Results Summary[1]

Ireland

- In Q3 2023, Irish banks moderately tightened credit standards on loans to firms and expect to tighten moderately again in Q4.
- Banks reported that firms' aggregate loan demand marginally increased in Q3 2023, and a further moderate improvement is expected for Q4 2023.
- Irish banks significantly tightened credit standards on mortgages in Q3 2023, while they moderately tightened credit standards on consumer lending. In Q4 2023, banks expect to tighten credit standards somewhat on both consumer loans and mortgages.
- Aggregate demand for consumer lending increased significantly in Q3 2023 while demand for mortgages slightly contracted. Banks expect demand for both types of loans to be unchanged in Q4 2023.

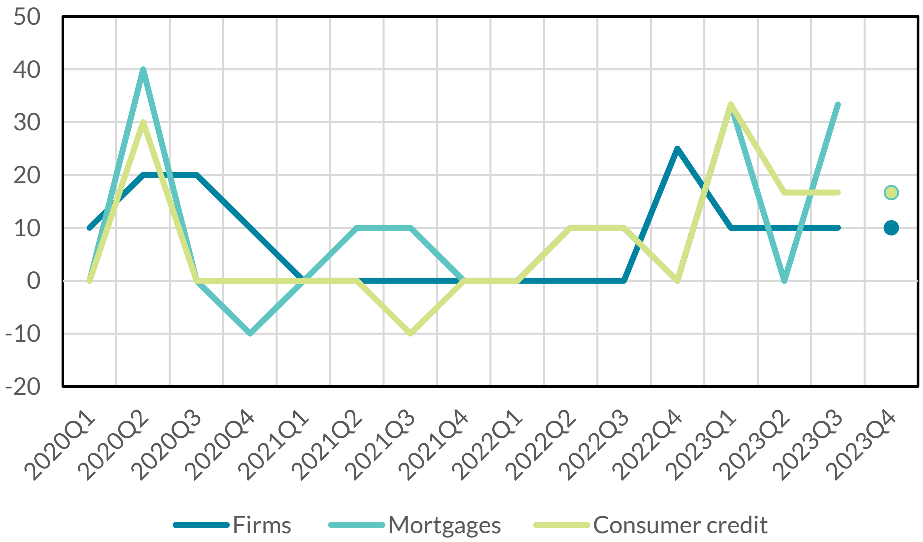
[1] The October 2023 Bank Lending Survey (BLS) was conducted between 13th September and 27th September and examined changes in credit market conditions during Q3 2023 as well as expected changes in credit standards and loan demand during Q4 2023. All aggregate results for Ireland should be considered with caution given the ongoing changes in the Irish banking market.

Credit supply - firms

Credit standards on loans to firms tightened somewhat in Q3 2023 for lending to all firms, except SMEs. [2] Banks mentioned the general economic situation and outlook, industry and firm specific situation and outlook and borrower creditworthiness as main drivers. **Looking forward to Q4 2023, banks expect to tighten their overall credit standards slightly, except for SMEs.**

On aggregate, overall terms and conditions have slightly eased in 2023 Q3. In addition, the share of firms' loans applications that were rejected remained constant.

Figure 1. Bank credit standards for firm and household lending. (Diffusion index)



Lines refer to backward looking changes to credit standards, circles refer to expected change in credit standards next quarter. Mortgages and lending to consumer have the same forward looking value (16.66). Values above zero refer to a net tightening of credit standards. The diffusion index gives responses which relate to "tighten (ease) credit standards somewhat" a lower weight than those which refer to a "tighten (ease) credit standards considerably".

Credit demand - firms

In Q3 2023, demand for loans increased slightly across all firm types except SMEs. The need for mergers and acquisitions and the general level of interest rates were mentioned as main reasons driving these developments.

[2] Enterprise lending categories in the BLS are: lending to large enterprises, to SMEs, short-term and long-term lending.

Next quarter (Q4 2023), aggregate loan demand is expected to increase across all categories and specifically short-term loans.

Credit supply – households

In Q3 2023, banks tightened credit standards somewhat for consumer lending. They highlighted the general economic situation and outlook as the main cause. **In Q3 2023, banks significantly tightened credit standards for mortgages.** Banks highlighted the general economic situation and outlook, housing market prospects, borrower creditworthiness and banks' risk tolerance as main drivers. **In Q4 2023, banks expect to slightly tighten credit standards on aggregate.**

Terms and conditions on the approval of mortgage loans remain unchanged in Q3 2023. Instead, terms and conditions on the approval of consumer lending tightened somewhat. This development is explained by a worsening of margins on average and risky loans.

Over the last three months, the share of mortgage loans rejected remained unchanged while the one of consumer lending moderately increased.

Credit demand - households

On aggregate, banks reported that demand for mortgages contracted slightly, while demand for consumer loans increased considerably in Q3 2023. Banks identified the general level of interest rate as main drivers for declining mortgages demand. Banks identified the needs for spending on durable consumer goods to explain the increase in consumer lending demand. **Looking forward, demand for mortgages and consumer credit is expected to remain unchanged in Q4 2023.**

Ad-hoc questions

The ad-hoc questions in this round related to:

- Retail and wholesale funding
- The impact of ECB monetary policy asset portfolio
- The impact of TLTRO III operations
- The impact of the ECB's decisions on its key interest rates

On aggregate, Irish banks reported little change in their access to funding in the past 3 months and they do not expected any change in the next 3 months.

On aggregate, Irish banks reported little impact from ECB monetary policy asset portfolio choices over last 6 months. No impact is expected for the next 6 months, either. The impact referred only to banks' cost of funds and balance sheet constraints. No impact was referred for bank's lending policy and lending volumes.

On aggregate, Irish banks did not report any impact for their financial situation, lending policy and lending volumes due to TLTRO III. No impact is expected also in the next 6 months.

On aggregate, over the last 6 months Irish banks reported a significant improvement in their profitability as a result of ECB's decisions on its key interest rates. This improvement mainly referred to the net interest income, which improved as a result of better margin. **A more moderate improvement is expected over the next 6 months.**