations  
Note: PDH new property purchase/self-build loans only. Loans in-scope of the mortgage measures only included from 2015-2025H1. Loans originated in January 2015 with pre-implementation approval are also excluded. Loans at LTI ratios above 10 are assigned an LTI of 11, to avoid distortions by extreme outliers in data prior to 2015.

Overall, the mortgage measures continue to meet their objective of ensuring sustainable lending standards and – in doing so – safeguarding resilience and reducing the potential for a harmful link between credit and house prices.<sup>82</sup> The benefits of the measures in supporting resilience have been evident in recent years, in an environment of heightened economic volatility. The measures have supported overall borrower resilience as can be seen in lower levels of financial distress amongst mortgagors (e.g. lower flows into new mortgage default). At the same time, the measures have helped constrain the emergence of a tail of highly-indebted households – as evident in the contained share of lending above 4x LTI relative to the mid-2000s (Chart 53) despite an environment where house prices have risen relative to incomes. The measures have also helped to guard against the emergence of an adverse feedback loop between house prices and credit. While mortgage credit has been flowing to the economy in aggregate, that growth has been broadly in line with nominal income growth, and much less than house price growth (Chart 54).

<sup>82</sup> A broad overview of the operation of the mortgages measures since their introduction is discussed in [The Macropprudential Mortgage Measures Ten Years on: Taking Stock](#), Speech by Deputy Governor Madouros at Dublin Economic Workshop, September 2025.

**Chart 54: The ratio of new mortgage lending to disposable income remains relatively steady since 2023 and is much less than house price growth**

House prices and new mortgage lending to disposable income ratio



Source: CSO, BPI, Department of Housing, Local Government and Heritage and Central Bank of Ireland calculations

Note: New mortgage lending to disposable income ratio is a 4-quarter moving average. Last observation 2025 Q2.

## Macroprudential policy for non-banks

Developing a macroprudential framework for non-banks, with a focus on the investment funds sector, remains a key priority for the Central Bank. This policy focus reflects the scale of the investment funds sector resident in Ireland and its interconnectedness to the wider financial system and, in some cases, with the real economy. The Central Bank outlined what it considers the most important elements in the development of a comprehensive macroprudential framework for the funds sector in a [Discussion Paper](#) published in July 2023, and reflected on the feedback provided in the subsequent [Feedback Statement](#), published last year. The principles outlined in the Discussion Paper informed the Central Bank's response to the European Commission's consultation assessing the adequacy of macroprudential policies for non-banks in Europe.

The Central Bank continues to engage actively in international work that seeks to strengthen the macroprudential lens of the regulatory framework for investment funds. In July 2025, the Financial Stability Board (FSB) published a [set of policy recommendations](#) to enhance the monitoring of, and address financial stability risks from, the use of leverage among non-banks. The Central Bank welcomes these and supports their implementation. Relatedly, the Central Bank is currently analysing the financial stability risk from Irish domiciled hedge funds. Similarly, the Central Bank supports the implementation of the FSB's [revised policy recommendations](#) on liquidity risk management in open-ended funds (OEFs) and IOSCO's [final guidance](#) on liquidity management tools (LMTs), both published in December 2023. The recommendations call for greater inclusion of price-based or anti-dilution LMTs in constitutional documents and their greater use, and more consistent use, in both normal and stressed conditions. The Central Bank believes these proposals would introduce a necessary level of resilience for liquidity management across the funds sector.

Reflecting our support for the work led by the FSB and IOSCO on liquidity risk management in OEFs, the Central Bank is working domestically to understand better how price-based or anti-dilution LMTs are used in Irish-domiciled funds. This includes work on issues such as incorporating the market impact of asset sales into swing factors, examining inconsistencies in the use of these tools, and understanding their use in normal as well as stressed market conditions. As part of this



work, the Central Bank has conducted surveys of Irish-authorised funds regarding LMT availability and use, followed by targeted engagement with a number of fund management companies.

### Macroprudential measures for Irish property funds

*The Central Bank continues to monitor the phased implementation of the macroprudential measures for Irish property funds, which were announced in November 2022. Funds in scope of the measures are making progress towards meeting the 60 per cent leverage limit through a combination of asset disposals, equity injections, and a reduction in non-equity liabilities. Looking ahead, while improving CRE market values may help funds to reduce their leverage, additional planning is required for funds to meet the leverage limit by the end of the implementation period in November 2027.*

Irish property funds are making progress to meet the leverage limit with a decline in aggregate leverage observed over 2024. Irish property funds remain a key participant in the Irish CRE market (see *Resilience: Investment funds and non-bank lenders*), with holdings of €28.4 billion in Irish CRE assets at end-2024, of which €7.7 billion are held indirectly via subsidiaries or related entities. Funds that need to comply with the measures by end-2027 saw a decline in leverage of 1.5 percentage points to 46.3 per cent in 2024. Funds reduced leverage largely via asset disposals (€1.5 billion), a reduction in non-equity liabilities (€1.2 billion), and equity inflows (€1 billion). The decrease in non-equity liabilities was driven by a fall in bank debt (almost half from Irish retail banks) and, to a lesser extent, by a reduction in shareholder loans. These declines were partly offset by an increase in non-bank debt. Overall, there has been a cumulative decrease in aggregate leverage since the announcement of the measures in November 2022. Over the same period, the number of property funds in scope of the measures has remained steady. The Central Bank authorised a number of new funds over the course of 2024 and in the first nine months of 2025.

Sales of CRE assets in 2024 were evenly split between funds with leverage below and above the 60 per cent leverage limit (Chart 55). For funds with leverage above 60 per cent, the majority of sales and equity outflows were accounted for by funds that, from the data, appear to be winding down.<sup>83</sup> For those funds not winding down, but with leverage above 60 per cent, leverage was reduced mainly by adjusting their liability mix, with a net decrease in non-equity liabilities of €1.1 billion. Purchases of CRE assets and equity inflows were predominantly relating to property funds with leverage below 60 per cent.

While improving CRE market values in some sectors might help funds adjust their leverage towards the limit, additional leverage reduction planning is needed for some property funds. The Central Bank requires Irish property funds authorised before November 2022 that are above or close to the leverage limit to submit plans on how they actively intend to reduce or maintain leverage below 60 per cent.<sup>84</sup> The Central Bank expects that Irish property funds continue to set out actions over the remainder of the implementation period to ensure that leverage is reduced in a gradual and orderly manner to comply with the limit in November 2027.<sup>85</sup> In this respect, further progress to gradually reduce leverage primarily through adjustments to funds' liability mix – as it has been the case to date – is more likely to facilitate an orderly adjustment.

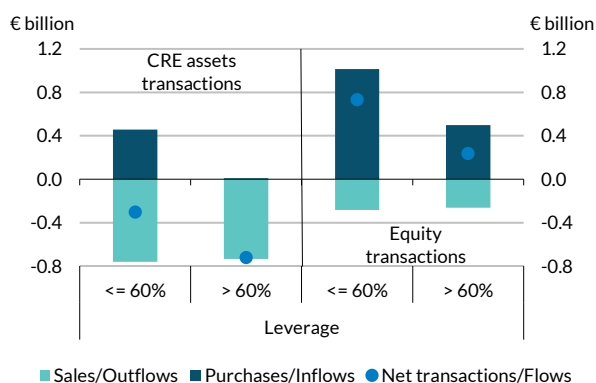
<sup>83</sup> Funds are interpreted to be winding down where they have reported zero CRE exposures following substantial sales.

<sup>84</sup> A 50 per cent reporting threshold was selected to allow for the possibility that idiosyncratic variations in property prices might cause funds with leverage close to but below 60 per cent to be pushed above the leverage limit.

<sup>85</sup> See the Central Bank's [macroprudential policy framework for Irish property funds](#).

**Chart 55: Irish property funds reduced leverage in 2024 via asset disposals and equity injections**

Irish property funds' CRE asset transactions and equity transactions, split by fund leverage

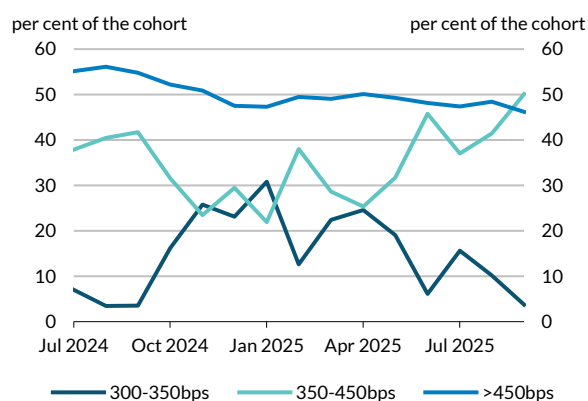


Source: Irish Property Funds data return

Note: Shows only funds authorised pre-November 2022 and therefore subject to the implementation period.

**Chart 56: GBP LDI funds have maintained a high level of resilience, with most gilts held by funds with yield buffers well above 300bps**

Share of the GBP LDI cohort's gilt holdings by monthly average yield buffer



Source: Monthly data return reported as part of the LDI measures

Note: Shares are weighted by funds' gilt holdings. No fund reported a buffer <300bps in this period.

## Macroprudential measures for Irish GBP-denominated LDI funds

*The Central Bank continues to monitor Irish-authorised GBP-denominated LDI funds' compliance with the macroprudential measures introduced in July 2024. The cohort of LDI funds subject to the macroprudential measures has maintained resilience to a minimum 300bps increase in UK gilt yields with most funds maintaining resilience to an increase in yields well in excess of 300bps.*

Since July 2024, the Irish-authorised GBP-denominated LDI fund cohort has complied with the 'yield buffer' requirement to remain resilient to a minimum 300bps increase in UK gilt yields. As important investors in the UK government bond market, owning between 5 and 10 per cent of the total outstanding amount, Irish-authorised GBP-denominated LDI funds played an important role during the 2022 gilt market crisis. In order to safeguard the resilience of this cohort, the Central Bank introduced measures to indirectly limit funds' leverage. Since implementation, no Irish-authorised GBP-denominated LDI fund has yet reported a monthly-average yield buffer below the regulatory minimum. Therefore, no fund has yet availed of the in-built flexibility that permits funds to report a yield buffer below 300bps once over the last four reported observations.

In line with the Central Bank's framework for GBP-denominated LDI funds, the evidence so far indicates that the fund cohort has maintained resilience to an increase in yields well in excess of 300bps. To manage idiosyncratic variations in the value of their portfolio, the Central Bank's framework calls for funds to consider maintaining their yield buffer above the minimum.<sup>86</sup> The Central Bank considers that this is particularly important where operational challenges may prevent investors from being able to meet capital calls quickly. The tail of funds with a monthly-average yield buffer less than 350bps accounted for less than 5 per cent of the cohort's gilt holdings in September 2025, although this share reached as high as 30 per cent in January 2025 and 24 per cent in April 2025 (Chart 56). Both of these months were marked by sharp increases in UK government bond yields. Most of the cohort has maintained resilience to an increase in yields materially in excess of 300bps.

<sup>86</sup> See the Central Bank's [macroprudential policy framework for Irish-authorised GBP-denominated LDI funds](#).

# Abbreviations

Country and currency abbreviations follow the [European Union standards](#).

|              |                                                      |              |                                                        |
|--------------|------------------------------------------------------|--------------|--------------------------------------------------------|
| <b>AI</b>    | Artificial Intelligence                              | <b>LTV</b>   | Loan to value ratio                                    |
| <b>AIB</b>   | Allied Irish Bank                                    | <b>MDD</b>   | Modified domestic demand                               |
| <b>AUM</b>   | Assets under management                              | <b>MNE</b>   | Multi-national enterprise                              |
| <b>BBi</b>   | Barclays Bank Ireland                                | <b>MSCI</b>  | Morgan Stanley Capital International                   |
| <b>BofAE</b> | Bank of America Europe                               |              |                                                        |
| <b>BOI</b>   | Bank of Ireland                                      | <b>NATO</b>  | North Atlantic Treaty Organisation                     |
| <b>BPFI</b>  | Banking & Payments Federation Ireland                | <b>NBFI</b>  | Non-bank financial intermediation                      |
|              |                                                      | <b>NBL</b>   | Non-bank lender                                        |
| <b>BTL</b>   | But-to-let                                           | <b>NFC</b>   | Non-financial corporation                              |
| <b>CBRE</b>  | Coldwell Banker Richard Ellis Group                  | <b>NTMA</b>  | National Treasury Management Agency                    |
| <b>CCR</b>   | Central Credit Register                              |              |                                                        |
| <b>CCyB</b>  | Countercyclical capital buffer                       | <b>OECD</b>  | Organisation for Economic Co-operation and Development |
| <b>CEP</b>   | Citibank Europe                                      |              |                                                        |
| <b>CET1</b>  | Common equity tier 1                                 | <b>OFI</b>   | Other financial institution                            |
| <b>CJEU</b>  | Court of Justice of the European Union               | <b>O-SII</b> | Other Systemically Important Institutions              |
|              |                                                      |              |                                                        |
| <b>CRE</b>   | Commercial real estate                               | <b>PDH</b>   | Primary dwelling house                                 |
| <b>CRR</b>   | Capital Requirements Regulation                      | <b>PMI</b>   | Purchasing managers' index                             |
| <b>CSO</b>   | Central Statistics Office                            | <b>PTSB</b>  | Permanent TSB                                          |
| <b>CT</b>    | Corporation tax                                      | <b>RRE</b>   | Residential real estate                                |
| <b>DPD</b>   | Days past due                                        | <b>RWA</b>   | Risk-weighted asset                                    |
| <b>DSTI</b>  | Debt service to income                               | <b>SME</b>   | Small and medium enterprise                            |
| <b>EA</b>    | Euro area                                            | <b>SSB</b>   | Second and subsequent buyer                            |
| <b>EBA</b>   | European Banking Authority                           | <b>VAT</b>   | Value added tax                                        |
| <b>ECB</b>   | European Central Bank                                | <b>WEO</b>   | World Economic Outlook                                 |
| <b>EME</b>   | Emerging market economies                            | <b>YE</b>    | Year end                                               |
| <b>EU</b>    | European Union                                       | <b>YTD</b>   | Year to date                                           |
| <b>FDI</b>   | Foreign direct investment                            |              |                                                        |
| <b>FSB</b>   | Financial Stability Board                            |              |                                                        |
| <b>FSR</b>   | Financial Stability Review                           |              |                                                        |
| <b>FTB</b>   | First-Time Buyer                                     |              |                                                        |
| <b>GDP</b>   | Gross domestic product                               |              |                                                        |
| <b>GFC</b>   | Global Financial Crisis                              |              |                                                        |
| <b>GGB</b>   | General government balance                           |              |                                                        |
| <b>GNI</b>   | Gross national income                                |              |                                                        |
| <b>GVA</b>   | Gross value added                                    |              |                                                        |
| <b>HFCS</b>  | Household Finance and Consumption Survey             |              |                                                        |
| <b>IFRS</b>  | International financial reporting standard           |              |                                                        |
| <b>IMF</b>   | International Monetary Fund                          |              |                                                        |
| <b>IOSCO</b> | International Organisation of Securities Commissions |              |                                                        |
|              |                                                      |              |                                                        |
| <b>LDI</b>   | Liability driven investment                          |              |                                                        |
| <b>LMT</b>   | Liquidity management tools                           |              |                                                        |
| <b>LSTI</b>  | Loan service to income                               |              |                                                        |
| <b>LTI</b>   | Loan to income ratio                                 |              |                                                        |

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