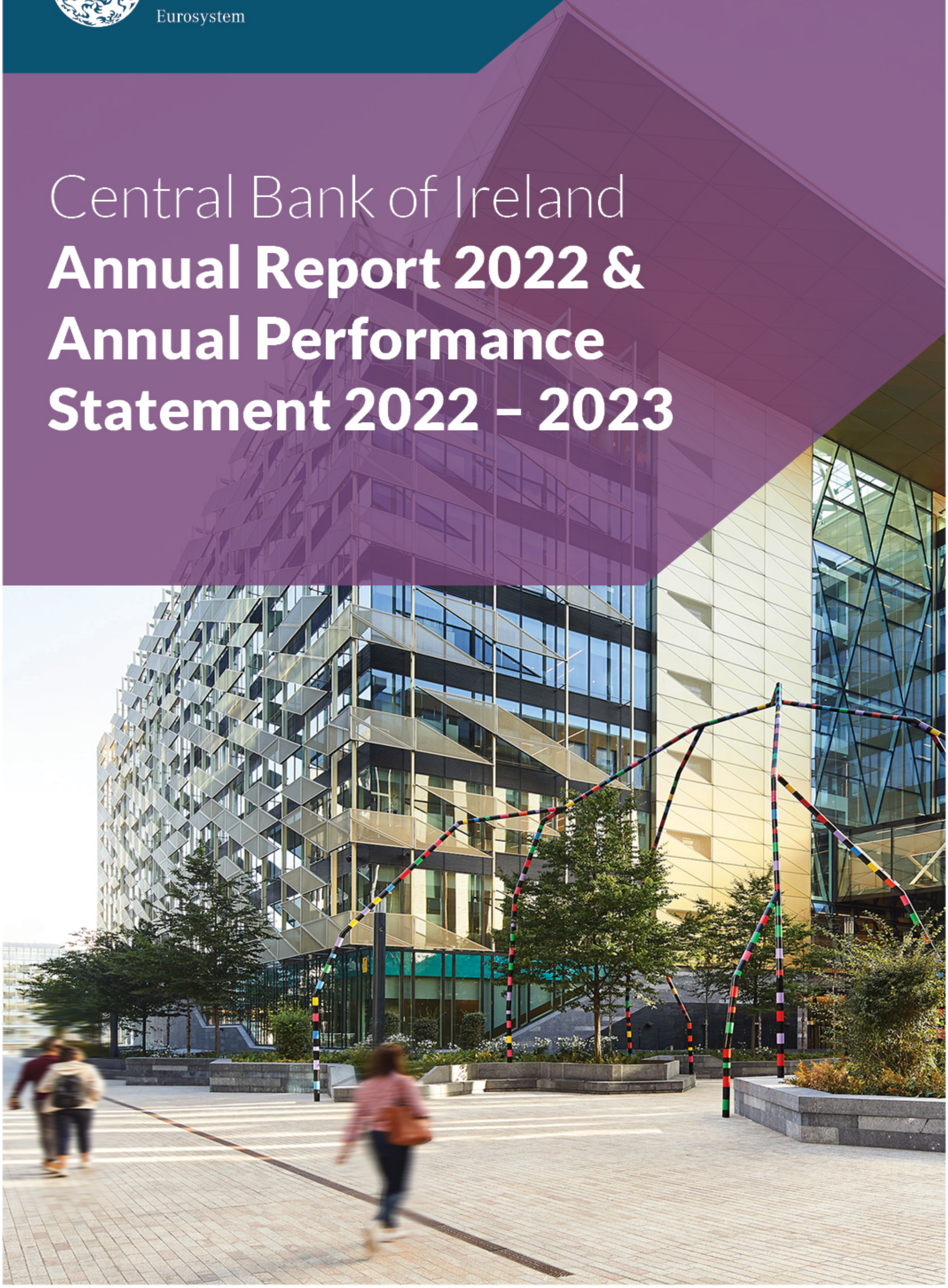
Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Central Bank of Ireland
Annual Report 2022 & Annual Performance Statement 2022 – 2023



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Who we are, **what** we do, & **how** we do it.

We are Ireland's central bank, responsible for maintaining monetary and financial stability and ensuring the financial system works in the interests of the community.

We are part of Europe's monetary and banking unions, and of the world's network of financial regulators.

Protecting people is at the heart of everything we do. We provide economic analysis, statistics and commentary to inform decisions about what the country needs. We set standards to protect consumers, and regulate and supervise financial service providers and markets, taking enforcement action when we need to. We are responsible for Ireland's payment systems and for the provision of its currency.

Our vision is to be a central bank that is trusted by the public, respected by its peers and a fulfilling place to work for its people. We work with people across Ireland and with colleagues across Europe, and elsewhere in the world, on the delivery of our mission.

We are passionate and ambitious for the Bank's performance and for the Bank's people. We act sustainably. We embrace diversity and inclusion as they strengthen us, as individuals and as an organisation. We apply rigorous analysis to the best available data. We believe in engagement and in communicating openly, clearly and regularly.

Our values underpin how we interact with each other and reflect our aspirations, for ourselves and for our community:

Integrity and care, so that we do what is right, our actions match our words and we care about people;

Courage and humility, so that we act with conviction, are prepared to innovate and adapt and are always looking to listen and learn;

Teamwork and excellence, so that we achieve quality outcomes by harnessing our collective strengths, seeking diverse perspectives and driving for disciplined execution.

We believe in the importance of an independent central bank that is transparent, accountable and connected across all public policy domains, in Ireland, in Europe and across the world.

Our constant and predominant aim is **the welfare of the Irish people as a whole.**

We are the **Central Bank of Ireland.**

Banc Ceannais na hÉireann
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Our Mission

We serve the public interest by maintaining monetary and financial stability while ensuring that the financial system operates in the best interests of consumers and the wider economy

Our Vision

One Bank: Trusted by the Public, Respected by our Peers, and a Fulfilling Workplace for our People

Our Statutory Functions

Financial Stability

The stability of the financial system overall.

Price Stability

As part of the European System of Central Banks, the primary objective of the Central Bank is to maintain price stability.

Resolution

The resolution of financial difficulties in credit institutions, certain investment firms and credit unions.

Financial Regulation

The proper and effective regulation of financial service providers and markets, while ensuring that the best interests of consumers of financial services are protected.

Payments, Settlements & Currency

The efficient and effective operation of payment and settlement systems.

Economic Analysis & Statistics

The provision of analysis and comment to support national economic policy development.

The discharge of such other functions and powers conferred on the Central Bank by law including: The operation of the Central Credit Register, the Deposit Guarantee Scheme, the Insurance Compensation Fund and the National Claims Information Database.

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Governor’s Foreword

Looking back on 2022, I am pleased with the progress we have made in delivering our mandate (in line with our new strategy) in what was a very challenging year. We faced various economic headwinds including Russia’s unjustified war against Ukraine and its people, the energy crisis, rising inflation, the state of labour markets and supply chains, and the impact of China’s approach to managing the pandemic. We have been hit with a number of inflationary shocks over the course of the year, primarily driven by pandemic-related supply chain disruptions as well as strong demand once restrictions were lifted, along with sharp rises in energy and food prices due to Russia’s aggression.

In dealing with such uncertainty, we have emphasised the importance of being forward-looking and agile in our approach to ensure we are capable of moving at speed when new challenges arise, working with our international counterparts and other stakeholders. 2022 marked the first year of delivering on our new strategy, which charts an ambitious and exciting direction for the Central Bank, shaped by the ever-evolving complexity of the environment in which we operate, as well as the necessary organisational challenges needed to ensure we continue to fulfil our mission, both now and in the medium term. Our Strategy’s four connected themes – future-focused, open & engaged, transforming and safeguarding – represent a renewal and repositioning to ensure that our direction and ambitions are both responsive and forward-looking.

Regardless of the challenges that we face, the Central Bank will always act in the public interest. The welfare of the people as a whole is at the core of what working at the Central Bank is about. Our people bring their capabilities,

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expertise and professionalism with them on a daily basis to ensure that we deliver on our mandate.

This Annual Report & Annual Performance Statement outlines some of the Central Bank's key achievements last year, including the completion of the Mortgage Measures Framework Review, deepening our stakeholder engagement through a more structured framework, the launch of our review of the Consumer Protection Code, concluding the tracker-related firm investigations, introducing new macroprudential rules for property funds, our work to strengthen the resilience of firms to climate-related and transition risks, and our move to hybrid working and the delivery of our integrated docklands campus.

The current year will be equally as testing as the previous one, not least because of the macro-financial environment and the ongoing challenges stemming from Russia's war and the changing shape of global economic relationships. The Central Bank will remain focused on ensuring that the financial system operates to support the economy and the interests of consumers. Our key activities will include the effective implementation of the ECB's monetary policy in order to deliver price stability, completing our review of the Consumer Protection Code, continuing to play a leadership role in global policy development on the regulation of funds, launching a review of our Innovation Hub and introducing the new Individual Accountability Framework regime.

Ultimately, the Central Bank is about its people and our values – integrity and care, courage and humility, teamwork and excellence – will guide all of us through this period of change and challenge. This Annual Report & Annual Performance Statement sets out what our people achieved in 2022 and, on behalf of the Commission, I want to thank them for their dedication and commitment to the public interest and the welfare of the people as a whole.

Gabriel Makhlouf
Governor
28 April 2023

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Central Bank Commission (as at 31 December 2022)

Gabriel Makhlouf*
Governor of the
Central Bank (Chair)

Patricia Byron
Reappointed
Jan 2019 for 5 years

Shay Cody
Appointed
Dec 2020 for 5 years

Sharon Donnery*
Deputy Governor
Financial Regulation

John Hogan*
Secretary General
Dept. of Finance

Sarah Keane
Appointed
Dec 2020 for 5 years

Vasileios Madouros*
Deputy Governor
Monetary and Financial
Stability

David Miles
Appointed
Dec 2020 for 5 years

Niamh Moloney
Appointed
Sept 2018 for 5 years

John Trethowan
Appointed
Sept 2018 for 5 years

Neil Whoriskey
Secretary
of the Central Bank

** Ex-officio member*
All other members of the Commission are appointed by the Minister for Finance

Central Bank Executive Leadership Committee (as at 31 December 2022)

Gabriel Makhlouf
Governor of the
Central Bank (Chair)

Sharon Donnery
Deputy Governor
Financial Regulation

Vasileios Madouros
Deputy Governor
Monetary and Financial
Stability

Gerry Quinn
Chief Transformation
Officer

Derville Rowland
Deputy Governor
Consumer and
Investor protection

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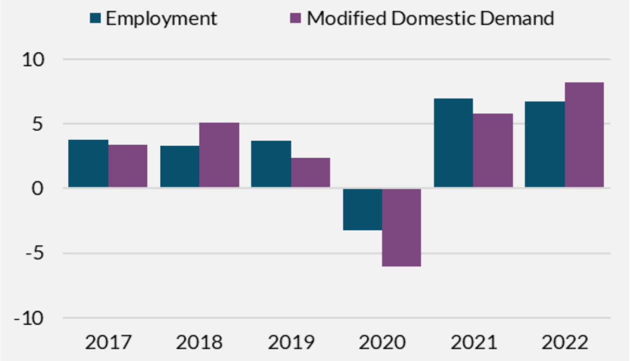
Part 1:

Annual Report 2022
&
Annual Performance
Statement 2022-2023

Part 1: Annual Report 2022 & Annual Performance Statement 2022-2023

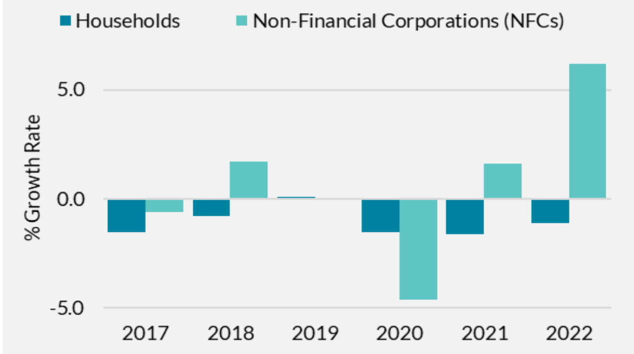
2022: The Irish Economy at a Glance

Real Activity in the Irish Economy



Source: Central Statistics Office (CSO)

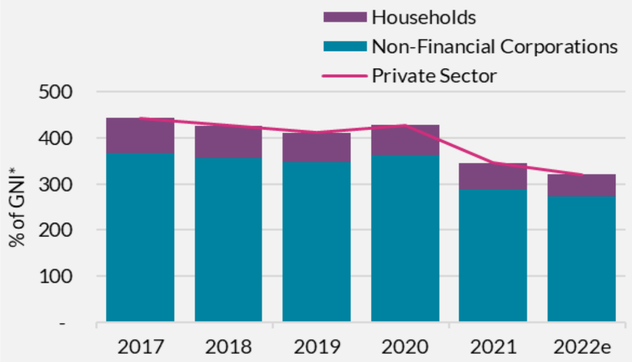
End-Year Annual Rates of Change in Lending



Source: Central Bank of Ireland

Note: Growth rates are based on underlying transactions, i.e., after adjusting for write downs, securitisations, and transfers to NAMA, etc. Household growth rates reflect both on balance sheet and securitised balances.

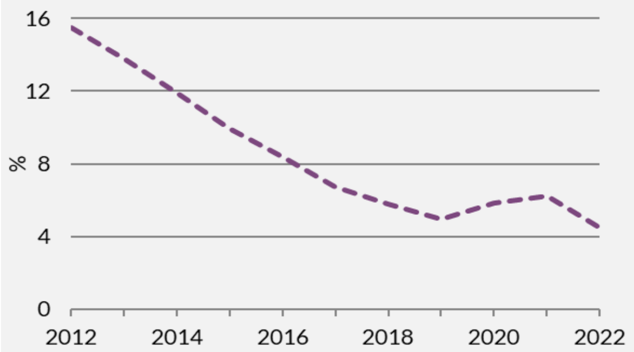
Private Sector Debt to GNI*



Source: Central Bank of Ireland

Note: Data for 2022 are the average of the first 3 quarters of 2022. Private sector debt includes the multinational enterprises (MNEs) sector in Ireland.

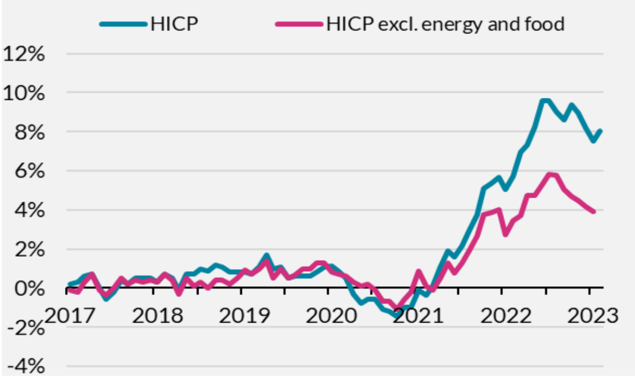
Unemployment Rate



Source: Central Statistics Office (CSO)

Note: International Labour Organisation (ILO) unemployment rate

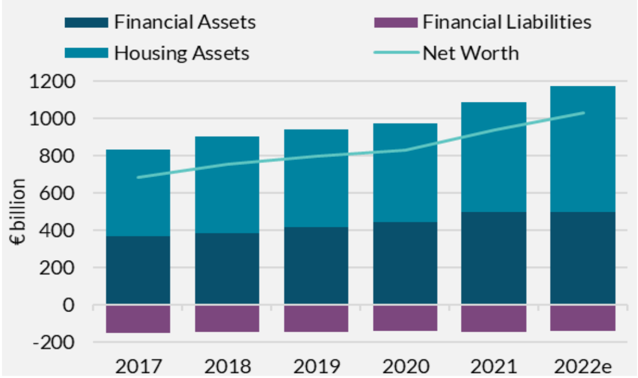
Ireland HICP inflation



Source: Eurostat

Note: HICP – Harmonised Index of Consumer Prices

Household Net Worth



Source: Central Bank of Ireland

Note: Data for 2022 are the average of the first 3 quarters of 2022

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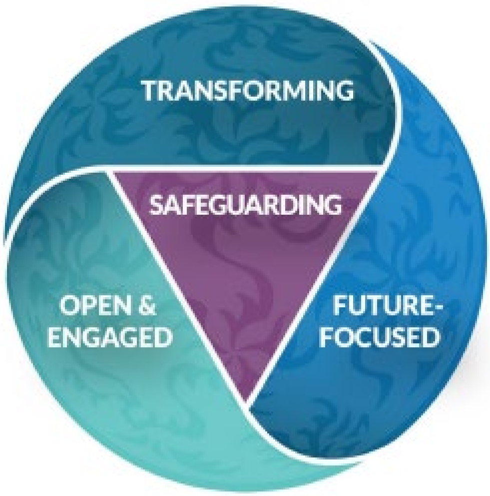
Chapter 1:

Our Strategy
2022-2026

Chapter 1:
Our Strategy 2022-2026

2022 marked the first year of delivering Our Strategy 2022 – 2026. Our Strategy charts an ambitious and exciting new direction for the Central Bank, shaped by the ever-evolving complexity of the environment in which we operate, as well as the necessary organisational changes needed to ensure the Central Bank continues to fulfil its mission, both now and in the medium term. In 2022, with the commitment of our people, we have taken the critical first steps in realising the ambitions within Our Strategy.



When we set Our Strategy, we considered the many factors that are likely to shape both the current and emerging environment in which we work, notably including the nature and extent of developments in the financial services sector, the implications of climate change, shifting global trade relations and economic growth patterns, and the evolution of financial and cyber-crime. We also engaged with a wide-range of stakeholders to hear their views on our role and how these may inform our strategic priorities.

Collectively these, and other drivers, resulted in the identification of our strategic direction, set out under Our Strategy's four connected themes: **Future-Focused**, **Open & Engaged**, **Transforming** and **Safeguarding**. During 2022, we have seen some of these drivers intensify and unfold further through various complex external developments, including heightened geopolitical tensions arising from the Russian war in Ukraine and a significant shift in macro-financial conditions impacting the monetary policy stance, with wide-ranging implications for the economy, the financial sector and our regulatory priorities.

> **Our Strategy's four connected themes:**
> Future-Focused, Open & Engaged, Transforming and Safeguarding.

In the first year of Our Strategy, the Central Bank has advanced the work we need to do to be Future-Focused, Open & Engaged, and Transforming while remaining steadfast in our commitment to Safeguard the financial system and the welfare of the people as a whole.

Our Strategic Themes

Future-Focused

Being Future-Focused is critical to enabling the Central Bank to better understand, anticipate and adapt in the context of the far-reaching changes taking place within the financial services industry, with a particular emphasis on technological innovation, climate transition, geo-political change, and developments arising in the context of the COVID-19 pandemic.

In 2022, we made progress on strengthening our understanding of the implications of climate change and the transition to net zero for the economy and the financial system as well as strengthening the resilience of firms to climate-related and transition risks by enhancing our supervisory approach. We also continued to plan for the future role of cash and electronic payments.

Open & Engaged

By being Open and Engaged, we are emphasising the critical priority for the Central Bank of listening to our stakeholders, building dialogue and learning, so that we can contribute to building trust in the financial system and foster a wider understanding of the Central Bank's role.

During 2022, we worked to deepen our stakeholder engagement through a more structured framework, including the Central Bank's inaugural Financial System Conference, which brought together stakeholders from Ireland and across the EU to discuss and debate the driving forces shaping the financial system.

Transforming

Under Transforming, our focus is on an ambitious reimagining of how our organisation operates, with an emphasis on effectiveness and increased agility, in a new hybrid-working model. The role of data and technology in driving effective and efficient processes and supporting our people to deliver on their roles is central to this.

Progressing our programme around enhanced use of data and analytics was a key area of focus in 2022. We also transitioned to our Future@Work model, and completed the implementation of our integrated docklands campus.

Safeguarding

Safeguarding reflects our steadfast commitment to strengthen the design, implementation and operation of our core policy and supervisory frameworks. It is through these frameworks that we deliver on our statutory functions.

During 2022, we continued to evolve our core mandate through the launch of the Review of the Consumer Protection Code. We concluded all tracker-related firm investigations and completed the Mortgage Measures Framework Review. We also introduced new macroprudential rules for property funds.

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Achieving the target outcomes of Our Strategy requires us to continue to manage our resources, risks and priorities as we navigate the complex and evolving context in which we work. In 2022, in addition to pursuing specific areas of strategic focus, we have also progressed work around five priority areas within the Central Bank, which are seeking to make changes as follows:

1. **How we regulate and supervise financial services firms and the financial system**, with the aim of greater integration, effectiveness and scalability for our expanding mandate in a rapidly changing financial ecosystem.
2. **How we use research, analysis and statistics**, with the aim of strengthening the analytical rigour underpinning our policy positions, decisions and actions across the breadth of the Central Bank's mandate, while enhancing collaboration with external researchers, making our data and analysis more readily available to the public.
3. **How we run key aspects of the Central Bank**, in particular, enhancing our prioritisation, decision-making, organisational performance, and talent and resource allocation and utilisation.
4. **How we engage our external stakeholders**, with the aim of building trust and demonstrating effectiveness by engaging openly and plainly with stakeholders, strengthening the public's understanding of what we do and why we do it, engaging effectively internationally and, by listening, making decisions which are informed by stakeholder perspectives.
5. **How we deliver strategic change**, with the aim of enhancing organisational major change capabilities.

By prioritising these areas of focus our aim is to ensure we are making good use of our investments in change and have a sustainable model to achieve the longer-term outcomes of Our Strategy.

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Chapter 2:
Delivering on Our Responsibilities

Chapter 2:
Delivering on Our Responsibilities

Price Stability

Throughout the year, the Central Bank actively contributed to monetary policy formulation and decision-making in the Eurosystem through the Governor's membership of the ECB Governing Council and through active participation by senior staff in relevant Eurosystem committees.

Monetary Policy Decisions

The monetary policy environment changed completely during 2022. The war in Ukraine and the reopening of the economy as the pandemic abated contributed to higher rates of inflation globally. The primary contributors behind the increase in headline inflation were energy and food prices, which soared after the onset of the Russian war in Ukraine in February. Additional price pressures came from supply bottlenecks in the context of recovering demand after the lifting of pandemic restrictions. The inflation rate in the euro area averaged 8.4% in 2022, representing a sizable increase from 2.6% in 2021. In response to building inflationary dynamics, the ECB Governing Council adjusted its monetary policy measures several times to ensure a timely return of euro area inflation to its 2% medium-term target, in accordance with its mandate to pursue price stability.

At its first meeting of the year, the Governing Council reconfirmed its decision (of December 2021) to end net asset purchases under the Pandemic Emergency Purchase Programme (PEPP) by end-March 2022.[1] The ongoing flexible reinvestment of the PEPP, coupled with the Transmission Protection Instrument introduced in July 2022 - which can be activated to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across the euro area - will allow the Governing Council to more effectively deliver on its price stability mandate.

In response to the widespread and persistent surge in inflation during 2022, all major global central banks raised their policy rates. In July 2022, the ECB Governing Council began raising the ECB key interest rates. Since then, rates have been increased by a cumulative 350 basis points, bringing the deposit facility rate – which, in the current conditions of ample excess

[1] The end of net asset purchases under the Asset Purchase Programme (APP) was announced in June 2022.

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liquidity, constitutes the main instrument for steering the monetary policy stance – to 3% (following the latest Governing Council decision in March 2023). The ECB Governing Council continues to emphasise that the high uncertainty characterising the current macroeconomic and geopolitical environment warrants a data-dependent, flexible and gradual approach to monetary policy normalisation.

Eurosystem Monetary Policy Operations

Over the course of 2022, the ECB continued the process of monetary policy normalisation that began in December 2021. The Eurosystem smoothly conducted a step-by-step reduction in net asset purchases under the PEPP and APP, with net asset purchases ending in March and June 2022 respectively, and principal payments from maturing securities purchased under both programmes being reinvested thereafter. In the event of renewed market fragmentation related to the pandemic, PEPP reinvestments can be adjusted flexibly across time, asset classes and jurisdictions.

In addition, the Eurosystem recalibrated the conditions of the third series of targeted longer-term refinancing operations (TLTRO) to ensure consistency with the broader monetary policy normalisation process and to reinforce the transmission of policy rate increases to bank lending conditions. Three additional voluntary early repayment dates were introduced for banks wishing to terminate or reduce borrowings before maturity. The net liquidity effect of repayment operations in 2022 was a reduction in Eurosystem targeted longer-term lending of €826.1bn to €1,317.6bn at end-December 2022.

The usage of the weekly main refinancing operations and three-month longer-term refinancing operations remained at, or close to, record low levels during the year. The standing seven-day US dollar operation continued to be carried out on a weekly basis, albeit with low participation due to the sustained improvement in US dollar funding conditions. Finally, three pandemic emergency longer-term refinancing operations (PELTRO) conducted by the Eurosystem during 2021 matured during 2022, reducing outstanding PELTRO borrowings by €2.3bn, to €1.1bn, at end-December 2022.

As a result of the monetary policy normalisation process, excess liquidity across the Eurosystem decreased during 2022, moving from €4,136.3bn at end-December 2021, to €3,829.1bn at end-December 2022, mainly

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reflecting the decrease in TLTRO outstanding borrowing amounts, offset partly by purchase programme activity.[2]

Irish Monetary Policy Operations

As a result of net purchases during the first quarter and reinvestments thereafter, the Central Bank's holdings of Irish government bonds under the PEPP increased from €21.4bn at end-2021, to €22.4bn at end-2022.

Within the APP, the Central Bank purchases bonds under the public sector purchase programme and the third covered bond purchase programme. Public sector purchase programme holdings on the Central Bank's balance sheet, which are held at its own risk, increased to €36.0bn at end-2022, from €34.5bn at end-2021. Holdings of covered bonds under the third covered bond purchase programme, which are risk-shared with the Eurosystem, fell to €1.5bn at end-2022 from €2.5bn a year earlier.

Regarding refinancing operations, total outstanding monetary policy borrowings by Irish counterparties stood at €219m at end-2022, a significant reduction compared to €21.0bn at end-2021, driven by TLTRO repayments. The Central Bank observed a continued rise in the level of reserve holdings with average excess liquidity increasing from €84.1bn at end-2021 to €98.3bn by end-2022.

The Central Bank monitored the fulfilment of minimum reserve requirements for credit institutions during 2022, in compliance with Eurosystem procedures.

[2] Figures for the level of excess liquidity in the Eurosystem are computed as follows: current account balances, plus deposit facility balances, less total reserve requirements, less marginal lending facility balances.

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Financial Stability

The Central Bank serves the public interest by safeguarding financial stability, ensuring that the financial system operates in the best interests of the community and the wider economy.

Financial Stability Assessment and Analysis

The Central Bank published two Financial Stability Reviews (FSRs) in 2022.[3] The FSR communicates 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. Over the course of 2022, the world economy embarked on a path of lower growth and risks to the financial system became more elevated as inflation became more broad-based and persistent. While the Irish economy faced increased downside risks because of the ongoing energy crisis and wider price and real income pressures, households, businesses and banks have benefitted from the decade of prudent lending behaviour and the build-up in resilience that preceded this shock, providing capacity to absorb adverse outcomes.

A deepening of the Central Bank's understanding of the risks and vulnerabilities to the macro-financial system and the implications for macroprudential policy is a core element underscoring the mandate of safeguarding stability. The in-depth research and analysis conducted during 2022 included the consideration of aspects of the mortgage measures framework and the impact of inflation and higher interest rate environment on households, firms and banks. This research was communicated through a range of channels, including the publication of Financial Stability Notes and Research Technical Papers.

Macroprudential Policy

The Central Bank's macroprudential policy framework has three broad pillars, with policies relating to banks (macroprudential capital buffers), borrowers (the mortgage measures) and non-banks (currently focused on property funds). The Central Bank reviewed and updated each pillar in 2022. This provided an opportunity to reflect on international best practice, lessons learned from the operation of the macroprudential framework over the past decade (including during the COVID-19 shock) and the evolving nature of the global economy and financial system, to ensure that the frameworks remain fit for purpose and appropriate in the face of a rapidly-evolving operating environment.

[3] Financial Stability Review 2022:I and Financial Stability Review 2022:II.

In June 2022, the Central Bank published its updated framework for macroprudential capital.[4] In arriving at its new strategy, the Central Bank sought to take a holistic view of the macroprudential capital buffers and considered the interactions between the different capital buffers and the interaction with other parts of the prudential regime. Macroprudential policy decisions relating to the buffer for other systemically important institutions, as well as the countercyclical buffer, were communicated through the FSRs in 2022.

The review of the mortgage measures framework concluded in October 2022 with the announcement of a refreshed framework, including targeted changes to the calibration of the measures.[5] The conclusions of the review were informed by the Central Bank's analysis, based on a wide range of evidence, lessons from international experience and feedback received through engagement with the public and other stakeholders.[6]

The Central Bank announced new macroprudential limits on leverage and Central Bank guidance on liquidity timeframes for Irish property funds in November 2022.[7] These are the first macroprudential measures to be introduced under the non-bank pillar of the Central Bank's macroprudential framework. The new measures aim to strengthen the resilience of the property funds sector in Ireland and are consistent with the Central Bank's broader strategy to develop the macroprudential framework beyond the banking system.

The IMF's Financial Sector Assessment Programme

The IMF's Financial Sector Assessment Programme (FSAP) is a comprehensive and in-depth assessment of a country's financial sector. The current assessment for Ireland, which commenced in 2021, was completed in 2022 with the publication of the Financial System Stability Assessment for Ireland in July 2022. The IMF concluded that "Ireland has considerably strengthened financial sector regulation and supervision since the 2016 FSAP", noting that this "is evidenced by a successful navigation through the challenges of Brexit, the pandemic, and now the war in Ukraine". The IMF also highlighted that an increasingly large, complex and rapidly evolving financial system in Ireland raises new challenges for the future, while pointing to the importance of fully addressing legacy issues from the global financial crisis. The next FSAP in Ireland will take place in 2027-2028, prior to which the Central Bank will review and address a number of

[4] The Central Bank's framework for macroprudential capital
[5] The Central Bank's framework for the macroprudential mortgage measures
[6] Mortgage Measures Framework Review
[7] The Central Bank's macroprudential policy framework for Irish property funds

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recommendations made by the IMF with a view to further developing and enhancing its regulatory and supervisory powers.

Climate Change

Climate change and the transition to a carbon-neutral economy will affect macroeconomic and financial outcomes, altering the underlying structure of economies and exposing financial firms and the financial system to prudential risks.[8] The Central Bank is committed to tackling the challenges of climate change within the context of its mandate and in line with the Irish Government's Climate Action Plan.[9]

In this context, a new hub and spokes model was operationalised within the Central Bank in 2022 to further embed climate risk and sustainable finance considerations into the day-to-day activities across the Central Bank's mandate. The Climate Change Unit forms the hub, and the spokes comprise the relevant business areas working on climate-related issues. The model addresses climate change under the following broad topics: (1) macro-financial linkages; (2) safety and soundness of regulated firms to climate change; (3) sustainable finance, including its consumer and investor protection dimensions; and (4) filling data gaps. To progress work on the Central Bank's own business operations, a new Sustainability Task Force was established and the Central Bank published a Sustainable Investment Charter to guide the integration of sustainable investment principles to the management of its investment assets.[10]

In 2022, a Climate Risk and Sustainable Finance Forum was established, bringing together cross-industry representatives, climate experts and the Central Bank. The Forum is designed to promote knowledge sharing and build understanding of the implications of climate change for the Irish financial system.[11] Two industry-led working groups were established within the Forum to progress knowledge-building on the topics of risk management and capacity-building with respect to climate change.

Central Credit Register

The Central Credit Register (CCR) is a national mandatory database of personal and credit information. It is maintained and operated by the Central Bank under the Credit Reporting Act 2013.

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[8] Donnery, Sharon (2022). "No time to wait: Addressing Climate Risk in the Financial System today", Address at Climate Finance Week.

[9] Makhlouf, Gabriel (2022). "Climate Change: Avoiding the 'Do I Feel Lucky?' school of policymaking", Address at Chatham House's Waddesdon Club of Financial Leaders.

[10] In June 2022, the Central Bank published its Sustainable Investment Charter.

[11] The *Call for Interest* in membership of the Climate Risk and Sustainable Finance Forum is available at: https://www.centralbank.ie/docs/default-source/publications/climate-risk-and-sustainable-finance-forum.pdf.

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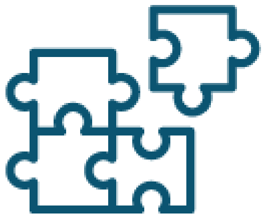
The CCR contributes to the stability of the financial system, building resilience and protecting borrowers by providing credit reports to lenders to facilitate informed credit decisions. The CCR provides granular data to the Central Bank, which supports research and analysis. Borrowers can request their credit report online at www.centralcreditregister.ie. Further information regarding the operation of the CCR and use of CCR data is also available on the website.

The number of lenders submitting information to the CCR at the end of 2022 was 611 (2021: 581) and the CCR contained 5.4m active records (2021: 5.3m).

Lenders requested 2.5m credit reports in 2022 (2021: 1.8m) and 31,495 credit reports were provided to borrowers (2021: 22,315). Lenders are charged for every enquiry they perform which recoups the costs of the CCR.

Resolution

Resolution Planning and Enhanced Resolvability



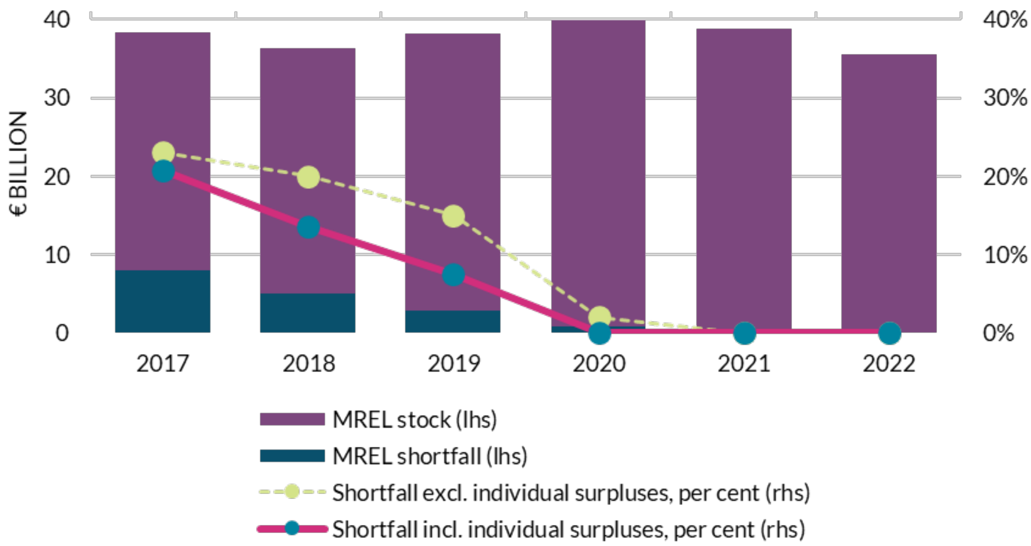
Significant progress was made on resolvability in 2022. Irish banks, having met their 1 January 2022 intermediate binding minimum requirement for own funds and eligible liabilities (MREL) targets, continued to build suitable loss absorbing capacity to ensure a linear build-up to final 1 January 2024 targets (See Chart 1 below). To facilitate use of the bail-in resolution tool, banks also began to operationalise resolution action preparedness by developing and testing playbooks and data for valuation. Firms are largely on track to meet the Single Resolution Board expectations for banks by end-2023.

MREL Compliance

MREL was introduced into the EU resolution framework with the aim of ensuring banks have sufficient capital and appropriate liabilities that can be bailed-in, if necessary. The Single Resolution Board determines the MREL requirement for significant institutions, while the Central Bank determines the requirement for less significant institutions and in-scope investment firms. Irish banks have made significant progress in building up loss absorbing capacity and complying with targets up to 2022, with many already meeting their 2024 targets. This progress will need to be maintained as banks' balance sheets continue to evolve.

Chart 1 illustrates stocks and shortfalls from MREL targets in the Irish retail-banking sector as at 31 December 2022.

Chart 1: Irish retail banks' progress toward MREL targets[12]



[12] **Source:** Central Bank of Ireland (**note:** the solid line represents the aggregate cumulative shortfalls/surpluses of all institutions in the sample, while the broken line represents the aggregate shortfall without the effect of surplus MREL).

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Resolution Actions

The Central Bank was not required to take resolution actions against any regulated entities in 2022, however, it is continuing to monitor other cases in which it has previously obtained winding up orders and, where required, it has actively engaged with the appointed liquidators to ensure that the liquidations are progressed and brought to a close.

Key Resolution Framework Developments

The Central Bank continues to play an active role in the development of both domestic and EU crisis management frameworks, including via the Single Resolution Board, the European Banking Authority, and EU committees/working groups, and in the provision of technical advice to the Department of Finance.

Engagement on the European Commission's review of the crisis management and deposit insurance framework remained a priority for the Central Bank in 2022, which culminated in the Eurogroup's commitment, in June 2022, to progress this review in the current EU legislative cycle. This is an important initiative in terms of the strengthening of the overall EU Crisis Management Framework.

The Central Bank also engaged in technical discussions on a number of other EU legislative proposals relevant to resolution, including:

- The development of a proposal for an EU Insurance Recovery and Resolution Framework (IRRD), an important step in strengthening protection for policyholders, taxpayers, the economy and financial stability.
- The EU 'daisy chains' proposal, which seeks to refine the MREL framework in order to avoid the potential for double-counting of MREL elements within banking groups. The EU Council and European Parliament reached political agreement on the 'daisy chain' proposal in April 2022, and the regulation was formally adopted by the EU in October 2022.

Resolution Funds

The Central Bank has statutory responsibilities with respect to three resolution funds. In 2022, the Central Bank collected €258m from Irish banks contributing to the Single Resolution Fund on behalf of the Single Resolution Board. The Single Resolution Fund has reached c. €65bn, exceeding its original c. €60bn overall target, and, to date, has not been called upon to fund resolution actions.

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Levy contributions of €11.2m were collected for the Bank and Investment Firm Resolution Fund by the Central Bank in 2022, bringing the total fund to €49m. This fund has not been called upon to date.

In 2022, €5m was collected for the Credit Institutions Resolution Fund, bringing the total fund to €61m. There were no resolution actions in 2022.

Deposit Guarantee Scheme and Insurance Compensation Fund

The Deposit Guarantee Scheme and Insurance Compensation Fund are administered by the Central Bank. In 2022, the Deposit Guarantee Scheme levied €167.6m in contributions from credit institutions to the fund. The Insurance Compensation Fund made payments of €4.7m to the State Claims Agency for the liquidation of three insurance companies.

Financial Crisis Preparedness and Management

During 2022, the Central Bank continued to build its financial crisis preparedness capability by conducting crisis simulation exercises both on an internal basis and in conjunction with the other Financial Stability Group agencies and the National Cyber Security Centre. The internal exercises examined the Central Bank's preparedness to manage firm failure and the interagency exercises considered the interagency response to a cyber-attack scenario that had a significant impact on payment services.

The Central Bank also conducted work, in conjunction with other national and European agencies, in response to the impact of the Russian war in Ukraine, and the subsequent energy crisis, on the financial system.

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Payment Systems and Currency

Digital Euro

As part of the Eurosystem, the Central Bank is working with the ECB and national central banks of the euro area to investigate the option of introducing a central bank digital currency - an electronic equivalent to cash - to complement euro banknotes and coins. The digital euro investigation phase, which commenced in October 2021 and is on track to conclude in the second half of 2023, aims to explore the possible technical and policy options that could form the basis of a digital euro design.

The Eurosystem has progressed work streams relating to digital euro design choices, user requirement development, stakeholder engagement, prototype experimentation, and the formulation of a digital euro scheme. Progress reports on work conducted during the digital euro investigation phase were published by the ECB in September and December of 2022.

A decision on whether to commence the next phase will be made by the ECB Governing Council in autumn 2023. A move to the next phase would not predetermine any future decision on the possible issuance of a digital euro but enable further exploration of the development and testing of the technical solutions and business arrangements necessary to provide the digital currency.

Payment Systems

The Central Bank maintains the Irish TARGET2 component, TARGET2-Ireland, of the euro settlement system. In 2022, TARGET2-Ireland processed 751,392 real-time gross settlement (RTGS) transactions, a decrease of 1.24% compared to 2021, for a total value of €3.636tn (a 20.84% increase year-on-year). This large increase is attributable to the positive interest rate environment and increased placing of standing facilities on the system. Direct participants in TARGET2-Ireland decreased by one, to 14, year-on-year.

Progress in relation to the TARGET2 and TARGET2-Securities consolidation project continued throughout 2022. This project, which went live in March 2023, replaces TARGET2 with a new real-time gross settlement system to optimise liquidity management across all TARGET Services.

The Central Bank is responsible for the maintenance of the Register of Irish Government Bonds and Treasury Bills on behalf of the National Treasury Management Agency (NTMA). In 2022, the NTMA issued one new government bond with a nominal value of €3.5bn and sold a further €3.5bn on existing bonds (Taps) with €5.5bn on treasury bills. At end-2022, the

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nominal value of bonds and treasury bills on the Register amounted to €145.5bn, representing a 6.8% decrease overall.

Currency

Banknotes

In 2022, the Central Bank issued 198m banknotes (value €6.3bn), representing a 14% increase on the173m banknotes (value €5.6bn) issued in 2021, as the country emerged from the COVID-19 pandemic. Banknote lodgements of 142m (value €3.8bn) were received, representing an increase of 18% on the 120m (value €3.2bn) received in 2021.

Table 1: Banknote Issues

No. of Banknotes (m) Issued [13]			Value €m	
Denomination	**2022**	**2021**	**2022**	**2021**
€5	24.3	21.0	121	105
€10	23.6	22.5	236	225
€20	54.0	42.7	1,079	854
€50	96.1	86.7	4,805	4,337
€100	0.3	0.3	33	34
€200	0	0	0	0
Total	**198.2**	**173.3**	**6,274**	**5,555**

Note: Figures may not sum due to rounding

Coin

The Central Bank, acting as agent for the Minister for Finance, issued 76m coins (value €35m) into circulation in 2022. This represents a 5% decrease when compared with the 80m coins (value €41m) issued in 2021. Lodgements of 33m coins (value €16m) were received, representing a 13% decrease on coin lodgements of 38m (value €18m) in 2021.

Table 2: Coin Issues

No. of Coin (m)			Value €m	
Denomination	**2022**	**2021**	**2022**	**2021**
1c	1	3	0	0
2c	1	1	0	0
5c	25	21	1	1
10c	14	12	1	1
20c	13	14	3	3
50c	6	8	3	4
€1	7	9	7	9
€2	10	11	20	22
Total	**76**	**80**	**35**	**41**

Note: Figures may not sum due to rounding

[13] The €500 banknote is legal tender; however, as of 27 April 2019, it is no longer issued.

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Collector Coins

The Central Bank marks significant events in Irish arts, history, heritage and culture by issuing a range of numismatic products on behalf of the Minister for Finance. During 2022, the Central Bank issued the following five coin products for sale on www.collectorcoins.ie:

- Annual Mint Set 2022 - 100 Years since the Establishment of the State
- Baby Set 2022
- Silver Proof Coin 2022 - Dr Kathleen Lynn
- Gold Proof Coin 2022 - 100 Years since the establishment of the State
- Silver Proof Coin 2020 - Irish musician Luke Kelly

Deputy Governor Derville Rowland (right), with Professor Mary Higgins, Vice President, Royal College of Physicians of Ireland, at the launch of the silver proof collector coin featuring Dr Kathleen Lynn, in July 2022.

National Cash Cycle Developments

During 2022, as part of its ongoing work in support of the Department of Finance's Retail Banking Review, the Central Bank produced a report on access to cash services in Ireland. The report examines recent trends in cash usage, infrastructural shifts, the role of retail banks and other stakeholders, as well as international policy initiatives with regard to protecting access to cash.

Following a strategic review of its cash centre operations, the Central Bank made the decision in 2022 to develop a new cash centre, at an alternative suitable site in the greater Dublin area, and to dispose of its current site in Sandyford. It is expected to be at least seven years before the new cash centre is delivered and the Central Bank will continue to operate in the existing high security currency facility in Sandyford until the move to the new site.

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Economic Analysis and Statistics

Economic Analysis

In 2022, the Central Bank contributed to the formation of national economic policy through the provision of independent economic advice via regular commentaries, forecasts, research and the provision of high quality financial statistics. These were communicated through the Quarterly Bulletin series, Economic Letters, Research Technical Papers, in statements and speeches by the Governor and other members of senior management and in contributions to conferences and seminars. A detailed description of the Central Bank's research output is provided in the Economic Research Bulletin 2022.

Six macroeconomic forecasting exercises were completed during the year. Two of these were conducted within the context of the Eurosystem's Broad Macroeconomic Projection Exercise and the remaining four were published in the Central Bank's Quarterly Bulletin. In addition, the Central Bank participated in other forecasting and policy forums, e.g., Organisation for Economic Co-operation and Development (OECD), EU, and consultations with visiting external partner missions from the EU and IMF, rating agencies and other international bodies.

The economic effects of the Russian war in Ukraine, with its direct and indirect impact on inflation, growth and the public finances, was the main focus of macroeconomic analysis during 2022. Understanding the implications of the war, alongside the domestic policy responses and the continuing economic recovery from the COVID-19 pandemic, was deepened through use of both existing and newly developed or enhanced macroeconomic models. Further progress was made in the development of tools to analyse the macroeconomic implications of climate change and the transition to net zero. Developments in the labour market, the distribution of household income, wealth and consumption, and the medium-term sustainability of the public finances were also considered in depth during 2022.

Statistics

The Central Bank collects, compiles and disseminates a wide range of statistics to support the ESCB and external users such as public institutions, media, market participants and the general public. It also continues to develop new and expanded datasets on key financial activity in Ireland.

The Behind the Data series shines a light on interesting and relevant financial and economic trends within data collected by the Central Bank. Publications in 2022 focused on Ireland's large non-bank financial intermediation sector (i.e., measurement issues and cross-sector interlinkages between insurance corporations and investment funds), cross-border banking activities and long-term mortgage arrears. The series also introduced new Household Distributional Wealth Accounts for Ireland. These statistics provide the distribution of household assets and liabilities, evolution in net wealth and key inequality indicators. This new data will allow for assessment of how economic shocks and subsequent policy responses may impact different households.

Following the announcements that Ulster Bank and KBC intended to leave the Irish market, Account Migration Statistics were established from the two exiting banks and the three largest remaining retail banks: Allied Irish Banks, Bank of Ireland, and Permanent TSB. The collection monitors migration activity of all customers, including households and small and medium enterprises.

The Central Bank also published a statistical release outlining the direct financial links of Irish economic sectors to Russian entities. The information was drawn from across various statistical and supervisory data sources to focus on the Russian based assets held by these sectors.

The Central Bank continued to expand information and statistics through the National Claims Information Database. The Central Bank has undertaken a number of measures to increase transparency to policyholders and improve data availability under the National Claims Information Database, with associated annual publications. The achievements in 2022 included the second report on the Employers' Liability, Public Liability and Commercial Property Insurance markets in July, while the fourth Private Motor Insurance Report was published in November. Key enhancements in 2022 to both data sets were the collection of data on the newly introduced Personal Injury Guidelines and the introduction of mid-year data collections giving earlier insights into motor premium trends and the impact of the Personal Injury Guidelines.

Financial Regulation and Supervision[14]

External Environment and Risk Landscape

The objective of financial regulation is the development of a resilient and trustworthy financial system, which sustainably serves the needs of the economy and its customers, in which firms and individuals adhere to a culture of fairness and high standards. To achieve this objective, the Central Bank applies a risk-based approach to the supervision of more than 12,000 funds and firms across a range of financial services sectors in Ireland.

In 2022, the Central Bank delivered on its regulatory and supervisory responsibilities against a backdrop of significant change and challenges for consumers and regulated firms. At the beginning of the year, the impact of the pandemic on regulated entities had begun to dissipate, however, vulnerabilities, such as those stemming from stretched asset valuations in financial markets and higher levels of global indebtedness, were continuing to build. The Russian war in Ukraine proved to have a sharp and material impact on individuals, businesses and financial markets. It triggered and intensified risks, and heightened uncertainty, leading to materially lower global growth rates, with significantly increased levels of inflation and higher interest rates. In addition to elevated financial risk, the new geo-political situation necessitated an increased focus on cyber risk and operational vulnerabilities.

The ongoing growth in the Irish financial sector was accompanied by rapid changes in relation to digitalisation and technological innovation, which supported the entry of new players into the Irish market – some of which have cross-border ambitions – and new business models. These changes bring both opportunities and risks to the economy and society as a whole and require the Central Bank to adapt its regulatory approach in response.

Supervision

In delivering on its mission, the Central Bank engaged with regulated firms across all sectors throughout 2022, to promote continued financial and operational resilience, with a heightened focus on consumer and investor protection and the safeguarding of client assets. Good governance and robust risk management remained a central supervisory focus as both are critical to ensuring financial and operational soundness and the protection of clients' interests.

[14] This section of the report addresses the Annual Performance Statement reporting obligations under Section 32L(2)(b) of the Central Bank Act 1942 (as amended).

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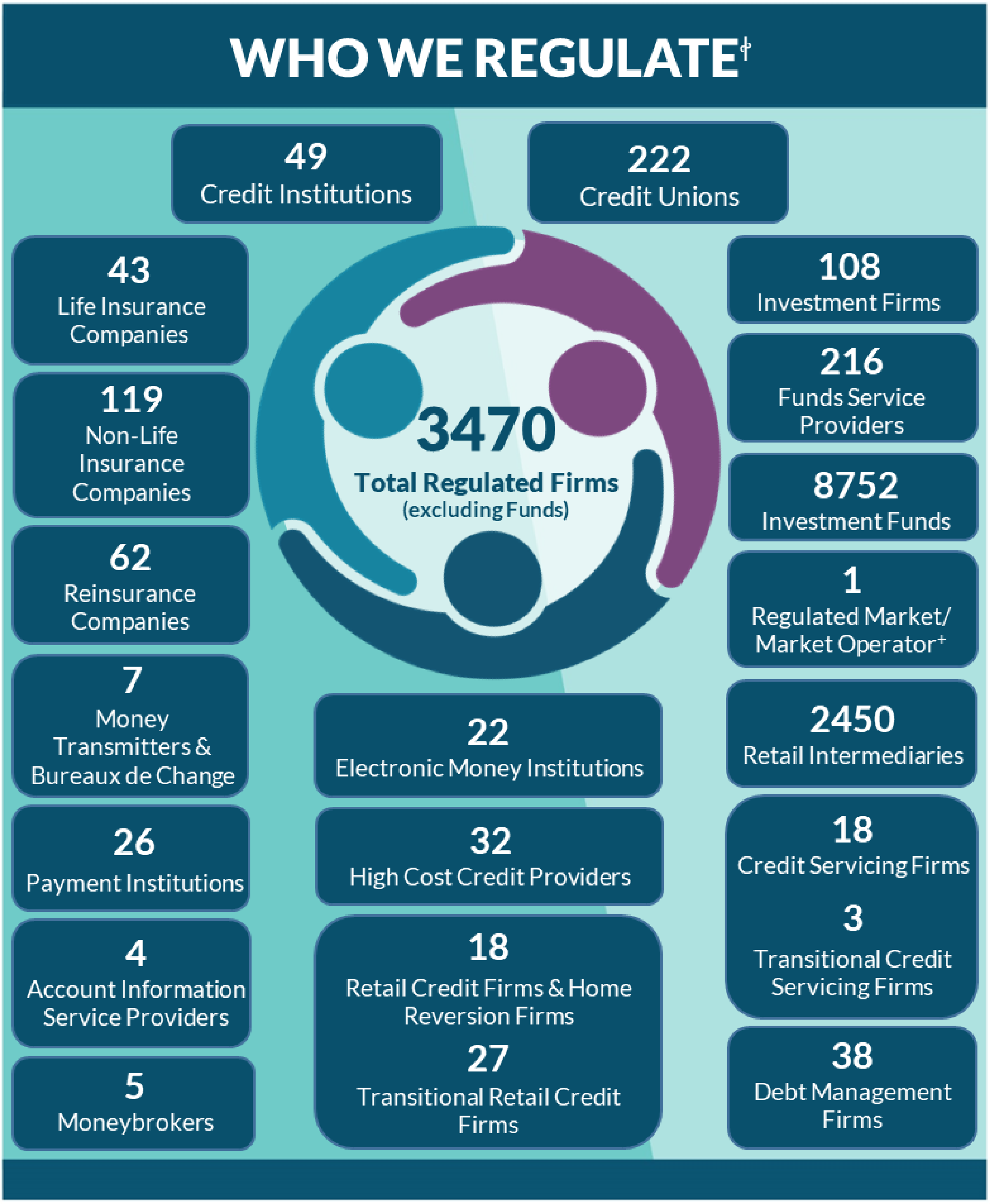

ǂ All figures are as at 31 December 2022 and include, where relevant, branches of European Economic Area and third country regulated entities providing financial services in Ireland.

+ This firm is also regulated as a benchmark administrator under the Benchmarks Regulation.

During 2022, the Central Bank continued to adopt a risk-based approach to its supervisory activities, with risk assessed at both sector and firm level across a number of dimensions, including solvency, liquidity, operational and retail conduct. The Central Bank engaged with firms, or across sectors, commensurate with the risks identified, for example, by undertaking targeted reviews and inspections of compliance with regulatory requirements and taking supervisory and enforcement action where there was evidence of actual or potential consumer harm. The programme of supervisory engagements across sectors also focused on the impact of technology and digitalisation on the sustainability of firms' business models, the robustness of their approach to major business change projects, the management of cyber risk and the ethical use of "big data".

Consumer Protection

The Central Bank proactively engages with firms and industry representative bodies to ensure that its supervisory expectations with regard to the fair treatment of customers are fulfilled and consumers are protected, including in relation to the ongoing cost of living challenges.

In November 2022, the Central Bank issued a Dear CEO letter setting out its expectation that regulated firms will place a high priority on protecting consumers in these challenging economic times. The letter outlined specific expectations in relation to mortgages, insurance, investments and access to cash. The letter built on the actions set out in the Consumer Protection Outlook Report, published in March 2022, and supervisory work specific to the rising cost of living (such as raising industry standards and consumer awareness on the risk of underinsurance and ensuring operational capacity in the system for rising mortgage switching activity).

The Central Bank also continued its work in relation to arrears and pre-arrears, to support consumers in, or facing, financial difficulties. Significant progress was made in the reduction of long-term mortgage arrears, by ensuring that firms have the resources, engagement tools and resolution options in place to deal with historic arrears and to support borrowers facing arrears in the context of rising costs.

Climate Change

The Central Bank is focused on strengthening the resilience of the financial system to climate change risks and its ability to support the transition to a carbon-neutral economy, along with implementing the EU's Sustainable Finance Disclosures Regulation. In its engagements with firms, the Central Bank assessed the extent to which climate and environmental risks are being addressed and identified where there may be a need for further action to adequately manage these risks.

Consolidation of Retail Banking Sector

The consolidation of the retail banking sector was a key supervisory focus and a Central Bank wide strategic priority in 2022. The Central Bank set clear expectations for the sector to ensure that the exit of Ulster Bank and KBC Bank would be executed in an orderly way, prudently managed, and would ensure the protection of consumers, in particular vulnerable consumers. It intervened to ensure that a coordinated approach was taken

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to support customers in the migration of bank accounts necessitated by the bank withdrawals. This included work in relation to the continuity of direct debits, the maintenance of customer service standards, the implications for the Central Credit Register, IBAN discrimination, and the publication of monthly data to ensure visibility of progress. The large-scale account migration, transfer of loans and other assets, and winding down of the businesses of the exiting banks is a complex process and is on track. For the acquiring banks, the Central Bank set specific expectations that they have appropriate financial and operational resources in place to acquire these new accounts and to execute and integrate these major transactions in a safe manner.

Investment Banking Sector

The investment banking sector continues to expand post-Brexit, both in size and complexity, with the majority of that growth coming from cross-border assets held by third country subsidiaries. The Central Bank, in collaboration with the ECB, has been clear on post-Brexit expectations for on-shoring of business to Europe. The Central Bank is in advanced stages of dialogue on the specifics of the Desks Mapping Review - part of the supervisory work aimed at ensuring that third country subsidiaries have adequate governance and risk management capabilities and do not operate as empty shells - with impacted firms and is engaging closely with other relevant authorities.[15]

Credit Union Sector

During 2022, restructuring was carried out to support more financially and operationally sustainable credit unions. Nine transfers of engagement were completed with a pipeline of transfers at various stages of progress at end-2022.[16] This restructuring has reshaped the asset size profile of the sector, with 66 out of 203 active credit unions reporting assets over €100m (representing 69% of sector assets) at end-2022.

Three credit unions with assets greater than €100m received approval for increased house and business lending limits, bringing the total number of credit unions who are permitted to avail of this increased lending limit to eight. By the end of 2022, the number of credit unions approved to provide current account services to members had increased to 77 (from 66 at end-2021). A cumulative total of c.120,000 debit cards had been issued by these credit unions. Furthermore, 112 credit unions were reporting mortgage loan balances at end-2022.

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[15] Further information regarding the Desks Mapping Review is available on the ECB Banking Supervision website.

[16] A transfer of engagements is a voluntary process whereby all assets, liabilities and undertakings of one or more credit unions are transferred to another credit union.

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Payments and E-Money Sectors

Arising from the Central Bank's supervisory experiences in 2022, a further Dear CEO letter was issued to the payments and e-money sectors.[17] This letter reaffirmed the Central Bank's supervisory expectations and highlighted a number of findings arising from supervisory engagements across the key risk areas of: (i) safeguarding; (ii) governance, risk management, conduct and culture; (iii) business model, strategy and financial resilience; (iv) operational resilience and outsourcing; and (v) anti-money laundering and countering the financing of terrorism.

Insurance/Reinsurance Sectors

Engagement on climate change continued in 2022, with a thematic review completed to understand considerations of and exposure to climate change risk, and Guidance for (Re) Insurance Undertakings on Climate Change Risk (Consultation Paper 151) issued in August 2022.

In addition, following publication of the Framework for Recovery Planning and Supporting Guidelines in 2021, a thematic review of insurance/reinsurance recovery plans was undertaken with industry feedback issued directly to firms. This contributes to achieving policyholder protection, as well as maintaining financial stability.

The Central Bank continued to support the Government's Action Plan for Insurance Reform, which sets out a range of initiatives to address consumer and business concerns on the cost and availability of insurance.

There was also a focus on digitalisation, with the conclusion of a study on the ethical use of "big data" and associated technologies in insurance / reinsurance processes, as well as the launch of a digitalisation maturity survey to better understand the extent to which Irish insurance / reinsurance firms are using technological innovations as part of their business models and operations.

Securities and Markets Sector

In securities markets, the Central Bank's supervisory activities continued to assess the compliance of regulated entities with their obligations. The annual securities markets horizon scanning exercise culminated in the publication of the third annual Securities Markets Risk Outlook Report. Aligned with the risks outlined in this report, the Central Bank carried out engagements focusing on risks in the investment funds sector, market abuse monitoring and surveillance, and conflicts of interest.

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[17] This follows the Dear CEO letter issued in December 2021, setting out the Central Bank's supervisory expectations for all payments and e-money firms.

Anti-Money Laundering and Countering the Financing of Terrorism

The Central Bank continued to enhance and evolve its approach to anti-money laundering and countering the financing of terrorism (AML/CFT) supervision during 2022. This was primarily driven by new high-risk entity types, increasing numbers of firms and higher risk profiles, and a transforming international supervisory and policy landscape with ongoing work to devise a new EU AML framework and supervisory approach.

The supervision of firms for AML/CFT purposes continued to focus on ensuring that appropriate and effective control frameworks are in place to minimise risk and to ensure that firms are compliant with their legislative obligations under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010. In this regard, areas covered included transaction monitoring, customer due diligence, risk assessment frameworks and suspicious transaction reporting.

Leveraging Data and Technology

During 2022, as part of a multi-year transformation programme, the Central Bank progressed work to evolve its supervisory approaches, including leveraging analytical and technological capability. The investment in systems to enable more effective interaction with regulated entities continued with the further development of the Central Bank Portal, a secure platform which enables firms to engage with the Central Bank more efficiently and more securely. Significant enhancements to fitness and probity and regulatory reporting services are in development for 2023 and this programme will continue to deliver further enhancements and new services as part of the Central Bank's data strategy.

Authorisation and Gatekeeper Activity

The Central Bank is committed to providing a clear, open and transparent authorisation process through active and constructive engagement with industry and other stakeholders. Key to this is the creation of a regulatory environment in which the potential benefits of innovation for consumers, investors, businesses and society can be realised, while the risks are effectively managed and mitigated.

In 2022, the Central Bank received a high volume of new applications with increased complexity, primarily driven by technological innovation, new mandates and regulatory change impacting all sectors. The payments and e-money sector, for example, has grown substantively over the last number of years and the Central Bank continues to receive a large pipeline of authorisation applications.

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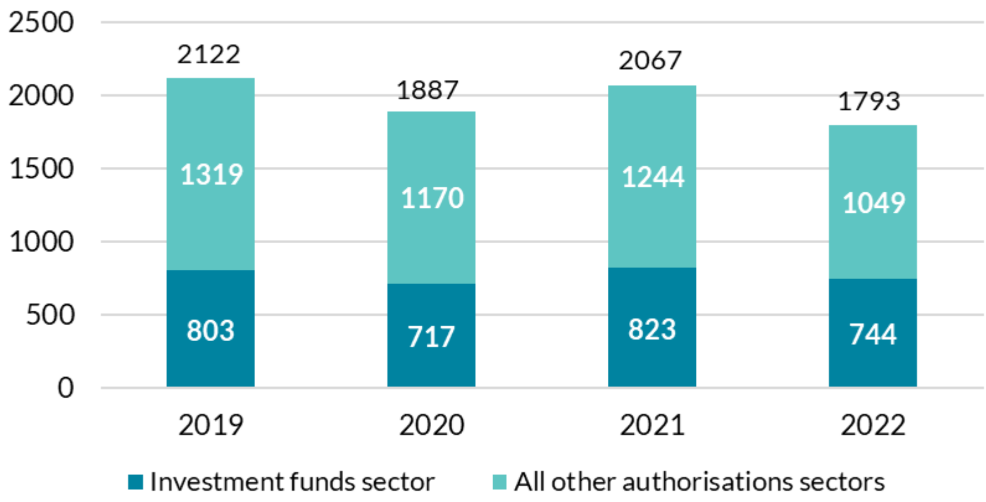
Authorisations

The Central Bank prioritises early engagement with firms, enabling them to engage at the preliminary or speculative phase to gain information and guidance about the authorisation process.

The majority of applications across sectors result in authorisations. Resourcing is also deployed to firms who submit, but later withdraw, applications for commercial reasons. The Central Bank's authorisation standards are in line with international norms.

Chart 2 below provides an indication of regulated firms authorisation activity in recent years.

Chart 2: Authorisations Activity of Regulated Firms 2018-2022



The Central Bank's Innovation Hub facilitates engagement on innovation by providing a direct point of contact for innovators and innovation facilitators. In 2022, the Innovation Hub facilitated 56 engagements with innovators, fintechs, innovation facilitators, regulated entities and thought leaders. The Innovation Hub 2022 Update provides an overview of activity in 2022 and shares data on trends observed over the last five years.

Securities and Markets Sector

The investment fund sector continued to grow in scale and complexity with a significant volume of fund (744) and fund service provider (23) authorisations in 2022. The implementation by the funds sector of the EU's Sustainable Finance Disclosures Regulation (SFDR) and Taxonomy Regulation was also a key priority for the Central Bank in advance of SFDR Level II requirements coming into effect on 1 January 2023.

Ireland is a significant jurisdiction for the approval of prospectuses related to securities offered to the public or admitted to trading on a regulated market. In 2022, 754 new prospectuses were approved. Post authorisation filings amounting to 50,314 were also processed.

In March 2022, to increase the rate of recovery of financial regulation costs as part of its strategy to move towards full industry funding, the Central Bank implemented the revised prospectus fees and prospectus approval service standards set out in the Consultation on Prospectus Fees and Service Standards Feedback Statement.[18]

Virtual Asset Service Providers

In the course of 2022, the Central Bank registered the first virtual asset service provider (VASP) in Ireland, with a further three firms subsequently registered. These firms are supervised by the Central Bank for AML/CFT purposes only.[19] In July 2022, as part of its engagement with applicants and potential applicants, the Central Bank issued an Anti-Money Laundering Bulletin on Virtual Asset Service Providers, which set out issues identified by the Central Bank in its assessment of registration applications and provided information on its expectations in these areas.

Retail Credit Sector

The Consumer Protection Act 2022, passed in May 2022, expanded the Central Bank's mandate to include providers of hire purchase, buy-now-pay-later and consumer hire, as well as introducing new requirements for high cost credit providers (formerly "licensed moneylenders"). The Central Bank moved quickly to operationalise this legislation, including taking steps to raise consumer awareness of these new categories of regulated credit. Work on the implementation of the new EU regime for crowdfunding was also progressed.

Retail Intermediary Sector

2022 saw continuing consolidation across the retail intermediary/broker sector as well as a significant number of new entrants, with 233 applications for authorisation approved in 2022. An interactive webinar-based engagement initiative was also launched to support prospective new entrants to the sector.

Service Standards for Processing Applications and Contact Management

The Regulatory Services Standards Performance Report[20] is published half-yearly and sets out the Central Bank's performance against service standards in respect of:

(i) authorisation of financial service providers and investment funds;

(ii) approval of prospectuses;

[18] Consultation Paper 142, published December 2021.

[19] The Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Act 2021 extended the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 to VASPs.

[20] H1 2022 Regulatory Service Standards Performance Report and H2 2022 Regulatory Service Standards Performance Report.

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(iii) assessment of Pre-Approval Controlled Function (PCF) Individual Questionnaire (IQ) applications; and

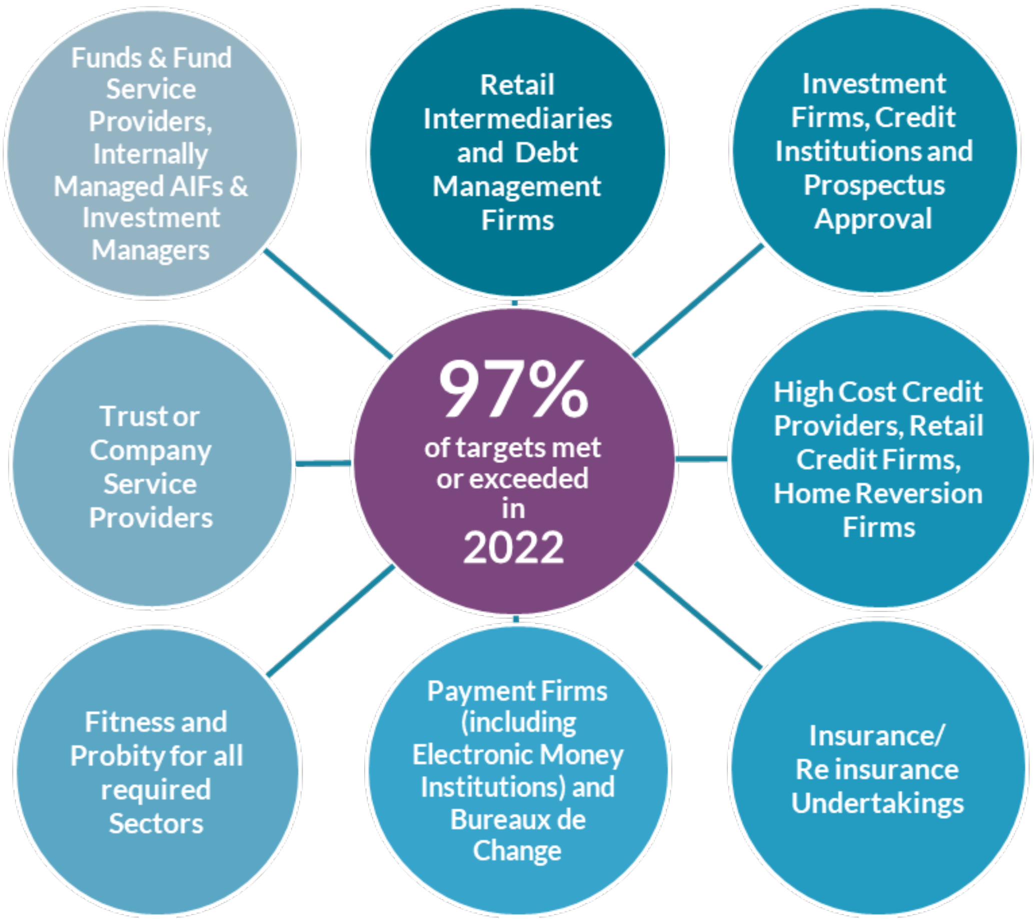
(iv) performance of its third party contact management service.

The Central Bank ensures a rigorous assessment of each application against the applicable regulatory standards. This approach aims to support consistency of decision-making, reduce risk and deliver a measurable and transparent service with consistent turnaround times.

In alignment with the Central Bank's strategy to be Open and Engaged, industry sectors were consulted for their input in advance of publication of the H2 2022 Service Standards report. As a result, enhanced narratives have been included in this report, which will be subject to ongoing review.

A summary of the Central Bank's performance against the service standards is set out in Figure 1 below.

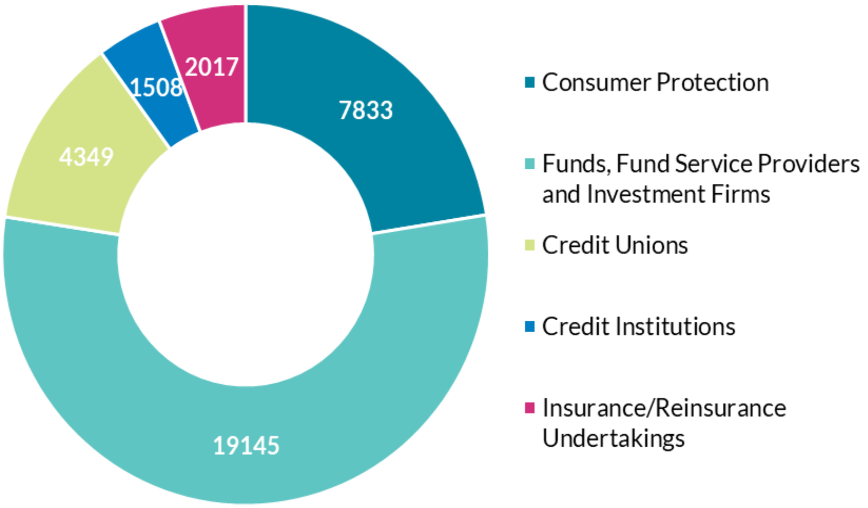
Figure 1: Service Standards Achieved in 2022



Regulatory Services

In order to support the submission of industry returns and submissions, the Central Bank provides dedicated support through both phone and email channels. In 2022, there were 34,852 queries from industry in relation to regulatory returns and submissions. This was a 10% increase on volumes in 2021. Chart 3 provides a breakdown of the queries received by industry sector and channels.

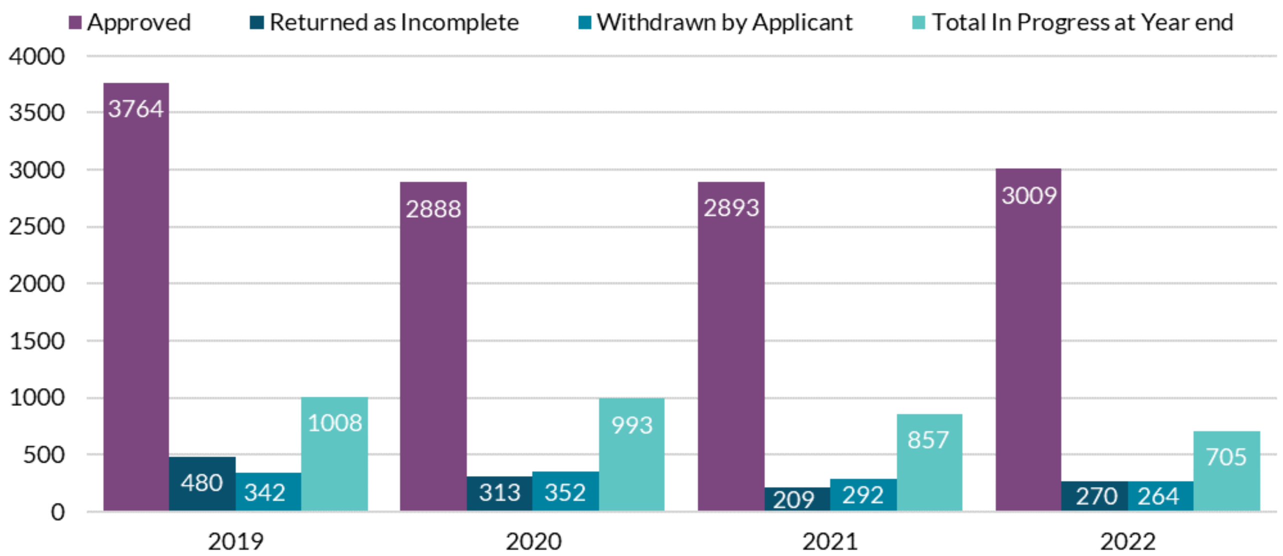
Chart 3: Breakdown of Regulatory Queries



A total of 112,640 regulatory returns were submitted by regulated firms in 2022. This is a significant increase from the 41,799 returns reported as submitted in 2021 and is largely attributable to the expansion of reporting criteria in 2022 to include ad-hoc returns.

Chart 4 provides a breakdown of fitness and probity applications by status. There was a 4% increase in the number of PCF applications where the Central Bank completed its assessment in 2022 compared to 2021 (3,546 compared to 3,394). Of the applications completed in 2022, 85% were approved while 15% were either returned as incomplete or were withdrawn by the applicant (a similar breakdown to 2021 figures). Interviews are required to assess applicants for certain PCF roles, for example, the Chair or CEO in a high impact firm. In 2022, 148 applicants were involved in the fitness and probity interview process.

Chart 4: Fitness and Probity Applications by Status[21]



[21] Excluding PCF applications that were subject to a refusal.

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Enforcement

During 2022, the Central Bank delivered significant and varied enforcement outcomes across its Administrative Sanction Procedure (ASP), Assessor, and Fitness and Probity regimes. These actions reflect the breadth of enforcement tools available to the Central Bank to address the range of regulatory breaches committed by both regulated firms and individuals. The total of more than €213.7m in fines imposed in 2022 is the highest amount imposed in a single year to date. Details of outcomes and cases at inquiry are available on the Central Bank's website.

Enforcement Key 2022 Statistics	**Over €213** m in Fines*
9 ASP and Securities Markets Outcomes	**1** Individual Sanction imposed under ASP and Assessor Regime
112 Warning Notices Published	**3** Refusal of individuals pre-approval on F&P grounds
2 Prohibition Notices	

* All fines collected by the Central Bank are paid to the Exchequer

Administrative Sanctions Procedure and Assessor Regime

The actions concluded by the Central Bank in 2022 are reflective of the cross-sectoral reach of its enforcement powers. Investigations were concluded in respect of various key areas of focus including consumer protection (Allied Irish Banks PLC, EBS DAC and The Governor and Company of the Bank of Ireland), regulatory requirements pertaining to the funds sector (BNY Mellon Fund Services (Ireland) DAC and Mercer Global Investments Management Limited), anti-money laundering requirements (Danske Bank A/S) and corporate governance requirements (AXA Life Europe DAC).

The Central Bank is committed to protecting the integrity of the market and combatting abusive practices. In 2022, it issued its first Assessment decision pursuant to market abuse legislation, imposing both a monetary penalty and professional disqualification on Mr. Philip Lynch, which was confirmed by the High Court.

Fitness and Probity

Two fitness and probity prohibition notices were issued to individuals. In addition, three individuals were refused approval as pre-approval controlled function role holders.

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Inquiries/Assessor Regime Assessments

The final evidential hearings from the Irish Nationwide Building Society (INBS) inquiry are complete. Findings in respect of the sole remaining person formerly concerned in the management of INBS are awaited.

An inquiry concerning a person formerly concerned in the management of Permanent TSB plc is ongoing, with three private inquiry management meetings held in 2022.

During 2022, an additional inquiry commenced concerning a person formerly concerned in the management of a regulated firm.

Unauthorised Firms

The Central Bank published 112 warning notices in respect of unauthorised firms in 2022. This is a 24% year-on-year increase. The Central Bank also continued to engage closely with criminal enforcement agencies, including An Garda Síochána, in respect of unauthorised activity.

While consumers can be targeted by various methods, for example, using social media and fake websites, the cloning of legitimate firms has continued to be the most prolific scam used. The Central Bank encourages consumers to take precautions such as the SAFE (Stop, Assess, Fact-check, Expose and Report) test, before engaging with financial services firms.

Protected Disclosures

The Central Bank received 245 protected disclosures during 2022, up from 231 in 2021. The presence of a protected disclosures regime plays a key role in the promotion of high standards within regulated firms and it aids in positively influencing behaviours. The Central Bank encourages individuals to report concerns or information relating to suspected regulatory wrongdoing in financial services. In 2022, protected disclosures led to enhanced supervision, risk mitigation programmes, inspections, warning notices and enforcement activities. The Protected Disclosures (Amendment) Act 2022 commenced on 1 January 2023 and firms are now required to comply with its provisions. The Department of Public Expenditure, NDP Delivery and Reform has developed a document containing details of the key changes of which firms should be aware.[22]

Financial Sanctions

The Central Bank of Ireland is the competent authority in Ireland for the administration of targeted financial sanctions. The Central Bank in its role has supported the administration of EU sanctions arising from the Russian war in Ukraine, which has fundamentally changed the scale of the Central

[22] Further information from the Department of Public Expenditure and Reform regarding the legislation can be found at www.gov.ie/protected-disclosures

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Bank's work as competent authority for the administration of financial sanctions.

The sanctions imposed include limited and specific derogations that allow individuals/entities to conduct certain activities that would otherwise be prohibited under the sanctions. During 2022, the Central Bank received 94 derogation applications and completed the assessment of 68 of these, with 41 authorised. Additionally, the Central Bank has supported individuals / entities in the implementation of the EU's sanctions through responding to 571 requests for guidance. Throughout 2022, the Central Bank liaised with other relevant authorities, in particular the European Commission, in the area of sanctions to ensure that Ireland effectively implements the EU's sanctions and consequently supports the purpose of the sanctions.

As a result of an unprecedented expansion of EU restrictive measures arising from the Russian war in Ukraine, the Central Bank published several updates on its website during 2022. This included:

- the creation and publication of a new dedicated Russia/Ukraine webpage, which was updated each time a new EU sanctions package was adopted;
- the creation of a new Sanctions Derogation webpage including a new Sanctions Derogation Application Form; and
- the publication of new guidance and reporting forms.

Additionally, in June 2022, the Central Bank issued a Letter to business and professional representative bodies providing them with information on financial sanctions to disseminate to their members. Finally, an infographic explaining the Russia/Ukraine sanctions, as well as updated FAQs, was created and published.

Policy and Legislative Pipeline

The Central Bank has continued to be an influential leader and contributor to a range of important policy and legislative initiatives, both domestically and at a European and international level, including progressing EU supervisory convergence and the establishment of a single supervisory authority (the Anti-Money Laundering Authority).

Individual Accountability Framework

In 2022, the Central Bank continued to support the Department of Finance in developing an enhanced framework for individual accountability in financial services. The Individual Accountability Framework is intended to drive effective governance across the financial sector, by setting out the good practices expected of well-run firms and responsible role-holders. Following enactment of the Central Bank (Individual Accountability Framework) Bill 2022, the Central Bank has launched a three month

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consultation on key aspects of the implementation of the Framework, including the publication of draft regulations and guidance. The draft regulations and guidance seek to provide clarity in terms of the Central Bank's expectations for the implementation of three aspects of the framework: the Senior Executive Accountability Regime (SEAR), the Conduct Standards and certain aspects of the enhancements to the Fitness and Probity regime.

Retail Banking Review

The Central Bank engaged with the Department of Finance to complete the Retail Banking Review, which was published in November 2022. Work is underway to address the implementation of several recommendations for the Central Bank arising from the review. These recommendations cover important areas including access to cash, consumer protection and competition, mortgages, SME credit, climate and credit unions.

Review of the Consumer Protection Code

In 2022, the Central Bank launched a review of the Consumer Protection Code (the Code) which is the cornerstone of consumer protection in financial services. The review is being undertaken to ensure that the Code remains fit for purpose as consumer needs change and new technology-driven products and services are brought to market. The objective is to ensure that consumers remain well-protected.

The review was initiated with the publication of a discussion paper, in October 2022, which aims to engage all stakeholders in an open dialogue on the key topical and emerging issues relating to consumer protection. The discussion paper examines: the role of consumer protection in supporting a well-functioning financial system; the importance of high quality regulation; transparency; appropriate levels of competition supported by innovation; the flow of new entrants; and, ease of switching between products and providers. Following a comprehensive six-month engagement programme, feedback will be published in mid-2023, followed by a Consultation Paper on specific proposals to amend the Consumer Protection Code.

Strengthening the Supervisory Framework

In 2022, enhancements continued to be made to the Probability Risk and Impact System (PRISM), the Central Bank's risk-based framework for the supervision of regulated firms. Work in this area included a review of supervisory minimum engagement and further development of engagement models with the funds sector.

Credit Union Policy Framework Review

In 2022, the Central Bank engaged with the Department of Finance on the Credit Union Policy Framework Review, including the Credit Union

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(Amendment) Bill, 2022 (the Bill) published in November 2022.[23] In addition, a Consultation on Credit Union Exempt Services (Consultation Paper 148) was issued, the responses to which are currently being considered. A feedback statement with amending regulations will be published during 2023.

Ireland Safe Deposit Box, Bank and Payment Accounts Register (ISBAR)

Article 32A of the Fifth Anti-Money Laundering Directive was transposed into Irish Law in February 2022.The regulations provide for the establishment and operation of a centralised Register of Bank and Payment Accounts and Safe Deposit Boxes held by credit institutions in Ireland. The Central Bank will establish and operate Ireland's Safe Deposit Box, Bank and Payment Accounts Register (ISBAR) in 2023.

Central Bank Investment Firms Regulations

In July 2022 the revised Central Bank Investment Firms Regulations were published in final form and subsequently signed and published as a Statutory Instrument (S.I. No. 10 of 2023) in January 2023. Revisions to Client Asset Requirements, contained in Part 6 of the revised Regulations, include new rules, strengthening existing requirements and creating a level playing field between Irish entities (investment firms and credit institutions) that hold client assets in the context of undertaking Markets in Financial Instruments Directive (MiFID) investment business. These requirements will be applicable to investment firms from 1 July 2023 and credit institutions from 1 January 2024.

EU and International Strategic Engagement

Throughout 2022, the Central Bank continued its influential role within European authorities, including senior-level engagement and participation in the ECB Governing Council, the Supervisory Board of the Single Supervisory Mechanism (SSM), the General Board of the European Systemic Risk Board (ESRB), and the Boards of Supervisors of the three European Supervisory Authorities (ESAs). The Central Bank has a leadership role in a number of areas, including as Chair of the Joint ESA Sub-Committee on Digital Operational Resilience and as Chair of the ESMA Investment Management Standing Committee. The Central Bank hosted and attended a number of Supervisory Colleges throughout 2022.[24]

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[23] As at 27 April 2023, this Bill was at committee stage in Dáil Éireann.

[24] The three European Supervisory Authorities - European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA) - published Joint Guidelines, in December 2019, on cooperation, information exchange and establishing colleges of AML/CFT supervisors, for the first time in the EU, with the objective to ensure effective cooperation and information exchange between competent authorities and to strengthen the EU's AML/CFT efforts.

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The Registrar of Credit Unions is the current Chair of the International Credit Union Regulators Network (ICURN). The 2022 Annual ICURN Conference, which took place in Montreal in July, provided an opportunity for engagement with peer credit union regulators.

The Central Bank contributed to key aspects of EU regulatory development including the Capital Requirements Directive and Regulation, Solvency II, Alternative Investment Fund Managers Directive, Markets in Financial Instruments Directive, the Markets in Crypto Assets Regulation and the Digital Operational Resilience Act.

At a global level, the Central Bank was active at international fora including the International Organisation of Securities Commissions (IOSCO), International Association of Insurance Supervisors (IAIS) and as a member of the Governing Council of the International Financial Consumer Protection Organisation. Of particular note:

- The Deputy Governor (Consumer and Investor Protection) was re-elected to the IOSCO Board as Vice Chair of the European Regional Committee.
- The Central Bank continued to be an active member of the Executive Committee of the IAIS.
- The Central Bank contributed to the assessment of the effectiveness of the Financial Stability Board's 2017 recommendations on liquidity mismatch in open-ended funds, which was published in December 2022. The Deputy Governor (Financial Regulation) was co-Chair of the joint FSB/IOSCO group that led this work.

The Central Bank also continued its engagement with the International Monetary Fund, including through the 2022 Financial Sector Assessment Program and participation in the Article IV process (a regular process where the IMF conducts surveillance over the economic, financial and exchange rate policies of its members).

Stakeholder Engagement

Alongside our direct supervisory interactions with firms, a programme of extensive engagement with industry representative bodies, other stakeholders and at relevant European and international fora continued throughout 2022. This provided an opportunity to engage with our stakeholders, to listen, understand and learn from the perspectives of others, to outline forthcoming regulatory developments and supervisory plans, and to discuss emerging risks and issues that have come to light as a result of our work. Highlights included:

- The establishment of the Financial Industry Forum, which enables formal and constructive two way dialogue with senior financial

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industry representatives on strategically important cross-sectoral issues. This Forum met twice in 2022, in May and October, with further meetings planned for 2023.

- The Central Bank's inaugural Financial System Conference, which took place in November 2022. The conference was attended by 35 speakers, who addressed 580 attendees over two days. The event brought together diverse perspectives from various stakeholders, including industry leaders, consumer representatives, and international policymakers to discuss and debate the forces shaping the financial system.
- A seminar on Sustainable Finance for the asset management industry, which was hosted by the Central Bank in November 2022. This seminar brought together industry and regulatory representatives to discuss disclosure and data availability topics and was followed by the publication of an information note on sustainable finance.
- Cross-agency collaboration with An Garda Síochána and other regulatory authorities, including participation in the National Economic Crime and Corruption Forum and its Advisory Council, contributing to proposed strategic and policy responses to combat economic crime and corruption.
- The Central Bank actively sought consumer and stakeholder feedback on its Consumer Protection Risk Outlook. The insights from over 300 consumer contacts, ongoing analysis of social media activity by regulated firms, and over 160,000 consumer complaints to regulated firms in 2022, were used to inform the Central Bank's approach to consumer protection.
- The Central Bank continued to engage with other bodies responsible for financial services consumer protection in Ireland, including the Financial Services and Pensions Ombudsman and the Competition and Consumer Protection Commission, to deliver the shared purpose of strong protections and trustworthy outcomes for consumers and investors.

Consumer Advisory Group

The Consumer Advisory Group (CAG) is a statutory advisory panel, established under the Central Bank Reform Act 2010, which provides advice to the Central Bank on the performance of its functions and the exercise of its powers in relation to consumers of financial services. The CAG met five times in 2022 and its input was sought on a number of significant strategic issues, including:

- the Consumer Protection Code review

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- current and deposit account migration arising from the withdrawal of Ulster Bank and KBC Bank from the market
- the Mortgage Measures Framework review
- cash strategy
- the ramifications of inflation and cost of living crises

Funding and Staffing of Financial Regulation

Funding of Financial Regulation

The Central Bank's funding strategy continues to evolve, on a phased basis, towards fully recovering the cost of financial regulation from industry.

Each year, the Central Bank makes regulations requiring regulated firms to pay a funding levy to the Central Bank in respect of its financial regulation activities. These regulations, which set out the basis on which levies are applied to individual regulated entities within each industry funding category, take effect on approval by the Minister for Finance.

The annual funding requirement reflects the cost of financial regulation, the recovery rates approved by the Minister for Finance and adjustments for items including balances or deferred income from prior years.

The Central Bank continuously reviews the levy process to ensure it remains appropriate and as efficient as possible, as the financial services industry evolves. There is continued engagement with industry representative bodies on funding-related developments and consultation will be undertaken in the event of material changes being proposed. In this regard, the Central Bank plans to publish a consultation in 2023 to elicit views on future recovery rates for credit unions.

Staffing in Financial Regulation

At end-December 2022, there was the equivalent of 981.4 full-time staff involved in regulatory activities, up from 977.4 in December 2021. The increase was principally attributable to the stabilisation of resourcing levels through targeted campaigns. These campaigns followed a period of elevated voluntary turnover in some specialist areas due to the growth of the financial system in Ireland and consequent competition for specialist staff in recent years.

At end-2022, average staff turnover for Financial Regulation was 8.9%, versus 6.1% at end-2021.

Chart 5 below shows the levels of staff working in Financial Regulation over the last four years.

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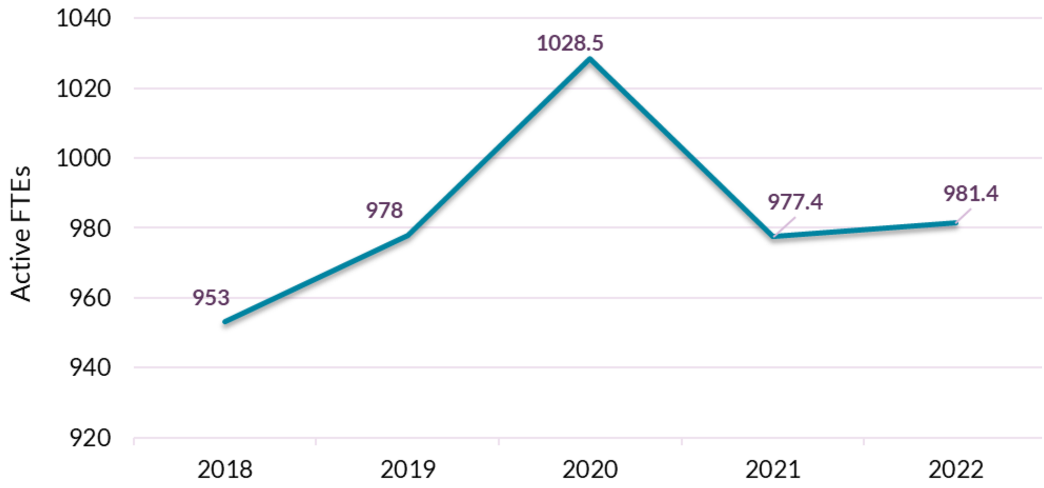
Chart 5: Headcount in Financial Regulation 2019-2022



International Peer Reviews[25]

Section 32M of the Central Bank Act 1942 (as amended) provides that the performance of the Central Bank's regulatory functions be reviewed at least every four years by another national central bank or another person or body certified by the Governor of the Central Bank after consultation with the Minister for Finance. A number of peer reviews of the Central Bank's regulatory functions were completed in 2022.

IMF Financial Sector Assessment Programme

The IMF Financial Sector Assessment Program (FSAP) is a comprehensive and in-depth assessment of a country's financial sector. FSAPs analyse the resilience of the financial sector, the quality of the regulatory and supervisory framework, and the capacity to manage and resolve financial crises. Based on the findings, FSAPs produce recommendations of a micro- and macroprudential nature, tailored to country-specific circumstances. As Ireland is deemed to be a jurisdiction with a systemically important financial sector, it is subject to a mandatory FSAP every 5 years. The most recent assessment commenced in May 2021 and culminated with the publication of the Financial System Stability Assessment in July 2022. The assessment made 19 recommendations and found that overall Ireland has considerably strengthened financial sector supervision and regulation since the 2016 FSAP and that the macroprudential framework is sound. The work-streams under the 2021/22 FSAP covered, inter alia, the following functions of the Central Bank: banking, insurance, securities and markets regulation and supervision (including stress testing); macroprudential policy; financial safety net and crisis management; and AML/CFT.

[25] This section of the report addresses the Annual Performance Statement reporting obligations under Section 32L(2)(c) of the Central Bank Act 1942 (as amended).

European Banking Authority (EBA) Peer Reviews[26]

Three peer reviews led by the EBA were completed in 2022:

Supervision of Non-Performing Exposures Management

The importance of credit institutions' ability to manage non-performing exposures on their balance sheets and the supervisory frameworks and practices in this area came to the fore in the wake of the financial crisis of 2008-2009 and the European debt crisis. Both of these crises negatively affected the European banking sector and contributed to a build-up of non-performing exposures on many credit institutions' balance sheets. With concerns of the impact of the COVID-19 pandemic on the quality of credit institutions' credit portfolios and longer-term implications for the level of non-performing exposures in the EU financial sector, the EBA launched a peer review in 2021. The review focused on the assessment of competent authorities' supervisory approaches regarding the management of non-performing exposures by the institutions, including incorporation of consumer protection objectives. The report was published on 17 May 2022.

Information and communication technology risk assessment under the Supervisory Review and Evaluation Process

This peer review focused on the assessment of the competent authorities' supervisory approach regarding the EBA Guidelines on Information and Communication Technology Risk Assessment under the Supervisory Review and Evaluation Process, taking into account the outcomes of the EBA supervisory convergence report 2020 and the 2022 European Supervisory Examination Programme for prudential supervisors. In addition, the peer review assessed competent authorities' approaches to the supervision of credit institutions by focusing on three key areas. These were chosen based on (a) the outcomes of the EBA supervisory convergence report 2020 and the 2022 European Supervisory Examination Programme for prudential supervisors, (b) the ongoing discussions across the relevant EBA sub-structures, and (c) the upcoming areas of focus of DORA.[27] The report was published on 17 October 2022.

Authorisation under Payment Services Directive (PSD2)

The revised Payment Services Directive (PSD2) has been applicable since 13 January 2018 and sets out the requirements that applicants must meet in order to be authorised as payment institutions and electronic money institutions. This report focused on the assessment of competent authorities' supervisory practices in the authorisation of these institutions

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[26] Reports relating to EBA peer reviews are available on the EBA website at https://www.eba.europa.eu/supervisory-convergence/peer-reviews

[27] Proposal for a regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014.

under the PSD2, taking into account the EBA Guidelines on authorisation issued in 2017 in support of the Directive. The report was published on 11 January 2023.

European Securities and Markets Authority (ESMA) Peer Reviews[28]

Three peer reviews conducted by ESMA were completed in 2022:

National Competent Authorities' supervision of cross border activities of investment firms

This peer review focused on supervision of cross-border activities of investment firms and credit institutions targeting retail clients, under the Freedom to Provide Services framework. As part of the assessment, the review covered the independence of the national competent authorities (NCAs), their capacity to achieve high quality supervisory outcomes, including the adequacy of resources and governance and the effective application of MiFID II, the capacity of the NCA to respond to market developments, the degree of convergence in the application of law and supervisory practices, and the extent to which the practices achieve MiFID II objectives. The report was published on 10 March 2022.

Scrutiny and approval procedures of prospectuses by competent authorities

This peer review assessed a number of factors, including but not limited to: the scrutiny of prospectuses; the approval process, including the notification of approvals; the adequacy of NCA resources to carry out scrutiny and approval of prospectuses; and the independence and the liability regime of the NCA in relation to the supervision of prospectuses. The impact of different approaches by competent authorities on issuers' ability to raise capital in the Union and the corresponding impact on investor protection was considered as part of the assessment in each area. The report was published on 21 July 2022.

NCA's handling of relocation to the EU in the context of the UK's withdrawal from the EU

The relocation of entities and activities into the EU following the UK's decision to withdraw from the EU required a common effort to ensure a consistent supervisory approach at EU level to safeguard investor protection, the orderly functioning of financial markets and financial stability. This peer review assessed the extent to which NCAs meet supervisory expectations set on the basis of relevant legal requirements and the ESMA Opinions, including the supervision of the implementation of authorisation and follow-up supervisory checks in this respect. The peer review focused on the authorisation and related supervisory aspects of three distinct types of sectors: (i) firms providing investment services and

[28] Reports relating to ESMA peer reviews are available on the ESMA website at https://www.esma.europa.eu/publications-and-data/peer-reviews.

activities; (ii) trading venues; and (iii) fund managers. The report was published on 8 December 2022.

European Insurance and Occupational Pensions Authority (EIOPA) Peer Reviews[29]

One peer review and one follow up on a peer review were completed by the EIOPA in 2022:

Peer Review on Outsourcing

This peer review assessed the overall maturity of the framework implemented by national supervisory authorities to supervise the outsourced activities of insurance and reinsurance undertakings. The objective of the peer review was to identify gaps, areas of improvements and best practices to promote consistent and effective supervision in this regard. The report was published on 19 July 2022.

Follow up on peer review of propriety of Administrative, Management and Supervisory Body Members and Qualifying Shareholders

This follow up report relates to the peer review on propriety of administrative, management and supervisory body members and qualifying shareholders performed in 2019. It assesses whether the recommended actions have been addressed and what activities have been undertaken by individual NCAs to fulfil the recommended action(s) issued to them. In addition, it addresses the monitoring of how the best practices, as identified in that past peer review, have been taken into consideration, implemented or further developed by the NCAs. The report was published on 12 October 2022.

[29] Reports relating to EIOPA peer reviews are available on the EIOPA website at https://www.eiopa.europa.eu/publications_en?f%5B0%5D=oe_publication_title%3Apeer%20reviews

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Chapter 3:
Supporting
Our Organisation

Chapter 3: Supporting Our Organisation

People Strategy

The Central Bank's new People Strategy 2022-2026 sets out the people priorities over the next period and centres around four pillars:

1) Fostering a One Bank Culture
2) Enabling Change
3) Building Future Capability
4) Delivering a Future@Work Employee Experience

People activities throughout 2022 focused on supporting our organisational strategy and transformation agenda, and on creating a fulfilling and progressive workplace for our people.

There was a continued emphasis on building talent and capability, with over 430 roles filled throughout the year (21% more than in 2021). A review of the Talent Acquisition process was undertaken with an aim of enhancing the candidate experience and supporting our Diversity & Inclusion objectives.

A wide range of future-focused learning and development opportunities were provided, including a new leadership masterclass series, mentoring, coaching, professional skills training, further education and the bespoke Professional Certificate and Diploma in Central Banking and Financial Regulation.

The Central Bank's culture and values continued to guide its ways of working and decision-making. These cultural artefacts were brought to life further through a review of the Central Bank's people policies, learning programmes, communications and engagement events including the Values Week.

Reflecting the Central Bank's commitment to caring for its people, a new cross-organisational Wellbeing Working Group was established in 2022. Over 40 wellbeing events were held with the support of employee working groups including the Mental Health Champions. The Central Bank also engaged a new Occupational Health Service and Employee Assistance Programme. The Central Bank was delighted to retain the IBEC KeepWell accreditation in 2022.

Diversity & Inclusion

The Central Bank continued to strengthen its focus and ambitions for Diversity & Inclusion (D&I) by publishing Our Diversity & Inclusion Strategy 2022-2026, reiterating the importance of D&I to who we are, what we do and how we do it. Work continues to develop awareness and understanding of D&I through bespoke e-learning training (with over 70% of colleagues completing this in 2022) and complementary classroom learning. The Central Bank also continued to support its Employee Networks in their D&I activities.

Continuing the Central Bank's focus on being open and transparent, progress on gender pay was shared with the publication of the Central Bank's fifth annual Gender Pay Gap report.

During 2022, the Central Bank bolstered its public commitment to D&I by joining many of our European peers in signing the ESCB & SSM Equality, Diversity and Inclusion Charter confirming our collective commitment to fostering equality, diversity and inclusion within the ESCB and SSM.

Externally, the Central Bank was proud to be a finalist in two national awards[30] for D&I activity, as well as continuing the Central Bank's commitment to the Business in the Community Ireland Inclusive Workplace Pledge.

Future @ Work

During 2022, as part of the aim to ensure a flexible, collaborative and integrated working environment for our people, the Central Bank successfully transitioned from majority working from home to a hybrid working model. In July, the 'Test and Learn' phase of a new Future@Work model was launched with the introduction of new and improved technologies to enable an enhanced hybrid working experience. Significant people supports were also provided, including toolkits, training, workshops, team charters and feedback surveys.

[30] National Diversity & Inclusion Awards and CIPD Ireland HR Awards

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Premises and Facilities

North Wall Quay Campus Development

During 2022, the Central Bank completed the development of its integrated campus at North Wall Quay with the fit out of the Mayor Street building, adjacent to its other existing accommodation. Initial occupation of Mayor Street commenced on schedule in July. The consolidation of all staff into the new North Wall Quay campus was achieved with no interruption to the Central Bank's business.

Marketing of the floors not required by the Central Bank in the Mayor Street building has commenced. As part of the accommodation strategy, the Spencer Dock building was placed on the market for sale. The sale of Block R2 was completed with Block R1 remaining on the market.

Official opening of Mayor Street building and new Dockland Campus by Governor Gabriel Makhlouf (centre), accompanied by former Director of Currency, Workplace and Regulatory Services, Paul Molumby (left), and former Chief Operations Officer, Gerry Quinn (right).

Workplace Services

The Central Bank ensured its buildings and facilities remained fully operational and provided a safe and good working environment for staff, in line with government guidelines and our 'people first' approach. Following the lifting of COVID-19 restrictions, a safe return to the workplace was successfully managed in early 2022. The continued evolution of hybrid working will require greater agility in the workplace services space to implement increasingly flexible solutions and services.

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In line with its sustainability agenda, the Central Bank continued to manage and reduce the energy consumption across the Docklands Campus and the Currency Centre in Sandyford through a range of proactive measures.

Sustainability

In June, the Central Bank established a Sustainability Task Force to lead and coordinate the delivery of its strategic objective to "deliver on our commitment to act as a sustainable organisation" and develop its strategic approach to sustainability. This includes developing the Central Bank Climate Action Roadmap to meet these commitments under the Public Sector Climate Action Mandate as part of the Government's Climate Action Plan.

Environment, Health and Safety

The Central Bank operates to a certified integrated environmental, safety and energy management system across all locations. A range of related indicators are measured and available on the Central Bank's website in the Environmental, Health and Safety Annual Performance Report.

Social and Sustainable Activities

The Central Bank is committed to being a socially responsible and sustainable organisation.

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In 2022, a Social & Sustainable Oversight Group was established to build on existing initiatives and to oversee the strategic direction of social responsibility and sustainability activities in the Central Bank, including the activities of internal task forces and working groups on Sustainability, D&I and Wellness.

This group also oversees the Social Responsibility Working Group and the Charity Committee, both of which receive funds to achieve their respective aims and support key activities summarised below.

Social Responsibility Working Group

In 2022, the focus of social responsibility efforts centred on embedding deeper relationships in the Docklands community under the key themes of employment and employability.

A community partner model was established to ensure impactful engagement with non-profit community groups based in the Docklands area. Four community partners were identified:

- North Wall Community Development Group
- SWAN Youth
- Belvedere Youth
- Five Lamps Arts

Key activities and events highlights in 2022 included:

- Volunteering with Junior Achievement Ireland and Early Learning Initiative programmes, which support school children to reach their potential.
- Hosting four North East Inner City transition year placements in November 2022.
- Holding a Docklands Community day, in November 2022, with local community groups invited to share their work and experiences.
- Hosting two art exhibitions by local artists in support of Five Lamps Arts.
- Hosting the Career LEAP graduation, in November 2022, in support of the Career LEAP work readiness programme.

Charity Committee Activity 2022

The Charity Committee oversees the allocation of the Central Bank's benevolent fund to support charitable causes, to partner and promote volunteering with selected charities chosen by the Central Bank, to support charitable endeavours undertaken by staff and to organise fundraising events.

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A core element of the Central Bank's support for communities is its partnership with five charities every two years. Reflecting the views of Central Bank colleagues, the Committee confirmed the following Partner Charities for 2022/23:

- The Children's Health Foundation
- The Down Syndrome Centre
- CROSS Cancer Research
- Women's Aid
- Outhouse

BUSINESS WORKING RESPONSIBLY
Collective Mark

In addition, the Committee, on behalf of the Central Bank, has supported over 60 charitable causes (both locally and nationally) through contributing to fundraising events organised by Central Bank colleagues.

There was a dedicated effort in 2022 aimed at alleviating the suffering caused by the Ukrainian humanitarian crisis through the provision of financial support, as well as volunteering, with the Irish Red Cross.

Further details of the Central Bank's work on social responsibility and charity activities are available on the Central Bank's website.

Data Strategy

The Central Bank's data strategy aims to increase the data competency of the organisation, ensuring that all components of the data life cycle are addressed. This includes creating and collecting data, ensuring quality operations around the maintenance and processing of data, while driving analysis and deriving key insights, to enable timely and informed decision-making.

The data strategy is designed in a way that is future-focused and scalable, ensuring that the competencies it offers address the needs of the entire organisation. To confirm the approach, implementation of a new way of working will be piloted through early-mid 2023, with broader roll-out set to take place later in the year.

Rollout of the Central Bank Portal – a secure communications platform for industry facing services – continued, with over 7000 firms registered at the end of 2022. Services rolled out during the year included single-sign-on and master data updates from industry. Other services planned for 2023 include significant updates to Fitness and Probity Individual Questionnaire Submission and Returns Submission services.

Technology

Technology is critical to the Central Bank's operations, enabling it to be an agile, resilient, diverse and intelligence-led organisation.

In 2022, there were a number of key technology achievements:

- The Central Bank formulated its cloud adoption strategy, which sets out clear plans for what is the best use of cloud technologies and how best to implement these across the organisation. Cloud adoption is critical for strategic enablement and acceleration in the Central Bank's transformation priorities. The first Enablement Phase of this cloud adoption programme will begin in 2023 and will focus on the people, process and technology change required to deliver on the Central Bank's cloud roadmap.
- Ongoing investment in technology to support the requirement for increased digitisation underpinning the Central Bank's strategic ambitions.
- Continued focus and investment in the Central Bank's cyber security capabilities and tooling to address the growing threat landscape.
- Continued delivery of planned objectives against a significant portfolio of change across our technology estate. In addition to enhancing the organisational capability, this portfolio was driven by the demands arising from the growing mandate of the organisation and changing regulatory needs.

Communications

With our stakeholders

Given the major changes in its operating context, the Central Bank has worked hard to remain well-connected with its stakeholders. Our aim has been to clearly explain what we are doing and to inform our stakeholders about issues that matter to them. To inform its policy actions, the Central Bank also invested more time in listening to members of the public, business representatives, community groups, as well as regulated financial services firms across the country to better understand their perspectives.

During the past year, the Central Bank communicated and engaged widely through a variety of channels on a range of priority themes. A selection of notable activities in the period include:

- The launch of the Consumer Protection Code Review discussion paper, leveraging opportunities across a range of channels including digital and social.
- The launch of the revised Mortgage Measures Framework including extensive engagement with stakeholders.

- A range of outreach events across the country saw the Governor meet with local representatives of the real economy, local networks plus school and college students.
- Increased volumes of media queries and instances of direct public engagement.
- Timely responses to a substantial number of Oireachtas queries and parliamentary questions.

ECB President Christine Lagarde with Central Bank Commission members in October 2022.

With our people

Throughout 2022, the Central Bank continued to deliver regular and clear communications with the aim of keeping our people up to date on relevant matters. Our communications and engagement activities focused on three key objectives: firstly, maintaining clear and effective communication to our people and connecting with them as they performed their work during the ongoing pandemic; secondly aligning and informing our people about the Central Bank's strategic direction; and thirdly supporting the Central Bank's transition to a new hybrid way of working from mid-year.

While working to deliver on these objectives, and with the aim of creating an opportunity to connect our people virtually, in April 2022, the Central Bank held its first ever virtual 'all staff' conference. Over 1,750 staff attended with lively and engaging discussions around the Central Bank's work, strategy and the future. The engagement of our own people was the overriding focus and colleagues from across the organisation shared their

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experiences of working through the pandemic and delivering on the Central Bank's mandate.

During the course of 2022, the Central Bank continued to deliver a wide range of communications across its various leadership and communications channels including dedicated meetings for management, monthly staff briefings, Lunch and Learn sessions and Topical Talks, featuring both internal and external speakers.

Complaints Handling

The Central Bank is committed to providing a professional, efficient, and courteous service to all customers and members of the public who have dealings with it. The Customer Charter provides that, where a customer is unhappy with a service received and if an issue cannot be resolved to the customer's satisfaction with the relevant staff member or section dealt with, a formal complaint can be made. The Central Bank has a defined procedure for doing so.

In 2022 there were 31 formal complaints processed under this procedure. These were across a range of issues, with the largest number relating to issues raised concerning the Central Credit Register. There were no complaints received under the separate Disability Complaints Procedure.

Freedom of Information

The Central Bank processed 58 Freedom of Information requests during 2022. A total of 23 requests were granted/part-granted and 27 were refused under the various provisions of the Freedom of Information Act. In addition, three requests were withdrawn after engaging with the requester and five requests were handled, outside of the Freedom of Information process, by the relevant area in the Central Bank.

Legal

The Central Bank continued to strengthen the regulatory framework through Central Bank Regulations in 2022 and a number of new regulations were made, including the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Insurance Requirements) Regulations 2022. The Central Bank also assisted with the transposition and implementation of a number of EU directives and regulations, including Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties.

The Central Bank liaised with Government Departments on legislative matters and supported on primary legislation impacting on its mandate, including the Central Bank (Individual Accountability Framework) Bill 2022, the Insurance (Miscellaneous Provisions) Act 2022 and the Consumer

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Protection (Regulation of Retail Credit and Credit Servicing Firms) Act 2022.

Investment Portfolio Management

At end-2022, the Central Bank's balance sheet included an investment portfolio comprising assets with a market value of €16.7bn including an allocation, valued at over €4.5bn equivalent, to foreign currency denominated portfolios (US dollar, Australian dollar, Singapore dollar, Chinese renminbi and Korean won) for diversification purposes. The decrease in the size of the investment portfolio, from €17.4bn at end-2021, was mainly attributable to a reduction in the size of the hold-to-maturity portfolio following redemptions and transfers.[31]

During 2022, the Central Bank completed its increased allocation to physical gold that it began in 2021 as part of the diversified longer-term investment strategy for the discretionary investment assets, aimed at improving balance sheet resilience. Holding diversified assets supports investment returns and reduces overall volatility in the long run, notwithstanding some potential for variability in returns over the short-term. The Central Bank maintained its holdings in both US dollar and euro denominated green bond funds with the BIS, reflecting its commitment to embed climate change considerations into its own operations.

The size of the investment portfolio is also subject to the Central Bank's obligations under the Eurosystem's Agreement on Net Financial Assets. However, these obligations did not restrict investment activities in 2022.[32] Rising interest rates during 2022 brought about falls in the value of global bond portfolios, producing an overall result of -€32.2m in the Central Bank's fixed income portfolios (excluding equities and gold) for the year, following earnings of €134.4m in 2021. [33]

Box 1: Central Bank of Ireland – Challenges to profitability

Over the coming years, the Central Bank is likely to move from a period of exceptionally high profitability, to one where – similar to a number of central banks globally – it is likely to make losses over the short to medium term. There has always been an expectation that, at some point, the necessary monetary policy actions to achieve price stability could result in losses on the Central

[31] The figures of €16.7bn and €17.4bn include gold holdings and equity allocation

[32] Further details of the Eurosystem's Agreement on Net Financial Assets are available on the ECB website at www.ecb.europa.eu/explainers/tell-me-more/html/anfa_qa.en.html

[33] The earnings of €149.2m noted in this section of the Annual Report 2021 and Annual Performance Statement 2021 - 2022, was income earned from the fixed income securities held in both the MTM and HTM portfolios and did not include income from money market instruments.

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Bank's balance sheet. In response, the Central Bank has been building its financial resilience over several years. This Box sets out the key factors driving the Central Bank's profitability and outlines the actions the Central Bank has taken in recent years to build its financial resilience.

A first factor driving the deteriorating outlook for profitability relates to the expected full disposal of the Special Portfolio (SP). The Central Bank's profits have been elevated in recent years, largely driven by the realised gains on sales of SP assets. These assets were acquired in 2013, as part of the liquidation of the Irish Bank Resolution Corporation (IBRC)[34], with the Central Bank having committed to dispose of the SP as soon as possible, provided that conditions of financial stability permit. The SP has been an important contributor to the Central Bank's profitability during this time, with reported cumulative realised gains since 2014 of €12.5bn (as of end-2022), representing 89% of the Central Bank's income paid to the Exchequer over the same period. Of the original €25bn nominal of floating rate notes held, €2.5bn nominal floating rate notes remained on the Central Bank's balance sheet as at end-2022. Following the full disposal of the SP, a considerable decline in the Central Bank's income is expected.

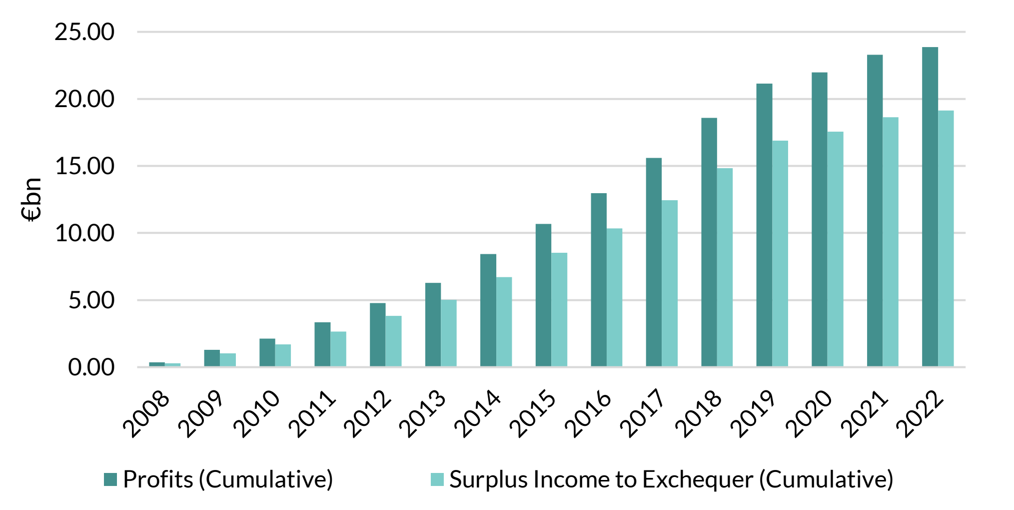
A second factor driving the deteriorating outlook for profitability relates to the use of the Central Bank's balance sheet to maintain price stability. Over the past decade, and against a backdrop of inflation being below target for a number of years prior to 2021, the ECB and Eurosystem central banks – similar to other central banks globally – conducted large scale asset purchase programmes. [35] This resulted in a significant expansion of the Central Bank's balance sheet and an accumulation of a large portfolio of monetary policy assets purchased at low and fixed interest rates. As a result, the Central Bank has become increasingly exposed to balance sheet interest rate mismatch risk. Over the past 18 months, inflation in the euro area has risen sharply. In response, the ECB's Governing Council has increased policy rates to ensure that euro area inflation returns to its 2% medium-term target in a timely manner. The increase in policy rates means that expenses paid on the Central Bank's short-dated liabilities rise, while longer-dated, fixed rate assets remain at low or negative rates, raising the likelihood of losses for a period of time.

The increasing financial risk exposure has been a consequence of the necessary policy actions that the Central Bank has taken over a number of years, as a member of the Eurosystem, to achieve price stability. The crystallisation of these financial risks amid an environment of higher interest rates will likely have

[34] As part of the liquidation of the IBRC in 2013, the Central Bank acquired additional assets to the value of approximately €42.6bn primarily in the form of long-dated €25bn Irish Government Floating Rate Notes (FRNs), €13.7bn NAMA bonds, and €3.5bn of the Irish Government 2025 Fixed Rate Bond.
[35] Further details in relation to these purchase programmes are available on the ECB website at https://www.ecb.europa.eu/mopo/implement/app/html/index.en.html.

a material effect on the profitability of the Central Bank, and losses are anticipated over the coming years. The challenge posed by balance sheet interest rate mismatch to profitability is not unique to the Central Bank.[36] Other euro area national central banks are exposed to the same risks, with some having already posted losses or signalled that losses are likely in the short term.

Chart 6: Central Bank's Cumulative Profits and Surplus Income Transfers to Exchequer (2008-2022)



In order to mitigate the increased financial risks facing the balance sheet in recent years, the Central Bank has strengthened its overall financial buffers. Each year since 2008, the Central Bank has appropriated the maximum 20% of profits allowable under the Central Bank of Ireland (Surplus Income) Regulations 1943, to increase the Central Bank's General Reserve from €1.0bn in 2008 to €5.9bn in 2022. Furthermore, the Central Bank introduced a General Risk Provision (GRP) policy in 2016 to allow it to make provisions for the additional financial risks - in particular interest rate mismatch risk - to which it was becoming exposed. Since 2016, the GRP for financial risks has increased each year and, following an increase to the GRP of €1.2bn in the 2022 Annual Accounts, it now stands at €3.0bn as of end-2022. In total, the Central Bank has accumulated €9.2bn of provisions, capital and reserves, as of end-2022, which could be used to absorb potential future losses.

The Central Bank's balance sheet is a policy tool. Using it is essential to deliver the Central Bank's mandate, but it also means taking on financial risk. Recognising that, the Central Bank has been building its financial resilience over several years, including by accumulating a substantial buffer to absorb potential future losses.

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[36] See Donnery et al (2017), Non-standard Monetary Policy Measures and the Balance Sheets of Eurosystem Central Banks, for further discussion of the risks facing central bank balance sheets.

Chapter 4:

Our Priorities
for 2023

Chapter 4: Our Priorities for 2023[37]

Strategic Context

The macro-financial environment remains challenging. The Russian war in Ukraine shows no sign of abating and the economic and financial market effects of the war continue to reverberate. Inflation in Ireland, similar to many other countries around the world, reached its highest level in decades in 2022. Central banks around the world are at the forefront of policy actions to ensure that inflation does not become embedded across the economy. In the euro area, the ECB has increased interest rates to ensure a timely return of inflation back to its 2 per cent medium-term target.

This economic context is central to our priorities this year. We are focused on ensuring a return to price stability; that the financial system itself remains robust and stable; and that firms operate to support the interests of consumers and users as they cope with the challenges that arise.

Our priorities can be grouped under the four key themes identified in Our Strategy:

- The **Safeguarding** theme reflects our steadfast commitment to the effectiveness of the design, implementation and operation of our core policies, across our mandate, through which we aim to deliver on our statutory functions and the best overall outcomes for the economy and for financial services users.
- Under the **Future Focused** theme, we are working to ensure that our economic advice and our oversight of the financial system adapts to the world of rapid technological, socio-economic and geopolitical change and disruption, so that the interests of citizens and the economy are appropriately served by change, innovation and competition.
- We will continue to step up our efforts to be **Open and Engaged** with stakeholders domestically and abroad. This includes deepening and broadening engagement with: the users and consumers of financial services, as well as their representatives; the firms we supervise and their parent groups; as well as our international and European counterparts.

[37] This chapter includes details of regulatory activity planned for 2023, addressing the Annual Performance Statement reporting obligations under Section 32L(2)(a) of the Central Bank Act 1942 (as amended).

- Our broad (and growing) mandate allows us to take a comprehensive and integrated view, using the breadth of our expertise on the economy and the many sectors we supervise to tackle challenges facing the entire, inter-connected, financial system, including as an integral part of the EU and its institutions and frameworks. To continue delivering on the mandate in the changing environment, we are intent on **Transforming** the Central Bank to become a more agile, resilient, diverse and intelligence-led organisation, seeking continuous improvement in the way we work to meet the challenges of an evolving financial system.

Priorities for 2023

The plan and priorities for 2023 reflect both the expected macro-financial environment as well as the broader structural factors that are likely to shape the evolution of the economy and the financial system in coming years. They build on the significant progress that has been made in maintaining and developing the stability and trustworthiness of the financial services system over recent years. This has been evident in the system's resilience during the volatility triggered by the pandemic and subsequently by the Russian war in Ukraine.

The sectors and undertakings we regulate are very diverse, ranging from very large, internationally focused banks, investment funds, insurers/reinsurers and asset managers to credit unions and financial intermediaries principally serving solely Irish consumers. Each has its own technicalities, dynamics and geographical footprint. As such, in 2023, we will continue to adopt a risk-based and targeted regulatory and supervisory approach at both sector and firm level.

Our approach to supervision and regulation will continue to be outcomes-focused, forward looking, connected, proportionate, predictable, evidence based and agile in order to support positive outcomes in the achievement of our mission. We will continue to work with our International and European counterparts to ensure that we achieve effective and consistent regulatory and monetary and financial stability outcomes.

Our key 2023 priorities are:

- Actively **contributing to monetary policy formulation and decision-making** in the Eurosystem through the Governor's membership of the ECB Governing Council and through active participation by senior staff in relevant Eurosystem committees. From a monetary policy implementation perspective, ensuring the smooth and effective implementation of the evolving ECB monetary policy and contributing to the review of the monetary policy implementation framework.

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- **Conducting policy-relevant economic analysis**, including to support our independent economic advice mandate. This includes, inter alia, a particular focus on understanding the drivers of Irish inflation, analysing the evolving transmission mechanism of monetary policy and assessing the implications of higher interest rates and inflation on the financial position of Irish households and businesses.
- Continuing to **develop and implement our macroprudential policy framework** by deepening our analytical capabilities in the area of macroprudential policy, with a focus on measuring the costs and benefits of policy and strengthening our understanding of emerging external risks to the stability of the Irish financial system, as well as implementing the outcomes of our macroprudential framework reviews completed in 2022.
- Providing a clear, open and transparent **authorisation** process through active and constructive engagement with industry and other stakeholders. We are focused on creating the regulatory context in which the potential benefits of innovation for consumers, investors, businesses and society can be realised, while the risks are effectively managed and mitigated.
- Continuing to strengthen and develop the **consumer protection framework**, including the review of the Consumer Protection Code, to ensure that it remains fit for purpose and future ready, continuing to protect consumers as the financial landscape evolves and changes.
- Assessing and managing risks to the **financial and operational resilience** of firms, including resilience in the event of cyber-related incidents. This includes considering the financial impacts of a potential decline in asset quality arising from prevailing inflationary, cost of living and economic pressures in many countries, the lingering effects from the pandemic and a slowdown in the UK economy.
- Continuing to strengthen our framework for **resolving failing financial institutions**, and ensuring relevant regulated firms become resolvable as well as strengthening our **crisis preparedness and crisis management capabilities.**
- Progressing actions on the **systemic risks generated by non-banks** (for example, money market funds and investment funds), in particular through influencing the global debate around the development of a macroprudential framework for non-banks and, more broadly, through improvements to our regulatory frameworks and investor protections in the investment fund sector.

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- Continuing to oversee the **consolidation of the Irish banking sector** and associated programme of account migration, implement new credit supervision mandates and continue to monitor for emerging risks in relation to distressed debt, investor protection and product governance.
- Consulting and engaging on the **Individual Accountability Framework,** leading to enhancements in existing and new regulations setting out clearly the good practices and behaviours expected of firms and individuals working within them.
- Implementing **changes to credit union regulations/guidance** arising from the Department of Finance-led Policy Framework Review, including through engaging with sectoral stakeholders.
- Consulting on our approach to **Innovation** that will include an exploration of new ways of engagement with innovators and their products.
- Ongoing focus and vigilance around the integrity of the financial system and preventing misuse through detecting and sanctioning **market abuse**, supervising firms' compliance with anti-money laundering/combating the financing of terrorism obligations, and administering and enforcing **financial sanctions** (working closely with An Garda Síochána and other relevant bodies in all of these areas).
- Ensuring that the **EU's Anti-Money Laundering Action Plan**, including the establishment of a single supervisory authority (the Anti-Money Laundering Authority), results in a consistent and robust EU-wide framework.
- Continuing to **foster a payments ecosystem that meets citizens' evolving needs**. This includes leading on the local/national preparation and engagement in relation to the digital euro project; contributing to progressing European regulation, particularly the review of the Payment Services Directive (PSD2) and the functioning of open banking.
- Implementing the **recommendations from the Department of Finance Retail Banking Review** including on issues such as access to cash and the preparation of a new National Payments Strategy.
- Implementing new EU regulations on **digital operational resilience (DORA)** and **markets in crypto assets (MiCA).**
- Strengthening the resilience of the financial system to **climate change risks** and its ability to support the transition to a climate-neutral economy, along with implementing the EU's Sustainable Finance

Disclosures Regulation. Whether we consider **physical risk, transition risk or litigation risk**[38], these are not simply emerging risks that we can start to think about seriously at some point in the future, rather they represent present day realities that will get more severe and impactful as time goes by, depending on the global success in migrating to a net zero world.

- Continuing to develop and support the **cross-industry Climate Forum**, to build capacity and share best practices to advance the financial sector's response to climate change.

Just as firms must respond to the changing environment and be agile and resilient in the face of a volatile and uncertain world, so too must the Central Bank. We are intent on transforming the Central Bank to become a more agile, resilient, diverse and intelligence-led organisation, seeking continuous improvement in the way we work to meet the challenges of an evolving financial system.

In all of the above, it is a priority for us to listen to all our stakeholders and build genuine two-way dialogue on these issues.

[38] Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change which may pose financial or reputational risks to organisations. Climate litigation is increasingly common in some countries and is being used to hold public bodies and corporations to account for their climate mitigation efforts and historical contributions to the problem of climate change.

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Chapter 5:
Internal Audit Statement

Chapter 5: Internal Audit Statement[39]

The objective of the Internal Audit Division (IAD) is to act as the independent "third line of defence" function within the Central Bank's governance framework. IAD provides independent, objective assurance to assist the Central Bank in delivering its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the risk management, control and governance processes.

In 2022, IAD conducted a range of reviews on supervisory activities, central banking functions, IT and other operational functions. These reviews included a continued focus on the changes in the Central Bank's risk profile arising from economic global developments.

IAD submitted regular dashboards to the Audit Committee detailing the outcome of reviews and the progress made by management in addressing previously identified findings. In September, IAD provided the Audit Committee with an update on the implementation of the 2021-2023 Internal Audit Divisional Strategy. Additionally in October, the Audit Committee approved the rolling three-year Audit Plan.

Along with colleagues from other national central banks, IAD performed audits as part of the Internal Auditors Committee (IAC) of the ESCB. IAD also reports to the IAC on the outcome of these audits and status of open findings. The IAC submit update reports to the ECB Governing Council and to relevant ESCB committees. In addition, IAD staff sit on various sub-committees of the IAC including chairing the sub-committee on Payments, Securities and Market Infrastructure.

To build awareness and understanding of developments and risks within the organisation, IAD attended a number of senior executive committee meetings and meetings with divisional representatives from across the Central Bank. In addition, IAD held regular meetings with the Governor to discuss audit-related matters.

[39] This chapter addresses the Annual Performance Statement reporting obligations under Section 32L(3)(a) of the Central Bank Act 1942 (as amended).

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This is given under the seal of the Central Bank of Ireland.

Gabriel Makhlouf
Governor

28 April 2023

Neil Whoriskey
Secretary

28 April 2023

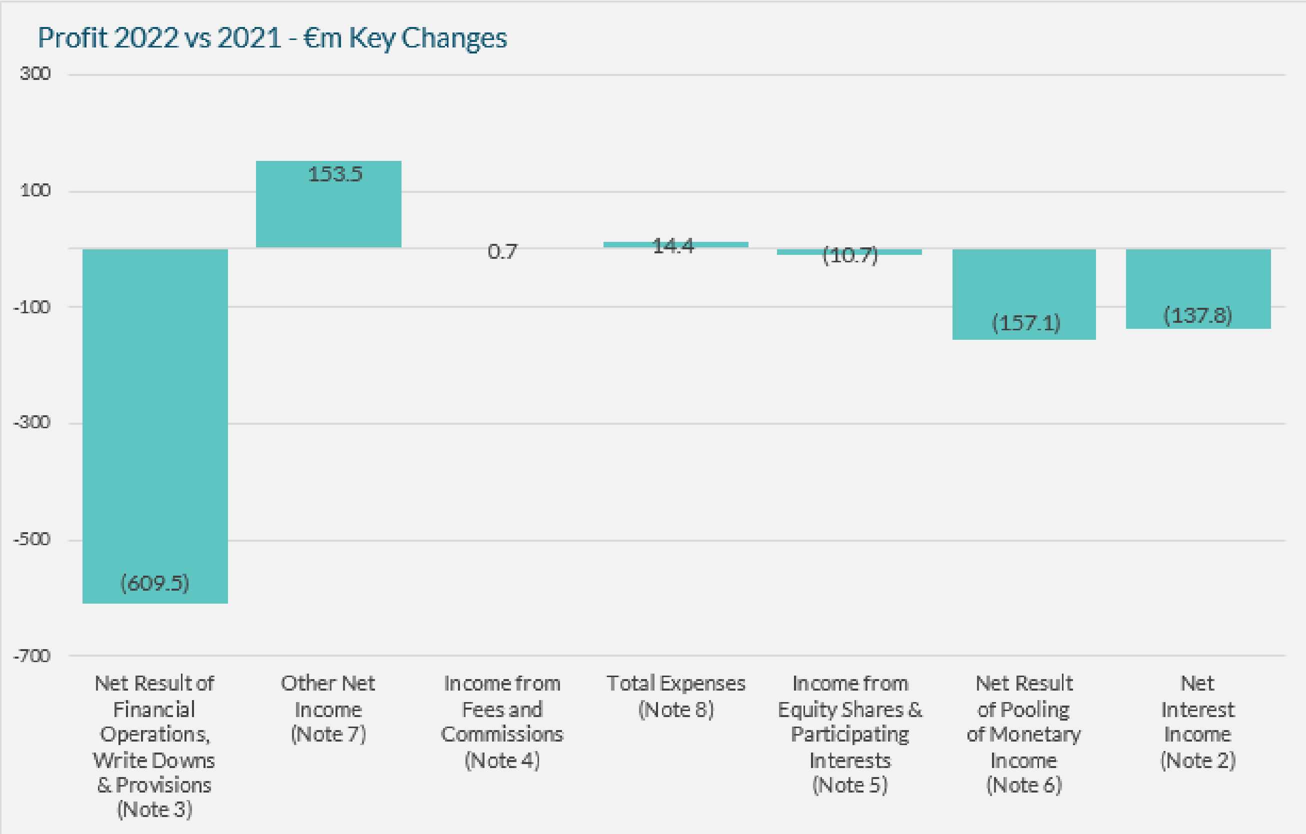
Part 2:
Financial Operations

Part 2: Financial Operations

Financial Results for 2022

Profit for the year to 31 December 2022 amounted to €575.0m, a decrease of €746.5m against a corresponding amount of €1,321.5m in 2021.

Profit and Loss – Key Movements



The main drivers of this decrease in profits are:

- Decrease in "Net Result of Financial Operations, Write Downs & Provisions" due to an increase in the Provision for Financial Risks reflecting higher risks arising from the interest rate mismatch on the Balance Sheet. This has been partially offset by an increase in "Net Realised Gains arising from Financial Operations" primarily due to increased sales of securities held in the Central Bank's Special Portfolio.
- Decrease in the "Net Result of Pooling of Monetary Income" as a result of an increase in the net payment due to the ECB compared to 2021, reflecting the difference between the monetary income pooled by the Central Bank and that reallocated to the Bank following the distribution of total Eurosystem monetary income.
- Decrease in "Net Interest Income" due to increases in the ECB interest rates that remunerate Credit Institutions Deposits, Government Deposits and allocation of Euro Banknotes within the Eurosystem, which has resulted in increased interest expenses

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and reduced interest income being recognised. Furthermore, interest income earned on securities held in the HTM portfolio has decreased as a result of higher yielding bonds maturing in addition to the reduction in the size of the HTM portfolio. These reductions have been partially offset by an increase in interest income relating to the TARGET2 system due to increases in the ECB interest rate used.

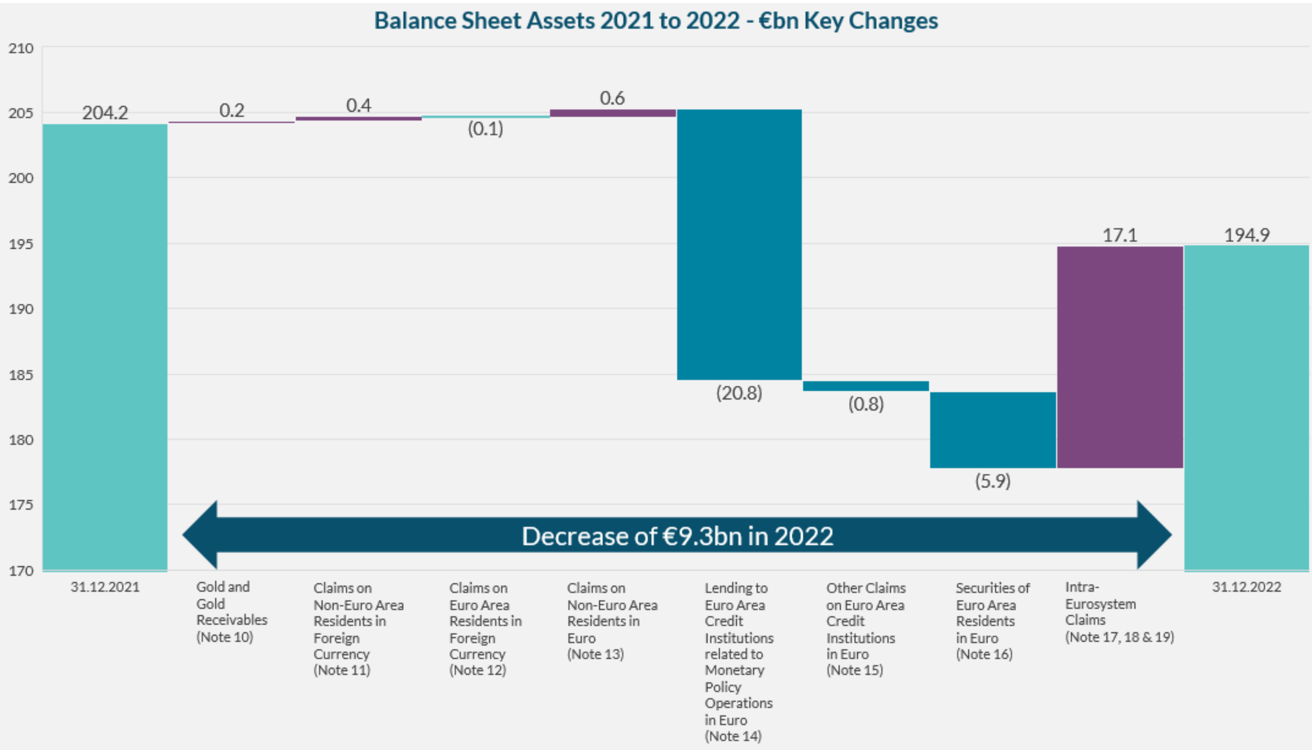
Offset by:

- An increase in "Other Net Income" due primarily to increased Financial Regulation Monetary Penalties and an increase in the Financial Regulation Net Industry Funding Levy due to a decreased level of subvention.

Balance Sheet

Total Balance Sheet Assets / Liabilities as at 31 December 2022 were €194.9bn, a decrease of €9.3bn against a corresponding balance of €204.2bn in 2021.

Balance Sheet Assets – Key Movements



The main drivers of this decrease in the Balance Sheet Assets are:

- A decrease in "Lending to Euro Area Credit Institutions related to Monetary Policy Operations in Euro" due to the early repayment by counterparties of a number of longer-term outstanding TLTRO-III operations in 2022, with a majority of the remaining instruments due to mature in 2023.

- "Securities of Euro Area Residents in Euro" decreased due to disposals in the Special Portfolio of Floating Rate Notes (FRNs).

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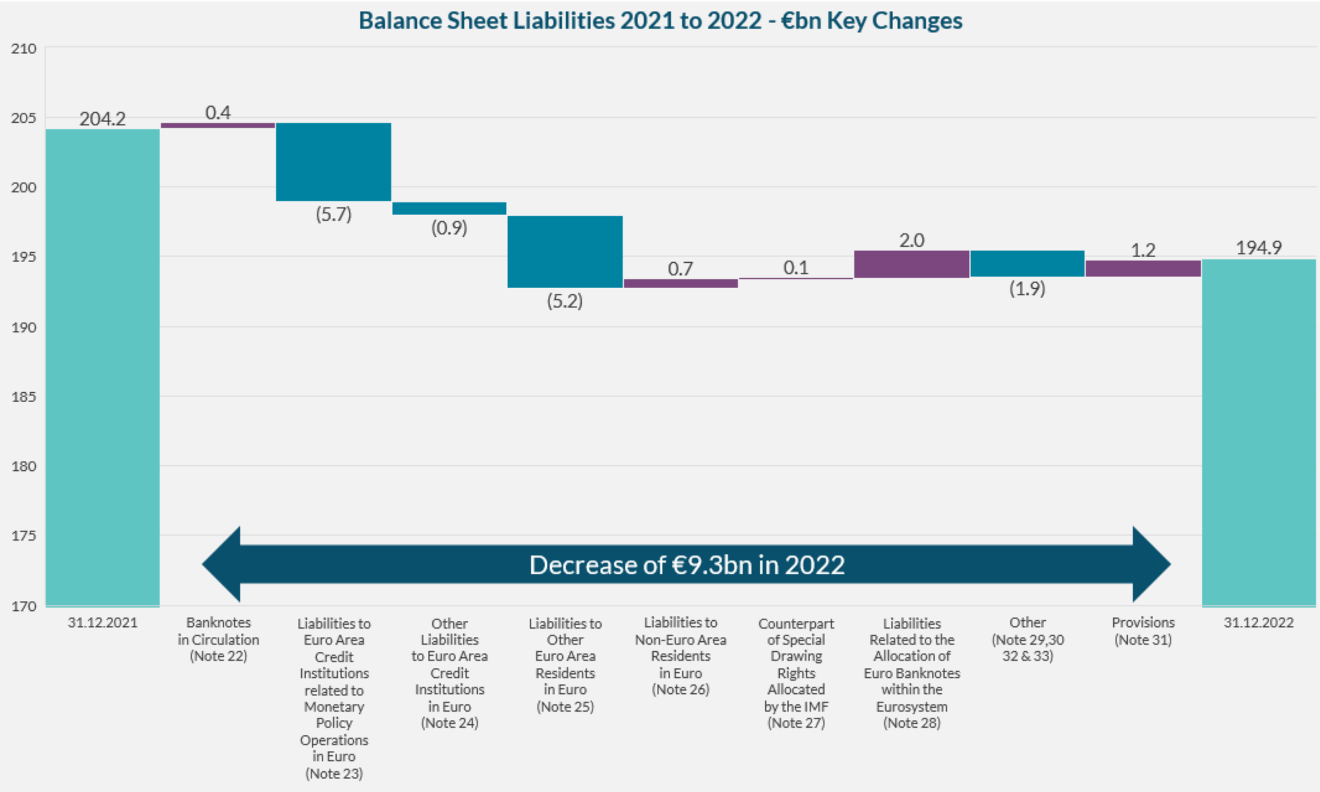
Offset by:

- Increase in “Intra-Eurosystem Claims in Euro” due to an increase in the TARGET2 balance, reflecting a net inflow of euro into the State through the Bank’s TARGET2 account largely channelled through credit institutions’ reserve accounts.

Balance Sheet Liabilities – Key Movements



The main drivers of this decrease in the Balance Sheet Liabilities are:

- A decrease in “Liabilities to Euro Area Credit Institutions related to Monetary Policy Operations in Euro” due to a decrease in the minimum average reserve deposits/current accounts by Credit Institutions, partially offset by an increase in funds held by counterparties in the deposit facility available to place on an overnight basis at the deposit facility rate. The movement from the current accounts to the deposit facility reflects the fact the deposit facility is becoming positively remunerated in 2022, while the current account is remunerated at 0%.
- A decrease in “Liabilities to Other Euro Area Residents in Euro” as a result of a reduction in general government deposits held at the Central Bank.

Offset by:

- An increase in “Liabilities Related to the Allocation of Euro Banknotes within the Eurosystem” due to the adjustment relating to the increase in excess banknotes issued by the Central Bank, relative to the ECB’s share of total banknotes in circulation.

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Challenges to profitability

In recent years, the Central Bank has assumed new and additional financial risks whilst carrying out financial operations in fulfilment of its monetary policy mandate - i.e. the objective of maintaining price stability. The pursuit of this Eurosystem price stability mandate has necessitated the expansion of the Central Bank's balance sheet, including through the purchase of low and negative yielding bonds under the Eurosystem's asset purchase programmes, which entails additional financial risk exposures. In particular, the elevated balance sheet size owing to holdings under the asset purchase programmes has led to the Central Bank becoming increasingly exposed to balance sheet interest rate mismatch risk. This risk materialises as increases in policy interest rates result in expenses paid on the Central Bank's short-dated liabilities rising, while income earned on longer-dated fixed rate assets remains at low or negative rates.

These additional financial risks are a side effect of the necessary policy actions that the Central Bank has taken as a member of the Eurosystem, to support the functioning of the monetary policy transmission mechanism and to help restore price stability. Going forward, however, these additional financial risks will likely have a material effect on the profitability of the Central Bank, and losses are anticipated over the coming years. The challenge posed by balance sheet interest rate mismatch to profitability is not unique to the Central Bank[40]. Other euro area national central banks are exposed to the same risks, with some signalling that losses are likely in the short term.

In order to mitigate the increased financial risks facing the balance sheet in recent years, the Central Bank has strengthened its overall financial buffers. Each year since 2008, the Central Bank has appropriated the maximum 20 per cent of profits allowable under the Central Bank of Ireland (Surplus Income) Regulations 1943, to increase the Central Bank's General Reserve from €1.3bn in 2008 to €5.9bn in 2022. Furthermore, the Central Bank introduced a General Risk Provision policy in 2016 to allow it to make provisions for the additional financial risks that the Central Bank was becoming exposed to - particularly interest rate mismatch risk. Since 2016, the provision for financial risks has increased each year, and following an increase to the provision for financial risk of €1.2bn in the 2022 Annual Accounts, it now stands at €3.0bn as of end-2022. For further details, refer to Chapter 3: Supporting Our Organisation within Part 1: Annual Report 2022 & Performance Statement 2022-2023, along with Note 31 and Note 35 of the Statement of Accounts.

[40] See Donnery et al (2017) for further discussion of the risks facing central bank balance sheets https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/quarterly-bulletin-signed-articles/non-standard-monetary-policy-measures-and-the-balance-sheets-of-eurosystem-central-banks-(donnery-doran-gleeson-and-carroll).pdf.

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Statement of Accounts of the Central Bank of Ireland

for the year ended 31 December 2022

Presented to Dáil Éireann pursuant to section 32J of the Central Bank Act, 1942 (as amended).

Governance Statement and Commission Members' Report

Introduction

The functions of the Central Bank of Ireland (the Central Bank) are set out in section 5A of the Central Bank Act 1942 (as amended) (the Act). The functions of the Central Bank's Commission (the Commission) are set out in section 18B of the Act, which provides that the activities and affairs of the Central Bank (other than ESCB functions) are managed and controlled by the Commission.

Role of the Commission

The Commission has the following statutory functions: management and control of the affairs and activities of the Central Bank; ensuring that the Central Bank's financial regulation and central banking functions are co-ordinated and integrated; and ensuring that the statutory powers and functions conferred on the Central Bank are properly exercised and discharged. The Commission has adopted its own terms of reference, which sets out how it can best deliver on those responsibilities.

Section 18F of the Act provides that any of the statutory functions vested in the Commission may be delegated to the Governor, a Deputy Governor or an employee of the Central Bank. In the interest of the efficient and effective management of the Central Bank and the exercise of its powers and functions, the exercise of most of the Central Bank's statutory functions and powers are delegated. The Commission retains the power to exercise any of those functions and powers of the Central Bank delegated from time to time by the Commission where it considers it appropriate to do so. Further, the Commission has adopted a Plan of the Assignment of Responsibility (the Plan) in respect of delegations made.

The Commission has delegated the exercise of the majority of the functions and powers of the Central Bank and has approved the Plan for the assignment of such responsibilities (most recently reviewed and approved in January 2023). The Commission retains accountability for the effective oversight of the performance of such functions and for ensuring that the powers and functions conferred on the Central Bank (other than those in respect of which responsibility is conferred solely on the Governor) are being effectively managed and controlled. Where a power has been assigned in accordance with the Plan, that person is accountable to the Governor and to any other person specified in the assignment for its performance.

The Commission engages with the executive and staff members as appropriate on issues of strategic importance to the Central Bank (other than ESCB functions), and advises, supports and constructively challenges them as appropriate. It also approves the Central Bank's strategy and reviews its implementation.

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Commission Responsibilities

The main statutory provisions relating to the role and duties of the Commission are covered in Part III of the Act. Moreover, under Section 32J of the Act, the Central Bank is responsible for the maintenance of proper accounting records. This responsibility also extends to the preparation and presentation to the Comptroller and Auditor General of a Statement of Accounts within six months of the end of each financial year and the appointment of external auditors as required by Article 27 of the Statute of the European System of Central Banks (the ESCB) and of the European Central Bank (the ECB).

The Commission has overall responsibility for the system of internal control in the Central Bank, which is designed to safeguard the assets of the Central Bank and to prevent and detect fraud and other irregularities. To discharge this responsibility, the Commission has established appropriate structures. In this regard, the Audit Committee meets regularly with the internal and external auditors and members of the management of the Central Bank to discuss control issues, financial reporting and related matters. The internal and external auditors have full access to the Audit Committee.

The Commission is satisfied that the ESCB Accounting Guideline (the Guideline)[41], and where this is silent, the accounting standards generally accepted in Ireland - Financial Reporting Standard 102 (FRS 102) - and statutory provisions which are applicable to the Central Bank have been consistently applied and are supported by reasonable and prudent judgements and estimates.

The Commission has taken all the steps in order to make itself aware of any relevant audit information and to establish that the Central Bank's statutory auditors are aware of that information.

Commission Structure

The Commission is made up of the following ex-officio members:

- Governor (Chair)
- Deputy Governor (Monetary and Financial Stability)
- Deputy Governor (Financial Regulation), and
- Secretary General of the Department of Finance.

In addition, at least six but no more than eight other members are appointed by the Minister for Finance.

[41] The Guideline refers to the Guideline of the European Central Bank (3 November 2016) on the legal framework for accounting and financial reporting in the ESCB (ECB/2016/34) as amended.

The table below lists the members who served on the Commission during 2022 and their appointment, or re-appointment dates (Commission members may be re-appointed for one additional term of five years):

Commission Members	Date Appointed (or Reappointed)
Gabriel Makhlouf*	1 September 2019
Patricia Byron[42]	1 January 2019
Mark Cassidy*	1 July 2022
Shay Cody	1 December 2020
Sharon Donnery*	1 July 2022
John Hogan*	8 June 2021
Sarah Keane	1 December 2020
Vasileios Madouros*	1 November 2022
David Miles	1 December 2020
Niamh Moloney	11 September 2018
Ed Sibley*	1 September 2017
John Trethowan	11 September 2018

** Ex-officio members*

This membership is in line with the requirement to have regard to the skills, diversity and gender mix within State Boards in the Annex on Gender Balance, Diversity and Inclusion under the Code of Practice for the Governance of State Bodies (the Code). The gender balance of the Commission at end-2022 was 60% male and 40% female. Of the appointed members, the gender balance is 50% male and 50% female.

Commission Membership Changes

Sharon Donnery was previously Deputy Governor, Central Banking. She was appointed as Deputy Governor, Financial Regulation on 1 July 2022 and therefore remained in her position as a Commission member. Mark Cassidy was appointed as Acting Deputy Governor, Monetary and Financial Stability from 1 July 2022 until 31 October 2022. Ed Sibley's term as a Commission member ended on 31 August 2022. Vasileios Madouros was appointed as Deputy Governor, Monetary and Financial Stability on 1 November 2022. Derville Rowland was previously Director General Financial Conduct; the role was retitled to Deputy Governor Consumer and Investor Protection and she was appointed to that role from 1 July 2022.

Committees of the Commission

The Commission has established the following committees, which were in place at year end 2022. The Commission appoints the members of the committees.

[42] Patricia Byron was first appointed on 1 January 2014, and was reappointed on 1 January 2019.

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- Audit Committee
- Risk Committee
- Major Projects Committee, and
- Remuneration Committee.

The Commission established the committees to provide support to the Commission in meeting its responsibilities.

Audit Committee

The Audit Committee is appointed by the Commission and comprises three non-executive members. The membership of the Audit Committee, as at 31 December 2022, comprised Patricia Byron (Chair), Shay Cody and John Trethowan.

The Commission established the committee to provide support to the Commission in meeting its responsibilities for matters relating to financial risk (in conjunction with the Risk Committee), control and governance. The Committee achieves this through reviewing the comprehensiveness, reliability and integrity of assurances to the Commission.

Risk Committee

The Risk Committee is appointed by the Commission and comprises four non-executive members and two executive members (the Deputy Governor, Financial Regulation and the Deputy Governor, Monetary and Financial Stability). The membership of the Risk Committee, as at 31 December 2022, comprised John Trethowan (Chair), Patricia Byron, Sharon Donnery, Vasileios Madouros, David Miles and Niamh Moloney.

The Commission established the committee to review and advise the Commission on: investment of the investment assets of the Central Bank, investment policies and practices, reviewing risk exposures and strategy, monitoring operational and business continuity risk and overseeing risk management in the Central Bank.

Major Projects Committee

The Major Projects Committee is appointed by the Commission and comprises two non-executive members, two executive members of the Commission (the Deputy Governor, Financial Regulation and the Deputy Governor, Monetary and Financial Stability), and the Chief Transformation Officer. The membership of the Major Projects Committee as at 31 December 2022 comprised Sarah Keane (Chair), Shay Cody, Sharon Donnery, Vasileios Madouros and Gerry Quinn. The Commission established the committee to provide support to the Commission in meeting its responsibilities in relation to the effective execution of the Central Bank's Strategy. This includes oversight and consideration of major projects, relevant significant operational priorities, and related budget, including investment envelope. The committee seeks to achieve alignment with the Central Bank's risk profile by providing oversight of the Central Bank's overall Project Programme Portfolio, including benefits realisation.

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Remuneration Committee

The Remuneration Committee is appointed by the Commission, and comprises three non-executive members. The membership of the Remuneration Committee, as at 31 December 2022, comprised Niamh Moloney (Chair), Sarah Keane and David Miles.

The Commission established the committee to provide support to the Commission in meeting its responsibilities for issues relating to remuneration policy and remuneration of members of the executive.

Schedule of Attendance

A schedule of attendance at the Commission and Committee meetings for 2022 is set out below.

Commission Member	Commission	Audit Committee	Risk Committee	Major Projects Committee	Remuneration Committee	Joint meetings of Audit and Risk Committees
Gabriel Makhlouf	9/9	-	-	-	-	-
Patricia Byron	9/9	4/4	3/5	1/1[43]	-	1/1
Mark Cassidy	3/3	-	1/1	1/1[44]	-	-
Shay Cody	9/9	4/4	-	4/4	-	1/1
Sharon Donnery	9/9	-	4/5	4/4	-	1/1
John Hogan	9/9	-	-	-	-	-
Sarah Keane	9/9	-	-	4/4	1/1	-
Vasileios Madouros	2/2	-	1/1	1/1	-	-
David Miles	9/9	-	5/5	-	1/1	1/1
Niamh Moloney	8/9	-	5/5	-	1/1	1/1
Gerry Quinn	-	-	-	4/4[45]	-	-
Ed Sibley	1/1	-	-	-	-	1/1[46]
John Trethowan	9/9	4/4	5/5	-	-	1/1

[43] Patricia Byron stepped down as a member of the Major Projects Committee on 1 July 2022.
[44] Mark Cassidy was a member of the Risk Committee and Major Projects Committee, during this period as Acting Deputy Governor, Central Banking.
[45] Gerry Quinn continued as a member of the Major Projects Committee under his new title as Chief Transformation Officer. At the end of 2022, the Central Bank was still awaiting the appointment of a Chief Operations Officer.
[46] Ed Sibley was a member of the Risk Committee, up to 15 February 2022 when he stepped back from his role as Deputy Governor, Prudential Regulation.

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Governance Framework

The Central Bank's Governance Framework takes account of the requirements of the Central Bank Acts and the EU Treaties, the Code of Practice for the Governance of State Bodies, and other internal governance arrangements.

Responsibilities of Senior Leaders at the Central Bank

The Central Bank's Responsibilities of Senior Leaders (RSL) document provides an overview of the responsibilities of those holding senior leadership positions within the Central Bank, together with the relevant governance arrangements in place that support decision-making.

Internal Governance Structures

There are a number of internal cross-organisational committees with responsibility for coordinating the development and implementation of policies and advising on major issues. The Central Bank's committee structure comprises both operational and mandate-related committees, which contribute, among other things, towards the development and execution of the Central Bank's strategy, risk appetite and organisational culture.

Annual Report and Annual Performance Statement

In accordance with Section 32K of the Act, the Central Bank prepares a report of its operations during the year and presents this to the Minister for Finance within six months after the end of each financial year. Section 32J (3) of the Act requires the Central Bank to prepare and transmit to the Comptroller and Auditor General (C&AG) a Statement of Accounts for the financial year concerned. The C&AG audits, certifies and reports on the Statement of Accounts and remits his report and the Statement of Accounts to the Minister. The Central Bank's financial accounts are also audited by independent external auditors as required by Article 27 of the ESCB Statute.

Appearances before Oireachtas Committees

The Governor, a Deputy Governor or the Registrar of Credit Unions may be obliged to attend before a Joint Committee of the Oireachtas responsible for examining matters relating to the Central Bank, including relating to the Annual Performance Statement, and to provide that Committee with information as it requires, subject to the Treaty on the Functioning of the EU and the ESCB Statute and to the Central Bank's professional secrecy and confidentiality obligations.

In 2022 the Central Bank made two appearances before the Joint Oireachtas Committees on Finance, Public Expenditure and Reform. The Central Bank also appeared once before the Dáil Committee on Budgetary Oversight.

Statutory Inquiries

The Central Bank, its officers and employees, are called as required to provide evidence to inquiries established under Statute. In its dealings with any such inquiry, the Central Bank must comply with the confidentiality obligations imposed under Section 33AK of the Act.

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Peer Reviews

The Central Bank must arrange, at least every four years, for the performance of its regulatory functions to be reviewed by another national central bank, or another person or body whom the Governor has certified as appropriate, following consultation with the Minister.

Public Sector Duty

The Central Bank is committed to being a socially responsible and sustainable organisation in how it delivers on its mandate and mission. As a public service organisation, the Central Bank's obligation to meet its Public Sector Duty is a key part of its wider commitment.

In developing its Strategy, the Central Bank considered its role under Section 42(2) of the Irish Human Rights and Equality Commission Act 2014, and set out the specific actions the Central Bank will prioritise in the context of its Public Sector Duty Obligations for delivery over the duration of the Central Bank's Strategy.

In 2022, the Central Bank's annual assessment of how it fulfilled its Public Sector Duty concluded that, across the relevant functions identified, there continues to be a range of policies and procedures in place to ensure the Central Bank is addressing the human rights and equality issues relevant to the Central Bank's Public Sector Duty. Achievements in this regard include enhancements to the Central Bank's stakeholder engagement structures, appointment of an Access Officer to act as primary contact for internal or external queries relating to the accessibility of facilities or services, launch of the Disability Action Plan, development and rollout of the Central Bank's Gender Identity and Expression in the Workplace Policy.

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The following disclosures are included in Note 8 – "Total Expenses":

- Employee Short-Term Benefits Breakdown
- Consultancy Costs
- Legal Costs and Settlements
- Travel and Subsistence Expenditure
- Hospitality Expenditure, and
- Remuneration and expenses paid to Commission members in 2022.

Statement of Compliance

The Commission has adopted the Code of Practice for the Governance of State Bodies, adapted in some instances to take account of the Central Bank's particular governance framework and the statutory requirements of the Central Bank Acts and the ESCB Treaties, including the requirement for the Central Bank to be independent. The Commission has

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implemented procedures to ensure the application of relevant provisions within the Code. In that context, each provision has been assessed, and the Central Bank is either currently applying the provision, adopting the provision, or adapting the provision to take account of the Central Bank's statutory requirements. Certain provisions have been assessed as not applicable to the Central Bank.

Where certain provisions are adapted or not applicable, this is to recognise the statutory regime that the Central Bank is subject to. The 1942 Act provides the statutory regime for the Central Bank, including how it is to interact with the Minister for Finance taking into account the Central Bank's independence requirements.

A copy of the Central Bank's implementation of the Code is available on the Central Bank's website.

Gabriel Makhlouf
Governor

Patricia Byron
Member of the Commission

18 April 2023

Statement on Internal Control

The Central Bank adopts relevant provisions of the Code of Practice for the Governance of State Bodies 2016 (the Code). In some instances, the provisions of the Code have been adapted to take account of the Central Bank's particular governance framework and the statutory requirements of the Central Bank Acts and the ESCB Treaties, including the requirement for the Central Bank to be independent. The Central Bank's application of the Code is reviewed annually.

In accordance with the Code, the Commission is required to prepare a statement on the operation of the Central Bank's System of Internal Controls for each annual reporting period. Underpinning this statement is an annual review that seeks to provide reasonable (as opposed to absolute) assurance of the adequacy, effectiveness and integrity of the System of Internal Controls.

The Central Bank's System of Internal Controls comprises an extensive set of policies, procedures, and management and oversight activities. The System of Internal Controls has been developed and matured with the aim of ensuring proportionate measures are in place to manage the risks that inevitably arise in the fulfilment of the Central Bank's statutory mandate and the objectives under its Strategic Plan. These control measures do not, nor can they, eliminate risk exposures, or anticipate all potential sources of disruption, error, failure, or loss. Instead their aim is to ensure, that, within acceptable tolerances aligned to the Commission's risk appetite, adverse or unexpected impacts on the delivery of the Central Bank's mandate and strategic objectives, have been minimised.

This statement sets out information regarding the Central Bank's System of Internal Controls including the main features of the control environment, risk identification and assessment, key control activities, risk and controls monitoring and the annual review of the System of Internal Controls. On behalf of the Commission, we confirm our overall responsibility for the Central Bank's System of Internal Controls, its intended alignment with our approved risk appetite and the assurance processes established to maintain and assess its adequacy and integrity for the annual reporting period ended on 31 December 2022.

Key Internal Control Activities

In the reporting period, the Commission has overseen the implementation of a wide range of control activities to ensure that risks to the achievement of objectives are effectively mitigated, in so far as is operationally and economically feasible. These control activities are performed at all levels of the Central Bank encompassing control of its financial, physical and information assets, its business processes, its technology environment, and its compliance with various legal and regulatory obligations. While control activities can take a number of different forms, each type aims to provide reasonable assurance that a particular control objective is achieved. The key control activities include:

- **Governance Framework:** The Central Bank has an articulated Governance framework that consolidates and clearly articulates the governance arrangements within the Central

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Bank, including: a Plan of the Assignment of Responsibilities that articulates the assignment of specified powers and functions of the Central Bank, including its delegation framework; a formally defined organisation and committee structure that is aligned to the Central Bank's statutory functions, with clearly defined lines of responsibility and authority levels; a Corporate Policy Framework to define what constitutes a Corporate Policy and a register of Corporate Policies identifying the relevant approval authority; and a document to detail the roles and responsibilities of senior leaders together with outlining the relevant governance arrangements in place that support decision-making across the Central Bank. In addition, the Commission approves the Central Bank's Strategic Plan and oversees and monitors the Annual Business Plans required to achieve the goals set out in its strategy.

- **Principal Statutory Obligations of the Central Bank:** In compliance with the Code, the Commission is provided with a schedule of the Central Bank's most pertinent statutory and governance obligations, together with a report identifying, at a high level, the applicable legislation, assignment of responsibility and how compliance is monitored.
- **People Management:** A people management governance framework which includes a Commission approved resourcing plan, a talent acquisition policy, formal training programmes for staff, annual performance appraisals, and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.
- **Financial Management:** Financial planning and annual budgeting processes are approved by the Commission, with a comprehensive financial and budget management information system, incorporating accounts payable controls, and regular management and Commission reporting on various aspects of the Central Bank's expenditure framework.
- **Risk Management:** Comprehensive frameworks for risk management, which include organisation-wide operational risk and incident management, financial risk management relating to the Central Bank's investment assets and monetary policy operations and overall Balance Sheet management.
- **Fraud Management:** Fraud risk management and incident policies and procedures clearly outlining responsibilities for the identification of fraud related risks, and the approach in relation to the reporting and investigation of fraud or suspected fraud incidents within the Central Bank.
- **Business Continuity:** A Critical Incident Management policy and supporting processes to ensure the Central Bank is able to manage disruptive scenarios, provide contingency premises, recover technologies, maintain in so far as possible the continuity of critical operations, and resume normal business operations in a timely manner.
- **Programme and Project Management:** Control activities including a defined governance framework to manage material change within the Central Bank incorporating procedures for change and project management, investment approval and prioritisation.
- **Data Protection:** Control measures designed to ensure that the privacy rights of subjects are protected in accordance with relevant regulatory requirements.

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- **Physical and Information Security:** Control activities designed to protect staff, premises and physical assets and the confidentiality, integrity and accessibility of information assets from unauthorised alteration, loss or compromise due to accidents, negligence or criminal acts. Furthermore, the Information Management and Technology Division has developed a longer-term strategy and plan to ensure the Central Bank's technologies can continue to support the achievement of its objectives.
- **Internal Audit:** An independent and objective Internal Audit function which uses a risk-based internal audit plan, prepared annually and approved by the Audit Committee.
- **Procurement:** A centralised procurement function responsible for maintaining effective procedures for the tendering and approval of vendors in accordance with Public Procurement requirements, incorporating regular reporting to the Audit Committee of the Commission.

Control Environment

The internal control activities aim to support the maintenance of an effective control environment, the main features of which include: a comprehensive governance structure, an embedded code of ethical conduct, clear management and staff roles and responsibilities, and a continuous performance management system aligned to the achievement of the objectives set out in the Central Bank's Strategic Plan.

As noted, the Central Bank has, in some instances, identified the need to adapt the Code to take account of certain unique institutional and regulatory aspects of its role and mandate. This has given rise to the Central Bank providing a limited number of explanations where it has had to adapt a particular provision of the Code, due to the governance framework and the statutory requirements of the Central Bank Acts and the ESCB Treaties. Notwithstanding the foregoing, the Commission believes that the Central Bank has achieved the objectives of the Code in maintaining a robust control environment via specific statutory or governance measures.

Governance

In accordance with the Central Bank Reform Act 2010, the Central Bank maintains a single, integrated structure with a unitary board, the Commission, chaired by the Governor. The Act provides that the functions of the Commission are to:

- Manage and control the affairs and activities of the Central Bank (other than European System of Central Bank (ESCB) functions),
- Ensure that the Central Bank's central banking functions and financial regulation functions are integrated and coordinated, and
- Ensure that the statutory powers and functions conferred on the Central Bank are properly exercised and discharged.

The Act provides the Commission with a power to delegate functions and powers of the Central Bank to the Governor, a Deputy Governor, a Committee or an employee of the

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Central Bank. The Commission cannot delegate to a committee any function of the Central Bank that a provision of the Act requires the Governor to perform. Such delegations are made in the interests of the efficient and effective management of the Central Bank, and to ensure the proper exercise and discharge of the Central Bank's functions and powers. The exercise, therefore, of most of the Central Bank's statutory functions and powers has been delegated by the Commission. Each of the above persons are empowered to act on behalf of the Central Bank in the discharge of the functions, powers and responsibilities from time to time assigned to them, including forming opinions, making decisions, taking action, exercising powers and carrying out the performance of functions of the Central Bank delegated from time to time. A person to whom the responsibility for the performance of a function has been assigned is accountable for the performance of that function to the Governor. The Commission, through its four committees (Audit, Risk, Major Projects and Remuneration), monitors and reviews the performance of these delegations including the operation of the Central Bank's System of Internal Controls. The functions of the Commission and its committees are set out in a separate Terms of Reference.

The purpose of the Audit Committee is to provide support to the Commission in meeting its responsibilities for issues relating to risk, control and governance. The Committee achieves this through reviewing the comprehensiveness, reliability and integrity of assurances provided to the Commission. The purpose of the Risk Committee is to review and advise the Commission on: investment of the investment assets of the Central Bank, investment policies and practices, risk exposures and strategy, monitoring of operational and business continuity risk, and to oversee risk management in the Central Bank. The purpose of the Remuneration Committee is to provide support to the Commission in meeting its responsibilities for issues relating to remuneration policy and remuneration. The purpose of the Major Projects Committee is to provide support to the Commission in meeting its responsibilities in relation to the effective execution of the Central Bank's Strategy. This includes oversight and consideration of major projects, relevant significant operational priorities, and related budget, including Investment Envelope. The Committee will also seek to achieve alignment with the Central Bank's risk profile by providing oversight of the Central Bank's overall Project and Programme Portfolio, including benefits realisation.

There is an approved Governance Framework that establishes a centralised framework for the Central Bank that sets out organisational governance structures. The Governance Framework documents these and outlines the relevant governance arrangements in place that support decision-making across the Central Bank, including the role of cross-organisational committees. The Governance Framework also includes a register of Corporate Policies supported by relevant templates and guidance, and similarly a register and guidance for Memoranda of Understanding.

The Governance Framework includes an internal committee structure and an internal executive management structure, which provides oversight of all material organisational matters. An executive-level Risk Management Committee (RMC) is tasked with maintaining oversight and providing challenge across all risk categories and internal compliance and conduct related matters. Other executive-level committees, as set out in the Framework also support the Central Bank's control environment.

The Commission continues to oversee procedures for the assignment of management responsibilities and annual objectives within the Central Bank. Management and staff responsibilities and objectives are defined via a comprehensive role profile framework and a performance management system. Executive management, in conjunction with the Commission, specify the Central Bank's overarching (entity level) objectives within a three-year Strategy. The Central Bank's current Strategy took effect from 1 January 2022. The Strategy was approved by the Commission and submitted to the Minister for Finance. Implementation, monitoring and reporting of this Strategy continues via the Central Bank's Annual Business Planning process which includes regular formal review by senior management and biannually by the Commission.

An organisational level Annual Business Planning process was enhanced in 2022, which articulated the Central Bank's key objectives for commencement or delivery in 2022, and was reported to the relevant governance fora on three occasions throughout 2022. This Annual Business Planning process was further enhanced for 2023, and the approach for 2023 translates the Central Bank's longer-term strategic direction and medium-term Strategic Delivery Roadmap into tangible objectives for delivery over a one-year delivery horizon, aligned to the annual budget. The 2023 Annual Business Plan captures material operational and strategic objectives across all business areas, and was presented to the Commission for approval in December 2022.

In addition, the Commission continues to oversee the implementation and adherence to the Central Bank's Code of Ethics, which seeks to ensure the highest standards of ethical conduct amongst staff and officers of the Central Bank. The Commission has also established an Internal Whistleblowing Policy, which it reviews annually. This Policy provides employees with a set of channels to confidentially disclose information regarding possible wrongdoing within the Central Bank without fear of any personal repercussions.

Risk Management

The management and assessment of risk exposures is firstly informed by a Commission approved Risk Appetite Framework (RAF), which includes sub-tolerances for the Central Bank's principal risks. This RAF specifies the amounts and types of risk the Central Bank is willing to accept in the pursuit of its objectives. From a governance perspective, an Integrated Risk Report is presented quarterly to the Risk Committee that considers the risk profile relative to the thresholds set out within the RAF. Allied to the RAF is the requirement to ensure accurate identification and assessment of risk, as this provides the basis for evaluating residual risk exposures relative to the RAF, and consequently determining where deviations are or have the potential to become of risk management concern.

Central to the effective operation of the Central Bank's System of Internal Controls are procedures to identify and assess risks, which may adversely impact the achievement of the Central Bank's objectives at both an overall organisational level and within each of its

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divisions. To ensure the System of Internal Controls is commensurate with the risks to which the Central Bank is exposed, the Commission has established an Operational Risk Management (ORM) Framework, to ensure a consistent risk identification and assessment process, which considers the likelihood of risks materialising and their potential operational, financial and reputational implications.

The ORM Framework is designed to ensure that all divisions within the Central Bank are consistently and regularly identifying and assessing operational risks. The ORM Framework comprises a divisional risk and control assessment process which establishes and maintains a standardised divisional register of material operational risk exposures and incidents. Details of the divisional risk registers and incidents are reviewed and reported on to the internal Risk Management Committee and the Risk Committee of the Commission throughout the year with a focus on ensuring remedial actions are underway to address known exposures deemed to be outside the approved risk tolerances.

The ORM Framework also comprises a periodic risk-based quality assurance procedure, undertaken by the Organisational Risk Division (ORD), to validate the risks identified and the effectiveness of controls. For the purposes of this procedure, ORD reviews and challenges the content of the registers and ensures that where corrective remedial actions are required these form part of the division's risk management plan. The head of the respective division and the director sign off on the completeness of their registers as part of this quality assurance checkpoint with ORD. The RMC has reviewed reports on the status of these divisional risks and considered the actions undertaken by management to implement remedial actions and enhance controls throughout the reporting period, with further oversight from the Commission Risk Committee.

The Risk Committee also oversees a dedicated financial risk assessment framework. The financial risk assessment framework principally focuses on current and emerging financial risks impacting the Central Bank's Balance Sheet arising from the implementation of monetary policy and discretionary investment activities. In the reporting period, the Commission has reviewed reports on the status of these financial risks and considered proposals on the effective control and management of these risks in accordance with the tolerances set out in its approved Risk Appetite Framework.

In addition to the foregoing, an assessment of strategic risks is periodically conducted which aims to identify risks arising from the pursuit of the Central Bank's strategy and which may impede the achievement of the strategic objectives as set out in its Strategic Plan. The assessment of strategic risks represents an advisory input from the Organisational Risk Division to senior stakeholders. In 2022 ORD completed a preliminary review of the strategy identifying risks and opportunities for consideration.

Throughout 2022, the Commission and its committees received reports outlining the Central Bank's strategic, financial and operational risk exposures and various aspects of the System of Internal Controls, and considered the effectiveness of the System as a whole via an annual review procedure. These reports were prepared by the Central Bank's Internal Governance

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Division (IGD), Internal Audit Division (IAD) and Organisational Risk Division (ORD). Having reviewed these reports, the Commission is satisfied that the overview provided accurately reflects the status of the System of Internal Controls in operation during the reporting period.

Furthermore, in accordance with the Three Lines Model for assigning risk and control management responsibilities, the operation of the System of Internal Controls is supported by ORD and IAD, to ensure the systematic application of the Commission approved risk management frameworks, including assessment and review of risks and controls.

Data Protection

The Central Bank processes personal data in the course of carrying out a number of its statutory functions, in relation to the employment of staff and its engagement with service providers. The Data Protection Acts 1998, 2018 and the General Data Protection Regulation (the GDPR) outline the various obligations in accordance with which personal data should be processed. The Central Bank has developed a Data Protection Policy, Personal Data Operating Framework and associated operating procedures to fulfil these requirements. These document the roles and responsibilities in relation to data protection, and outline how the key principles of data protection are implemented in the Central Bank. In accordance with the GDPR requirements, the Central Bank has appointed a Data Protection Officer, whose role includes provision of data advice, monitoring and assessing compliance with the data protection obligations, coordinating any data protection related incidents, responding to access requests and regularly reporting to oversight committees.

In the period under review, the Central Bank identified the need to further enhance its control measures in respect of personal data retention and the oversight of third parties processing personal data on its behalf. Targeted remediation measures have been initiated in respect of these aspects of the Personal Data Operating Framework, and the RMC and Risk Committee of the Commission have been updated on the status of these measures.

Procurement

The Central Bank operates a Corporate Procurement Policy (the Policy) that is approved by the Commission. The procurement requirements of the Central Bank are met in line with the Policy and the internal governance framework it establishes.

The Policy is consistent with the principles of the procurement rules and guidelines as set out by the Office of Government Procurement save in respect of competitive tenders for goods and services below the EU Threshold (€215,000) where the Central Bank has decided to operate a National Tender threshold entry point of €50,000 and not €25,000, for the reasons of operating efficiency and effectiveness. Three or more written quotes are obtained for all supply/service tenders between €5,000 and €50,000.

In certain limited circumstances, contracts may be awarded without recourse to a competitive tendering process:

- Where the procurement rules provide for an applicable exemption/exception, or

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- Where there is no legal obligation to tender (e.g. as the contract value is below the EU Threshold and there is no cross border interest) and exceptional circumstances exist.

Any other contracts awarded without recourse to a competitive tendering process are regarded as "non-compliant contracts" and are overseen by both the Performance and Resourcing Committee and the Audit Committee. The Central Bank did not award any 'non-compliant contracts' in 2022 and no expenditure was incurred on the one pre-existing non-compliant contract. This contract will run to term on completion of services and a breakdown of the non-compliant contract is provided in the table below.

In April 2020, based on the significant importance of the nature of services, the Central Bank decided to award the contract for Data Centre Hosting and Managed Services without a competitive procedure on grounds of 'extreme urgency' conditions (pursuant to Regulation 32(2)(c) of S.I. 284 of 2016) owing to the COVID-19 emergency. The Central Bank published a Voluntary Ex-Ante Transparency Notice (VEAT) on 3 August 2020, clearly indicating the intention to award a new contract. Spend on this contract was €12,033,914 (ex VAT) in 2022 and €10,183,673 (ex VAT) in 2021.

Table 1.1 Breakdown of Non-Compliant Contracts

Reason for direct award	Number of contracts 2022	Spend € 2022	Number of contracts 2021	Spend € 2021
Sensitive or confidential nature of work prohibited a competitive tender process	1*	0	1	0
Rollover of existing contract pending conclusion of tender process	0	0	0	0
Rollover of existing contract which will run to term	0	0	0	0
Total	**1**	**0**	**1**	**0**

**At the end of 2022, this is the sole remaining direct award contract (awarded without recourse to a tendering process).*

Review and Monitoring of the System of Internal Controls

To ensure that the System of Internal Controls is operating in accordance with its expectations, the Commission has established independent assurance procedures to review and monitor the performance and effectiveness of the Central Bank's risk management and control activities. The review and monitoring procedures are principally undertaken by IAD.

The Head of IAD reports directly to the Governor, with unrestricted access to Management and members of the Commission. The activities of IAD are guided by its Internal Audit Charter and Annual Audit Plan that are approved by the Audit Committee. IAD evaluates compliance with the Central Bank's policies and procedures and applicable laws and regulations, and provides independent and objective assurance on the adequacy and effectiveness of risk management, System of Internal Controls and governance processes by conducting regular audits.

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IAD reports its findings directly to the Audit Committee. These reports highlight identified deficiencies, if any, in the System of Internal Controls and document the agreed corrective measures to be taken by management where deemed necessary. IAD monitors the implementation of management actions associated with corrective measures to ensure the control environment remains effective. The Audit Committee receives updates, on a regular basis, on the status of issues raised by the internal and external auditors and follows up to ensure appropriate and timely action is being taken in respect of the issues raised.

Annual Review of the System of Internal Controls

The Commission reviewed the effectiveness of the Central Bank's System of Internal Controls for the financial year ending 31 December 2022. A detailed review of the effectiveness of the System of Internal Controls was performed by the Audit Committee, which reported its findings to the Commission in April 2023 via written procedure. This review of the effectiveness of the System of Internal Controls included:

- Consideration of reports outlining the Central Bank's strategic, financial and operational risk exposures provided by the Organisational Risk Division and other aspects of the System of Internal Controls provided by the Internal Governance Division
- Consideration of the work of the IAD and consideration of its reports and findings
- Overview of regular reports from the Internal Audit Division on the status of the Central Bank's internal control environment and the status of issues raised previously from their own reports and matters raised by the external auditors
- Overview of notable changes to the System of Internal Control in the reporting period
- Consideration of internal financial control issues identified by the external auditors and
- Consideration of the Central Bank's incident management policy which sets out the process and requirements for incident identification, assessment, reporting, monitoring control enhancements and governance. An incident register is in place which records reported incidents; these incidents are evaluated and assigned a grade according to their impact. The Central Bank reviewed its incident register and followed the incident management process accordingly.

Based on the above, the Commission considers that the System of Internal Controls in operation within the Central Bank for the financial year ending 31 December 2022 remains effective.

Gabriel Makhlouf
Governor

Patricia Byron
Member of the Commission

18 April 2023

PROFIT AND LOSS AND APPROPRIATION ACCOUNT FOR YEAR ENDED 31 DECEMBER 2022

	Note	2022 €000	2021 €000
Interest income	2	1,110,015	997,625
Interest expense	2	(443,984)	(193,858)
Net interest income	2	666,031	803,767
Net realised gains arising from financial operations	3	1,463,678	1,273,644
Write-downs on financial assets and positions	3	(115,608)	(13,054)
Transfer to provisions	3	(1,199,189)	(502,214)
Net result of financial operations, write-downs and provisions	3	148,881	758,376
Income from fees and commissions	4	3,980	3,258
Income from equity shares and participating interests	5	3,686	14,385
Net result of pooling of monetary income	6	(323,160)	(166,015)
Other net income	7	417,280	263,809
Other		218,162	72,954
Funding levy income		199,118	190,855
TOTAL NET INCOME		916,698	1,677,580
Staff expenses	8	(244,942)	(255,799))
Other operating expenses	8	(77,807)	(77,430)
Depreciation	8	(13,080)	(15,033)
Currency production raw materials	8	(5,863)	(7,851)
TOTAL EXPENSES	8	(341,692)	(356,113)
PROFIT FOR THE YEAR BEFORE UNREALISED GAIN MOVEMENTS, ACTUARIAL GAIN AND APPROPRIATION OF PROFIT		575,006	1,321,467
Net movement in unrealised gains	32	(2,286,492)	(1,662,206)
Transfers to revaluation accounts	32	2,286,492	1,662,206
Actuarial gain on pension scheme	30	643,642	261,851
Transfer of retained profit to general reserve	33	(718,527)	(515,745)
SURPLUS INCOME PAYABLE TO THE EXCHEQUER	9, 29	500,121	1,067,573

The accounting policies together with Notes 1 to 41 form part of these accounts.

Gabriel Makhlouf
Governor

18 April 2023

Vasileios Madouros
Deputy Governor
Monetary and Financial Stability

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BALANCE SHEET AS AT 31 DECEMBER 2022

ASSETS	Note	2022 €000	2021 €000
Gold and gold receivables	10	**659,566**	**492,855**
Claims on non-euro area residents in foreign currency	11	**11,246,329**	**10,847,854**
Claims on euro area residents in foreign currency	12	**117,729**	**189,539**
Claims on non-euro area residents in euro	13	**2,520,832**	**1,904,463**
Lending to euro area credit institutions related to monetary policy operations in euro	14	**219,400**	**21,048,400**
Other claims on euro area credit institutions in euro	15	**1,646,481**	**2,489,097**
Securities of euro area residents in euro	16	**73,355,689**	**79,219,600**
Securities Held for Monetary Policy Purposes		62,990,868	61,903,311
Other Securities		10,364,821	17,316,289
Intra-Eurosystem claims		**102,572,926**	**85,514,733**
Participating interest in ECB	17	237,271	226,940
Claims equivalent to the transfer of foreign reserves	18	683,175	683,175
Other claims within the Eurosystem (net)	19	101,652,480	84,604,618
Other assets	20	**2,511,117**	**2,459,935**
Total Assets		**194,850,069**	**204,166,476**

The accounting policies together with Notes 1 to 41 form part of these accounts.

Gabriel Makhlouf
Governor

Vasileios Madouros
Deputy Governor
Monetary and Financial Stability

18 April 2023

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BALANCE SHEET AS AT 31 DECEMBER 2022

LIABILITIES	Note	2022 €000	2021 €000
Banknotes in circulation	22	24,492,274	24,061,535
Liabilities to euro area credit institutions related to monetary policy operations in euro	23	102,450,367	108,147,764
Other liabilities to euro area credit institutions in euro	24	934,174	1,779,277
Liabilities to other euro area residents in euro	25	25,999,243	31,239,889
Liabilities to non-euro area residents in euro	26	678,288	10,580
Counterpart of special drawing rights allocated by the IMF	27	5,109,457	5,044,920
Liabilities related to the allocation of euro banknotes within the Eurosystem	28	22,218,167	20,219,846
Other liabilities	29	1,796,421	1,517,401
Retirement benefits	30	59,988	663,141
Provisions	31	3,003,794	1,806,231
Revaluation accounts	32	1,889,563	4,176,055
Capital and reserves	33	6,218,333	5,499,837
Total Liabilities		194,850,069	204,166,476

The accounting policies together with Notes 1 to 41 form part of these accounts.

Gabriel Makhlouf
Governor

Vasileios Madouros
Deputy Governor
Monetary and Financial Stability

18 April 2023

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Notes to the Accounts

Note 1: Accounting Policies and Related Information

(a) Legal Framework

Throughout the Statement of Accounts the term “Central Bank”, where used, refers to the Central Bank of Ireland.

The accounts have been prepared pursuant to Section 32J of the Central Bank Act, 1942 (as amended) which provides that within six months after the end of each financial year, the Central Bank shall prepare and present to the Comptroller and Auditor General a statement of accounts for the financial year concerned. The statement is in the form approved by the Minister for Finance. The form of the accounts reflects the specific nature of the tasks carried out by the Central Bank within the framework of the ESCB[47] and its diverse range of activities. Article 27.1 of the Statute of the ESCB and of the ECB requires the appointment of independent external auditors.

(b) Accounting Principles

The Central Bank, as a participating member of the ESCB, complies with the accounting policies laid down by the Governing Council[48] in the Guideline[49]. The Central Bank’s Statement of Accounts are prepared in line with the provisions set out in the Guideline, which includes preparation on a going concern basis. In cases where the Guideline does not provide specific direction, accounting standards generally accepted in Ireland and relevant statutory provisions[50] which apply to the Central Bank are followed. The Financial Reporting Standard applicable in the UK and Republic of Ireland is Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The principles and policies laid out in the Guideline are broadly in line with Irish generally accepted accounting principles. The principal differences of relevance to the Central Bank between the Guideline (mandatory and recommended provisions) and FRS 102 are:

[47] The use of the term European System of Central Banks (ESCB) refers to the 27 National Central Banks (NCBs) of the Member States of the European Union as at 31 December 2022 together with the European Central Bank (ECB). The term “Eurosystem” refers to the 19 NCBs of the Member States participating in the Monetary Union, plus the ECB, on the same date.
[48] The Governing Council is the main decision-making body of the ECB. It consists of the six members of the Executive Board plus the governors of the national central banks of the 19 euro area countries.
[49] The Guideline refers to the Guideline of the European Central Bank (3 November 2016) on the legal framework for accounting and financial reporting in the ESCB (ECB/2016/34) as amended.
[50] The principal statutes governing the Central Bank are: the Central Bank Acts 1942-2014, the Coinage Act 1950, the Decimal Currency Acts 1969–1990, and the Economic and Monetary Union Act 1998. The Central Bank of Ireland (Surplus Income) Regulations 1943 provide for the calculation of the Central Bank’s surplus income for each year which, in accordance with section 32H of the Central Bank Act 1942, is paid into the Exchequer. The Central Bank is also subject to the Treaty on European Union and the Treaty on the Functioning of the European Union, incorporating the Statute of the ESCB and of the ECB, and to any EU laws made under those Treaties that apply to the national central banks of the ESCB.

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a. Unrealised gains, from assets and liabilities measured at market value, are accounted for through the Profit and Loss and Appropriation Account and transferred to the revaluation account in the Balance Sheet.

b. No statement of cashflows is required.

c. A provision for financial risks is included under liability item "Provisions".

The preparation of the Central Bank's Statement of Accounts in conformity with the Guideline and FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Central Bank's accounting policies. Where the Guideline is silent with regard to financial instruments, the Central Bank follows the requirements from FRS 102, of both sections 11 and 12 in full. The areas involving a higher degree of judgement or estimation are disclosed in Note 1(n) "Critical Accounting Estimates and Judgements". Financial assets and liabilities are offset and the net amounts presented in the Statement of Accounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously (Note 11, Note 19(iii), Note 22).

(c) Eurosystem Accounting Guideline

As a member of the ESCB/Eurosystem, the Central Bank has adopted the ECB's Accounting Guideline. The following is a summary of the main provisions of the Guideline.

(i) *Trade Date Accounting*[51]

The Guideline states that trade date accounting may be implemented either by the "regular approach" or the "alternative approach". The Central Bank uses the alternative approach and as such, transactions in assets and liabilities are booked at the settlement date (usually the trade date plus two business days), as opposed to the regular approach[52] whereby transactions are booked on the trade date.

(ii) *Intra-ESCB balances*

Intra-ESCB balances result primarily from cross-border payments in the EU that are settled in central bank money in euro. These transactions are for the most part initiated by private entities (i.e. credit institutions, corporations and individuals). They are primarily settled in TARGET2 – the Trans-European Automated Real-time Gross Settlement Express Transfer system (Note 19(i)), and give rise to bilateral balances in the TARGET2 accounts of EU NCBs.

These bilateral balances are netted off and then assigned to the ECB on a daily basis, leaving each NCB with a single net bilateral position vis-à-vis the ECB only. Intra-Eurosystem balances of the Central Bank vis-à-vis the ECB arising from TARGET2, as well as other Intra-Eurosystem balances denominated in euro (e.g. interim profit distributions to NCBs,

[51] Defined in the Guideline of the European Central Bank (3 November 2016) on the legal framework for accounting and financial reporting in the ESCB (ECB/2016/34).
[52] NCBs who use the regular approach book securities off Balance Sheet on the trade date. At settlement date the off Balance Sheet entries are reversed and on Balance Sheet entries are booked.

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monetary income results, administration of borrowing and lending operations with the Eurosystem including repayments in connection with the Support to mitigate Unemployment Risks in an Emergency Programme (SURE)), are presented on the Balance Sheet of the Central Bank as a single net asset or liability position and disclosed under "Other Claims within the Eurosystem (net)" (Note 19). Intra-ESCB balances versus non-euro area NCBs arising from TARGET2 are disclosed under "Liabilities to Other Euro Area Residents in Euro" (Note 25) and "Liabilities to Non-Euro Area Residents in Euro" (Note 26) respectively.

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are included as a single net liability under "Liabilities Related to the Allocation of Euro Banknotes within the Eurosystem" (Note 1(c)(iii), Note 1(c)(iv), Note 22, Note 28).

Intra-Eurosystem claims arising from the Central Bank's participating interest in the ECB are reported under "Participating Interest in ECB" (Note 1(c)(iii), Note 17).

Intra-Eurosystem balances arising from the transfer of foreign reserve assets to the ECB by the NCBs joining the Eurosystem are denominated in euro and reported under "Claims Equivalent to the Transfer of Foreign Reserves" (Note 1(c)(iii), Note 1(c)(vii), Note 18).

(iii) *Capital Key*

The ESCB capital key is the percentage of the subscribed share capital of the ECB held by the respective ESCB NCBs. It is a measure of the relative national size of EU Member States and is a 50:50 composite of Gross Domestic Product and population size. Pursuant to Article 28 of the ESCB Statute, the ESCB NCBs are the sole subscribers to the capital of the ECB. Subscriptions depend on shares which are fixed in accordance with Article 29.3 of the ESCB Statute and which must be adjusted every five years. Subscriptions must also be adjusted in the event that there is a change in membership of the ESCB. The latest adjustment took place on 1 February 2020 following the withdrawal of the United Kingdom (UK) from the EU, as a result the Central Bank's share of the ECB's subscribed capital increased from 1.1754% to 1.3772%.

A second key, the "Eurosystem capital key", which is derived from the ESCB capital key outlined above, is used as the basis of allocation for a series of important items including monetary income, banknotes in circulation and the sharing of the ECB's profit/loss among Eurosystem NCBs. The Central Bank's share in the Eurosystem capital key increased from 1.6883% to 1.6934% following the UK's withdrawal from the EU (Note 1(c)(ii)).

(iv) *Banknotes in Circulation*

The ECB and the euro area NCBs, which together comprise the Eurosystem, issue euro banknotes[53]. The total value of euro banknotes in circulation is allocated to the Eurosystem

[53] ECB decision of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29), OJ L 35, 9.2.2011, p. 26 as amended.

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central banks on the last working day of each month in accordance with each NCB's banknote allocation key[54].

The ECB has been allocated an 8% share of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is presented on the Balance Sheet under the liability item "Banknotes in Circulation" (Note 22).

The difference between the values of euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation gives rise to remunerated Intra-Eurosystem balances. These claims, in the case of a shortfall of issuance relevant to the banknotes allocation key, are presented on the Balance Sheet under "Other Claims within the Eurosystem (net)" (Note 1(c)(ii), Note 19). The liabilities, in the case of excess issuance relevant to the banknote allocation key, are presented on the Balance Sheet under "Liabilities Related to the Allocation of Euro Banknotes within the Eurosystem" (Note 1(c)(ii), Note 28). Interest is received on the shortfall and paid on the excess issuance on a quarterly basis[55]. This is cleared through the accounts of the ECB and included in "Net Interest Income" (Note 2(xiii)) in the Profit and Loss and Appropriation Account.

(v) *Distributions by ECB*

The Governing Council has decided that the seigniorage income of the ECB, which arises from the 8% share of euro banknotes allocated to the ECB, as well as the income arising from the securities held under (a) the Securities Markets Programme (SMP), (b) the third Covered Bond Purchase Programme (CBPP3), (c) the Asset-Backed Securities Purchase Programme (ABSPP), (d) the Public Sector Purchase Programme (PSPP), and (e) the Pandemic Emergency Purchase Programme (PEPP) is due to the euro area NCBs in the financial year it accrues. Unless otherwise decided by the Governing Council, the ECB distributes this income in January of the following year by means of an interim distribution of profit[56]. Any such decision shall be taken where, on the basis of a reasoned estimate prepared by the Executive Board, the Governing Council expects that the ECB will have an overall annual loss or will make an annual net profit that is less than this income. The Governing Council may also decide to transfer all or part of this income to a provision for financial risks. The Governing Council may also decide to charge costs incurred by the ECB in connection with the issue and handling of euro banknotes against income earned on euro banknotes in circulation.

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[54] The banknote allocation key refers to the percentages that result from taking into account the ECB's share of the total euro banknote issue (8%) and applying the Eurosystem capital key to the participating NCBs' share (92 %).
[55] ECB decision of 3 November 2016 on the allocation of monetary income of the NCBs of Member States whose currency is the euro (recast) (ECB/2016/36), OJ L 347, 20.12.2016, p. 26.
[56] ECB Decision (EU) 2015/1195 of 2 July 2015 amending Decision (EU) 2015/298 on the interim distribution of the income of the ECB (ECB/2015/25).

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The amount distributed to NCBs is disclosed in the Profit and Loss and Appropriation Account under "Income from Equity Shares and Participating Interests" (Note 5(ii), Note 19(ii)).

(vi) *Net Result of Pooling of Monetary Income*

The amount of each Eurosystem NCB's monetary income, i.e. net income earned on Eurosystem monetary policy operations, is determined by measuring the actual annual income that derives from the earmarkable assets held against its liability base.

The liability base consists of the following items: banknotes in circulation; liabilities to euro area credit institutions related to monetary policy operations denominated in euro; net intra-Eurosystem liabilities resulting from TARGET2 transactions; and net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem. Any interest paid on liabilities included within the liability base is deducted from the monetary income to be pooled.

The earmarkable assets consist of the following items: lending to euro area credit institutions related to monetary policy operations denominated in euro; securities held for monetary policy purposes; intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB; net intra-Eurosystem claims resulting from TARGET2 transactions; intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem; and a limited amount of each NCB's gold holdings in proportion to each NCB's capital key.

Gold is considered to generate no income. Securities held for monetary policy purposes under Decision ECB/2009/16 of 2 July 2009 on the implementation of the first covered bonds purchase programme[57], Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme[58] and under Decision ECB/2015/10 of 4 March 2015 on a secondary markets public sector asset purchases programme[59] are considered to generate income at the latest available marginal interest rate[60] used by the Eurosystem in its tenders for main refinancing operations.

Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference shall be offset by applying, to the value of the difference, the latest available marginal rate for the Euro system's main refinancing operations. This amount is added or deducted, as appropriate from the monetary income to be pooled.

The net monetary income pooled by the Eurosystem is allocated between NCBs according to the subscribed Eurosystem capital key. The difference between the monetary income pooled

[57] ECB Decision (EU) 2009/522 of 2 July 2009 on the implementation of the covered bond purchase programme (ECB/2009/16), OJ L 175, 4.7.2009.
[58] ECB Decision (EU) 2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme (ECB/2011/17), OJ L 297, 16.11.2011.
[59] ECB Decision (EU) 2015/774 of 4 March 2015 on a secondary markets public sector asset purchase programme of the ECB (ECB/2015/10), OJ L 121, 14.5.2015, p. 20–24.
[60] The Main Refinancing Operations (MRO) rate is applied to the daily balances of central government/agency/non-financial corporate bonds purchased under the programme, while it is the actual return earned on international and supranational institution bonds purchased under the programme that is pooled.

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by the Central Bank and that reallocated to the Central Bank constitutes the "Net Result of Pooling of Monetary Income" recorded in the Profit and Loss and Appropriation Account (Note 6).

In the event of the ECB incurring a loss, the loss can be offset against the ECB's general reserve fund and, if necessary, by a decision of the Governing Council, against the monetary income of the relevant financial year in proportion to and up to the amount allocated to the NCBs.

(vii) *Claims Equivalent to the Transfer of Foreign Reserves*

The Treaty on the Functioning of the European Union, 1992 and Section 5B of the Central Bank Act, 1942 (as amended) provides that the Central Bank has the power to "transfer assets, income or liabilities to the European Central Bank where required under the ESCB Statute". Accordingly, the Central Bank transferred an amount equivalent to €424.8m to the ECB in January 1999, at the commencement of the European Monetary Union, and received in turn a corresponding claim on the ECB equivalent to this amount. A total amount of €683.2m has been transferred since 1 January 1999. The resulting claim on the ECB is remunerated at the latest available interest rate for the main refinancing operations adjusted to reflect a zero return on the gold component (Note 1(c)(ii), Note 18).

(viii) *Off-Balance Sheet Items*

Gains and losses arising from off-Balance Sheet instruments are recognised and treated in a similar manner to on-Balance Sheet instruments (Note 1(k)). Unrealised (valuation) gains are not recognised as income but are accounted for through the Profit and Loss and Appropriation Account and transferred to the revaluation accounts. Unrealised (valuation) losses are taken to the Profit and Loss and Appropriation Account at year-end where they exceed previous revaluation gains in the revaluation accounts on a security-by-security basis.

Unrealised trade date gains/losses on foreign exchange forward contracts are recorded under "Other Assets" (Note 20) or "Other Liabilities" (Note 29) in accordance with the Guideline having been accounted for through the Profit and Loss and Appropriation Account as outlined above. This method is used for foreign exchange forward contracts and the techniques covering the most significant off-Balance Sheet financial instruments, which have been identified for possible use by the ESCB as set out in the Guideline, i.e. foreign exchange forwards, foreign exchange swaps, interest rate swaps, forward rate agreements, forward transactions in securities and options.

Future contracts traded on organised markets are recorded off-Balance Sheet at the notional amount, while daily margin calls paid or received are recognised as net interest income and expenses, under "Net Interest Income" (Note 2).

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(ix) Securities Held for Monetary Policy Purposes

These securities were acquired by the Central Bank within the scope of the purchase programme for CBPP3[61], debt securities acquired in the scope of the SMP[62], the PSPP[63], and the PEPP[64]. The securities are measured at amortised cost and are subject to impairment (Note 2(ii), Note 16(i)). The Governing Council decided on 15 December 2014 that securities held for monetary policy purposes shall be accounted for at amortised cost (subject to impairment), regardless of the holding intention. The Guideline supports this accounting treatment.

(x) *Special Drawing Rights (the 'SDRs') and the International Monetary Fund (the 'IMF')*

SDRs are treated as a currency for accounting purposes and are disclosed under "Claims on Non-Euro Area Residents in Foreign Currency" (Note 11(i)).

The SDRs are international reserve assets, created by the IMF, of which Ireland is a member. SDRs are defined in terms of a basket of currencies and their value is determined by the weighted sum of the exchange rates of five major currencies (US dollar, Euro, Chinese Renminbi, Japanese Yen and Pound sterling).

The holdings of SDRs currency position is converted into Euro using the exchange rate of Euro against the SDR as at the last day of the reporting period.

The liability of the Central Bank to the IMF in respect of the allocation of SDRs to Ireland is disclosed as "Counterpart of SDR Allocated by the IMF" (Note 27). The Central Bank's SDR assets can change as a result of IMF lending operations or exchanges of SDRs for foreign currency with the IMF itself, other IMF members and other official holders of SDRs. SDR holdings may also change as a result of interest payments made by the IMF on the Central Bank's Reserve Position in the IMF and on the Central Bank's SDR holdings net of SDR allocations.

(xi) *Marketable investment funds*

Marketable investment funds held for investment purposes, without the Central Bank intervening in the decisions on the purchase or sale of the underlying assets, are valued at market prices on a net fund basis (Note 1(j)(ii)). These funds denominated in foreign currencies do not form part of the overall currency position but form part of a separate currency holding. They are disclosed in "Other Assets" (Note 20(ii), (iii)). There is no netting between the revaluation results of different marketable investment funds.

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[61] ECB Decision of 15 October 2014 on the implementation of the third Covered Bond Purchase Programme (ECB/2014/40), OJ L 335 22.10.2014, p.22.
[62] ECB Decision of 14 May 2010 establishing a Securities Markets Programme (ECB/2010/5), OJ L 124, 20.5.2010, p. 8.
[63] ECB Decision of 4 March 2015 establishing a secondary markets public sector asset purchase programme (ECB/2015/10), OJ L 121 14.5.2015, p.20.
[64] ECB Decision of 18 March 2020 establishing a pandemic emergency purchase programme (ECB/2020/17), OJ L 91 25.03.2020, p.1.

(xii) *Targeted longer-term refinancing operations ('TLTRO')*

TLTROs are open market operations executed by the Eurosystem. They aim to provide liquidity, of a longer duration than other refinancing operations, to credit institutions (Note 14).

All TLTRO advances are fully secured by collateral approved by the Eurosystem[65]. In accordance with Article 32.4 of the ESCB Statute, any losses from lending to euro area credit institutions related to monetary policy operations, if they were to materialise, should eventually be shared in full by the Eurosystem NCBs, in proportion to the prevailing Eurosystem capital key shares. For specific collateral which can be accepted by NCBs at their own discretion, risk sharing has been excluded by the Governing Council of the ECB.

Losses can only materialise if both the counterparty fails and the recovery of funds received from the resolution of the collateral provided by the counterparty is not sufficient.

Initial recognition
TLTROs are recorded at the nominal value of the transaction. Transactions are reported on the settlement date of the respective transaction under "Lending to Euro Area Credit Institutions related to Monetary Policy Operations in Euro" (Note 14).

Subsequent measurement
These loans are not subject to revaluation and are assessed for impairment when such indicators are identified. In the event that some individual loans or deposits were assessed as impaired, they would be accounted for in accordance with Article 32.4 of the ESCB Statute, as described above.

Interest receivable and payable
Interest is accrued at the agreed interest rate of the transaction. Accruals are included in "Other Assets" (Note 20(i)) or "Other Liabilities" (Note 29(iii)). For collateralised loans, the coupon of the underlying collateral is not accrued, as it belongs to the owner of the security, who records it on their Balance Sheet (an exception may apply in the case of repurchase/reverse repurchase transactions). Accruals are calculated on the basis used in the market in which the transaction was conducted. The first day or the last day accruals method is allowed. The Central Bank applies the last day accruals method.

(xiii) *Shares in the Bank for International Settlements (the 'BIS')*

Shares in the BIS are disclosed under "Other Assets" (Note 20(vii)) and are valued in accordance with the Guideline using mid-market closing exchange rates at year-end (Note 1 (j)(i)).

A dividend received on shares held in the Bank for International Settlements is recorded as "Income from Equity Shares and Participating Interests" (Note 5(i)).

[65] The approved collaterals are listed on the ECB website at: http://www.ecb.europa.eu/mopo/assets/html/index.en.html

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(xiv) *Participating Interest in the ECB*

This represents the Central Bank's contribution to the capital of the ECB. Pursuant to Article 28 of the ESCB Statute, the ESCB NCBs are the sole subscribers to the capital of the ECB. The level of subscriptions is dependent on shares which are fixed in accordance with Article 29.3 of the ESCB Statute and which are adjusted every five years or whenever there is a change in composition of the ESCB national central banks (Note 17).

The participating interest includes the Central Bank's key for subscription of the ECB's capital, and the net amounts paid or received by the Central Bank due to the increase or decrease in its share in the ECB's equity value resulting from all previous ECB capital key adjustments.

(xv) *Balances held with banks and balances held on behalf of other parties*

Balances held with banks and balances held on behalf of other parties represent assets and liabilities disclosed at nominal value converted at the foreign exchange market rate (Note 11, Note 12, Note 13, Note 15, Note 23, Note 25, Note 29).

(d) Income and Expense Recognition

Income and expenses are recognised on an accruals basis.

(e) Property, Plant, Equipment, Intangible Assets and Heritage Assets

Property, Plant, Equipment and Intangible Assets

(i) *Measurement*

Property, Plant, Equipment (PPE) and Intangible Assets are stated at cost less accumulated depreciation, are not revalued and are subject to impairment.

(ii) *Depreciation*

All PPE and Intangible Assets (except for PPE under construction) are depreciated on a straight-line basis over their anticipated useful lives. The Central Bank applies judgement in determining the depreciation rates to be utilised and applies these rates on the basis that they provide an accurate assessment of the anticipated useful lives. In doing so, the estimated useful lives may deviate from the Guideline's recommended depreciation rates. These depreciation rates are as follows:

Property Plant and Equipment

Premises	-	20 - 50 years
Plant and Machinery	-	5 - 15 years
Computer Equipment	-	3 - 5 years
Other Equipment	-	5 years
Furniture, Fixtures and Fittings	-	5 years

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Intangible Assets

Computer Software	-	3 - 5 years

(iii) *Impairment*

PPE and Intangible Assets are reviewed for impairment if events or changes in circumstances indicate their carrying amount may not be recoverable.

(iv) *Derecognition*

PPE or Intangible Assets are derecognised when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at its retirement or disposal. Any gains or losses are recognised in the Profit and Loss and Appropriation Account in the year of retirement or disposal. Gains or losses on the disposal of the asset are determined as the difference between net disposal proceeds and the carrying value of the asset as at the date of the transaction.

(v) *Assets Under Construction or Development*

Fixed assets that comply with capitalisation criteria, but are still under construction or development, are recorded under the heading 'Assets Under Construction' if tangible, or 'Assets Under Development' if intangible. The related costs are transferred to the relevant fixed asset heading once the assets are available for use.

Heritage Assets

The Central Bank currently holds an art collection which is not recognised in its annual accounts on the grounds of materiality in either the current or preceding financial years (Note 21(i)).

(vi) *Basis for capitalisation of internal labour*

Property Plant & Equipment: Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management can be capitalised. These can include the costs of site preparation, initial delivery and handling, installation and assembly, and testing of functionality.
Intangible Assets: Costs of employee benefits (as defined in Section 28 Employee Benefits) arising from the generation of the intangible asset can be capitalised (Note 8).

(f) Retirement Benefits

Under the Central Bank's superannuation scheme, Central Bank staff obtain the same superannuation benefits as established civil servants. Up to 30 September 2008, the Central Bank paid these benefits out of current income as they fell due. On 1 October 2008, a funded pension scheme was established under the Central Bank and Financial Services Authority of Ireland Act, 2003. An amount of €400m, on the advice of the Central Bank's actuaries at that time (Willis), was transferred from the Central Bank's resources to the fund to purchase

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pension fund assets. The Pension scheme is operated on a non-contributory basis for staff employed before 6 April 1995, with the exception of contributions made to the Spouses' and Childrens' Pension Scheme and payments received from eligible staff for the purchase and transfer of notional added service. In the case of staff employed on or after 6 April 1995, contributions are also payable in respect of the main scheme. All pension benefits are paid out of this fund. In accordance with the Guideline, the Central Bank has reverted to local GAAP and discloses the cost of providing benefits in accordance with FRS 102.

Pension scheme assets are measured at fair value. Pension scheme liabilities are measured using the projected unit method, which takes account of projected earnings increases, using actuarial assumptions that give the best estimate of the future cash flows that will arise under the scheme liabilities (Note 30). These cash flows are discounted at interest rates applicable to high-quality corporate bonds of the same currency and term as the liabilities. The pension related charge in the Profit and Loss and Appropriation Account comprises the sum of the current service cost and past service cost (Note 8, Note 30(i)) and the difference between the expected return on scheme assets and the interest cost of scheme liabilities (Note 7, Note 30(i)). The current service cost, any past service costs and interest cost of scheme liabilities for the general body of staff are charged to the Profit and Loss and Appropriation Account and to the Currency Reserve in respect of Mint staff[66]. Actuarial gains and losses are recognised in the Profit and Loss and Appropriation Account (Note 29(ii), Note 30(ii)).

In determining the value of scheme liabilities, assumptions are made as to price inflation, pension increases, earnings growth and demographics. The assumptions underlying the 2022 liabilities and pension costs are set out in Note 30.

(g) Coin Provision and Issue

The Central Bank is involved in the production and issuance of coin on behalf of the Minister for Finance. Proceeds and expenses (including local overhead expenses) relating to the provision and issue of coin are transferred directly to the Currency Reserve under the provisions of the Coinage Act, 1950, the Decimal Currency Acts, 1969-1990 and the Economic and Monetary Union Act, 1998. The cost of production of coin is charged to the Currency Reserve in the year in which it is incurred. Proceeds from the issue of coin are credited to the Currency Reserve in the year they are received (Note 25(ii)). Section 14A of the Economic and Monetary Union Act, 1998 (as inserted by Section 137 of the Finance Act, 2002) which came into operation on 25 March 2002 provides for the net proceeds from the issue of coin, from 1 January 2002, to be passed directly to the Exchequer as directed by the Minister for Finance. Where the net proceeds of coin issue, together with expenses, result in a net cost to the Central Bank, the Minister for Finance reimburses the difference to the Central Bank.

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[66] The Central Bank acts as an agent of the Minister for Finance in the production and issue of euro coins. All seigniorage received is returned to the Irish Exchequer. Expenses incurred at the Mint relating to the provision and issue of coin are charged directly to the Currency Reserve.

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(h) Functional and Presentational Currency

The functional and presentational currency of the Central Bank is euro. Accounting transactions denominated in foreign currency are converted to euro equivalents at exchange rates prevailing at the date of settlement. Monetary assets and liabilities denominated in foreign currency are converted at the spot rate on the Balance Sheet date (Note 1(c)(i), Note 32).

(i) Amortised Income

Premiums and/or discounts arising on securities are amortised on a straight-line basis over the period to their maturity and are included in "Net Interest Income" (Note 2).

(j) Valuation Policy

(i) Assets and liabilities denominated in foreign currency, un-matured investments, foreign currency contracts outstanding and shares in the Bank for International Settlements are valued at mid-market closing exchange rates at year-end (Note 32(ii)). The exchange rate valuation of assets and liabilities is performed on a currency-by-currency basis.

(ii) In accordance with the Guideline, the valuation of securities is performed on a security-by-security basis unless these securities are, in substance, investments in equity funds which are valued on a net basis. Marketable securities not held for monetary policy purposes and classified as mark-to-market (MTM) are valued at mid-market closing prices at year-end where an active market exists. Where market prices are not available or are considered unreliable, fair values are determined using mark-to-model valuation techniques including discounted cash flow models, which to the extent possible, use observable market inputs in accordance with FRS 102. A mark-to-model valuation approach inevitably incorporates a high level of management judgement in the absence of observable market data or when observable market data is judged to be unreliable. This judgement includes but is not limited to: evaluating available market information for comparator instruments; determining the cash flows for the instruments; identifying a risk free discount rate and applying an appropriate credit spread; adjusting the methodology when observable market inputs become unavailable or are unreliable (Note 11(ii)(a), Note 12(ii), Note 13(i), Note 16(ii)(a)).

In accordance with the Guideline applicable to marketable equity instruments, the revaluation of investments in equity funds is performed on a net basis, and not on an individual share basis. Unrealised valuation gains are not recognised as income but are accounted for through the Profit and Loss and Appropriation Account and transferred to revaluation accounts (Note 1(c)(xi), (k), Note 32(iv)).

Unrealised valuation losses are taken to the Profit and Loss and Appropriation Account at year-end where they exceed previous revaluation gains in the revaluation account.

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(iii) Marketable securities not held for monetary policy purposes and classified as held-to-maturity (HTM) are carried at amortised cost and are subject to impairment. An impairment review is completed on an annual basis (Note 13(i), Note 16(ii)(b)).

(iv) Gold is valued at the closing mid-market price (Note 10, Note 32(iii)).

(v) The financial assets and liabilities of the Central Bank are classified as prescribed in FRS 102. Under the fair value hierarchy, for classification of financial assets and liabilities, Level 1 applies where quoted prices (unadjusted) in active markets for identical assets and liabilities are available; Level 2 applies where inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. developed using market data) are available and Level 3 applies where inputs for the asset or liability that are not based on observable market data (unobservable inputs) are used. All mark-to-market investments are classed as Level 1 financial instruments unless otherwise stated (Note 11(ii)(a), Note 12(ii), Note 13(i), Note 16(ii)(a)).

(k) Recognition of Gains and Losses

Realised gains and losses arising from sales of foreign exchange, gold and securities are accounted for through the Profit and Loss and Appropriation Account. All realised gains and losses are calculated by reference to average cost.

The movement in unrealised gains identified at the end of every financial year in accordance with the Central Bank's valuation policy (Note 1(j)) is accounted for through the Profit and Loss and Appropriation Account and transferred to the revaluation accounts.

Unrealised losses at year-end are accounted for through the Profit and Loss and Appropriation Account to the extent that they exceed previous revaluation gains on a security-by-security basis, or on a net basis in respect of equity funds. Unrealised losses accounted for through the Profit and Loss and Appropriation Account in this manner may not be reversed in subsequent years against future unrealised gains.

(l) Reverse Transactions

Reverse transactions are operations whereby the Central Bank buys or sells assets for cash under a repurchase/reverse repurchase agreement.

Under a repurchase agreement, securities are sold for cash with a simultaneous agreement to repurchase them from the counterparty at an agreed price on a set future date, including accrued interest. Repurchase agreements are recorded on the liability side of the Balance Sheet as there is a corresponding obligation to return the consideration (Note 24). Securities sold under such an agreement remain on the Balance Sheet of the Central Bank, reflecting the transaction's economic substance as a loan to the Central Bank. The Central Bank retains substantially all of the risks and rewards of ownership.

Under a reverse repurchase agreement, securities are bought for cash with a simultaneous agreement to sell them back to the counterparty at an agreed price on a

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set future date, including accrued interest. Reverse repurchase agreements are recorded on the asset side of the Balance Sheet as there is a corresponding obligation on the seller to return the consideration Note 12(i), Note 15(i)) but are not included in the Central Bank's securities holdings, reflecting the transaction's economic substance as a loan made by the Central Bank.

Repurchase and reverse repurchase agreements give rise to interest income or interest expense in the Profit and Loss and Appropriation Account. The difference between the sale and repurchase price or the purchase and resale price is treated as interest income or interest expense and is accrued over the life of the agreement (Note 2(vii)).

(m) Provisions

(i) Impairment

All provisions are reviewed annually (Note 31). Where created, in respect of investment assets, allowances for credit risks are recorded in separate liability accounts (i.e. there is no direct write-down of the carrying amount of individual assets).

In respect of provisions relating to securities, the Central Bank assesses at each Balance Sheet date whether there is objective evidence that a security or group of securities is impaired. A security or a group of securities is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the security (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the security or group of securities that can be reliably estimated.

Objective evidence of impairment includes observable data about the following loss events, which are not exhaustive:

(i) delinquency in contractual payments of principal or interest

(ii) cash flow difficulties of the debtor

(iii) the initiation of a debt restructuring arrangement

(iv) significant deterioration in the sustainability of sovereign debt

(v) external rating downgrade below an acceptable level

(vi) adverse national or local economic conditions or adverse changes in industry conditions.

The Central Bank first assesses whether objective evidence of impairment exists individually for securities that are individually significant, and individually or collectively for securities that are not individually significant. If the Central Bank determines that no objective evidence of impairment exists for individually assessed securities, whether significant or not, it includes the securities in a group of securities with similar credit risk characteristics and collectively assesses them for impairment.

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Securities that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a security has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the security's original effective interest rate.

Future cash flows in a group of securities that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group suitably adjusted on the basis of current observable data. Where observable data is not available, specific formulae are applied to the calculation using management's expert judgement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (Note 3(iii), Note 31).

(ii) Provision for Financial Risks

Given the nature of the operations of a central bank, the Central Bank, in accordance with the Guideline, may recognise a provision on the Balance Sheet for financial risks.

This provision is based on a comprehensive assessment of financial risks facing the Central Bank, with due consideration given to the expected impact on the Central Bank's Balance Sheet. The size of and continuing requirement for this provision is reviewed annually, based on the Central Bank's assessment of its exposure to this risk, and taking a range of factors into account. In the event that a provision release is identified from the comprehensive assessment it will be released in the financial year identified (Note 3(iii), Note 31(i)).

(iii) Restructuring Provision

Restructuring is a programme that is planned and controlled by management, and materially changes either the scope of a business undertaken by an entity or the manner in which that business is conducted.

A provision for restructuring costs is recognised when the general recognition criteria for provisions are met.

The Central Bank accounts for restructuring costs in accordance with FRS 102 (Note 31(iii)).

(iv) *Provision for Eurosystem Monetary Policy Operations Counterparty Risk*

In accordance with the decision of the Governing Council taken under Article 32.4 of the ESCB Statute, the provision against credit risks in monetary policy operations is allocated between the National Central Banks (NCBs) of participating Member States in proportion to their subscribed capital key shares in the ECB prevailing in the year when the initial impairment occurred.

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(n) Critical Accounting Estimates and Judgements

The preparation of the Statement of Accounts in conformity with the Guideline and FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Central Bank's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the Statement of Accounts are as follows:

- Impairment: (Note 1(j)(iii), (m)(i), Note 3(iii))
- Provisions: (Note 31)
- Depreciation rates: (Note 1(e)(ii), Note 21)
- Defined Benefit Pension Scheme valuation: (Note 30)
- Valuation of the Special Portfolio: (Note 1(j)(ii)(v), Note 16(ii)(a)(i))
- Levy Income: (Note 39(iii))
- Valuation of Investment Properties: (Note 1 (p), Note 7 (iv), Note 20 (v), Note21 (i)(a))

(o) Surplus Income

The Central Bank complies with Statutory Instrument 93/1943 - Central Bank of Ireland (Surplus Income) Regulations, 1943. The Central Bank may retain up to a maximum of 20% of profit in each year. The amount retained is appropriated to reserves and is subject to the approval of the Commission each year (Note 9, Note 29(ii)).

(p) Investment Property

Property held for long term rental yields and capital appreciation is classified as investment property.

Initial Measurement

Investment properties are initially recognised at cost which includes the purchase cost and any directly attributable expenditure and are recorded in "Other Assets" (Note 20(v)).

Subsequent Measurement

Investment properties whose fair value can be measured reliably are measured at fair value. In accordance with the Central Bank's accounting policies, management undertake an annual review to determine the fair value of the Central Bank's investment property.

In accordance with the Guideline, unrealised gains on revaluations are posted to revaluation accounts and unrealised losses are posted to the Profit and Loss and Appropriation Account at the end of the year. Falls in fair value are offset against revaluation accounts, but only to the extent that they reverse previously recognised unrealised gains.

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Rental Income

Rental income is accounted for on a straight-line basis over the lease term and is recognised within “Other Net Income” (Note 7(iv)).

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

(q) Central Credit Register

The Central Credit Register (CCR), a national mandatory database of personal and credit information, is maintained and operated by the Central Bank under the Credit Reporting Act 2013 and associated regulations. The operation of the CCR by the Central Bank should not give rise to a profit or loss and as such all costs associated with it are recouped through fees charged to the Credit Information Providers (CIPs). Fees charged to CIPs for credit reports issued, are recorded in “Other Net Income” (Note 7(iii)). Staff and all other costs (including an allocation of indirect costs) are included within the relevant cost categories in the Profit and Loss and Appropriation Account. In order to ensure no profit or loss arises on the operation of CCR, any costs which are not yet recouped through fee income, are reflected in the CCR asset account in Other Assets (Note 7(iii), Note 20(ix)).

(r) Recognition of Contingent Liabilities

A contingent liability is either a possible but uncertain obligation or a present obligation that is not recognised because as at the reporting date the payment is not deemed probable or the amount cannot be estimated reliably. Contingent liabilities are not recognised by the Central Bank but are disclosed unless the probability of their occurrence is remote (Note 34).

Note 2: Net Interest Income

	2022 €000	2021 €000
TARGET2 (i)	566,149	-
Securities for Monetary Policy Purposes (ii)	270,801	224,226
Securities - MTM (iii)	142,767	153,186
Securities - HTM (iv)	65,489	137,531
Deposits (v)	20,752	5,831
SDR (vi)	13,723	7,039
Reverse Repurchase Agreements (vii)	8,785	400
Government Deposits (viii)	8,204	139,802
Repurchase Agreements (vii)	5,354	12,197
Other (ix)	4,526	911
Transfer of Foreign Reserve Assets to ECB (x)	3,408	-
Insurance Compensation Fund (xi)	57	288
Credit Institutions Deposits (viii)	-	316,144
DGS Contributory Fund (xii)	-	70
Interest Income	**1,110,015**	**997,625**
Credit Institutions Deposits (viii)	(152,703)	-
Allocation of Euro Banknotes within the Eurosystem (xiii)	(125,475)	-
Open Market Operations (xiv)	(107,445)	(165,804)
Other (xv)	(39,813)	(1,466)
Reverse Repurchase Agreements (vii)	(10,361)	(19,214)
Swaps (xvi)	(5,719)	(6,614)
DGS Contributory Fund (xii)	(1,399)	-
Deposits (xvii)	(436)	(760)
Repurchase Agreements (vii)	(359)	-
Credit Institutions Resolution Fund (xviii)	(151)	-
Bank and Investment Resolution Fund (xix)	(123)	-
Interest Expense	**(443,984)**	**(193,858)**
Total	**666,031**	**803,767**

(i) This item relates to interest income earned as a result of euro cross-border payments transacted over the TARGET2 system. The interest income on these balances, which are remunerated at the short-term refinancing rates of the Eurosystem, is calculated by the ECB at the end of each day. Interest income in 2022 reflects a rise in the average Main Refinancing Operations (MRO) interest rate to 0.57% (2021: 0.0%) (Note 1(c)(ii)).

(ii) This item incorporates income on securities held for monetary policy purposes broken down as follows (Note 1(c)(ix), Note 16(i), Note 40):

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Securities Held for Monetary Policy Purposes

	2022 €000	2021 €000
PSPP	262,350	219,900
CBPP3	7,611	10,217
SMP	6,365	13,899
PEPP	(5,525)	(19,790)
Total	**270,801**	**224,226**

The change in the level of net income earned in 2022 is a reflection of the associated levels of activity under each programme and the relative returns on the assets (Note 16(i)).

Income on securities held for monetary policy purposes includes coupon income and amortisation of any premiums/discounts arising on the securities.

(iii) This item relates to interest income on securities classified as MTM in the Central Bank's investment portfolio.

Income earned on securities held in the Special Portfolio amounted to €106.7m (2021: €141.5m). This portfolio of securities is comprised of floating rate notes and was acquired following the Irish Bank Resolution Corporation (IBRC) liquidation in February 2013. The decrease in interest earned on the Special Portfolio reflects lower average balances as a result of sales during the period (Note 16(ii)(a)).

Interest income earned on other securities (other than the special portfolio) in the MTM portfolios increased to €36.1m (2021: €11.7m). This increase is due to higher yields on the Central Bank's foreign currency investments which includes the Singapore dollar (SGD), US dollar (USD), Australian dollar (AUD) and Chinese renminbi (CNY) portfolios, as well as positive yields on euro investments.

Income on MTM securities includes coupon income and amortisation of any premiums/discounts arising on the securities.

(iv) This relates to income earned on bonds classified as HTM in the Central Bank's investment portfolio. Interest earned on these securities has decreased to €65.5m (2021: €137.5m) as a result of a combination of higher yielding bonds maturing in the portfolio, as well as a decision made by the Central Bank to reduce the size of the HTM portfolio as part of its investment strategy (Note 13(i), Note 16(ii)(b)).

Income on HTM securities includes coupon income and amortisation of any premiums/discounts arising on the securities.

(v) Deposit income primarily relates to income earned on foreign currency deposits. The increase in income to €20.8m (2021: €5.8m) is largely due to an increase in USD and CNY deposits in 2022 (Note 11(ii)).

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(vi) This relates to interest on Ireland's Quota in the IMF and Ireland's SDR holdings (Note 11(i)). The IMF pays interest every quarter at the SDR interest rate. The increase in SDR income relates to an increase in the SDR rate, reflecting the aggregate increase in underlying yields in the majority constituents of the SDR basket, over the course of 2022.

(vii) This relates to income earned or interest incurred by the Central Bank as part of the management of its investment assets. The Central Bank uses repurchase/reverse repurchase transactions with approved counterparties under Global Master Repurchase Agreement (GMRA) legal agreements. Income or expenses generated represents the difference between the sale and repurchase/purchase and subsequent sell prices. Average yields were less negative in 2022, with the reduction in average negative interest rates contributing to the increase in interest income (Note 1(l), Note 12(i), Note 15(i), Note 24).

(viii) Up to 14 September 2022, Government Deposits were remunerated at the lower of the Euro Short Term Rate (€STR) or the Deposit Facility Rate (DFR) with a ceiling of 0%. From 14 September 2022 these deposits were remunerated at the lower of €STR and DFR and the 0% ceiling was removed (per Governing Council decision on 8 September 2022)[67]. As a result, they were remunerated at the €STR rate which was positive, reducing overall interest income for 2022 to €8.2m (2021: €139.8m) (Note 25(i), Note 29(iii), Note 40).

During 2022, there were several rate increases by the ECB, which affected the deposit facility and resulted in the average DFR rate for 2022 increasing to 0.08% (2021: -0.50%).

Credit Institutions in the euro area are required to hold minimum average reserve deposits. Interest was remunerated on these deposits at the MRO rate up to 20 December 2022. On 27 October 2022, the Governing Council decided[68] that from 21 December 2022 these deposits were to be remunerated at the DFR rate (Note 23 (ii)).

As a result, the Central Bank recorded an interest expense on Credit Institutions Deposits of €152.7m (2021: income €316.1m) (Note 20(vi), Note 23(i)).

Credit Institutions Deposits

	2022 €000	2021 €000
Current accounts (covering the minimum reserve system)	191,880	269,735
Deposit facility	(344,583)	46,409
Total	**(152,703)**	**316,144**

[67] Decisions of the Governing Council on the 8th of September 2022 https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.mp220908~c1b6839378.en.html
[68] Decisions of the Governing Council on the 27th of October 2022 https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.mp221027~df1d778b84.en.html

(ix) The increase in Other income to €4.5m (2021: €0.9m) is mainly due to an increase in interest income relating to variation margins on futures contracts for USD funding income (Note 36(ii), Note 40).

(x) This relates to the remuneration of Foreign Reserve Assets transferred to the ECB. The increase in income reflects a higher average MRO interest rate in 2022. (Note 1 (c)(vii), Note 18).

(xi) This relates to income on the Insurance Compensation Fund which is remunerated at the DFR rate. Interest income is lower in 2022 due to the increases in the DFR interest rate during the year (Note 29(viii)).

(xii) This relates to income on the Deposit Guarantee Scheme (DGS) Contributory Fund which is remunerated at the DFR rate. DGS Contributory Fund income became an expense in 2022 due to the increase in the DFR interest rate during the year (Note 29(i)).

(xiii) This interest expense is based on the difference between the value of euro banknotes allocated to each NCB in accordance with its banknote allocation key and the value of the euro banknotes that the Central Bank actually puts into circulation. This is remunerated at the latest available marginal interest rates used by the Eurosystem in its tender for main refinancing operations. The interest expense reflects a higher average MRO interest rate in 2022 of 0.57% (2021: 0.0%) (Note 1 (c)(ii) (c)(iv), Note 28, Note 29(iii)).

(xiv) This item consists of the net expense on Longer Term Refinancing Operations (LTROs) held by the Central Bank. The decrease in the expense to €107.4m (2021: €165.8m) is as a result of early repayments of TLTRO borrowings in 2022. (Note 14).

(xv) The increase in Other interest expense is primarily due to an increase in interest expenses relating to variation margins on futures contracts used to hedge the Euro MTM portfolio (Note 36(ii), Note 40).

(xvi) The lower expense is due to a reduction in the size of the SDR foreign exchange contracts in 2022 (Note 36(i)).

(xvii) This relates to interest expense payable on deposit bank account balances (Note 15).

(xviii) This relates to interest expense on the Credit Institutions Resolution Fund which is remunerated at the lower of the €STR and DFR. In 2021 the Central Bank held no balance relating to the fund, the balance was transferred to the Central Bank in 2022, resulting in an interest expense being recorded due to the increases in the €STR and DFR interest rates during the year (Note 29(iv)).

(xix) This relates to interest expense on the Bank and Investment Resolution Fund which is remunerated at the lower of the €STR and DFR. In 2021 the Central Bank held no balance relating to the fund, the balance was transferred to the Central Bank in 2022,

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resulting in an interest expense being recorded due to the increases in the €STR and DFR interest rates during the year (Note 29(v)).

Note 3: Net Result of Financial Operations, Write-Downs and Provisions

(i) Net Realised Gains arising from Financial Operations

	2022 €000	2021 €000
Realised Price Gains on Securities	1,463,653	1,273,304
- Special Portfolio (i)	*1,470,250*	*1,273,000*
- MTM Portfolio (ii)	*(6,333)*	*304*
- HTM Portfolio (iii)	*(264)*	*-*
Realised Exchange Rate Gains (iv)	25	340
Total	**1,463,678**	**1,273,644**

(i) This reflects the realised gains on the sales of the Floating Rate Notes (FRNs) (Note 16(ii)(a)(i)). Gains on the sales of the special portfolio have increased to €1,470.3m (2021: €1,273.0m) primarily due to higher sales in 2022 (€3.0bn nominal) compared to 2021 (€2.0bn nominal).

(ii) This reflects the realised losses on securities in the MTM portfolio, other than special portfolio securities. Realised losses of €6.3m (2021: gain of €0.3m) relate to the maturity of bonds purchased at a negative yield. Furthermore, the increase in interest rates in 2022, resulted in rising yields and a decrease in prices (Note 11(ii)(a), Note 12(ii), Note 13(i), Note 16(ii)(a)).

(iii) This reflects the realised losses on securities in the HTM portfolio. Realised losses of €0.3m (2021: Nil) are due to the forced sales from the portfolio dictated by the ECB in order to adhere to ECB purchase program limits (Note 13(i), Note 16(ii)(b)).

(iv) This reflects the realised exchange rate gains on the sale of assets in the Central Bank's investment portfolio (Note 11(ii), Note 12).

(ii) Write-Downs on Financial Assets and Positions

	2022 €000	2021 €000
Unrealised Price Losses on Securities (i)	(90,292)	(11,763)
Unrealised Price Losses on Funds (ii)	(25,105)	(1,241)
Unrealised Exchange Rate Losses (iii)	(211)	(50)
Total	**(115,608)**	**(13,054)**

(i) The increase in unrealised price losses on securities to €90.3m (2021: €11.8m) relates to the reduced market value of securities at year end (Note 11(ii)(a), Note 12(ii), Note 13(i), Note 16(ii)(a)).

(ii) The increase in unrealised price losses on the Central Bank's investments in BIS funds relates to lower market values on the funds at year end (Note 20(ii)).

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(iii) The unrealised exchange rate loss in 2022 mainly relates to an IMF debt relief transaction as part of the Heavily Indebted Poor Countries (HIPC) Initiative. Amounts owing from the Minister for Finance in relation to debt relief to Sudan and Somalia provided via SCA-1 accounts, including amounts that would otherwise have been redistributed to the Central Bank on liquidation of the SCA-1 account, were reimbursed to the Central Bank in December 2022, realising an exchange rate loss of €0.2m (Note 20(x)).

(iii) Transfer to Provisions

	2022 €000	2021 €000
Provision for Financial Risks (Note 31(i))	(1,200,000)	(500,000)
Restructuring Provision (Note 31(iii))	811	(2,214)
Total	**(1,199,189)**	**(502,214)**

Note 4: Income from Fees and Commissions

	2022 €000	2021 €000
Securities Lending	1,927	1,336
TARGET2 Distribution of Pooled Income	1,448	1,300
Service Fees and Charges	605	622
Total	**3,980**	**3,258**

Note 5: Income from Equity Shares and Participating Interests

	2022 €000	2021 €000
BIS Dividend (i)	2,980	5,358
Share of ECB Profits (ii)	706	9,027
Total	**3,686**	**14,385**

(i) This item represents a dividend received on shares held in the Bank of International Settlements (Note 1(c)(xiii), Note 20(vii), Note 34(i)).

(ii) This item represents the Central Bank's share of the ECB's final profit distribution for 2021, paid in February 2022. With respect to 2022, the Governing Council, in view of the ECB's overall financial result for the year, decided there would be no profit distribution for 2022 (Note 1(c)(v), Note 19(ii)).

Note 6: Net Result of Pooling of Monetary Income

	2022 €000	2021 €000
Net Result of Pooling of Monetary Income	(323,160)	(166,015)
Total	**(323,160)**	**(166,015)**

This represents the difference between the monetary income pooled by the Central Bank of €444.2m (2021: €188.3m) and that reallocated to the Central Bank of €120.8m (2021: €19.8m) following the distribution of total Eurosystem monetary income among NCBs in

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accordance with their respective capital key shares, together with interest as shown in the table below.

Included within the monetary income reallocation figure is an adjustment on net results for previous years of €0.2m (2021: €2.5m) (Note 1(c)(vi)).

	2022 €000	2021 €000
Monetary income pooled	(444,241)	(188,296)
Monetary income reallocated	120,840	19,815
Net Payer of Monetary Income	**(323,401)**	**(168,481)**
Previous Years' Eurosystem Adjustments	241	2,466
Total (Note 19)	**(323,160)**	**(166,015)**

Note 7: Other Net Income

	2022 €000	2021 €000
Financial Regulation Monetary Penalties (i)	213,661	67,031
Financial Regulation Net Industry Funding Levy (ii)	193,527	185,336
Expected Return on Pension Fund Assets (Note 30(i))	9,500	5,000
Other (iii)	8,465	7,814
Other Financial Regulation Income (Note 39)	5,591	5,519
Rental Income (iv)	2,636	3,309
Interest on Pension Scheme Liabilities (Note 30(i))	(16,100)	(10,200)
Total	**417,280**	**263,809**

(i) Monetary penalties represent amounts payable to the Central Bank by financial services providers in relation the breaches of regulatory requirements. These are recognised following the conclusion of settlement agreements with those entities, with an assessment undertaken at the year end on the collectability of outstanding penalties. If collectability of these penalties is doubtful, a provision will be recognised. The full amount of these penalties, amounting to €213.7m (2021: €67.0m) were paid at year end, and is included in “Surplus Income Payable to the Exchequer” (Note 9), with the increase in 2022 due to greater settlement amounts.

(ii) The composition of Financial Regulation Net Industry Funding Levy is provided in Note 39.

(iii) Included in Other is Central Credit Register (CCR) Income of €8.9m (2021: €6.5m) which represents fees charged to Credit Information Providers (CIPs) for credit reports issued. Lenders have been charged for enquiry on the CCR since 1 July 2019 (Note 1(q), Note 20(ix)). Additionally, income of €2.5m (2021: €2.2m) relating to Bank Account Register (BAR), Beneficial Ownership Register (BOR) and Beneficial Ownership Registers Interconnection System (BORIS) levies was recorded in 2022.

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This has been partially offset by losses amounting to €3.7m and €0.1m which were recorded due to the sales of the West wing of Block R, Spencer Dock and an investment property on 30 September 2022 (Note 20(v), Note 21(i)(a), Note 40).

(iv) Rental income relates to the rental proceeds arising from the portion of Block R, Spencer Dock which is let out on a commercial basis to third parties (Note 1(p), Note 20(v)). In July 2021 the annual rent increased from €1.6m to €2.6m following the finalisation of a scheduled rent review. The increase, agreed in July 2021, was effective from the official rent review date per the lease of 11th May 2020. The backdated increase in rent was therefore accounted for in 2021.

Note 8: Total Expenses

	Total Head Office & Printworks*		Mint **		Total***	
	2022 €000	2021 €000	2022 €000	2021 €000	2022 €000	2021 €000
Salaries/Allowances (i)	166,382	158,119	2,171	2,192	168,553	160,311
Pensions (Note 30(i))	66,000	81,600	-	-	66,000	81,600
PRSI	17,114	16,080	216	218	17,330	16,298
Staff Expenses	**249,496**	**255,799**	**2,387**	**2,410**	**251,883**	**258,209**
Staff Expenses Capitalised (Note 1(e)(vi))	(4,554)	-	-	-	(4,554)	-
Net Staff Expenses	**244,942**	**255,799**	**2,387**	**2,410**	**247,329**	**258,209**
IT	26,718	24,486	169	57	26,887	24,543
Contract Labour	9,781	16,419	99	104	9,880	16,523
Miscellaneous (ii)	9,225	6,623	6	2	9,231	6,625
Professional Fees (iii)	7,740	9,110	5	24	7,745	9,134
Payments and Custody Fees (iv)	7,260	6,259	3	30	7,263	6,289
Rent and Utilities	5,136	4,432	339	300	5,475	4,732
Facilities and Maintenance	4,279	3,983	459	439	4,738	4,422
Corporate Subscriptions	3,046	2,833	7	6	3,053	2,839
Training	2,188	2,078	8	11	2,196	2,089
Recruitment & Other Staff Costs (v)	1,771	1,174	3	2	1,774	1,176
Travel (vi)	663	33	14	1	677	34
Other Operating Expenses	**77,807**	**77,430**	**1,112**	**976**	**78,919**	**78,406**
Depreciation	**13,080**	**15,033**	**171**	**157**	**13,251**	**15,190**
Currency Production Raw Materials (vii)	**5,863**	**7,851**	**1,802**	**199**	**7,665**	**8,050**
Total Expenses******	**341,692**	**356,113**	**5,472**	**3,742**	**347,164**	**359,855**

* Head Office and Printworks expenses comprise all expenses (including financial regulatory and printwork expenses) other than those relating to the Mint.

** Expenses incurred at the Mint relating to the provision and issue of coin are charged directly to the Currency Reserve (Note 1(g), Note 25(ii)).

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*** The classification of the expenses in the current year and the comparatives have been updated to enhance the information provided.

**** Totals in the financial statements and in the tables included in the note may not add up due to rounding. The figures 0 and (0) indicate positive or negative amounts rounded to zero, while a dash (-) indicates zero.

(i) Payments in lieu of notice totalling €6,558 were paid to two individuals during the year (2021: €1,661).

There were no settlements included in Pay for 2022 (2021: €15,500 – two settlements). Included in Professional Fees in 2021 is €7,500 contribution to the legal costs of one individual involved in these settlements and €35,743 in relation to the Central Bank's own legal costs.

One Executive Commission member was placed on garden leave during 2022 for six months (2021: Nil). Garden leave, as a term and condition of employment is standard practice across the ECB and NCBs and was required by the ECB Code of Conduct for High-Level Officials in this situation. Such periods, often also called "cooling off periods", are necessary in ensuring that actual or perceived conflicts of interest, including post-employment conflicts of interest, are avoided or minimised following the resignation of a staff member. In this case, the individual's contract of employment provided that for any duration of garden leave, base salary would be payable. This amounted to €129,323 and is included as part of the overall salary in the Remuneration of Executive Commission members in 2022 table below. The decision on whether to place staff members on garden leave is made on a case-by-case basis and included consideration, inter alia, of the person's role within the Bank and the person's new employer and the ECB requirements.

Staff Expenses are further analysed into the following:

Staff Expenses (including Mint)

	2022 €000	2021 €000
Staff short-term benefits	168,546	160,309
Pensions (Note 30(i))	66,000	81,600
Employers PRSI	17,330	16,298
Termination benefits	7	2
Total	**251,883**	**258,209**
Staff Numbers (FTE) at 31 December	2,103	2,110

FTE – full time equivalents inclusive of maternity cover and interns

Staff Salaries and Allowances are analysed into the following:

Short Term Benefits (including Mint)

	2022 €000	2021 €000
Basic Pay	165,921	157,924
Allowances	788	632
Overtime	1,837	1,753
Total	**168,546**	**160,309**

Included in Basic Pay is an accrual in respect of untaken annual leave of €9.9m (2021: €11.4m) (Note 29(vi)).

Remuneration of the Executive Commission members in 2022

Name	2022	Salary	2021	Salary
Gabriel Makhlouf Governor (a)(b)	1 January - 31 December	€307,108	1 January - 31 December	€293,257
Sharon Donnery Deputy Governor Financial Regulation (a)(d)	1 January - 31 December	€267,050	1 January - 31 December	€255,006
Ed Sibley Deputy Governor Prudential Regulation (a)	1 January - 31 August	€207,617	1 January - 31 December	€255,006
Mark Cassidy Acting Deputy Governor Monetary & Financial Stability (a)	1 July - 31 October	€76,858	N/A	N/A
Vas Madouros Deputy Governor Monetary & Financial Stability (a)	1 November - 31 December	€44,990	N/A	N/A

Salaries increased in line with Public Service pay agreements since 2013.

Fees of Non-Executive Commission Members

Name	2022	2021
David Miles	€14,936	€14,936
John Trethowan	€14,936	€14,936
Niamh Moloney	€14,936	€14,936
Patricia Byron	€14,936	€14,936
Sarah Keane	€14,936	€14,936
Shay Cody	€14,936	€14,936
John Hogan (c) (Appointed – 8 June 2021)	Nil	Nil
Derek Moran (c) (Retired – 30 May 2021)	Nil	Nil

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Expenses of Non-Executive Commission Members (e)

Name	Travel	Accommodation and Subsistence	Total 2022	Total 2021
David Miles	€1,807	€1,764	€3,571	€763
John Trethowan	€850	€1,360	€2,210	€460
Niamh Moloney	Nil	Nil	Nil	Nil
Patricia Byron	Nil	Nil	Nil	Nil
Sarah Keane	Nil	Nil	Nil	Nil
Shay Cody	Nil	Nil	Nil	Nil
John Hogan (c) (Appointed – 8 June 2021)	Nil	Nil	Nil	Nil
Derek Moran (c) (Retired – 30 May 2021)	Nil	Nil	Nil	Nil

(a) The pension scheme entitlements of Governor Gabriel Makhlouf, Deputy Governor Sharon Donnery, Deputy Governor Ed Sibley, Acting Deputy Governor Mark Cassidy and Deputy Governor Vas Madouros does not extend beyond the standard entitlements in the Central Bank's defined benefit superannuation scheme (Note 30).

(b) Governor Gabriel Makhlouf is also in receipt of a UK public service pension.

(c) In keeping with the One Person One Salary principle, one (2021: two) non-executive members of the Commission did not receive payment of any fees.

(d) On 1 July 2022, Sharon Donnery transferred from her previous role of Deputy Governor Central Banking to her current role of Deputy Governor Financial Regulation.

(e) The expenses of Non-Executive Commission members have increased following the lifting of COVID-19 restrictions that allowed for the commencement of in person meetings.

Remuneration of Key Management Personnel[69]

	2022 €000	2021 €000
Gross Salary	12,133	11,498
Total	**12,133**	**11,498**

The Central Bank operates a Revenue Commissioners approved holiday loan scheme for all staff. Included in this amount are advances totalling €45,700 (2021: €29,950) to 14 Key Management Personnel (2021: six Key Management Personnel). As at 31 December 2022 all advances under this scheme have been fully repaid (2021: fully repaid).

[69] Key Management Personnel refers to staff at Head of Division and above, and includes the executive Commission members disclosed separately in Note 8, as prescribed in the Code of Practice for the Governance of State Bodies 2016. Other than those disclosed in this note, no further benefits have been received by Key Management Personnel.

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Employees Short-term Benefits in excess of €60,000[70]

Pay Bands	2022 No. of People	2021 No. of People
60,000-70,000	313	296
70,000-80,000	380	341
80,000-90,000	166	142
90,000-100,000	110	316
100,000-110,000	281	54
110,000-120,000	109	88
120,000-130,000	24	37
130,000-140,000	41	60
140,000-150,000	49	11
150,000-160,000	19	30
160,000-170,000	22	2
170,000-180,000	1	2
180,000-190,000	3	6
190,000+	17	12
Total	**1,535**	**1,397**

(ii) Included in Miscellaneous are €7.4m of CCR related costs, €3.2m of which related to outsourced services and a €4.2m release of CCR recoverable costs (Note 20(ix)). In addition to this, the expenses of the Financial Services Appeals Tribunal €0.2m (2021: €0.1m) which the Central Bank discharges, in accordance with the provisions of Section 57AX(4) of the Central Bank Act, 1942 (as amended).

(iii) Included in Professional Fees are Auditors' fees payable to Mazars and the Comptroller and Auditor General which amounted to:

Auditors' Fees[71]	2022 €000	2021 €000
Audit of Individual Accounts	**339**	**334**
Mazars	171	171
Comptroller and Auditor General	168	163
Other Assurance Services	**54**	**54**
Mazars	54	54
Other Non-Audit Services	**147**	**113**
Mazars	147	113
Total	**540**	**501**

Included in Professional Fees and analysed in the following table are Consultancy costs charged to income and expenditure totalling €4.6m (2021: €5.7m). The balance of €4.8m (2021: €1.7m) relates to Consultancy Costs Capitalised which is included in PPE and Intangible Assets (Note 21).

[70] Short-term benefits includes Basic Pay, Allowances and Overtime payments to staff.
[71] Auditors' Fees are shown exclusive of VAT so that the net amount received by the supplier is disclosed.

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Consultancy

	2022 €000	2021 €000
IT	3,805	2,325
Premises	1,137	1,403
Legal Advice	1,349	1,332
Other	120	1,063
Financial	1,079	991
Pensions & HR	127	174
Business Improvement	1,743	115
Total	**9,360**	**7,403**

Consultancy Costs Charged to Income and Expenditure	4,564	5,675
Consultancy Costs Capitalised	4,796	1,728
Total	**9,360**	**7,403**

Included in Professional Fees are legal costs in relation to legal proceedings totalling €1.0m (2021: €1.7m).

Legal Fees

	2022 €000	2021 €000
Legal fees – legal proceedings	1,031	1,702
Total	**1,031**	**1,702**

The above legal proceedings costs include all legal costs incurred in relation to legal proceedings initiated by or taken against the Central Bank. The cost in relation to legal proceedings above relates to 16 separate legal cases (2021: 17).

The Central Bank's insurance company paid €6,550 (2021: Nil) relating to legal costs and settlements.

(iv) Included in Payments and Custody Fees are Prompt Payments charges. The Central Bank is obliged to comply with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations, 2012 (SI.580 of 2012), which provides that penalty interest will become payable if payments for commercial transactions are not met within 30 days, unless otherwise specified in a contract or agreement. The following is a summary of penalty interest payments made to suppliers during 2022, with corresponding figures for 2021.

Late Payments	2022	2021
Total Number of Late Payments	63	9
Total Value of All Late Payments (A)	€692,400	€55,882
Total Value of All Payments (B)	€128,144,822	€205,939,038
A as a % of B	0.54%	0.03%
Total Value of Interest Paid on Late Payments	€5,809	€540

(v) Included in Recruitment & Other Staff Costs above is Hospitality Expenditure of €0.2m (2021: €0.1m), analysed as follows:

Hospitality Expenditure	2022 €000	2021 €000
Staff Hospitality	153	97
Client Hospitality	-	-
Total	**153**	**97**

The hospitality expenditure disclosed above is classified in accordance with the Code of Practice for the Governance of State Bodies (2016).

The Central Bank does not engage in Client Hospitality. The above amounts do not include expenditure on refreshments/hospitality associated with business operations such as conference hosting, events and meetings.

(vi) The spend on Travel is analysed as follows:

Travel (including Mint)	2022 €000	2021 €000
Domestic		
Commission*	17	1
Staff	81	25
International		
Commission*	52	4
Staff	527	4
Total	**677**	**34**

*Commission includes both executive and non-executive members.

(vii) Currency Production Raw Materials expense relates to the production of banknotes €5.9m (2021: €7.9m) and coin €1.8m (2021: €0.2m). The reduced banknote costs in 2022 was due to a lower unit cost per banknote than in 2021, and also due to the carryover of a portion of the 2022 production allocation to 2023. Coin materials increased in 2022 due to the purchase of coin blanks and the gold materials purchased for collector coins.

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Note 9: Surplus Income Payable to the Exchequer

Surplus Income of €500.1m is payable to the Exchequer in respect of the year ended 31 December 2022 (2021: €1,067.6m) (Note 1(o), Note 29(ii)). The gross amount is payable to the Exchequer as, under Section 6J of the Central Bank Act, 1942 (as amended), the Central Bank is exempt from Corporation Tax and Capital Gains Tax.

Note 10: Gold and Gold Receivables

	2022 €000	2022 Fine Ounces of Gold	2021 €000	2021 Fine Ounces of Gold
Gold and Gold Receivables	659,566	386,598	492,855	306,221
Total	**659,566**	**386,598**	**492,855**	**306,221**

Gold and gold receivables consist of coin stocks held in the Central Bank, together with gold bars held at the Bank of England and Banque de France. The increase in the balance at year-end 2022 is due to purchases of gold as part of the Central Bank's long term investment strategy and an increase in the market value of gold holdings from the year-end 2021 to 2022 (Note 1(j)(iv), Note 32(iii)).

Note 11: Claims on Non-Euro Area Residents in Foreign Currency

	2022 €000	2021 €000
Receivables from the IMF (i)	6,381,290	6,004,008
Balances with Banks and Security Investments, External Loans and other External Assets (ii)	4,865,039	4,843,846
Total	**11,246,329**	**10,847,854**

(i) Receivables from the International Monetary Fund (IMF)

	2022 €000	2021 €000
Quota	4,321,311	4,267,911
Less IMF Holdings maintained by the Bank	(3,167,716)	(3,270,867)
Reserve Position in the IMF (a)	1,153,595	997,044
SDR Holdings (b)	5,227,695	5,006,964
Total	**6,381,290**	**6,004,008**

(a) Reserve Position in the IMF:

This asset represents the difference between Ireland's Quota in the IMF and the IMF's holdings of euro maintained by the Central Bank. Ireland's Quota is its membership subscription. On 15 December 2010, the Board of Governors of the IMF completed a package of reforms of the Fund's quotas and governance. The conditions for implementing the quota increases agreed were met on 26 January 2016[72]. The holdings of euro by the IMF,

[72] As a result, Ireland's IMF quota increased by SDR 2,192.3m from SDR 1,257.6m to SDR 3,449.9m on 19 February 2016.

maintained with the Central Bank, which initially were equal to 75% of the Quota, have changed from time to time as a result of instructions received from the IMF regarding its lending to member countries. The current percentage holding is 73% (2021: 77%) (Note 1(b)).

(b) Special Drawing Rights (SDRs) Holdings:

The SDR is an international reserve asset, which was created by the IMF and allocated to member countries in the 1970s/80s in order to increase international liquidity. The SDR is defined in terms of a basket of currencies. Its value is determined as the weighted sum of exchange rates of five currencies (US dollar, Euro, Chinese renminbi, Japanese yen, and Pound sterling) (Note 1(c)(x), (Note 27).

(ii) Balances with Banks and Security Investments, External Loans and other External Assets

	2022 €000	2021 €000
Security Investments - MTM (a)	3,226,048	3,179,681
Balance with Banks	1,638,991	1,664,165
Total	**4,865,039**	**4,843,846**

(a) These securities comprise debt issued by non-euro area issuers (Note 1(j)(ii)).

Breakdown by foreign currency

	2022 €000	2021 €000
USD	2,656,306	2,470,036
JPY	744,232	941,483
AUD	514,541	510,083
CNY	510,686	509,235
SGD	438,539	412,216
Other	735	793
Total	**4,865,039**	**4,843,846**

Maturity Profile

	2022 €000	2021 €000
0 - 3 months	1,944,979	1,808,332
3 months - 1 year	791,487	1,111,039
1 - 5 years	2,128,573	1,924,475
Total	**4,865,039**	**4,843,846**

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Note 12: Claims on Euro Area Residents in Foreign Currency

	2022 €000	2021 €000
Reverse Repurchase Agreements (i)	92,402	112,583
Security Investments - MTM (ii)	21,892	75,549
Balances with Banks	3,435	1,407
Total	**117,729**	**189,539**

Breakdown by foreign currency

	2022 €000	2021 €000
USD	114,167	172,862
AUD	3,365	16,673
SGD	196	4
Other	1	-
Total	**117,729**	**189,539**

Maturity Profile

	2022 €000	2021 €000
0 - 3 months	114,495	168,453
1 - 5 years	3,234	21,086
Total	**117,729**	**189,539**

(i) As part of the management of its investment assets, the Central Bank uses repurchase transactions with approved counterparties under GMRA legal agreements. The decrease in reverse repurchase agreements with euro area residents in foreign currency to €92.4m (2021: €112.6m) relates to a general reduction in reverse repurchase activity (Note 1(l)).

(ii) These securities comprise debt issued by euro area issuers in foreign currency (Note 1(j)(ii)). The year-end 2022 balance relates to USD and AUD bonds issued by EU residents. The decrease in holdings of these securities was due to reduced opportunities to reinvest into similar securities.

Note 13: Claims on Non–Euro Area Residents in Euro

	2022 €000	2021 €000
Security Investments - HTM (i)	1,952,934	1,817,765
Balances with Banks (ii)	379,356	46,799
Security Investments - MTM (i)	188,542	39,899
Total	**2,520,832**	**1,904,463**

Maturity Profile

	2022 €000	2021 €000
0 - 3 months	554,675	71,639
3 months - 1 year	406,589	49,980
1 - 5 years	1,296,176	1,544,173
5 - 10 years	263,392	238,671
Total	**2,520,832**	**1,904,463**

(i) These securities comprise debt issued by non-euro area issuers. The increase in holdings of these securities was related to regular market activities (Note 1(j)(ii), Note 1(j)(iii)).

(ii) The increase in balances with banks to €379.4m (2021: €46.8m) was due to more regularised market activities in the management of the Central Bank's investment assets as a result of the ECB increasing interest rates to restore price stability.

Note 14: Lending to Euro Area Credit Institutions related to Monetary Policy Operations in Euro

	2022 €000	2021 €000
Longer Term Refinancing Operations of which TLTROs	219,400	21,048,400
Total	**219,400**	**21,048,400**

Maturity Profile

	2022 €000	2021 €000
3 months - 1 year	134,900	9,720
1 - 5 years	84,500	21,038,680
Total	**219,400**	**21,048,400**

These balances consist of advances to local credit institutions and reflect the Central Bank's participation in Eurosystem monetary policy operations. As at 31 December 2022, total Eurosystem lending to euro area credit institutions related to monetary policy operations denominated in euro, which includes both main refinancing operations and longer term refinancing operations, amounted to €1,324.3bn (€2021: €2,201.9bn), of which the Central Bank held €0.2bn (2021: €21.0bn) (Note 1 (c)(xii)).

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These operations aim to provide counterparties with additional longer-term refinancing. These operations were conducted at a fixed rate with allotment of the total amount bid. In addition to the series of seven quarterly targeted longer-term refinancing operations (TLTRO-III) introduced in 2019, the Governing Council added three operations to this in December 2020, which were conducted between June and December 2021. These operations have a three-year maturity. For the first seven TLTRO-III, from September 2021, starting 12 months after the settlement of each TLTRO-III, participants have the option on a quarterly basis of terminating or reducing the amount of TLTRO-III concerned before maturity. For the eighth or subsequent TLTRO-III, participants have that option on a quarterly basis starting in June 2022. According to the initial decisions taken by the Governing Council, the final interest rate applicable to each TLTRO-III operation could be as low as the average interest rate on the deposit facility prevailing over the life of the operation. Furthermore, in response to the COVID-19 shock, in 2020[73] the Governing Council decided that for the period between 24 June 2020 and 23 June 2021 and the period between 24 June 2021 and 23 June 2022 – referred to the as the *special interest rate period and the additional special interest rate period respectively* – the interest rate applicable can be as low as 50 basis points below the average interest rate on the deposit facility prevailing over the same period, but in any case may not become less negative than -1.0%. Additionally, on 27 October 2022 the Governing Council decided that, from 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO-III operation, the interest rate on TLTRO-III operations will be indexed to the average applicable key ECB interest rates over this period. On the same date, the Governing Council decided that three additional voluntary early repayment dates are introduced to provide TLTRO-III participants with additional opportunities to partly, or fully, repay their respective TLTRO-III borrowings before their maturity.

The actual interest rates can only be known at the maturity or early repayment of each operation and before that a reliable estimate is only possible as far as the interest rate related data regarding the special interest rate period and the additional special interest rate period have already been communicated to the counterparties. This means, that for the annual accounts 2022, the following approach was applied for calculating the TLTRO-III interest accruals: (i) until 23 June 2022, the interest rates over the additional special interest rate period, for which the interest rate related data was communicated to the counterparties on 10 June 2022, (ii) for the period from 24 June 2022 until 22 November 2022, the interest rate was linked to the average applicable key ECB interest rate from the settlement date until 22 November 2022, and (iii) for the period 23 November 2022 until 31 December 2022, the interest rate was indexed to the average applicable key ECB interest rate over this period. Furthermore, the impact of policy rate changes in 2022 on interest of the pre-special interest rate period is also considered in 2022.

[73] Decisions of the Governing Council of 30 April 2020 and 10 December 2020 https://www.ecb.europa.eu/press/govcdec/otherdec/2020/html/ecb.gc200504~fbc1bc4114.en.html & https://www.ecb.europa.eu/press/govcdec/otherdec/2020/html/ecb.gc201211~ef1f417b08.en.html#:~:text=On%2010%20December%202020%20the,activity%20and%20safeguarding%20medium%2Dterml

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The decrease in the balances to €219.4m (2021: €21,048m) is as a result of early repayments of longer term TLTRO borrowings in 2022, with a majority of the remaining instruments due to mature in 2023 (Note 2(xiv)).

Note 15: Other Claims on Euro Area Credit Institutions in Euro

	2022 €000	2021 €000
Reverse Repurchase Agreements (i)	1,489,174	2,334,277
Balances with Banks	157,307	154,820
Total	**1,646,481**	**2,489,097**

These items have a maturity of less than one year.

(i) As part of the management of its investment assets, the Central Bank uses repurchase transactions with approved counterparties under GMRA legal agreements. The decrease in reverse repurchase agreements with euro area residents in euro to €1,489.2m (2021: €2,334.3m) relates to a general reduction in reverse repurchase activity (Note 1(l)).

Note 16: Securities of Euro Area Residents in Euro

	2022 €000	2021 €000
Securities Held for Monetary Policy Purposes (i)	62,990,868	61,903,311
Other Securities (ii)	10,364,821	17,316,289
Total	**73,355,689**	**79,219,600**

(i) Securities Held for Monetary Policy Purposes

Securities Held for Monetary Policy Purposes reflect the euro-denominated CBPP3 portfolio which began in October 2014, the SMP, which began in May 2010, the PSPP which began in March 2015 and the PEPP which was introduced in March 2020 in response to the COVID-19 pandemic.

As at 31 December 2022, this item consisted of securities acquired by the Central Bank within the scope of the CBPP3, the SMP, the PSPP and the PEPP.

Securities purchased under all of these programmes are measured on an amortised cost basis subject to impairment (Note 1(c)(ix)).

The amortised cost of the securities held by the Central Bank, as well as their market values (which are not recorded on the Balance Sheet or in the Profit and Loss and Appropriation Account but are provided for comparison purposes only), are as follows:

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	2022 €000 Amortised Cost	2022 €000 Market Value	2021 €000 Amortised Cost	2021 €000 Market Value
CBPP3	1,455,089	1,404,570	2,524,404	2,549,089
SMP	101,802	109,162	101,026	122,918
PSPP *of which*	39,082,179	33,712,471	37,896,147	39,564,062
Government/Agency Securities (Own-Risk)	*35,995,430*	*31,000,546*	*34,470,479*	*35,974,827*
Supranational Securities (Shared-Risk)	*3,086,749*	*2,711,925*	*3,425,668*	*3,589,235*
PEPP *of which*	22,351,798	18,116,046	21,381,734	21,090,494
Government/Agency Securities (Own-Risk)	*22,351,798*	*18,116,046*	*21,375,822*	*21,084,580*
Covered Bonds (Shared-Risk)	*-*	*-*	*5,912*	*5,914*
Total	**62,990,868**	**53,342,249**	**61,903,311**	**63,326,563**

Maturity Profile

	2022 €000 Amortised Cost	2021 €000 Amortised Cost
0 - 3 months	3,889,112	3,786,316
3 months - 1 year	314,416	3,180,309
1 - 5 years	18,158,435	18,291,347
5 - 10 years	24,306,776	21,494,122
10-15 years	7,201,517	4,883,080
> 15 years	9,120,612	10,268,137
Total	**62,990,868**	**61,903,311**

Purchases under the SMP were terminated on 6 September 2012.

During the first quarter of 2022, the Eurosystem continued its net asset purchases under the APP[74] which constitutes the CBPP3, the ABSPP[75], the PSPP[76] and the Corporate Sector Purchase Programme (CSPP)[77] at a monthly pace of €20.0bn on average. In March 2022, the Governing Council decided[78] to revise the net purchase amounts to €40.0bn in April, €30.0bn in May and €20.0bn in June, while in June 2022 the Governing Council decided[79] to end net asset purchases under the APP as of 1 July 2022. From March 2023, the APP portfolio declined at a measured and predictable pace, as the Eurosystem did not reinvest all of the

[74] Further details of the APP can be found on the ECB's website.
[75] Decision ECB/2014/45 of 19 November 2014 on the implementation of the asset backed securities purchase programme.
[76] Under this programme, the ECB and the NCBs may purchase, in the secondary market, euro-denominated securities issued by euro area central, regional or local governments, recognised agencies located in the euro area and international organisations and multilateral development banks located in the euro area.
[77] Under this programme, the NCBs may purchase investment-grade euro-denominated bonds issued by non-bank corporations established in the euro area.
[78] See the press release of 10 March 2022 of the Governing Council's decisions.
[79] See the press release of 9 June 2022 of the Governing Council's decisions.

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principal payments from maturing securities. The decline is estimated to amount to €15.0bn per month on average until the end of the second quarter of 2023 and its subsequent pace will be determined over time. The Governing Council will regularly reassess the pace of the APP portfolio reduction to ensure it remains consistent with the overall monetary policy strategy and stance, to preserve market functioning, and to maintain firm control over short-term money market conditions.

In addition, during the first quarter of 2022 the Eurosystem continued its net asset purchases under the PEPP[80], though at a lower pace than in the previous quarter, following the Governing Council decision in December 2021[81]. Based on the same decision, the net PEPP purchases were discontinued at the end of March 2022. The Governing Council intends to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2024. In June 2022, the Governing Council decided to apply flexibility in reinvesting redemptions coming due in the PEPP portfolio with a view to countering risks to the monetary policy transmission mechanism related to the pandemic. The future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

The Governing Council assesses on a regular basis the financial risks associated with the securities held under these programmes. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end and are approved by the Governing Council. There was no impairment of securities held under the SMP, ABSPP, CBPP3, PSPP and PEPP programmes as at 31 December 2022 (2021: Nil).

The Eurosystem aggregate holdings of monetary policy securities at end December 2022 amounted to €4,479.9bn of which the Central Bank held €63.0bn (2021: €4,713.5bn of which the Central Bank held €61.9bn) (see table below) (Note 1(c)(ix), Note 2(ii)):

Amortised Cost	Year	SMP €m	CBPP1 €m	CBPP2 €m	CBPP3 €m	PSPP €m	ABSPP €m	CSPP €m	PEPP €m	Total €m
Eurosystem	2022	2,143	-	-	276,857	2,341,809	-	344,119	1,514,981	4,479,909
	2021	6,522	429	2,406	298,167	2,487,136	28,477	309,676	1,580,665	4,713,478
Bank	2022	102	-	-	1,455	39,082	-	-	22,352	62,991
	2021	101	-	-	2,524	37,896	-	-	21,382	61,903

[80] Further details on the PEPP can be found on the ECB's website.
[81] See the press release of 16 December 2021 of the Governing Council's decisions.

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(ii) Other Securities

"Other Securities" includes marketable securities that are not held for monetary policy operations of the Eurosystem.

	2022 €000	2021 €000
Security Investments - MTM (a)	5,243,730	10,892,938
Security Investments - HTM (b)	5,121,091	6,423,351
Total	**10,364,821**	**17,316,289**

Maturity Profile

	2022 €000	2021 €000
0 - 3 months	786,004	1,724,268
3 months - 1 year	1,697,778	2,173,729
1 - 5 years	3,416,881	3,953,309
5 - 10 years	967,873	531,757
> 15 years	3,496,285	8,933,226
Total	**10,364,821**	**17,316,289**

(a) Security Investments – MTM

	2022 Closing Market Value €000	2021 Closing Market Value €000
Special Portfolio (i)	3,496,287	8,933,227
Government Issue Bonds	1,587,493	1,607,884
Treasury Bills	159,950	351,827
Total	**5,243,730**	**10,892,938**

(i) Special Portfolio – Assets acquired following liquidation of IBRC

Floating Rate Notes (FRNs)

In 2013, the Central Bank acquired eight FRNs amounting to €25.0bn as part of the exchange of assets on the liquidation of IBRC. The eight FRNs acquired ranged in maturity from 2038 to 2053. These are classified as Level 3 type securities (Note 1(j)(v)). During 2022, the Central Bank sold €0.5bn nominal of the 2051 FRNs and €2.5bn nominal of the 2053 FRNs realising gains amounting to €1.5bn (2021: sold €2.0bn nominal of the 2051 FRNs, gain €1.3bn) (Note 3(i)). On a cumulative basis, the Central Bank has disposed of €22.5bn nominal of the FRNs. All holdings of the 2038, 2041, 2043, 2045, 2047, 2049 and 2051 FRNs have now been disposed of. As at 31 December 2022, the remaining FRNs of €2.5bn nominal (2021: €5.5bn nominal) were valued at €3.5bn (2021: €8.9bn) giving rise to an unrealised gain of €1.0bn (2021: €3.4bn) (Note 32(i)).

As there is no active market in the FRNs, the Central Bank measures the fair value of the FRNs using an internal model which applies valuation methods and techniques that are generally recognised as standard within the industry. The fair value of these securities has been estimated using a discounted cash flow valuation technique incorporating:

(a) An estimated "6 month forward" Euribor curve which can change over time in response to a variety of factors, including supply and demand for liquidity in banks as well as economic growth and inflation expectations.

(b) A zero coupon yield curve compiled from the Irish yield curve for the period for which directly observable market prices are available, and thereafter extrapolated using observable yields on other relevant European yield curves that are trading in active markets.

Model factors require judgement to ensure they are appropriately estimated over time. The model is periodically evaluated by the Central Bank to ensure that it is consistent with best practice. For illustrative purposes a twenty-five basis point increase in the Irish discount curve used in the pricing model will result in a decrease in valuation by approximately €0.1bn (2021: €0.5bn). A twenty-five basis point decrease in the Irish discount curve used in the pricing model will result in an increase in valuation by approximately €0.1bn (2021: €0.5bn).

	BOOK VALUES				REVALUATION MOVEMENTS			SUMMARY		
€000	2021 Closing Balance	Purchases	Sales/ Redemptions	2022 Closing Balance	2021 Closing Balance	Opening Revaluation on Disposal	Movement on Retained Portfolio	2022 Closing Balance	2021 Closing Market Value	2022 Closing Market Value
Floating Rate Notes	5,534,000	-	(3,000,000)	2,534,000	3,399,227	(1,838,865)	(598,075)	962,287	8,933,277	3,496,287
Total	**5,534,000**	**-**	**(3,000,000)**	**2,534,000**	**3,399,227**	**(1,838,865)**	**(598,075)**	**962,287**	**8,933,277**	**3,496,287**

The above table shows the movement in the book values and the valuation of securities which were acquired following the IBRC liquidation during 2013. The Central Bank intends to sell the portfolio of FRNs as soon as possible, provided conditions of financial stability permit.

(b) Security Investment – HTM

Held-to-maturity securities are securities with fixed or determinable payments and a fixed maturity which the Central Bank intends to hold to maturity (Note 1(j)(iii)). The decrease in the HTM portfolio to €5.1bn (2021: €6.4bn) relates to a decision by the Central Bank to reduce the size of the HTM portfolio.

Securities purchased under the HTM portfolio are measured on an amortised cost basis subject to impairment (Note 1(j)(iii)). There was no impairment of these securities held at 31 December 2022 (2021: Nil)).

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Note 17: Participating Interest in ECB

	2022 €000	2021 €000
Participating Interest in ECB	237,271	226,940
Total	**237,271**	**226,940**

This represents the Central Bank's contribution to the capital of the ECB (Note 1(c)(xiv)). It is adjusted every five years or when there is a change in composition of the ESCB national central banks. The most recent such adjustment took effect on 1 February 2020 following the withdrawal of the UK from the EU.

The Central Bank's share in subscribed capital of the ECB is 1.3772% (2021: 1.3772%) (Note 1(c)(iii) Note 34(ii)).

The subscribed capital of the ECB is €10,825.0m. After the Bank of England's withdrawal from the ESCB on 31 January 2020, the ECB kept its subscribed capital unchanged and the share of the Bank of England in the ECB's subscribed capital was reallocated among both the euro area NCBs and the remaining non-euro area NCBs.

The ECB's paid-up capital also remained unchanged at €7,659.0m in 2020, as the remaining NCBs covered the withdrawn Bank of England's paid-up capital of €58.0m. In addition, the Governing Council decided that the euro area NCBs would pay up in full their increased subscriptions in two annual instalments in 2021 and 2022[82]. As a result, the Central Bank was required to pay up the first instalment of €10.3m on 29 December 2021, increasing its share in the paid-up capital of the ECB from €128.4m in 2020, to €138.7m in 2021. Similarly, the Central Bank was required to pay up the second instalment of €10.3m on 28 December 2022, increasing its share in the paid-up capital of the ECB from €138.7m in 2021 to €149.0m in 2022.

Note 18: Claims Equivalent to the Transfer of Foreign Reserves

	2022 €000	2021 €000
Claims equivalent to the transfer of foreign reserves	683,175	683,175
Total	**683,175**	**683,175**

These represent the Central Bank's claims arising from the transfer of foreign reserve assets to the ECB when the Central Bank joined the Eurosystem. The Central Bank's claim in respect of those assets is €683.2m (2021: €683.2m), which is fixed in proportion to its Eurosystem capital key share (Note 1 (c)(ii), Note 1 (c)(iii), Note 1(c)(vii), Note 34(ii)).

[82] In particular, Decision (EU) 2020/138 of the ECB of 22 January 2020 on the paying-up of the European Central Bank's capital by the national central banks of Member States whose currency is the euro and repealing Decision (EU) 2019/44 (ECB/2020/4), Decision (EU) 2020/136 of the ECB of 22 January 2020 on the paying-up of the European Central Bank's capital by the non-euro area national central banks and repealing Decision (EU) 2019/48 (ECB/2020/2) and Decision (EU) 2020/139 of the ECB of 22 January 2020 laying down the terms and conditions for transfers of the European Central Bank's capital shares between the national central banks and for the adjustment of the paid-up capital and repealing Decision (EU) 2019/45 (ECB/2020/5).

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The Central Bank's Eurosystem capital key as at 31 December 2022 is 1.6934% (2021: 1.6934%).

The claims are denominated in euro at a value fixed at the time of their transfer. They are remunerated at the latest available interest rate for the main refinancing operations, adjusted to reflect a zero return on the gold component (Note 2(x)).

Note 19: Other Claims within the Eurosystem (net)

	2022 €000	2021 €000
TARGET2 Balance (net) (i)	101,975,640	84,768,093
Share of ECB Profits (ii)	-	2,540
Net Result of Pooling of Monetary Income (iii)	(323,160)	(166,015)
Total	**101,652,480**	**84,604,618**

(i) This item represents the Central Bank's net asset from the ECB as a result of euro cross-border payments transacted over the TARGET2 system by all NCBs participating in the ESCB, which amounted to €102.0bn (2021: €84.8bn) (Note 1(c)(ii)). The increase in the TARGET2 asset reflects a net inflow of euro into the State, via the Central Bank's TARGET2 account over the period. The inflows were largely channelled through credit institutions' reserve accounts (Note 23).

At year-end 2022, five non-participating countries (Bulgaria, Croatia, Denmark, Poland and Romania) were members of TARGET2 and, therefore, included in the multilateral netting process. The remuneration of TARGET2 positions, with the exception of balances arising from back-to-back swap transactions, is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

(ii) In 2021 this item included the amount due to the Central Bank in respect of the ECB's interim profit distribution. With respect to 2022, the Governing Council, in view of the ECB's overall financial result for the year, decided to retain the full amount of income derived from banknotes in circulation, as well as income earned on securities purchased under the SMP, APP and PEPP. Therefore no related amounts were due at the end of 2022 (Note 1(c)(v), Note 5(ii)).

(iii) This represents the Central Bank's monetary income payable (Note 1(b), Note 1(c)(iii), Note 1(c)(vi), Note 6).

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Note 20: Other Assets

	2022 €000	2021 €000
Accrued Interest Income (i)	959,362	726,238
Property, Plant, Equipment and Intangible Assets (Note 21)	462,431	472,224
- Tangible - Plant, Property, Equipment (Note 21(i))	*418,746*	*449,382*
- Intangible - Computer Software (Note 21 (ii))	*43,685*	*22,842*
BIS Funds (ii)	421,064	440,614
Equity Fund (iii)	351,841	400,776
Funding Levy (iv)	190,314	187,856
Investment Property (v)	46,200	50,740
Other (vi)	32,885	84,908
Shares in the Bank for International Settlements (vii)	22,583	21,828
Accrued Interest Purchased (viii)	16,118	57,394
Prepayments	7,769	5,934
Central Credit Register Recoverable Costs (ix)	550	4,711
IMF Debt Relief (x)	-	6,712
Total	**2,511,117**	**2,459,935**

(i) This item includes the accrued income earned on the Central Banks portfolio of securities. The increase largely relates to remuneration of TARGET2 balances.

(ii) The Central Bank invests in a number of bond funds as part of its long term investment strategy. These funds are externally managed by the BIS on behalf of the Central Bank, while the underlying assets are held by a custodian (Note 1(c)(xi),(j)(ii), (k), Note 3(ii), Note 7(iii), Note 32, Note 35).

(iii) The Central Bank invests in an equity fund as part of its investment strategy. The equity fund tracks the MSCI World Index. The fund is managed by an asset management company on behalf of the Central Bank, while the underlying assets are held by a custodian (Note 1(c)(xi),(j)(ii), (k), Note 7(iii), Note 32(iv), Note 35).

(iv) The net funding levy of €190.3m (2021: €187.9m) relates to income owed to the Central Bank from industry regulated entities of €192.4m (2021: €190.7m) which will be levied in 2023 as well as a provision for outstanding levies of €2.1m (2021: €2.8m) (Note 39(iv)).

(v) In November 2015 the Central Bank acquired Block R, Spencer Dock, comprising of West and East wing. The property, which comprised both commercial and retail space, was partially assigned to the Central Bank for its operations, with the remainder being either let out or available for letting on the open market. The West wing, comprising a tangible fixed asset of office space and an investment property of a retail unit, was sold on 30 September 2022. The respective losses on sale of these assets of €3.7m and €0.1m have been included in Other Income (Note 7). As at 31 December 2022, the Central Bank remains in possession of the East wing, which is an investment property valued at €46.2m at that date. The fair value of the investment property was determined by an external, independent property valuator, having recognised professional qualifications and recent experience in the location and category of the property being valued. Any unrealised losses in relation to this revaluation are treated in accordance with the Guideline (Note 1(p), Note 32).

The sale did not affect the lease which has been in place with a third party for a portion of the East wing since 2015. This lease has a remaining term of 13 years with a break clause in 5 years. The lease includes a provision for a five-yearly rent review according to prevailing market conditions. The most recent rent review was agreed on 27 July 2021 (Note 7(iv)). The future minimum lease payments receivable arising from this lease are as follows:

Future Minimum Lease Payments Receivable

	2022 €000	2021 €000
Not later than one year	2,636	2,636
After one year but not more than five years	10,546	10,546
After five years	19,401	22,038
Total	**32,583**	**35,220**

(vi) Included in Other is an amount of €14.3m (2021: €24.7m) relating to debtors and €9.9m (2021: €2.7m) relating to cash collateral accounts and a supplementary VAT return that the Central Bank is entitled to reclaim on the Mayor Street buildings from Revenue of €10.9m. The year on year decrease primarily relates to accrued interest income on Government Deposits in 2021, being recognised as an accrued interest expense due to increases in key Eurosystem interest rates during 2022 (Note 2(viii), Note 29(iii)).

(vii) The Central Bank holds 8,564 shares (2021: 8,564 shares) in the Bank for International Settlements, the euro equivalent of which is €22.6m (2021: €21.8m) (Note 1(c)(xiii), Note 5(i), Note 34(i)).

(viii) Accrued interest purchased has decreased to €16.1m (2021: €57.4m) which is largely driven by reduced purchasing activity in monetary policy securities in 2022.

(ix) The balance in the CCR asset account was €0.5m (2021: €4.7m) representing the costs of the CCR yet to be recouped through fees charged to CIPs (Note 1(q), Note 7(iii)).

(x) In 2021, this debtor related to monies due to the Central Bank from the Exchequer (€6.5m) in respect of income transferred from Ireland's Special Contingent Account (SCA-1) and deferred charges adjustments to the Administered Account held with the IMF. These funds were utilised to fund Ireland's contribution to two debt relief programmes to countries eligible for the Heavily Indebted Poor Countries (HIPC) Initiative, in March 2020 and June 2021. Amounts owing from the Exchequer were reimbursed to the Central Bank in December 2022 (Note 3(ii)).

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Note 21: Property, Plant, Equipment and Intangible Assets

(i) Tangible Property, Plant and Equipment (PPE)

	Premises		Plant & Machinery		Computer Equipment		Other Equipment		Furniture, Fixtures & Fittings		Assets Under Construction (c)		Total Tangible Fixed Assets*	
	2022 €000	2021 €000	2022 €000	2021 €000	2022 €000	2021 €000	2022 €000	2021 €000	2022 €000	2021 €000	2022 €000	2021 €000	2022 €000	2021 €000
At Cost - 1 January	163,789	163,789	44,414	80,075	19,281	15,321	7,133	7,139	16,799	16,845	289,441	258,137	540,857	541,306
Transfer	578	-	498	190	1,300	3,960	191	106	423	-	(2,990)	(4,256)	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	34,233	35,560	34,233	35,560
Disposals (a)	(64,237)	-	(1,753)	(35,851)	-	-	(148)	(112)	(132)	(46)	-	-	(66,270)	(36,009)
At Cost - 31 December	100,130	163,789	43,159	44,414	20,581	19,281	7,176	7,133	17,090	16,799	320,684	289,441	508,820	540,857
Accumulated Depreciation at 1 January	32,589	28,624	22,338	53,858	14,438	11,433	6,805	6,826	15,305	13,084	-	-	91,475	113,825
Depreciation for Year (b)	3,448	3,965	2,708	2,680	1,782	3,005	112	91	1,029	2,267	-	-	9,079	12,008
Disposals	(8,447)	-	(1,753)	(34,200)	-	-	(148)	(112)	(132)	(46)	-	-	(10,480)	(34,358)
Accumulated Depreciation at 31 December	27,590	32,589	23,293	22,338	16,220	14,438	6,769	6,805	16,202	15,305	-	-	90,074	91,475
Net book value at 31 December	**72,540**	**131,200**	**19,866**	**22,076**	**4,361**	**4,843**	**407**	**328**	**888**	**1,494**	**320,684**	**289,441**	**418,746**	**449,382**

* An in depth analysis of each investment item in the Assets Under Construction (AUC) account, which is manually split between tangibles and intangibles, has resulted in a reclassification of the tangible and intangible opening balances for consistency (Note 40).

(a) Premises with an original acquisition cost of €64.2m and a net book value of €55.8m, were transferred or disposed during the year. Of this book value, €5.6m (6th floor of East wing Spencer Dock) was transferred from Fixed Assets to Investment Assets, and the remaining amount of €50.2m (6 floors of West wing Spencer Dock) was sold. The proceeds on disposal were €46.5m ; a loss of €3.7m has been recognised as an expense in the Profit and Loss Appropriation account (Note 7(iii), Note 29(ii)). Additionally, disposals across the other asset classes primarily relate to the retirement of zero value assets that are no longer in use by the Central Bank.

(b) Of the total depreciation charge of €9.1m (2021: €12.0m), €0.2m in respect of Mint machinary was charged to the Currency Reserve (2021: €0.1m).

(c) Assets Under Construction (AUC) relates to capital expenditure incurred on assets which have not yet come into use by the year-end (Note 1(e)(v)). An amount of €312.9m relates to the building of the Mayor Street premises, which is part of the Campus Development Strategy of the Central Bank.

(d) The Central Bank currently holds an art collection valued at €2.1m based on a 2022 valuation (2021: €2.1m), which is not recognised in the annual accounts of the Central Bank on the grounds of materiality in either the current or preceding financial years (Note 1(e)).

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(ii) Intangible Computer Software

	Computer Equipment		Assets Under Development (a)		Total Intangible Fixed Assets*	
	2022 €000	2021 €000	2022 €000	2021 €000	2022 €000	2021 €000
At Cost - 1 January	51,121	39,236	7,267	14,330	58,388	53,566
Transfer	4,303	11,900	(4,303)	(11,900)	-	-
Acquisitions	-	-	25,015	4,837	25,015	4,837
Disposals	(25)	(15)	-	-	(25)	(15)
At Cost - 31 December	55,399	51,121	27,979	7,267	83,378	58,388
Accumulated Depreciation at 1 January	35,546	32,379	-	-	35,546	32,379
Depreciation for Year	4,172	3,182	-	-	4,172	3,182
Disposals	(25)	(15)	-	-	(25)	(15)
Accumulated Depreciation at 31 December	39,693	35,546	-	-	39,693	35,546
Net Book Value at 31 December	**15,706**	**15,575**	**27,979**	**7,267**	**43,685**	**22,842**

* An in depth analysis of each investment item in the Assets Under Development (AUD) account, which is manually split between tangibles and intangibles, has resulted in a reclassification of the tangible and intangible opening balances for consistency (Note 40).

a) AUD relates to capital expenditure incurred on assets which have not yet come into use by the year-end (Note 1(e)(v)). The €4.3m transfer from the AUD account to the Intangible Computer Equipment asset category was in relation to development work on various internally generated intangible assets which were completed during the year.

Note 22: Banknotes in Circulation

	2022 €000	2021 €000
Total value of euro banknotes issued into circulation by the Central Bank	46,710,441	44,281,381
Liability resulting from the ECB's share of euro banknotes in circulation	(2,129,636)	(2,092,182)
Liability according to the Central Bank's weighting in the ECB's capital key	(20,088,531)	(18,127,664)
Total	**24,492,274**	**24,061,535**

This item consists of the Central Bank's share of total euro banknotes issued by the Eurosystem. The total value of euro banknotes in circulation is allocated to each NCB on the last working day of each month in accordance with the banknote allocation key.

The value of the euro banknotes actually issued by the Central Bank increased by 5.5% (2021: 5.6%) in 2022, from €44.3bn to €46.7bn. The total value of banknotes in circulation within the Eurosystem increased by 1.8% (2021: 7.7%) from 1 January 2022 to end December 2022.

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According to the allocation key, the Central Bank had euro banknotes in circulation worth €24.5bn at year-end 2022, compared to €24.1bn at year-end 2021. As the banknotes actually issued by the Central Bank were more than the allocated amount, the difference of €22.2bn (2021: €20.2bn) is shown in "Liabilities Related to the Allocation of Euro Banknotes within the Eurosystem" (Note 1(b), Note 1(c)(iv), Note 28).

Note 23: Liabilities to Euro Area Credit Institutions related to Monetary Policy Operations in Euro

	2022 €000	2021 €000
Deposit Facility (i)	96,815,372	12,622,000
Current Accounts (covering the minimum reserve system) (ii)	5,634,995	95,525,764
Total	**102,450,367**	**108,147,764**

(i) The deposit facility is available to counterparties to place funds with the Central Bank on an overnight basis at the DFR. The DFR rates moved from -0.5% to 0% on 27 July 2022, to 0.75% on 14 September 2022, to 1.5% on 2 November 2022 and to 2.0% on 21 December 2022 (Note 2(viii)).

(ii) Credit institutions in the euro area are required to hold minimum average reserve deposits, excluding funds of credit institutions that are not freely disposable and accounts of credit institutions exempt from minimum reserve requirements, with their respective NCBs for the purpose of liquidity management.

Since June 2014 any reserves held in excess of the minimum requirements are charged at the lower of 0% or the DFR.

Starting on 30 October 2019, the Governing Council introduced a two-tier system for reserve remuneration, which exempted part of credit institutions' excess liquidity holdings from negative remuneration at the rate applicable on the deposit facility. This part was remunerated at the annual rate of 0%. The volume of reserve holdings in excess of minimum reserve requirements that was exempt at year-end from the deposit facility rate – the exempt tier – was determined as a multiple of 6 on an institution's minimum reserve requirements[83]. The non-exempt tier of excess liquidity holdings continued to be remunerated at the lower of either 0% or the DFR. Following the raising of the DFR to above 0% as of 14 September 2022[84], the Governing Council decided to suspend the two-tier system as it was no longer necessary.

[83] The multiplier may be adjusted by the Governing Council over time with changing levels of excess liquidity holdings.
[84] Decisions of the Governing Council on the 8th of September 2022 https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.mp220908~c1b6839378.en.htm.

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Interest has been paid on these deposits at the MRO rate up to 20 December 2022. On 27 October 2022 the Governing Council decided that, starting from 21 December 2022, these deposits will be remunerated at the Eurosystem's DFR[85].

The movement from the current accounts to the deposit facility reflects the fact the deposit facility became positively remunerated in 2022, while the current account is remunerated at 0%.

Note 24: Other Liabilities to Euro Area Credit Institutions in Euro

	2022 €000	2021 €000
Repurchase Agreements	934,174	1,779,277
Total	**934,174**	**1,779,277**

This item has a maturity of less than one year.

As part of the management of its investment assets, the Central Bank uses repurchase transactions with approved counterparties under GMRA legal agreements. The decrease in repurchase agreements with euro area residents in euro to €934.2m (2021: €1,779.3m) relates to a general reduction in repurchase activity (Note 1(l)).

Note 25: Liabilities to Other Euro Area Residents in Euro

	2022 €000	2021 €000
General Government Deposits (i)	25,991,118	31,231,682
Other Liabilities	5,127	5,128
Currency Reserve Relating to Net Proceeds of Coin (ii)	2,998	3,079
Total	**25,999,243**	**31,239,889**

These items have a maturity of less than one year.

(i) The general government deposits include current accounts and deposits payable on demand held at the Central Bank (Note 2(viii), Note 37(i)). Up to 14 September 2022, Government Deposits were remunerated at the lower of €STR and DFR with a ceiling of 0%. From 14 September 2022 these deposits were remunerated at the lower of €STR and DFR with the ceiling of 0% removed (per Governing Council decision 8 September 2022). In September 2022 the €STR turned positive.

(ii) The costs and proceeds of coin issue are required to be charged or credited to the Currency Reserve. The balance from that activity must be paid into the Exchequer at the direction of the Minister for Finance. Where the net proceeds of coin issue, together with expenses, result in a net cost to the Central Bank, the Minister for Finance reimburses the difference to the Central Bank. The balance on the Currency Reserve relating to coin issue

[85] Decisions of the Governing Council on the 27th of October 2022. https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.mp221027~df1d778b84.en.htm.

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is reported as an asset or liability of the Central Bank (Note 1(g), Note 37(i)). Expenses in relation to the production of coin are captured in Note 8. Expenses related to retirement benefits are included in Note 30. Details of net proceeds for the year are included in the table below:

	2022 €000	2021 €000
Coin issued into Circulation	18,547	22,590
Specimen Coin Sets	1,244	295
Withdrawn Irish Coin	(111)	(163)
Less Operating Costs (Note 8)*	(5,471)	(3,742)
Net Proceeds of Coin Issue	**14,209**	**18,980**
Superannuation Employer Contribution**	(402)	(406)
Transfer to the Exchequer	(13,888)	(19,918)
Opening Balance	3,079	4,423
Closing Balance	**2,998**	**3,079**

* Included in 2022 Operating Costs of €5.5m is €2.5m relating to overhead costs attributable to the provision and issuance of coin.

** Included in Superannuation Employer Contribution of €0.4m is €0.3m relating to pension expenses for staff involved in providing local overhead services.

As a result of the Finance Act, 2002, and as directed by the Minister for Finance, the Central Bank is required to transfer the net proceeds from the issue of coin directly to the Exchequer or receive the net receipts of coin directly from the Exchequer. As noted in the table above, there was a net issuance of coin amounting to €18.5m (2021: net issuance €22.6m) from the Central Bank in 2022. As a result, this generated a transfer of €11.7m which was paid to the Exchequer on 21 December 2022, with the remaining €2.2m paid to the Exchequer on 20 February 2023 (2021: €19.9m paid to the Exchequer).

Note 26: Liabilities to Non-Euro Area Residents in Euro

	2022 €000	2021 €000
EU Agencies (i)	667,742	518
International Financial Institutions	10,546	10,062
Total	**678,288**	**10,580**

The balances above have a maturity of less than one year.

(i) The increase in EU Agencies largely relates to the Single Resolution Board (SRB) opening a cash account with the Central Bank. The balance held in this account was €661.6m in 2022 (2021: €0.0m).

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Note 27: Counterpart of Special Drawing Rights Allocated by the IMF

	2022 €000	2021 €000
Counterpart of SDR allocated by the IMF	5,109,457	5,044,920
Total	**5,109,457**	**5,044,920**

This is the liability of the Central Bank to the IMF in respect of the allocation of Special Drawing Rights (SDRs) to Ireland. The Central Bank's SDR assets can change as a result of IMF lending operations or exchanges of SDRs for foreign currency with the IMF itself, other IMF members and other official holders of SDRs. SDR holdings may also change as a result of interest payments made by the IMF on the Central Bank's Reserve Position in the IMF and on the Central Bank's SDR holdings net of SDR allocations (Note 1 (c)(x), Note 11(i)).

Note 28: Liabilities Related to the Allocation of Euro Banknotes within the Eurosystem

	2022 €000	2021 €000
Liability according to the Bank's weighting in the ECB's capital key	20,088,531	18,127,664
Liability resulting from the ECB's share of euro banknotes in circulation	2,129,636	2,092,182
Total	**22,218,167**	**20,219,846**

This item consists of the liability of the Central Bank vis-à-vis the Eurosystem in relation to the allocation of euro banknotes within the Eurosystem. It represents the difference between the value of euro banknotes actually issued by the Central Bank and its capital key share of the total Eurosystem issuance (Note 1(c)(ii), (c)(iii) and (c)(iv), Note 22). The remuneration of this liability is calculated daily at the latest available interest rate used by the Eurosystem in its tenders for main refinancing operations (Note 2(xiii)).

Note 29: Other Liabilities

	2022 €000	2021 €000
DGS Contributory Fund Deposit (i)	884,050	154,112
Profit & Loss Appropriation (ii)	500,121	1,067,573
Interest Accruals (iii)	206,060	172,300
Credit Institutions Resolution Fund Deposit (iv)	60,704	1
Bank and Investment Firm Resolution Fund Deposit (v)	49,248	-
Other Accruals (vi)	36,314	27,622
Other Liabilities (vii)	32,393	42,549
Insurance Compensation Fund Deposit (viii)	27,531	53,244
Total	**1,796,421**	**1,517,401**

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(i) Under the European Union (Deposit Guarantee Schemes) Regulations 2015 (S.I. No. 516) (the 'DGS Regulations'), the Central Bank established the DGS Contributory Fund in 2016. The Deposit Guarantee Scheme must reach an available financial means of 0.8% of covered deposits by 2024. In order to reach this target level, credit institutions are required to contribute to the Fund annually based on their covered deposits and degree of risk (Note 2(xii)).

Under Regulation 18(1) of the DGS Regulations, the DGS Contributory Fund is to be managed and administered by the designated authority (the Central Bank) and under Regulation 18(2), the designated authority shall invest the Fund in a low-risk and sufficiently diversified manner. The Central Bank prepares separate non-statutory financial statements for the scheme.

Movement in DGS Contributory Fund Deposit	2022 €000	2021 €000
Opening Balance Held with Central Bank	154,112	140,532
Contributions	167,560	150,915
Payments	(21)	(84)
Interest – Income/(Expense)	1,399	(70)
Dividends (a)	-	1,819
NTMA Exchequer Note Programme (b)	561,000	(139,000)
Closing Balance Held with Central Bank	**884,050**	**154,112**

(a) There were no dividends transferred to the DGS Contributory Fund in 2022 (2021: €1.8m) as detailed below:

Dividends	2022 €000	2021 €000
Berehaven Credit Union	-	1,500
Rush Credit Union	-	319
Total	**-**	**1,819**

(b) In November 2022, DGS funds previously held in Exchequer Notes were returned to the Central Bank.

(ii) This represents the amount of Surplus Income Payable to the Exchequer (Note 1(o), Note 9).

(iii) This figure primarily relates to the accrued interest expense on Government Deposits, Credit Institutions Deposits and Banknotes remuneration balances due to increases in key Eurosystem interest rates during 2022 (Note 1(c)(iv), Note 2(viii)(xiii), Note 20(vi)).

(iv) A Credit Institutions Resolution Fund was established in 2011 under the Central Bank and Credit Institutions (Resolutions), Act 2011. The balance of €60.7m (2021: €0.01m) represents deposits with the Central Bank on behalf of the Fund. The increase in the balance held reflects the return of funds to the Central Bank. The Central Bank is responsible for the management and administration of the Fund and separate financial statements are prepared by the Central Bank for the Fund (Note 2(xviii)).

(v) The Bank and Investment Firm Resolution Fund was established in 2015 under the European Union (Bank Recovery and Resolution) Regulations 2015. The balance of €49.2m (2021: €Nil) represents deposits with the Central Bank on behalf of the Fund. The increase in the balance held reflects the return of funds to the Central Bank. The Central Bank is responsible for the management and administration of the Fund and separate financial statements are prepared by the Central Bank for the Fund (Note 2(xix)).

(vi) Included in other accruals is an accrual of €9.9m (2021: €11.4m) in respect of untaken annual leave (Note 8(i)), capital project accruals €11.9m (2021: €5.3m) and shared Eurosystem project costs yet to be invoiced €6.3m (2021: €4.1m).

(vii) The movement in other liabilities primarily relates to a decrease in the Superannuation Fund account of €14.2m due to payments made in 2022 at the request of the Superannuation scheme's trustees.

(viii) The Insurance Act, 1964 provided for the establishment of the Insurance Compensation Fund to meet certain liabilities of insolvent insurers, to provide for the making of a grant and loans to the Fund by the Minister for Finance and contributions to the Fund by insurers, and for those and other purposes to amend and extend the Insurance Acts, 1909 to 1961 (Note 2(xi), Note 37(iv)).

In accordance with Section 2 (2) of the 1964 Act, the Fund is maintained and administered under the control of the President of the High Court acting through the Accountant. The Insurance (Amendment) Act 2018 provided for the transfer of the administration of the Insurance Compensation Fund to the Central Bank. The Central Bank took over the responsibility for the administration of the Insurance Compensation Fund from the Courts of Justice on 25 August 2018. A separate Report on Administration and Movement of Insurance Compensation Fund is prepared by the Central Bank for the Fund.

The balance of €27.5m (2021: €53.2m) represents deposits with the Central Bank on behalf of the Fund.

Note 30: Retirement Benefits

The Central Bank discloses the cost of providing benefits in accordance with FRS 102. A FRS 102 actuarial report was completed by Lane Clark Peacock (LCP), the Central Bank's actuaries, as at 31 December 2022 to comply with the disclosure requirements under FRS 102.

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A full actuarial valuation of the Scheme is carried out on a triennial basis. The last full actuarial valuation was carried out as at 31 December 2019, to comply with section 56 of the Pensions Act. The next full actuarial valuation is due to be completed as at 31 December 2022.

(i) Amount charged to Profit and Loss and Appropriation Account

	Profit and Loss 2022 €000	Profit and Loss 2021 €000
Expected Return on Assets	9,500	5,000
Interest on Pension Scheme Liabilities	(16,100)	(10,200)
Current Service Cost (i)	(66,000)	(75,100)
Past Service Cost	-	(6,500)
Total Pension Cost of Defined Benefit Scheme	**(72,600)**	**(86,800)**

(i) Current Service costs charged to the Profit and Loss and Appropriation Account in 2022 was €66.0m (2021: €75.1m) and is based on actuarial assumptions set at the beginning of each year. The decrease in the charge compared to 2021 was primarily due to the increase in the discount rate from 0.60% at 31 December 2020 to 1.00% at 31 December 2021 and the continued increase in the number of staff who have joined the Central Bank after 1 January 2013 and who are members of the Career Average Revalued Earnings (CARE) scheme.

The return on the fund in 2022 was -8.6% (2021: 10.7%).

As at 31 December 2022, there was no previously unrecognised surplus deducted from settlements or curtailments and no gains or losses on any settlements or curtailments.

(ii) Actuarial Gain/(Loss) on Pension Scheme

Year Ended 31 December	2022 €000	2021 €000	2020 €000	2019 €000	2018 €000
Actuarial Gain/(Loss) on pension liability	734,014	178,361	(231,228)	(291,921)	622
Actuarial (Loss)/Gain on plan assets	(90,372)	83,490	15,094	68,211	(34,533)
Total	**643,642**	**261,851**	**(216,134)**	**(223,710)**	**(33,911)**

(iii) Balance Sheet Recognition

Year Ended 31 December	2022 €000	2021 €000	2020 €000	2019 €000	2018 €000
Present value of Wholly or Partly Funded Obligations (iv)	(953,902)	(1,608,408)	(1,697,988)	(1,393,987)	(1,043,408)
Fair Value of Plan Assets (v)	893,740	945,093	829,418	783,815	679,157
Net Pension Liability	**(60,162)**	**(663,315)**	**(868,570)**	**(610,172)**	**(364,251)**

Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the "projected units" method. An excess of scheme liabilities over scheme assets is presented on the Balance Sheet as a liability.

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The significant reduction in the net pension liability in 2022 is driven primarily by the substantial increase in the discount rate used for 2022 of 3.6% (2021: 1.0%) resulting from an increase in bond yields. The net adjustment to the Central Bank's reserves amounts to a gain of €643.6m (2021: €261.9m), primarily due to the movement in the discount rate which is partially offset by a loss on Scheme assets and experience losses on pension liabilities.

(iv) Movement in Scheme Obligations

	2022 €000	2021 €000	2020 €000	2019 €000	2018 €000
Opening Present Value of Scheme Obligations	(1,608,408)	(1,697,988)	(1,393,987)	(1,043,408)	(993,442)
Current Service Cost	(66,000)	(75,100)	(59,500)	(37,900)	(39,300)
Past Service (Cost)	-	(6,500)	-	-	-
Pensions Paid	17,943	17,273	15,442	14,691	14,519
Employee Contributions	(14,991)	(13,930)	(13,062)	(13,843)	(6,632)
Transfers Received	(360)	(324)	(353)	(706)	(275)
Interest on Pension Scheme Liabilities	(16,100)	(10,200)	(15,300)	(20,900)	(18,900)
Actuarial Gain/(Loss)	734,014	178,361	(231,228)	(291,921)	622
Closing Present Value of Scheme Obligations	**(953,902)**	**(1,608,408)**	**(1,697,988)**	**(1,393,987)**	**(1,043,408)**

(v) Movement in Fair Value of Plan Assets

	2022 €000	2021 €000	2020 €000	2019 €000	2018 €000
Opening Fair Value of Plan Assets (Bid Value)	945,093**	829,418	783,815	679,157	687,561
Expected Return	9,500	5,000	8,600	13,600	13,100
Actuarial (Loss)/Gain	(90,372)	83,490	15,094	68,211	(34,533)
Employer Contribution	32,111	30,204	23,936	22,989	20,641
Employee Contributions	14,991	13,930	13,062	13,843	6,632
Pensions Paid	(17,943)	(17,273)	(15,442)	(14,691)	(14,519)
Transfers Received	360	324	353	706	275
Closing Fair Value of Plan Assets (Bid Value)*	**893,740**	**945,093****	**829,418**	**783,815**	**679,157**

* Included in the fair value of plan assets are two bank accounts - the Superannuation Capital Account and the Superannuation Working Account held with the Central Bank. The balance on the Superannuation Capital Account and Superannuation Working Account at 31 December 2022 was €0.1m (2021: €14.7m) and €7.4m (2021: €6.9m) respectively.

** Projected asset value used for 31 December 2021. Actual asset value used in prior years. Actual asset value used for 2022.

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(vi) Financial Assumptions

	2022 %	2021 %	2020 %	2019 %	2018 %
Discount Rate	3.60	1.00	0.60	1.10	2.00
Rate of Increase in Pensionable Salaries	Inflation +1.40%	3.40	3.30	3.30	3.30
Rate of Increase in Pensions	Inflation +1.40%	3.40	3.30	3.30	3.30
Rate of Price Inflation	2.00^	2.00	1.90	1.90	1.90

^ To reflect short-term inflation expectations, an allowance has been made for assumed price inflation of 6.3% for 2023 and 3.4% for 2024, with 2.0% per annum from 2025 onwards.

The impact of a 0.1% increase/decrease in the discount rate would be a corresponding decrease/increase of approximately 2.2%/2.2% (2021: 2.7%/2.8%) in scheme liabilities.

Demographic and Other Assumptions

ILT15 (males) and ILT15 (females) are both published mortality tables prepared by the Central Statistics Office in Ireland. The life expectancies are calculated using the mortality rates in these tables.

	2022	2021
Mortality Pre Retirement	73% ILT15 (males) 77% ILT15 (females)	73% ILT15 (males) 77% ILT15 (females)
Mortality Post Retirement	58% ILT15 (males) 62% ILT15 (females)	58% ILT15 (males) 62% ILT15 (females)
Allowance for future improvements in mortality	Yes	Yes
Retirements	Evenly spread over age 60 to 65 (for those with options to retire at 60)	Evenly spread over age 60 to 65 (for those with options to retire at 60)
Ill Health Retirement	Allowance made	Allowance made
Early Retirement	No allowance	No allowance
Withdrawals	No allowance	No allowance
Percentage married	90%	90%
Age difference between spouses	A male is assumed to be 3 years older than his spouse	A male is assumed to be 3 years older than his spouse
Life Expectancy Age between 60 and 65 at which 40 years' service completed (for those with option to retire at 60)	Male: 87.1 Female: 89.4	Male: 86.9 Female: 89.3

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(vii) Plan Assets of the Scheme

Class	Distribution	Long Term Distribution
	%	%
Bonds	40.9	40.0
Equities	37.7	40.0
Property	10.9	10.0
Multi asset funds (MAF)	9.2	10.0
Cash	1.3	-
Total	**100.0**	**100.0**

In 2014, the Commission of the Central Bank approved the decision to change the asset allocation ratio from 50:50 bonds/equities to 40:40:10:10 bonds/equities/property/MAF. The investment strategy relating to the new composition commenced in 2015, and was completed in the first half of 2016. In 2020, the Commission re-approved the long term asset allocation, while also approving a medium-term re-allocation of 5% from equities to property. This re-allocation through the selected property fund was completed in 2022. The Fund does not invest directly in property occupied by the Central Bank.

Note 31: Provisions

The following amounts were provided for at 31 December 2022:

	Opening Balance 2022 €000	Created €000	Utilised €000	Released to P&L €000	Closing Balance 2022 €000
Provision for financial risks (i)	1,800,000	1,200,000	-	-	3,000,000
Unredeemed Irish Pound Banknotes (ii)	4,017	-	(514)	-	3,503
Restructuring Provision (iii)	2,214	-	(1,112)	(811)	291
Total	**1,806,231**	**1,200,000**	**(1,626)**	**(811)**	**3,003,794**

(i) The Central Bank has a provision for financial risks (Note 35). The provision follows a comprehensive assessment of the relevant financial risks to which the Central Bank is exposed and which fall within the scope of the Guideline. The assessment identified an interest rate mismatch on the Balance Sheet, meaning the Central Bank is exposed to a scenario where interest rates on liabilities increase more rapidly relative to assets over the medium term, and the provision corresponds to such a scenario. The analysis was conducted based on the Central Bank's year-end Balance Sheet, and utilised a financial model to quantify a range of potential loss figures relating to this risk. Given the large amount of uncertainty associated with measuring interest rate risks over the medium term, judgment and estimation were used in evaluating the risk and to determine an appropriate provision.

A provision of €3,000.0m is included in the 2022 statement of accounts, which represents an increase of €1,200.0m compared to the provision made for the same risk in 2021 (2021: €1,800.0m). The increase is primarily driven by higher risks arising from the interest rate mismatch on the Balance Sheet, which results in an increased level of interest rate risk for the Central Bank (Note 1(m)(ii)).

(ii) Irish pound banknotes formerly issued by the Central Bank ceased to be legal tender with effect from 9 February 2002. Since then the Central Bank has maintained a provision for outstanding IEP banknotes from which €0.5m was redeemed in 2022 leaving the balance in the provision at €3.5m as at 31 December 2022 (2021: €4.0m) (Note 34(iii)).

(iii) The restructuring provision relates to the implementation of a revised cash operating model in the Currency Centre, of which €1.1m has been utilised in 2022, €0.8m has been released in 2022, and the remaining €0.3m relates to four agreed redundancies to be paid in 2023 (Note 1(m)(iii)).

Note 32: Revaluation Accounts

	2022 €000	2021 €000	Net Movement in Unrealised Gains €000
Securities (i)	963,053	3,403,188	(2,440,135)
Foreign Currency (ii)	495,154	316,466	178,688
Gold (iii)	300,675	268,814	31,861
Equity Fund (iv)	133,690	182,395	(48,705)
Investment Property (Note 20(v))	(3,009)	5,192	(8,201)
At 31 December	**1,889,563**	**4,176,055**	**(2,286,492)**

(i) The revaluation on securities relates primarily to unrealised capital gain movements arising from the year-end 2022 valuation of the securities acquired following the liquidation of the IBRC. The decrease is due to sales of €3.0bn nominal of the FRNs in 2022, as well as a decrease in FRN prices. (Note 1(j), Note 16(ii)(a)).

(ii) The increase in the foreign currency value at year-end 2022 is mainly as a result of decreased foreign exchange rates on the USD and SGD currencies compared to year-end 2021 (Note 1(j)(i), Note 3(ii),(iii), Note 11(ii)(a), Note 12 (ii), Note 20(ii),(vii), Note 35).

(iii) The increase in the balance of gold at year-end 2022 is due to the change in the market value of gold holdings as well as an increase in gold holdings from year-end 2021 to 2022 (Note 1(j)(iv), Note 10).

(iv) The decrease in the value of the equity fund is due to lower equity prices at year-end 2022 compared to year-end 2021 (Note 1(j)(ii), (k), Note 20(iii), Note 35).

The foreign exchange rates used vis-à-vis the euro for the year-end 2022 valuations are as follows:

Currency	2022 Rate	2021 Rate
Australian Dollar	1.5693	1.5615
Canadian Dollar	1.4440	1.4393
Chinese Yuan Renminbi	7.3582	7.1947
Danish Krone	7.4365	7.4364
Japanese Yen	140.6600	130.3800
SDR	0.7989	0.8091
Singapore Dollar	1.4300	1.5279
Sterling	0.8869	0.8403
Swedish Krona	11.1218	10.2503
Swiss Franc	0.9847	1.0331
US Dollar	1.0666	1.1326
The gold prices used were:		
Euro per fine ounce	1,706.075	1,609.483

Note 33: Capital and Reserves

	Capital (i) €000	General Reserve €000	Currency Reserve €000	Total €000
At 31 December 2020	30	4,632,414	351,648	4,984,092
Retained profit for the year (ii)	-	253,894	-	253,894
Actuarial Gain on Pension Scheme (ii)	-	261,851	-	261,851
At 31 December 2021	**30**	**5,148,159**	**351,648**	**5,499,837**

	Capital (i) €000	General Reserve €000	Currency Reserve €000	Total €000
At 31 December 2021	**30**	**5,148,159**	**351,648**	**5,499,837**
Retained profit for the year (ii)	-	74,885	-	74,885
Actuarial Gain on Pension Scheme (ii)	-	643,642	-	643,642
Release of Fixed Asset Reserve	-	(31)	-	(31)
At 31 December 2022	**30**	**5,866,655**	**351,648**	**6,218,333**

(i) The authorised capital of the Central Bank is fixed under Section 9(1) of the Central Bank Act, 1942 (as amended) at €50,790. Issued and paid-up capital is €30,474 all of which is held by the Minister for Finance. The balance is payable as and when agreed by the Commission and the Minister for Finance.

(ii) Under the Central Bank of Ireland (Surplus Income) Regulations, 1943, the Commission approved a transfer to the General Reserve of €718.5m comprising of €74.9m from the Profit and Loss and Appropriation account and an actuarial gain of €643.6m, which was recognised in the Profit and Loss and Appropriation Account (Note 30(ii)).

Note 34: Contingent Liabilities and Commitments

Contingent Liabilities

(i) *Bank for International Settlements*

The Central Bank holds 8,564 shares in the Bank for International Settlements, of which 2,564 are fully paid up. The Central Bank has a contingent liability in respect of the balance (Note 1(r), Note 5(i), Note 20(vii)).

(ii) *Capital and Foreign Reserve Assets Pledged to the ECB*

Under the Statute of the ESCB the Central Bank may be called upon in the future, along with all other participating NCBs, to transfer further amounts of capital (Article 28) and foreign reserve assets (Article 30) to the ECB (Note 1(r), Note 17, Note 18).

(iii) *Irish Pound Banknotes*

The Central Bank has a contingent liability in relation to Irish pound banknotes that are no longer legal tender and that may be presented at a future date. At 31 December 2022, Irish pound banknotes to the value of €223.2m (2021: €223.7m) were still outstanding, against which the Central Bank has a provision of €3.5m (2021: €4.0m) (Note 1(r), Note 31(ii)).

(iv) *Litigation*

The Central Bank has three on-going legal cases (2021: three) which may result in a liability for the Central Bank where claims are being made against the Central Bank. The Central Bank is currently defending these actions. It is premature to determine the outcome and the possible outflow of economic resources cannot be reliably estimated, therefore no legal provisions in respect of these cases are recognised in the Statement of Accounts (2021: None) (Note 1(r)).

Commitments

(i) Operating Leases

The Central Bank did not enter into any new operating leases in 2022 (Note 1(r)).

Future Minimum Lease Payments	2022 €000	2021 €000
Not later than one year	93	102
After one year but not more than five years	374	374
After five years	514	608
Total	**981**	**1,084**
Actual Lease Payments	102	96

Note 35: Financial Risk Management

The Central Bank's Balance Sheet is exposed to financial risks arising as a consequence of performing its statutory roles in terms of (i) monetary policy implementation within the domestic financial sector, (ii) investment activities, (iii) operation of payments and settlement activities and (iv) as a constituent Eurosystem NCB participating in broader monetary policy initiatives such as the APP and the PEPP. From an overall Balance Sheet perspective, these risks typically include credit, interest rate, liquidity and foreign exchange risks.

The Central Bank aims to control these exposures by maintaining a range of financial risk management processes to identify, assess, manage and monitor these risks within defined, internal risk management policies and by reference to Eurosystem risk-management frameworks and procedures where relevant. The Risk Committee of the Commission, supported by the Risk Management Committee (RMC), and the Financial Risk Working Group (FRWG) oversees the Central Bank's financial risk management activities, ensuring adherence to approved standards and policies. The Deputy Governor (Monetary and Financial Stability) is the chair of the RMC.

Four main divisions of the Central Bank are engaged in the active management of the Central Bank's financial risks. The Financial Markets Division (FMD) carries out monetary policy operations on behalf of the ECB (including asset purchases under the APP and the PEPP), monitors the liquidity position of the domestic banks, and carries out investment activities to manage the Central Bank's investment assets and the allocated share of the ECB's investment portfolio. The Payments and Securities Settlements Division (PSSD) is responsible for, inter alia, euro payment settlements within the Eurosystem Real Time Gross Settlement Services (TARGET2) framework, the execution of back office activities relating to collateral transactions arising through the implementation of monetary policy and the settlement of transactions relating to the Central Bank's management of its own, and its share of the ECB's, investment portfolio. The Financial Control Division (FCD) ensures accurate accounting of the Central Bank's financial position and financial reporting.

The Organisational Risk Division (ORD), as the second line of defence, is responsible for, inter alia, defining the risk management policies in addition to assessing and monitoring financial risks in conjunction with the other divisions. The Central Bank defines the investment limits frameworks, conducts collateral due diligence, monitors both monetary and investment policy compliance, and assesses current and emerging risks within the Central Bank's Balance Sheet. In accordance with the Terms of Reference of the Risk Committee of the Commission, the Head of Organisational Risk has free and confidential access to the Chair of the Committee, and the Committee has the authority to ensure that the division has adequate resources and access to information to perform its function effectively and with adequate independence.

The risk management policies and measures applied to each of the Central Bank's principal financial risk exposures are described below.

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Credit Risk

Credit risk is the risk of loss arising from the failure of a borrower, issuer or counterparty with obligations to the Central Bank. The Central Bank is exposed to credit risk associated with the Central Bank's investment activities through monetary policy operations, including non-standard measures such as the APP and PEPP.

Credit risk in the Central Bank's investment portfolios is controlled by a system of Commission-approved limits based primarily on external credit ratings provided by selected rating agencies. Credit exposure is mitigated on the Central Bank's investment assets by implementation and maintenance of an approved investment policy framework. Credit risks arising from Eurosystem monetary policy implementation are mitigated by applying strict eligibility criteria for counterparties and by compliance with the provisions of Article 18.1 of the Statute of the ESCB, which ensures that all Eurosystem credit operations (i.e. liquidity providing monetary policy operations and intraday credit) are based on adequate collateral. To further control this risk, the Eurosystem Credit Assessment Framework (ECAF) ensures that the Eurosystem requirement of high credit standards for all eligible collateral assets is met. In addition, on-going risk control measures including valuation haircuts, initial and variation margins are also applied. Where applicable, the credit risk to the Central Bank is further moderated by Eurosystem loss-sharing mechanisms which distribute losses arising from monetary policy operations in proportion to the capital key of member NCBs. In the case of monetary policy operations collateralised by Additional Credit Claims (in the case of the Central Bank, pools of Irish residential mortgage loans), the risk is borne by the NCB accepting the collateral concerned. In this case, risks are further mitigated by conducting an annual dedicated due diligence assessment of the underlying loans.

Credit risk in relation to the Eurosystem non-standard monetary policy related portfolios is managed in accordance with the relevant Eurosystem frameworks. Potential losses on securities held on aggregate by the Eurosystem in the SMP, the CSPP and the CBPP3, in addition to a certain portion of the PSPP and PEPP, are borne by the Central Bank on a capital key share basis. Separately, the Central Bank's holdings of Irish government securities under the PSPP and PEPP are held on an own-risk basis.

Interest Rate Risk

Interest rate risk refers to the risk of loss arising from adverse changes in interest rates. The Central Bank's investment portfolios are managed in accordance with the risk management parameters, governance and control frameworks approved by the Commission. Compliance and performance relative to these policies is verified and reported to the FRWG, the RMC and the Risk Committee of the Commission.

A key source of interest rate risk exposure for the Central Bank relates to the sensitivity of the value of its financial assets to interest rate changes. The Central Bank mitigates this aspect of interest rate risk exposure on a portion of the investment portfolio through allocation to a hold-to-maturity portfolio. Risk management preferences in relation to the remainder of the investment assets are expressed through an externally compiled

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benchmark, against which the investment portfolios are measured and managed. The interest rate risk of the Central Bank's mark-to-market portfolios is calculated and managed using modified duration which quantifies the sensitivity of the value of an investment portfolio to changes in bond yields. Value-at-Risk (VaR) and Expected Shortfall are used as supplementary measures of market risk on the Central Bank's portfolios.

The Central Bank is also exposed to interest rate risk on its portfolio of standard marketable Irish Government bonds (floating rate notes or FRNs) which were acquired following the liquidation of IBRC (Note 16(ii)(a)). Furthermore, portfolios that are held at amortised cost are not sensitive to interest rate movements, this includes the Central Bank's exposures to the Eurosystem's non-standard monetary policy APP and PEPP.

Interest rate risk can also refer to the current or future risk to the Central Bank's capital and earnings arising from movements in interest rates that affect its Balance Sheet positions. In this respect, the Central Bank is exposed to a potential interest rate mismatch due to its holdings of fixed rate assets under the APP and the PEPP, while its related liabilities are tied to (variable) monetary policy rates. To assess this risk, the Central Bank considers its Balance Sheet positions regularly in the context of potential interest rate movements over the next number of years, and calculates a range of risk measurement statistics from a distribution of profitability outcomes. Within this, Value-at-Risk and Expected Shortfall are used, alongside expert judgement, to measure the level of interest rate risk on the Central Bank's Balance Sheet. As part of its assessment of interest rate risk, and the identification of a potential interest rate mismatch, the Central Bank has deemed it prudent to increase its provision for financial risks by €1,200.0m to €3,000.0m for 2022 (Note 31).

Foreign Exchange Risk

Foreign exchange risk refers to the risk of loss due to changes in exchange rates. In the context of being a member of the euro area and the consequent approach to foreign exchange intervention, the majority of the Central Bank's investment assets are denominated in euro. A strategic allocation to foreign currency denominated fixed income asset holdings, both on a hedged and unhedged basis, is made in the context of the Central Bank's investment portfolio. The currency distribution of the investment portfolio has been established using a combination of quantitative methodologies, VaR and stress testing as well as a variety of qualitative factors. At year-end 2022, the Central Bank's portfolios were predominantly denominated in euro, in addition to an exposure to certain foreign currency fixed income assets on a hedged basis, an exposure to foreign currency fixed income assets on an unhedged basis, and gold holdings. The Central Bank is also exposed to currency risk through a net-asset position in IMF SDRs. This exposure was held on a partially hedged basis in 2022 (Note 11, Note 12, Note 27).

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimise a loss in the event of adverse price changes. Liquidity risk is mitigated through the allocation of a portion of the Central Bank's

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investment portfolio to a liquid mark-to-market portfolio. To avoid excessive concentration, investments within the mark-to-market portfolio are subject to issue limits, thereby minimising exposure to any particular issue that could create acute liquidity risk in a situation where the asset must be sold. In addition, issue limits are coupled to minimum credit ratings to moderate the likelihood of unscheduled disposals due to the potential of an issue being downgraded below the Central Bank's approved investment grade threshold.

Externally Managed Funds

Since 2018, the Central Bank has held an equity portfolio which is subject to movements in equity prices (price risk). In 2021 the Central Bank also established holdings in externally managed bond funds, which are subject to foreign exchange risk, credit risk, and interest rate risk. Risks for external funds are managed via diversification, clearly defined investment mandates and risk limits, and risks are monitored by both the Central Bank and the investment managers on a regular basis.

Note 36: Off-Balance Sheet Items

(i) Unmatured Contracts in Foreign Exchange

	31 December 2022			31 December 2021		
	EUR 000	JPY 000	SDR 000	EUR 000	JPY 000	SDR 000
Unmatured Purchases	900,823	3,611	-	1,273,232	43,692	-
Unmatured Sales	(25)	(104,662,970)	(136,627)	(334)	(122,743,740)	(273,027)
Unmatured Purchases and Sales	**900,798**	**(104,659,359)**	**(136,627)**	**1,272,898**	**(122,700,048)**	**(273,027)**

The outstanding amounts relate to foreign exchange contracts used for hedging certain foreign exchange exposures.

All foreign exchange contracts are scheduled to mature by 20 July 2023.

(ii) Unmatured Contracts in Futures

	2022 €000	2021 €000
Unmatured Purchases	775,000	860,000
Unmatured Purchases	**775,000**	**860,000**

These contracts are used for hedging interest rate exposure as well as making investments within approved limits. The balances include only EUR investments.

All futures contracts matured on 8 March 2023.

Note 37: Related Parties

(i) The Central Bank provides several services to the Minister for Finance, its sole shareholder, and to other Government departments and bodies.

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The main services provided during the year to 31 December 2022 were:

- Provision of banking services including holding the principal accounts of Government (Note 25(i))
- Provision and issue of coin (Note 25(ii))
- Holding and maintaining the Register of Irish Government securities
- Administration of borrowing and lending operations with the Eurosystem including the receipt of the funds under the SURE Programme, the temporary instrument established by the European Commission to address the impact of COVID-19 by providing loans to affected Member States
- Act as a Depository and Fiscal Agent in relation to Ireland's membership of the IMF

(ii) As a participating member of the ESCB, the Central Bank has on-going relationships with other NCBs and the ECB. The main balances related to other NCBs and the ECB are:

- Interest income and interest expense on items related to monetary policy implementation (Note 2, Note 6, Note 14, Note 16, Note 23)
- Share of ECB profits (Note 5(ii))
- Participating interest in the ECB capital (Note 17)
- Claims equivalent to the transfer of foreign reserves to the ECB (Note 18)
- TARGET2 Balance (Note 19)
- Banknotes in circulation (Note 22, Note 28)
- Provisions (Note 31)

(iii) The Central Bank is one of three shareholders of "The Investor Compensation Company DAC" (ICCL) and provides administrative and other services to it, the costs of which are recovered from the ICCL. The Central Bank is the supervisory authority for the purpose of the Investor Compensation Act, 1998. The ICCL administers the investor compensation scheme to partially reimburse the clients of failed investment firms. During 2022 the Central Bank recovered costs of €0.8m (2021: €1.0m). At 31 December 2022 a balance of €73,381 was due from ICCL (2021: €63,648) (Note 20(vi)). The ICCL prepares its own Annual Report and audited Financial Statements.

(iv) The Central Bank is responsible for the administration of the Insurance Compensation Fund pursuant to the Insurance (Amendment) Act 2018 which was enacted on 24 July 2018. A balance of €27.5m (2021: €53.2m) was held with the Central Bank on behalf of the Fund as at 31 December 2022 (Note 29(viii)).

(v) The Central Bank is responsible for the management and administration of the Credit Institution Resolution Fund pursuant to Section 11(1) of the Central Bank and Credit Institutions (Resolution) Act 2011. A balance of €60.7m (2021: €0.01m) was held with the Central Bank on behalf of the Fund as at 31 December 2022 (Note 29(iv)).

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(vi) The Central Bank established a funded pension scheme on 1 October 2008, under the Central Bank and Financial Services Authority of Ireland Act, 2003. The management and administration of the scheme is operated by the Central Bank for the benefit of its employees. Details on the Central Bank's contributions to the pension funds are set out in Note 30.

(vii) As part of the purchase of properties in a multi-unit development, the Central Bank was required to become a member of Dublin Landings (Estate Management) Company Designated Activity Company, a company which manages the common areas surrounding the Central Bank's North Wall Quay premises. During 2018 as part of the legal structures agreed at the time of the acquisition of the North Wall Quay building, a nominal charge totalling €100 in respect of the granting of a leasehold interest of common areas adjacent to the North Wall Quay building was made by the Central Bank to Dublin Landings (Estate Management) Company Designated Activity Company. This amount remains outstanding at year-end 2022.

(viii) As part of the purchase of the buildings known as Dublin Landings 4 and Dublin Landings 5 (Mayor Street premises) which are located in a multi-unit development, the Central Bank was required to become a member of Dublin Landings (Car Park Management) Designated Activity Company, a company which manages the car park located at Dublin Landings, North Wall Quay.

Note 38: Events after the End of the Reporting Period

(i) Croatia joining the Eurosystem

Pursuant to Council Decision 2022/1211/EU of 12 July 2022, in accordance with Article 140(2) of the Treaty of the Functioning of the European Union, Croatia adopted the single currency on 1 January 2023. In accordance with Article 48.1 of the Statute of the ESCB and the legal acts adopted by the Governing Council on 30 December 2022[86], Hrvatska Narodna Banka paid up the remainder of its capital subscription to the ECB. In accordance with Article 48.1 and Article 30.1. of the Statute of the ESCB, Hrvatska Narodna Banka transferred its foreign reserve assets to the ECB amounting to its subscribed capital share. As a result of the change in the capital key following Hrvatska Narodna Banka's entry into the Eurosystem, the Central Bank's share in the ECB's paid up capital (capital key) remained unchanged at 1.3772%, with the Central Bank's Eurosystem capital key reducing from 1.6934% to 1.6798% (Note 1(c)(iii)).

[86] Decision ECB/2023/135 of 30 December 2022 on the paying-up of capital, transfer of foreign reserve assets and contributions by Hrvatska Narodna Banka to the European Central Bank's reserves and provisions, OJ L 17/94, 30 December 2022 p. 3; Agreement of 30 December 2022 between Hrvatska Narodna Banka and the European Central Bank regarding the claim credited to Hrvatska Narodna Banka by the European Central Bank under 30.3 of the Statute of the European System of Central Banks and of the European Central Bank, OJ L 17/96, 30 December 2022 December 2022 p. 4.

Note 39: Financial Regulation Activities

				2022 €000	2021 €000
Funding of Financial Regulation Activities	Levy Income	Current year levies		191,418	190,730
		Prior year deficit		4,135	457
		Recoup of Deferred Levy Income (i)		(5,964)	(5,964)
		Levy income deferred (ii)		725	-
		Levy Income (iii)		**190,314**	**185,223**
		Prior year variance on accrual (iv)		3,048	858
		Total Levy Income	A	**193,362**	**186,081**
	Provisions	Opening Provisions for Unpaid Levies		2,819	3,377
		Levies Written Off		(517)	(1,303)
		Closing Provisions for Unpaid Levies (v)		(2,137)	(2,819)
		Charge for Year	B	**165**	**(745)**
	Financial Regulation Net Industry Funding (Note 7(ii))		**C** (A+B)	**193,527**	**185,336**
	Other Income	Securities Market Fees		3,498	2,304
		Additional Supervisory Levy		2,071	2,164
		Miscellaneous		22	244
		Other Income (Note 7)		**5,591**	**4,712**
		Prior year variance on accrual (iv)		(215)	-
		Total Other Income	D	**5,376**	**4,712**
	Total Income		**E** (C+D)	**198,903**	**190,048**
	Subvention	Securities Market Supervision Activities		8,185	9,723
		Other Financial Regulation Costs not Recovered		16,242	18,318
		Prior year variance on accrual (iv)		(3,393)	(1,604)
		Subvention from Central Bank (vi)	F	**21,034**	**26,437**
	Total Funding of Financial Regulation Activities		**G** (E+F)	**219,937**	**216,485**
Costs of Financial Regulation Activities	Direct Expenses	Salaries / Allowances		85,652	83,502
		PRSI		8,891	8,640
		Pension Provision		16,537	16,053
		Staff Expenses	H	**111,080**	**108,195**
		Training & Conferences		218	156
		Business Travel		284	5
		Professional Fees		2,415	3,952
		Other Non-Pay		1,803	1,557
		Communications & IT		707	666
		Facilities, Rent, Depreciation		1,219	1,570
		Non-Pay Operating Expenses	I	**6,646**	**7,906**
		Total Direct Expenses	**J** (H+I)	**117,726**	**116,101**
	Support Services	Premises & Facilities		16,164	15,731
		Information Technology Services		41,603	42,990
		Human Resources		7,297	7,014
		Other Services		37,761	35,411
		Total Support Services (vii)	K	**102,825**	**101,146**
	Provisions	**Restructuring Charge for Year**	L	**16**	**-**
	Other Income	**Miscellaneous Receipts**	M	**(329)**	**(127)**
	Costs reallocated	**NCID levy costs**	N	**(318)**	**(378)**
		Prior year variance on accrual (iv)	O	**17**	**(257)**
	Total Costs of Financial Regulation Activities		**P** (J+K+L+M+N+O)	**219,937**	**216,485**

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(i) *Recoup of Deferred Levy Income*

The Central Bank levied pension costs from 2015 to 2018 using a smoothed method in an attempt to reduce the impact of pension volatility over a rolling ten year period, resulting in deferred levy income of €17.9m. In 2019, the Central Bank changed the method of levying pension costs from a smoothed current service cost to a cash contribution basis. The outstanding balance of deferred levy income of €17.9m is being recovered from industry over the 2020 to 2022 levy cycles and so will impact levies issued in the 2021 to 2023 calendar years. On this basis, €6.0m will be recovered from Industry in the 2022 levy cycle.

(ii) Levy Income Deferred

Significant increases in regulatory costs occurred within the Retail Credit & Credit Servicing Firms (RCF/CSF) sector in 2021, due to increased regulatory and supervisory oversight. The Central Bank took the decision to defer part of the RCF/CSF 2021 levy, mainly attributed to work on Distressed Debt, and to collect that amount in equal instalments in Levy 2022 and Levy 2023. Therefore, €0.6m (50% of 2021 deferral of €1.1m) will be recouped in levy 2022. The Bank will review 2022 costs incurred within this sector and consider if a similar approach for Levy 2022 will apply. Based on 2021 assumptions, an estimated €1.3m levy income deferral for 2022 has been included. As a result, a total estimated levy income deferral of €0.7m (€1.3m-€0.6m) has been included, reducing 2022 levy income.

(iii) *Levy Income*

Levy Income represents an estimate of levies to be billed based on current year actual costs and approved recovery rates. This is adjusted for the recovery of deferred levy income (i), levy income deferred (ii) and any carried forward surplus / deficit. The table below provides a breakdown of 2021 actual levy income.

	2022 Levy Income Estimate	2021 Actual Levy Income A (C+D-B) €000	2020 Deficit / (Surplus) B €000	Amount levied for 2021 Levies C €000	2021 Deficit / (Surplus) D €000
Credit Institutions		75,979	(47)	76,048	(116)
Insurance Undertakings		48,718	1,514	50,564	(332)
Intermediaries & Debt Management Firms		6,044	(1,687)	7,583	(3,226)
Securities and Investment Firms		37,052	(83)	37,233	(264)
Investment Funds		12,550	(301)	12,497	(248)
Credit Unions		6,042	(1)	6,041	-
Moneylenders		571	17	588	-
Approved Professional Bodies		10	-	10	-
Bureaux de Change		15	1	16	-
Home Reversion, Retail Credit & Credit Servicing Firms		2,641	103	2,700	44
Payment Services & E-Money Institutions		3,561	27	3,581	7
Total Funding	**195,553**	**193,183**	**(457)**	**196,861**	**(4,135)**
Recoup of Deferred Pension Levy Income (i)	(5,964)	(5,964)			
Levy Income Deferred (ii)	725	1,052			
Levy Income	**190,314**	**188,271**			

(iv) *Prior year variance on accrual*

Prior year variance on accrual represents the difference between the 2021 levy income accrued in the 2021 Annual Accounts and the final funding requirement to cover 2021 costs. The majority of the difference between estimated and final funding requirement for 2021 relates to revised assumptions for the final levy model 2021.

	2021 Final €000	2021 Accrued €000	Variance €000
Current Year Levies	192,726	190,730	1,996
Prior Year Surplus	457	457	-
Funding Requirement	**193,183**	**191,187**	**1,996**
Recoup of Deferred Pension Levy Income	(5,964)	(5,964)	-
Levy Income Deferred	1,052	-	1,052
2021 Levy Income	**188,271**	**185,223**	**3,048**
Prior Year Variance on Accrual	858	858	-
Total Levy Income	**189,129**	**186,081**	**3,048**
Provision Charge	(168)	(745)	577
Other Income	4,497	4,712	(215)
Subvention from Central Bank	23,044	26,437	(3,393)
Total Funding of Financial Regulation Activities	**216,502**	**216,485**	**17**
Total Costs of Financial Regulation Activities	**216,502**	**216,485**	**17**

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(v) *Closing Provisions for Unpaid Levies*

The Central Bank maintains provisions in respect of levies which remain unpaid at year end. Levies fall due within 28 days of the invoices being issued and are reported as outstanding from day 29 onwards. The general approach is to make full provision for levies related to prior years and to make partial provision for outstanding levies related to the current year. Outstanding levies are pursued as part of the on-going debt recovery process.

(vi) *Subvention from Central Bank*

By agreement with the Minister for Finance, since 2007 the relevant proportion of the total costs of financial regulation activities has been met by the imposition of levies on the industry. The balance of the total annual costs is provided by the Central Bank in accordance with Section 32I of the Central Bank Act, 1942 (as amended).

Since 2007, the Central Bank, with the approval of the Minister for Finance, has incurred costs in respect of certain securities market supervision activities (relating to the Prospectus, Market Abuse, Transparency and Short Selling Directives) carried out within the organisation. The total cost to the Central Bank of these activities is reduced by Securities Market fees, which are included in Other Income. The remaining estimated costs, relating to securities market supervision, of €8.2m (2021: €9.7m) are included in Subvention.

(vii) *Support Services*

The Financial Regulation Directorates receive various services including premises, human resources administration, accounting, internal audit, statistical and information technology services from support services directorates in the Central Bank. The estimated cost of these services in the current year is €102.8m (2021: €101.0m).

Note 40: Comparatives

Certain comparative information has been reclassified for consistency with current year disclosures (Note 2(ii), Note 2(viii), Note 2(ix), Note 2(xv), Note 7(iii), Note 21(i), Note 21(ii)).

Note 41: Approval of Accounts

The Commission approved the Statement of Accounts on 18 April 2023.

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Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Central Bank of Ireland

Opinion on the statement of accounts

I have audited the statement of accounts of the Central Bank of Ireland for the year ended 31 December 2022 as required under the provisions of the Central Bank Act 1942 (as amended). The statement of accounts comprises

- the profit and loss and appropriation account
- the balance sheet, and
- the related notes, including a summary of significant accounting policies.

In my opinion, the statement of accounts gives a true and fair view of the assets, liabilities and financial position of the Central Bank of Ireland at 31 December 2022 and of its income and expenditure for 2022 in accordance with the financial reporting framework set out in note 1(b) of the notes to the accounts.

Basis of opinion

I conducted my audit of the statement of accounts in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Central Bank of Ireland and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the statement of accounts, and on other matters

The Central Bank of Ireland has presented certain other information together with the statement of accounts. This comprises the annual report, the governance statement and Commission members' report, and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy

Seamus McCarthy
Comptroller and Auditor General

19 April 2023

Responsibilities of Commission members

The governance statement and Commission members' report sets out the Commission members' responsibilities for

- the preparation of the annual statement of accounts in the form prescribed under section 32J(3) of the Central Bank Reform Act 2010
- ensuring that the statement of accounts gives a true and fair view
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of a statement of accounts that is free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under the provisions of the Central Bank Act 1942 (as amended) to audit the statement of accounts of the Central Bank of Ireland and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the statement of accounts as a whole is free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the statement of accounts.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the statement of accounts whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Central Bank of Ireland's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the statement of accounts or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Central Bank of Ireland to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the statement of accounts, including the disclosures, and whether the statement of accounts represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the statement of accounts to be readily and properly audited, or
- the statement of accounts is not in agreement with the accounting records.

Information other than the statement of accounts

My opinion on the statement of accounts does not cover the other information presented with that statement, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the statement of accounts, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the statement of accounts or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify any material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

mazars

INDEPENDENT AUDITORS' REPORT

TO THE COMMISSION OF

THE CENTRAL BANK OF IRELAND

Report on the audit of the Statement of Accounts

Opinion

We have audited the Statement of Accounts of the Central Bank of Ireland ('the Bank') for the year ended 31 December 2022, which comprise the Profit and Loss and Appropriation Account, the Balance Sheet and the notes to the Statement of Accounts, including the summary of significant accounting policies set out in 1 to 41. The financial reporting framework that has been applied in their preparation is the Guideline of the European Central Bank on the legal framework for the accounting and financial reporting in the European System of Central Banks ('the Guideline') and, where the Guideline is silent, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* issued in the United Kingdom by the Financial Reporting Council (FRS 102).

In our opinion the Statement of Accounts:

- gives a true and fair view of the assets, liabilities and financial position of the Bank as at 31 December 2022, and of the Surplus Income Payable to the Exchequer for the year then ended; and
- has been properly prepared in accordance with the Guideline and where the Guideline is silent, FRS 102.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described in the responsibilities of the auditors for the audit of the Statement of Accounts section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), applied as required for the types of entity determined to be appropriate in the circumstances. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw your attention to note 1 of the Statement of Accounts which describes the accounting principles and valuation methods applicable to the Bank, some of which are specific to the European System of Central Banks. The Statement of Accounts are prepared for the purpose as described therein. As a result, the Statement of Accounts of the Bank may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITORS' REPORT

TO THE COMMISSION OF

THE CENTRAL BANK OF IRELAND

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the Commission Members' use of the going concern basis of accounting in the preparation of the Statement of Accounts is not appropriate: or
- the Commission Members have not disclosed in the Statement of Accounts any identified material uncertainties that may cast significant doubt about the Bank's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Statement of Accounts are authorised for issue.

Our responsibilities and the responsibilities of the Commission Members with respect to going concern are described in the relevant sections of this report.

Other information

The Commission Members are responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Profit and Loss Appropriation Account, the Balance Sheet, the related notes to the Accounts and our auditors' report thereon. Our opinion on the Statement of Accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information in the Statement of Accounts and, in doing so, consider whether the other information is materially inconsistent with the Profit and Loss Appropriation Account, the Balance Sheet, the related notes to the Accounts or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Profit and Loss Appropriation Account, the Balance Sheet and the related notes or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Respective responsibilities

Responsibilities of the Commission Members for the Statement of Accounts

As explained more fully in the Governance Statement and Commission Members' Report, the Commission is responsible for the preparation of the Statement of Accounts in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of Statement of Accounts that are free from material misstatement, whether due to fraud or error.

mazars

INDEPENDENT AUDITORS' REPORT

TO THE COMMISSION OF

THE CENTRAL BANK OF IRELAND

Responsibilities of the auditors for the audit of the Statement of Accounts

Our objectives are to obtain reasonable assurance about whether the Statement of Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement of Accounts.

A further description of our responsibilities for the audit of the Statement of Accounts is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditors' report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Commission of the Bank as a body, in accordance with Article 27 of the Statute of the European Central Bank. Our audit work has been undertaken so that we might state to the Commission Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commission for our audit work, for this report, or for the opinions we have formed.

Patrick Gorry

Patrick Gorry

for and on behalf of Mazars
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Date: 18 April 2023

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