Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Central Bank of Ireland
Financial Stability Review 2026:II



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1. Unless otherwise stated, this document refers to data available on 30 October 2026.

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

Risks stemming from developments in the rest of the world have increased and remain elevated, amid increasing AI-driven debt financing, rising sovereign risk and ongoing geopolitical tensions. Global economic activity has remained resilient, despite the recent energy shock, but that is partly due to the strength of AI-related investment. In turn, that investment increasingly relies on debt financing by hyperscalers, often through complex and circular funding structures, which has strengthened links to the financial system. Any slowdown in AI investment or expected profits could lead to a repricing in financial markets and a reduction in economic growth and resilience. The rapid development of AI models is also increasing the sophistication of cyber threats, leading to increased cyber security risks. Sovereign bond yields have increased across the curve, which limits fiscal space to respond to adverse shocks and address structural challenges. Such risks could be amplified through exposures of leveraged NBFIs to US technology firms and to sovereign debt. The potential for one shock to trigger and amplify multiple risks simultaneously remains high.

Domestic risks are structurally intertwined with global developments. The State's fiscal position, external trade dynamics and investment are all heavily influenced by a handful of large multinational enterprises. A shock that adversely affects activity of these companies could have a significant effect on domestic economic growth and, through that, the financial system. Furthermore, a strong reliance on imported energy poses upside risks to inflation due to the prolonged conflict in the Middle East. While the aggregate resilience of domestic households, businesses and the financial system is strong, with significant buffers available to absorb a shock, this resilience would be tested by simultaneous shocks to AI-related valuations, energy prices, and fiscal revenues.

Global growth has remained resilient, increasingly supported by AI-related investment. Despite a material supply-side shock, global economic activity has been stable. In part, that has been driven by significant AI infrastructure investment although there are distinct trends across countries. Economies with strong connections to the AI investment cycle have seen strong upwards revisions to growth forecasts for 2026 and 2027, while energy importing economies have seen downward revisions. This is evident in divergent growth expectations for the euro area and US.

The outlook for inflation is being shaped by the ongoing conflict in the Middle East resulting in market expectations for rates to stay higher for longer. Energy prices are the main driver of euro area inflation, with volatility in oil and gas prices likely continuing into 2027 due to unstable geopolitical environment. Central banks have tightened monetary policy in response and markets expect further policy rate increases over the next two years, reflecting the risk of more persistent inflation.

The exceptional scale and speed of the AI build-out has led to a surge in debt issuance by hyperscalers, with complex financing structures making it challenging to assess links to the financial system. The recent acceleration in debt financing exposes AI investments to repayment risks, which may crystalise if earnings of companies in the AI ecosystem fail to match current expectations. Complex and circular revenue and financing structures compound these risks and could cause losses to spread rapidly through the market. Hyperscalers' CDS

spreads have widened in recent months, with investors beginning to question AI companies' ability to generate returns commensurate with the scale of investment.

The rapid development of advanced AI models comes at a time of already heightened cyber-security risks for the financial sector. The development of frontier AI models has led to a step change in the nature of cyber risk by reducing the time, cost and expertise needed to identify and exploit system vulnerabilities and increasing autonomous cyber-attack capabilities. The risk of identification and exploitation of existing vulnerabilities in financial entities is becoming increasingly material, requiring heightened attention on operational resilience.

Equity market valuations remain elevated despite recent volatility, with concentration in AI-related stocks creating acute repricing risks. Developments in equity prices are being heavily influenced by strong earnings expectations at hyperscalers, while single-stock volatility remains elevated as markets continuously reassess winners and losers. Longer-term indicators signal high valuation in a stock market which is increasingly sensitive to the developments of a handful of companies. Increased leverage at AI-related firms and their investors add to the risk of forced selling if earnings fail to keep pace with expectations.

Persistent budget deficits have pushed sovereign debt of several advanced economies to elevated levels, driving yields higher and constraining capacity to respond to shocks or invest in key infrastructure. Sovereign bond yields are being driven higher across the curve by a combination of fiscal sustainability concerns, inflation and expectations of higher policy rates for longer. Pressure on long-term sovereign yields has been amplified by competition from hyperscaler issuance and reduced demand for sovereign bonds from institutional investors. The factors driving elevated yields are likely to persist over the medium term and will continue to limit the capacity of governments to respond to adverse shocks and address structural challenges.

These risks are all interconnected meaning that a shock to one asset class could spread across the financial system. Private credit funds were subject to elevated requests for outflows earlier this year, largely due to concentrated exposures in software companies and potential AI-disruption. Amid rising valuations, the euro area NBFI sector (particularly investment funds) has seen rising exposures to US technology and AI-related firms. Furthermore, leveraged hedge funds have increased their presence in sovereign bond markets. The combination of elevated AI valuations, substantial debt-funded investment, interconnected exposures, pockets of leverage, opacity of some NBFI financing and rising sovereign yields creates conditions where a shock to one sector could spread across the financial system.

Domestic economic growth has proven resilient since the last *Review*, despite a challenging global environment. Modified Domestic Demand grew by 4 per cent in 2026Q2 with consumer spending growing steadily, and contributions from AI-related investment highlighting the importance of MNEs to the economy. In addition, the reliance on imported energy and relatively modest transition to renewables heightens the Irish economy's exposures to the geopolitical environment. Inflation has risen on the back of higher energy prices. While it is expected to moderate over the course of 2027, uncertainty is high and further shocks would increase cost of living pressures and stretch debt-servicing capacity of households and businesses.

The presence of large foreign-owned multinationals in Ireland, and the contribution of AI-related investments to growth, leaves Ireland exposed to an AI-related shock. A repricing of AI valuations or a slowdown in hyperscaler investment could simultaneously reduce MNE investment, reduce corporation tax revenues, trigger losses in financial markets, and reduce employment in AI-related sectors. This would affect growth, fiscal sustainability, and household debt-servicing capacity. While direct equity market exposures of banks, households and NFCs to this sector are relatively low and the direct wealth effects in Ireland of a market correction may be more contained than in other countries, the broader second round effects on economic activity and financial conditions are likely to be significant.

Ireland's fiscal position is heavily dependent on a small number of MNEs, while higher sovereign yields increase the cost of borrowing. Estimates suggest that five technology firms accounted for almost a third of corporation taxes in 2025 and despite positive headline figures, the underlying fiscal position is becoming more fragile. Irish sovereign yields are currently favourable in a European context, but wider stress in government bond markets could spillover to domestic yields. A significant retrenchment in excess corporation tax would lead to more borrowing at a higher cost, in the absence of constraining expenditure or increasing alternative revenue sources.

The domestic commercial property market remains vulnerable to global financial conditions and sectoral changes in demand. Following a significant decline between 2020 and 2025, CRE capital values have stabilised this year. With international investors, as financiers and owners, and multinational firms as tenants, the domestic market will remain highly sensitive to global financial conditions. Furthermore, persistently higher interest rates could put pressure on valuations. There continues to be structural weakness in demand for some parts of the market, with older, less energy-efficient elements of the retail and office sectors particularly affected.

The pace of residential real estate price growth has eased, but affordability remains a key issue. Several indicators point to stretched affordability in both in the owner-occupier and the rental segments of the housing market. Residential construction activity continues to expand, supported by a range of policy actions taken by the government. Potential negative effects of the war in the Middle East on input costs, deficits in supporting infrastructure and a lengthening of time taken to deliver units has increased uncertainty around housing output.

The mortgage measures continue to meet their objectives of ensuring sustainable lending standards in the mortgage market. Mortgage lending activity remains robust with 2026H1, seeing the highest volume of H1 new lending since the introduction of the measures in 2015. The distribution of lending in 2026H1 was broadly in line with that seen in 2025, with a large portion of lending occurring close to the LTI and LTV limits. The measures have helped contain the share of lending above 4 times LTI to well below levels seen in the mid-2000s. New mortgage lending has been growing in line with disposable incomes with no evidence of an unsustainable dynamic between credit and house prices.

The resilience of domestic borrowers is strong with households and businesses maintaining healthy balance sheets, but rising costs of energy and debt, as well as the potential future effects of AI on the labour market, could challenge resilience. Loan performance indicators are at historically strong levels for most cohorts of households and businesses, supported by

robust economic growth, employment and financial reserves. This provides a significant buffer to protect against rising costs. Certain AI-exposed sectors have a high concentration of mortgage borrowers. While these sectors may see productivity gains, the long-term effects are uncertain and the potential for AI-driven displacement or wage compression represents a structural shift that could affect debt servicing capacity.

Domestic retail banks maintain robust capital and liquidity buffers, with profitability benefitting from net interest income dynamics. The loan books of Irish banks are predominantly funded by low-cost household and firm deposits, which are generally less expensive than wholesale market funding. Partly due to this funding structure, domestic banks have historically benefitted when rates increase. While future rate increases may lead to increased credit risk and challenge borrowers' repayment capacity, indicators of credit quality have improved. Macroprudential capital buffers support the resilience of the banking sector and the Central Bank is maintaining its existing policy stance for both the CCyB and O-SII buffer.

Non-banks continue to have important links with the domestic economy. Non-bank new lending to all NFCs increased in 2025, though this growth was driven by lending to large NFCs; lending to SMEs declined. Separately, but also within the non-bank landscape, Irish property funds have increased their exposure to the domestic CRE market whilst a reduction in their leverage supports their resilience.

The Central Bank continues to support the implementation of wider international initiatives to strengthen the macroprudential lens of the regulatory framework for NBFIs. Reflecting this, the Central Bank undertook analytical work to understand better how price-based liquidity management tools are used by Irish-domiciled funds and subsequently published a Good Practices guide. The Central Bank continues to support the implementation of internationally agreed reforms on non-bank leverage, and European work to enhance MMF resilience, which was recently finalised. 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. Dírítear 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.

Forbhreathnú

Tá méadú tagtha ar rioscaí a thig as forbairtí sa chuid eile den domhan, agus tá na rioscaí sin ardaithe i gcónaí i bhfianaise maoiniú fiachais á spreagadh ag IS, riosca ceannasach atá ag méadú agus teannas geopholaitiúil leanúnach. Tá gníomhaíocht eacnamaíoch dhomhanda athléimneach i gcónaí d'ainneoin an tsuaite fuinnimh le déanaí, ach tá sé sin inchurtha go páirteach do neart na hinfheistíochta in IS. Dá réir sin, bíonn an infheistíocht sin ag brath níos mó agus níos mó ar mhaoiniú fiachais ag hipearscálairí, go minic trí struchtúir maoiniúcháin atá casta agus ciorclach, rud a neartaíonn na naisc leis an gcóras airgeadais. D'fhéadfadh athphraghsáil ar mhargaí airgeadais agus laghdú ar fhás eacnamaíoch agus athléimneacht teacht as aon mhoilliú ar infheistíocht in IS nó ar bhrabúis ionchasacha. Tá cibearbhagairtí sofaisticiúla ag méadú de thoradh na forbartha gasta atá ag teacht ar shamhlacha IS, rud is cionsiocair le rioscaí cibearshlándála méadaithe. Tá méadú tagtha ar thorthaí ar bhannaí ceannasacha ar fud an chuair, rud a theorannaíonn an spás fioscach atá ann chun freagairt do shuaitíí díobhálacha agus chun dul i ngleic le dúshláin struchtúracha. D'fhéadfaí go méadófaí na rioscaí sin trí neamhchosaintí idirghabhálaithe airgeadais neamhbhainc (NBFIanna) giaráilte ar ghnólachtaí teicneolaíochta SA agus ar fhiachas ceannasach. Tá ionchas ard ann i gcónaí go bhféadfadh suaitheadh aonair rioscaí iolracha a spreagadh agus a mhéadú ag an am céanna.

Tá rioscaí intíre idirnasctha go struchtúrach le forbairtí domhanda. Tá staid fhioscach, dinimic trádála eachtraí agus infheistíocht an Stáit go mór faoi thionchar ag roinnt fiontar mór ilnáisiúnta. Bheadh éifeacht shuntasach ag suaitheadh a dhéanfadh difear díobhálach do ghníomhaíocht na gcuideachtaí sin ar an bhfás eacnamaíoch intíre agus, ar an gcaoi sin, ar an gcóras airgeadais. De bhreis air sin, tá rioscaí ar an taobh thuas don bhoilsciú ag baint leis an spleáchas mór ar fhuinneamh allmhairithe de bharr na coinbhleachta faidréisí sa Mheán-Oirthear. Cé go bhfuil athléimneacht chomhiomlán teaghlach intíre, gnóthaí agus an chórais airgeadais láidir i gcónaí, agus go bhfuil maoláin shuntasacha ar fáil chun suaitheadh a sheasamh, dhéanfaí an athléimneacht sin a thástáil dá mbeadh suaití comhuaineacha ann do luacháalacha IS, do phraghsanna fuinnimh, agus d'ioncam fioscach.

Tá fás domhanda athléimneach i gcónaí, agus tá infheistíocht a bhaineann le IS ag tacú go mór leis sin. D'ainneoin suaitheadh ábhartha ó thaobh an tsoláthair de, tá gníomhaíocht eacnamaíoch dhomhanda cobhsaí. Tá sé sin á spreagadh go páirteach ag infheistíocht shuntasach i mbonneagar IS cé go bhfuil treochtaí leithleacha i gceist sna tíortha éagsúla. Tá athbhreithnithe láidre aníos feicthe ar réamhaisnéisí fáis do 2026 agus 2027 i ngeilleagair a bhfuil dlúthnasc acu le timthriall infheistíochta IS, fad atá athbhreithnithe anuas feicthe i ngeilleagair a allmhairíonn fuinneamh. Tá sé seo le feiceáil sna hionchais éagsúla fáis don limistéar euro agus do na SA.

Tá an t-ionchas don bhoilsciú á mhúnlú ag an gcoinbhleacht leanúnach sa Mheán-Oirthear, rud a fhágann go mbeidh ionchais an mhargaidh do rátaí ardaithe ar feadh tréimhse níos faide. Is iad praghsanna fuinnimh príomhspreagadh an bhoilscithe sa limistéar euro agus is dócha go leanfaidh an luaineacht i bpraghsanna ola agus gáis in 2027 de bharr na timpeallachta éagobhsaí geopholaitiúla. Tá an beartas airgeadaíochta daingnithe ag bainc cheannais mar

fhreagairt air seo agus tá margaí ag súil le méaduithe eile ar an ráta beartais sa dhá bhliain atá romhainn, rud a fhreagraíonn don riosca a bhaineann le boilsciú níos seasmhaí.

Mar thoradh ar scála agus luas eisceachtúil fhorbairt IS, tá borradh tagtha ar eisiúint fiachais ag hipearscálairí, agus is doiligh na naisc leis an gcóras airgeadais a mheas mar gheall ar struchtúir chasta maoiniúcháin. Leis an luasghéarú le déanaí ar mhaoiniú fiachais, tá infheistíochtaí in IS neamhchosanta ar rioscaí aisíocaíochta, ar rioscaí iad a d'fhéadfadh teacht chun cinn i gcás nach dtiocfadh tuilleamh na gcuideachtaí in éiceachóras IS leis na hionchais reatha. Tá na rioscaí sin níos measa mar gheall ar struchtúir ioncaim agus maoiniúcháin atá casta agus ciorclach agus d'fhéadfaidís leathnú go gasta ar fud an mhargaidh. Tá raon difríochta CDS na hipearscálairí leathnaithe le míonna beaga anuas, agus tá cumas chuideachtaí IS chun torthaí a ghiniúint a bheadh ar cóimhéid le scála na hinfheistíochta á cheistiú ag infheisteoirí anois.

Tá an fhorbairt ghasta ar shamhlacha forbartha IS ag tarlú i gcomhthráth le rioscaí ardaithe cibearshlándála don earnáil airgeadais. Leis an bhforbairt ar shamhlacha teorann IS, tá athrú ó bhonn tagtha ar chineál na rioscaí cibearshlándála toisc go laghdaítear an méid ama, an costas agus an saineolas is gá chun leochaileachtaí córais a shainaithint agus chun teacht i dtír orthu, agus toisc go méadaítear cumas uathrialaitheach cibirionsaithe. Tá an riosca go sainaithneofar leochaileachtaí reatha in eintitis airgeadais agus go dtiocfar i dtír orthu ag éirí níos suntasaí anois agus, dá bhrí sin, is gá aird bhreise a dhíriú ar athléimneacht oibríochtúil.

Tá luachálacha an mhargaidh cothromais ardaithe i gcónaí d'ainneoin na luaineachta le déanaí, agus tá géar-rioscaí athphraghsála ag teacht chun cinn mar gheall ar chomhchruinniú stoc a bhaineann le IS. Tá forbairtí i bpraghsanna cothromais faoi thionchar mór ag ionchais láidre maidir le tuilleamh hipearscálairí, fad atá luaineacht aonstoic ardaithe i gcónaí de réir mar a bhíonn na buaiteoirí agus caillteoirí á n-athmheas go leanúnach ag na margaí. Tugann táscairí fadtéarmacha le fios go bhfuil luacháil ard i gceist i stocmhargadh atá íogair ó thaobh forbairtí i ndornán cuideachtaí. Le giaráil mhéadaithe i ngnólachtaí a bhaineann le IS agus ina gcuid infheisteoirí, cuirtear leis an riosca maidir le díol éigeantach mura féidir leis an tuilleamh coinneáil suas leis na hionchais.

Tá fiachas ceannasach roinnt geilleagar mórfhorbartha ag leibhéil ardaithe mar gheall ar easnaimh sheasmhacha buiséid, rud a spreagann torthaí níos airde agus a chuireann srian le cumas chun freagairt do shuaití nó chun infheistíocht a dhéanamh i bpríomhbhonneagar. Tá torthaí ar bhannaí ceannasacha á mbrú aníos ar fud an chuair de bharr ábhair imní a bhaineann le hinbhuanaitheacht fhioscach, boilsciú agus ionchais maidir le rátaí beartais níos airde ar feadh tréimhse níos faide. Tá an brú ar thorthaí ceannasacha fadtéarmacha méadaithe ag iomaíocht ó eisiúint hipearscálairí agus ag an laghdú ar an éileamh ar bhannaí ceannasacha ó infheisteoirí institiúideacha. Maidir leis na tosca a spreagann na torthaí ardaithe, is dócha go leanfaidh siad sin sa mheántéarma agus go gcuirfidh siad srian le cumas na rialtas chun freagairt do shuaití díobhálacha agus chun dul i ngleic le dúshláin struchtúracha.

Tá na rioscaí seo go léir idirnasctha rud a chiallaíonn go bhféadfadh suaitheadh d'aicme sócmhainne amháin leathnú ar fud an chórais airgeadais. Bhí cistí creidmheasa príobháideacha faoi réir iarratas ardaithe ar eis-sreafaí níos luaithe i mbliana, rud a bhí inchurtha go mór mór do neamhchosaintí comhchruinnithe i gcuideachtaí bogearraí agus do shuaitheadh ionchasach IS. I bhfianaise luachálacha méadaitheacha, tá neamhchosaintí méadaitheacha ar ghnólachtaí

teicneolaíochta agus IS de chuid na Stát Aontaithe feicthe in earnáil NBFI an limistéir euro (go háirithe cistí infheistíochta). De bhreis air sin, tá a láithreacht i margaí na mbannaí ceannasacha méadaithe ag cistí fálaithe giaráilte. Le luachálacha ardaithe IS, infheistíocht shuntasach arna maoiniú ag fiachas, neamhchosaintí idirnasctha, braislí giarála, doiléire maoiniúcháin NBFI áirithe agus torthaí ceannasacha méadaitheacha, cruthaítear dálaí ina bhféadfadh suaitheadh d'earnáil amháin leathnú ar fud an chórais airgeadais.

Tá fás eacnamaíoch intíre athléimneach ó foilsíodh an t*Athbreithniú* deireanach, d'ainneoin timpeallacht dhomhanda dhúshlánach. Tháinig fás 4 faoin gcéad ar an Éileamh Modhnaithe Intíre in R2 2026 le fás seasmhach ar chaiteachas tomhaltóirí, agus léiríonn an cion tairbhe ó infheistíocht a bhaineann le IS a thábhachtaí agus atá FINanna don gheilleagar. Ina theannta sin, léiríonn an spleáchas ar fhuinneamh allmhairithe agus an t-aistriú sách measartha chuig foinsí in-athnuaite fuinnimh neamhchosaintí gheilleagar na hÉireann ar an timpeallacht gheopholaitiúil. Tá méadú tagtha ar bhoilsciú de dhroim praghsanna fuinnimh níos airde. Cé go meastar go maolóidh boilsciú le linn 2027, tá ardéiginnteacht ann agus chuirfeadh suaití breise le brúnna a bhaineann leis an costas maireachtála agus le cumas seirbhísithe fiachais na dteaghlach agus na ngnóthaí.

I bhfianaise láithreacht cuideachtaí ilnáisiúnta eachtracha in Éirinn, agus i bhfianaise an méid a chuireann infheistíochtaí in IS leis an bhfás, tá Éire neamhchosanta ar shuaitheadh a bhaineann le IS. Le hathphraghsáil luachálacha IS nó moilliú ar infheistíocht hipearscálairí, laghdófaí infheistíocht FIN, laghdófaí ioncaim ó cháin chorparáide, spreagfaí caillteanais i margaí airgeadais, agus laghdófaí fostaíocht in earnálacha a bhaineann le IS. Dhéanfadh sé seo difear don fhás, don inbhuanaitheacht fhioscach, agus do chumas seirbhísithe fiachais na dteaghlach. Cé go bhfuil na neamhchosaintí díreacha margaí cothromais de chuid na mbanc, na dteaghlach agus na gcorparáidí neamhairgeadais ar an earnáil seo sách íseal agus agus cé go bhféadfadh na héifeachtaí díreacha racmhais ag ceartúchán margaidh a bheith níos srianta in Éirinn ná mar a bheadh i dtíortha eile, is dócha go mbeadh éifeachtaí indíreacha suntasacha i gceist ar ghníomhaíocht eacnamaíoch agus ar dhálaí airgeadais.

Tá staid fhioscach na hÉireann ag brath go mór ar líon beag FINanna, fad a mhéadaíonn torthaí ceannasacha níos airde an costas a bhaineann le hiasachtú. Tugann meastacháin le tuiscint go raibh aon trian den cháin chorparáidí in 2025 inchurtha do chúig ghnólacht teicneolaíochta agus d'ainneoin na bhfigiúirí dearfacha, tá an staid fhioscach bhunúsach ag éirí níos leochailí. Tá torthaí ceannasacha na hÉireann fabhrach faoi láthair i gcomhthéacs Eorpach, ach d'fhéadfadh go mbeadh iarmhairtí ag an strus níos leithne i margaí banna rialtais ar thorthaí intíre. Dá mbeadh gearradh siar suntasach ar cháin chorparáide bhreise, bheadh costas níos airde ag baint le hiasachtú, in éagmais srianadh caiteachais nó méadú foinsí malartacha ioncaim.

Tá an margadh maoine tráchtála leochaileach i gcónaí ar dhálaí airgeadais domhanda agus ar athruithe earnála ar éileamh. Tar éis laghdú suntasach idir 2020 agus 2025, tá cobhsú tagtha ar luachálacha caipitil CRE. Le hinfheisteoirí idirnáisiúnta mar airgeadaithe agus úinéirí, agus le gnólachtaí mar thionóntaithe, beidh an margadh intíre an-íogair i gcónaí do dhálaí maoiniúcháin domhanda. De bhreis air sin, d'fhéadfadh rátaí úis atá níos airde ar bhonn seasmhach brú a chur ar luachálacha. Tá laigí struchtúracha ann i gcónaí ar an éileamh i ndeighleoga áirithe den mhargadh, agus déantar difear go háirithe do ghnéithe na n-earnálacha miondíola agus oifige nach bhfuil chomh tíosach céanna ar fhuinneamh.

Tá maolú tagtha ar luas an fháis ar phraghsanna réadmhaoine cónaithe, ach is príomh-shaincheist i gcónaí í an inachmainneacht. Tugann roinnt táscairí le fios go bhfuil brú ar inacmhainneacht sa deighleog úinéir-áitithe agus sa deighleog cíosa araon den mhargadh tithíochta. Leanann gníomhaíocht tógála cónaithe de bheith ag leathnú, agus tá réimse gníomhaíochtaí beartais arna nglacadh ag an rialtas ag tacú leis sin. Tá an éiginnteacht a bhaineann le haschur tithíochta ag méadú mar thoradh ar éifeachtaí diúltacha ionchasacha an chogaidh sa Mheán-Oirthear ar chostais ionchuir, ar easnaimh i mbonneagar tacaíochta agus ar fhadú an méid ama a thógann sé chun aonaid a sholáthar.

Tá a gcuid cuspóirí á gcomhlíonadh go fóill ag na bearta morgáiste, rud a chinntíonn go bhfuil caighdeáin um iasachtú inbhuanaithe ann sa mhargadh morgáiste. Tá gníomhaíocht maidir le hiasachtú morgáiste láidir i gcónaí sa mhéid go bhfacthas an méid is mó iasachtú nua L1 in L1 2026 ó tógadh na bearta isteach in 2015. Bhí dáileadh an iasachtaithe in L1 2026 i gcomhréir, tríd is tríd, leis an dáileadh a chonacthas in 2025, sa mhéid gur tharla cion mór den iasachtú gar do theorainneacha CII agus CIL. Leis na bearta sin, cuidíodh leis an gcion den iasachtú a bhí os cionn 4 huaire CII a shrianadh go mór faoi bhun na leibhéal a chonacthas i lár na 2000idí. Tá méadú tagtha ar iasachtú nua morgáiste i gcomhréir le hioncaim indiúscartha agus níl aon fhianaise ann maidir le dinimic neamh-inbhuanaithe idir creidmheas agus praghsanna tithe.

Tá athléimneacht na n-iasachtaithe intíre láidir agus tá cláir chomhardaithe fhónta á gcothabháil ag teaghlaigh agus gnóthaí, ach d'fhéadfadh costais mhéadaitheacha fuinnimh agus fiachais, mar aon le héifeachtaí ionchasacha IS ar an margadh saothair amach anseo, dúshlán a thabhairt don athléimneacht sin. Tá táscairí maidir le feidhmíocht iasachtaí ag na leibhéil is láidre riamh i gcás fhormhór chohóirt na dteaghlach agus na ngnóthaí, agus tá fás láidir eacnamaíoch, fostaíochta agus cúlchistí airgeadais ag tacú leis sin. Leis seo, cuirtear maolán suntasach ar fáil chun cosaint a thabhairt i leith costais mhéadaitheacha. Tá comhchruinniú ard d'iasachtaithe morgáiste in earnálacha áirithe atá neamhchosanta ar IS. Cé go bhféadfaidh go bhfeicfear gnóthachain táirgiúlachta sna hearnálacha sin, tá na héifeachtaí fadtéarmacha éiginnte agus is ionann an t-ionchas maidir le hoibrithe iomarcacha nó brúnna pá arna spreagadh ag IS agus aistriú struchtúrach a d'fhéadfadh dochar a dhéanamh do chumas seirbhísithe fiachais.

Tá caipiteal láidir agus maoláin leachtachta láidre á gcothabháil ag na bainc mhiondíola, agus tá brabúsacht ag tairbhiú de dhinimic glanioncaim úis. Tá leabhair iasachtaí na mbanc Éireannach á maoiniú go príomha ag taiscí ísealchostais na dteaghlach agus na ngnóthaí nach mbíonn chomh costasach céanna de ghnáth le maoiniú an mhargaidh mórdhíola. Go stairiúil, thairbhigh na bainc intíre de mhéadú ar rátaí, i bpáirt de thoradh an struchtúir maoiniúcháin sin. Cé go bhféadfadh méaduithe ar rátaí amach anseo riosca creidmheasa a mhéadú agus dúshlán a thabhairt do chumas aisíocaíochta na n-iasachtaithe, tá feabhas tagtha ar thascairí cáilíochta creidmheasa. Tacaíonn maoláin caipitil macrastuamachta le hathléimneacht na hearnála baincéireachta agus tá an Banc Ceannais ag cloí lena sheasamh beartais reatha i dtaca le CCyB agus maolán O-SII araon.

Leanann neamhbhainc de naisc thábhachtacha a bheith acu leis an ngeilleagar intíre. Tháinig méadú ar iasachtú nua neamhbhainc leis na corparáidí neamhairgeadais (CNAanna) go léir in 2025, cé go raibh an fás sin á spreagadh ag iasachtú le corparáidí neamhairgeadais móra; tháinig laghdú ar iasachtú le FBManna. Go leithleach, ach laistigh den timpeallacht

neamhbhainc freisin, tá méadú tagtha ar neamhchosaint chistí réadmhaoine na hÉireann ar an margadh réadmhaoine tráchtála (CRE) intíre, fad atá laghdú ar a ngiaráil ag tacú lena n-athléimneacht.

Leanann an Banc Ceannais de bheith ag tacú le cur chun feidhme tionscamh idirnáisiúnta chun léargas macrastuamachta an chreata rialála i leith NBFIanna a neartú. Chuige sin, thug an Banc Ceannais faoi obair anailíseach chun tuiscint níos fearr a shealbhú ar an gcaoi a mbaineann cistí atá lonnaithe in Éirinn úsáid as uirlisí praghasbhunaithe bainistíochta leachtachta, agus d'fhoilsigh sé treoir Dea-Chleachtas ina dhiaidh sin. Leanann an Banc Ceannais de bheith ag tacú le cur chun feidhme athchóirithe comhaontuithe idirnáisiúnta ar ghiaráil neamhbhainc, agus le hobair Eorpach chun athléimneacht MMF a fheabhsú, agus tugadh an obair sin chun críche le déanaí. 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 GBP.

Global Risk Assessment

The global economy and financial system have remained resilient amid heightened geopolitical tensions, including the war in the Middle East. However, risks have increased and remain elevated as energy prices remain high and AI infrastructure development continues to dominate growth and returns. Debt issuance by large AI companies has accelerated, while complex, opaque financing structures obscure underlying leverage and interconnections between AI firms. Any slowdown in AI investment or profitability could trigger a repricing in financial markets and adversely affect economic activity. Rising sovereign yields, particularly at the long end, reflect fiscal sustainability concerns and higher energy costs, and increase the risk of spillovers. Structural shifts see pension funds reducing exposures while leveraged hedge funds increase participation. Higher sovereign yields and an increase in corporate credit spreads are increasing corporate borrowing costs. Meanwhile, non-bank financial intermediaries hold increasingly concentrated AI exposures. This combination of elevated valuations, debt-funded investment, and interconnected vulnerabilities creates conditions where shocks could rapidly propagate across markets.

The global economy has demonstrated resilience in the face of heightened geopolitical tensions and energy supply disruptions, with AI-related investment providing significant support to growth. Despite the material supply-side shock from the closure of the Strait of Hormuz and extreme weather events exacerbating food price inflation, global economic activity has held up better than initially feared after the onset of the recent conflict in the Middle East.[1] Additionally, Purchasing Manager Indices across major economies indicate an expansion of economic activity. AI infrastructure development has supported growth in the face of headwinds from higher energy prices, driving investment.

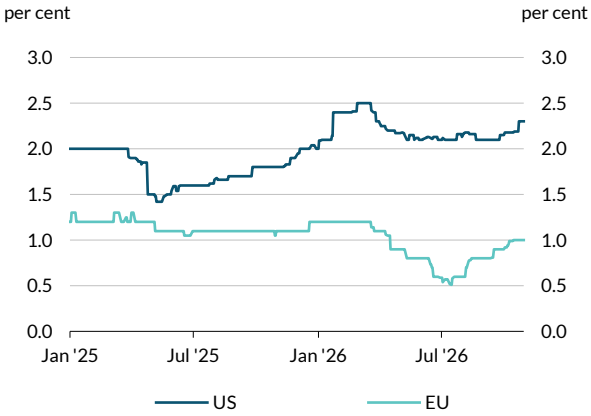
Global growth resilience masks significant divergence across economies. Globally, the US and AI hardware-exporting economies have seen strong upward revisions to growth forecasts for 2026 and 2027, while energy-importing economies have seen downward revisions.[1] This pattern is evident in the continued divergence between US and euro area growth prospects (Chart 1). Real GDP growth expectations for the US remain relatively strong, supported by robust AI-related investment and the country's status as a net energy exporter. By contrast, euro area growth prospects fell sharply following the onset of the war in Iran, before partially recovering, as the region is particularly exposed to rising energy costs and receives less support from AI-related investment.

Energy-driven inflation remains a key downside risk to the global economic outlook and further monetary policy tightening is expected in response. Energy prices remain the main driver of euro area inflation (Chart 2), with ECB staff projections expecting inflation to peak in 2026 before easing gradually in 2027. In addition, EU gas storage is at historically low levels, which could increase price volatility and weigh on industrial production. The impact of extreme weather events on food prices is also adding to inflationary pressure. Both the ECB and the US Fed have tightened monetary policy with the ECB increasing rates by 25 bps in June and both the ECB and the Fed hiking rates by 25 bps in September. Market-implied policy rates indicate that investors expect monetary policy to tighten further over the next two years, reflecting persistent inflation, especially while energy prices remain high.

[1] See IMF WEO, October 2026.

Chart 1: US and euro area 2026 growth forecasts have diverged since early-2025

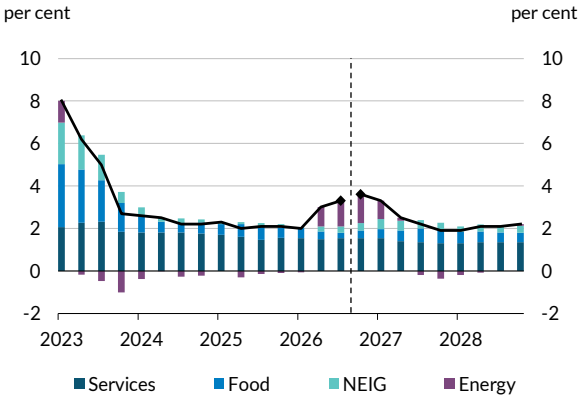
Evolution of real GDP growth forecasts for 2026



Source: Bloomberg.
Notes: GDP growth forecasts from multiple international contributors are compiled into a time-series. Last observation 30 October 2026.

Chart 2: Energy prices are driving current and expected euro area inflation higher

Euro area historical and forecasted inflation by category



Source: Eurostat and ECB staff projections.
Notes: The black line represents total inflation, calculated as the sum of all category contributions. The vertical dashed line separates realized data from ECB staff projections. NEIG stands for Non-Energy Industrial Goods, a residual component of total HICP inflation.

AI related debt issuance is accelerating, increasing the sensitivity of financial conditions to AI infrastructure development. The unprecedented capital investment required to power the ongoing development of AI has led to an evaporation of free cash flow and a surge in debt issuance in large US AI-related technology companies. Total on-balance sheet debt in the large AI companies known as the hyperscalers has more than doubled from approximately $400bn in 2024Q1 to $850bn in 2026Q3.[2] Furthermore, free cashflow has fallen sharply and turned negative in 2026Q3 as capital expenditure outpaced cash generated from day-to-day operations (Chart 3). This level of debt financing increases credit risk and creates a more direct transmission channel between credit intermediation and AI infrastructure development.

Complex and opaque financing structures are increasing interconnectedness and obscuring the full scale of AI-related exposures across the financial system. The scale of the required capital expenditure (estimated to reach $800bn in 2026 alone for the hyperscalers) means that large AI companies are using increasingly complex financing structures, including leases, guarantees, joint ventures, private credit, securitisation etc.[3] Furthermore, circular financial structures within the AI sector, where infrastructure suppliers are increasingly investing in firms developing AI applications, create compounding interconnectedness, obscuring transmission channels and heightening the risk that AI-related stress could propagate in unexpected ways. Vulnerabilities with respect to these arrangements have been demonstrated by recent developments at CoreWeave, an AI cloud service provider that leases out cloud computing infrastructure running on NVIDIA chips. CoreWeave's CDS spreads spiked to over 1000 basis points, amid heavy borrowing from public and private markets to develop its infrastructure.

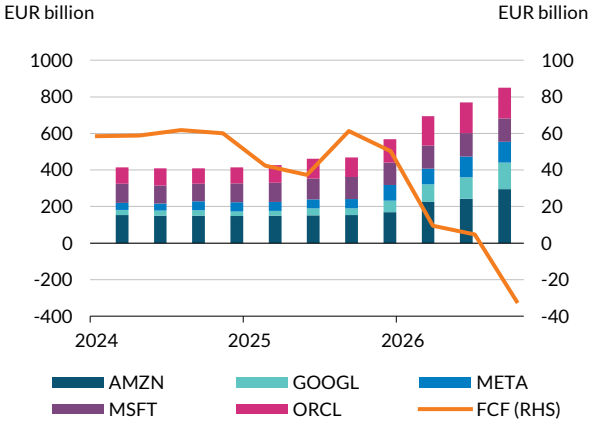
Rising credit default swap spreads for large AI companies reflect changing market assessments of credit risk in the sector. CDS spreads of some of the largest AI companies have widened notably in recent months (Chart 4), signalling increased demand for protection against rising AI debt issuance and associated credit risk. Investors are questioning AI companies' ability to generate returns commensurate with the scale of investment. This repricing likely reflects uncertainty about the timing and magnitude of AI-related revenue streams (including from the possibility that cheaper,

[2] In this publication the term hyperscalers refers to Alphabet, Amazon, Meta, Microsoft and Oracle.
[3] BIS Quarterly Review, March 2026, Financing the AI Infrastructure Boom, On- and Off-Balance Sheet Borrowing.

open-weight AI models will gain traction), the shift from internal to external financing, and broader uncertainty about earnings expectations amid higher interest rates. The widening of spreads suggests that markets are beginning to price in the possibility that very large capital investments may not translate into proportionate earnings growth.

Chart 3: Total debt issuance by the hyperscalers is increasing since 2025, coupled with a fall in free cash flow

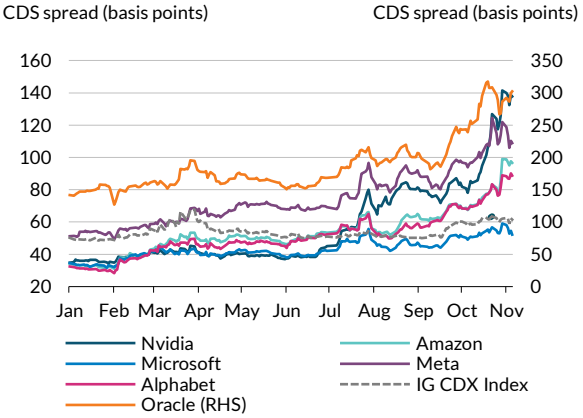
Total debt and free cash flow



Source: Bloomberg.
Notes: Total debt includes long and short-term on-balance sheet debt. Last observation 2026Q3.

Chart 4: Insuring against default of AI companies is becoming more expensive

5-Year CDS Spreads of AI Companies



Source: LSEG and Bloomberg.
Note: IG CDX Index refers to the CDX North American Investment Grade (CDX.NA.IG) index, a benchmark credit default swap (CDS) index managed by S&P Dow Jones Indices. Last observation 6 November 2026.

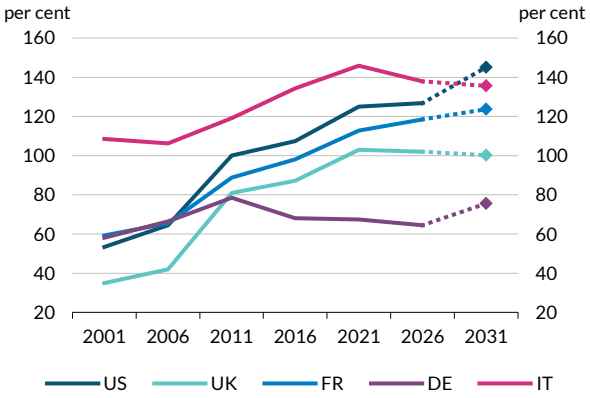
Persistent structural budget deficits have pushed sovereign debt to elevated levels, constraining governments' capacity to respond to adverse shocks and address long-term challenges. In the US, the budget deficit is forecast to increase from $1.9 trillion in 2026 (5.8 per cent of GDP) to $3.1 trillion in 2036 (6.7 per cent of GDP).[4] Furthermore, since 2020, EU Member States have for the most part been running budget deficits as governments have addressed a succession of crises. Debt-to-GDP levels now well exceed pre-pandemic levels and, in most countries, are less favourable than before the global financial crisis (Chart 5). Current fiscal spending plans in some major economies are expected to increase debt levels further, limiting fiscal space to respond to adverse shocks or address structural challenges requiring long-term investment, such as demographic changes and climate transition and adaptation.

In certain jurisdictions, fiscal sustainability concerns have been a factor driving a broad-based repricing of sovereign risk, pushing yields higher across the curve. Fiscal sustainability concerns have driven certain sovereign bond yields higher in recent months, particularly at the long end (Chart 6). For those sovereigns, a rise in term premia since July reflects a broad-based reassessment of sovereign risk. At shorter maturities, energy-driven inflation has compounded these pressures, leading markets to price in a "higher for longer" monetary policy stance. Rising funding costs could further strain sovereigns with high issuance needs and spill over to corporate and household borrowing costs.

[4] See Congressional Budget Office (2026), The Budget and Economic Outlook: 2026 to 2036.

Chart 5: Debt-to-GDP levels have largely increased steadily over the past 20 years, and will mostly continue to do so as governments address structural challenges

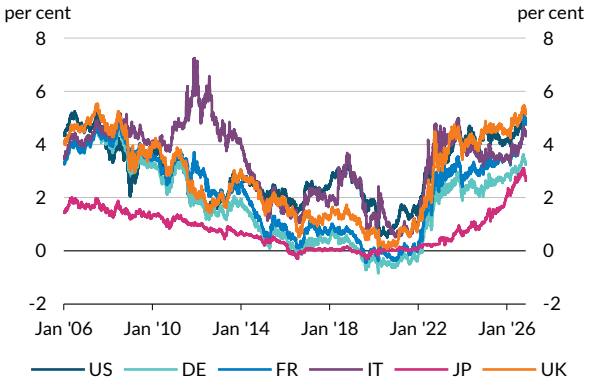
Sovereign debt-to-GDP levels by country



Source: IMF WEO (October 2026) via Haver Analytics.
Notes: Forecasts to 2031.

Chart 6: Long term yields are increasing due to higher inflation and rising levels of debt

Sovereign 10-year yield by country



Source: Bloomberg.
Notes: Last observation 6 November 2026.

Supply and demand dynamics are amplifying upward pressure on long-term sovereign yields. The volume of AI-related long-term debt issuance has increased the risk of crowding out of sovereign issuance. In the long-dated segment, with maturities of more than 10 years, the value of year-to-date debt issuance by the largest AI companies exceeds that of most euro area countries and amounts to nearly a quarter of US Treasury debt issued (Chart 7).[5] Meanwhile, regulatory changes and structural shifts in investment policies have reduced demand for long-dated sovereign bonds amongst some institutional investors. Euro area institutional investors substantially reduced their exposure to long-dated US Treasury bonds, driven by factors such as the pension reforms in the Netherlands, further constraining demand in the segment.[6]

While leveraged hedge funds provide liquidity in sovereign bond markets, they may amplify or transmit a shock to the sector. Hedge funds have increased their presence in sovereign bond markets, now comprising around 8 per cent of private investors in US treasuries (Chart 8). European sovereign debt markets have also experienced increased trading from hedge funds.[7] While this activity supports liquidity and price discovery, it also poses risks. Hedge funds often rely on leverage to extract profits from small price differentials in arbitrage strategies, making them vulnerable to sudden price shifts, margin calls and funding pressures.[8] This could force rapid position unwinding during market stress, leading to fire-sale dynamics.[9] Global banks exposed to hedge funds can face dual exposure: they provide leverage to hedge funds while holding long positions in sovereign debt, exposing them to both counterparty credit risk and mark-to-market losses.

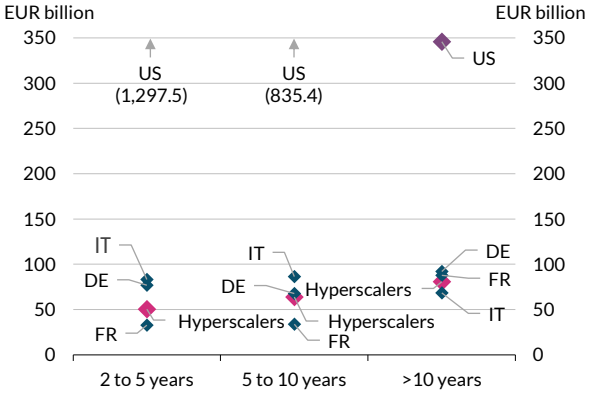
Equity market valuations remain elevated despite recent volatility, with concentration in AI-related stocks creating acute repricing risks. Following an uneven recovery from a summer pullback, tech shares suffered a sell-off in recent weeks amid growing investor scrutiny over circular AI financing and rising leverage. This was compounded by US midterm election results that raised concerns over potential regulatory tightening on data centre operations and slower

[5] See also analysis by BIS suggesting continued monitoring of AI debt issuance is warranted.
[6] See also Rousová, Ghiselli, Ghio and Mosk (2025) and DNB (2025).
[7] See ECB Financial Stability Review, May 2026, Box 2.
[8] See Berg and Stemp (2026), BIS (2026) and Federal Reserve (2026).
[9] An assessment of financial stability risks in Irish domiciled hedge funds found limited market footprint in sovereign bond markets. See Fragkou et al, 2026, Central Bank of Ireland.

infrastructure investment. While strong earnings growth has supported valuations in some large AI companies, longer-term indicators continue to signal elevated valuations in the US stock market. For example, the Shiller CAPE ratio for the S&P 500, which smooths earnings over a 10-year period, continues to suggest valuations are well above long-term averages. The concentration of US stock markets in a small number of large AI companies leaves the market increasingly sensitive to developments affecting a handful of companies.

Chart 7: Year to date debt issuance by the largest AI companies is comparable in size to some of the larger sovereigns, particularly at the longer end

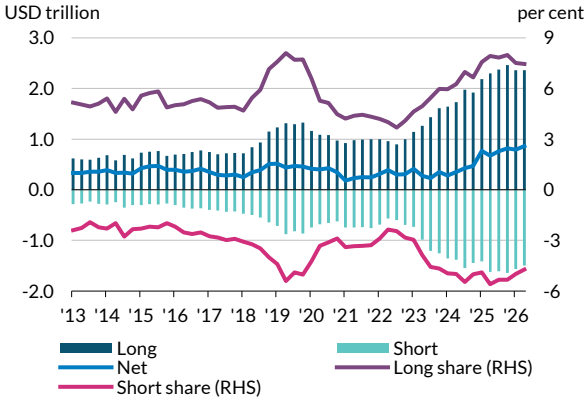
Year to date issuance by maturity bucket



Source: CSDB and Central Bank of Ireland calculations.
Notes: Blue diamonds indicate euro area countries' debt. Purple diamonds indicate US Treasury debt. Pink diamonds indicate debt issued by Amazon, Google, Meta, Microsoft, and Oracle. Issuances up to 31 October.

Chart 8: Hedge funds are increasingly involved in the US Treasury market

Long and short positions of US hedge funds in the UST market



Source: Office of Financial Research, SEC, US Treasury and Central Bank of Ireland calculations.
Notes: Only qualifying hedge funds included in the data. Long and short positions of hedge funds refer to both cash Treasuries as well as Treasury futures. Shares indicate the long and short positions relative to the total amount of US Treasury debt held by the public.

Stress in private credit markets earlier this year underscored the sector's vulnerability to concentrated AI developments. Private credit funds experienced stress earlier in 2026, largely due to concentrated exposures to software companies and potential AI disruption. In 2026Q2, a spike in redemption requests at US private credit funds triggered redemption gates at several major funds and drove sharp declines in the share prices of listed private credit managers. Although, equity prices in the software sector have recovered from their July lows, market sentiment toward private credit has led to continued declines in the market value of major private credit managers. This could, in part, be driven by higher inflation expectations as private credit funds are particularly exposed to rising interest rates due to a high share of floating rate loans. Furthermore, private credit funds continue to hold significant exposures to AI companies, creating a transmission channel through which AI-related stress could impact the global banking sector, through strong funding linkages with private credit, and affect credit supply more broadly.[10]

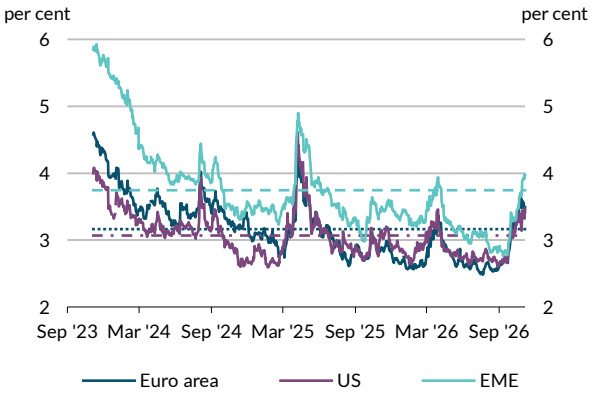
Credit markets remain vulnerable to a sharp repricing, particularly as rising sovereign yields increase borrowing costs. As sovereign bond yields increase, the risk-free rate component of corporate borrowing costs has risen substantially, increasing funding costs. High-yield corporate bond spreads across regions have also begun to increase in recent weeks, further increasing borrowing costs for this segment. However, spreads are still trading significantly below spikes seen over the past 3 years (Chart 9). A shift in AI sentiment, slowdown in growth or sharp increase in interest rates could trigger a broad-based repricing across credit markets.

[10] See FSB (2026) for an overview of interconnectedness between private credit and the banking sector.

The combination of concentrated AI exposures, leverage, and liquidity mismatch within specific cohorts creates conditions for rapid contagion across segments of the NBFI sector. The euro area NBFI sector has substantially increased its exposures to US technology and AI-related firms, with investment funds showing the highest and most rapidly growing exposures. This exposure is concentrated in equity funds, which typically have lower levels of leverage, with significant increases in equity valuations in these sectors leading to an increase in portfolio concentration in recent years. As a result, euro area investment funds' holdings of US NFC assets increased from roughly 14 per cent of total assets in 2020 to 20 per cent in mid-2026 (Chart 10).[11] Recent episodes demonstrate how quickly concentrated AI exposures can collapse, particularly in pockets of funds employing substantial leverage or with significant liquidity mismatches. Following valuation losses on concentrated AI positions, leveraged single-stock ETFs amplified the Korean stock market correction in July 2026, while the Situational Awareness hedge fund saw assets under management collapse from $45bn to $10bn. The simultaneous materialisation of several shocks—such as an AI-related earnings disappointment coinciding with rising interest rates and sovereign debt stress—could expose multiple vulnerabilities across the NBFI sector at once. In a stress scenario, exposed NBFI cohorts could be forced to unwind positions and sell assets to meet liquidity demands, amplifying market stress to the wider financial system and the real economy.

Chart 9: Uptick in corporate bond spreads from recent historic lows, particularly in the high yield segments

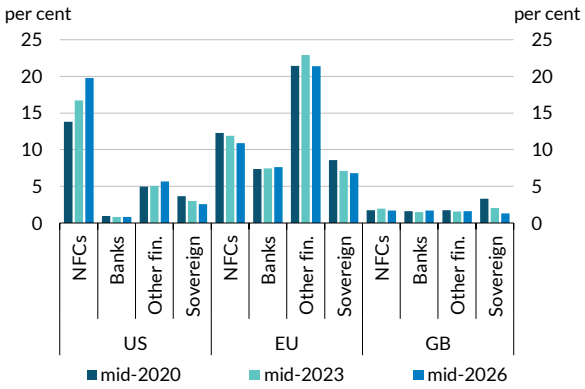
High yield corporate bond spreads



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 historic averages since November 2023. Last observation 6 November 2026.

Chart 10: As US markets increase in value, the European NBFI sector is increasingly exposed to US NFCs

Euro area investment funds exposure by country and sector



Source: Security Holdings Statistics.
Note: Comprises security holdings of money market funds and investment funds.

[11] A significant portion of this growth relates to increased exposure of unlevered equity funds to the US technology sector. For more see FSR 2026:I, *In Focus: Domestic financial stability implications of developments in AI financing*.

Domestic Risk Assessment

Against a backdrop of heightened global uncertainty, the domestic economy continues to grow, yet remains exposed to an increasingly elevated global risk environment. Ireland faces particular vulnerability to rising global energy prices, given its heavy reliance on energy imports and limited renewable energy capacity. The reliance on a small number of large MNE firms for both economic growth – particularly in AI and data-centre sectors – and corporation tax receipts, represents a key structural vulnerability. A shock to AI valuations or AI companies' investment could simultaneously reduce MNE investment, corporation tax revenues and private wealth, while increasing unemployment, ultimately weakening growth and debt sustainability. Credit growth has continued to increase; the private sector, and in turn the wider economy, remains exposed to a tightening in financial conditions. The failure to address climate change in a timely manner also poses risks to the financial system, through increased risks of physical damage.

Notwithstanding a challenging international environment, headline economic growth has proven resilient since the last *Review*, supported by AI-related activity. Economic growth, as measured by modified domestic demand (MDD), amounted to 4 per cent in 2026Q2. Underscoring the importance of MNEs to the economy, large AI-related activity and investment in data-centre hardware contributed to overall MDD growth. The Central Bank's baseline forecast is for continued, albeit moderating, growth in the coming years. Employment is expected to remain favourable, albeit with a modest reduction in employment growth.

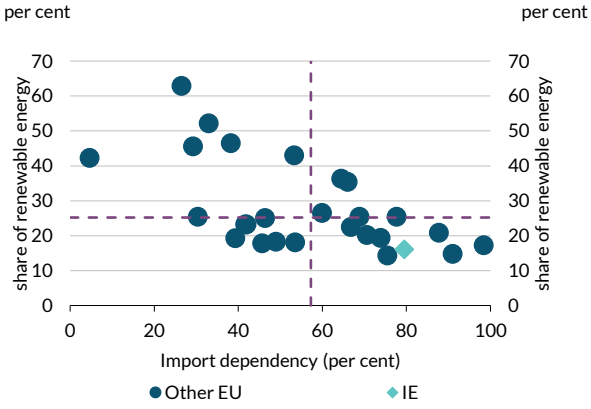
The domestic economy remains exposed to prevailing energy price volatility and uncertainty. Ireland's ongoing reliance on imported energy and relatively slow transition to renewable energy leaves the economy exposed to global energy price shocks (Chart 11). The pass-through of higher energy prices, although perceptible in overall HICP inflation, has been relatively contained compared to the previous energy-related shock. The annual rate of inflation reached 3.8 per cent in September, the highest rate since the beginning of 2024. The central outlook for domestic inflation is for price growth to peak this year before moderating and returning to 2 per cent by 2028. While the conditions are different from those that prevailed in the wake of the Russian invasion of Ukraine, the ongoing conflict in the Middle East poses significant upside risks to inflation. Elevated inflation, particularly scenarios involving rising energy prices, can undermine the debt- servicing capacity of corporates and households with knock-on implications for credit providers.[12] While inflation expectations remain anchored, prolonged high inflation could de-anchor expectations, with implications for monetary policy and debt-servicing capacities.

The presence of large foreign-owned multinationals in Ireland – while continuing to support growth – represents a key channel through which elevated global risks could transmit to the domestic economy. The contribution of foreign-owned multinational enterprises can be seen across a range of indicators, such as employment, FDI, exports and corporate tax receipts. Industries such as chemicals, pharmaceuticals, and ICT-related sectors have been notable areas of growth over the past decade. However, in a period of heightened geopolitical tensions and increased protectionism, the presence of these multinationals can act as a channel through which international risks transmit to the domestic economy.

[12] Rising energy prices come against a backdrop of already high levels of utility arrears. Rising energy prices comes against a backdrop of elevated levels of utility arrears (CRU 2026).

Chart 11: Ireland is exposed to global energy prices due to its high reliance on imports and low mix of renewables

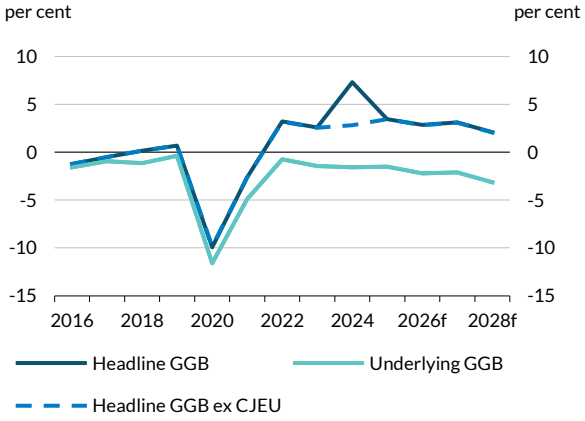
Share of energy imported and share of energy accounted for by renewables



Source: Eurostat.
Note: Data are for 2024.

Chart 12: The underlying fiscal position is less positive than headline values suggest

General Government Balances headline and underlying as a percentage of GNI*



Source: Central bank of Ireland.
Note: Underlying General Government Balances (GGB) excludes Central Bank estimates of excess corporation tax receipts and receipts from Apple State aid case; CJEU is Court of Justice of EU ruling on Apple state aid case.

The contribution of AI-related and data-centre hardware investment to growth highlights the economy's sensitivity to AI sector performance. Ireland is well placed to benefit from the potential productivity gains associated with AI.[13] However, widespread AI adoption presents trade-offs, including potential worker displacement and implications for household incomes. Infrastructure constraints – particularly energy network capacity – could also limit further expansion.[14] Future investment – and in turn future contributions to economic growth – will be sensitive to prevailing market conditions generally as well as sentiment towards the AI sector. Analysis conducted by the Central Bank suggests that the financing of data centres by the Irish banking system has been limited (See *Box A*: *Financing AI Infrastructure – An Irish Perspective*). However, data gaps remain, which could understate the true level of risks.

An AI valuation correction would hit Irish private-sector wealth through equity holdings. Large AI companies' shares represented 8.1 per cent of the Irish private-sector's total direct shareholdings in 2026Q2. Although direct holdings are low in aggregate for households and firms, a downward revaluation could materially impact some households and firms with concentrated exposures. Risk could also transmit through indirect holdings of other financial assets.[15] More broadly, a reappraisal of current valuations may not be isolated to AI-specific companies but could manifest itself in the form of a wider repricing across financial markets.

The fiscal position of the State – while favourable at present – remains sensitive to the performance of a small number of MNEs as well as broader trade uncertainty. Whilst a budget surplus of 3.4 per cent of GNI* in 2025 suggests relatively sound finances, a number of factors point to growing underlying fragility (Chart 12). On the income side, total revenue continues to benefit from growth across the main tax categories. However, windfall corporation tax receipts

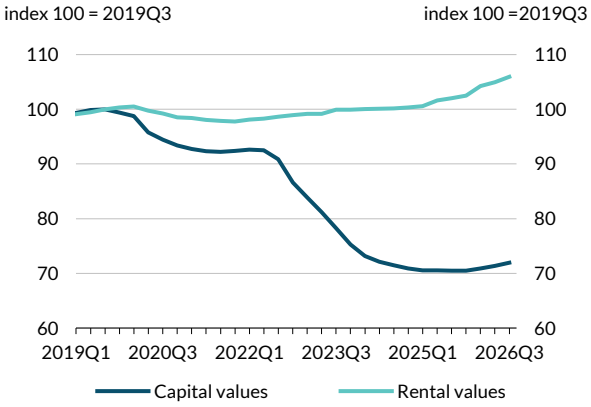
[13] For example, Ireland is ranked third globally and first in Europe for generative AI adoption according to a recent Microsoft Report
[14] By end-2025, close to 23 per cent of total electricity consumption in Ireland stemmed from data centres, compared with 5 per cent a decade earlier.
[15] Indirect holdings such as insurance and pension entitlements is an additional channel through which an AI-market correction would impact private sector wealth.

remain a core contributor to the increase in tax receipts with approximately half of corporation tax receipts in 2025 estimated to be transitory in nature.[16] As corporation tax receipts have increased, so has the level of concentration. Estimates based on publicly disclosed accounts suggest that technology related companies accounted for almost a third of last year's corporation tax receipts. This concentration reflects significant sectoral and firm-specific risks inherent in the current tax base.[17,18] This concentration reflects significant sectoral and firm-specific risks inherent in the current tax base. The underlying general government balance (GGB) is expected to deteriorate further as projections of future government expenditures are likely to exceed growth in underlying revenue streams in the coming years.

Should a government deficit materialise, additional borrowing at elevated sovereign yields would increase debt-servicing costs. Irrespective of the corporation tax issue, the Government could face higher refinancing costs as existing debt matures. Based on the current maturity profile, approximately 30 per cent of the €177bn outstanding national debt is due to mature by end-2030. While Irish sovereign spreads are compressed relative to other European sovereigns, Ireland may not be immune to any general contagion in government bond markets.[19] Overall, the underlying structural issues in Government finances could undermine its future capacity to help mitigate economic shocks.

Chart 13: Following a large and extended decline CRE values have begun to recover

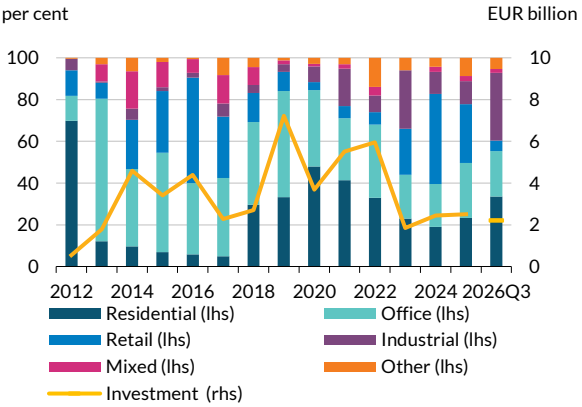
Evolution of CRE capital and market rental values



Source: MSCI.
Notes: Last observation 2026Q3.

Chart 14: RRE share of total commercial property investment has increased

CRE investment by market segment



Source: CBRE.
Notes: Last observations for investment volumes (yellow notch) and shares 2026Q3.

Notwithstanding recent signs of recovery, the domestic commercial property market remains vulnerable to swings in global financial conditions and a slowdown in occupier demand. While market dynamics indicate a more stable backdrop of late, risks to the outlook remain. A combination of structural features, such as the negative impact of increased levels of online shopping and remote working on the demand for retail and office space respectively, as well as cyclical factors related to a normalisation of interest rates, had contributed to a cumulative fall of

[16] Windfall refers to the element of corporation tax not directly linked to underlying firm operations within the State and may be exceptionally vulnerable to external shocks.
[17] In 2025, manufacturing (32 per cent) and information and communication (21 per cent) were the two largest contributing sectors. Overall, just 10 corporate groups accounted for 59 per cent of net corporation tax receipts.
[18] There is also likely a strong overlap between the top 10 corporate groups and those MNEs that play an oversized role in the domestic economy. For more on the impact of MNEs on domestic growth see Box A: Examining the Contribution of Domestic and External Sectors to Irelands National Income.
[19] A reappraisal of market sentiment towards sovereigns may also affect holders of sovereign debt. For more on such exposures see *Resilience: Domestic Banks* and *Resilience: Insurance*.

almost 30 per cent in CRE capital values since the beginning of the decade (Chart 13).[20] Since bottoming out at the end of 2025, capital values have subsequently increased by 2.1 per cent over the nine months to the end of September 2026. Commercial property rents which had remained largely flat during the recent period of significant CRE capital value decline, by contrast, returned to growth much earlier and are currently about 6 per cent higher than their pre-pandemic levels.

Headline figures mask a substantial divergence in outcomes across the CRE market, with pockets of vulnerability still apparent in some segments. Industrial and logistical premises have seen a notable increase in values since late 2019.[21] Elsewhere, elements of the retail and office markets, typically the older, less energy efficient assets, have experienced some of the largest declines during the same period. Moreover, market expectations of future capital value growth, though broadly positive, point to a continuation of these trends with the outlook for non-prime commercial properties lagging notably behind the prime equivalent.[22]

Despite the uncertain international backdrop, solid investment and letting activity during the opening nine months of 2026 suggests investor and occupier sentiment towards the Irish CRE market continues to be relatively favourable. CRE investment flows of €2.2bn during the first three quarters 2026 were 36 per cent greater than the equivalent 2025 figure, in addition to being the highest Q1-to-Q3 total since 2022, with industrial/logistics and residential assets proving most popular with investors (Chart 14). Meanwhile, the Dublin office vacancy rate has continued its move back towards its long-run average following the take-up of 147,500 sqm of space in the year to September 2026 and a still-muted development pipeline.[23] Given the prominent market role played by international investors, as financiers and owners, and with multinational firms as tenants, the domestic market will likely remain highly sensitive to continued geopolitical uncertainty and a further tightening of financing conditions globally.

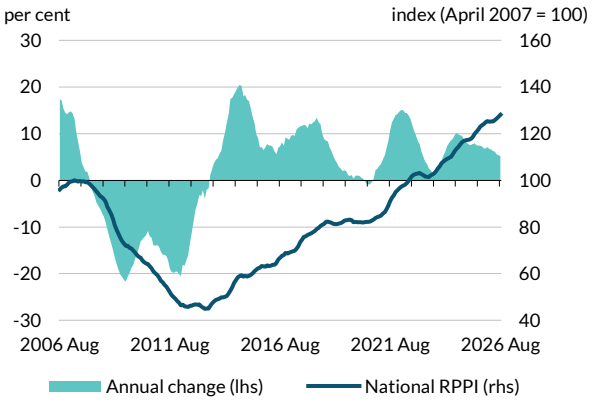
The pace of residential real estate (RRE) price growth continues to ease against a backdrop of increasing output and continued macroeconomic uncertainty. Year-on-year house price appreciation moderated to 5.1 per cent in August 2026, from 7.5 per cent in the same month last year (Chart 15), the slowest rate of increase since December 2023. Survey evidence and recent forecasts from private-sector entities indicate market participants expect residential property prices to continue slowing with a greater emphasis placed on the impact of wider economic considerations, including income growth, employment conditions and interest rate movements.

Notwithstanding the recent softening of house price inflation, affordability remains a key issue in the domestic RRE market. Over 90 per cent of respondent to the latest CBI/SCSI property survey categorise Irish house prices as either “expensive” or “very expensive”. Meanwhile, the house price-to-income ratio remains high and above its long-run average level, indicating potentially stretched valuations, albeit remaining well below the levels reached prior to the 2008 Global Financial Crisis. Credit dynamics are also playing a much less prominent role currently in driving house prices.

[20] According to MSCI, the Irish commercial property capital values index reached its pre-COVID 19 peak in 2019Q3.
[21] According to MSCI, Industrial sector capital values were 26 per cent higher in 2026Q3 than their end 2019 levels.
[22] See RICS Europe Commercial Property monitor 2026Q3 available here for more.
[23] Despite being 17 per cent below the equivalent 2025 figure, Dublin office take-up across the opening 3 quarters of 2026 was around 9 per cent higher than the equivalent long-run average figure in a series stretching back to 2003.

Chart 15: The annual rate of RRE price growth has moderated

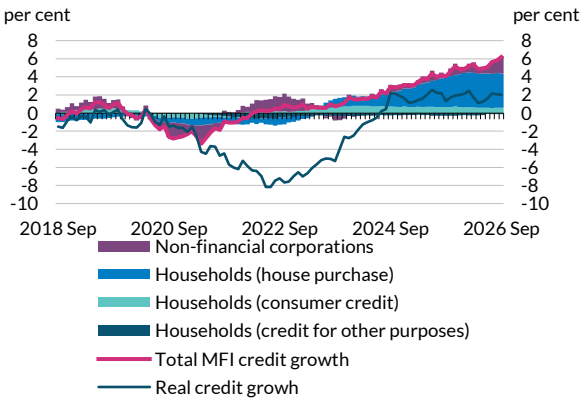
Index and growth rate of residential property prices



Source: CSO.
Note: Last observation August 2026.

Chart 16: Nominal credit growth has continued to expand

Contribution by loan type to annual growth of total bank credit



Source: Central Bank of Ireland and CSO.
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 2026.

Increased levels of housing output and investment will need to be sustained to address the deficit in supply, one of the key drivers of house price growth over the past decade or so. Residential construction activity continues to expand with further increases in annual housing completions during the opening nine months of 2026.[24] A drop in the number of residential units delivered during the second quarter following the outbreak of hostilities in the Middle East[25], combined with ongoing supply constraints and potentially higher costs, has led to uncertainty about completion forecasts. While further increases in housing output are expected over the next few years, the Central Bank has made slight downward revisions to its forecasts of annual housing completions in its latest Quarterly Bulletin (No. 3 2026).[26] The potential negative impact of the war in the Middle East on input costs, the degree to which progress is achieved across several dimensions that influence the delivery of housing, and the ability of the market to attract increased levels of private investment will be key determinants of housing outturn over the near-to-medium term.[27,28]

There has been little change in the rolling annual total of housing transactions over the past year, with a diverse pool of purchasers contributing to demand. Non-households are responsible for about one fifth of residential property transactions, a figure that has moved very little since the early years of the decade. There has, however, been a notable shift in the breakdown of acquisitions between the two broad cohorts of non-household buyers. Publicly-funded entities increased their share of non-household RRE purchases to almost 55 per cent in 2025, from an annual average of about one third in the years between 2015 and 2022, with a particular focus on

[24] Housing completions data for the nine months to the end of September 2026 (~26,800 units) showed a 10.6 per cent increase on the equivalent figure from 2025.
[25] Housing completions in the second quarter of 2026 (~8,800 units) were 3.6 per cent lower than output during the same quarter in 2025.
[26] The Central Bank's latest forecasts of annual housing output amount to 39,500, 41,000 and 45,000 units, down from 40,000, 43,000 and 46,000 across 2026, 2027 and 2028, respectively
[27] According to the CSO, the annual growth rate in the WPI building and construction material cost index has risen in recent months, from 0.9 per cent in December 2025 to 3.8 per cent as of September 2026.
[28] For a more in-depth discussion of the key factors influencing the delivery of housing supply see "Economic policy issues in the Irish housing market", Central Bank Quarterly Bulletin (3), September 2024.

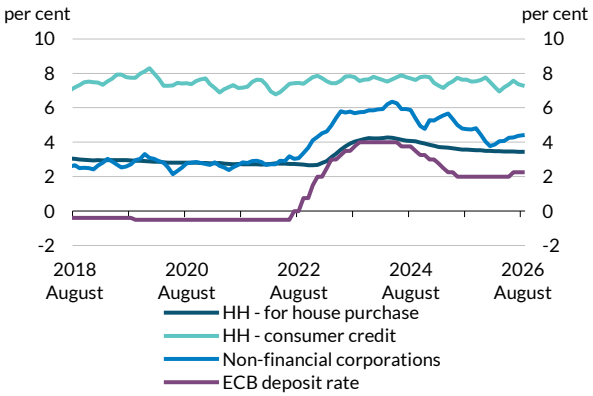
the acquisition of newly built units.[29] These findings align with recent analysis showing a sharp increase in the overall level of State involvement in the residential property market in recent years. Elsewhere, there are signs of increasing market engagement from the private institutional element of non-household buyers. The uptick seen in the second half of 2025 has continued into 2026 (Chart 14), where the strongest Q1-to-Q3 figure for RRE investment flows since 2022 was recorded.

Bank-related credit growth has continued to increase in the period since the last *Review*; however, overall credit dynamics remain mixed. The annual rate of growth in credit increased to 6.2 per cent in September, up from 5.4 per cent in March (Chart 16). Household credit, particularly mortgage credit, remains the main driver of growth. NFC lending has also contributed to growth, though this conceals significant variability across business size and sector (see *Policy: CCyB*). For example, SME credit remained in negative territory, contracting by 1.8 per cent. Real credit growth has been broadly stable, averaging 2 per cent, and new mortgage lending relative to disposable income has remained steady around 6 per cent. Mortgage loan approval data suggest that underlying housing demand will continue to support credit in the near term.

Increasing credit growth occurs against a backdrop of monetary policy tightening. Since the last Review, the ECB has raised policy rates by 50 basis points. While retail interest-rate data for new lending shows that Irish mortgage rates have remained steady, NFC rates have risen in recent months (Chart 17). According to the 2026Q3 Bank Lending Survey (BLS) Irish banks reported no change in either credit conditions or terms and conditions across the three categories of: consumer credit, mortgage and NFC lending. However, banks reported that margins on average loans have narrowed. Looking ahead, banks expect NFC credit standards to remain stable in the next quarter, whilst consumer credit and mortgage credit standards are anticipated to tighten.

Chart 17: NFC lending rates have increased

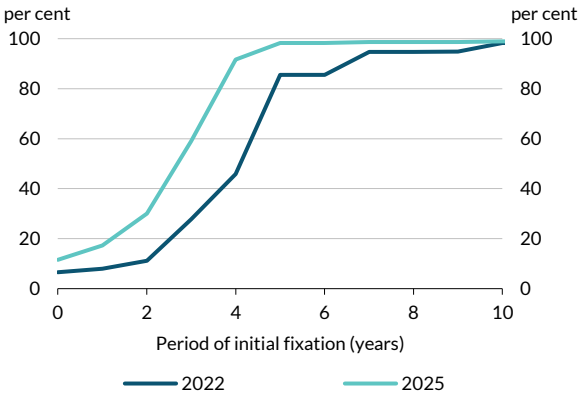
Interest rates on new lending by loan type



Source: Central Bank of Ireland Credit and Banking statistics and ECB.
Notes: The chart shows 3-month rolling averages. Last observation August 2026.

Chart 18: Lower levels of mortgage fixation will increase household's exposures to interest-rate in the short to medium term

Share of new lending per year by initial period of fixation



Source: Central bank of Ireland.

Lower take-up of fixed-rate mortgage products may leave a cohort of newly mortgaged households at risk of future interest rate increases. In recent years, Irish mortgage holders have shown a broad preference for fixed-rate mortgage products. Such products have helped insulate

[29] While a breakdown of acquisitions by publicly funded entities is not yet available for 2025, according to 2024 figures, 73 per cent of non-household residential dwelling transactions of residential dwellings involving entities from the Public/Education/Health NACE sector involved new units.

households from potential swings in retail interest rates, typically for a period of between one and five years. An analysis of new mortgage lending in 2025 shows a shift to shorter fixation periods and variable-rate products (Chart 18). While more recent aggregate data suggest this was a temporary trend, borrowers on short-term fixed-rate contracts and those with variable-rate mortgages remain exposed to interest rate increases, with implications for debt servicing capacity (see *Resilience: Households* and *Policy: Mortgage Measures*).

The Irish financial system plays a critical role in intermediating credit and supporting economic activity. The financial sector is substantial relative to the size of the domestic economy, with total assets of the financial system amounting to over €9 trillion at the end of 2024 –approximately 30 times GNI*. The composition of the financial system reflects both the importance of traditional bank-based intermediation and the expanded role of NBFIs. Credit provision remains dominated by the banking sector, which accounts for approximately 67 per cent of total credit outstanding.

The non-bank financial sector has grown in importance over the past decade and is a significant provider of credit for some aspects of the economy. Over a quarter of total outstanding domestic credit has been financed by non-banks. While this share has declined in recent years, this likely reflects the diverse range of non-bank agents operating in the market. Total outstanding credit held by non-banks includes loans originated by the non-banks financial sector and loans purchased by entities that specialise in distressed debt purchases.[30] In recent times, an area where non-banks have been active is lending to SMEs. Some cohorts of non-bank lenders are partially financed by third-party bank loans at variable rates and/or by debt securities. Compared to Irish banks which are generally funded by customer deposits, this funding can be more sensitive to global financial conditions.

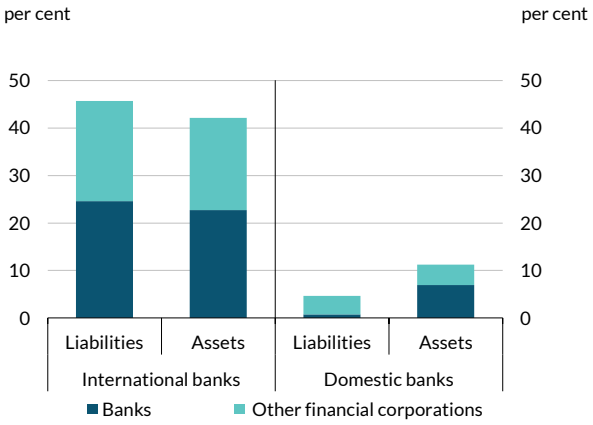
Ireland's financial system is integrated into a much larger global financial system – this allows for efficient allocation of services but can also act as a channel through which risks can transmit. As already indicated, the Irish banking system has two distinct parts. The internationally focused segment of the banking system is much more integrated into the wider financial system (Chart 19).[31] By contrast the domestic banks' level of financial sector interconnectedness is much lower.[32] A growing area of focus by financial stability authorities globally is private credit. Though this type of lending is not easily defined, recent analysis suggests that the level of direct involvement by domestic banks is relatively limited.

The rapid development of advanced AI models comes at a time of already heightened cyber-security risks for the financial sector. The development of frontier AI models has the potential to improve efficiency at an institutional level. However, the pace of AI development also means such models, when used maliciously, have the capacity to exploit previously unknown vulnerabilities in both financial institutions' technological infrastructure and the supply chain on which they depend, with the potential to undermine the smooth functioning of the financial system (for more on these risks see *Box B: AI models, cyber risk and financial stability*).

[30] The latter group was significantly bolstered by banks distressed sales in the aftermath of the financial crises.
[31] 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.
[32] However, the latter's exposures may increase in future years with the proposed divestment by the State holdings of Permanent TSB Group were to be acquired by a banking group.

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

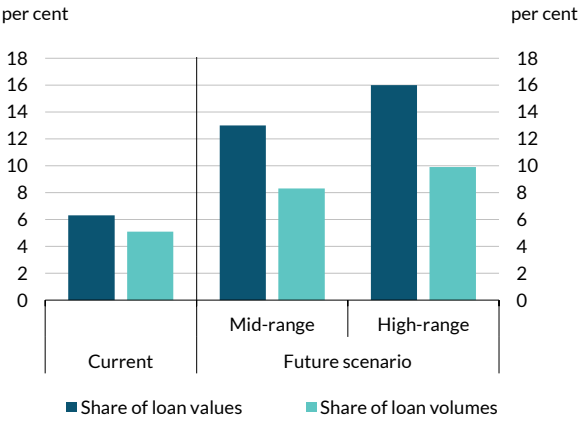
Irish banks' exposures to other credit institutions and financial corporations as a percentage of total balance sheet



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 2026Q2.

Chart 20: Flood risks could lead to a material risk in bank's business loan book

Share of business loans at risk of flooding



Source: Shahabi Ahangarkolaee et al. (2025), Measuring Flood Risk in Business Lending.
Note: Based on 1 per cent annual exceedance probability for fluvial/river flooding and a 5 per cent probability per year for coastal floods.

The real economy impacts of climate change have direct implications for the financial system.

Increasing weather-related losses are expected to affect insurance pricing and availability, with consequences for the economic value of assets exposed to climate risk. For the banking sector, borrower repayment capacity may be impaired by both climate events and policy-driven changes to costs, revenues and profitability, while collateral values face downward pressure from physical risks. For example, the changing climate is expected to result in a greater incidence of flooding. Without suitable mitigation, exposed lending is estimated to reach 16 per cent of total lending (Chart 20). More broadly, for investors, shifts in policy or in preferences towards greener assets. or changes in expectations regarding physical risks could trigger a rapid repricing of exposures. Ireland has committed to reducing carbon emissions by 2030 with an overall aim of reaching carbon neutrality by 2050. These targets are enshrined in law and failure to meet them may result in significant financial penalties for the State. While Ireland has made some progress, it continues to lag other countries in areas such as adoption of renewable energy (Chart 20). Overall, it is expected to miss its 2030 targets. Estimates of potential fines range from €8bn to €26bn.[33]

[33] For more see Irish Fiscal Advisory Council and the Climate Change Advisory Council (2025) "A colossal missed opportunity: Ireland's climate action and the potential costs of missing targets", March.

Box A: Financing AI infrastructure: an Irish perspective

By Macro-Financial and Financial & Supervisory Statistics Divisions [a]

As AI investment, particularly for physical infrastructure such as data centres, attracts greater and more varied financing, the linkages between the AI ecosystem and the financial sector increase. Understanding these linkages is important for assessing the financial stability implications of the AI build-out but can be complicated by the intricate nature of the financing.

The global AI sector has embraced complex, and often circular, funding arrangements (Hepp, 2026). These financing activities cover both private and public markets. They also link firms along the AI value chain, creating opaque webs of connection (e.g., hyperscalers/data centre operators, Chip/GPU designers, cloud providers/neoclouds and AI start-ups). Further, Van Nieuwerburgh (2026) highlights the increased complexity of the underlying capital stack, including off-balance sheet activities. Investors in data centre infrastructure also face sector specific vulnerabilities such as single-tenant demand; timing mismatch between financing maturity and technological obsolescence; and potential execution risks at local and global levels (i.e., planning and access to power, connection and chips). Further, reflecting potential policy trade-offs and climate risks, the location and future growth of large hyperscale data centres are currently under debate in some regions.

The complexity and emerging nature of this larger hyperscale market gives rise to significant data gaps in terms of its financial exposures, making financial stability assessments more challenging. The Central Bank's FSR 2026: I examined exposures of the Irish financial system to the large US technology companies and the financial stability implications of a market correction. This box builds on this analysis by first looking at the current data centre landscape in Ireland. Exploratory analysis is then presented on direct exposures by the Irish banking system to key firms active in the domestic and global AI infrastructure build out.

The Irish data centre ecosystem- what exists and what is planned?

A significant data centre ecosystem has developed in Ireland over the past 20 years or so. According to a narrow classification from KPMG[1], as of 2025 72 data centre buildings, spread across 36 sites mostly concentrated in the Greater Dublin Area, with a combined operational IT capacity of more than 1.5 GW, are located in Ireland. A large portion of Ireland's data centres (33 units and 660 MW of IT capacity, according to Bitpower.ie), have been added since the beginning of the decade (Chart A). In general, these facilities can be categorised as either hyperscale[2] or non-hyperscale[3] datacentres, with the latter further sub-divided between those offering alternative versions of colocation or enterprise services.

Delivery of new data centres has slowed, with just one new facility being built last year, amid increased public policy focus on energy usage and the ability of the power grid to cope with additional facilities. CSO data show data centres consume 23 per cent of metered electricity in 2025 compared with 5 per cent in 2015. Eirgrid estimates that this could rise to a third, if all currently contracted projects fully connect. There had been a pause on new data centre grid connections in the Dublin region since 2021, pending policy clarity. The introduction of a Large Energy User Action Plan in early-2026 by the Irish Commission for Regulation of Utilities, has clarified the public policy stance on this aspect of data centre development.[4] This plan requires data centres (and other significant energy consumers) to meet at least 80 per cent of their annual electricity demand from additional renewable generation in Ireland within six years of switching on, and to provide their own generation or storage. Figures from both KPMG and Bitpower.ie indicate a relatively steady pipeline of proposed additional data centres at

various stages of the planning and development system (Chart A).[5] Policy certainty could renew the delivery pipeline though energy capacity constraints and public opposition may impact further new developments.

Ireland (Dublin) as a European data centre hub

Together with Germany, the UK, the Netherlands and France, Ireland is home to one of Europe's key data centre hubs, located respectively in the metropolitan areas around Frankfurt, London, Amsterdam, Paris and Dublin, the so-called FLAP-D markets. According to the European Data Centre Association, data centres located in the FLAP-D countries combined were estimated to account for approximately 7.5GW of operational IT capacity at the end of 2025. Around over one fifth of which was taken up by hyperscalers, with the remainder devoted to colocation and scale colocation campuses (Chart B).[6] Ireland's share of total IT capacity across the FLAP-D markets (23.1 per cent) is similar to that of the UK (24.8 per cent) and Germany (23.4 per cent) and well ahead of the Netherlands and France (17.8 and 10.8 per cent, respectively). However, given the domestic presence of many hyperscalers, over 70 per cent of FLAP-D hyperscale-owned IT capacity is located in Ireland, far ahead of the next closest location, which is the Netherlands on 23 per cent (Chart B). In contrast, Ireland's 9 per cent share of colocation/scale colocation data centre operational IT capacity is the lowest of the FLAP-D group and compares to about 30 per cent each for the UK and Germany. The explosion in the demand for data centre capacity, associated with the rise of AI and cloud computing, has seen some markets in Nordic, Southern, Central and Eastern European countries scale up to capture this power-constrained overflow.

Financing data centre construction and operations

The construction of data centres is a capital-intensive activity. Bitpower.ie estimate that by the end of 2024, approximately €15bn had been invested in the development of Irish data centres, with a 2:1 split between hyperscale and non-hyperscale facilities. These figures exclude fit-out with IT equipment, estimated to be another €30bn, nor do they include the costs of land and planning of projects not yet under construction. Looking ahead, an additional €8bn to €10bn in future construction investment is estimated to be associated with 15 of the projects planned for the coming decade.

Hyperscale and non-hyperscale operators differ in purpose and business models. Funding models also appear to be evolving globally: this trend may be similar in the Irish ecosystem. The build-out of hyperscale facilities have traditionally been funded directly through the firms' own internal reserves and corporate cash flows, without recourse to traditional external project debt finance. However, globally, this is changing with greater recourse to debt financing (Aldasoro, Doerr & Rees, 2026) There is increased reliance on private credit, securitisations and the establishment of SPVs. Developers of co-location data centres have typically financed construction through a combination of asset-based project finance, syndicated bank loans, financing from sovereign wealth funds and institutional or private equity partnerships. Large hyperscale technology companies are also tenants in Irish wholesale colocation sites (KPMG, 2026), providing valuable rental leases for operators. Many hyperscalers and large data centre operators are globally active, using international financial markets and large corporate group structures for financing. Certain Irish high-tech technology construction firms also export their labour and expertise to build data centres abroad which provides an additional source of income.

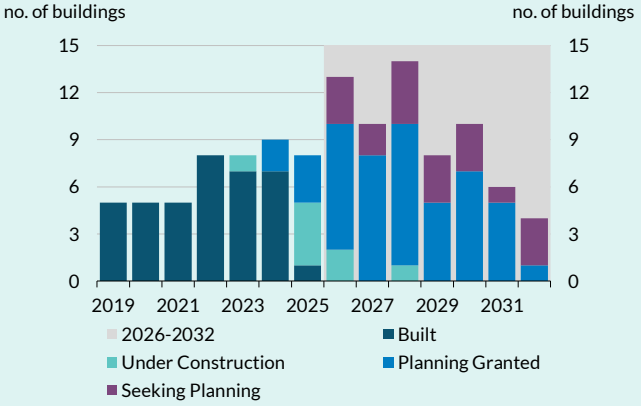
Irish banks' direct exposures

Since FSR 2026: I, the Central Bank has conducted further work on Irish bank exposure to data centre-related activities. Using planning permission data and publicly available information on data centre projects, the Central Bank compiled a list of key firms in the Irish market comprising hyperscalers, data centre operators, high-technology engineering/construction firm and related firms. Using AnaCredit and based on data availability, Irish banks are estimated to have limited direct credit exposures (on and off-balance sheet lending) to these entities- approximately 0.5 per cent of total private sector lending. Our definition of Irish banks refers to both domestic and international credit institutions resident in Ireland.

Beyond companies related to Irish data centres, there is broader global ecosystem supporting the AI-build out internationally. Therefore, a list of firms active in the global AI value stack, as identified by Che, Gautam and Wu (2026) and also based on European data was used to examine exposures to the global build out. Looking at equity and debt exposures from the Securities Holding Statistics, estimated security holdings to these companies are less than 1 per cent (0.6 per cent) of the total security holding of banks. Even if we combine these security holdings with estimated bank lending in AnaCredit, Irish banks do not appear to be very active in financing the wider global ecosystem with direct exposures well under one per cent of credit institutions' total assets.

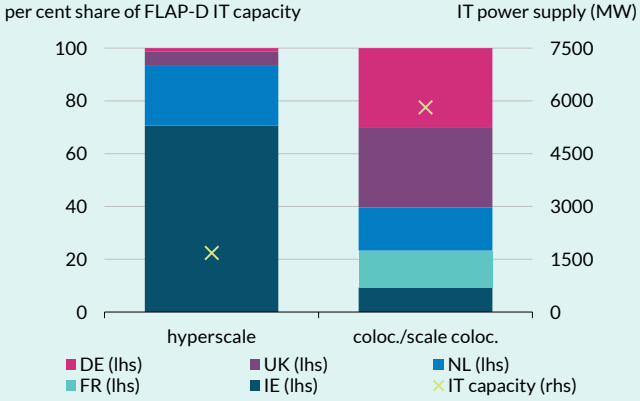
While Irish banks have limited direct exposures, they would not be immune from indirect effects of a significant AI demand shock through other parts of the AI financing chain. And, more importantly, there would also be second-round effects of a significant AI-related shock, through resultant tighter global financial conditions and slower domestic growth.

Chart A: Irish data centre ecosystem



Source: Bitpower.ie Digital dashboard.

Chart B: FLAP-D countries hyperscale, colocation and scale colocation IT power supply (MW)



Source: European Data Centre Association.
Notes: Data refer to estimates for 2025.

[A] Prepared by Gerard Kennedy and Maria Woods with further data analysis input from Angelos Athanasopoulos, Michael Mahony, Mary Cussen and Brian Power. The box also benefitted from input from Stephen Sweeney, Orla Bolger, John Rowe and Jonathan Rice.

[1] See KPMG report "*The value of data centres to Ireland*" (March 2026), which uses a narrower classification of data centre "sites" and "buildings" that takes account of installed data centre capacity in respect of already operational data centres (i.e., only those that are live and connected) as the basis for their estimates of the scale of the Irish data centre landscape. The report focuses on operational data centres that may serve enterprise and the public sector and excludes publicly owned facilities (such as health and government data centres) as well as sites not fully operational. Therefore, the figures presented may differ from other publicly available data.

[2] KPMG identify 32 existing hyperscale data centre buildings, located across 9 sites, who account for the vast share (88 per cent) of Ireland's installed data centre IT capacity. Developed and operated by firms such as AWS, Google, Microsoft and META, the function of hyperscale data centres is to deal with large-scale workloads, including the cloud computing capacity required for modern applications such as AI and high-performance computing analytics.

[3] Non-hyperscale data centres provide space, power and cooling services to multiple tenant types. Broadly speaking, the sector consists of (i) retail colocation data centres – (24 buildings / 92MW IT capacity) in which numerous tenant firms lease

space for their IT equipment, (ii) small-scale wholesale colocation data centres, (7 facilities / 84MW IT capacity) which are rented to one (or at most a small number) of firms to house their IT equipment, and (iii) enterprise data centres, (9 buildings / 5MW IT capacity) which KPMG define as private facilities for the exclusive use of one organisation to run its own IT systems. CyrusOne, Digital Realty, Equinix, Echelon, EdgeConneX, K2, Keppel and Vantage are amongst the prominent operators of these facilities in Ireland. Typically, those leasing these facilities prefer to be located close to the sites.

[4] Although this new regulation has already been brought into force, it is currently the subject of a High Court challenge.

[5] According to the KPMG study, Ireland's installed data centre IT capacity is projected to grow by 19 per cent between 2025 and 2030, based on 300MW worth of existing contracts for further grid connections as of the end of 2025. A further 1.4GW is also estimated to be at various stages of the development pipeline. Similarly figures from Bitpower.ie suggests that as many as 65 data centres, with IT capacity of 1.5GW, are at various stages of the developments pipeline out to 2032.

[6] Scale colocation data centres are designed to accommodate cloud and AI platforms at industrial scale and are thought to be a key driver of recent and planned data centre development in many countries.

Box B: AI, cyber risk and financial stability

By Aoife Langford (Resolution and Crisis Management)

What has changed?

Cyber risk is an established risk that has continued to increase in tandem with the growing reliance of financial services on technology. This rapid digitalisation, coupled with the interconnectedness of the financial system and common dependencies on digital infrastructure (e.g. cloud service providers and financial market infrastructures), creates the potential for cyber incidents to become systemic.

The advent of AI models, in particular frontier AI models, has led to a step change in the nature of cyber risk by reducing the time, cost and expertise needed to identify and exploit system vulnerabilities and increasing autonomous capabilities[1]. As a result, AI models can significantly increase the speed, scale and scope of offensive cyber-attacks, reduce defensive time buffers and increase the risk of systemic disruption. While it is anticipated that the asymmetries between cyber defenders and attackers are likely to reduce in the future, as AI models also contribute to strengthened defensive cyber capabilities, in the near term at least cyber defenders are at a structural disadvantage.

Impact on cyber and operational resilience

To date cyber incidents in the financial sector have not been systemic, however, the rapid adoption of AI is leading to an increase in AI-related incidents (chart A). Recognising the rapid pace of development in AI capabilities, the significant vulnerabilities already identified[2] (and in some cases exploited) by AI models, and the geopolitical asymmetries linked to AI capabilities, increased vigilance by authorities and firms is warranted as this risk evolves.

Over time the identification and exploitation of existing vulnerabilities in financial entities may become increasingly material and pose significant risks to operational resilience. For example, financial entities may need to balance the urgency of patching vulnerabilities identified against the potential disruption of operations during patching. In addition, financial entities that have less well-resourced cybersecurity capabilities may be more exposed signalling the need for financial entities to match cyber capabilities with this evolution in technology.

A substantial portion of the financial sector depends on commonly used technology and shared financial infrastructure. As a result, an automated AI cyber-attack that exploits a vulnerability in a commonly used technology could potentially lead to correlated failures and the propagation of risk across the financial system. The financial sector also depends on other critical infrastructure sectors, such as the energy and digital infrastructure sectors. Therefore, AI assisted- attacks that emanate indirectly from other sectors on which the financial sector depends could also cause systemic disruptions in the financial system. Recognising that the operational resilience of the financial system also relies on the resilience of third-party suppliers, chart B shows the National Cyber Security Centre's 2025 national cyber risk assessment of critical infrastructure sectors, including the likelihood and impact of attacks on the banking, energy and digital infrastructure sectors.

Response

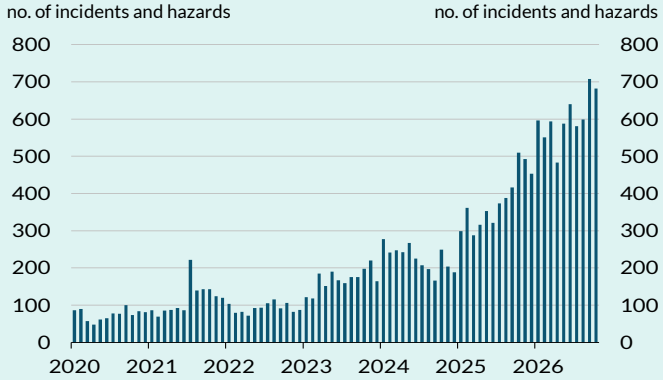
The requirements set out in the Digital Operational Resilience Act (DORA) and the Central Bank's Cross Industry Guidance on Operational Resilience provide a foundation to support firms in their response to this evolving risk. This includes strong cyber hygiene management, sound ICT third party risk management and robust incident management frameworks. Given the increasing likelihood of cyber incidents, firms should also ensure operational resilience extends beyond prevention to also consider containment and recovery strategies that support the continuity of essential financial services.

Recognising the additional cybersecurity challenges posed by AI, financial authorities have communicated on this specific risk including the ESAs statement towards a consistent risk based approach for ICT risks from frontier AI models, the SSM's Dear CEO letter and Central Bank engagement with firms.

Effective mitigation of this risk also requires coordinated efforts to support system-wide resilience. For example, public-private partnerships, such as the Central Bank's Cyber Intelligence and Information Sharing Initiative (CIISI-IE) which supports cyber information sharing. As referenced in the ESRB's warning issued in July 2026, developments related to this risk - including the asymmetry between attackers and defenders - have the potential to impact the functioning of the financial system, calling for ongoing monitoring and assessment of this risk by authorities, the financial sector and third parties.

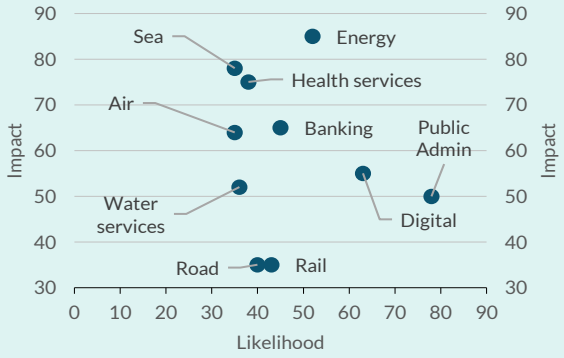
Chart A: Rapid adoption of AI is leading to an increase in AI-related incidents

AI-related incidents and hazards over time



Source: OECD.
Notes: An AI incident is defined as an event in which the development, use or malfunction of an AI system results in harm to health, critical infrastructure, human/labour/intellectual property rights, properties, communities or the environment. An AI hazard is defined as an event in which such harm is plausible but has not yet occurred. Last observation October 2026.

Chart B: National Cyber Risk Assessment of Critical Infrastructure



Source: 2025 National Cyber Risk Assessment.

[1] In June 2026 an incident (known as the Hugging Face incident) occurred where an unreleased, guardrail-free AI model identified a previously unknown vulnerability in its test environment. The model then exploited this vulnerability to access the internet and hacked into the Hugging Face software platform in search of a solution to the task it had been assigned.
[2] A PHP vulnerability was identified that could have potentially affected 70 per cent of the world's websites was identified by researchers using AI models. Further information available here.

Resilience

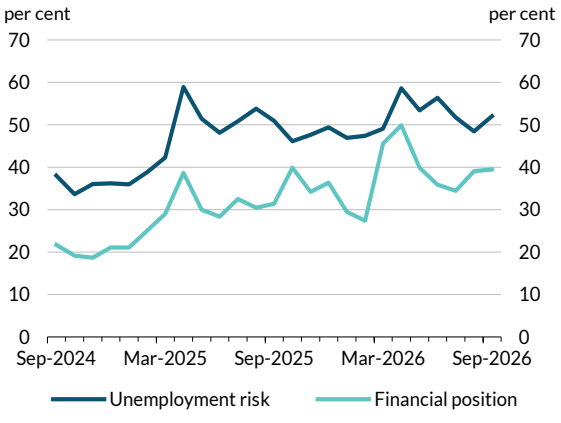
Households

Cost-of-living pressures are affecting households unevenly, with lower-income households more acutely affected. However, relatively few household borrowers have both high debt service burdens and stretched energy and food expenditures, while the effect of rising interest rates on mortgage repayments is expected to be manageable for most households. Modest levels of consumer loan delinquency and mortgage arrears suggest low levels of emerging distress. Employees in certain sectors – such as ICT and Finance – have high exposure to the risk of AI-related labour market disruption and they also have a higher likelihood of having a mortgage. Simulation-based analysis suggests that financial distress would rise significantly in the event of a major AI-driven labour market disruption, but strong levels of current resilience would mitigate stress levels.

Household perceptions of risks regarding employment prospects and their financial position have risen steadily since 2024, as reflected in survey data (Chart 21). The proportion of Irish consumers expecting unemployment risk to increase over the next 12 months has climbed from 34 per cent in early 2024 to over 50 per cent by mid-2026, while the share anticipating a worsening of their financial situation has doubled over the same period from around 20 per cent to nearly 40 per cent. The escalation of geopolitical tensions this year following the outbreak of the war in the Middle East has increased uncertainty around energy prices and the interest rate outlook. Irish households are particularly sensitive to global developments given the economy's exposure to international trade and energy markets (see *Risk: Domestic*). While the upward trend highlights deteriorating sentiment amongst households about their economic wellbeing, this is yet to translate into real activity with consumption growth remaining strong.

Chart 21: Households' perception of risks in recent years are rising, shaped by the escalation of geopolitical tensions

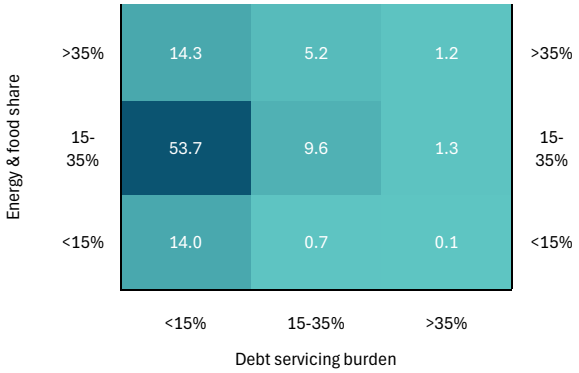
Monthly survey of shares of consumer reporting increased unemployment risk and worsening financial conditions in the next 12 months



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 22: Mortgage borrowers face varying degrees of financial pressure, but the overall distribution is tilted toward lower-risk categories

Share of mortgaged households by debt servicing burden and energy/food spending as a share of net income

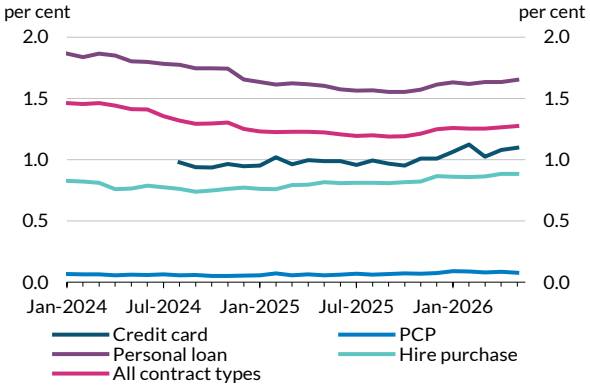


Source: Household Finance and Consumption Survey.
Notes: The heatmap shows the distribution of mortgaged households across nine categories based on their debt servicing burden (debt payment as a share of net income) and energy/food spending share of net income. The colour gradient ranges from teal (lower shares of households) to blue (higher shares), with the darkest blue cell representing the largest concentration of mortgaged households.

The share of income spent on debt and essential cost of living expenses is manageable for most mortgage borrowers, but there is a tail of high-risk households (Chart 22). In the most recent data around 8 per cent of mortgaged households (holding 12 per cent of outstanding mortgage debt) fall into vulnerable categories[34], which is around half as many as in the period immediately following the GFC. There is a smaller severely constrained tail (facing both high debt burdens and high essential spending) which represents 1.2 per cent of mortgaged households. The vulnerable 8 per cent of households tend to carry higher mortgage debt despite earning significantly lower incomes. The median income of these households is 48 per cent lower than the overall borrower population, while debt is 31 per cent higher. In terms of employment, about 61 per cent of vulnerable households are wage or salary earners, concentrated in health, education, retail, and professional services sectors, 14 per cent are self-employed, and 21 per cent depend on pension income.

Chart 23: Consumer loan delinquency rates remain low

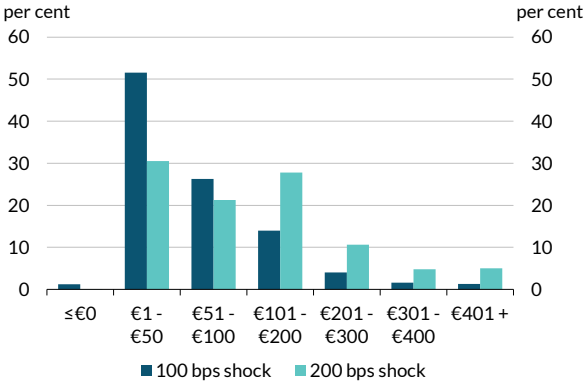
Share of active overdue balances in personal lending split by contract type



Source: Central Bank of Ireland.
Notes: All contract types in this chart include personal instalment loans, credit card debt, Personal Contract Plans (PCPs), hire purchases (excluding PCPs), charge cards, leasing, and overdraft debt. The overdue balance measure includes any amount of principal, interest, and fees outstanding at the reporting date which is contractually due and has not been paid and it excludes 'legacy' loans where the loan maturity date has already passed.

Chart 24: Most borrowers face modest repayment increases under interest rate stress scenarios

Distribution of expected monthly instalment changes in euro for fixed-rate PDH mortgages rolling off and current SVR/tracker mortgages under two interest rate shock scenarios (100bps and 200bps)



Source: Central Bank of Ireland, Loan-Level Data.
Notes: Distribution of projected changes in monthly mortgage instalments for: (i) fixed-rate loans due to roll off their fixed-rate period in the next 12 months, and (ii) current SVR and tracker rate mortgages. For fixed-rate loans rolling off, the analysis uses historic re-fix data to determine probability of refix or transition to the standard variable rate (SVR). The shock scenarios apply an additional 100 basis points) or 200 basis points increase to current rates, with full pass-through assumed.

Consumer loan delinquency measures remain low, while mortgage arrears rates continue to trend downwards, providing no indication of increasing household financial stress (Chart 23). The share of active overdue balances in personal loans (including credit cards, personal instalment loans, and vehicle finance) has remained broadly stable at around 1.2 per cent throughout 2023-2025, despite an expansion in consumer credit lending over this period. Consumer loan performance serves as an early warning indicator of household financial distress, as these unsecured loans are typically the first to experience payment difficulties when households face income or expenditure shocks. This is reinforced by mortgage arrears data: the share of mortgage accounts in arrears has continued its post-crisis decline and new flows into mortgage arrears have remained contained, indicating stability in households' repayment capacity. The stability of overdue balances and mortgage arrears, even as total lending has expanded, suggests that the household sector has

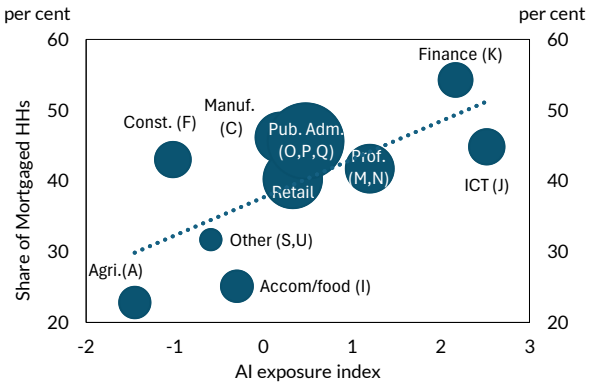
[34] These are defined as households in the three cells in the top right corner with both high debt burdens and high essential spending (1.2 per cent), high debt burdens and middle essential spending (5.2 per cent), and middle debt burdens and high essential spending (1.3 per cent).

healthy debt servicing ability and has not yet experienced a material deterioration in financial resilience.

Most residential mortgage borrowers would face a modest increase in monthly repayments if interest rates increase over the next year. Holders of SVR, tracker mortgages or those with a fixed rate expiring in the next year (57 per cent of PDH borrowers at retail banks) are exposed to near-term interest rate changes. Applying a 100 basis point shock to prevailing market rates, approximately 14 per cent of these borrowers would experience an increase in their monthly instalment of €100-€200 a month, with just under 7 per cent facing an increase of more than €200 (Chart 24). There is a wide variation in outcomes for fixed rate borrowers, as some who fixed in recent years would see a decline in repayments, while others who borrowed before 2022 are likely to face a larger increase. Under a 200 basis point shock, 28 per cent would see an increase of €100-€200 a month, with 20 per cent facing an increase in excess of €200.

Chart 25: Certain sectors have both high mortgage share and high exposure to AI

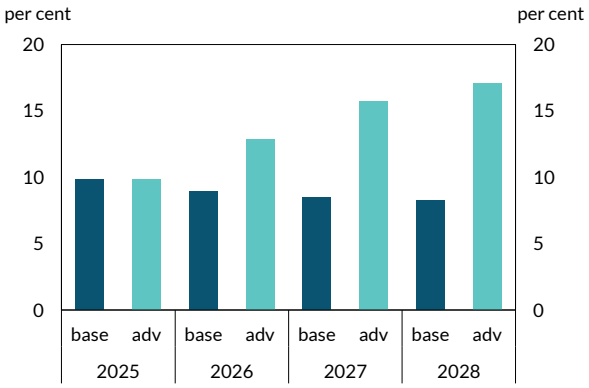
Share of mortgaged households and AI exposure index across economic sectors (weighted by the number of households in each sector)



Source: Yale Budget Lab, CSO 2022 and Riva (forthcoming).
Note: AI exposure is measured using the Budget Lab's PCA-weighted composite score, which combines six underlying measures of occupational exposure to AI. Each occupation's AI exposure score is derived by mapping Irish Census SOC2010 occupation codes to US SOC2018 codes through a chained correspondence. Bubble size represents the number of mortgaged households where the household reference person is employed in that NACE sector.

Chart 26: Cost-of-living pressures or an AI-driven unemployment shock could strain households, though financial stress will most likely remain contained

Simulated share of mortgaged households at risk



Source: Household Finance and Consumption Survey.
Notes: Households are classified as financially at risk when their financial margin exceeds 0.7 (debt servicing costs plus essential spending on food and energy consumes more than 70 per cent of net income). The baseline and adverse macro scenarios between 2025 and 2028 are based on the EBA 2025 EU-wide stress testing scenarios. The sectoral unemployment rates tilted according to the AI exposure derived in Chart 25. Results are reported as the weighted share of mortgage volume held by households above the financial margin threshold.

Certain sectors exhibit both high concentrations of mortgage borrowing and elevated exposure to AI technology, introducing a specific dimension of vulnerability to household resilience (Chart 25). The labour market in sectors such as finance and real estate activities, information and communication sectors is likely to be particularly susceptible to developments in AI[35], and these sectors also tend to have a higher share of mortgaged households. Conversely, sectors with lower AI exposure, such as accommodation and food services, construction, and wholesale and retail trade, exhibit lower mortgage shares, reflecting both lower average incomes and reduced access to mortgage credit. The concentration of mortgage debt in AI-exposed sectors could introduce a risk to mortgage repayment capacity over the medium term, as the labour market impact of AI remains uncertain—potentially positive through productivity gains or negative through displacement and wage pressures. While borrowers in these sectors currently benefit from higher earnings, rapid advances in AI could materially alter labour demand and wage structures in

[35] Yale Budget Lab (2026)

knowledge-intensive industries. The potential for AI-driven displacement or wage compression represents a structural shift that could affect debt servicing capacity, particularly given the elevated debt levels typically carried by households in these sectors.

Taking into account macro risks and potential AI-related effects on labour markets, financial stress could rise significantly in a severe downside scenario (Chart 26). Under a severe adverse scenario (broadly following the most recent EBA stress test) with heightened inflation, rising interest rates, and unemployment increasing to 12 per cent by 2028, the share of mortgaged households at risk could increase from 10 per cent to 17 per cent. While a significant increase, it would bring the share of mortgaged households at risk up to around 2018 levels and still well below the rate of 23 per cent observed in 2013, showing how underlying household resilience has improved in the post-GFC period.

Developments in the labour market are an important driver of financial distress. In our simulation, the size of the unemployment shock is tilted towards those sectors with a higher AI exposure in Chart 25. However, sectors with the highest distress rates are not exclusively AI-related employees. Sectors such as accommodation and food services, and retail trade, experience severe stress as workers in these lower-income sectors have weaker financial buffers and are more vulnerable to job losses. This shows that financial distress reflects both the magnitude of the shock and households' pre-existing conditions. High-income workers in AI-exposed sectors tend to be more insulated by strong financial buffers or supporting income from another household member. Household impacts are also highly heterogeneous by income group with distress rates reaching about 30 per cent for lower income households, compared with 6 per cent for those with high incomes.

Non-financial corporations

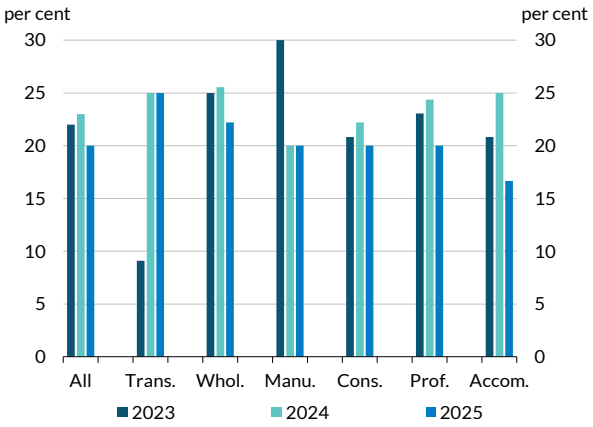
SME profit margins have remained stable in recent years despite acute inflationary pressures, with strong aggregate demand in the economy helping to support trading conditions for firms. Nonetheless, geopolitical tensions are likely feeding through into higher wage and input cost pressures, again testing the ability of firms to absorb cost increases through higher pricing, with risks around profit margins. Loan delinquency rates remain modest, while moderate debt levels and a staggered loan refinancing schedule provide firms with space to adjust to higher interest rates. AI exposure is highest among sectors with more highly leveraged firms, though its impact may be net beneficial for incumbent firms, and AI investment among SMEs is largely being financed by internal resources.

Consumer demand indicators remain strong in the Irish economy, resulting in good trading conditions for domestic firms. Consumption continued to expand in the first half of 2026. Real household consumption increased by nearly 3 per cent in the year to June 2026, with retail sale volumes also rising (by 1.3 per cent in the year to July 2026). These indicators point towards robust consumption growth in 2026.

Domestic firms have shown sustained resilience in the face of economic headwinds over recent history, with stable profitability across SMEs. SME profit margins across most sectors were steady between 2023 and 2025 – the median stood at 20 per cent in 2025, a slight decrease since 2024 (Chart 27). The transportation & storage sector saw the strongest improvement after a dip in 2023. In contrast, profitability in both the manufacturing and accommodation & food sectors declined, although remaining strongly positive, pointing to the continuing resilience of SMEs in recent years. This resilience is reflected in multiple business surveys, across both small and larger domestic firms.[36]

Chart 27: SME profit margins have remained relatively stable over recent years

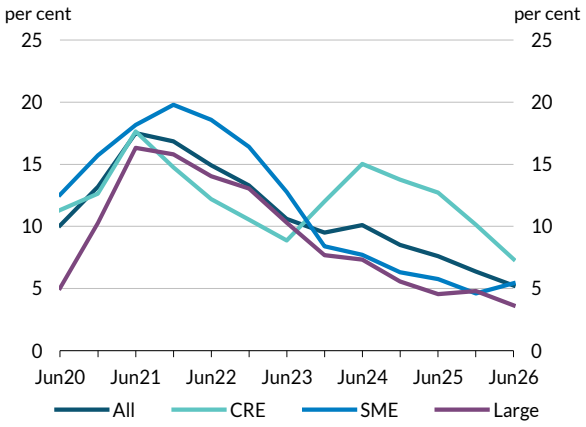
Median profit margins by sector



Source: Department of Finance.
Notes: Median profit margins by sector. Trans. refers to Transportation & Storage, Whol. to Wholesale & Retail Trade, Manu. to Manufacturing, Cons. to Construction, Prof. to Administrative & Professional Services, and Accom. to Accommodation & Food.

Chart 28: NFC bank loan performance measures continue to improve

Share of NFC bank loan balances in arrears, forbearance, or non-performing status by borrower type



Source: Central Bank of Ireland.
Note: The balance-weighted share of domestic bank Irish NFC loan balances in arrears, forbearance, or non-performing status by cohort.

The resilience of Irish borrowers is reflected in loan performance indicators which are at historically strong levels and trending downwards for most borrowers. A summary indicator of loan quality shows continued improvement across most borrower cohorts, with the share in either

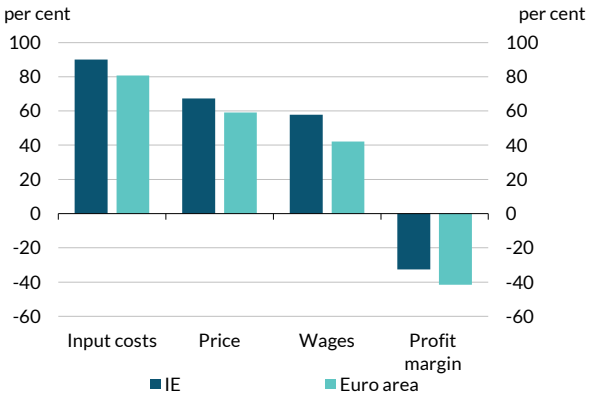
[36] For example, see the European Commission Business and Consumer Surveys.

arrears, forbearance, or NPL status declining by 1 percentage point to 5 per cent in the first half of 2026 (Chart 28). CRE loan performance remains weaker compared to other borrowers, although it has improved markedly since 2024, with the share of loans in distress decreasing by 8 percentage points. Overall, Irish NFC credit performance is now in line with euro area norms. The NPL ratio for Irish NFCs has consistently tracked the euro area median since end-2023, following a sustained period of elevated NPLs domestically.[37]

Continued geopolitical tensions pose a threat to business performance through cost and wage pressures, but profit margins will be partially insulated as firms expect to pass on higher prices. Over the next year Irish firms expect to face amongst the highest input and wage cost increases in the euro area, ranking in or close to the top 10 per cent (Chart 29). While firms expect to partly pass on those costs through higher selling prices, one-third of Irish firms also expect profit margins to decrease, compared to 40 per cent in the euro area. This shows that despite heightened cost pressures, Irish firms expect profitability to be relatively more insulated than euro area counterparts, possibly reflecting experience in 2022-2023 when firms were able to pass cost increases onto consumers in the presence of strong consumer demand. [38] Even in a stress scenario with sustained cost pressures and a significant decline in profit margins, Central Bank research indicates continued resilience of SMEs with only a modest number of firms entering financial distress. [39]

Chart 29: Input cost inflation could compress SME profit margins

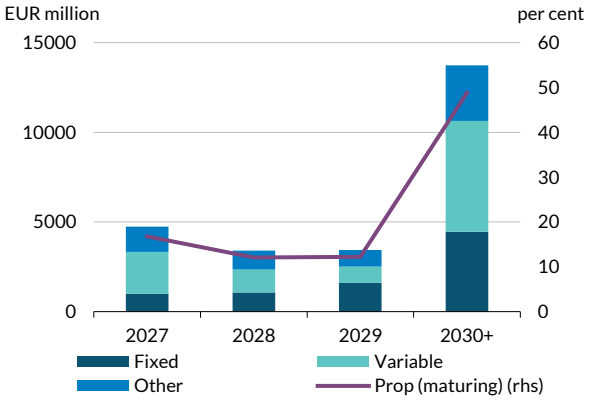
Net balance of firms expecting increases in key business indicators



Source: ECB SAFE (2026Q2).
Notes: Net balance of firms expecting increases (share expecting 'up' minus share expecting 'down') in key business indicators over the next twelve months. IE refers to Ireland.

Chart 30: The loan maturity schedule facing borrowers is gradual over the coming years, though variable interest rates are common

Outstanding NFC loan balances by interest rate type and maturity year



Source: Central Bank of Ireland.
Notes: Outstanding NFC loan balances owed to domestic banks by interest rate type and year of maturity. Prop (maturing) refers to the share of total outstanding balances maturing in each period. Other refers to loans where the interest rate type is unspecified or mixed.

Loan maturities are relatively evenly distributed over the coming years, with most borrowers on variable rates already exposed to interest rate changes (Chart 30). Geopolitical developments and broader inflationary dynamics could place upward pressure on the ECB policy rate. This will affect NFC borrowers, especially those on fixed rates as they either mature or roll-off a fixed rate. Half of NFC loans maturing in 2027 are on variable rates and are exposed to interest rate changes. Fixed rate loans account for €1.0bn maturing in 2027, rising to €1.6bn in 2029, before increasing substantially to €4.4bn in 2030 and beyond. However, most NFC loans originated during or after

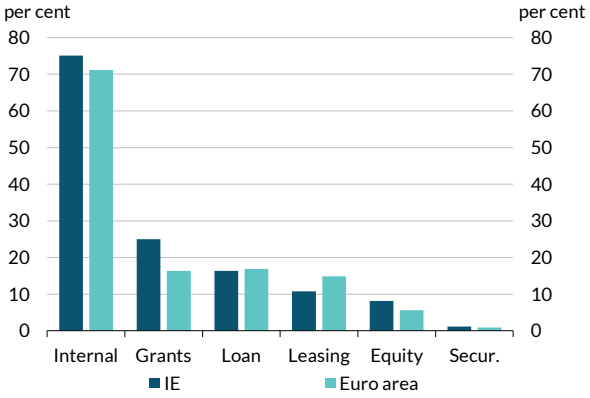
[37] For further details see ECB Supervisory Banking Statistics.
[38] See Adhikari and McGeever (2023) for details. Another firm-survey found similar results (see here).
[39] See Mahony and Adhikari (2025) for details.

the last ECB tightening cycle and have demonstrated their capacity to absorb increases in borrowing costs without a deterioration in credit quality. This suggests their continued resilience to ongoing elevated rates.[40]

While AI adoption has the potential to offer significant benefits to Irish firms, uneven adoption may widen competitive gaps. AI adoption presents significant potential benefits for firms, including increases in sales growth, employment, and market valuation, alongside improved operational metrics.[41] However, there could also be negative consequences for firms and the economy more broadly (see *Risk: Domestic*). For example, the benefits may not be sufficiently transformative to generate meaningful productivity gains[42] and the biggest gains could accrue to larger companies. They can use this advantage to cement market power, and OECD evidence suggests large firms are 35 percentage points more likely than small firms to adopt AI.[43] Barriers to adoption can be driven by time and skills gaps, but the risk of falling behind may be compounded by funding constraints with some research suggesting bank credit lines enable and facilitate AI adoption via precautionary liquidity.[44] Irish and euro area firms tend to rely heavily on internal funds and grants to finance AI investments rather than on external sources, such as bank loans (Chart 31). Strong reliance on internal funds could limit the scale and pace of AI adoption and potential productivity gains, particularly for small firms, but may act as a buffer against a downturn as adopting firms are not acquiring new debt.

Chart 31: Investment in AI is being financed mainly through internal resources

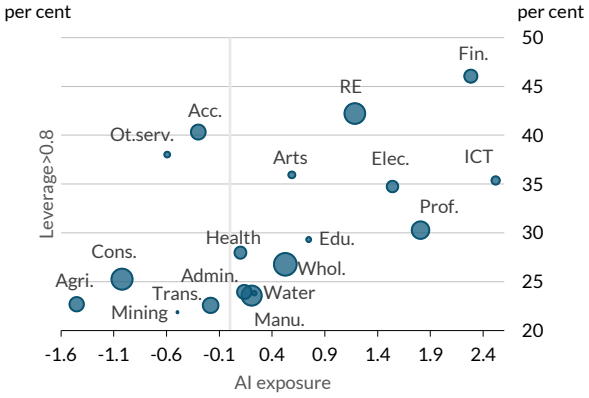
Share of AI investor firms by finance source



Source: ECB SAFE (2026Q2).
Notes: Share of firms using various financing sources to finance AI investments. IE refers to Ireland and euro area refers to a sample of euro area countries. Internal refers to internal funds (cash flow, retained earnings), Grants to grants or subsidised bank loans, Loan to bank loans and credit lines, Leasing to leasing or hire-purchase, Equity to equity, venture capital or private equity, and Secur. to debt securities issued.

Chart 32: Some sectors are both relatively exposed to AI and have a large share of highly leveraged firms

AI exposure, share of firms with leverage ratios exceeding 0.8, and total debt by sector



Source: AnaCredit, Yale Budget Lab, and Dun & Bradstreet.
Notes: Bubble size represents total debt outstanding in each sector in €m. Leverage ratio defined as total liabilities to total assets. AI exposure is measured using the Budget Lab's PCA-weighted composite score, which combines six underlying measures of occupational exposure to AI and large language models.

Most sectors have modest AI exposure and leverage positions, but sectors with higher AI exposure tend to have a larger share of highly leveraged firms (Chart 32). While most sectors couple relatively strong balance sheet positions with low AI exposure there are some noticeable

[40] For example, of the loans maturing in 2027, 2028, and 2029, 60, 74, and 80 per cent originated on or after July 2022.
[41] See Babina et al. (2024) and Brynjolfsson et al. (2025) for details. Other benefits include improved customer service resolution and employee learning.
[42] See Acemoglu and Restrepo (2019) for a further discussion of "so-so" technologies.
[43] Specifically, Babina et al. (2024) show the benefits of AI adoption primarily operate through product innovation and are concentrated among the largest firms. OECD (2026) surveys SMEs on AI adoption.
[44] See Haque at al. (2026).

exceptions.[45] Both the ICT and financial sectors combine high AI exposures with elevated shares of highly leveraged firms, and recent evidence suggests a shift towards debt financing for firms in the sectors most affected by AI[46]. Over the medium-term, if some highly leveraged firms in the relatively exposed sectors fall behind or fail to realise sufficient productivity gains, there are potential spillovers into distressed loan metrics.

[45] The sample of borrowers used includes SME and large firms, to get an accurate sector-level exposure.
[46] See Lane (2026).

Domestic banks

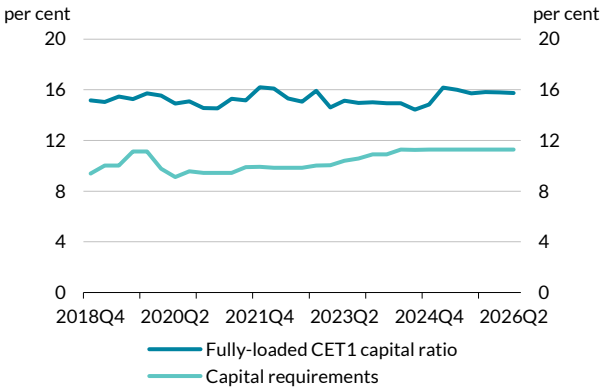
Capital levels at domestic banks are robust and provide capacity to maintain resilience in the face of a significant shock. Bank profitability remains strong, underpinned by net interest income and low-cost deposit funding, while profitability may benefit further in the higher interest rate environment. Asset quality continues to improve, with non-performing exposures declining. However, several risks could challenge banking resilience. Debt servicing and cost-of-living pressures could weaken asset quality if geopolitical and inflationary dynamics persist. Greater deposit market competition may pose medium-term risks to interest rate margins, while the introduction of the government's tax-advantaged investment account could bring both risks and opportunities for banks: potential deposit outflows versus potential fee income. Operational resilience is increasingly important. AI-enabled cyber threats will test banks' cybersecurity and operational resilience capabilities. Synthetic risk transfers provide capital relief but may facilitate increased leverage and rollover risk.

Domestic banks maintain robust capital and liquidity buffers, with strong capacity to absorb shocks, but face headwinds from global economic uncertainty. The Common Equity Tier 1 ratio stood at 15.9 per cent at 2026Q2, with headroom above regulatory capital requirements of around 445bps (Chart 33).

Rapid advances made in AI increase cyber risks for banks and have the potential to be a systemic threat to financial stability. As AI becomes embedded into day-to-day activities, there is a growing risk that system failures or attacks will lead to widespread disruptions for customers. Emerging threats from frontier AI models which can increase the speed, scale and level of accuracy of cyber-attacks pose an increased threat for banks and the wider financial system (ESRB warning, June 2026). Banks must ensure that their controls and operational resilience frameworks are strengthened to mitigate against these emerging threats (see *Box B: AI models, cyber risk and financial stability).*

Chart 33: Domestic banks maintain a buffer above regulatory requirements that would help them absorb shocks

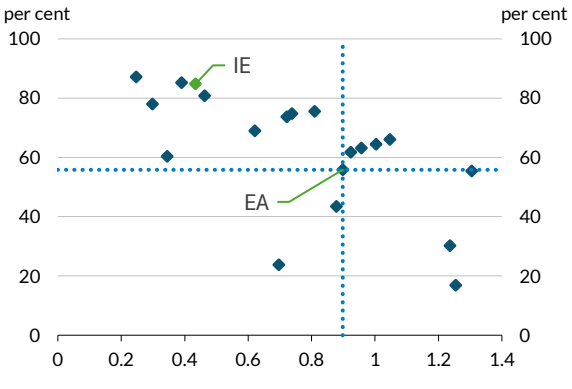
CET1 ratio and capital headroom of domestic banks



Source: Central Bank of Ireland.
Notes: Capital headroom is the difference between the fully loaded capital ratio banks are required to hold and their actual capital requirements. Capital requirements consist of pillar 1 and 2 requirements, capital conservation buffer, countercyclical capital buffer, and other systemically important institutions buffer. P2G is excluded.

Chart 34: Most Irish household deposits are held in overnight accounts, and have lower deposit rates than most other EA countries - June 2026

Relationship between Deposit Costs and Overnight Share - euro area, June 2026



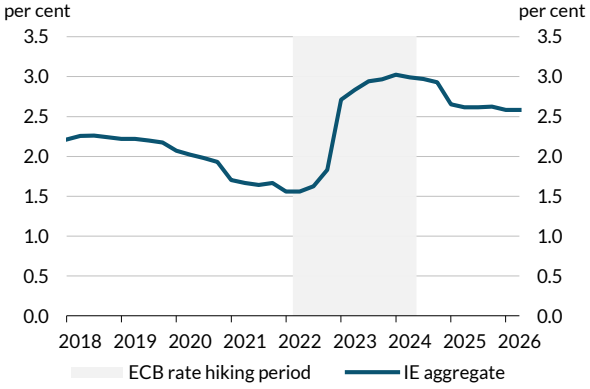
Source: ECB SDW (BSI and MIR series), June 2026.
Note: Y-axis shows overnight deposits as % of total household deposits. X-axis shows volume-weighted average interest rate across deposit types (overnight, agreed maturity, and notice). Deposit types with missing rate data excluded from composite calculation. Each point represents a euro area country.

Domestic banks continue to enjoy favourable funding conditions, but they may face medium-term challenges. Lending by Irish banks is predominantly funded by low-cost retail deposits. As at Q2 2026, 85 per cent of Irish household deposits were held in overnight accounts, significantly above the 56 per cent euro area average, and deposit rates remain among the lowest in Europe (Chart 34). However, domestic market developments could erode this advantage, with increased competition for deposits from new entrants, such as digital banks and branches of EU banks, and the introduction of Individual Investment Accounts (IIAs) due to launch in July 2027. These aim to increase participation in investment by households, and while its introduction may cause some deposits to migrate away from banks there may also be benefits via additional non-interest income fees where they act as service providers. Any upward pressure on funding costs could compress net interest margins (NIMs) for banks.

Digitalisation of financial services may also pose medium term challenges and opportunities. App-based and tokenised financial products can provide further competition for household saving and investment. To date, there is little evidence that novel payment instruments such as stablecoins have eroded the retail deposit funding base of banks in the euro area. In the longer term, the development of tokenised deposit technology may lead to innovative, efficient payment options for depositors within the banking system.

Chart 35: Domestic bank profitability remains healthy and net interest margins generally increase when interest rates increase

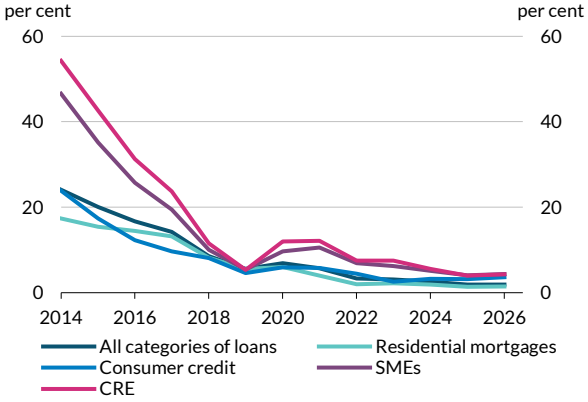
Aggregate net interest margin for Irish domestic banks



Source: Central Bank of Ireland.
Notes: Net interest margin of the three domestic banks. The shaded region highlights the previous ECB rate increasing period of July 2022 to July 2024 which saw increases in NIMs for banks.

Chart 36: Non-performing loans at domestic banks remain low across all loan categories

Non-performing loans by loan type



Source: Central Bank of Ireland.
Notes: Last observation 2026Q2.

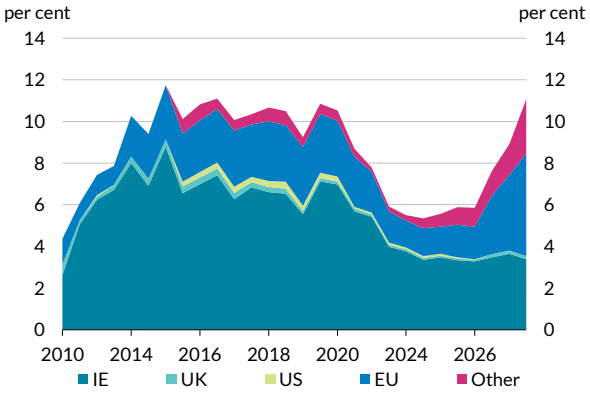
The profitability of domestic banks is likely to benefit from higher interest rates in the near term, but the uncertain external environment poses headwinds for the sector. While geopolitical uncertainty, higher inflation and higher interest rates bring downside economic risks to many sectors, the outlook is more balanced for the banking sector. As observed during the last ECB interest rate tightening cycle between 2022-2024, Irish banks tend to benefit when interest rates increase (Morell et al, 2022), primarily through their role in maturity transformation, which leads to larger net interest margins (Chart 35). However, higher interest rates can also lead to increases in operating expenses and credit risk for banks. Most mortgage borrowers at retail banks are exposed to near-term interest rate changes, with borrowers who fixed rates in 2022, before the last ECB hiking cycle, now facing the most material repayment increases (see *Resilience: Households).*

Credit quality indicators for Irish banks remain positive despite geopolitical uncertainty and higher inflation. Non-performing loans at domestic banks remain low across all headline loan categories (Chart 36). However, the ongoing war in the Middle East and higher borrowing costs for households and SMEs, that are already feeling the negative effects of higher energy prices, create vulnerabilities. Along with still elevated Stage 2 exposures for certain NFC sectors, there have been other pockets of borrower distress in certain portfolios, most notably, leveraged finance which have deteriorated amid a broader global deterioration in this market.

Domestic banks have modest holdings of sovereign bonds but are not immune to the rising sovereign yields. Domestic banks' holdings of sovereign bonds are modest, at about 11 per cent of total assets (Chart 37). These exposures are a feature of regulatory liquidity requirements and can provide a buffer in times of stress. However, a sharp repricing of European sovereign bonds would pose risks to Irish banks through channels such as valuation losses, a reduction in collateral available for repo transactions and higher wholesale funding costs. Sovereign exposures have increased in recent years for both domestic and euro area banks during a period of quantitative tightening. Around three quarters of domestic banks' sovereign bond holdings are carried at amortised cost and are therefore not marked to market, so changes in market prices do not directly affect reported earnings or capital for that portion.[47] Together with the banks' financial resilience and interest rate hedging, this provides a buffer against moderate sovereign bond repricing. Nevertheless, banks should continue to monitor their sovereign exposures and maintain prudent risk management frameworks, particularly given the potential for feedback loops between sovereign and banking sector stress.

Chart 37: Irish domestics banks' holdings of sovereign bonds have increased but are still modest

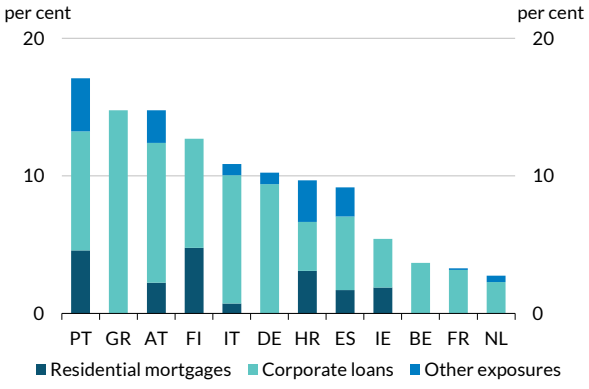
Domestic banks' sovereign bond holdings as a percentage of total assets by geographical breakdown



Source: Central Bank of Ireland and EBA.
Notes: Gross carrying amount of debt securities exposures of domestic Irish banks to general governments, scaled by total assets, by issuer region. Last observation 2026Q2.

Chart 38: SRT usage is increasingly common among EU banks

Total Synthetic Risk Transfers (SRTs) as a percentage of risk weighted assets by country



Source: Pillar 3 data hub.
Notes: Numerator is taken from Pillar 3 template EU-SEC1 (K_09.01) while denominator is from EU OV1 (K_60.00). Selected countries only. Data as of 2026Q2. Data for IE for domestic retail banks only.

Synthetic risk transfers (SRTs)[48] are used by Irish and European banks for capital and credit risk management purposes but could present additional risks in the future. Irish banks have used SRTs to varying degrees, with usage currently below some euro area peers (Chart 38). The transactions

[47] Aggregate estimate based on 2026Q2 for the three domestic banks – Held To Maturity holdings vary by bank.
[48] SRTs allow banks to transfer the credit risk of a loan portfolio to third parties (typically investment funds, pension funds or insurers) while retaining the loans on their balance sheet.

provide some balance sheet relief (~45bps)[49] by transferring credit risk to a third party, which can support lending to the real economy and distributions to shareholders. The financial stability risks associated with SRTs are currently contained (BIS, 2026), but the transactions can facilitate increased leverage, may lead to rollover risk (particularly if coinciding with a period of stress) and could undermine risk transfer if they are unfunded or not adequately collateralised.[50] For this reason, scrutiny will continue to be placed on these transactions to ensure genuine risk transfer and financial system resilience.

[49] AIB reported ~20bps CET1 benefit from its first SRT in November 2024 (AIB Annual Report, 2024) and an additional ~25bps benefit from its second SRT in late 2025 (AIB, Dec 2025) while research from CreditSights estimates that BOI's SRTs have delivered around 45 basis points in CET1 relief.
[50] See the Central Bank's Regulatory and Supervisory Outlook (RSO) report 2026.

Non-bank financial sector

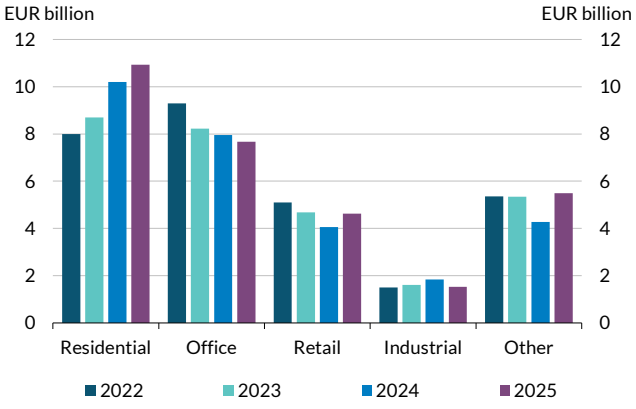
Investment funds and non-bank lenders

Irish property funds' commercial real estate exposures grew 7 per cent to €30.2bn in 2025, with residential assets increasing to 36 per cent of total exposure. Overall property fund leverage declined from 48 per cent to 45 per cent over 2025, driven by debt reductions and property valuation recovery. Non-bank lending to Irish NFCs expanded significantly in 2025, growing 20 per cent to €5.8bn. Real estate lending reached €2.3bn in 2025, with non-banks lending predominantly to large developers, including those involved in residential development activity. Distress indicators across non-bank loans remain low, with less than 0.5 per cent restructured and 0.7 per cent in advanced distress.

Irish property funds' exposure to Irish CRE grew in 2025, with compositional shifts and a gradual reduction in leverage enhancing sector resilience. Irish property funds' Irish CRE exposure increased by 7 per cent in 2025 to €30.2bn. Both residential and non-residential exposures grew at broadly similar rates during the year. However, residential assets now represent a notably larger share of Irish property funds' total CRE exposure, increasing from 27 per cent in 2022 to 36 per cent in 2025 (Chart 39). The increase in the share of residential exposure, driven by residential valuation gains and net purchases, may reduce the sector's sensitivity to shocks to some extent, as residential property prices are typically less volatile than other CRE categories.[51] Meanwhile, reductions in debt and a general recovery in capital values in non-residential properties (see *Risks: Domestic*) have led to significant leverage reductions in non-residential focused funds (Chart 40). Across all Irish property funds, overall leverage fell from 48 per cent at end-2024 to 45 per cent at end-2025, further increasing resilience in the sector (see Policy Section for more details).[52]

Chart 39: Residential funds have continued to increase their exposure to Irish CRE assets

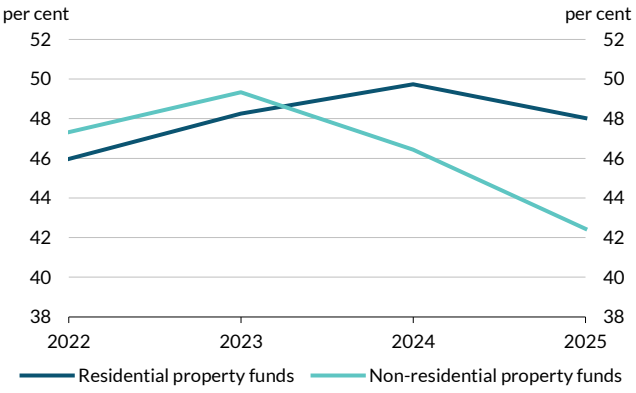
Irish property funds by asset of exposure



Source: IPF returns and Central Bank of Ireland calculations.
Notes: Funds are categorised as residential, office etc. according to the asset category in which they have more than 50 per cent of exposures. Last observation 2025.

Chart 40: Leverage declined the most in non-residential funds in 2025

Leverage levels of Irish property funds by cohort



Source: IPF returns and Central Bank of Ireland calculations.
Note: Funds are categorised according to the asset category in which they have more than 50 per cent of exposures. Fund type classifications are also harmonised across years to ensure like-for-like comparisons, and the sample is restricted to funds reporting in all four periods. As a result, sample size and composition may differ from point-in-time figures reported in other sections. Last observation 2025.

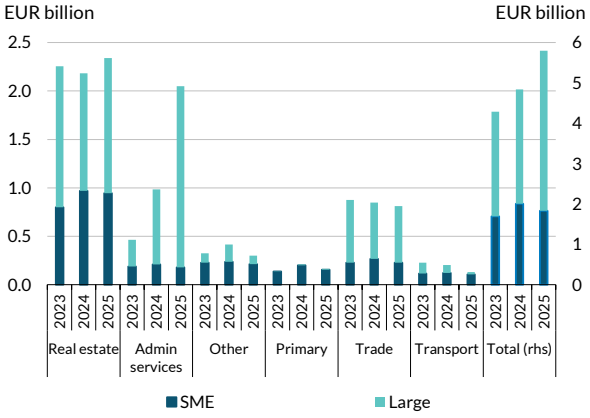
[51] See ESRB Vulnerabilities in the EEA commercial real estate sector, January 2023.
[52] The sample used here differs from the *Policy: Non-bank* chapter. Here, we include all Irish property funds, whereas in the Policy: Non-bank chapter, the focus is on funds subject to the macroprudential measures implementation period (i.e. it excludes new funds since 2022 and social housing funds).

Non-bank new lending to all NFCs continued to increase in 2025 driven by new lending to large NFCs, however new lending to SMEs declined. In this edition of the *Review*, non-bank lending has been expanded from SME lending only to include lending to all NFCs (both large and SME).[53] Similar to bank lending (see *Risk: Domestic*), non-bank lenders increased new lending in 2025 (up 20 per cent in the year to €5.8bn (Chart 41)). This was driven by lending to large NFCs in the real estate (typically residential property developers) and admin services sectors (mainly aircraft leasing). Total new lending to real estate NFCs grew 7 per cent and reached €2.3bn from €2.2bn in 2024.[54] Specialist property lenders, who are lenders specialised in lending to the real estate sector and tend to be more sensitive to broader financial conditions, account for 28 per cent (€1.6bn) of the total new lending in 2025.[55] The increase in the headline new lending figure hides the decline in new lending to other sectors (primary, trade, transport and other). Lending to SMEs in the primary sector declined most sharply in 2025 (a decline of €45.7mn), representing 26 per cent of the total SME lending decline.

Indicators of distress in non-bank loans remain at low levels and declined further towards the end of 2025. At end 2025, less than 0.5 per cent of all loans were restructured so that the borrower can continue to pay (Chart 42).[56] The share of loans in more advanced levels of distress (missed payment, legal proceedings, repossession, write-offs, etc) reached 0.7 per cent at end 2025. While not directly comparable, the share of loans in distress is in line with the low level of non-performing loans reported for the banking sector in 2025 (see *Resilience: Domestic banks*).

Chart 41: The volume of new lending to all Irish NFCs continues to grow in 2025

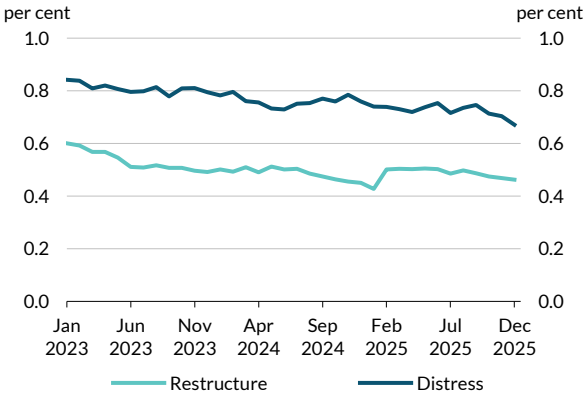
Volume of new lending to NFCs by non-banks split by NFC size and sector



Source: CCR and Central Bank of Ireland calculations.
Notes: Non-bank lending for each period outlined shows lending for the previous four quarters up to the date mentioned, e.g., 2025Q4 shows the amount of new credit provided for the 2025Q1-2025Q4 period. The real estate sector includes SMEs in real estate activities and construction. Last observation 2025Q4. This series is experimental and may be revised in future editions.

Chart 42: Non-bank loans to NFCs remain at low levels of distress

Share of non-bank loans in distress or restructure



Source: CCR and Central Bank of Ireland calculations.
Notes: The trend lines show monthly count of loans in distress or restructure status at any point in the month, as a share of the total loan count in the month. Distress includes advanced state of distress such as missed payments, legal proceedings, repossession, write-offs etc. Restructure includes status descriptions denoting restructuring of loan terms and refinance. This series is experimental and may be revised in future editions.

[53] NFC size categorisation considers aspects such as employee count, balance sheet size and turnover volume of the company along with the size of loan. For more details, please refer to Recommendation 2003/361/EC.
[54] Moloney and O'Gorman (2025) note that most lending by Property SPEs is advanced to large property developers.
[55] See Moloney et al (2023) for more information on the categorisation of non-bank lenders and Giuliana & Reddan (2025) for analysis on the sensitivity of non-bank lending to financial conditions.
[56] The CCR includes two experimental indicators of whether a borrower is unable to repay their loan. Where loan terms are restructured on a permanent basis, these are reporting only in the period the event occurs.

Insurance firms

Ireland's insurance sector operates in a rapidly changing global environment characterised by elevated uncertainty. Sustained business performance and stable solvency coverage indicate the resilience of insurance business models and the effectiveness of risk management strategies. At the same time, important risks are building and many have not manifested or fully developed. These include risks linked to private credit investments, AI, climate, and debt sustainability.

Directly held private credit investments are a small proportion of Irish (re)insurers' portfolios and are not a significant solvency risk (Chart 43). Additional indirect exposures are opaque though the risks should be second-order in nature. Supervisory authorities globally are increasingly focused on private credit, in which the global insurance sector is reported to be a significant investor. Although some characteristics of private credit can be well suited to many insurers' investment objectives, the broad asset class is also characterised by valuation uncertainty, low transparency, and low liquidity. Concerns have recently grown for the overall quality of private credit investments. The lack of a universal definition of private credit makes it difficult to definitively quantify (re)insurers' private credit investment exposures, but a broad application of EIOPA's method[57] shows Irish (re)insurers allocate roughly 5 per cent of non-linked investments to private credit. The result, which is in line with EIOPA's aggregate result for the European industry, infers that direct private credit investment risks are not currently a significant solvency risk for Irish (re)insurers. It must also be mentioned that additional indirect risk exposures could be material for some firms. For example, these can arise from the investment portfolios of reinsurance counterparties or parent entities, or simply from the degree of interconnectedness of the financial system with private credit.

AI is profoundly influencing the (re)insurance operating environment as well as the cybersecurity landscape and financial markets. AI represents both a technological leap and a force that is reshaping the risk environment, with the associated risks arguably exacerbated by the pace and scale of AI's emergence. Internally, Irish (re)insurers are increasingly adopting AI tools to assist with relatively simple tasks. While there is little evidence of AI being used to replace skilled human judgement in critical tasks such as insurance pricing and reserving, adoption is expected to deepen. The Central Bank's supervisory strategy aims to anticipate and promote responsible AI adoption aligned with the AI Act and the Bank's safeguarding outcomes. Externally, frontier AI models have rapidly transformed the cybersecurity landscape, affecting all insurers as IT users and those that are specialist cyber risk underwriters. Supervisory expectations have been adapted to the new cyber threat landscape, with a focus on cyber risk management and operational resilience frameworks. Meanwhile, global financial markets are increasingly influenced by AI (see *Risk: Global*). Irish (re)insurers have relatively limited direct investments in the main corporations involved in the AI rollout[58] (approximately 1.5 per cent of non-linked investments) and their aggregate investment portfolios are generally well diversified and strongly rated. Regardless, the scale and concentration of financial market investments in AI mean that (re)insurers are exposed to the heightened risk of a general market correction that could be triggered by a change in expectations of the future success of AI.

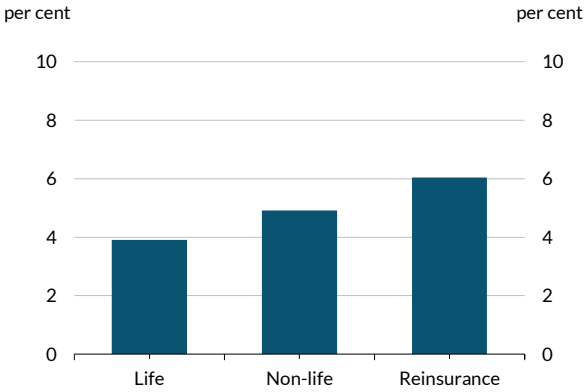
[57] EIOPA's method for quantifying private credit investment exposures is outlined in its financial stability report of December 2025

[58] Corporations involved in the AI rollout are assumed to be the so-called Magnificent 7 technology firms, plus approximately 20 firms significantly involved in the AI value chain.

Irish (re)insurers' financial market investments are mainly in bonds and subject to credit spread risk (Chart 44). (Re)insurers are significant investors in global financial markets that are characterised by high asset valuations, compressed risk premiums, and rising interest rates (see *Risk: Global*). Irish firms held €121bn of non-linked[59] investments at 2026Q2, of which 51 per cent were in directly-held fixed interest securities. For most firms, bond holdings provide effective protection against the impacts of changing risk-free interest rates on insurance liability valuations. However, holding bonds also introduces an exposure to rising credit spreads. Global debt levels are particularly elevated and financial markets have been increasingly focused on sovereign and corporate debt sustainability. Credit spreads underlying many of Irish (re)insurers' bonds have remained tight to date, but some firms have appreciable allocations to bonds whose spreads have materially increased, such as French sovereign bonds. Given the extent of (re)insurers' bond allocations, a general repricing of bond credit risk could have a significant impact on (re)insurers' solvency. Beyond bonds, (re)insurers' allocations to riskier asset classes remain low, with the combined direct allocation to equities, collateralised securities, and property being less than 10 per cent of aggregate non-linked investments.

Chart 43: Private credit allocations within non-linked investments are low across all insurance sub-sectors

Private credit holdings by insurance sub-sector



Source: Central Bank of Ireland.

Chart 44: Financial market investments are mainly in bonds and subject to credit spread risk

Allocation of non-linked investments to bonds by issuer country



Source: Central Bank of Ireland.
Notes: The composition by issuer country of directly held sovereign and corporate bonds within non-linked investment portfolios at 2026Q2.

The solvency of Irish (re)insurers remains well in excess of regulatory requirements. Despite a macro environment defined by geopolitical tension and pronounced uncertainty, Irish (re)insurers have reported solvency coverage[60] that is both stable and well in excess of minimum requirements. At 2026Q2, the sector had aggregate solvency coverage of 177 per cent (down two percentage points since 2025Q2) and median solvency coverage across all firms of 198 per cent (up five percentage points). All firms have solvency coverage above 125 per cent. The results indicate that (re)insurers' business strategies, underpinned by governance and risk management frameworks, have generally yielded balance sheet stability. The insurance sector also has significant capital buffers available to absorb the impacts of additional shocks from both known and unknown risks.

[59] Investments that are not held within a unit-linked or index-linked fund.
[60] Solvency coverage is measured as the ratio of available capital (known as "own funds" under Solvency II) to the solvency capital requirement.

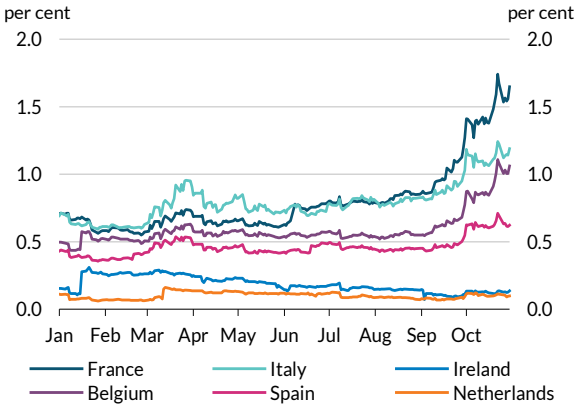
Sovereign

Tighter sovereign financing conditions globally are increasing debt service costs and heightening the risks associated with Ireland's narrow tax base. Nonetheless, market repricing to date has been more favourable for Ireland than other more indebted euro area peers. The underlying budgetary position is deteriorating in the context of elevated spending growth and an acute dependence on corporation tax (CT) receipts.

The sovereign funding environment has tightened significantly and is increasing Ireland's debt service costs. Markets appear to view Ireland's fiscal position more favourably than some EA peers, with Irish sovereign spreads remaining static throughout 2026 (Chart 45). Nonetheless, the level of interest rates has risen, and the Government expects interest expenses to approximately double to €6.4bn by 2030. A gradual debt refinancing schedule provides scope for adjustment to a higher interest rate environment (Chart 46). A further deterioration in market sentiment could place further upward pressure on sovereign yields (see *Risk: Global*), while a tighter financing environment heightens the structural risks associated with Ireland's narrow tax base.

Chart 45: Irish sovereign spreads have remained stable during 2026

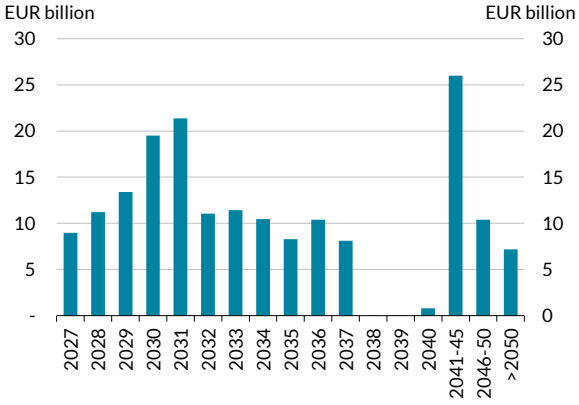
Sovereign spreads over the 10-year German yield



Source: Bloomberg.
Notes: The difference between 10-year sovereign yields of select EA countries and the equivalent German yield.

Chart 46: A gradual debt refinancing schedule provides scope for adjustment to higher yields

Irish sovereign debt refinancing schedule



Source: NTMA.
Note: Data are as at end-September 2026 and include NTMA Repo activity but exclude other MLT loans of €5mn.

The general government balance (GGB) is expected to weaken in coming years under the Government's own projections. Elevated spending growth relative to the sustainable growth rate of the economy explains this dynamic. The sovereign is also acutely dependent on corporation tax (CT) receipts to stabilise the budgetary position. CT receipts accounted for 23 per cent of total government revenue last year, up from 12 per cent in 2019. The underlying GGB, which excludes 'excess' CT receipts that cannot be explained by developments in the Irish economy, is deteriorating and projected by the Government to hit -4.9 per cent of GNI* by 2029. A weakening of CT tax receipts due to general cyclical dynamics or idiosyncratic shifts in corporate taxpayer profitability could expose Ireland to a substantial GGB shock and a sharp repricing of debt.

Ireland's public debt ratio is moderate relative to some peer countries, providing some capacity to absorb a fiscal shock, but debt in nominal terms remains high. Under the Government's baseline projections, the gross public debt ratio is projected at 58.5 per cent of GNI* this year and expected to decline further out to 2030. This starting debt position provides some space for adjustment in the event of a deterioration in the GGB, but a significant negative shock – such as to excess CT receipts – would quickly wear down this buffer.

Macroprudential policy

The Central Bank's macroprudential policies, which span the three broad pillars of capital buffers, mortgage measures and policies for NBFIs, aim to safeguard financial stability. The Central Bank undertakes regular monitoring and assessment of these macroprudential policies to ensure its policy stance remains appropriate for the prevailing systemic risk environment. This chapter presents an update on the Central Bank's current macroprudential policies (summarised in Table 1).

Table 1 | Summary of macroprudential policies

	Instrument	Policy stance	Additional information
Macroprudential capital buffers for banks	• **O-SII buffer** – aims to safeguard resilience of systemically important institutions.	• 6 O-SIIs identified • Institution specific buffer rates range between 0.5% - 1.5%	• Buffer rates already in effect for all 6 institutions.
	• **CCyB** – aims to safeguard resilience of the banking sector with a view to facilitating a sustainable flow of credit to the economy through the financial cycle.	• 1.5%	
Mortgage measures	Aims to ensure sustainable lending standards in the mortgage market. • **LTV** - provides a buffer against the risk of house price falls, which could leave borrowers in negative equity. • **LTI** – provides a long-term link between developments in the housing market and the real economy.	• LTV: 90% for PDH loans, 70% for BTL loans • LTI: 3.5 times for SSB loans; 4 times for FTB lending • 15% of new FTB & SSB lending segment is allowed above the limits. 10% in the case of BTL lending	
Policies relating to non-banks	**Irish property funds** – aims to safeguard resilience of the sector, reducing the risk that financial vulnerabilities might amplify adverse shocks in future periods of stress. • **Leverage limit** • **Liquidity guidance**	• Leverage limit: 60% total debt to total assets ratio • Liquidity guidance: generally, property funds should provide for a liquidity timeframe of at least 12 months	• 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. • 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.
	Irish authorised GBP-denominated LDI funds – aims to safeguard resilience of these funds to sudden increase in yields.	• 300 bps minimum yield buffer	• Measures have applied to newly authorised GBP LDI funds in Ireland since 29 April 2024.

Macroprudential capital buffers

Countercyclical capital buffer

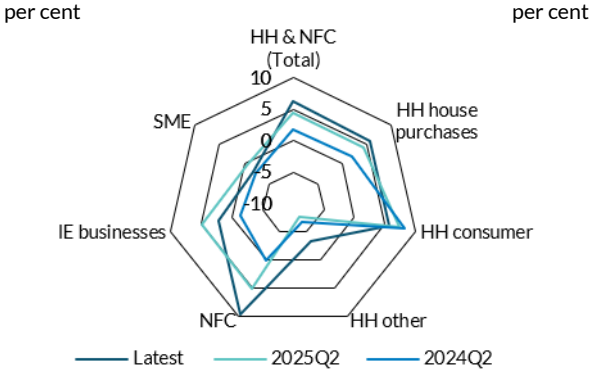
The countercyclical capital buffer (CCyB) is being maintained at 1.5 per cent. This represents no change to the Central Bank's policy stance with the buffer continuing to support banking sector resilience proportionate to the risk environment as laid down under the Central Bank's framework for macroprudential capital. Maintaining resilience is important in the context of the prevailing risks facing the domestic financial system from the external environment.

The macro-financial landscape (both global and domestic) is complex with somewhat contrasting cyclical risk signals across sectors, but in aggregate, risk conditions are assessed as remaining aligned with a buffer rate of 1.5 per cent. Risks stemming from the global financial system have increased and remain elevated, amid ongoing geopolitical tensions, increasing reliance on AI investment for growth and rising sovereign risk (see *Risk: Global*). As discussed in the *Risk: Domestic*, despite the challenging global environment, domestic economic growth has proven resilient but remains exposed to continued high energy prices and an AI related shock, given structural vulnerabilities. Nominal bank-related credit growth continues to accelerate with mortgage credit remaining the main contributor to growth. While there have been strong NFC growth rates in recent months, SME credit growth remains in negative territory (Chart 47). Although credit growth has been strengthening, it is broadly in-line with economic activity and indebtedness indicators do not point to a material increase in leverage risk at present. Domestic bank profitability and capital levels remain robust but maintaining resilience is a priority in the current environment of high risks from the external environment (see *Resilience: Domestic Banks)*.

The Central Bank assesses that no change to the CCyB rate remains appropriate at present but remains alert to the potential need for a change in the CCyB rate in either direction. For future CCyB rate decisions, the Central Bank will continue to monitor developments and assess the CCyB rate in line with its strategy for the buffer (Chart 48). The CCyB rate could be increased above 1.5 per cent were the Central Bank to deem that cyclical risks reflect emerging imbalances or were elevated. The CCyB could also be released should it be required, to support the supply of credit to the economy, in response to a materialisation of risks.

Chart 47: Nominal credit growth has strengthened but mixed dynamics evident across market segments

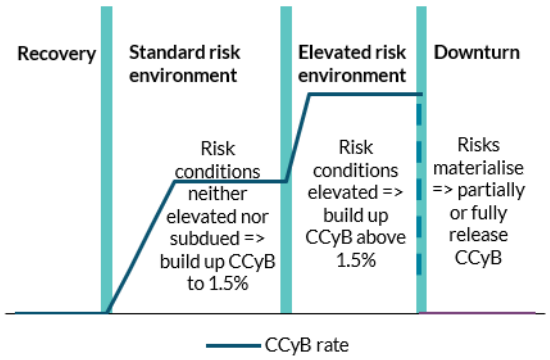
Year-on-year credit growth by market segment (2024-2026)



Source: Central Bank of Ireland Credit and Banking Statistics.
Note: Last observation for monthly data is September 2026 and for quarterly data is June 2026.

Chart 48: The CCyB policy stance reflects the Central Bank's strategy for the buffer

The Central Bank's high-level strategy for the CCyB



Source: The Central Bank's framework for macroprudential capital
Notes: Stylised representation.

Buffers for systemically important institutions

There are no policy changes resulting from the Central Bank's Other Systemically Important Institutions (O-SII) annual assessment. As such, six institutions continue to be designated as systemically important and are required to maintain an institution-specific buffer which supports the resilience of the institution. This policy stance remains appropriate given the systemic footprint of the six institutions and reflects the make-up of the Irish banking system, with buffer rates seeking to reflect the differing channels through which these different types of institutions can affect systemic risk.

Within the Irish banking sector, the Central Bank has designated six institutions as O-SIIs with corresponding institution-specific capital buffers being applied. 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 an institution that is not identified as systemically important. Higher capital requirements for these institutions, in the form of O-SII buffers, enhance the resilience of these institutions by providing an additional layer of loss-absorbing capital.

This year's O-SII assessment did not result in a policy change either in terms of the institutions identified as O-SIIs or the buffer rates applied. Of the six institutions identified as O-SIIs, five – AIB, BofAE, BBI, BOI, CEP – were in accordance with the mandatory scoring methodology outlined in EBA guidelines (Chart 49).[61] One additional institution, PTSB, was identified as an O-SII based on supervisory judgement. The supervisory assessment reflects PTSB's importance in terms of providing financial intermediation services to the domestic non-financial private sector. Taking account of elements such as institution size, EBA score and domestic market activities, as well as information from a Banking Union perspective[62] it was judged that existing institution-specific O-SII buffer rates – which range between 0.5 and 1.5 per cent – remained appropriate. All buffer rates comply with the ECB's floor methodology (Chart 50), which aims to ensure minimum buffers are in place that are aligned with institutions' systemic importance and more broadly aims to foster a consistent treatment of the most systemically important institutions across the euro area.[63] The weighted average O-SII buffer is approximately 1.1 per cent with the buffer providing in the region of €3.2bn in capital supporting the resilience of these institutions in aggregate.

The Central Bank's approach to the application of the O-SII buffer acknowledges the specificities of the Irish banking system. The outcome of this review 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. This heterogeneous make-up of the banking sector has implications for the distribution of risk across the banking system as the channels through which these different types of institutions can affect systemic risk vary. As such, the Central Bank considers measures of systemic importance relating to institutions' linkages with the domestic economy as well as broader measures that would be relevant from the perspective of European financial stability. The O-SII buffer rates applied seek to ensure that those institutions which are most systemically important to the Irish economy have buffers which reflect this

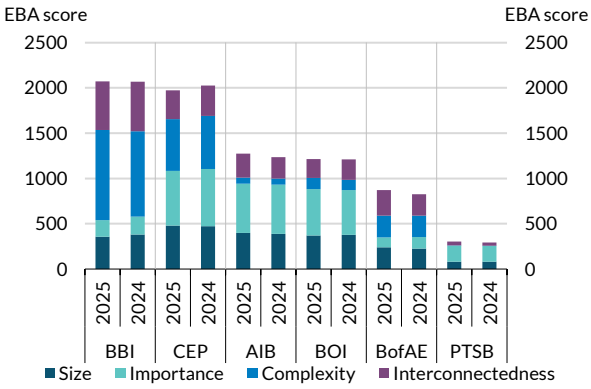
[61] The EBA guidelines relating to the assessment of other systemically important institution are available here.
[62] As part of its O-SII floor methodology the ECB calculates and publishes a score which reflects an institution's systemic importance from a banking union perspective for each O-SII within the banking union. The most recently published banking union scores based on end-2024 data are available here.
[63] 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).

domestic importance and those with less direct links to the economy have buffers which acknowledge the systemic importance through their international business and size.

The Central Bank carries out an O-SII assessment on at least an annual basis allowing changes in the composition of the banking sector to be accounted for. The population of O-SIIs (and buffer rates) within the Irish banking sector has changed and evolved over time and may continue to do so, with future reviews taking account of potential future changes in banking landscape in Ireland as and when they materialise.

Chart 49: Channels of systemic importance differ across identified institutions

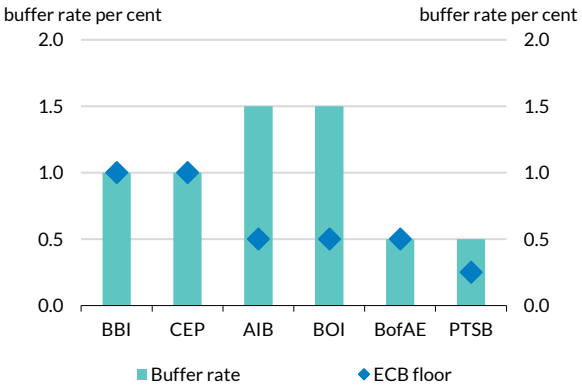
EBA O-SII score and category contributions



Source: Central Bank of Ireland.
Notes: Notes: Data are contributions to overall EBA score. For each year only data for identified O-SIIs are shown. End-2025 scores were used for the 2026 O-SII review and end-2024 scores were used for the 2025 O-SII review.

Chart 50: The buffer rates for the six O-SIIs comply with the ECB's enhanced floor methodology

O-SII buffer rates and ECB floor



Source: Central Bank of Ireland and ECB.
Note: ECB floor is the higher of the minimum buffer rates implied by the banking union perspective and the national perspective in accordance with the ECB floor methodology – see ECB Governing Council statement, December 2024.

Macroprudential mortgage measures

Mortgage measures

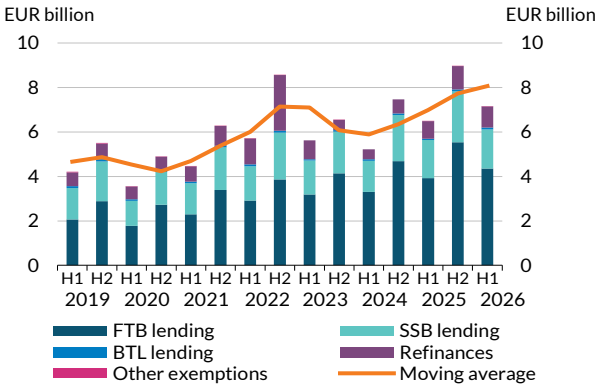
Recent developments in new mortgage lending indicate that the mortgage measures continue to meet their objectives of ensuring sustainable lending standards in the mortgage market. New mortgage lending remains robust, driven primarily by strong growth in the FTB and refinancing sectors. At the same time, new mortgage lending is not seen to be excessively driving house prices, with new mortgage lending growth consistent with developments in income in aggregate. The mortgage measures have helped to contain the potential emergence of highly indebted households with the share of lending at above 4 times LTI remaining contained. The distribution of new lending and share of allowance lending in 2026H1 was at similar levels to 2025.

The mortgage measures continue to operate in line with their objectives. The mortgage measures aim to ensure sustainable lending standards. The measures operate by setting limits on the amount of money that people can borrow to buy residential property relative to incomes and property value. In so doing they 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.

Mortgage lending activity remains robust with 2026H1 seeing the highest volume of H1 new lending since the introduction of the mortgage measures. Approximately €7.2bn of new mortgage lending originated during the first half of 2026 - the largest volume of lending seen in this period since the introduction of the mortgage measures and an increase of approximately 10 per cent compared to lending in 2025H1 (Chart 51). New mortgage lending is being driven primarily by the FTB sector, however refinancing activity is also a feature of the market, likely reflecting the current interest rate environment. Developments in lending to SSBs have been more muted/stable.[64]

Chart 51: New mortgage lending continued to grow in H1 2026, driven by increased lending to FTBs

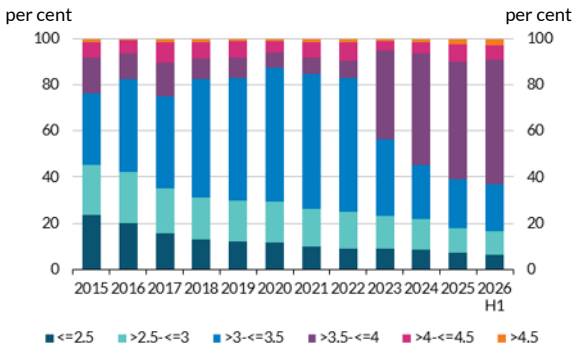
Breakdown of new lending volume by type (2019 – H1 2026)



Source: Central Bank of Ireland Monitoring Templates data.
Notes: Includes all new loans. Refinances category includes loans both in and out-scope of the mortgage measures. 'Other' refers to out-scope negative equity, title transfer, bridging loans and restructured loans. Moving average shows the average lending volume over the two most recent time periods.

Chart 52: Over half of all FTB loans were originated with an LTI between 3.5 and 4x income in H1 2026

FTB LTI categories, 2015 – H1 2026



Source: Central Bank of Ireland Monitoring Templates data.
Note: Share of Value. Sample: in-scope FTB, new property purchase and self-build loans only.

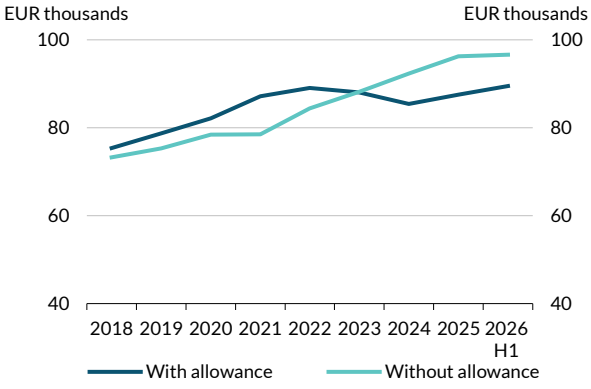
[64] The Central Bank publishes summary data of new mortgage lending relating to the mortgage measures regularly here.

The distribution of lending in 2026H1 was broadly in line with 2025 figures, with a substantial portion of lending occurring close to the LTI and LTV limits. Since the targeted recalibration of the measures, arising from the framework review, came into effect in 2023 there has been a significant shift in the FTB LTI distribution and to a lesser extent the SSB LTV distribution. In 2026H1, 54 per cent of new FTB lending by value was at an LTI of between 3.5 and 4 times income (Chart 52). This figure was broadly unchanged from 2025 but considerably higher than the 8 per cent recorded in 2022. A growing share of loans are again originating below but close to the LTI limit. This bunching was a feature of FTB lending in the early 2020s but was eased by the recalibration of the limit.[65] Since 2023, the SSB LTV distribution has also shifted into the space provided by the recalibration. In 2026H1 33 per cent of SSB lending by value was at an LTV of 80 to 90 per cent.[66]

Lending above the LTI and LTV limits through the proportionate allowances, which are an important feature of the framework, relates almost exclusively to the LTI limit. Approximately 9 per cent of lending was originated with an allowance in 2026H1, a slight decline on the 10 per cent observed during 2025. The decline relates to a small decrease in the share of FTBs with an allowance. In 2026H1, essentially all lending above the limits related to the LTI limit. This has been a feature of the market since 2023 when the SSB LTV limit was increased to 90 per cent. Lending at LTVs in excess of the limit is practically non-existent in the market. Another feature relating to FTB allowance lending at this point is the shift in pattern of average incomes observed pre- and post-recalibration. Pre-recalibration, the average income of FTB allowance borrowers was higher than that of FTB non-allowance borrowers. However, after recalibration, this pattern has reversed (Chart 53).

Chart 53: Since the recalibration, FTBs with an LTI allowance tend to have a lower average income than those without an allowance

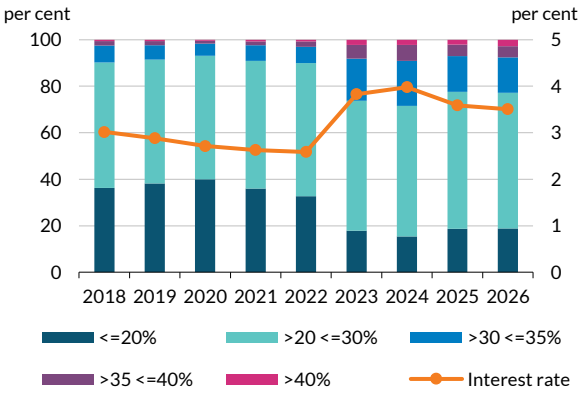
FTB average income for LTI allowance and non-allowance borrowers



Source: Central Bank of Ireland Monitoring Templates data.
Notes: FTBs in-scope of the mortgage measures. Income refers to gross income of all borrowers on the loan.

Chart 54: The share of new PDH lending at high LSTIs remains modest

PDH net LSTI categories, 2018-H1 2026



Source: Central Bank of Ireland Monitoring Templates data.
Note: Sample in-scope new property purchase and self-build loans only, share of value. Excludes all loans which are not amortizing monthly at origination or on hybrid payment schedules. Interest rate is a weighted mean.

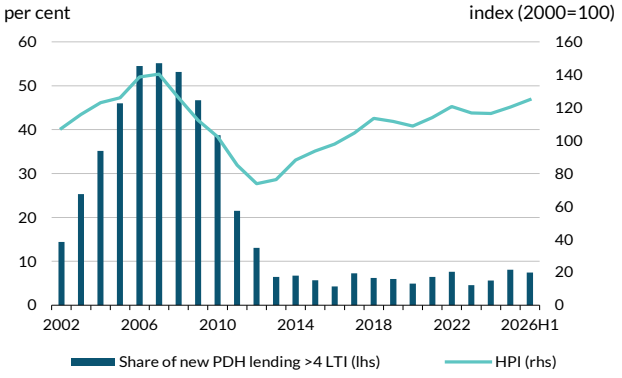
From an affordability perspective, the share of new PDH lending at high LSTI ratios remains modest, although it is sensitive to developments in interest rates. In 2026H1, approximately 7 per cent of PDH lending was originated at an LSTI above 35 per cent (Chart 54). This was unchanged from 2025 and slightly below the share observed at the peak of the previous interest rate cycle. A

[65] Mortgage lending data is published as part of the Central Bank Open Data initiative.
[66] This is broadly in line with 2025. In 2022, 12 per cent of SSB lending was issued with an LTV between 80 and 90 per cent.

renewed increase in policy rates, and the pass-through to mortgage lending rates could place upward pressure on borrowers' repayment burdens.

Chart 55: 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

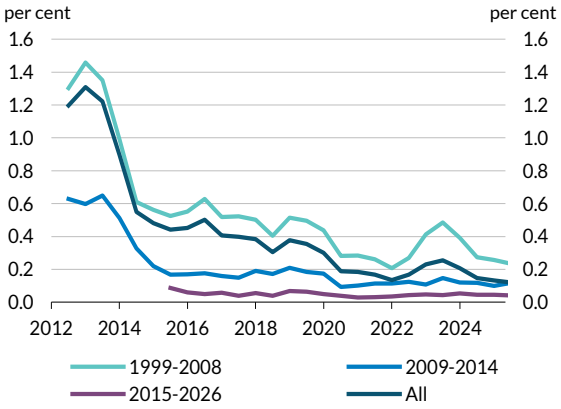
Share of new PDH lending above 4x LTI and house price-to-income ratio



Source: Central Bank of Ireland Loan-level data and Monitoring Templates data, CSO and Central Bank of Ireland calculations.
Notes: PDH new property purchase/self-build loans only. Loans in-scope of the mortgage measures only included from 2015-2026H1. 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.

Chart 56: Loans originated since the introduction of the mortgage measures have low transition rates into early arrears

Flows into early arrears by loan origination year group



Source: Central Bank of Ireland Loan-level data.
Note: Transition into early arrears (93-183 days past due) by year grouping.

The mortgage measures have helped to contain the potential emergence of highly indebted households and unsustainable dynamics between credit and house prices. The measures have helped contain the share of lending above 4 times LTI relative to the mid-2000s, even in an environment where house prices have risen relative to incomes (Chart 55). It is also the case that loans originated since the introduction of the mortgage measures have the lowest transition rates into early arrears (Chart 56). Further, while mortgage credit is making a strong contribution to aggregate credit growth (*See Risk: Domestic*), there is no material indication that new mortgage lending is contributing to unsustainable dynamics between credit and house prices. In aggregate, new mortgage lending growth has been consistent with developments in income as the mortgage lending to disposable income ratio has remained steady in recent years (Chart 57). In terms of housing transactions, while mortgage-financed FTBs account for the largest share, non-household and household "cash buyers" remain a substantial presence in the market. Combined, these non-mortgage purchases account for 40 per cent of total housing transactions and subsequently also contribute to house price dynamics (Chart 58).

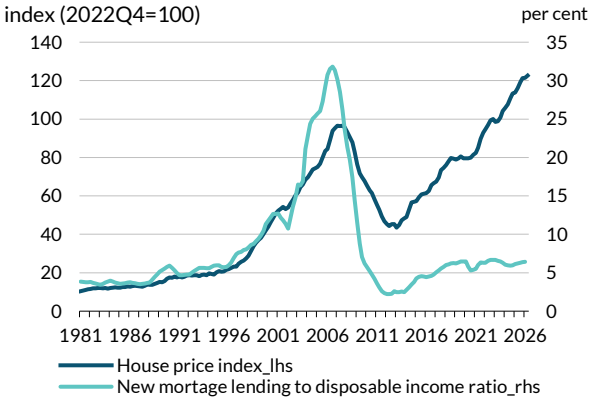
While the measures are a permanent feature of the market, the Central Bank continues to evaluate and deepen our understanding of the measures.[67] In April of this year, a technical amendment to the measures was introduced which exempted principal home bridging loans from the LTI limit.[68] The amendment was deemed appropriate to maintain the effectiveness of the mortgage measures while continuing to support market functioning. Based on 2026H1 data the re-emergence of bridging loans in this market remains nascent. More broadly, recent research looked at the impact of the targeted recalibration associated with the 2022 framework review on

[67] The macroprudential mortgage measures ten years on: Taking stock sets out insights from a decade of experience with the measures and how the Central Bank would take these insights into how it operates into the future.
[68] Targeted amendment to the mortgage measures: principal home bridging loans April 2026.

new lending outcomes and how these effects vary across households.[69] This research found that easing the FTB LTI limit enabled younger households and those with lower incomes to accumulate the necessary deposits more quickly and enter the market sooner than they otherwise would have. Middle-income borrowers were found to have purchased more expensive houses in the Greater Dublin Area with their additional credit but also reduced unsecured borrowings. By contrast, those in the rest of the country used their additional borrowing capacity to reduce upfront deposit requirements rather than purchasing more expensive homes.

Chart 57: Mortgage lending relative to disposable income shows a steady pattern recently and does not indicate an unsustainable dynamic between credit and house prices

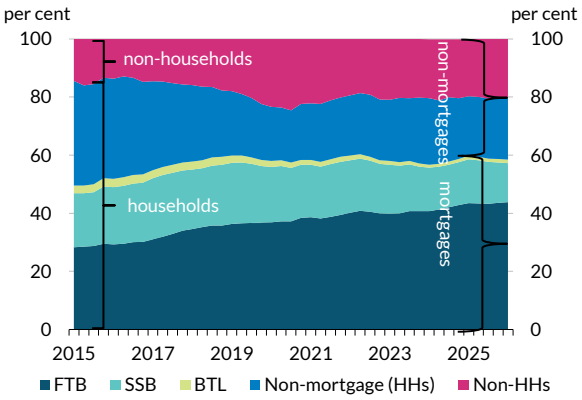
House prices and new mortgage lending to disposable income ratio



Source: CSO and Central Bank of Ireland.
Note: New mortgage lending to disposable income ratio is a 4-quarter moving average. Last observation NML-to-DI ratio (2026Q1) & house prices (2026Q2).

Chart 58: While mortgage-financed transactions accounts for the majority share of housing transactions, non-mortgaged transactions are a substantial share

RRE transactions by buyer and financing type



Source: CSO and Central Bank of Ireland.
Note: Last observation 2026Q1.

[69] Central Bank of Ireland, Staff Insights Vol.2026 No.13

Macroprudential policy for non-banks

Developing the macroprudential framework for non-banks, with a focus on the investment funds sector, remains a key priority for the Central Bank. This reflects the scale of the investment funds sector domiciled in Ireland and its interconnectedness to the wider financial system and, in some cases, with the real economy. The objective of macroprudential policy for non-bank financial intermediaries (NBFI), including the funds sector, is to ensure the resilience of this growing segment of the financial sector such that it is less likely to amplify shocks to the rest of the financial system and the real economy.

Given the inherently global nature of the funds sector, international coordination and cooperation are critical to strengthening the macroprudential lens of the regulatory framework for the sector. Within Europe, the Central Bank continues to support the European Commission's work to develop a macroprudential framework for NBFI through the Central Bank's recent involvement with the work of the Eurosystem's High Level Task Force on NBFI, culminating in the task force's Final Report, published in May. The Central Bank has recently further engaged with the European Commission as part of their work to increase the resilience of the money market fund (MMF) sector. In June, the Central Bank issued CP168 proposing Guidance on Money Market Fund Weekly Liquid Asset levels in coordination with other European jurisdictions. The Guidance sets out the Central Bank's expectations in relation to enhanced MMF liquidity levels and risk management practices. These expectations are aligned with the market resilience levels identified by the European Commission in its 2026 report. Final guidance was published in October, following the closure of the consultation process.

The Central Bank supports the implementation of wider international initiatives in recent years, to strengthen the development of an international macroprudential framework for NBFI. In relation to 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), the Central Bank welcomes the adoption by the European Commission of Regulatory Technical Standards regarding LMT use under AIFMD and the UCITS directive. Reflective of this support, the Central Bank undertook analytical work in order to understand better how price-based or anti-dilution LMTs are used in Irish-domiciled funds, alongside exploring some of the implementation challenges to inform operational discussions. The analysis showed that while the availability of price-based LMTs among Irish domiciled funds has increased significantly over the past half decade, the use of such tools remains less consistent and less widespread.[70] In an effort to shift behaviour towards greater use, greater consistency of use, and more consideration of market impact, the Central Bank published a 'Good Practices' guide in April. The Central Bank additionally supports the implementation of the FSB's policy recommendations to enhance the monitoring of, and address financial stability risks from, the use of leverage among non-banks.

[70] For more see, Gallagher and White (2026) "*Availability and use of Liquidity Management Tools in Irish-domiciled Investment Funds*", Central Bank of Ireland Staff Insight, No. 3, Volume 2026.

Macroprudential measures for Irish property funds

The Central Bank continues to monitor the implementation of, and compliance with, 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 equity inflows and a reduction in non-equity liabilities. Looking ahead, while improving CRE market conditions may help funds to reduce their leverage, additional planning is required for some 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 2025. Irish property funds remain a key participant in the Irish CRE market (*see Resilience: Investment funds and non-bank lenders*), with holdings of €30.2bn in Irish CRE at end-2025, of which €8.1bn is held indirectly via subsidiaries or related entities. Average leverage across the sector has decreased from 48.2 per cent at end-2024 to 44.8 per cent at end-2025, largely driven by equity inflows and a reduction in non-equity liabilities. The latter was driven by a fall in Irish retail bank debt and debt held through related parties. These declines were partly offset by an increase in debt from foreign banks and non-bank lenders. 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, and several new funds were authorised over the course of 2025 and the first nine months of 2026.

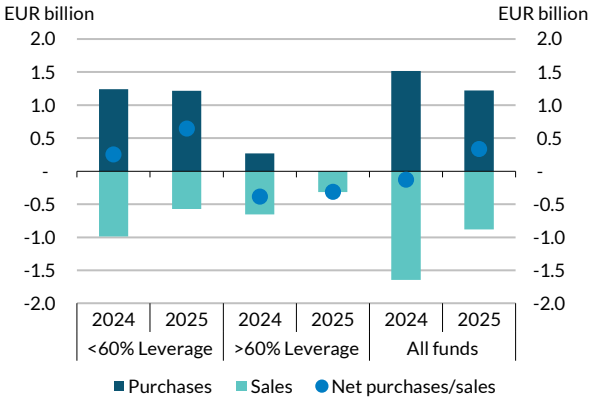
Asset sales played a relatively minor role in deleveraging in 2025, and property funds, in aggregate, were net purchasers of property assets over the year. Overall, the Irish property fund sector returned to being a net purchaser of Irish CRE in 2025 (€0.3bn), after being marginal net sellers in 2024 (€0.1bn) (Chart 59). Funds with leverage of over 60 per cent sold €0.3bn of CRE, with negligible purchases, while funds with leverage below 60 per cent were net purchasers of €0.6bn, consisting of €1.2bn in purchases and €0.6bn in sales.

While improving CRE market conditions in some sectors might help funds' leverage come closer to complying with the limit, additional active steps are needed to reduce leverage for some property funds. The Central Bank expects that Irish property funds continue to make progress over the remainder of the implementation period to ensure that leverage is reduced in an orderly manner to comply with the limit by November 2027.[71] 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.

[71] See the Central Bank's macroprudential policy framework for Irish property funds.

Chart 59: Property funds returned to being net purchasers of CRE in 2025, driven by funds with leverage below 60 per cent

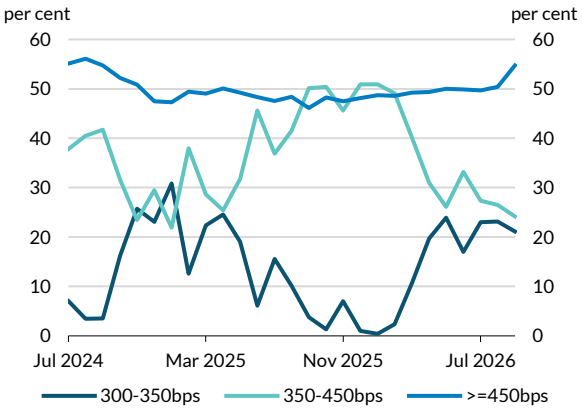
Value of CRE asset purchases, sales and net transactions, by leverage bucket



Source: Irish Property Funds data return and financial statements.
Note: Shows funds property transactions by leverage bucket estimated using the Irish property fund data return and financial statements.

Chart 60: 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: LDI monthly data return.
Notes: Shares are weighted by funds' gilt holdings. No fund reported a buffer <300 bps in this period.

Macroprudential measures for Irish GBP liability driven investment 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.

Irish-authorised GBP-denominated LDI funds continue to comply with the 'yield buffer' requirement to remain resilient to a minimum 300bps increase in UK gilt yields. While the cohort's share of the overall market has declined in recent years, from a peak of just over 10 per cent in 2019 to just over 5 per cent in 2025, mainly reflecting structural trends affecting demand for LDI strategies, the cohort retains material holdings of long-dated and index-linked gilts. The cohort also remains an important investor in the UK government bond market. The tail of funds with a monthly average yield buffer of less than 350bps accounted for more than 20 per cent of the cohort's gilt holdings in September 2026, having increased from a low of less than 1 per cent in January 2026 (Chart 60), reflecting sustained increases in UK gilt yields over the period. As of September, no fund in the cohort has yet used the flexibility in the measures to report a monthly average yield buffer below 300 basis points on a rolling 1-in-4 month basis.

The Central Bank recently published analysis setting out evidence on the size and resilience of the GBP LDI fund cohort following the Central Bank's codification in 2024 of its 'yield buffer' measure.[72] This analysis indicates that the macroprudential measures introduced by the Central Bank have been effective at maintaining the resilience of Irish domiciled sterling denominated LDI funds to a range of interest rate shocks, across both liquidity and solvency dimensions. While the size of the cohort has decreased since 2022, it continues to play a significant role in the UK gilt market, especially in the index-linked gilt segment. Looking ahead, the Central Bank will continue to monitor the cohort's compliance with the yield buffer measure.

[72] See Fruzza and King (2026), "*An Update on the Size and Resilience of the Irish GBP LDI Fund Cohort*", Central Bank of Ireland Staff Insight, No. 9, Volume 2026.

Abbreviations

Country and currency abbreviations follow the European Union standards.

AI	Artificial intelligence
AIB	Allied Irish Bank
BBI	Barclays Bank Ireland
BIS	Bank of International Settlements
BofAE	Bank of America Europe
BOI	Bank of Ireland
BTL	But-to-let
CBRE	Coldwell Banker Richard Ellis Group
CCR	Central Credit Register
CCyB	Countercyclical capital buffer
CDS	Credit default swap
CEP	Citibank Europe
CET1	Common equity tier 1
CRE	Commercial real estate
CSO	Central Statistics Office
EA	Euro area
EBA	European Banking Authority
ECB	European Central Bank
ESRB	European Systemic Risk Board
ETF	Exchange traded fund
EU	European Union
FDI	Foreign direct investment
FSR	Financial Stability Review
FTB	First-Time Buyer
GDP	Gross domestic product
GFC	Global Financial Crisis
GGB	General government balance
GNI	Gross national income
HH	Households
HICP	Harmonised index of consumer prices
ICT	Information and communications technology
IFRS	International financial reporting standard
IMF	International Monetary Fund
LDI	Liability driven investment
LMT	Liquidity management tools
LSTI	Loan service to income
LTI	Loan to income ratio
LTV	Loan to value ratio
MDD	Modified domestic demand
MMF	Money market funds
MNE	Multinational enterprise
MSCI	Morgan Stanley Capital International
NBFI	Non-bank financial intermediary
NBL	Non-bank lender
NFC	Non-financial corporation
NIM	Net interest margin
NPL	Non-performing loan
NTMA	National Treasury Management Agency
OFI	Other financial institution
O-SII	Other Systemically Important Institutions
PDH	Primary dwelling house
PTSB	Permanent TSB
RICS	Royal Institution of Chartered Surveyors
RRE	Residential real estate
SME	Small and medium enterprise
SRT	Synthetic risk transfer
SSB	Second and subsequent buyer
SVR	Standard variable rate
WPI	Wholesale price index

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