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Credit Union Lending

John Meagher

Credit Union - Lending Through Covid

- Irish Market – Lending – 2016-2021
- Credit Union Experience – In aggregate and Individually
- Credit Union Lending Maturity Profile – ‘larger loans, longer terms’
- Enhanced Concentration Limits - Notifications/Applications
- Information Sources

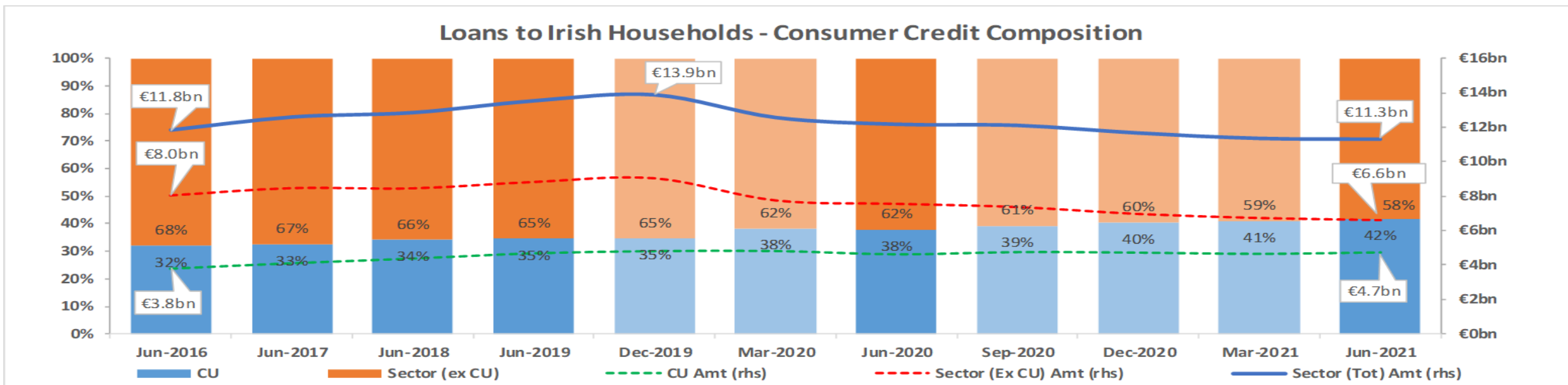
John Meagher, Policy & Regulatory Approvals



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Irish Market – Consumer Lending



- Market growth in 2016-19 period, from €11.8bn to €13.9bn
- Household credit / consumer credit contracted sharply from onset of Covid.
- Whilst recovery is evident, net growth is still not being achieved, with loan repayments remaining well ahead of new drawdowns
- Consumer credit (total outstanding) has contracted to €11.3bn (June 2021), a fall of €2.6bn or 19%.

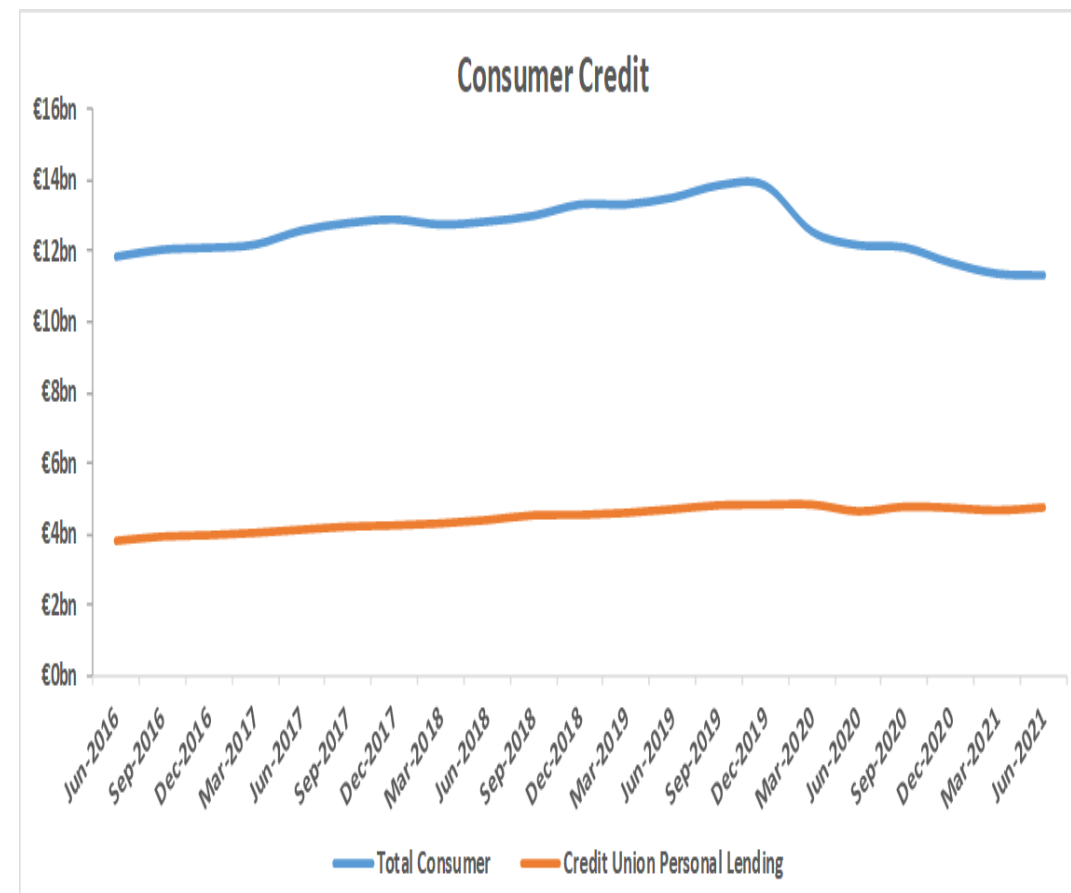


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Lending through Covid – Credit Union Sector Experience

- In aggregate – Lending declined but has recovered and at June 2021 stands at Sep 2019 level
- The ‘recovery’ in lending (net growth) is likely to have continued through the last quarter
- Positive economic forecasts by the CBI and ESRI, loan demand and growth may follow but not certain



Quarterly Bulletin QB4 – October 2021

The Irish economy is recovering swiftly, and domestic economic activity will reach its pre-pandemic level by the end of the year



As economic conditions normalise, consumption will drive the recovery



The recovering economy is expected to generate 160,000 more jobs by 2023



Inflation will increase this year and next, but is forecast to slow in 2023



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See our Quarterly Bulletin Research at: centralbank.ie/QB

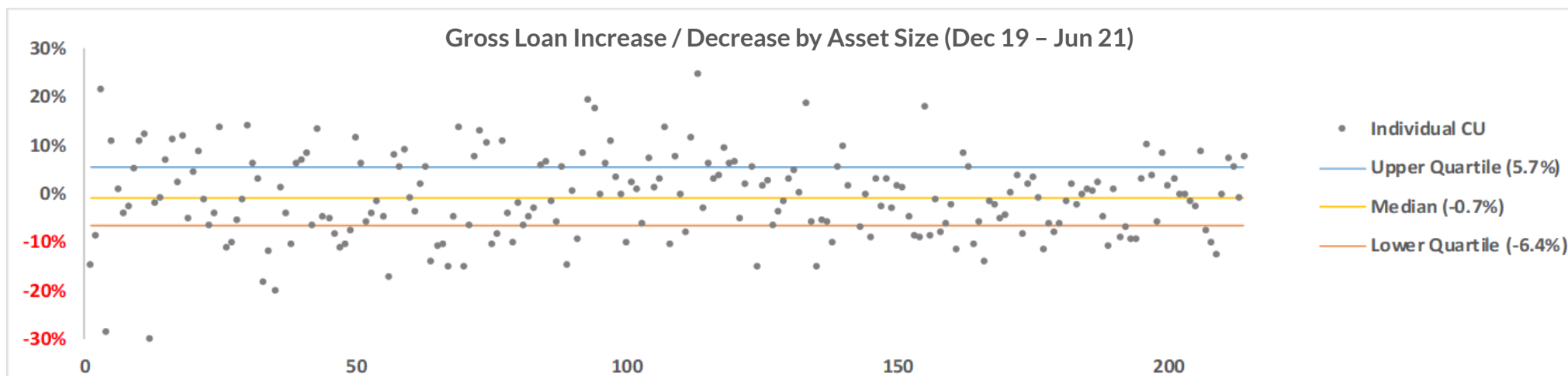


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Lending through Covid – Individual Entity Experience

- Individual credit union performance varies significantly. As at June 2021:
 - 53% of credit unions below Dec 2019 in gross loans by value outstanding
 - 47% of credit unions ahead of Dec 2019 figure

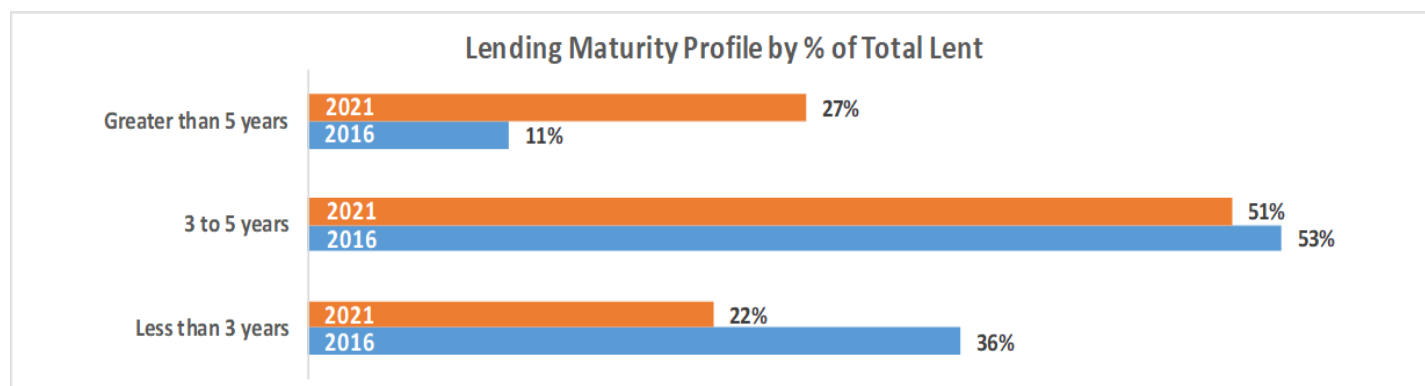


- Individual performance varies significantly, reflecting local conditions and common bond attributes
- If quarter to June 2021 improvement is sustained, more credit unions will move into net positive position (versus Dec 2019) by September 2021
- LTA remains low across sector in general and improvement is important for viability and sustainability



Changing Profile of Irish Credit Union Lending

- **Larger loans over longer terms** has been a feature of recent years:
 - Lending for terms >5 years grew from 11% to 27% of new lending between 2016 and 2021
 - Lending for term under 3 years decreased from 36% to 22% in the period 2016 to 2021
 - **House** loans account for 4.8% of lending, with 13% of credit unions accounting for over 80% of total. 50% of credit unions do not provide house loans
 - **Business** loans also a small proportion (2.5%) of total with 23%% of credit unions accounting for 79% of all loans, and 30% with no business loans



- Larger loans and longer maturity present additional risks, credit unions should be mindful of in areas such as credit, liquidity, market, operational & conduct risk
 - Guidance in the matter of longer term lending is available – <https://www.centralbank.ie/regulation/industry-market-sectors/credit-unions/communications>



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Lending Concentration Limit Increases – Notifications / Applications

2021 updates to:

- [Frequently Asked Questions \(FAQs\)](#)
- [Application Form](#) and associated [Guidance Note](#) for the 15% Limit

Key update – notifications of intention to avail of the 10% limit and applications for the 15% and other notifications relating to these limits must be submitted by credit unions via the **Central Bank of Ireland Portal**

Other useful Central Bank resources on lending:

- Credit Union Handbook – [Lending](#) and [Liquidity](#) chapters
- [Consolidated 2016 Regulations](#)

	Received	Approved	Current Status
10% limit notifications	3	2	1 Lapsed
15% limit applications	5	2	3 under assessment



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Information Sources

■ <https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q4-2021>

■ <https://www.centralbank.ie/statistics/data-and-analysis/credit-and-banking-statistics>

https://www.centralbank.ie/statistics/data-and-analysis/credit-and-banking-statistics/private-household-credit-and-deposits

HOME > STATISTICS > DATA & ANALYSIS > CREDIT AND BANKING STATISTICS > PRIVATE HOUSEHOLD CREDIT AND DEPOSITS

Private Household Credit and Deposits

The Personal Credit and Deposits statistics focus on private households, and give detail on the mortgage market by type of property (PDH, BTL, HH & second home) and interest rate product (tracker, SVR, fixation period). Statistics on off-balance sheet securitised loans, where the loans remain serviced by Irish banks, are also available.

Statistical Release

- Trends in Personal Credit and Deposits March 2019 | pdf 1039 KB

Related Data Sets

- Table A.18 Credit Advanced to and Deposits from Irish Private Households | xls 14561 KB
- Table A.18.1 Credit Advanced to Irish Resident Private Households for House Purchase | xls 15917 KB
- Table A.18.2 Credit Advanced to Irish Resident Private Households for House Purchase - Securitised Loans | xls 5879 KB
- Private Households Credit and Deposits Explanatory Notes | pdf 592 KB



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