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Macroprudential Measures and Irish Mortgage Lending: Insights from H1 2016

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Abstract

This *Economic Letter* provides an overview of residential mortgage lending that took place in Ireland from the 1st of January to the 30th of June 2016. A total of €2.3bn of mortgage loans was covered by the data for the five main mortgage providers in the Irish market in the first half of 2016, with 93 per cent in-scope of the measures. With the exception of loan and property sizes, which were both higher in H1 2016, the characteristics of in-scope lending were broadly similar to those observed in 2015 for both FTBs and SSBs. The average LTV for in-scope FTBs in H1 2016 was 78.6 per cent while the average LTI was 2.9. Among SSBs, the average LTV and LTI were 66.2 per cent and 2.4 respectively. Regarding lending in excess of the limits of the Regulations, at end-June 2016, 11 per cent of the value of new PDH lending exceeded the LTV cap, while 12 per cent exceeded the LTI Cap. SSBs accounted for a larger share of the value of lending above the LTV limit (63 per cent against the remaining 37 per cent accounted for by FTBs) while FTBs accounted for a larger share of the value of lending that exceeded the LTI limits (72 per cent against 28 per cent for SSBs). Among both FTBs and SSBs with an allowance to exceed the LTV cap, we find a higher share of couples, a larger share of Dublin-based borrowers, a higher average income and a larger average loan size relative to the group without an LTV allowance. Regarding the LTI allowance, we find a larger share of Dublin-based and single borrowers among the group with an allowance. The average borrower with an LTI allowance also had lower income, was younger, took a larger loan and bought a more expensive property than those without an allowance.

1 Introduction

The Central Bank of Ireland, in its role as macro-prudential authority of Ireland, introduced Regulations to limit the loan-to-value (LTV) and loan-to-income (LTI) ratios applying to new residential mortgage lending from the 9th February 2015. The Regulations (interchangeably 'measures') were introduced to strengthen the resilience of households and banks to financial shocks, and to limit the risk of future bank credit and house price spirals.[2] Keenan et al. (2016) provided an overview of new

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[2]See Cassidy and Hallissey (2016) for an overview of the rationale for the measures as well as their design.

lending that took place in Ireland in 2015. The purpose of this *Economic Letter* is to update the analysis and provide the latest insights on lending in the first six months of 2016 (hereafter referred to as H1 2016).[3]

We use the latest available data collected by the Central Bank of Ireland to monitor compliance with the Regulations. The data include detailed information on loan, borrower and collateral characteristics of each loan originated in H1 2016. We explore these characteristics according to the type of borrower involved (first-time buyer (FTB), second and subsequent buyer (SSB) or buy-to-let (BTL)), to inform on lending among different borrower groups.

The *Letter* proceeds as follows: Section 2 discusses the measures, the data employed and provides an overview of new residential mortgage lending in H1 2016. Section 3 explores the characteristics of in-scope lending in H1 2016, and provides a brief comparison to in-scope lending in 2015. Section 4 presents details on out-of-scope lending in H1 2016. Section 5 examines the characteristics of loans within the limits of the Regulations to allowable lending that exceeded the limits in H1 2016. Finally, Section 6 concludes.

2 Market Overview

2.1 The Measures

The mortgage measures specify limits on the LTV and LTI for new residential mortgage lending in Ireland. The precise limits are differentiated by buyer type (FTB, SSB and BTL), as shown in Table 1. FTBs are subject to a sliding LTV limit, where the first €220,000 of their purchase requires a 10 per cent deposit and the balance above €220,000 requires a 20 per cent deposit. SSBs are subject to a maximum LTV of 80 per cent on their property purchase under the Regulations, while BTLs are subject to a 70 per cent maximum LTV. The LTI limit is set at 3.5 times gross income, and applies only to borrowers purchasing their primary residence (FTBs and SSBs).

The Regulations allow for a certain value of new lending to exceed the limits. This recognises that higher LTV and LTI mortgages can be appropriate in certain circumstances. These allowances are specified in column 4 of Table 1. Financial institutions are permitted to lend up to 15 per cent of the value of new principal dwelling houses (PDH) lending in excess of the LTV limit for PDH borrowers while 10 per cent of the value of new BTL lending are allowed exceed the LTV limit for this group. Regarding the LTI limit, financial institutions can provide up to 20 per cent of the value of their new PDH lending in excess of the LTI limit. There are also a number of exemptions to the Regulations, and these are shown in the bottom row of Table 1.

2.2 Data

To monitor compliance with the mortgage Regulations, the Central Bank of Ireland collects detailed loan-by-loan data from financial institutions, in a return called “SI 47 Monitoring Template”. The return is only required of those financial institutions that advance at least €50 million of new mortgage lending in a six month period (January - June or July - December). Over the 1st January to 30th June 2016 period, five lenders met this criteria. These are Allied Irish Bank (AIB, including the Educational Building Society (EBS)), Bank of Ireland (BoI), Permanent TSB (PTSB), Ulster Bank Ireland (UBIL) and KBC Bank Ireland (KBC).

In what follows, we analyze data on 12,339 loans from these five institutions to provide insights on lending in H1 2016. Figure 1 displays the value and volume of total lending covered by these data on a monthly basis. For illustration the chart also shows lending among these institutions since the introduction of the Regulations on the 9th of February 2015. Some seasonality is observable with lending values and volumes increasing over each of the six months to June 2016.

2.3 Market Overview

Table 2 provides an overview of H1 2016 lending. The total value of all loans extended over the period was €2.3 billion.[4] In-scope lending accounted for 93 per cent of this figure and the majority of this was for the purchase of PDHs. Among in-scope PDH borrowers, 51 per cent of new lending

[3] The *Letter* does not provide any insight into whether observed outcomes are related to bank supply-side policies or borrower behaviour (demand-side factors).

[4] Of this, 76 per cent was provided for property purchase, 7 per cent was allocated for refinance/switchers, 7 per cent for equity release or top-ups and 10 per cent for other lending activities.

was extended to FTBs while 49 per cent was extended to SSBs.

As discussed in Section 2.2, a certain amount of new lending in excess of the limits of the Regulations is permitted; 15 per cent of the value of each institution's new PDH lending can exceed the LTV limits set by the Regulations, while 20 per cent of new PDH lending can exceed the LTI limit. In the case of buy-to-let (BTL) borrowers, 10 per cent of new lending can exceed the LTV cap.[5] Table 2 shows that at end-June 2016, 11 per cent of the value of new PDH lending at these five institutions exceeded the LTV cap, 12 per cent exceeded the LTI cap and 2 per cent exceeded the LTV cap for BTL borrowers. It is important to note that compliance with the Regulations is assessed on an annual basis, and the use of allowances to exceed the limits of the Regulations will only be assessed with a full year of data. Furthermore, these figures represent a view across five institutions while the use of allowances varies by institution.

In H1 2016, 7 per cent of total lending was exempt from, or out-of-scope of, the Regulations. Within this, switchers, defined as borrowers refinancing their mortgage with no increase in capital, were the largest group (€118 million by value or 533 loans in total). Negative equity loans accounted for €37 million (240 loans) of out-of-scope loans in H1 2016, while the 'other' category (restructuring of distressed loans) accounted for the remaining €15 million (127 loans) of exempt loans. In Section 4, we explore these out-of-scope loans in further detail.

3 In-Scope Lending: H1 2016

In this section, we explore in-scope lending in H1 2016, examining the average loan and borrower characteristics of different buyer groups.[6] The analysis is based on **loans for house purchase and self-builds only**, i.e. we exclude switchers and equity release / top-up loans. Restricting our analysis to this loan type provides a clear view of new mortgages approved and extended in H1 2016.[7] Table 3 presents the results. The results can be compared to those in Keenan et al. (2016), where the authors present insights on new lending in 2015 since the introduction of the measures. However, given the difference in timeframe across both studies, comparisons may be complicated by seasonal developments and may be subject to change when a full year of 2016 data is available.[8]

3.1 First Time Buyers

In H1 2016, the average loan drawn down by FTBs was €180,011, the average property purchase price was €244,320 and the average LTV was 78.6 per cent. Relative to 2015, the average loan size among in-scope FTBs was approximately €7,000 larger, while the average property value was €9,000 higher in H1 2016. The latter increase is broadly in line with average property price increases over the period.[9] FTBs also had higher incomes in H1 2016, though the difference was small at approximately €1,000. There was no notable difference in the average LTV or LTI extended to FTBs between H1 2016 versus 2015 (standing at 78.6 per cent and 2.9 respectively in H1 2016).

On average, FTBs in H1 2016 were 34 years old. The largest share of FTBs in H1 2016 was accounted for by single borrowers (57.2 per cent), while over a third of FTBs resided in Dublin. These results are broadly in line with the findings in Keenan et al. (2016) for 2015, though the H1 2016 do point to a slight increase (of 1 year) in the average age of FTBs.

To provide further detail on FTB lending, Figure 2 presents the distribution of LTVs for each FTB loan originated in H1 2016 by corresponding property purchase price. The Figure also displays the regulatory implied LTV for each house price. Approximately 50 per cent of FTBs purchased properties at or below €220,000. Furthermore, it is noticeable that many FTBs had LTVs

[5] BTL borrowers are not subject to an LTI limit under the Regulations.

[6] All of the borrower characteristics presented in this *Economic Letter* refer to those of the first borrower listed on the loan application.

[7] A comparison between distributions presented here and those previously published in the Household Credit Market Report and the Macro-Financial Review is not readily possible due to differences in loan compositions, definitions and the underlying sample of banks.

[8] In this *Letter* we look at H1 2016 while the analysis in Keenan et al. (2016) is based on lending from February 9th - 31st December 2015.

[9] Data from the Central Statistics Office indicates that, in the year to June 2016, residential property prices at a national level increased by 6.6 per cent.

below the maximum permitted under the Regulations (i.e. below the implied LTV line in Figure 2)

3.2 Second and Subsequent Borrowers

For SSBs, the average loan drawn down in H1 2016 was €211,662, the average property price was €380,752 and the average income was €105,473. The average LTV in H1 2016 was 66.2 per cent and the average LTI was 2.4. Similar to FTBs, we observe a difference in the average loan size in H1 2016 relative to the figures presented for 2015 in Keenan et al. (2016), with values over €7,000 larger in H1 2016.

A majority of SSB loans in H1 2016 were accounted for by couples (71 per cent) and approximately 42 per cent were extended to borrowers in Dublin. On average, SSBs were 41 years old. These figures are in line with the 2015 data.

Figure 2 presents the distribution of LTVs for each SSB loan originated in H1 2016 by corresponding property purchase price. The 80 per cent regulatory LTV limit is also indicated. We observe that many SSB loans in H1 2016 had an LTV below 80 per cent. Relative to FTBs, there was a larger share of higher value house purchases among SSBs.

3.3 Buy-to-Let Investors

The average characteristics of BTLs are shown in the right most column of Table 3. Given the smaller cell sizes, we focus only on loan characteristics. The average loan drawn by BTL borrowers in H1 2016 was €117,732, the average property price was €232,728 and the average LTV was 55.4 per cent. The results are in line with those observed in Keenan et al. (2016).

4 Out-of-Scope Loans

In this section, we explore the characteristics of loans that were exempt from, or out-of-scope of, the Regulations. Exemptions are permitted for borrowers in negative equity, switcher mortgages without an increase in capital, and for the restructuring of mortgages in arrears. Due to a small number of observations in the latter category, we focus here on only the first two groups - negative equity and switcher mortgages. We compare the characteristics of these groups to the average SSB characteristics (for in-scope loans). The results are shown in Table 4. As noted earlier, a small number of loans in H1 2016 were categoried as either negative equity or switchers. We observe a number of statistically significant differences between the groups, and these are noted below.

4.1 Negative Equity

Negative equity (NE) borrowers who wish to sell their property and purchase a new one are exempt from the Regulations. The rationale for this exemption is to allow mobility of negative equity borrowers. Any debt balances outstanding following the sale of the initial property are added (i.e. carried forward) to the balance of the new mortgage loan.

The first three columns in Table 4 display the average loan and borrower characteristics for negative equity loans in H1 2016 as well as a comparison to SSB characteristics and a test for statistically significant differences between the two groups. We compare negative equity to SSB loans since, in the absence of a negative equity exemption to the Regulations, negative equity borrowers would be classified as SSBs upon applying for a loan to purchase a new principal dwelling.

A number of notable differences between the groups can be observed:

- Firstly, the average loan size and property price of NE loans were statistically different from SSB loans. The LTV of NE loans was larger than SSB loans by 25.2 percentage points and this difference is statistically significant. NE borrowers carry residual debt from the sale of their previous property and this would be reflected in the LTV for that group. We do not have a breakdown of the loan balance into that portion relating to the residual debt carryover and that portion relating to the new house purchase loan.

- Secondly, NE loans, on average, had a higher LTI (at 2.9) than SSB loans. They also had longer loan terms, at an average of 26 years, and a larger proportion of NE loans were on an ‘other’ interest rate type (42.5 per cent compared to 6.2 per cent in the case of SSBs). This group includes hybrid interest rates, where a portion of the loan could, for example, be tied to a fixed interest rate, and a portion could be tied to a variable interest rate.

- Finally, there are clear differences also in the borrower characteristics attached to NE loans. Notably, NE borrowers in H1 2016 were, on average 3 years younger than SSB borrowers. Couples also represented a larger share of NE loans than for SSB borrowers (85.8 per cent compared to 71.2 per cent). Furthermore, there were statistically significant differences in the location of borrowers taking NE loans; there was a larger share of NE loans in Leinster (excluding Dublin) and Dublin relative to the SSB loan group.

Figure 3 compares the LTV and LTI distributions of NE loans to the distributions for SSBs. The larger share of high LTV loans among NE borrowers is clear in the left chart. The LTI chart on the right shows that a larger share of NE loans took place at an LTI in the range of 2.75 to 3.5. Some lending also took place above a 3.5 LTI, but the share here is not much different from that of the SSB loans.

4.2 Switchers

Switcher loans capture borrowers who refinance or switch their existing mortgage and who do not increase the size of their loan on refinancing or switching. The latter three columns of Table 4 display the average loan and borrower characteristics for switcher loans in H1 2016 as well as a comparison to SSB characteristics and a test for statistically significant differences between the two groups. Switcher loans are different from SSB loans; the latter group takes a mortgage to purchase a new property while the former replaces an existing loan on a property with a new loan contract. Nonetheless, it is interesting to compare the two groups. A number of notable features are present:

- Firstly, the LTV of switchers is statistically different from that of SSBs; at 57.5 per cent, it was 8.7 percentage points lower than the average LTV of SSB borrowers in H1 2016.

- Secondly, the average LTI and mortgage term among switchers, at 2.3 and 21 years respectively in H1 2016, were slightly lower than the average values for SSBs and these differences are statistically significant.

- Thirdly, the comparison of interest rate types shows a lower share of 'other' interest rate types among the switcher group; this category accounts for only 0.6 per cent of loans to switcher borrowers.

- Finally, there are also some notable differences in the borrower characteristics of switchers and SSBs, with the former having a slightly larger share of couples (at 74.9 per cent) and a slightly higher share of employed borrowers (at 91.4 per cent).

Figure 4 compares the LTV and LTI distributions of switcher loans to the distributions for SSBs. The most notable difference in the left chart (LTV) is the spike at an 80 per cent LTV in the SSB distribution, which is not present in the switchers' distribution. In the LTI chart on the right, there are slightly more loans in the lower end of the LTI distribution for switcher borrowers.

5 Allowances and The Use of Proportionate Caps

This section focuses on in-scope lending in H1 2016 and compares the characteristics of loans with an allowance to exceed the LTV and LTI caps set by the Regulations to loans without such an allowance. For information, a brief comparison to the results from Keenan et al. (2016) is also provided.

5.1 LTV Allowances

Table 5 presents the results for the LTV allowance by borrower type. Focusing on FTBs (top panel), there are clear differences between lending with or without an allowance to exceed the LTV cap. Notably, we observe a statistically larger loan size, property value, LTV and income level among FTB borrowers with an allowance. Furthermore, there was a higher share of couples and Dublin borrowers among the group of FTBs with an LTV allowance, relative to FTBs without an allowance.

Figure 5 presents the LTV and LTI distributions for FTBs with or without an LTV allowance in 2016. The LTV distribution shows a lower share of high LTV values for borrowers without an LTV allowance, relative to the group with an allowance to exceed the cap. The distribution of LTI shows that, for borrowers with an LTV allowance, many of these had LTIs of between 2.5 to 3.5, which is within the Regulations. The chart also indicates a number of cases with an LTI above 3.5, indicating that some FTB borrowers with an LTV allowance also had an allowance to exceed the LTI cap.

Turning to SSBs, statistically significant differences can also be observed between lending with or without an LTV allowance. Loans with an allowance to exceed the LTV cap were, on average, associated with a statistically higher income, a larger loan size, a higher LTV and a slightly higher LTI compared to those loans without an allowance. Regarding borrower characteristics, SSBs with an allowance were younger, on average, than borrowers without an allowance, with an average age of 39 years compared to 42 for borrowers without an allowance. There was also a higher share of couples among SSBs with an allowance. In contrast to FTBs, there is no evidence of statistically significant regional variation between the two groups.

Figure 6 displays the LTV and LTI distributions for SSBs with and without an allowance to exceed the 80 per cent LTV cap. Regarding the LTV distribution, there was a clustering of loans without an LTV allowance at the LTV limit of 80 per cent; over 30 per cent of lending among this group took place at this point. Loans with an LTV allowance were largely grouped between 80 and 90 per cent LTV, with an LTV of 90 per cent being the most common level.

Information on BTL borrowers with and without an allowance to exceed the LTV cap is not shown in the table due to small number of BTL loans.

5.2 LTI Allowances

Under the Regulations, borrowers purchasing their principal dwelling (FTBs or SSBs) are subject to a maximum LTI of 3.5. We explore the characteristics of borrowers with an allowance to exceed this cap in Table 6.

We focus first on FTBs, and observe clear differences between the group with an allowance to exceed the LTI cap and the group without. The average loan size and property price were statistically higher for FTBs with an LTI allowance, as was the average LTI. However, the average income of borrowers with an allowance was lower, at €61,635 compared to €66,568 for those borrowers without an allowance. There was also a larger share of single and Dublin based borrowers in the 'with allowance' group, than without. Furthermore, the average age of borrowers with an allowance was lower than those without an allowance.

We observe similar patterns for SSBs. Again, the average loan size, property price and LTI were statistically higher among the group with an allowance. The average LTV was also statistically higher in this case. However, the average income of SSB borrowers with an allowance was almost €9,500 lower than for borrowers without an LTI allowance. Similar to FTBs, there was also a larger share of single and Dublin based borrowers in the 'with allowance' group. Furthermore, the average age of borrowers with an allowance was lower than those without an allowance. In the case of SSBs, this difference was large, at 4 years.

The LTV and LTI distributions for FTBs and SSBs with or without an LTI allowance are shown in Figure 7 and Figure 8 respectively. For both FTBs and SSBs, there is a clear divide in the LTI distribution at either side of the 3.5 limit. For borrowers with an allowance to exceed the LTI cap, it is clear that these borrowers had an LTI in the range of 3.5-4.5. However, a larger share of FTBs had an LTI between 4 and 4.5 than SSBs. Regarding the distribution of LTVs for SSBs, it is evident that some borrowers with an LTI allowance also had an allowance to exceed the LTV cap of 80 per cent.

5.3 LTV and LTI Allowances

Figure 9 depicts the intersection of LTV and LTI by borrower type (FTB or SSB) and by allowance type (LTV only; LTI only; LTV and LTI or no allowance). The majority of new lending for both FTBs and SSBs was within the bounds of the LTV and LTI caps. As noted earlier, some FTB and SSB borrowers had exemptions for both LTV and LTI. However, these are small in number (less than 1 per cent of the value of total in-scope lending for PDH purposes had both allowances).

5.4 Comparison to 2015 results

The differences observed between borrowers with and without an allowance to exceed either the LTV or LTI caps are broadly consistent with the findings for 2015 (Keenan et al., 2016). In particular, a comparison of loans with an LTV or LTI allowance in H1 2016 to those with an allowance in 2015, yields no statistically significant differences in borrower characteristics.[10] While we do find some evidence of larger loan sizes, property values and incomes among borrowers with allowances in H1 2016, relative to borrowers with allowances in 2015, these findings may be due to increases in the average values of these variables during the year, or due to seasonal factors (such as a change in lending patterns in the second half of the year), which we will not observe until we have a full year of data for 2016.

6 Conclusions

This *Economic Letter* provides an overview of new residential mortgage lending that took place in Ireland in H1 2016. The *Letter* examines the characteristics of the lending that falls within the scope of the mortgage market Regulations that were introduced by the Central Bank of Ireland in February 2015. The *Letter* also describes characteristics for the main categories of lending that fall outside of the Regulations, namely lending to borrowers in negative equity and lending to facilitate refinancing or switching. Finally, the *Letter* provides details on the use of the LTV and LTI allowances as permitted under the Regulations.

A number of findings emerge. Firstly, the trends in new lending for FTBs and SSBs are broadly similar to those observed in 2015 and published by Keenan et al. (2016). In particular, the average LTV for in-scope FTBs in H1 2016 was 78.6 per cent (78.7 per cent in 2015) and the average LTI was 2.9 (2.8 in 2015). Similarly, the corresponding LTV and LTI for SSBs in H1 2016 were 66.2 per cent and 2.4 respectively (compared to 65.8 per cent and 2.3 in 2015 respectively). However, some differences are observable. Average loan sizes and property purchase prices for FTBs and SSBs were higher in H1 2016 than in 2015, possibly reflecting the general increase in property prices over the period.

Secondly, we find that only a small amount of lending took place in H1 2016 under the exemptions to the Regulations (negative equity, switcher and mortgage restructuring loans), which could reflect either supply or demand factors, or a combination of both. We find that negative equity loans had larger average LTVs than loans to SSBs in H1 2016, but the average loan size and property price were lower among the negative equity group. Among switchers, we find a lower average LTV than SSB borrowers while switchers tend to have lower average terms outstanding than SSB borrowers.

Finally, we examine loan and borrower characteristics for loans with and without an allowance to the limits under the proportionate cap system in H1 2016. Again, the results for H1 2016 are broadly in line with the findings from Keenan et al. (2016) for 2015. Among PDH borrowers (both FTBs and SSBs) with an allowance to exceed the LTV cap, we find a higher share of couples, a higher average income and a larger average loan size relative to the group without an LTV allowance. In the case of FTBs we also find a larger share of Dublin-based borrowers relative to the group without an LTV allowance, and a larger average property value.

Regarding the LTI allowance, for both FTBs and SSBs, the average borrower with an allowance was younger and the average income was lower than those borrowers without an allowance. Borrowers with an allowance also had, on average, a larger loan, a more expensive property and a higher LTI relative to borrowers without an allowance. In the case of SSBs, borrowers with an allowance also had a higher LTV than borrowers without an allowance. Furthermore, the share of single and Dublin based borrowers was higher among the 'with allowance' group in both the FTB and SSB categories. We also observe cases where borrowers had an allowance to exceed both the LTV and LTI caps, though the number of cases was small. This is permitted under the Regulations provided the overall limits are not breached.

[10] The results of these tests are available, on request, from the authors.

References

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Tables

Table 1: Overview of Macroprudential Regulations for Mortgage Lending

Loan-to-value limits	Private dwelling homes	FTBs: Sliding LTV limit from 90%* Non-FTBs: 80%	To be exceeded by no more than 15% of new lending
	Investors	70% LTV limit	To be exceeded by no more than 10% of new lending
Loan-to-income limits	Primary dwelling homes	3.5 times LTI limit	To be exceeded by no more than 20% of new lending
Exemptions**	*From LTV:* Borrowers in negative equity	*From LTI:* Borrowers for investment properties	*From Both:* Switcher mortgages; Restructuring of mortgages in arrears

* Note: FTBs are allowed a 90 per cent LTV up to a house value of €220,000. An 80 per cent LTV applies above this value.
** Note: Mortgages approved prior to the introduction of the Regulations are also exempt.

Table 2: Overview of New Mortgage Lending - Jan 1st to June 30th 2016

	Total Value (€mn)	No of Loans	% Value
Total Lending	2,292	12,339	100
In-Scope of Regulations	2,122	11,439	93
of which:			
PDH Lending	2,039	10,746	96
of which FTB:	1,050	5,803	51
of which SSB:	989	4,943	49
PDH Over LTV Cap	217	772	11
of which FTB:	81	272	37
of which SSB:	136	500	63
PDH Over LTI	236	972	12
of which FTB:	171	728	72
of which SSB:	65	244	28
BTL Lending	83	693	4
BTL Over LTV Cap	2	12	2
Out-Of-Scope of Regulations	170	900	7
of which:			
Switcher	118	533	69
Negative Equity	37	240	22
Other Exemption	15	127	9

Table 3: Mean Loan Characteristics by Borrower Type In-Scope H1 2016

	FTB	SSB	BTL
Loan Characteristics			
Loan Size(€)	180,011	211,662	117,732
Property Value(€)	244,320	380,752	232,728
Loan-to-Value(%)	78.6	66.2	55.4
Income(€)	65,944	105,473	
Loan-to-Income	2.9	2.4	
Borrower Characteristics			
Borrower Age (Years)	34	41	
Marital Status, of which:			
Couples(%)	41.7	71.2	
Single(%)	57.2	21.0	
Other(%)	1.1	7.9	
Region			
Dublin(%)	35.3	42.3	
% of loans	56.5	37.1	6.4

Table 4: Mean Loan Characteristics for Out-Scope loans H1 2016

	SSB In-Scope	Negative Equity	Difference	SSB In-Scope	Swithcer	Difference
Loan Characteristics						
Loan Size(€)	211,662	163,498	-48,164***	211,662	212,513	851
Property Price(€)	380,752	303,841	-76,911***	380,752	393,174	12,422
Loan-to-Value(%)	66.2	91.9	25.7***	66.2	57.5	-8.7***
Income(€)	105,473	100,194	-5,279	105,473	101,919	-3,555
Loan-to-Income	2.4	2.9	0.5***	2.4	2.3	-0.1***
Loan Term (Years)	23.8	26.3	2.5***	23.8	21.4	-2.4***
Interest Rate	3.4	3.2	-0.2***	3.4	3.4	0.1**
Interest Rate Type, of which:						
Fixed(%)	37.9	23.3	-14.6***	37.9	42.8	4.9**
SVR(%)	55.6	33.8	-21.9***	55.6	56.7	1.1
Other(%)	6.1	42.5	36.4***	6.1	0.6	-5.6***
Borrower Characteristics						
Borrower Age (Years)	41	38	-3***	41	41	0
Marital Status, of which:						
Couples(%)	71.2	85.8	14.6***	71.2	74.9	3.7
Single(%)	21.0	13.3	-7.6***	21.0	19.5	-1.4
Other(%)	7.9	0.8	-7.0***	7.9	5.6	-2.2
Employment Status, of which:						
Employed(%)	86.9	86.3	-0.7	86.9	91.4	4.4***
Self-Employed(%)	6.3	5.4	-0.9	6.3	4.7	-1.6
Other(%)	6.1	7.9	1.8	6.1	3.4	-2.7**
Region, of which:						
Dublin(%)	42.3	31.3	-11.1***	42.3	43.2	0.8
Leinster(%)	26.0	35.8	9.9***	26.0	22.1	-3.8
Munster(%)	21.8	26.7	4.8	21.8	23.1	1.2
Connaught(%)	6.9	4.6	-2.3	6.9	8.6	1.7
Ulster(%)	3.0	1.7	-1.3	3.0	3.0	0.0
Number of Loans	3,807	240		3,807	533	

Note: *** indicates significance at 1% level, ** at 5% level

Table 5: Mean Loan Characteristics by Borrower Type With or Without an LTV Allowance, H1 2016

	Without	With	Difference
First Time Buyers			
Loan Characteristics			
Loan Size(€)	174,299	296,817	122,518***
Property Value(€)	239,000	351,263	112,262***
Loan-to-Value(%)	78.0	89.3	11.3***
Income(€)	64,096	103,057	38,960***
Loan-to-Income	2.8	3.1	0.2***
Borrower Characteristics			
Borrower Age (Years)	34	34	0
Marital Status, of which:			
Couples(%)	40.9	56.6	15.7***
Single(%)	57.9	43.0	-14.9***
Other(%)	1.2	0.4	-0.8
Region			
Dublin(%)	33.9	63.2	29.3***
Second and Subsequent Buyers			
Loan Characteristics			
Loan Size(€)	203,697	277,842	74,145***
Property Value(€)	381,654	373,570	-8,084
Loan-to-Value(%)	63.5	87.8	24.3***
Income(€)	103,198	123,669	20,471***
Loan-to-Income	2.3	2.6	0.3***
Borrower Characteristics			
Borrower Age (Years)	42	39	-3***
Marital Status, of which:			
Couples(%)	70.3	78.1	7.8***
Single(%)	21.2	19.0	-2.2
Other(%)	8.5	2.9	-5.6***
Region			
Dublin(%)	42.1	44.7	2.6
Buy to Let		0.0	0.0
Loan Size(€)	116,961	162,364	45,403
Property Value(€)	233,030	215,636	-17,393
Loan-to-Value(%)	55.0	77.0	21.9***

Note: *** indicates significance at 1% level, ** at 5% level

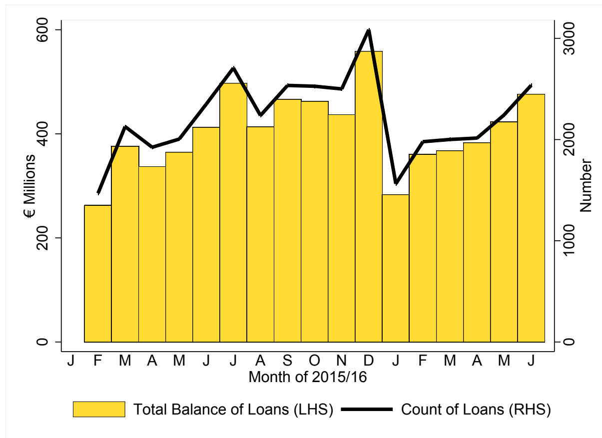
Table 6: Mean Loan Characteristics by Borrower Type With or Without an LTI Allowance

	Without	With	Difference
First Time Buyer			
Loan Characteristics			
Loan Size (€)	172,704	231,242	58,538***
Property Value (€)	234,756	310,163	75,407***
Loan-to-Value (%)	78.5	79.2	0.7
Income (€)	66,568	61,635	-4,934***
Loan-to-Income	2.7	3.9	1.2***
Borrower Characteristics			
Borrower Age (Years)	34	33	-1***
Marital Status			
Couples (%)	44.0	25.1	-18.9***
Single (%)	54.8	73.9	19.1***
Other (%)	1.2	1.0	-0.2
Region			
Dublin(%)	32.0	58.1	26.1***
Second and Subsequent Buyers			
Loan Characteristics			
Loan Size(€)	208,579	278,913	70,335***
Property Value(€)	375,852	484,917	109,066***
Loan-to-Value(%)	66.0	71.2	5.2***
Income(€)	105,913	96,447	-9,466**
Loan-to-Income	2.3	3.8	1.5***
Borrower Characteristics			
Borrower Age (Years)	42	38	-4***
Marital Status			
Couples (%)	71.4	65.9	-5.5
Single (%)	20.4	31.8	11.4***
Other (%)	8.1	2.3	-5.9***
Region			
Dublin (%)	40.6	77.3	36.6***

Note: *** indicates significance at 1% level, ** at 5% level

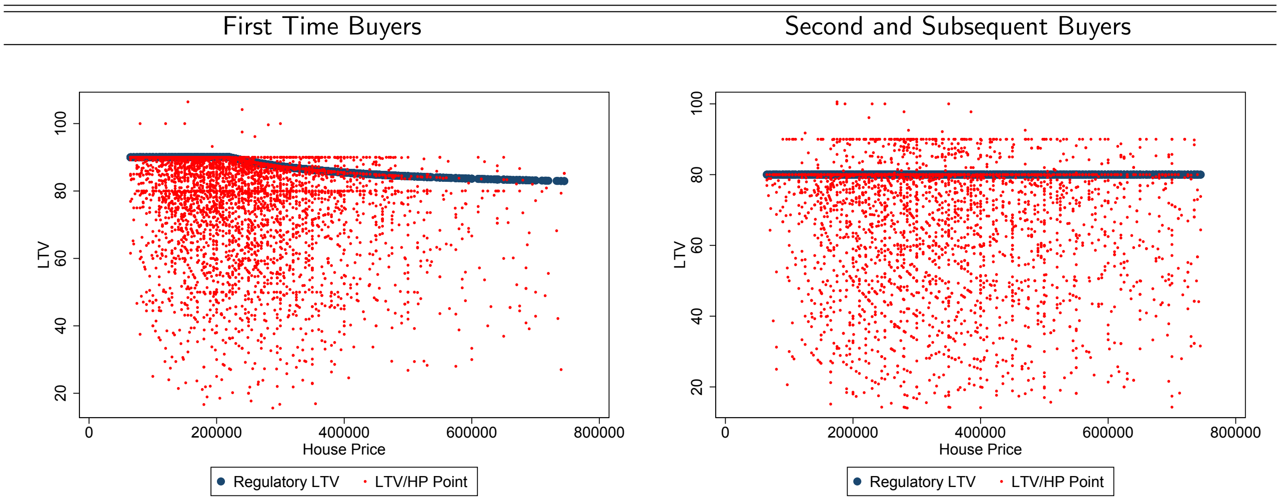
Figures

Figure 1: Monthly Trends in 2015 and 2016 Lending by Count and Balance



Source: Authors' calculations using Central Bank of Ireland data.

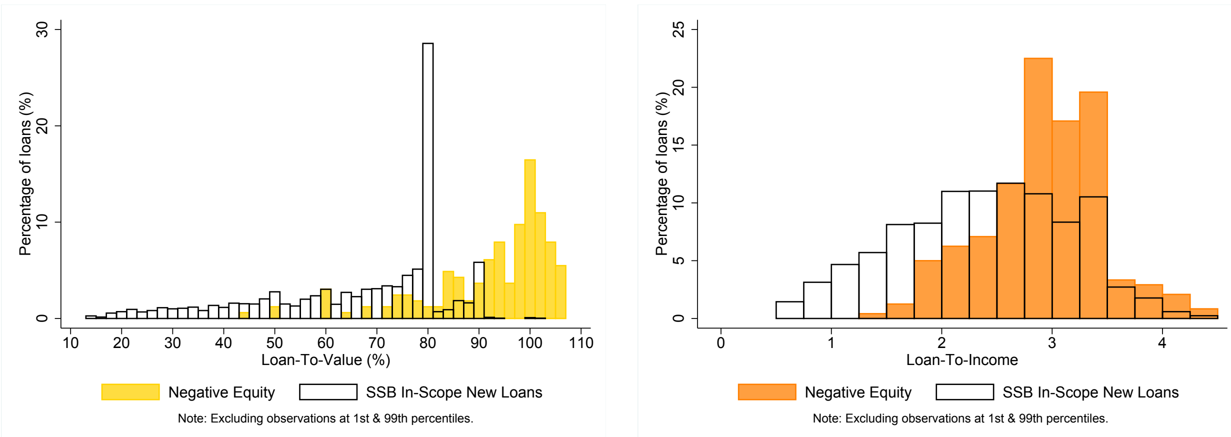
Figure 2: LTV and House Prices by Borrower Type H1 2016



Source: Authors' calculations using Central Bank of Ireland data.

Figure 3: Comparison of LTV and LTI Distributions - Negative Equity and In-Scope SSB New Loans

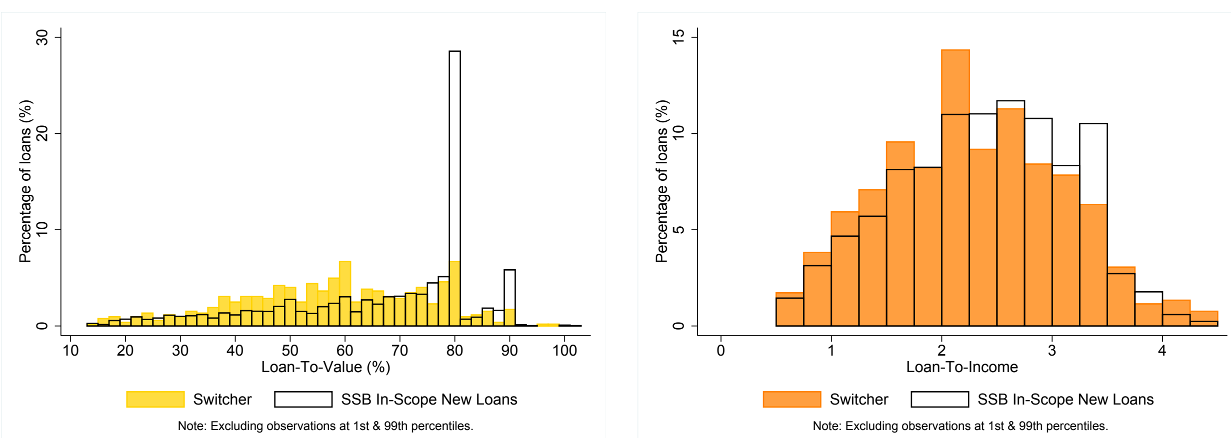
LTV Distribution	LTI Distribution



Source: Authors' calculations using Central Bank of Ireland data.

Figure 4: Comparison of LTV and LTI Distributions - Switchers and In-Scope SSB New Loans

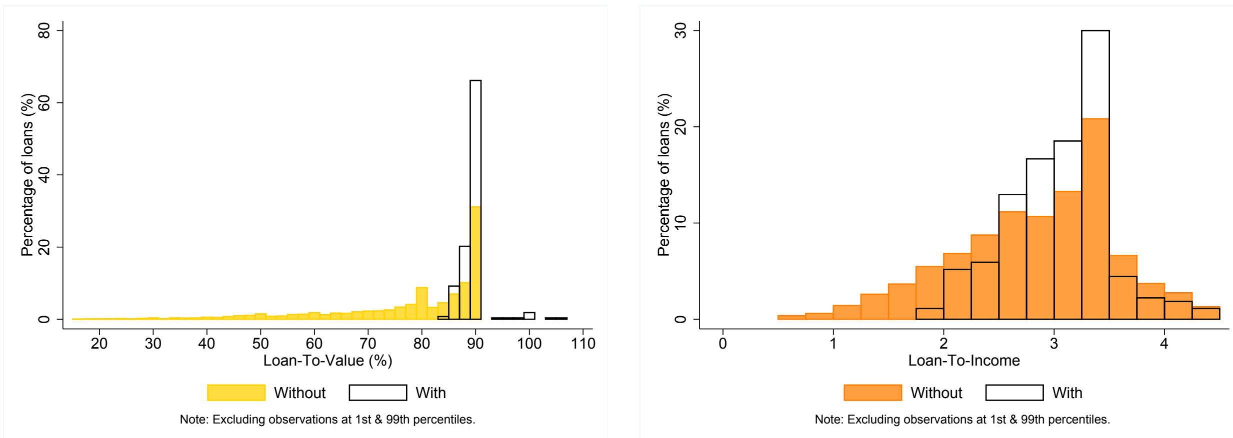
LTV Distribution	LTI Distribution



Source: Authors' calculations using Central Bank of Ireland data.

Figure 5: LTV and LTI Distributions for FTBs - With or Without LTV Allowance

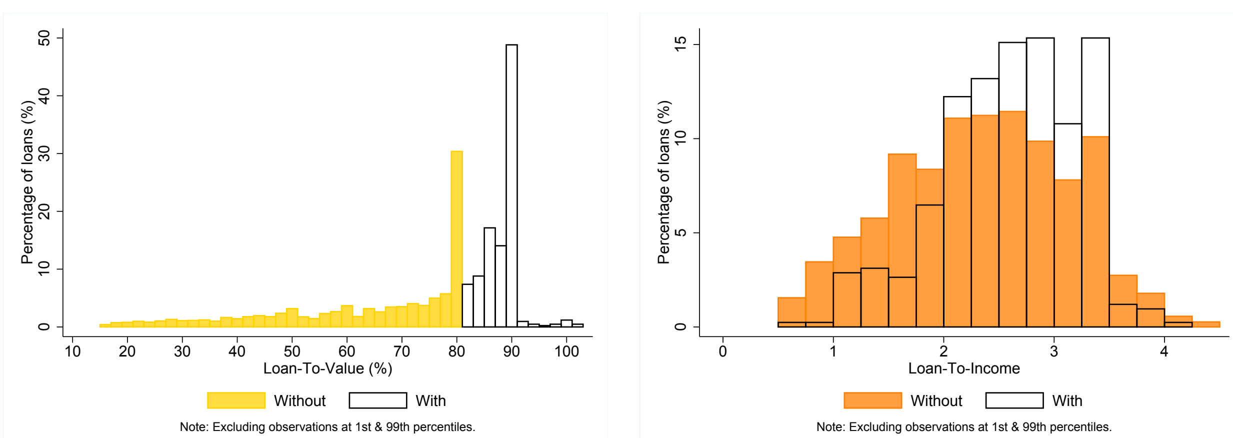
LTV Distribution	LTI Distribution



Source: Authors' calculations using Central Bank of Ireland data.
Note: These calculations present the per cent of loans within each group i.e. the "With" group shares add to 100 as do the "Without" group shares.

Figure 6: LTV and LTI Distributions for SSBs - With or Without LTV Allowance

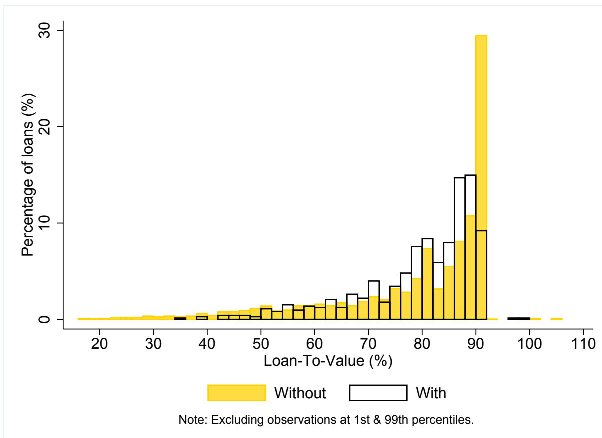
LTV Distribution	LTI Distribution

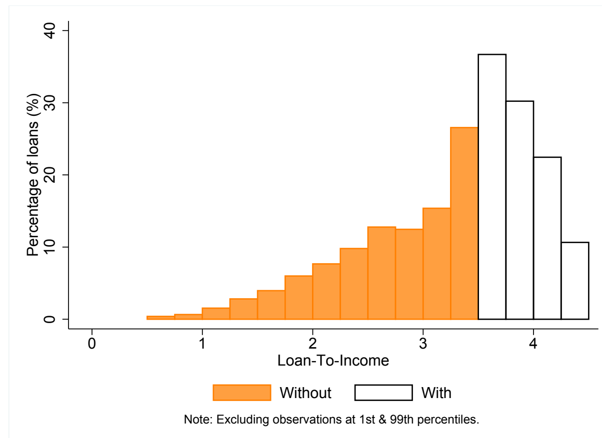


Source: Authors' calculations using Central Bank of Ireland data.
Note: These calculations present the per cent of loans within each group i.e. the "With" group shares add to 100 as do the "Without" group shares.

Figure 7: LTV and LTI Distributions for FTBs - With or Without LTI Allowance

LTV Distribution	LTI Distribution

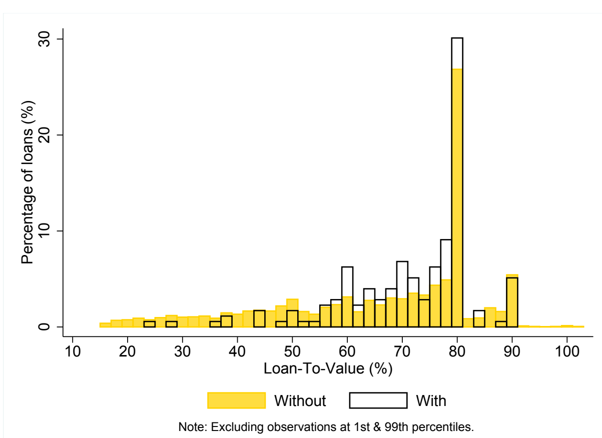


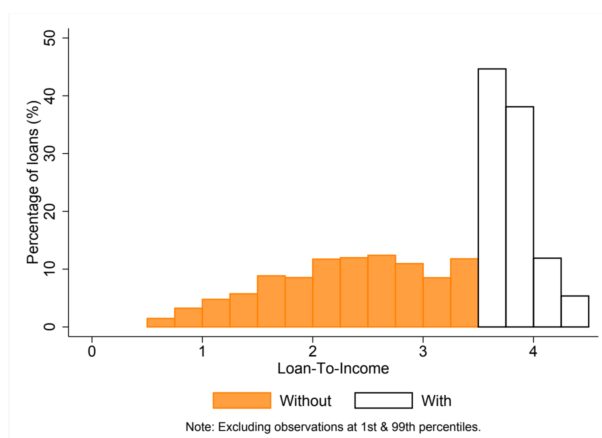


Source: Authors' calculations using Central Bank of Ireland data.
Note: These calculations present the per cent of loans within each group i.e. the "With" group shares add to 100 as do the "Without" group shares.

Figure 8: LTV and LTI Distributions for SSBs - With or Without LTI Allowance

LTV Distribution	LTI Distribution

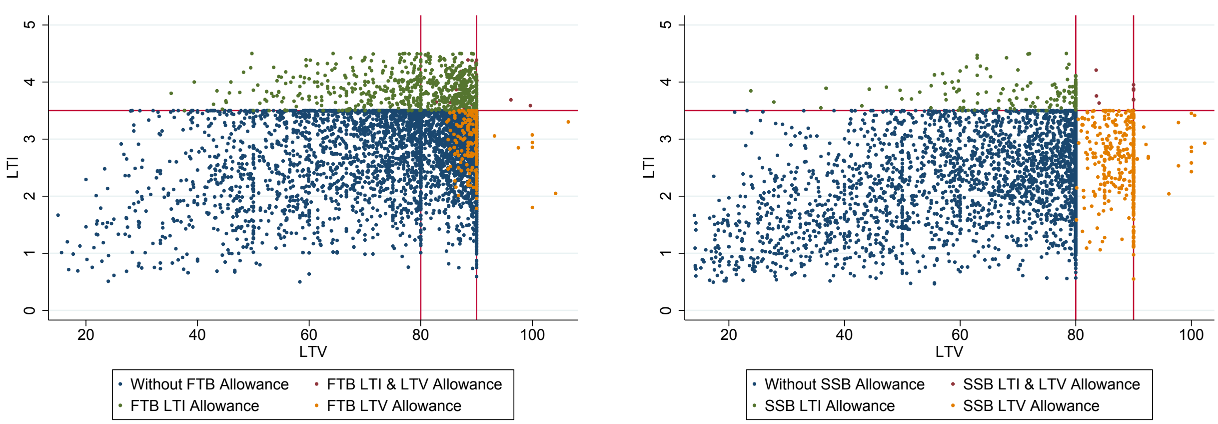




Source: Authors' calculations using Central Bank of Ireland data.
Note: These calculations present the per cent of loans within each group i.e. the "With" group shares add to 100 as do the "Without" group shares.

Figure 9: Allocation of Allowances by Borrower Type H1 2016

First Time Buyers	Second and Subsequent Buyers



Source: Authors' calculations using Central Bank of Ireland data.