Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Central Bank of Ireland
Annual Report 2023 & Annual Performance Statement 2023 - 2024

Contents

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
Central Bank of Ireland
Eurosystem

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.

Governor's Foreword

Last year marked the 50th anniversary of Ireland joining the European Union as well as the 25th anniversary of the creation of the European Central Bank. Both institutions have proved fundamental to the success and transformation of the Irish economy (and I was delighted that the 50th anniversary was marked by a coin issued by the Central Bank on behalf of the Minister for Finance).

Over the course of 2023, the global, euro area and Irish economies have had to adjust to higher interest rates as monetary policy continued to address the inflation we had seen in 2022 (driven by bottlenecks in supply chains, the effects on energy prices of Russia's war on Ukraine and its people, and pent-up domestic demand resulting from the pandemic). The ECB's Governing Council remains focused on reducing inflation to its 2% target over the medium term. As I write this foreword, ECB policy rates have remained stable since September 2023 – a 450 basis point increase since July 2022 – and Euro area inflation had fallen to just below 3% by the end of 2023, from over 8% at the start of the year.

The work of the Central Bank and its partners in Europe (and peers across the world) to strengthen financial systems was evident in 2023 as the Irish and Euro area economies showed resilience in navigating ongoing (and new) geopolitical shocks, restrictive monetary policy and turmoil in global banking markets. The benefits of the resilience built over the past decade were also seen in the real economy, which saw households and businesses weathering the shocks, benefitting from lower levels of indebtedness and improved lending standards.

The necessary actions taken by my colleagues and I on the ECB's Governing Council to ensure that inflation returns back to our 2% target in a sustainable manner have also had an impact on the Central Bank's own balance sheet and profitability, similar to many central banks globally. We incurred a loss in 2023, as interest rates increased to tackle high inflation. Ultimately, a central bank's balance sheet is a policy tool and we use it to deliver our mandate. We have been preparing for many years for the possibility that the necessary actions to achieve price stability could result in potential losses. And we have used the profitability of recent years to build up substantial buffers that put us in a strong position to absorb current and potential future losses.

Apart from the ongoing success of monetary policy and the evident resilience of the Irish financial system, some of my highlights from 2023 include taking forward plans to develop a new cash centre (demonstrating our continued commitment to cash alongside more digital offerings), moving to the preparation phase for the Digital Euro, and disposing of the last remaining Floating Rate Notes. We continued to manage the rapidly-changing financial services ecosystem in Ireland with the ongoing rise in the number of payment and e-money firms, restructuring and consolidation of the credit union sector, and authorisation of over 600 funds and 10 fund service providers. We developed a stand-alone regime for European Long Term Investment Funds, published our thinking on an approach to macroprudential policy for investment funds and saw the enactment of the Central Bank Individual Accountability Framework Act. We also continued our work to modernise the Consumer Protection Code (and published a consultation paper on our proposals in March this year).

We launched our new Research Exchange (to engage with the research community in Ireland and beyond) to enhance our analytical insights and, ultimately, support the delivery of policy. And we launched a consultation on innovation, looking to deepen our engagement with the wider innovation ecosystem through the creation of a sandbox (and so supporting innovation in financial services while enabling outcomes consistent with our public policy objective to protect consumers which remains central to everything we do).

These developments reflect the themes of our strategy. I am seeing an organisational shift toward a more forward-looking approach, better anticipating and more proactively responding to the profound changes underway within the economy and financial services industry. We are aiming to strengthen public trust and understanding of the Central Bank's role and purpose, to promote confidence in the financial system, and to foster a cultural shift in our behaviours and attitudes in relation to our stakeholders. And we are delivering changes to enable our organisation to be more agile, resilient, diverse and intelligence-led.

Ultimately, the Central Bank is about its people and the values – integrity and care, courage and humility, teamwork and excellence – that guide all of us. 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
30 April 2024

Central Bank Commission (as at 31 December 2023)

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
Reappointed Sept 2023 for 5 years

John Trethowan
Reappointed Sept 2023 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 Team (as at 31 December 2023)

Gabriel Makhlouf
Governor

Sharon Donnery
Deputy Governor Financial Regulation

Vasileios Madouros
Deputy Governor Monetary and Financial Stability

Derville Rowland
Deputy Governor Consumer and Investor Protection

Marcella Flood
Chief Operations Officer

Part 1:
Annual Report 2023 & Annual Performance Statement 2023-2024

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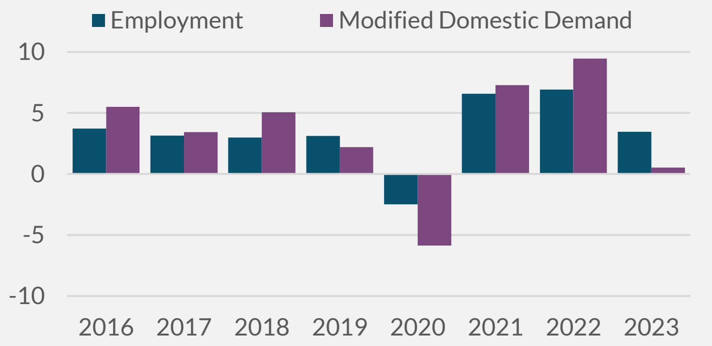
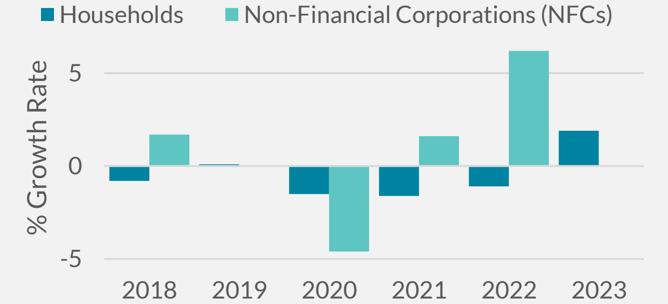
2023: The Irish Economy at a Glance

Real Activity in the Irish Economy



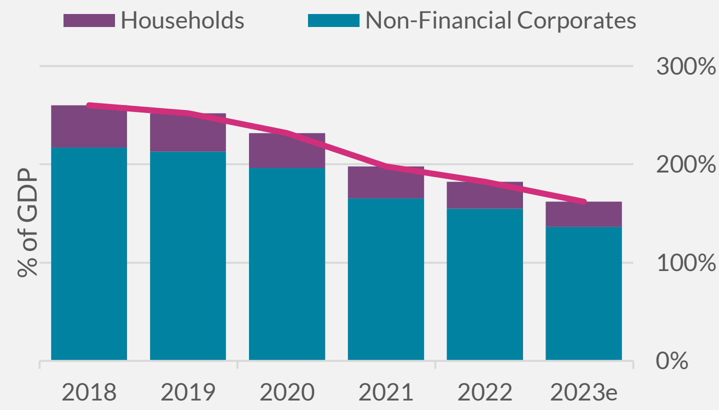
Source: Central Statistics Office

End-Year Annual Rates of Change in Lending



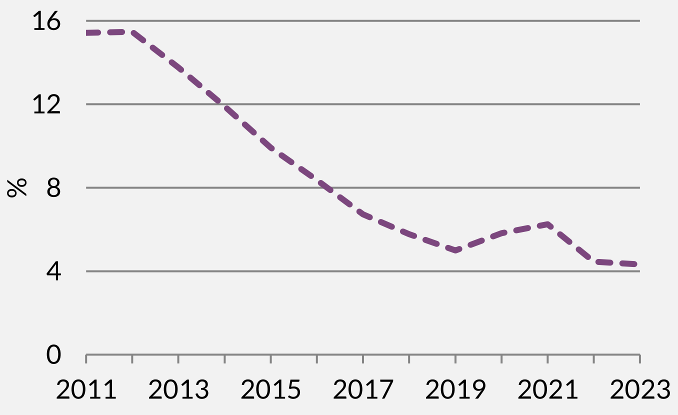
Source: Central Bank of Ireland. **Note**: Growth rates are based on underlying transactions, i.e., after adjusting for write-downs, securitisations, and transfers to NAMA, etc. Household growth rates reflect both on balance sheet and securitised balances

Private Sector Debt to GDP



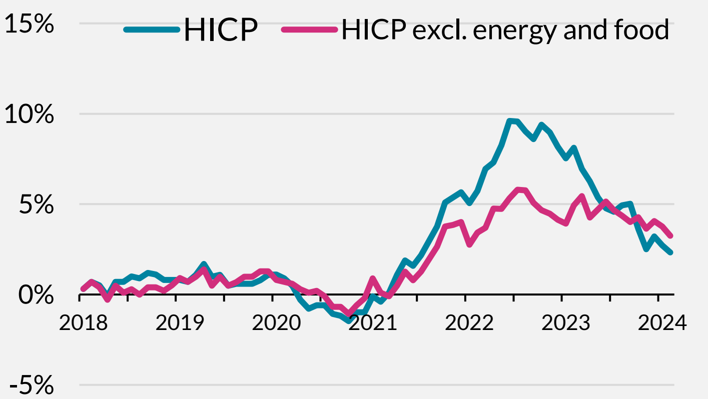
Source: Central Bank of Ireland

Unemployment Rate



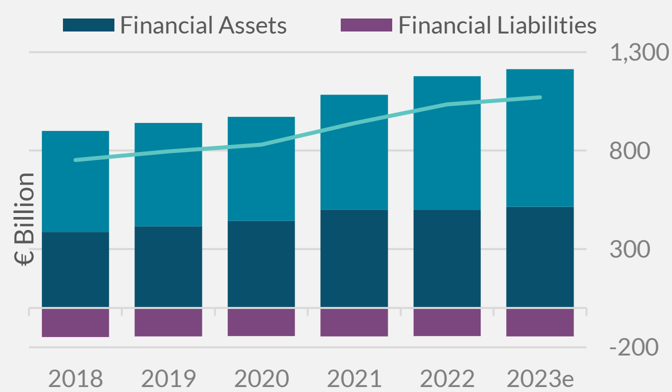
Source: Central Statistics Office
Note: International Labour Organisation (ILO) unemployment rate

Ireland HICP inflation



Source: Central Statistics Office

Household Net Worth

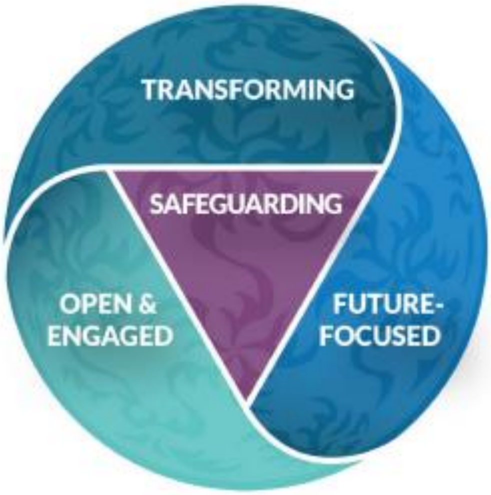


Source: Central Bank of Ireland
Note: Data for 2023 are the average of the first 3 quarters of 2023

Chapter 1: Implementing Our Strategy 2022-2026

Chapter 1:
Implementing Our Strategy 2022-2026

2023 marked the second year of implementing our five-year Strategy. Through this Strategy, we are building new capabilities and evolving how we work, so that the Central Bank can continue to fulfil its mission, both now and over the medium term. Our Strategy ensures that we are able to respond to the many factors that are shaping the environment in which we work, including the continued growth, innovation, and diversification of the financial services sector, changes in consumer behaviours and expectations, the far-reaching implications of climate change, shifting global trade relations and economic growth patterns, and the evolution of financial and cyber-crime.



Our Strategy is centred on four interconnected themes: **Future-Focused**, **Open & Engaged**, **Transforming,** and **Safeguarding**.

The Four Themes of Our Strategy

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 economy and financial systems.

During 2023 we focused on actions required to strengthen the resilience of firms to climate-related and transition risks by enhancing the supervisory approach. In the area of payments, the Eurosystem proceeded to the preparation phase of the Digital Euro project, following the conclusion of a two-year investigation phase. Planning for Ireland's new Cash Centre also commenced. We also launched a consultation paper on innovation in financial services. Other notable actions included continued progress on enhancing understanding of the implications of climate change and the transition to net zero for the Irish economy and the financial system.

Our Strategy's four connected themes:

Future-Focused, Open & Engaged, Transforming and Safeguarding.

Open & Engaged

By being Open and Engaged, the Central Bank is emphasising the priority we are giving to deepening engagement with our stakeholders, building dialogue and through this, enhancing our policymaking. Through this, our aim is to strengthen trust and confidence in the financial system and to foster a wider understanding of the Central Bank's role.

During 2023, the Central Bank sought to broaden and deepen its stakeholder engagement approach, through initiatives including the Financial System Conference, Financial Industry Forums and other outreach events. A new Research Exchange was launched to build awareness and understanding of the Central Bank's research priorities and to provide a forum for two-way engagement with the research community, including academics, students, Eurosystem colleagues and peer organisations.

Transforming

Under the Transforming theme, our focus is on further evolving how we work, with an emphasis on effectiveness, efficiency and increased agility. This includes leveraging data and technology to enhance our processes and to support our people, collectively and individually, to deliver on their roles.

In 2023, we deployed new tools to enhance our supervisory activities, including how we plan engagements with regulated firms, and for monitoring interventions such as risk mitigation programmes and supervisory directions. We also established a new internal Data Operating Model, and progressed new process improvements and digitalisation initiatives. To ensure we are using our resources as effectively as possible, we also enhanced our internal risk management frameworks and organisation-wide prioritisation and planning tools.

Safeguarding

The Safeguarding theme reflects a steadfast commitment to strengthen the design, implementation and operation of the Central Bank's core policy and supervisory frameworks.

During 2023, work progressed on non-banks, including new Property Funds measures and a policy paper on approaches to implementing a Macroprudential Framework for Investment Funds. In addition, regulatory frameworks were enhanced, for example by developing the new Individual Accountability Framework and progression of the review of the Consumer Protection Code.

Chapter 2: Delivering Our Responsibilities

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Delivering Our Responsibilities

Price Stability

Across most developed economies, the post-COVID recovery has been characterised by high levels of inflation, which reached levels not witnessed in many decades and far above the Eurosystem's 2% medium-term inflation target. Higher rates of inflation in 2023 were driven by a combination of factors, including bottlenecks in supply chains, the effects of the Russian invasion of Ukraine on energy prices, and a component related to pent-up domestic demand resulting from the pandemic.

Eurosystem Monetary Policy Decisions

The Central Bank contributes to Eurosystem monetary policy to ensure price stability. The Governor is a member of the Governing Council of the ECB, which meets every six weeks to review monetary policy.

At the time of the first Governing Council meeting of 2023 (February), headline inflation had been declining for several months, but was significantly higher at 8.6%, than its 2% target. The Governing Council therefore raised policy rates for the fifth meeting in a row, communicated that it would "stay the course", and that it expected to raise them further. The deposit facility rate reached a level of 4% in September, meaning ECB policy rates were raised a total of 4.5 percentage points relative to pre-pandemic levels. By the end of 2023, inflation had fallen to a level of 2.9%. While a sizeable portion of this reduction can be attributed to lower energy price inflation, restrictive ECB policies have also played an important role by dampening domestic inflation pressures. At the December 2023 meeting, the Governing Council decided to advance the normalisation of the Eurosystem's balance sheet.

Generation Euro 2023 – Students from Rockwell College win top award

Eurosystem Monetary Policy Operations

Over the course of 2023, the ECB continued to normalise monetary policy and gradually reduced the overall size of the Eurosystem's balance sheet. The Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased under the Asset Purchase Programme until the end of February 2023, with partial reinvestments until June 2023. Thereafter, asset purchase programme reinvestments ended, with the portfolio declining at a measured and predictable pace. Full reinvestments under the Pandemic Emergency Purchase Programme occurred throughout 2023.

During 2023, the overall value of the Eurosystem balance sheet fell by €1tn, reaching €6.9tn by year-end. Most of the decline reflected the maturity and early repayment of funds borrowed under the third series of targeted longer-term refinancing operations (TLTRO III). The net liquidity effect of repayment operations in 2023 was a reduction in Eurosystem targeted longer-term lending of €925bn to €392bn at end December 2023. The usage of the weekly main refinancing operations and three-month longer-term refinancing operations remained limited during the year. In addition, the standing seven-day US dollar operation continued to be carried out on a weekly basis, apart from 20 March to 30 April 2023, when the frequency was increased to daily in response to elevated pressure in global funding prices. Finally, the fourth and final pandemic emergency longer-term refinancing operation conducted by the Eurosystem during 2021 matured during 2023, reducing outstanding pandemic emergency longer-term refinancing operations borrowings to zero at end December 2023.

As a result of monetary policy normalisation, excess liquidity across the Eurosystem decreased during 2023, moving from €3,829bn on 31 December 2022 to €3,346bn at 2023 year-end, mainly reflecting the decrease in targeted longer-term refinancing operations outstanding borrowing amounts, and partly the redemption of securities under the asset purchase programme.[1]

Irish Monetary Policy Operations

Following the Governing Council's decisions to normalise monetary policy, the Central Bank's holdings under the asset purchase programme portfolio declined, as the Eurosystem did not reinvest all of the principal payments from maturing securities after the end of February 2023. Within the asset purchase programme, the Central Bank was one of a group of purchasing national central banks 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, the majority of which are held at its own risk, decreased to €37.3bn at the end of 2023, from €39.1bn at the end of 2022. Holdings of the third covered bonds purchase programme, which are risk-shared with the Eurosystem, fell to €687m at the end of 2023 from €1.5bn a year earlier.

Regarding the Pandemic Emergency Purchase Programme, the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased throughout 2023. As such, the Central Bank's holdings of Irish government bonds under this programme remained broadly unchanged, albeit decreasing marginally from €22.4bn at the end of 2022 to €22.0bn at the end of 2023.

Regarding refinancing operations, total outstanding monetary policy borrowings by Irish counterparties stood at €85m as of 31 December 2023, down from €219m at the end of 2022, driven by targeted longer-term refinancing operations repayments. The Central Bank observed a fall in the level of reserve holdings with average excess liquidity decreasing from €98.3bn at the end of 2022 to €90.2bn by year-end.

[1] 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.

Financial Stability

To safeguard financial stability, the Central Bank evaluates the main risks facing the financial system and assesses the resilience of the financial system to those risks. Across its mandate, the various actions taken by Central Bank are designed to support the stability of the financial system. Our various policy measures, in particular our macroprudential policies, are intended to ensure that the financial system can absorb, rather than amplify, adverse shocks.

Financial Stability Assessment and Analysis

The Central Bank published two Financial Stability Reviews in 2023, outlining its judgement on the main risks facing the financial system and the resilience of the financial system to those risks.[2] Over the course of 2023, the financial stability outlook continued to be shaped by the adjustment of the global economy to higher interest rates as inflation proved to be persistent. While the Irish economy continued to expand, albeit at a slower rate, downside risks became more evident. Although there were emerging signs of repayment challenges for some borrowers, Irish households and businesses broadly weathered the increase in inflation and higher interest rates, as in aggregate, they continued to benefit from the strength of the labour market and lower levels of indebtedness than in the past.

The Central Bank continued to conduct in-depth research and analysis during 2023 in order to deepen its understanding of the risks and vulnerabilities to the macro-financial system and the implications for macroprudential policy. This research was communicated through a range of channels, including the publication of Financial Stability Notes and Research Technical Papers. The key areas of focus included:

- The impact of inflation and higher interest rates on households' and firms' financial resilience.
- The financial stability risks emanating from commercial real estate markets.
- Developments in the domestic non-bank lending market.
- The investment funds sector in Ireland, including liability driven investment funds and property funds.

[2] Financial Stability Review 2023:I and Financial Stability Review 2023:II.

Box 1: Final Disposal of the Portfolio of Floating Rates Notes

In 2023, the Central Bank disposed of the last remaining floating rate notes. The origin of these assets was the collateral that had been provided by Irish Bank Resolution Corporation to the Central Bank as security for Emergency Liquidity Assistance. This included Promissory Notes, a standard fixed rate Irish 2025 Government Bond, and National Asset Management Agency bonds. Upon the liquidation of Irish Bank Resolution Corporation, the Central Bank took full ownership of the collateral it held, with a view to recovering the value of the assets thereafter.

The Promissory Notes, which were non-tradeable, were subsequently exchanged for a portfolio of floating rate notes amounting to €25.03bn, which were standard long-dated Irish government bonds with a floating rate coupon (that is, a regular interest payment that varies with market rates). At the time, the Central Bank committed to dispose of these floating rate notes as soon as possible, once conditions of financial stability permitted.

As Ireland regained access to the international bond markets after the crisis, financial conditions started to improve and the market value of Irish government bonds began to rise. Consequently, the value of the floating rate notes on the Central Bank's balance sheet also rose. Once they were sold these realised gains contributed to the Central Bank's profits.

While held on the Central Bank balance sheet, interest paid on the floating rate notes also contributed to the Central Bank's income.

Between interest income and gains on sales, this Special Portfolio contributed almost €18bn to the Central Bank's gross profits over the period 2013 to 2023. This meant that the Central Bank was able to strengthen its financial buffers through transfers to the general reserve via retained profits, while at the same time distribute elevated profits to the Exchequer each year over the course of a decade.

The Special Portfolio contributed more than 90% of all Central Bank profits over the course of the decade ending in 2023. Over the same period, the Central Bank returned €15.3bn in surplus income to the Exchequer or 80% of its total profits.

With the final sale from the Special Portfolio taking place in 2023, this era of extraordinary profitability is now over. The liquidation of Irish Bank Resolution Corporation and the exchange of the Promissory Notes for the floating rate notes were important elements in Ireland's management of, and then emergence from, it's banking crisis. The disposal of the last of those assets, nine years ahead of the original schedule, represents the end a long chapter in Ireland's banking crisis. The long-lasting scars that crises can leave on the economy and society underscore the importance of the substantial regulatory reforms introduced over the past decade to strengthen the resilience of the banking system.

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 (with a current focus on investment funds). The Central Bank undertakes regular monitoring and assessment of each of its macroprudential policies to ensure its policy stance remains appropriate for the prevailing systemic risk environment.

Over the course of 2023, the Central Bank continued to implement its updated strategy for macroprudential bank capital buffers. In June 2023, the Central Bank increased the counter-cyclical capital buffer to 1.5% - the rate that will be set when domestic macro-financial risks are neither elevated, nor subdued. The Central Bank also published an addendum to the Framework for Macroprudential Capital, which aims to provide further clarity as to the implementation of the strategy for the counter-cyclical capital buffer. In the second half of the year, the Central Bank also concluded its annual review of the calibration of capital buffers for systemically important institutions. This reflected the changing structure of the domestic banking system.

The refreshed mortgage measures framework, which came into effect in 2023, operated against the wider backdrop of an evolving market and tightening financing conditions. Overall, the observed changes in the distribution of new lending were in line with what was expected during the framework review.

The Central Bank has been focusing on strengthening the macroprudential perspective in the regulation of the investment fund sector. In November 2023, the Central Bank published a consultation paper outlining macroprudential measures to strengthen the steady-state resilience of Irish authorised GBP denominated liability driven investment funds. This work was undertaken in conjunction with the Commission de Surveillance du Secteur Financier of Luxembourg. The Central Bank is also focused on monitoring the implementation of the macroprudential measures for Irish property funds, which were announced in November 2022. Beyond the macroprudential measures for property funds and work relating to GBP denominated liability driven investment funds, the Central Bank published a discussion paper on an approach to macroprudential policy for investment funds in July 2023.

Central Credit Register

The Central Credit Register is a national mandatory database of personal and credit information which is operated by the Central Bank.

The number of lenders submitting information to the Central Credit Register at the end of 2023 was 611 (2022: 611) and the database contained 5.4m active records (2022: 5.4m).

Lenders requested 2.56 m credit reports in 2023 (2022: 2.53m) and 36,066 credit reports were provided to borrowers during 2023 (2022: 31,495), an increase of 15%. To recoup the costs of the Central Credit Register, lenders are charged for every enquiry they perform.

On 3 August 2023, an archiving error was identified which had resulted in the inclusion of additional outdated information on credit reports. Engagement with 270 lenders followed, and nine credit enquiries were identified as having been influenced by the additional information. The error was fully resolved by 7 August 2023, with the database reflecting the correct information. The Data Protection Commission has been notified of the matter.

Climate Change

In 2023, climate change continued at pace, evidenced by an increase in the frequency and severity of weather events and the continued rise in global temperatures.[3] The financial system is affected by both physical and transition risks arising from climate change. Given the strategic importance of addressing these risks within the context of our mandate, during 2023 we continued to embed climate and sustainability considerations into all of our activities.[4]

The Central Bank's work on climate change covered a broad range of topics, including: (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, where we published a variety of new data and insights on climate risks in the financial sector in 2023.[5]

The Climate Risk and Sustainable Finance Forum, continued its work to build a shared understanding and knowledge base on the implications of climate change for the Irish financial system.[6] The Forum's two industry-led working groups (on climate-related risk management and capacity building) progressed their efforts to build and share knowledge on these issues, with a view to publishing reports that summarise their work in early-2024.

To progress work on the Central Bank's own business operations, the Central Bank published its first Climate Action Roadmap in March 2023, and made the first of its annual climate-related financial disclosures of its investment assets.[7]

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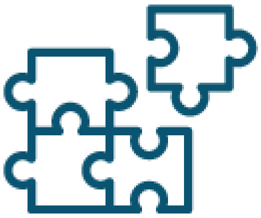
[3] Source: Copernicus, January 2024.
[4] The economic and financial risks from climate change have been well documented. See, for example: Donnery, Sharon (2023). "Walking the path – the transition to Net Zero", Address at Climate Finance Week; Carroll, James (2022). "Climate risks in the financial system: an overview of channels, impact and heterogeneity", Financial Stability Notes, no.7.
[5] See centralbank.ie/climatechange for climate-related publications.
[6] An overview of the Forum and its meetings is available at centralbank.ie/climatechange.
[7] See Central Bank of Ireland's climate-related financial disclosures 2023.

Resolution



Resolution Planning and Enhanced Resolvability

Significant progress was made on resolvability in 2023. Working with the Central Bank and the Single Resolution Board, banks have made material resolvability progress in line with the Single Resolution Board's expectations for banks. A key focus for the Central Bank remains on the operationalisation of the Central Bank's resolution tools, in order to enhance crisis preparedness, through testing and dry-run exercises.

Minimum requirements for own funds and eligible liabilities were 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. Irish banks are compliant with existing binding requirements for own funds and eligible liabilities and the Central Bank will continue to monitor compliance by reviewing and reporting on banks' capital and minimum requirement for own funds and eligible liabilities management plans.

Resolution Actions

In May 2023, following an application by the Central Bank, the High Court appointed liquidators to BlackBee Investments Limited. Despite extensive supervisory engagement, and efforts to find a solution that protected clients' interests, no viable alternatives were found.

The appointment of liquidators was considered the most appropriate action to protect the immediate and ongoing interests of the clients of BlackBee Investments Limited.

Resolution Funds

The Central Bank has statutory responsibilities with respect to three resolution funds: the Single Resolution Fund, the Bank and Investment Firm Resolution Fund, and the Credit Institutions Resolution Fund.

In 2023, the Central Bank collected €297m from Irish banks contributing to the Single Resolution Fund on behalf of the Single Resolution Board. As of end-2023, the fund had reached c. €78bn of its original c. €60bn overall target, and to date has not been called upon to fund resolution actions.

In 2023, the Central Bank collected levy contributions of €15m for the Bank and Investment Firm Resolution Fund, bringing the total fund, to €66m as of end-2023. This fund has not been called upon to date.

In 2023, the Central Bank collected €5m for the Credit Institutions Resolution Fund. This sum, together with interest earned, brings the total fund, to c. €67m as of end-2023. There were no resolution actions that impacted this fund in 2023.

Deposit Guarantee Scheme and Insurance Compensation Fund

The Central Bank administers the Deposit Guarantee Scheme and Insurance Compensation Fund. 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, the Central Bank – applying a methodology determined by the European Banking Authority - calculated that credit institutions should be levied a total of €246.9m for 2023 contributions to the fund.

In 2023, the Insurance Compensation Fund paid €10.1m to the State Claims Agency in respect of four insolvent entities namely: Enterprise Insurance Company Plc (In Liquidation), Gefion Finians A/S (In Bankruptcy), Gable Insurance AG (In Liquidation) and Setanta Insurance Company Limited (In Liquidation).

Financial Crisis Preparedness and Management

During 2023, the Central Bank continued to build its crisis preparedness capabilities by conducting crisis simulation exercises in respect of both financial and operational resilience issues. The exercises were conducted both on an internal basis and – in respect of operational resilience and in conjunction with other national and European agencies, including the Financial Stability Group agencies and the National Cyber Security Centre. The internal financial resilience exercises examined the Central Bank's preparedness to manage firm failure and the interagency exercises considered how to effectively coordinate responses to operational disruptions, including cyber-attacks, in the financial system.

Payment Systems and Currency

Payment System

During 2023, the Central Bank continued to contribute to the ongoing management and enhancement of payment systems. The TARGET2/TARGET2 Securities (T2/T2S) Consolidation project went live on 20 March 2023. The objective of this project was to meet changing market demands by replacing TARGET2 with a new a real-time gross settlement system called T2 which optimises liquidity management across all TARGET Services.

T2-Ireland is the Irish component of T2 which is owned and operated by the Eurosystem. T2-Ireland currently has 13 real time gross settlement account holders, a decrease of one from 2022, and one ancillary system.

While T2-Ireland transaction volumes (716,356) in 2023 decreased by 4.66% compared to 2022, the total value of transactions year-on-year increased by €1.59tn to €5.22tn.This large increase (43.71%) is attributed to the positive interest rate environment and the increased usage of the Deposit Facility.

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. In 2023, the National Treasury Management Agency issued one new Government bond with a nominal value of €3.5bn, and sold a further €3.9bn on existing bonds (Taps), no treasury bills were held on the register in 2023. At end-2023, the nominal value of bonds on the register amounted to €143.3bn, representing a 1.6% year on year decrease overall.

Digital Euro

The Digital Euro is a proposed central bank digital currency - an electronic equivalent to cash – that, if implemented would aim to complement euro banknotes and coins.

Based on the findings of an investigation phase, in October 2023, the Governing Council of the ECB decided to continue the work on the Digital Euro project by moving to the preparation phase.[8] The preparation phase will be a multi-year project that will progress a number of policy and technical dimensions necessary to develop a

[8] A stocktake on the digital euro: Summary report on the investigation phase and next steps

Digital Euro. Proceeding to the preparation phase is not a decision on whether to issue a Digital Euro. Any such decision would only be considered once the EU's legislative process has been completed.

Access to Cash

During 2023, the Central Bank provided input into important initiatives, with an availability and choice focus, undertaken by other bodies, including the development of the Government's National Payments Strategy and the draft domestic access to cash legislative framework. These two bodies of policy framework development, which the Central Bank continues to be actively involved in, represent important steps forward in ensuring availability and choice for consumers (including those facing financial exclusion challenges) and small businesses into the future.

Currency

Banknotes

In 2023, the Central Bank issued 169m banknotes (value €5,281m), representing a 15% decrease on the 198m banknotes (value €6,274m) issued in 2022. The higher levels of banknote issuance in 2022 were a consequence of a short-term increase in the use of cash following the COVID-19 pandemic. In 2023, the Central Bank received banknote lodgements of 131m (value €3,345m) which represents a decrease of 8% on the 142m (value €3,838m) received in 2022.

Table 1: Banknote Issues

No. of Banknotes (m) Issued[9]			Value €m	
Denomination	**2023**	**2022**	**2023**	**2022**
€5	22.2	24.3	111	121
€10	21.3	24.6	213	236
€20	45.1	54.0	902	1,079
€50	80.4	96.1	4,022	4,805
€100	0.3	0.3	34	33
€200	0	0	0	0
€500	0	0	0	0
Total	169	198	5,281	6,274

Note: Figures may not sum due to rounding

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

Coin

The Central Bank, acting as agent for the Minister for Finance, issued 47m coins (value €24m) into circulation in 2023. This represents a 38% decrease in coins issued when compared with the 76m coins (value €35m) issued in 2022. The Central Bank received lodgements of 42m coins (value €16m) which represents a 27% increase on 2022 coin lodgements of 33m (value €16m).

Table 2: Coin Issues

No. of Coin (m)			Value €m	
Denomination	**2023**	**2022**	**2023**	**2022**
1c	0	1	0	0
2c	0	1	0	0
5c	18	25	1	1
10c	8	14	1	1
20c	6	13	1	3
50c	4	6	2	3
€1	3	7	3	7
€2	8	10	17	20
Total	**47**	**76**	**24**	**35**

Note: Figures may not sum due to rounding

Collector Coins

The Central Bank commemorates Irish culture and heritage by issuing a range of limited edition numismatic products on behalf of the Minister for Finance. During 2023, the Central Bank issued the following four coin products for sale on www.collectorcoins.ie:

- Annual Mint Set 2023 – Bio-Diversity Theme
- Baby Set 2023
- Silver Proof Coin 2023 – Ireland Women's Football Team
- Proof Set 2023 – 50th Anniversary of Ireland's membership of the European Union

Commemorative coin presented to the 1973 Irish Women's Football Team

In addition, the Central Bank issued 500,000 special €2 circulating coins to mark the 50th Anniversary of Ireland's membership of the European Union. These coins went into circulation on 22 June 2023.

National Cash Cycle Developments

Following a strategic review of our cash centre operations during 2023, the Central Bank progressed plans to develop a new cash centre in an alternative site in the greater Dublin region, and to dispose of its current site in Sandyford. The Central Bank expects that it will be at least seven years before the new cash centre is fully operational. Until such time, our operations will remain on the current site.

Economic Analysis and Statistics

Economic Analysis

In contributing to the formulation of national economic policy in 2023, the Central Bank provided commentary on current economic developments, policy advice, and research insights. These were conveyed in its Quarterly Bulletins, Economic Letters, Research Technical Papers, in statements and speeches by the Governor and other senior management, and in staff contributions to conferences, seminars and external publications. A detailed description of the Central Bank's research output is provided in the Research Bulletin.

Macroeconomic forecasting exercises are core to the Central Bank's domestic economic analysis. Two of the exercises conducted in 2023 took place as part of the Eurosystem's Broad Macroeconomic Projection Exercise, and coincided with the publication of the Quarterly Bulletins in June and December. A further two exercises were published in the Quarterly Bulletins in March and September.

Particular topics considered in the Quarterly Bulletin Signed Articles and Economic Letters included the importance of the information communication technology sector to the Irish economy, the determinants of inflation in Ireland, the effects of structural changes in the domestic labour market, and the appropriate fiscal policy in a full-employment economy.

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 2023 focused on a range of issues related to credit to the real economy, including bank and non-bank lending to non-financial corporations, and the distribution of mortgage interest rates. Two publications focused on climate-related topics, examining the carbon intensity of Ireland's financial sectors' securities holdings, and also exploring the growth in the level and range of green lending to households and NFCs. The Behind the Data series also introduced new card spending data for Irish households. These newly-enhanced statistics provide an insight into credit and debit card spending on a county-by-county basis, and also include details of contactless payments for the first time.

Aside from these new card spending statistics, additional data relating to payments were launched in December 2023, following the introduction of a new ECB Payments Statistics Regulation. This Regulation introduces a more granular approach to reporting, which gives a more detailed perspective on developments in retail payments domestically and through Europe. Other new statistics introduced in 2023 include non-bank mortgage interest rates, published on a quarterly basis, to provide a more comprehensive view of the entire mortgage market.

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 2023 included the first publication of mid-year reports for both Private Motor Insurance and Employers' Liability and Public Liability Insurance.

Financial Regulation and Supervision[10]

Regulating the financial sector is a key function performed by the Central Bank in conjunction with other European and international regulators. Financial regulation serves the needs of economies, consumers and investors by creating an environment where firms and individuals can participate in a financial system that is resilient, effective and operates to the highest standards.

Risk Landscape

Recent years have demonstrated how the unexpected occurrence of major events can lead to a cascade of interconnected risks, often crystallising in unanticipated ways.

The adjustment to a sharply increased interest rate and inflation environment and uncertainty over their future path, meant heightened market uncertainty and increased risks to asset valuations, in particular illiquid and unquoted assets including real estate. Credit and counterparty risks were elevated due to general economic uncertainty, increases in the cost of living and the impact of the higher euro area and global interest rates.

[10] 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).

Operational risks within regulated firms continued at an elevated level, driven by the rapid advance of digitalisation plus new business models and restructured value chains which have been transforming the way financial services firms serve their customers, cooperate with third parties, leverage intra-group synergies and organise themselves internally. Increasing reliance on technology has also increased the risk posed by cyber-attacks.

The financial system and key sectors in Ireland and internationally have proved themselves to be financially and operationally resilient in the face of the turmoil of recent years, with notable exceptions. The events surrounding certain US regional banks and Credit Suisse earlier in 2023 demonstrated that a confluence of events can cause distress at an entity and financial system level. Maintaining and building resilience in an increasingly volatile and uncertain operating environment is key.

WHO WE REGULATE ‡

52 Credit Institutions

191 Credit Unions

41 Life Insurance Companies

94 Non-Life Insurance Companies

61 Reinsurance Companies

7 Money Transmitters & Bureaux de Change

24 Payment Institutions

4 Account Information Service Providers

5 Moneybrokers

28 Electronic Money Institutions

29 High Cost Credit Providers

5 Crowdfunding Service Providers

17 Retail Credit Firms & Home Reversion Firms

25 Transitional Retail Credit Firms

102 Investment Firms

204 Funds Service Providers

8942 Investment Funds

1 Regulated Market/ Market Operator+

2637 Retail Intermediaries

19 Credit Servicing Firms

2 Transitional Credit Servicing Firms

36 Debt Management Firms

‡ All figures are as at 31 December 2023 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.

Key Financial Regulation and Supervision Activities in 2023

Consumer and Investor Protection

An important dimension of the Central Bank's work is ensuring that the interests of consumers are protected and, through this, building confidence and trust in the financial system.

Supporting Mortgage Borrowers

As increased interest rates began to impact on mortgage borrowers, the Central Bank engaged intensively with firms on the operation of specific aspects of the consumer protection framework, concentrating on arrears supports, switching and the provision of information. Firms responded with additional supports for borrowers and increased operational capacity. This included proactive contact with vulnerable borrowers and continued provision of supports, including alternative repayment arrangements to borrowers at risk of arrears.

Differential Pricing Post-Regulation Review

In 2023, the Central Bank completed a post-regulation review to assess compliance with, and effectiveness of, insurance regulations introduced in 2022, which banned price walking in the motor and home insurance market.[11] The review found that the regulations are working effectively and as intended. It found consumers who are on their second or subsequent renewal are no longer paying a loyalty penalty, i.e. premiums that are higher than they would have to pay if they were a year one renewal consumer. The review also found insurance providers have established more robust oversight processes, analysis and reporting in relation to their pricing practices and models. Insurance providers have also introduced the required disclosure in relation to automatic renewals to help consumers make more informed decisions when renewing their insurance.

Protecting Investors

Following targeted reviews of Markets in Financial Instruments Directive (MiFID) investment firms and life insurance firms, the Central Bank published 'Dear CEO' letters, calling out specific good practices identified and notable deficiencies requiring firms to take action to raise

[11] This prohibits firms from setting a subsequent renewal price that is higher than the equivalent first renewal price. The Regulations also required further oversight of pricing practices and greater transparency in relation to the automatic renewal process.

their standards. The 'Dear CEO' letters covered key areas in firms such as:

- Control Frameworks and Risk Appetite Statements (in addition to published additional guidance for firms in relation to the sale and marketing of Structured Retail Products)
- Ongoing suitability of long term investment products (life insurance firms) and
- Costs and charges.

The Central Bank also submitted a report to the European Securities and Markets Authority setting out our findings and a number of recommendations, including further development of guidelines (for MiFID firms) when advertising or marketing to consumers.

Supervision of Authorised Firms

The Central Bank supervises the activities of a diverse range of sectors providing financial services in Ireland and overseas, many of which have grown in scale and complexity in recent years.

The Central Bank's overarching supervisory objective is to ensure a stable, resilient and trustworthy financial sector, sustainably operating in the best interests of the public, consumers and the wider economy. Supervision is undertaken on a risk-based approach and deploys a broad supervisory toolkit to assess risk and regulatory compliance at both sector and firm level.

The Central Bank's supervisory strategic focus is on identifying and addressing activities or situations which could give rise to widespread consumer or investor harm, or could undermine the safety and soundness of firms, financial stability or integrity of the system. Activities include direct engagement with firms, deep dive inspections, thematic reviews and data analysis, backed up by a proportionate recourse to enforcement. Supervisory priorities are set within the context of the global macro environment and risk backdrop and the Central Bank's role as part of the European System of Financial Supervision, and the ECB Single Supervisory Mechanism.

Retail Banking

The consolidation of the domestic retail banking sector continued to be a key supervisory focus and a Central Bank-wide priority in 2023. The Central Bank set clear expectations that the exits of Ulster Bank and

KBC Bank would be executed in an orderly way, prudently managed, and would ensure the protection of consumers, in particular potentially vulnerable customers. Many of the material transactions were completed during 2023, including the migration of bank accounts. The large-scale account migration was unprecedented in its scale with the migration and closure of over 1.2 m customer bank accounts held at the exiting banks.

The changing interest rate environment also continued to impact on the retail banking sector in 2023. Domestic bank profitability has increased driven by a rise in net interest income over the past year.

The impact of rising interest rates on the retail banks financial resilience as well as the impact on consumers has been a key area of supervisory focus.

International Banking

Following the UK's departure from the EU, the international banking sector in Ireland increased both in size and complexity and this trend continued in 2023. This growth continues to be driven by cross border assets held by third country subsidiaries. A desk mapping review was launched by the ECB to assess whether third country subsidiaries located in the EU have appropriate internal governance and risk management capabilities for material trading desks.[12]

Credit Unions

Restructuring and consolidation of the credit union sector continued during 2023 in order to support more financially and operationally sustainable credit unions. Twelve transfers of engagement were completed with a pipeline of transfers at various stages of progress at end-2023.[13] This ongoing restructuring has reshaped the asset size profile of the sector, with 66 of the 191 active credit unions reporting assets over €100m (representing 70% of sector assets) at end- 2023.

In 2023, credit unions continued to expand the services they provided:

- Two credit unions with assets greater than €100m received approval for increased home and business lending limits, bringing

[12] Information regarding the Desk Mapping Review is available on the ECB Banking Supervision website.
[13] 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

the total number of credit unions who are permitted to avail of this increased lending limit of 15% of total assets, up to ten.

- The number of credit unions reporting home loan balances remain stable with 111 credit unions reporting home loan balances at end-2023 compared to 112 credit unions with home loan balances at end-2022.
- The number of credit unions approved to provide current account services to members increased to 85 at end-2023 (up from 77 at end-2022) with a cumulative total of c.157,000 debit cards issued by these credit unions as at end November 2023.

The Credit Union (Amendment) Act, 2023 was enacted in December 2023 and provides new business opportunities for credit unions, provisions for establishment of corporate credit unions as well as some changes to governance requirements.

Payments and Electronic Money (E-Money)

The payment and e-money sector is of increasing importance in the Irish and European financial landscape. The number of payment and e-money firms regulated by the Central Bank has tripled in the last six years (from 15 to 51 firms), with a more than tenfold increase in the value of safeguarded funds (to c. €8bn at end-2023), with services being passported across the EU from Ireland.

The Central Bank's supervision of this sector identified a wide range of deficiencies, and highlighted these in a Dear CEO letter issued in January 2023. As part of our ongoing engagement with firms in this sector, to ensure these deficiencies are addressed, the Central Bank also required firms in the sector to obtain an independent audit of their safeguarding practices in 2023. This reflected the Central Bank's requirement that firms ensure users' funds are appropriately identified, managed and protected on an ongoing basis.

Insurance/ Re-Insurance

The 2023 risk-based supervision focuses particularly on the financial and operational resilience of firms. Specific areas of focus included:

- reserving assumptions in light of 'higher for longer' inflation and interest rate scenarios;
- governance and underwriting in sectors or lines of business which have been subject to significant growth or changes in risk profile; and

- oversight of critical outsourcing relationships and maturity of operational resilience frameworks.

One notable longer term trend is the growing digitalisation of financial services including insurance. In this regard the output of the Central Bank's survey on digitalisation was published during 2023.

Retail Intermediaries

The Retail Intermediary sector comprises more than 2,600 firms, and is a key distribution channel for insurance, pensions and investments, and mortgage products. A key focus of the Central Bank's supervision in 2023 was the development of the regulatory framework through the Retail Investment Strategy and the review of the Consumer Protection Code. Additionally, the Central Bank concluded a thematic review of professional standards in the sector in late 2023.[14]

Markets in Financial Instruments Directive Investment Firms

During 2023, the Central Bank continued its supervisory focus on operational and financial resilience across the investment firm sector, with a strong focus on outsourcing risks arising from a significant reliance by some investment firms on third party or group service providers for key activities. Supervisory focus with respect to financial risk and resilience centred on risks to solvency and liquidity due to the uncertain economic and financial market outlook and higher inflation and interest rate environment, and the impact on the level of credit, market, liquidity and other inherent risks.

A key focus throughout 2023 was the implementation of the Supervisory Review and Evaluation Process framework for MiFID Investment Firms, following the implementation of the Investment Firms Regulation and the Investment Firms Directive.

Securities and Markets

The investment funds sector in Ireland continues to be a supervisory priority for the Central Bank given its size and complexity. During 2023, the supervision of the sector continued to focus on key product risks such as leverage and liquidity. The Central Bank continued to evolve its approach to funds supervision during 2023, by further leveraging data and enhancing our understanding of risks. Supervisory engagement for fund service providers focused on operational and financial resilience

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[14] Compliance with the Minimum Competency Code and the Knowing the Consumer and Suitability provisions of the Consumer Protection Code.

with a particular focus on IT/cyber risk and oversight of critical outsourced arrangements. The implementation of Sustainable Finance Disclosure Regulation remained a further key focus, and participation in European Securities and Markets Authority's coordinated Common Supervisory Action is ongoing. An Industry Letter was also published in December 2023 outlining the findings and expected actions from the Common Supervisory Action on asset valuation; findings included an over-reliance of group procedures and deficiencies in local procedures. In summary, supervisory engagement during 2023 continued to focus on ensuring the funds sector is delivering high standards of investor protection to a global investor base.

Strong progress was made in 2023 in developing a stand-alone regime in Ireland for European Long Term Investment Funds. The Central Bank responded formally to the Department of Finance's review of the Irish funds sector consultation in 2023 and looks forward to engaging proactively with the recommendations arising from this review.

The Central Bank also maintained its focus on wholesale market conduct risks. Culture is consistently seen as a driving factor in cases of misconduct and a supervisory priority for the Central Bank is to ensure that firms' boards and senior management implement an effective conduct-focused culture that is underpinned by an effective conduct risk management framework. Following supervisory engagements during the year, the Central Bank set out that, firms need to do more to ensure culture is effectively embedded into their day-to-day operations, supporting governance arrangements and control frameworks. Detailed findings were communicated through an industry communication in June 2023.

The conduct risk associated with unauthorised use of telephone and electronic communication devices was also key concern for the Central Bank, especially in the context of hybrid working arrangements. Supervisory engagements during 2023 identified deficiencies in policies and procedures, monitoring and testing, controls and training relating to telephone and electronic communications. An Industry Communication issued in October 2023.

In 2023, the first criminal prosecution for insider trading in Ireland occurred, following an investigation by the Garda National Economic Crime Bureau with support from the Central Bank. Due to previous thematic work by the Central Bank, the quality and quantity of

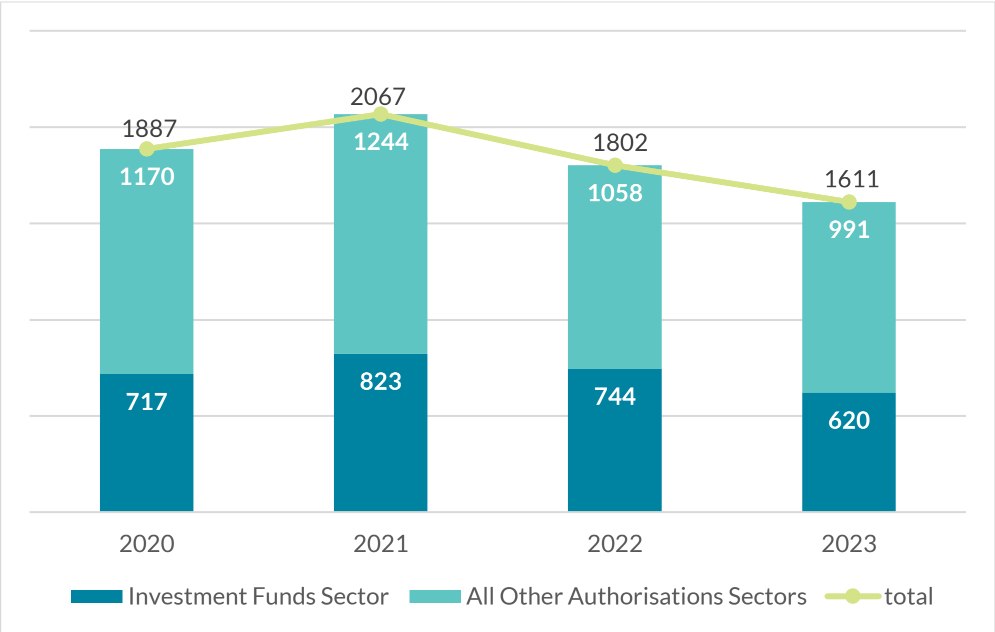
Suspicious Transactions and Order Reports received has improved, resulting in a record number received (365). Implementation of new market surveillance software began in 2023, which will enhance capabilities to monitor trading activities for suspected market abuse.

Authorisation and Gatekeeping

The Central Bank has an ongoing commitment to providing clear, open and transparent authorisation processes and constructive engagement with industry and other stakeholders. The aim of the Central Bank is to authorise, in a timely manner, applicant firms that demonstrate they can meet their regulatory obligations both at the point of authorisation and post-authorisation. In terms of innovation in the financial system, including the entry of new firms and new business models, the Central Bank aims to ensure the benefits of innovation are harnessed while mitigating the risks.

In 2023, the Central Bank saw a stabilisation in new applications compared to the high levels received in 2022. There remains an increased level of complexity, primarily driven by technological innovation in the business models of applicant firms, in particular, the payment and e-money sector, which has grown substantially over the last number of years.

Authorisations Activity of Regulated Firms 2020-2023[15]



[15] Crowdfunding is included in the figures for 2023 as a new type of authorisation

While the various authorisation areas in the Central Bank operate in the context of differing legislative and regulatory requirements, the assessment processes across the Central Bank are all streamlined – incorporating early pre-application engagement with prospective applicants, are transparent such that prospective applicants are made aware of the standards required for authorisation, and ensure that only the firms which meet those standards are duly authorised. In line with our open and engaged strategy, there has been an increase in engagement with all types of applicant firms and their representatives through various publications on the Central Bank website setting out our expectations for regulated firms or, through hosting webinars and in person fora and meetings with all parties engaged in the authorisation process.

A large number of fund authorisation submissions were received, with 620 funds authorised during the year. Ten fund service provider firms were also authorised in 2023. This is in addition to a large number of other applications such as branch notifications, changes to authorisation, registration of alternative investment funds and revocations of authorisations or approvals. The pipeline for MiFID applications remained high for 2023, with eight MiFID applications approved. This is still being driven by Brexit Group strategies and there has also been an increased level of interest in authorisation of MiFID trading venues.

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 2023, 745 new prospectuses were approved in addition to processing 55,791 post authorisation fillings.

The Central Bank continued to assess virtual asset service provider applications in 2023, with seven additional firms registered. A total of 11 virtual asset service providers were registered with the Central Bank at end-2023. These firms are supervised by the Central Bank for Anti Money Laundering/ Countering the Financing of Terrorism purposes only.

2023 saw the Central Bank authorise firms in the crowdfunding sector for the first time. Five crowdfunding service providers were authorised by the Central Bank in 2023, including one new entrant to the Irish market. To manage the complexity and challenges of this sector and their related business models, the Central Bank held numerous engagements in 2023 with prospective firms during the application process and facilitated a dedicated industry outreach event.

In 2023, there were also two insurance and six reinsurance firms authorised. Alongside core supervisory engagements in 2023, supervisors engaged on a material number of transactions relating to consolidation, changes in firms' strategies and structures during the period.

The authorisation application pipeline for Retail Intermediaries remained steady for most of 2023, with a total of 174 applications approved.

Enforcement

Updated and Consolidated Administrative Sanctions Procedure Guidelines

2023 saw the Central Bank (Individual Accountability Framework) Act 2023) being enacted and the majority of enforcement related provisions were commenced in April 2023. This saw much of the Central Bank's Administrative Sanctions Procedure placed on a statutory footing for the first time and resulted in a key focus on the updating of all of its existing guidance relating to the Administrative Sanctions Procedure in the form of the new and consolidated guidelines.

As part of the review, the Central Bank sought stakeholder views on its proposed approach and issued a Consultation Paper in June 2023. Following careful consideration of submissions received, the Central Bank amended the Administrative Sanctions Procedure (ASP) guidelines as appropriate and published the guidelines, together with a feedback statement on 13 December 2023.

Central Bank Enforcement Actions

The Central Bank reprimanded and fined GlobalReach Multi-Strategy ICAV €192,500 for breach of Article 9(1) of the European Markets Infrastructure Regulation by failing to report 200,640 of its sub-fund's derivative trades to a trade repository. This case highlights the importance of timely and accurate data reporting across sectoral legislation for transparency and market monitoring processes and activities. The Central Bank also revoked its authorisation of four regulated financial service providers in 2023.

Inquiries

2023 saw the continuation of three inquiries under the Central Bank's ASP. In respect of the inquiry concerning Irish Nationwide Building Society and a person concerned in its management, the final evidential hearings from the Irish Nationwide Building Society inquiry are complete. The inquiry's findings in respect of the sole remaining person formerly concerned in its management are awaited.

An inquiry concerning Permanent tsb plc and Mr David Guinane is ongoing, with three inquiry management meetings (one in private and two in public) and a public legal issues hearing held in 2023.

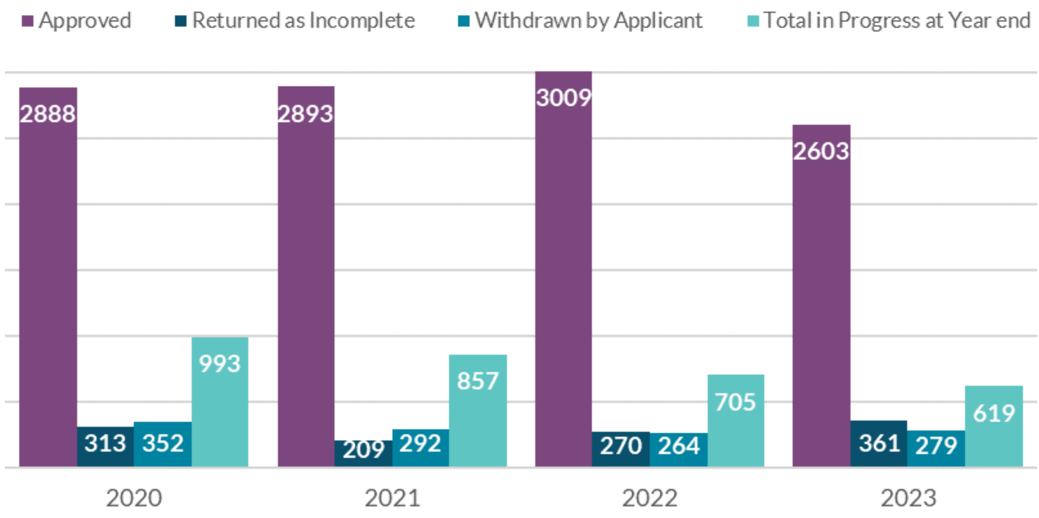
The inquiry concerning a person formerly concerned in the management of a regulated financial service provider which commenced in 2022 is ongoing and two inquiry management meetings were held in private in 2023.

Full details of the Central Bank's enforcement outcomes in 2023 and cases currently at inquiry are available on the Central Bank's website).

Fitness and Probity

In April 2023, the Central Bank published its "Central Bank Reform Act 2010 (Procedures Governing the Conduct of Investigations) Regulations 2023" together with its updated Fitness and Probity: Guidance on Investigations, Suspensions and Prohibitions, which generally reflect amendments to the fitness and probity regime of a more technical nature required in connection with the Individual Accountability Framework.

Fitness and Probity Applications by Status



Unauthorised Providers

The Central Bank published 136 warning notices in respect of unauthorised firms in 2023. This is a 23% 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. The cloning of legitimate firms, in particular investment firms, and the use of fake investment prospectus documents continues to be the most prolific type of fraud observed.

Protected Disclosures

The Central Bank encourages individuals to report concerns or information relating to suspected regulatory wrongdoing in financial services. The Central Bank received 224 such protected disclosures during 2023 (245 in 2022). The presence of a protected disclosures regime plays an important role in the promotion of high standards within regulated firms and it aids in positively influencing behaviours. In 2023, protected disclosures led to enhanced supervision, risk mitigation programmes, inspections, warning notices and enforcement activities. Following the commencement of the Protected Disclosures (Amendment) Act 2022 on 1 January 2023, firms are now required to comply with its provisions.

Financial Sanctions

The Central Bank is the competent authority in Ireland for the administration of targeted financial sanctions. In this role, the Central Bank has supported the administration of EU sanctions arising from the Russian war in Ukraine. During 2023, the Central Bank received 72 derogation applications of which 26 were authorised and ten remain under assessment. A further 32 applications were withdrawn by the applicant following engagement with the Central Bank and the remaining four were either refused or rejected. Additionally, the Central Bank has supported individuals and entities in the implementation of the EU's financial sanctions through responding to 214 requests for guidance.

Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)

The Central Bank continued to enhance and evolve its approach to AML/CFT supervision during 2023. 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 risk assessment frameworks, governance, transaction monitoring, customer due diligence, and suspicious transaction reporting.

Additionally, the Central Bank worked closely with An Garda Síochána, the Criminal Assets Bureau and other relevant competent authorities in the domestic and global fight against money laundering and terrorist financing, including through its activities as a member of Ireland's delegation to the Financial Action Task Force (FATF).

Anti-Money Laundering Registers

Ireland Safe Deposit Box, Bank and Payment Accounts Register

In February 2023, the Central Bank established the Ireland Safe-Deposit Box, Bank and Payment Accounts Register. The register contains a record of the account holder, beneficial owner and person purporting to act (as applicable) of over 23m IBAN accounts and safe-deposit boxes from 200 credit institutions in Ireland. The register is directly accessible to prescribed law enforcement agencies only.

Beneficial Ownership Register for Certain Financial Vehicles

In 2023, the Central Bank processed 1,218 requests to access the Beneficial Ownership Register for Certain Financial Vehicles from designated persons. It is one of three beneficial ownership registers in the state and identifies the ultimate owners and/or controllers of Irish collective asset-management vehicles, credit unions, unit trusts, investment limited partnerships and common contractual funds. A key change arising from domestic legislation was the introduction of a legitimate interest threshold for public access to the register while, in a European context, beneficial ownership registrars actively progressed efforts to enable the future interconnection of such registers across EU member states via the Beneficial Ownership Registers Interconnection System.

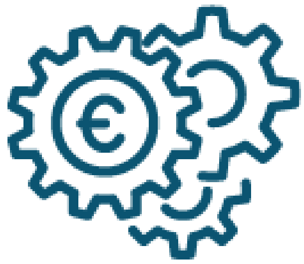
Policy and Legislative Pipeline

Individual Accountability Framework

Following enactment of the Central Bank (Individual Accountability Framework) Bill 2022 on 9 March 2023, the Central Bank launched a three-month consultation on key aspects of the implementation of the

Individual Accountability Framework (IAF), including the publication of draft regulations and guidance. Consultation Paper 153 formed the basis of a significant and constructive engagement with industry on proposed policies and implementation. On 16 November 2023, the Central Bank published a feedback statement and issued regulations and guidance to firms on the Individual Accountability Framework. The guidance provides clarity regarding the Central Bank's expectations for the implementation of three aspects of the framework: the Senior Executive Accountability Framework, the conduct standards and certain aspects of the enhancements to the fitness and probity regime.

Review of the Consumer Protection Code



Following the publication of the Discussion Paper on the Review of the Consumer Protection Code in October 2022, the Central Bank undertook an extensive six-month engagement programme in 2023 across all our stakeholders to deepen our understanding of the important consumer protection issues outlined in the paper. In July 2023, an Engagement Update was published outlining feedback from stakeholders during the engagement period and what the next steps would be.

The purpose of the review is to deliver an updated and modernised Consumer Protection Code that reflects developments in recent years and the services and delivery channels being accessed today. Informed by stakeholder views, along with research and analysis, a consultation paper was published in 2024, setting out the proposed changes under the review.

Funding and Staffing: Regulation and Supervision

Funding of Regulation and Supervision

The Central Bank's funding strategy continues to evolve, on a phased basis, towards fully recovering the cost of financial regulation and supervision activities 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 and supervision 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 and supervision, the cost recovery rates approved by the Minister for

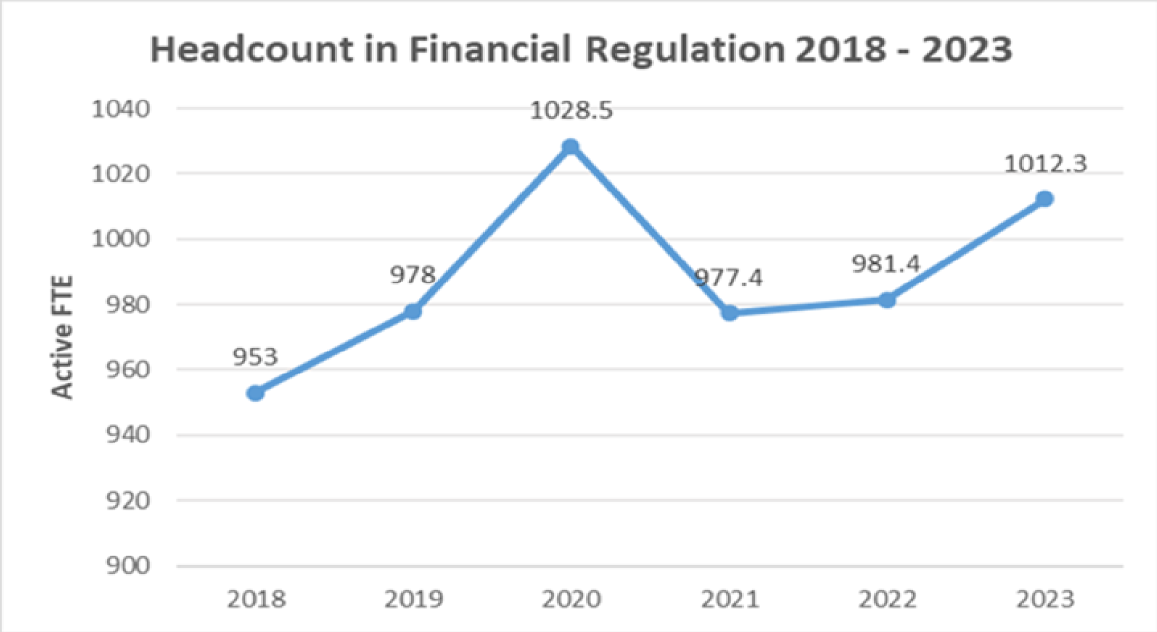
Finance and adjustments for items including balances or deferred income from prior years.

The Central Bank continuously reviews the levy process to ensure it remains appropriate as the financial services industry evolves and is as efficient to operate as possible. 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.

The Central Bank has commenced a review of its longer term levy strategy. This is to consider whether, and to what extent, changes in methodology and approach are warranted taking into consideration the evolution of the financial services sector and the Central Bank's approach to regulation and supervision. This is a substantial piece of work and the Central Bank plans to engage publicly on any significant proposals arising from its work in this area in advance of changes (if any) being implemented.

Staffing in Regulation and Supervision

At end-December 2023, there was the equivalent of 1,012.3 full-time staff involved in regulatory activities, up from 981.4 in December 2022. The increase is due to lower voluntary turnover and higher candidate application rates in the period. In 2023, the demand for risk and regulation talent further stabilised post-Brexit and resourcing has returned to 2020 levels. Other labour market factors including tech sector lay-offs and the consolidation of retail banking also served to increase the supply of critical talent. The Central Bank proactively promoted the 'Central Bank Experience' across channels, campaigns and raise awareness of our employer value proposition with potential candidates. This enabled the Central Bank to better attract and retain critical staff to support delivery of our mandate and the implementation of Our Strategy. Voluntary turnover for regulation and supervision at end-2023 was 3.9% versus 8.9% at end-2022.



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 2023 and its input was sought on a number of significant strategic issues, including:

- The Consumer Protection Code review.
- Individual Accountability Framework (IAF) and its implications for the market.
- Mortgage arrears, particularly in the context of rising interest rates.
- Stakeholder Engagement Strategy.
- Cyber risk, and the strengthening of the operational resilience of customer-facing firms in Ireland.
- Financial education and literacy.

International Peer Reviews[16]

Section 32M of the Central Bank Act, 1942 requires the Central Bank to make appropriate arrangements every four years for either another national central bank, or another person or body certified by the Governor, after consultation with the Minister, to carry out a review of the Central Bank's performance of its regulatory functions.

[16] 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).

In 2023, following consultation with the Minister for Finance as required, the Central Bank requested the International Credit Union Regulators' Network (ICURN) to conduct a peer review of the Central Bank's regulatory functions with respect to credit unions. The basis for the peer review was the ICURN Guiding Principles for Effective Prudential Supervision of Cooperative Financial Institutions and Best Practices for Financial Cooperative Governance. The peer review team assessed the Central Bank to be compliant with 21 of the 23 Guiding Principles and largely compliant with the remaining two Guiding Principles.

The report also made recommendations that the Central Bank can consider to enhance its performance as an effective regulator. The Central Bank broadly agrees with the findings contained in the Peer Review Report.

European Insurance and Occupational Pensions Authority (EIOPA) Peer Reviews

A peer review on product oversight and governance – was published on 20 July 2023.

This peer review, the first in the area of supervision of conduct of business, assessed the overall maturity of the supervisory framework on product oversight and governance developed by National Competent Authorities to supervise the application of product oversight and governance requirements by insurance manufacturers.

The peer review, final report outlines the recommended actions (110 in total) that were issued to the 30 participating national competent authorities, highlighting the main findings and areas for improvement. The Central Bank received the highest rating available from EIOPA and was one of six national competent authorities with only one recommended action; this related to communicating product oversight and governance supervisory expectations on insurance-based investment products. Overall the Central bank was noted as having formal supervisory processes to ensure that product oversight and governance are adequate and have evidenced use of a wide range of supervisory activities to check and verity such arrangements.

The Orderly and Proper Functioning of Financial Markets[17]

Introduction

When performing its functions and exercising its powers, the Central Bank is required to do so in a way that is consistent with the orderly and proper functioning of financial markets.

Much of the day-to-day work of the Central Bank, contributes to this objective - including oversight of the financial system, which involves authorisation, supervision, enforcement and resolution. The purpose of this section is to focus on specific initiatives undertaken over the course of 2023 and outline how they are consistent with the orderly and proper functioning of financial markets.

A Resilient Well-Functioning System

The financial system continues to play a central role in the Irish economy. The scale of financial services is reflected by the provision of over 7.9m current accounts and 8.7m insurance policies and through the processing of c. 3.5bn payment transactions annually (totalling €10.4tn in value in 2022). Credit institutions have funded the economy providing €101bn in credit to households and €18bn in credit to small and medium enterprises, while non-bank lending to small and medium enterprises was estimated to stand at €4bn in 2020.

At a system-wide level, the Central Bank continues to focus on ensuring that the financial system is able to provide services to households and businesses, both in good times and in bad.[18] Indeed, over the course of 2023, and despite the sharp rise in interest rates and associated implications for asset prices and economic activity, the provision of financial services to households and businesses in Ireland remained uninterrupted, demonstrating the benefits of resilience accumulated over the past decade.

In June 2023, the Central Bank announced that the countercyclical capital buffer for banks was to increase from 1.0% to 1.5% - to take

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[17] 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), and as added to by the Recommendations of the Retail Banking Review (2022).

[18] The Central Bank's macroprudential policy framework sets out the strategy for deploying the macroprudential policy instruments to achieve this aim. For more details, see here: https://www.centralbank.ie/financial-system/financial-stability/macro-prudential-policy

effect from June 2024. This followed the Central Bank's consideration of the balance between the macroeconomic benefits and costs of different capital levels for the Irish banking system. This assessment took a holistic approach to bank capital, including to consider the interactions between macroprudential capital buffers and other elements of the bank capital framework, such as risk weights. The 1.5% countercyclical capital buffer rate is not calibrated to ensure the banking sector is resilient to all possible shocks. An approach that aimed to ensure "resilience at all costs" would not be optimal from an economy-wide perspective, as it would not appropriately reflect the importance of a sustainable flow of bank lending to the real economy.

In November 2022, the Central Bank introduced macroprudential measures for property funds. The measures aim to safeguard the resilience of a growing form of financial intermediation so that property funds are better able to absorb – rather than amplify – future adverse shocks. In turn, this will better equip the sector to continue to serve as a sustainable source of investment in economic activity, providing greater diversity of funding alongside traditional sources such as bank lending.

The Central Bank's mortgage measures are another important macroprudential tool that has been deployed to underpin bank and borrower resilience. They aim to maintain broader financial system stability and the orderly and proper functioning of the mortgage market. A targeted recalibration of the measures was announced in late 2022 following a comprehensive review, and these changes came into effect on 1 January 2023.[19] The review and outcome relied on assessing how the benefits and costs of the measures had evolved since 2015, when the measures were first introduced. The economic benefits of the mortgage measures are long-term in nature, whereas short-term costs operate primarily through mostly temporary effects on consumption and economic activity.The Central Bank's analysis indicated that, while the economic benefits of the measures remain substantial, some of the costs had also gradually increased since 2015. The Central Bank therefore judged at end-2022 that a targeted recalibration of the measures can relieve some of the costs of the measures, without unduly reducing their benefits. This framework took effect in 2023.

[19] https://www.centralbank.ie/financial-system/financial-stability/macro-prudential-policy/mortgage-measures/mortgage-measures-framework-review-public-engagement

Well-Run Firms and Orderly Markets

As set out in other sections of this report, the Central Bank works to ensure that firms' have adequate financial capacity to support the economy in a sustainable way, thus building financial resilience at the firm level against future shocks. The Central Bank's regulatory and supervisory activities during 2023 also focused on ensuring high standards of governance and risk management within firms driving the right culture. Sound governance with clear accountabilities and responsibilities, where individuals working in firms meet appropriate standards of conduct, is an essential feature of well-run firms.

The Central Bank's Individual Accountability Framework is a key regulatory measure to achieve this. The Central Bank (Individual Accountability Framework) Act 2023 came into effect in 2023, and the Central Bank concluded two public consultation processes relating to the implementation of the framework. The Central Bank acknowledges that there are challenges and opportunities for both regulators and firms in implementing the new Individual Accountability Framework, and its approach remains grounded in the Central Bank's commitment to high-quality regulation. For the benefits to be fully realised, it is important that the implementation of the Framework is not approached as an exercise only to achieve seeming compliance, but rather that it is internalised throughout firms' culture, approach and practices. A review of the Individual Accountability Framework will take place three years after implementation and will assess, inter alia, how the benefits and costs are being realised in practice, and whether any changes should be introduced.

Well-functioning financial markets are also associated with an orderly flow of new entrants and exits to and from the market. The Central Bank grants new authorisations to firms based on robust and proportionate assessments to ensure that firms meet our expectations at the point of authorisation and post-authorisation. The Central Bank is committed to providing a clear, transparent and predictable authorisation process while ensuring a rigorous assessment of applicants' abilities to meet applicable regulatory standards. To support this, on a semi-annual basis, the Central Bank publishes a Regulatory Service Standards Performance Report, which will soon be expanded with more detailed reporting.

Innovation from new market entrants and incumbents can bring benefits to consumers and the economy. The Central Bank recognises the role of innovation in enhancing the functioning of markets by driving increased efficiencies and expanding customer choice. The Central Bank's Innovation Hub continues to play an important role in fostering these benefits, while the Central Bank's regulatory and supervisory activities during 2023 focused on ensuring firms mitigated associated risks - as it is only by managing these risks that customers can fully benefit from the opportunities presented by innovation.

In 2023, the Central Bank also published a consultation paper entitled "The Central Bank approach to innovation engagement in financial services" which set out two key proposals to enhance its approach in this area. Firstly, the paper proposed improvements to the Central Bank's Innovation Hub to deliver deeper, clearer and more informed engagement with the innovative ecosystem. The second proposal related to the establishment of an Innovation Sandbox Programme, which, taking a thematic approach, will inform the early-stage development of selected innovative initiatives by providing regulatory advice and support within the programme. The Central Bank believes introducing an Innovation Sandbox Programme can enhance innovator engagement and foster the benefits of innovation for consumers and the economy in a way that mitigates associated risks.

In terms of market exits, the Central Bank's work in overseeing the exit of Ulster Bank and KBC Bank during 2023 focused on ensuring that the process was managed in an orderly way, by industry on an individual firm and collective basis.

Enhancing Consumer Protection

The Central Bank is acutely aware of the challenges and pressures borrowers have been facing in recent years due to the rising cost of living and higher interest rates as monetary policy continues to focus on a reduction in inflation to 2% target levels.

The Central Bank's supervisory work in this area is focused on protecting all borrowers across the system, with a particular focus on how firms are supporting borrowers to manage the challenges of the current economic environment (including issues related to affordability for some borrowers). In April 2023, the Central Bank published the outcome of the initial phase of its work, which established that, properly applied, the regulatory framework is well positioned to deliver for consumers. Through subsequent work, the Central Bank identified a need for further industry coordination and set clear Central Bank expectations for industry in this regard.

Driving positive outcomes for consumers has also been a central concern of the Central Bank's work on differential pricing. In 2022, the Central Bank introduced new requirements on insurance undertakings and insurance intermediaries, including a ban on price walking. These measures were subject to an in-depth review from an implementation perspective, and an impact report of the new differential pricing regime was published on 20 December 2023 in that regard. The review found that the Central Bank's new regulations are working as intended and have not caused unintended consequences in terms of market functioning. Customers who remain with their current insurance provider are generally no longer paying a loyalty penalty, as had previously been the case and still have the opportunity to get a better-priced premium by switching insurance provider.

The Central Bank's review of the Consumer Protection Code commenced with the publication of a Discussion Paper in October 2022. A key theme in the paper was "Availability and Choice - Effective Market Functioning" – where the Central Bank outlined the role of high-quality regulation, including consumer protection requirements, which are important elements for trust and confidence in the financial system and for a well-functioning market. The discussion paper generated insightful and diverse input and feedback, which deepens the Central Bank's understanding of the issues facing industry and consumers. It has been a key input into policy considerations along with research and analysis and has informed the Central Bank's consultation in underpinning effective market functioning. This is complemented by its engagement with innovators via the Central Bank Innovation Hub, which seeks to facilitate increased availability and choice of both providers and products on the basis that key risks are mitigated. As noted above, the Central Bank's consultation on a new innovation sandbox proposal will also support availability and choice.

The Central Bank actively engages to influence international policy development, both within the European Union and at a global level. Notable examples of EU frameworks under development in which the Central Bank is involved from a policy perspective that will advance availability and choice for consumers include the potential introduction of a Digital Euro, the EU's Legal Tender Regulation and the EU Retail Investment Strategy.

Chapter 3:
Enabling Our Organisation

Chapter 3: Enabling Our Organisation

Our People

The Central Bank is ultimately about its people, and their skills, capabilities, and commitment to work in the public interest. Reflecting this, there was a continued focus in 2023 on delivering progressive, future focused people practices in support of the Central Bank's Mission, Vision and Strategy.

Talent attraction, development and retention remained a priority with over 530 roles filled throughout the year (+24% on 2022) to maintain a steady complement; and the attrition rate declined from 7.4% at end-2022 to 3.8% at end-2023.

A wide range of learning and development opportunities were provided including leadership development, coaching, professional skills training, further education, and the bespoke Professional Certificate and Diploma in Central Banking and Financial Regulation. Preparatory work advanced on identifying and building the key skills and capabilities needed to support future organisational success. This work will continue over the coming years.

Recognising the importance and value of regular employee feedback, a new digital listening platform was implemented. The first Employee Engagement Survey using this platform was held in October. Leaders and teams across the organisation are working together to make progress on the priority areas arising from the survey.

Reflecting its commitment to health and wellbeing, the Central Bank was delighted to retain the IBEC KeepWell accreditation and to be placed in the Top 100 Companies 2023 Leading in Wellbeing Index. In addition, reflecting our commitment to our people's mental health, the number of trained, internal Mental Health Champions almost doubled to 64 in 2023.

Following its launch in 2022, the Test and Learn Phase of a new hybrid working model concluded in the first half of 2023. Focus shifted in H2 to embedding and optimising hybrid working to support the Central Bank's aim of creating a flexible, collaborative and integrated working environment.

Finally, there was a strengthened focus on continuous improvement and operational excellence. Multiple initiatives progressed to realise efficiency gains and a positive end-user experience through technology enablement. Examples include the introduction of a digital Employee Query Management tool and Chatbot.

Pride month 2023

The Central Bank also continued to progress work on its Diversity & Inclusion goals. Our commitment to fostering a diverse and inclusive working environment is centrally important to delivering on our vision of being a fulfilling workplace for our people and we were proud in 2023 to achieve Investors in Diversity – Bronze accreditation for this work.

At the heart of this progress has been the creation of a shared awareness and understanding of what a diverse and inclusive workplace experience is, through training and communications including e-learning training (with over 85% of colleagues completing this in 2023) and additional classroom training, information sessions and Employee Networks led events and activities.

The focus is on being open and transparent and this was reflected in the publication of the Central Bank's sixth annual Gender Pay Gap Report and a continued commitment to the Business in the Community Ireland Inclusive Workplace Pledge.

Our Workplaces

Our workplaces comprise of our Currency Centre in Sandyford and the Dockland Campus consisting of two linked buildings, Mayor Street and North Wall Quay. The Mayor Street building has been partially occupied by the Central Bank since July 2022 and the marketing for leasing of the remaining floors not required by the Central Bank is continuing. The Central Bank's Spencer Dock building R2 is currently for sale and during 2023 was fully leased.

The Central Bank's buildings and facilities remained fully operational during 2023. A safe and secure working environment continued to be provided for all colleagues working in the Dockland Campus, and the Currency Centre.

Our Strategy sets out a commitment to act as a socially responsible and sustainable organisation. The Central Bank published its Climate Action Road Map in March 2023. In line with the organisation's sustainability agenda and Climate Action Road Map targets, the Central Bank continues to work and manage its facilities sustainably, reducing energy consumption across the Dockland Campus and in the Currency Centre in Sandyford.

The Central Bank operates to an ISO 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.

Our Data & Analytics

In line with the goals of Our Strategy, the Central Bank is investing in data and analytics capabilities to drive effectiveness as an intelligence-led organisation. This multi-year work programme is enabling the Central Bank to embed data science and analytics as a core capability that informs both how we deliver our statutory functions and run the organisation.

This builds on the Central Bank's prior work in steadily enhancing its approach to data collection, management, access, and use. Given the pace of change in data and technology, there is a specific focus on leveraging data analytics across the full range of the Central Bank's work. The Central Bank made material progress in 2023 to design and implement a more adaptable and scalable way of working in relation to data and analytics. This broad approach covers the full data and analytical lifecycle from data governance, data technology, data engineering and management to data science and advanced analytics.

The Central Bank has delivered a wide range of new data analytics projects in 2023 to support its various responsibilities. These include areas such as climate risk, Anti-Money Laundering, and outsourcing risks in the financial sector. Enabling work included a focus on maturing the underlying data quality framework, and sourcing new data in support of the analysis of special purpose entities and the National Cash Strategy.

As the Central Bank's use of large datasets and advanced analytics (including AI) matures, the Central Bank progressed a new advanced analytics platform to enable the data science and research that underpins changing how it supervises and develops its research evidence base for policy.

Our Technology

Investment in technology enables increased automation and digitisation across all business areas allowing the Central Bank to meet its vision and strategic objectives in a complex and challenging environment. Technology underpins every aspect of the Central Bank's work, from end user computing, data storage, tooling and core project delivery of Eurosystem regulatory and statistical obligations. Over the course of 2023, there were a number of notable technology achievements, including:

- Continued implementation and investment in the industry portal technology strategy. The services provided on the Central Bank portal were expanded to include Returns and Fitness and Probity Individual Questionnaire submission. Industry can now submit master data change requests, Fitness and Probity applications and regulatory and statistical returns, all from the one secure and user-friendly system. These expanded services allow >20,000 industry users to manage their submissions and communicate with the Central Bank more effectively, resulting in reducing the amount of queries into the Central Bank. We continue to add additional services and functionality to the Portal to improve data management and portal submissions.

- A new internal portal providing a central place for returns and master data management forms the foundation for Workbench, an integrated front-end system providing services and tools for supervisors.
- New industry registers solutions. The Central Bank was key to Ireland meeting its EU Anti-Money Laundering directives which set out the requirements for member states to maintain a central register/retrieval system of beneficial ownership details.
- As part of partnership in Europe the Central Bank was part of a multi-year cross European programme to replace the existing real-time gross settlement system, TARGET2. The new system, T2, offers enhanced and modernised services to the market. Continued development and investment in the Central Bank's cyber security capabilities and tooling allow the Central Bank to respond appropriately to the evolving threat landscape.
- The implementation of an eDiscovery and Forensics Software Solution. The solution delivers a number of key state-of-the-art technical developments which provides us with the capabilities to understand the micro (digital forensic analysis) and the macro (data analytics) thus supporting a more agile investigatory approach.

Our External Communications and Engagement

During 2023, the Central Bank continued to deliver on its commitment to inform and remain well-connected with its stakeholders. As noted earlier, the aim is to provide clear explanations of the work of the Central Bank and to enter dialogue with stakeholders about issues that matter to them. To inform policy actions, the Central Bank invested even more time in 2023 to listening to members of the public, business representatives, community groups, and firms, across the country to better understand their perspective.

A programme of extensive engagement with industry representative bodies, other stakeholders and at relevant European and international fora continued throughout 2023. This provided an opportunity to engage with stakeholders, to listen, understand and learn from the perspectives of others, to outline forthcoming regulatory developments and supervisory plans, and to discuss emerging risk and issues that have come to light as a result of the work of the Central Bank.

Governor Makhlouf's visit to Mayo

Stakeholder Communications and Engagement

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:

- Running a range of outreach events across the country that saw members of the executive team meet with representatives of the real economy, local networks, and school and college students. This included visits to Mayo, Galway and Wexford.
- Launching the Central Bank's Instagram page, helping reach a key demographic of younger tech-savvy users.
- Appearing at seven Oireachtas committees, including the Joint Oireachtas Committee, the Public Accounts Committee and the Budgetary Oversight Committee.
- Hosting four Civil Society Roundtables, to hear the views of non-governmental groups on issues including climate action, inflation and cost of living.
- In 2023, the Financial Industry Forum was established to enable senior level cross-sectoral engagement between the Central Bank and industry representatives. This Forum continued to develop with the establishment of three dedicated subgroups – domestic,

international and innovation – to look at issues relating to the financial system in more detail. With the sub-groups, there were eight meetings of the Financial Industry Forum during the year.

- The Financial System Conference, the Central Bank's flagship stakeholder event took place in November 2023, attended by nearly 800 delegates in person and virtually. The event brought together diverse perspectives from various stakeholders, including industry leaders, consumer representatives, and international policymakers to discuss and debate the topical issues relevant to the financial system.
- During 2023, a new EU and International Strategy was developed aimed at further enhancing how the Central Bank engages and prioritises its activity and influences its peers and stakeholders as part of fulfilling its role in Europe and internationally .
- 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. The Central Bank ran a two-week public communications campaign in November 2023 in order to empower consumers to avoid scams and frauds through the provision of unauthorised financial services.

Complaints Handling

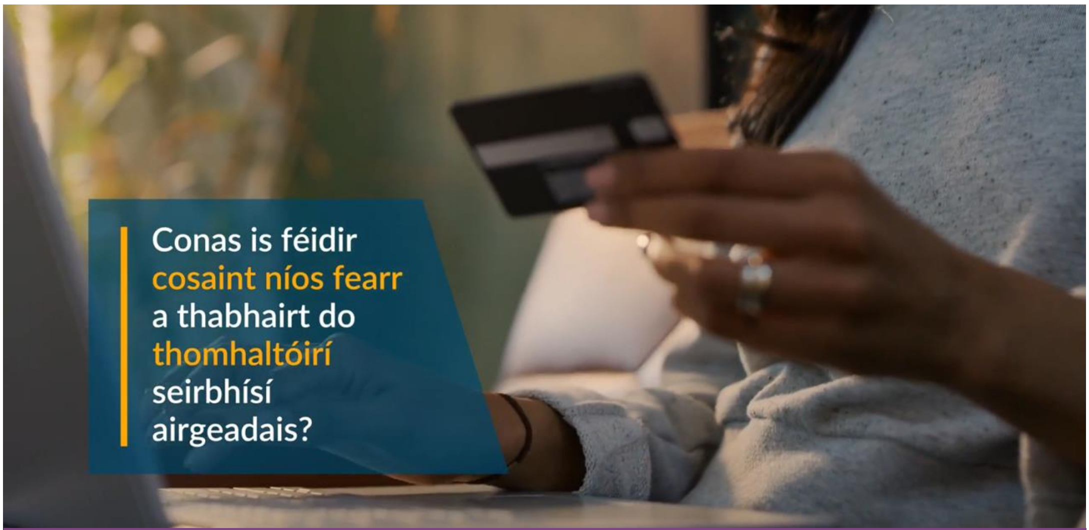
The Central Bank is committed to providing a professional, efficient, and courteous service to all customers and members of the public who have dealings with us. Our Customer Charter provides that, where a customer is unhappy with a service received and if an issue cannot be resolved to the customer's 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 and this was revised and updated during the year. In 2023, there were 21 formal complaints processed under this procedure. These were across a range of issues, with the largest number relating to issues concerning the Central Credit Register. There were no complaints received under the separate Disability Complaints Procedure.

Freedom of Information

The Central Bank processed 76 Freedom of Information requests during 2023. A total of 24 requests were granted/part-granted and 35 were refused under the various provisions of the Freedom of Information Act. In addition, 12 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.

Official Languages Act

During 2023, the Central Bank continued to meet its obligations under the Official Languages Act. New compliance requirements relating to advertising in Irish, arising from the Official Languages (Amendment) Act 2021, were achieved and reported to An Coimisinéir Teanga. Work continued on meeting the commitments in the Central Bank's Language Scheme.



Example of our Consumer Protection video series.

Legal

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) Act 2023, the Credit Union (Amendment) Act 2023 and the General Scheme of the Access to Cash Bill. The Central Bank also assisted with the transposition and implementation of a number of EU directives and regulations.

The Central Bank continued to strengthen the regulatory framework through Central Bank Regulations in 2023, including the development of draft Regulations for the purposes of the Consumer Protection Code Review, which are scheduled for public consultation in 2024. The Central Bank made various regulations in 2023 including the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2023, the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Minimum Competency)

(Amendment) Regulations 2023 and the Central Bank Reform Act, 2010 (Sections 20 and 22 Holding Companies) Regulations 2023. The Central Bank consulted on the draft Central Bank Reform Act 2010 (Section 21 (6)) Regulations and draft Central Bank (Supervision and Enforcement) Act 2013 (Section 48 (1)) (Senior Executive Accountability Regime) Regulations.

Box 2: Central Bank of Ireland – Challenges to Profitability

Prior to the use of any provisions, the Central Bank recorded a negative result of €132.1m in 2023. This negative result was due to the exposures arising from the use of the Central Bank's balance sheet as a tool for monetary policy – reflecting the Central Bank's primary mandate of safeguarding price stability.

In the years leading up to the COVID-19 pandemic, the euro area experienced inflation persistently below the ECB's 2% target. The ECB therefore pursued an accommodative monetary policy stance, which included purchases of government bonds under the Asset Purchase Programme. Following the outbreak of the COVID-19 pandemic, the Eurosystem faced turmoil in financial markets that threatened to disrupt the transmission of monetary policy to the real economy. In response, it launched the Pandemic Emergency Purchase Programme in March 2020, under which bonds were purchased on a larger scale, alongside the Asset Purchase Programme.

As a result of these programmes, the Central Bank is exposed to the interest rate mismatch risk from the longer dated fixed-rate holdings under these monetary policy purchase programmes on the asset side of the balance sheet that have been acquired at a low or negative interest rates. The interest rates on the related liabilities are tied to the ECB's (variable) monetary policy rates. As these policy rates increased during 2023, there was a commensurate increase in the Central bank's funding costs that was not automatically offset by income on the related assets, which resulted in a loss arising in 2023.

Going forward, this balance sheet structure, combined with higher policy rates, will serve to reduce the Central Bank's income over a number of years and will result in losses in 2024, and potentially beyond. While these losses are expected to be covered by our financial buffers, their full extent in uncertain will depend on many factors, in particular the monetary policy set by the ECB's Governing Council to ensure price stability.

The interest rate mismatch was foreseen for some time and the Central Bank took a number of actions in recent years in response to this challenge. As part of its assessment of the interest rate mismatch risk, a provision of €3,000m was built up to cover anticipated losses. This provision has decreased in 2023 to €2,867.9m due to the utilisation of €132.1m to cover financial losses driven by the interest rate mismatch on the balance sheet.

In addition, the maximum 20% of profit was retained in recent years, in line with the strategic aim of strengthening the Central bank's financial resilience. For 2023, as the Central bank is recording a zero net profit, there is no retention applying.

The Central Bank has also, in recent years, diversified its investment assets, with allocation being made to foreign currency denominated portfolios, gold and equities. Holding diversified assets supports investment returns and reduces overall income volatility in the long run, notwithstanding some potential for variability in returns over the short-term. However, the investment asset portfolios are far smaller than the monetary policy assets. Therefore, returns from the investment portfolios will not compensate for the effects of a pronounced interest rate mismatch on the balance sheet.

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 substantial financial buffers to absorb potential future losses.

Investment Portfolio Management

At end-2023, the Central Bank's balance sheet included an investment portfolio comprising assets with a market value of €17bn, including an allocation to foreign currency denominated portfolios (US dollar, Australian dollar, Singapore dollar, Chinese renminbi and Korean won) for diversification purposes.[20]

The rise in the size of the investment portfolio from €16.7bn at end-2022 was mainly attributable to reinvestment in higher yielding assets across all jurisdictions driven by major central bank monetary policy actions in order to bring down inflation towards their targets. Investment income rose to some €353.9m in the fixed income portfolios (excluding equities and gold) for the year, following a negative return of -€32.2m in 2022. Holding diversified assets supports investment returns and reduces overall volatility in the long-term, notwithstanding some potential for variability in returns over the short-term.

Having established a Sustainable Investment Charter in 2022, the Central Bank implemented further sustainable investment measures in 2023. In March, we published our inaugural annual climate-related financial disclosures. It formed part of a concerted effort by all Eurosystem central banks to disclose climate change-related information on our respective non-monetary policy portfolios, in line with a common framework developed by the Eurosystem.

The Central Bank has also been increasing investments in Green, Social and Sustainability bonds that help support the green transition and other environmental/social objectives. At end-2023, the Central Bank's investment portfolio held approx. €1.4bn nominal in such bonds, including investments in the Bank for International Settlements' US dollar- and euro-denominated green bond funds for central banks. In order to improve the carbon metrics of our equities portfolio and support the Paris Agreement objectives, the Central Bank began in late 2023 to replace its conventional equity benchmark with an EU Paris-aligned benchmark. The Central Bank has set a target to achieve full alignment with the EU climate benchmark for our equities portfolio in a progressive fashion and by no later than 2026.

The size of the investment portfolio is also subject to the Central Bank's obligations under the Eurosystem's Agreement on Net Financial Assets.

[20] The figures of €17bn and €16.7bn include gold holdings and equity allocation.

However, these obligations did not restrict investment activities in 2023.[21]

[21] For further details of the Eurosystem's Agreement on Net Financial Assets, see the ECB's website at www.ecb.europa.eu/explainers/tell-me-more/html/anfa_qa.en.html.

Chapter 4:
Our Priorities for 2024

Chapter 4: Our Priorities for 2024[22]

Looking at the year ahead, the Central Bank's priorities can be grouped under the four key themes identified in Our Strategy:

The **Safeguarding** theme reflects a steadfast commitment to the effectiveness of the design, implementation and operation of core policies, across the mandate, through which the Central Bank aims to deliver on its statutory functions and the best overall outcomes for the economy and for financial services users.

Under the **Future Focused** theme, the Central Bank is working to ensure that its economic advice and 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.

The Central Bank will continue to step up efforts to be more **Open and Engaged** with stakeholders domestically and abroad. This includes deepening and broadening engagement with: the users and consumers of financial service, as well as their representatives; supervised firms and their parent groups; as well as international and European counterparts.

The Central Bank's broad mandate allows it to take a comprehensive and integrated view, using the breadth of its expertise on the economy and the many sectors we supervise to tackle challenges facing the entire, inter-connected, financial system, including an integral part of the EU and its institutions and frameworks. To continue delivering on the mandate in the changing environment, there is a strong intent on **Transforming** the Central Bank to become a more agile, resilient, diverse and intelligence-led organisation. This remains a critical priority. We will continue to drive improvements in the way the Central Bank works to meet the challenges of the evolving financial system.

[22] This chapter includes details of regulatory activity planned for 2024, addressing the Annual Performance Statement reporting obligations under Section 32L(2)(a) of the Central Bank Act 1942 (as amended).

Priorities for 2024

As the macrofinancial landscape normalises away from the immediacy of issues to do with the pandemic, so too do our priorities. We are re-focusing towards longer term issues. This includes in our provision of independent research, economic advice and commentary on more medium term risks, challenges and opportunities for the Irish economy, households and firms, and on monetary policy research and analysis. It also includes the effective dissemination and collaboration of analysis and research with external stakeholders. Other areas of priority are the strengthening of the resilience of the financial system to climate-related risks and its ability to support the transition to a low-carbon economy.

The payments ecosystem lies at the heart of our economy. We are working towards ensuring greater choice, driven by innovation, full integration with the European infrastructure, enhanced coordination amongst participants in the payments eco-system, an adaptive regulatory and oversight framework, and public money as an anchor for a well-functioning system. In this context progressing projects like the Digital Euro are a priority. It also is clear that there is a societal demand and need for cash, and the Central Bank remains committed to the provision of cash. We are prioritising the development of a framework to protect access to cash services and the resilience of the cash system. This includes progressing plans to develop a new cash centre.

The financial regulation priorities are set in the context of the statutory mandate, domestic and international responsibilities, and Ireland's large and increasingly complex financial sector. The key priorities are:

- Putting in place a revised and modernised Consumer Protection Code to ensure consumers are protected in a more digitalised financial services sector.
- Continuing to progress work both internationally and domestically to address system risks from the non-bank sector and deepening analysis and understanding of macroprudential risks in this sector.
- Implementing the Individual Accountability Framework (including within supervision of firms) and supporting external stakeholders to embed the new standards.

- Preparing for the implementation of the Digital Operational Resilience Act, in particular in the context of Ireland's large technology sector.
- Implementing the Markets in Crypto Asset Regulation, including technical standards and engaging with firms seeking authorisation under the new regime.
- Implementing the Credit Union (Amendment) Act 2023, including updating the Credit Union Handbook and amending Central Bank Regulations.
- Developing policy work and supervisory expectations related to the use of artificial intelligence in financial services, including preparing for the implementation of the EU's Artificial Intelligence Act.

The overarching supervisory objective remains ensuring the Central Bank has a stable, resilient and trustworthy financial sector, operating sustainably in the best interests of consumers and the wider economy. The Central Bank will continue to take a risk-based approach: it does not operate a no-failures regime but rather works to ensure any firms that fail do so in an orderly way.

In addition to work within ECB Banking Supervision and wider European System of Financial Supervision, supervisory priorities for 2024 include ensuring consumers are protected, firms are resilient and the system is stable in the face of the expected further pass-through of interest rates. The Central Bank will also continue to improve on its authorisation processes, ensuring there is clarity, predictability and transparency for firms looking to be authorised, while maintaining the high standards the public expects for regulated providers of financial services. This includes continuing to work on crisis management and resolution.

Sectoral supervisory priorities include addressing deficiencies identified in the governance, risk management and control framework of some payment and e-money institutions and continuing to develop our approach to the investment fund sector, given its size and the vulnerabilities identified in recent years. In relation to ongoing work on climate change, the Central Bank will continue to work on the flood protection gap with the aim of assessing the materiality of the gap in

Ireland (and the implication of the increased likelihood of extreme weather events).

Our operational priorities include:

- Working towards ensuring we are a learning organisation with the skills and competencies to continually adapt and respond to change.
- Working to ensure our data and analytics capabilities are contributing to our effectiveness as an intelligence-led organisation and operate in compliance with obligations.
- Ensuring our governance framework is calibrated to our risk tolerance, enabling efficient, evidence-based, and agile decision-making, prioritisation, and accountability,
- Enhancing our ability to strategically and efficiently procure, on-board and manage third parties or services that support the delivery of our mandate.
- While implementing Our Strategy, the Central Bank is also seeking to ensure we retain a stable cost base.

Chapter 5:
Internal Audit Statement

Chapter 5: Internal Audit Statement[23]

The Internal Audit Division (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 this capacity, IAD acts as the independent, "third line of defence" function within the Central Bank's governance framework.

In 2023, IAD conducted a range of reviews on supervisory, central banking, IT and other operational functions. These reviews included a continued focus on changes in the Central Bank's risk profile arising from economic, industry and regulatory developments, and emerging risks.

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 October, the Audit Committee approved the rolling three-year Audit Plan. Additionally, during 2023, IAD successfully completed the improvement actions planned under its 2021-2023 Divisional Strategy. The 2024-2026 Strategy will be presented to the Audit Committee in March 2024.

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 represent the Central Bank on various sub-committees of the IAC including chairing the sub-committee on Payments, Securities and Market Infrastructure.

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

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 and Chair of the Audit Committee to discuss audit-related matters.

Gabriel Makhlouf
Governor

30 April 2024

Neil Whoriskey
Secretary

30 April 2024

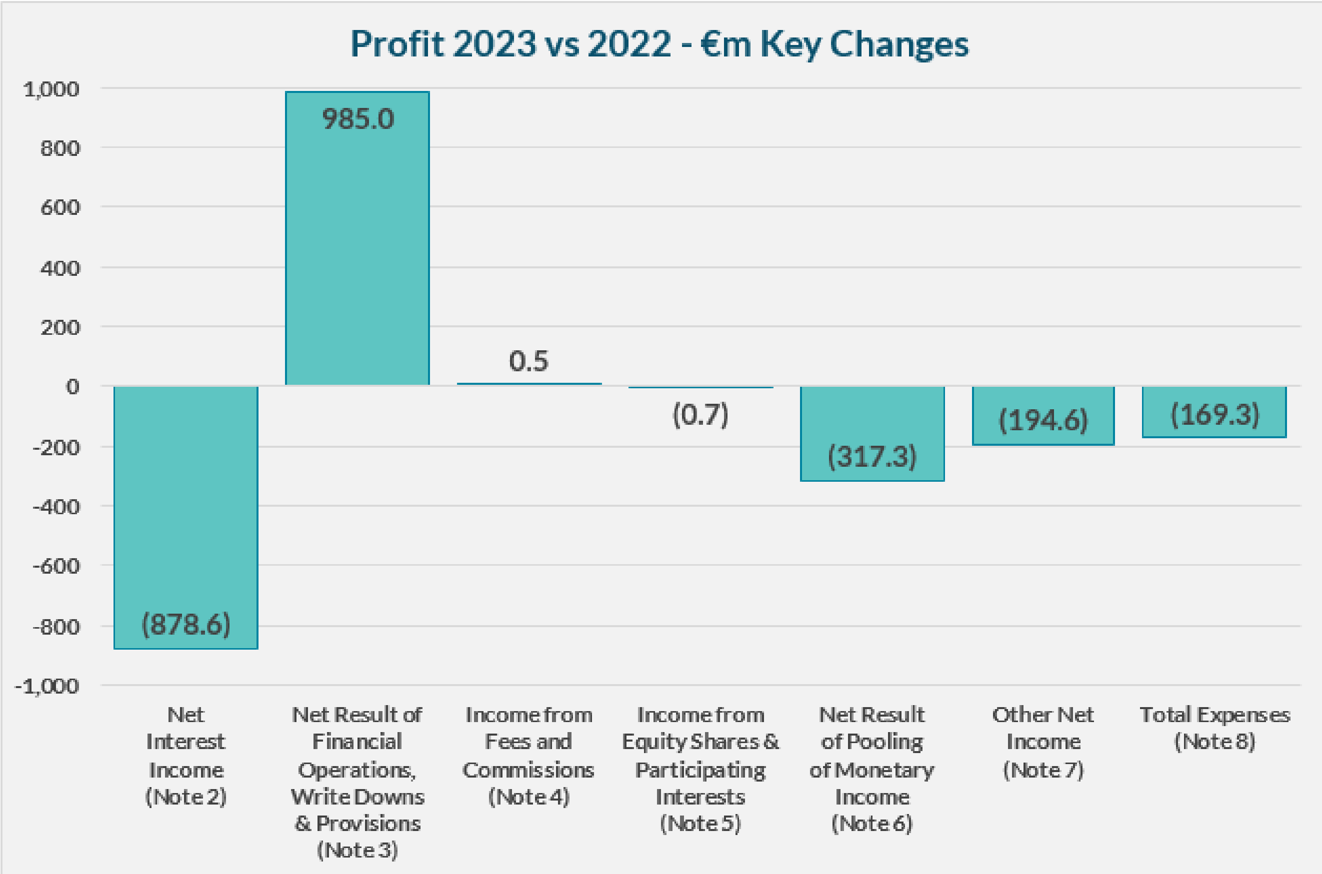
Part 2:
Financial Operations

Part 2: Financial Operations

Financial Results for 2023

The Bank reports zero Profit or Loss for the year to 31 December 2023. This is a decrease of €575.0m on 2022's outturn.

Profit and Loss – Key Movements



The main drivers of the decrease in profits are:

- Reduction in "Net Interest Income" due to increases in the key ECB interest rates, which remunerate Credit Institutions Deposits, Government Deposits and allocation of Euro Banknotes within the Eurosystem. This has resulted in increased interest expense recognised. These reductions have been partially offset by higher interest income relating to the TARGET system due to increases in the ECB interest rate used. Furthermore, interest income earned on securities held in the MTM and HTM portfolios has grown as a result of reinvestment in higher yielding bonds.

- 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 2022. This reflects 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.

- Reduction in "Other Net Income" due primarily to lower Financial Regulation Monetary Penalties and an increase in the interest on Pension Scheme Liabilities due to a lower discount rate in 2023.

- Increase in "Total Expenses" primarily due to the impairment charge relating to Mayor Street building and an unrealised loss on Investment Property.

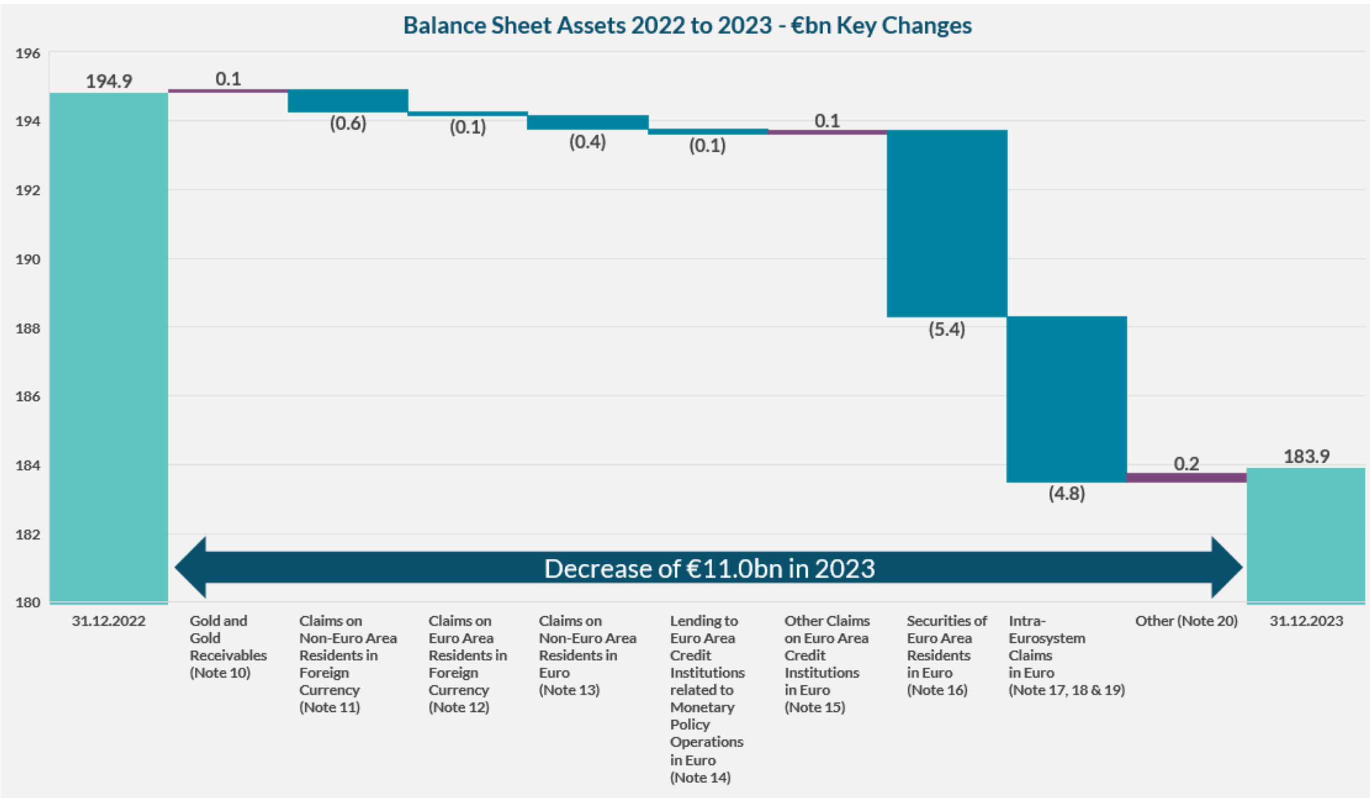
Offset by:

- Increase in "Net Result of Financial Operations, Write Downs & Provisions" primarily due to the utilisation of the General Risk Provision, and lower realised gains on the sale of securities held in the Central Bank's Special Portfolio, which is now fully sold.

Balance Sheet

Total Balance Sheet Assets / Liabilities as at 31 December 2023 were €183.9bn, a decrease of €11.0bn against a corresponding balance of €194.9bn in 2022.

Balance Sheet Assets – Key Movements

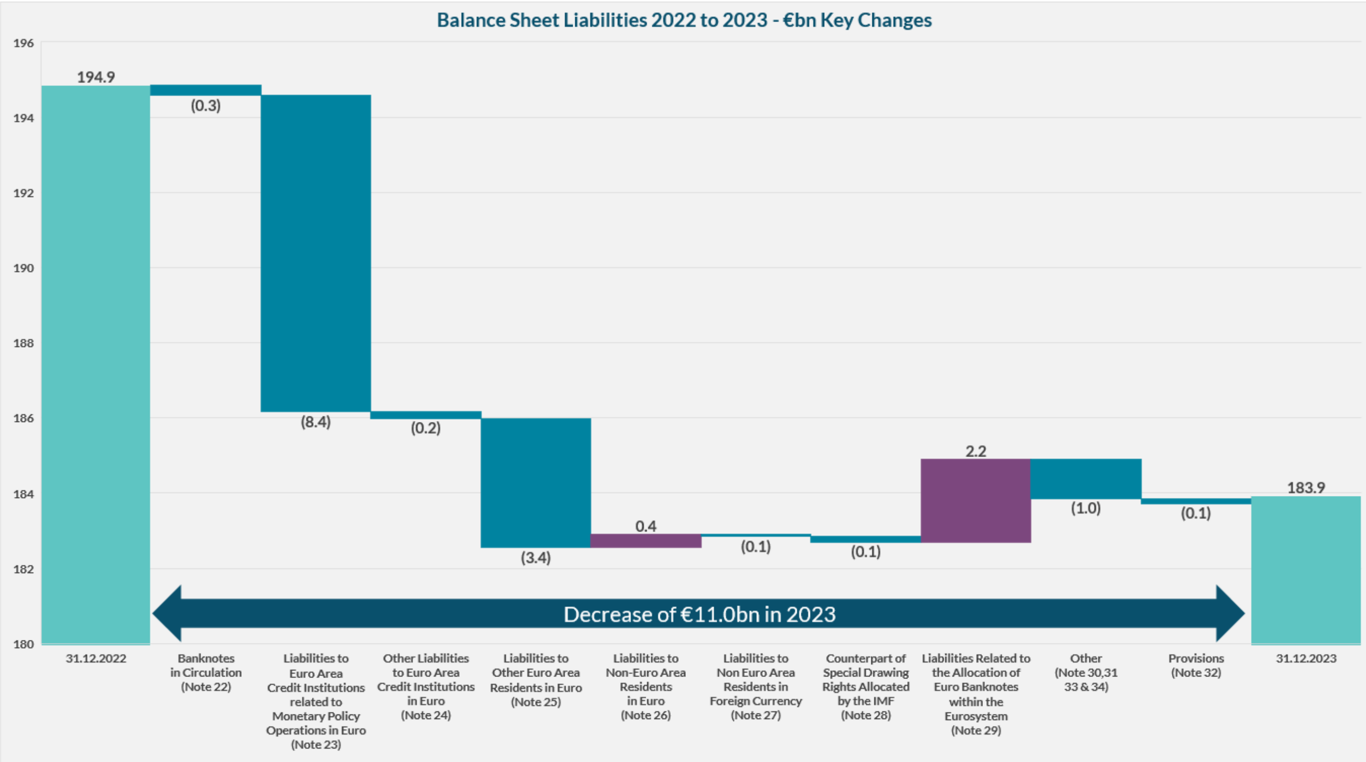


The main drivers of the reduction in Balance Sheet Assets are:

- "Securities of Euro Area Residents in Euro" decreased due to disposals in the Special Portfolio of Floating Rate Notes (FRNs), and the maturity of Securities Held for Monetary Policy Purposes.

- A decrease in "Intra Eurosystem Claims in Euro" due to a reduction in the TARGET balance, reflecting an outflow of euro from the State through the Bank's TARGET account largely channelled through credit institutions' reserves accounts.

Balance Sheet Liabilities – Key Movements



The main drivers of the reduction 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 reduction in the deposit facility holdings at year-end.
- A decrease in "Liabilities to Other Euro Area Residents in Euro" due to 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 rise in excess banknotes issued by the Central Bank, relative to the ECB's share of total banknotes in circulation.

Central Bank of Ireland – Challenges to profitability

Prior to the use of any provisions, the Central Bank recorded a negative result of €132.1m in 2023. This negative result was due to the exposures arising from the use of the Central Bank's balance sheet as a tool for monetary policy – reflecting the Central Bank's primary mandate of safeguarding price stability.

In the years leading up to the COVID-19 pandemic, the euro area experienced inflation persistently below the ECB's 2% target. The ECB therefore pursued an accommodative monetary policy stance, which included purchases of government bonds under the asset purchase programme (APP). Following the outbreak of the COVID-19 pandemic, the Eurosystem faced turmoil in financial markets that threatened to disrupt the transmission of monetary policy to the real economy. In response, it launched the Pandemic Emergency Purchase Programme (PEPP) in March 2020, under which bonds were purchased on a larger scale, alongside the APP.

As a result of these programmes, the Central Bank is exposed to the interest rate mismatch (IRM) risk from the longer dated fixed-rate holdings under these monetary policy purchase programmes on the asset side of the balance sheet that have been acquired at low or negative interest rates. The interest rates on the related liabilities are tied to the ECB's (variable) monetary policy rates. As these policy rates increased during 2023, there was a commensurate increase in the Central Bank's funding costs that was not automatically offset by income on the related assets, which resulted in a loss arising in 2023.

Going forward, this balance sheet structure, combined with higher policy rates, will serve to reduce the Central Bank's income over a number of years and will result in losses in 2024, and potentially beyond. While these losses are expected to be covered by our financial buffers, their full extent is uncertain and will depend on many factors, in particular the monetary policy set by the ECB's Governing Council to ensure price stability.

This IRM risk was foreseen for some time and the Central Bank took a number of actions in recent years in response to this challenge. As part of its assessment of the IRM risk, a provision of €3,000.0m was built up to cover anticipated losses. This provision has decreased in 2023 to €2,867.9m due to the utilisation of €132.1m to cover financial losses driven by the IRM on the balance sheet.

In addition, the maximum 20 per cent of profit was retained in recent years, in line with the strategic aim of strengthening the Central Bank's financial resilience. For 2023, as the Central Bank is recording a zero net profit, there is no retention applying.

The Central Bank has also, in recent years, diversified its investment assets, with allocations being made to foreign currency denominated portfolios, gold and equities. Holding diversified assets supports investment returns and reduces overall income volatility in the long run, notwithstanding some potential for variability in returns over the short-term. However, the investment asset portfolios are far smaller than the monetary policy assets. Therefore, returns from the investment portfolios will not compensate for the effects of a pronounced IRM on the balance sheet.

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 substantial financial buffers to absorb potential future losses.

Statement of Accounts of the Central Bank of Ireland

for the year ended 31 December 2023

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 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 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 (most recently 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.

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 controls in the Central Bank, which are 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, and where these are silent, the accounting standards generally accepted in Ireland - Financial Reporting Standard 102 (FRS 102)- and statutory provisions that are applicable to the Central Bank, have been consistently applied and are supported by reasonable and prudent judgements and estimates[24].

The Commission has taken all the appropriate 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)
- 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.

The table below lists the members who served on the Commission during 2023 and their appointment, or re-appointment dates (Commission members may be re-appointed for one additional term of five years):

[24] 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.

Commission Members	Date Appointed (or Reappointed)
Gabriel Makhlouf*	1 September 2019
Patricia Byron[25]	1 January 2019
Shay Cody	1 December 2020
Sharon Donnery*[26]	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[27]	11 September 2023
John Trethowan[28]	11 September 2023

** Ex-officio members*

This membership is in line with the requirement to have regard to the skills, diversity and gender mix within State Boards as set out 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-2023 was 60% male and 40% female. Of the appointed members, the gender balance was 50% male and 50% female.

Commission Membership Changes

Niamh Moloney was first appointed as a Commission member on 11 September 2018, and was reappointed on 11 September 2023. John Trethowan was first appointed on 11 September 2018, and was reappointed on 11 September 2023. Patricia Byron completed a second term as a Commission member on 31 December 2023.

Committees of the Commission

The Commission has established the following committees, which were in place at year-end 2023. The Commission appoints the members of the committees.

- Audit Committee;

[25] Patricia Byron was first appointed on 1 January 2014, and was reappointed on 1 January 2019. Her term as a Commission member ended on 31 December 2023.
[26] Sharon Donnery was first appointed as Deputy Governor, Central Banking on 1 March 2016, and was reappointed to that role on 1 March 2021. She was appointed as Deputy Governor, Financial Regulation on 1 July 2022.
[27] Niamh Moloney was first appointed on 11 September 2018, and was reappointed on 11 September 2023.
[28] John Trethowan was first appointed on 11 September 2018, and was reappointed on 11 September 2023.

- 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 comprised of three non-executive members. The membership of the Audit Committee, as at 31 December 2023, was as follows: Patricia Byron (Chair), Shay Cody and John Trethowan.

The Commission established the Committee 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 to the Commission. The Committee is empowered to take decisions on the basis of any delegated authority from the Commission.

Risk Committee

The Risk Committee is comprised of seven members, including four non-executive members of the Commission. The membership of the Risk Committee, as at 31 December 2023, was as follows: John Trethowan (Chair), Patricia Byron, Sharon Donnery, Marcella Flood, Vasileios Madouros, David Miles and Niamh Moloney.

The Commission established the Committee to review and advise the Commission on key risk frameworks for the management of the Central Bank's principal internal risk exposures. A key objective of the Commission is ensuring the application of risk frameworks within the Commission approved risk appetite. The Committee is empowered to take decisions on the basis of any delegated authority from the Commission.

Major Projects Committee

The Major Projects Committee is comprised of four members, including two non-executive members of the Commission. The membership of the Major Projects Committee, as at 31 December 2023, was as follows: Sarah Keane (Chair), Shay Cody, Sharon Donnery and Marcella Flood.

The Commission established the Committee to provide support to the Commission in meeting its responsibilities for matters in relation to the effective execution of the Central Bank's Strategy. This includes oversight and consideration of major projects, 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 and Programme Portfolio, including benefits realisation. The Committee is empowered to take decisions on the basis of any delegated authority from the Commission.

Remuneration Committee

The Remuneration Committee is comprised of three non-executive members. The membership of the Remuneration Committee, as at 31 December 2023, was as follows: 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. The Committee is empowered to take decisions on the basis of any delegated authority from the Commission.

Schedule of Attendance

A schedule of attendance at the Commission and Committee meetings for 2023 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	8/8	-	-	-	-	-
Patricia Byron	7/8	4/4	3/5	-	-	0/1
Shay Cody	8/8	4/4	-	5/5	-	1/1
Sharon Donnery	8/8	-	3/4[29]	5/5	-	1/1
Marcella Flood	-	-	2/4[30]	4/4	-	-
John Hogan	8/8	-	-	-	-	-
Sarah Keane	8/8	-	-	5/5	1/1	-
Vasileios Madouros	8/8	-	4/5	2/3[31]	-	1/1
David Miles	8/8	-	5/5	-	1/1	1/1
Niamh Moloney	7/8	-	4/5	-	1/1	1/1
Gerry Quinn	-	-	-	0/1[32]	-	-
John Trethowan	8/8	4/4	5/5	-	-	1/1

[29] Sharon Donnery stepped down as a member of the Risk Committee in October 2023.
[30] Marcella Flood was appointed on 20 March 2023 and therefore was only eligible to join meetings from that date.
[31] Vasileios Madouros stepped down as a member of the Major Projects Committee in September 2023.
[32] Gerry Quinn stepped down as a member of the Major Projects Committee on 18 April 2023.

Governance Framework

The Central Bank's Governance Framework takes account 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 & 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 2023, the Central Bank made three appearances before the Joint Oireachtas Committees on Finance, Public Expenditure and Reform. The Central Bank also appeared twice before the Dáil Committee on Budgetary Oversight and twice before the Public Accounts Committee.

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.

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 this wider commitment.

In developing "Our Strategy", the Central Bank considered its role under the Public Sector Human Rights and Equality Duty and conducted an assessment of the equality and human rights issues relevant to its purpose and functions. Details of the specific actions that will be prioritised in the context of its public sector duty obligations are set out in "Our Strategy".

In 2023, the Central Bank also conducted an annual assessment of its public sector duty. This assessment 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 and fulfilling its obligations under the relevant legislation.

Achievements in this regard include accessibility enhancements to the Central Bank's website, new employee listening channels, updates to the Central Bank's Customer Charter, and Complaints procedure and the roll out of Irish Human Rights and Equality Commission, Equality and Human in Public Service training to public facing staff.

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 2023.

Statement of Compliance

The Commission has adopted the Code of Practice for the Governance of State Bodies (the Code), 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 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

Shay Cody
Member of the Commission

23 April 2024

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 Systems 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 2023.

Key Internal Control Activities

In the reporting period, the Commission has overseen the implementation of a 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 and operational processes and 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 a Governance framework that consolidates and clearly articulates the governance arrangements within the Central 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 Strategy and oversees and monitors the Annual Business Plans.

- **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 adherence is monitored.

- **People Management:** A people management framework which includes a Commission approved resourcing plan, a talent acquisition policy, formal training programmes for staff, annual performance appraisals, and other relevant procedures is in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.

- **Planning and Financial Management:** An Annual Business Plan and Budget are prepared and approved by the Commission, with a comprehensive financial and budget management information system, incorporating accounts payable controls, and regular management and reporting on various aspects of the Central Bank's expenditure framework to the Commission. The Commission received an annual report on the status of actions set out in the Annual Business Plan at year-end, incorporating any exceptions to the approval of the annual budget.

- **Risk Management:** Frameworks for risk management, which include organisation-wide operational risk and incident management, financial risk management relating to the Central Bank's investment assets, monetary policy operations and overall Balance Sheet management.

- **Fraud Management:** A fraud risk management policy outlining responsibilities for the identification and mitigation 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:** Business continuity and incident management policies and supporting processes to ensure the Central Bank is prepared to respond to 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 individuals are protected in accordance with relevant regulatory requirements.
- **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.
- **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 Performance and Resourcing Committee and Audit Committee of the Commission.
- **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. The Internal Audit Function also oversees the management of protected disclosures.

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, Committee or an employee of the 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 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 Audit Committee achieves this through reviewing the comprehensiveness, reliability and integrity of assurances provided to the Commission. The Audit Committee is empowered to take decisions on the basis of any delegated authority from the Commission.

The purpose of the Risk Committee is to review and advise the Commission on key risk frameworks for the management of the Central Bank's principal internal risk exposures. A key objective of the Commission is ensuring the application of risk frameworks within the Commission approved risk appetite. The Risk Committee is empowered to take decisions on the basis of any delegated authority from the Commission.

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 and related budget, including the related Investment Envelope. The Major Projects Committee also seeks to achieve alignment with the Central Bank's risk profile by providing oversight of the Central Bank's full Project and Programme Portfolio, including benefits realisation. The Major Projects Committee is empowered to take decisions on the basis of any delegated authority from the Commission.

The Central Bank's Governance Framework establishes a centralised framework 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 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 Governance 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 database of role profiles and a performance management and development programme.

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 was approved by the Commission and submitted to the Minister for Finance. It took effect from 1 January 2022. 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.

The organisational level Annual Business Planning process was further enhanced in 2023. This process 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 Central Bank's annual budget. It captures material operational and strategic objectives across all business areas. The Annual Business Plan for 2024 was approved by the Commission in November 2023.

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 adopted its own Code of Conduct and Ethics. The Commission has established an Internal Disclosures 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. From a governance perspective, an Integrated Risk Report is presented quarterly to the Risk Management Committee and the Risk Committee that considers the risk profile relative to the thresholds set out within the Risk Appetite Framework. Allied to the Risk Appetite Framework is the requirement to ensure accurate identification and assessment of risk, as this provides the basis for evaluating residual risk exposures relative to the Risk Appetite Framework, 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 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 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 Operational Risk Management Framework is designed to ensure that all divisions within the Central Bank are consistently and regularly identifying and assessing operational risks. The Operational Risk Management Framework comprises a divisional risk and control assessment process which establishes and maintains standardised divisional registers of material operational risk exposures and incidents. Details of the divisional risk and incident registers are reviewed and reported on to the Risk Management Committee and Risk Committee throughout the year with a focus on ensuring remedial actions are underway to address known exposures deemed to be outside approved risk tolerances.

The Operational Risk Management Framework also includes ongoing risk-based quality assurance, to validate the risks identified and the effectiveness of controls. For the purpose of this procedure, risks are reviewed and where corrective remedial actions are required these form part of each division's risk management plan. All divisional management are required to attest on a quarterly basis that their risk registers have been reviewed and updated as required.

The Risk Committee also oversees a dedicated Financial Risk Management Framework. This 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.

Throughout 2023, the Commission and its committees received reports outlining the Central Bank's 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 Division, Internal Audit Division and Organisational Risk Division. 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 of Defence Model for assigning risk and control management responsibilities, the operation of the System of Internal Controls is supported by the Organisational Risk Division and Internal Audit Division, 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) outlines the various obligations in 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 data protection related incidents, responding to access requests and regularly reporting to oversight committees.

In the period under review, the Central Bank enhanced its Data Protection Operating Model with a key focus of moving to a risk based operating model. One of the components of this revised model is a new process for identifying, rating and managing the data protection risks which the Central Bank faces and which have the greatest potential to cause reputational and/or financial damage. The Risk Management Committee and Risk Committee have been updated on the progress in respect of these actions.

In 2023, the Central Bank identified an archiving error that affected the retention period of certain borrower information held on the Central Credit Register. The error resulted in certain borrower information being retained on the Central Credit Register for up to an additional three months, and this additional data was incorrectly included in credit reports. The error constituted a data breach under data protection legislation. In line with the Central Bank's obligations under data protection legislation, the Central Bank notified the Data Protection Commission (DPC), who are investigating the matter and pending the outcome of the investigation, the Central Bank may be liable to pay a fine to the DPC.

Procurement

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

The Policy seeks to comply with all European and national law and guidelines as set out by the Office of Government Procurement except in respect of the publication of contract award data for all procurements over €25,000 on the national tendering website (eTenders). The Central Bank has decided to meet this transparency requirement by continuing to publish award notices for contracts advertised on eTenders at the National Tender threshold entry point of €50,000 and in addition to publish contracts valued at over €25,000 on the Central

Bank's website by amending the Freedom of Information threshold from €50,000 to €25,000 for the reasons of operating efficiency and effectiveness.

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
- 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 2023 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 €12,456,560 (ex VAT) in 2023 and €12,033,914 (ex VAT) in 2022.

Table 1.1 Breakdown of Non-Compliant Contracts

Reason for direct award	Number of contracts 2023	Spend (€) 2023	Number of contracts 2022	Spend (€) 2022
Sensitive or confidential nature of work prohibited a competitive tender process	1[33]	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**

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

[33] At the end of 2023, this is the sole remaining direct award contract (awarded without recourse to a tendering process).

control activities. The review and monitoring procedures are principally undertaken by Internal Audit Division.

The Head of Internal Audit Division reports directly to the Governor, with unrestricted access to Management and members of the Commission. The activities of Internal Audit Division are guided by its Internal Audit Charter and Annual Audit Plan, which are approved by the Audit Committee. Internal Audit Division evaluates compliance with the Central Bank's policies, 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.

Internal Audit Division reports its findings directly to the Audit Committee. These reports highlight deficiencies, if any, in the System of Internal Controls and document the agreed corrective actions to be taken by management where deemed necessary. Internal Audit Division monitors the implementation of actions 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 2023. 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 2024. 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 Internal Audit Division and consideration of its reports and findings
- Overview of regular reports from 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 Controls in the reporting period
- Consideration of internal financial control issues identified by the external auditors
- 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, which are evaluated and assigned a grade according to their impact.

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 2023 remains effective.

Gabriel Makhlouf
Governor

Shay Cody
Member of the Commission

23 April 2024

PROFIT AND LOSS AND APPROPRIATION ACCOUNT FOR YEAR ENDED 31 DECEMBER 2023

	Note	2023 €000	2022 €000
Interest income	2	**4,323,150**	**1,110,015**
Interest expense	2	**(4,535,740)**	**(443,984)**
Net interest (expense)/income	2	**(212,590)**	**666,031**
Net realised gains arising from financial operations	3	**1,043,356**	**1,463,678**
Write-downs on financial assets and positions	3	**(41,393)**	**(115,608)**
Transfer to provisions	3	**131,934**	**(1,199,189)**
Net result of financial operations, write-downs and provisions	3	**1,133,897**	**148,881**
Income from fees and commissions	4	**4,488**	**3,980**
Income from equity shares and participating interests	5	**2,978**	**3,686**
Net result of pooling of monetary income	6	**(640,449)**	**(323,160)**
Other net income	7	**222,662**	**417,280**
Funding levy income		205,017	199,118
Other		17,645	218,162
TOTAL NET INCOME		**510,986**	**916,698**
Staff expenses	8	**(213,809)**	**(244,942)**
Other operating expenses	8	**(96,920)**	**(77,807)**
Unrealised loss on investment property	8	**(18,229)**	**-**
Impairment charge on property, plant, equipment	8	**(156,858)**	**-**
Depreciation	8	**(20,890)**	**(13,080)**
Currency production raw materials	8	**(4,280)**	**(5,863)**
TOTAL EXPENSES	8	**(510,986)**	**(341,692)**
PROFIT FOR THE YEAR BEFORE UNREALISED GAIN MOVEMENTS, ACTUARIAL GAIN AND APPROPRIATION OF PROFIT		**-**	**575,006**
Net movement in unrealised gains	33	**(1,013,161)**	**(2,286,492)**
Transfers from revaluation accounts	33	**1,013,161**	**2,286,492**
Actuarial (loss)/gain on pension scheme	31	**(13,835)**	**643,642**
Transfer of retained profit to general reserve	34	**-**	**(718,527)**
Transfer from reserves	34	**13,835**	**-**
SURPLUS INCOME PAYABLE TO THE EXCHEQUER	9, 30	**-**	**500,121**

The accounting policies together with Notes 1 to 42 form part of these accounts.

Gabriel Makhlouf
Governor

Vasileios Madouros
Deputy Governor
Monetary and Financial Stability

23 April 2024

BALANCE SHEET AS AT 31 DECEMBER 2023

ASSETS	Note	2023 €000	2022 €000
Gold and gold receivables	10	**722,100**	**659,566**
Claims on non-euro area residents in foreign currency	11	**10,603,173**	**11,246,329**
Claims on euro area residents in foreign currency	12	**14,294**	**117,729**
Claims on non-euro area residents in euro	13	**2,109,292**	**2,520,832**
Lending to euro area credit institutions related to monetary policy operations in euro	14	**84,500**	**219,400**
Other claims on euro area credit institutions in euro	15	**1,736,502**	**1,646,481**
Securities of euro area residents in euro	16	**67,946,101**	**73,355,689**
Securities Held for Monetary Policy Purposes		60,016,155	62,990,868
Other Securities		7,929,946	10,364,821
Intra-Eurosystem claims		**97,876,094**	**102,572,926**
Participating interest in ECB	17	237,271	237,271
Claims equivalent to the transfer of foreign reserves	18	683,175	683,175
Other claims within the Eurosystem (net)	19	96,955,648	101,652,480
Other assets	20	**2,833,653**	**2,511,117**
Total Assets		**183,925,709**	**194,850,069**

The accounting policies together with Notes 1 to 42 form part of these accounts.

Gabriel Makhlouf
Governor

Vasileios Madouros
Deputy Governor
Monetary and Financial Stability

23 April 2024

BALANCE SHEET AS AT 31 DECEMBER 2023

LIABILITIES	Note	2023 €000	2022 €000
Banknotes in circulation	22	**24,221,493**	**24,492,274**
Liabilities to euro area credit institutions related to monetary policy operations in euro	23	**94,040,334**	**102,450,367**
Other liabilities to euro area credit institutions in euro	24	**751,848**	**934,174**
Liabilities to other euro area residents in euro	25	**22,557,483**	**25,999,243**
Liabilities to non-euro area residents in euro	26	**1,030,899**	**678,288**
Liabilities to non-euro area residents in foreign currency	27	**45,776**	**-**
Counterpart of special drawing rights allocated by the IMF	28	**4,962,491**	**5,109,457**
Liabilities related to the allocation of euro banknotes within the Eurosystem	29	**24,413,094**	**22,218,167**
Other liabilities	30	**1,885,914**	**1,796,421**
Retirement benefits	31	**63,751**	**59,988**
Provisions	32	**2,871,726**	**3,003,794**
Revaluation accounts	33	**876,402**	**1,889,563**
Capital and reserves	34	**6,204,498**	**6,218,333**
Total Liabilities		**183,925,709**	**194,850,069**

The accounting policies together with Notes 1 to 42 form part of these accounts.

Gabriel Makhlouf
Governor

Vasileios Madouros
Deputy Governor
Monetary and Financial Stability

23 April 2024

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[34] and its diverse range of activities. Article 27.1 of the Statute of 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[35] in the Guideline[36]. 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[37] 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:

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.

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[34] 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 2023 together with the European Central Bank (ECB). The term “Eurosystem” refers to the 20 NCBs of the Member States participating in the Monetary Union, plus the ECB, on the same date.

[35] 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 20 euro area countries.

[36] 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.

[37] These include the Central Bank Acts 1942-2023, the Central Bank of Ireland (Surplus Income) Regulations 1943 (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 Coinage Act 1950, the Decimal Currency Acts 1969-1990 and the Economic and Monetary Union Act 1998. The Central Bank is also subject to the Treaty on the Functioning of the European Union, incorporating the Statute of the ESCB and of the ECB, and to any laws made thereunder that apply to the national central banks of the ESCB.

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(i)(a), Note 19(i), Note 19(ii), Note 22). There were no changes to the accounting policies applied by the Bank during the year.

(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*[38]

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[39] whereby transactions are booked on the trade date (Note 1(h)).

(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 TARGET – the Trans-European Automated Real-time Gross Settlement Express Transfer system (Note 19(i)), and give rise to bilateral balances in the TARGET accounts of EU central banks.

Payments conducted by the ECB and the National Central Banks (NCBs) also affect these accounts. All settlements are automatically aggregated and adjusted to form part of a single position of each NCB vis-à-vis the ECB. The movements in TARGET accounts are reflected in the accounting records of the ECB and the NCBs on a daily basis.

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[38] 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).

[39] 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.

Intra-Eurosystem balances of the Central Bank vis-à-vis the ECB arising from TARGET, as well as other Intra-Eurosystem balances denominated in euro (e.g. interim profit distributions to NCBs, if any, 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 TARGET are disclosed under "Claims on Non–Euro Area Residents in Euro" (Note 13) 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 29).

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 1(c)(xiv), 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, Note 38(ii)).

(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 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 decreased from 1.6934% to 1.6798% following Croatia's adoption of the single currency[40] (Note 1(c)(ii)).

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[40] 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 Hryatska Narodna Banka and the European Central Bank regarding the claim credited to Hryatska 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.

(iv) *Banknotes in Circulation*

The ECB and the euro area NCBs, which together comprise the Eurosystem, issue euro banknotes[41]. The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with each NCB's banknote allocation key[42].

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 29). Interest is received on the shortfall and paid on the excess issuance on a quarterly basis[43]. This is cleared through the accounts of the ECB and included in "Net Interest (Expense)/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[44]. 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

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[41] 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.
[42] 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 %).
[43] 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.
[44] 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).

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.

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)).

(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 TARGET 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 TARGET 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[45], Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme[46] and under Decision ECB/2015/10 of 4 March 2015 on a secondary markets public sector asset purchases programme[47] are considered to generate income at the latest available marginal interest rate[48] 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.

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[45] 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.
[46] 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.
[47] 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.
[48] 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.

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 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 2(viii), 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 30) 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.

The Central Bank’s portfolios are 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 hedges against currency exposure using foreign exchange swap agreements, whereby the Bank holds foreign currency and uses foreign exchange swaps to limit the exposure to foreign currency risk. In accordance with the Guideline, forward legs of foreign exchange swap agreements involving an exchange of one currency for another at a future date shall be included in the net foreign currency positions for calculating average costs and foreign exchange gains and losses, and so the Bank uses an off-Balance Sheet account on the spot date. The Central Bank is exposed to currency risk through a net-asset position in IMF SDR. This exposure is held on a partially hedged basis in 2023 (Note 2(xviii), Note 37(i)). Interest rate exposure is hedged against by the utilisation of interest rate futures contracts which are recorded off-Balance Sheet (Note 2(xvii), Note 37(ii)).

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 (Expense)/Income" (Note 2).

(ix) *Securities Held for Monetary Policy Purposes*

These securities were acquired by the Central Bank within the scope of the purchase programme for CBPP3[49] , debt securities acquired in the scope of the SMP[50], the PSPP[51], and the PEPP[52]. 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 'SDR') and the International Monetary Fund (the 'IMF')*

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

The SDR is international reserve assets, created by the IMF, to which Ireland is a member. SDRs is defined in terms of a basket of currencies and its 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 SDR currency position are 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 SDR to Ireland is disclosed as "Counterpart of SDR Allocated by the IMF" (Note 28). The Central Bank's SDR assets can change as a result of IMF lending operations or exchanges of SDR for foreign currency with the IMF itself, other IMF members and other official holders of SDR. SDR holdings may also change as a result of interest payments made by the IMF on the Central

[49] 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.
[50] ECB Decision of 14 May 2010 establishing a Securities Markets Programme (ECB/2010/5), OJ L 124, 20.5.2010, p. 8.
[51] 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.
[52] ECB Decision of 18 March 2020 establishing a pandemic emergency purchase programme (ECB/2020/17), OJ L 91 25.03.2020, p.1.

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), Note 20(iii)). There is no netting between the revaluation results of different marketable investment funds.

(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[53]. 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 30(ii)). 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

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

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 at acquisition cost using mid-market closing exchange rates at year-end (Note 1(j)(i)).

A dividend received on shares held is recorded as "Income from Equity Shares and Participating Interests" (Note 5(i)).

(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 (ii), Note 12, Note 13(ii), Note 15, Note 23, Note 25(i), Note 30).

(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

Intangible Assets

Computer Software	-	3 - 5 years

(iii) *Impairment*

FRS 102 requires PPE and Intangible Assets be reviewed for impairment if events or changes in circumstances indicate their carrying amount may not be recoverable. If the recoverable amount of an asset is less than its carrying amount, the Bank will reduce the carrying amount of the asset to its recoverable amount. That reduction is an impairment loss.

The Bank assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank will estimate the recoverable amount of the asset. If there is no indication of impairment, it is not necessary to estimate the recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

(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 (Note 21(i), Note 21(ii)(a)).

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)(e)).

(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 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 31). 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 31(i)) and the difference between the expected return on scheme assets and the interest cost of scheme liabilities (Note 7, Note 31(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[54]. Actuarial gains and losses are recognised in the Profit and Loss and Appropriation Account (Note 30(ix), Note 31(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 2023 liabilities and pension costs are set out in Note 31.

(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.

(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 33).

(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 (Expense)/Income" (Note 2).

(j) Valuation Policy

(i) Assets and liabilities denominated in foreign currency, unmatured 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 1(c)(xiii), Note 33(ii)). The exchange rate valuation of assets and liabilities is performed on a currency-by-currency basis.

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[54] 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.

(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(i), Note 13(i), Note 16(ii)(b), Note 20(ii), (iii)).

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 33(iii)).

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.

(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)(a)).

(iv) Gold is valued at the closing mid-market price (Note 10, Note 33(i)).

(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(i), Note 13(i), Note 16(ii)(b)).

(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, Note 27). 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 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 11 (ii)(b), Note 12(ii), 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(vi)).

(m) Provisions

(i) *Impairment*

All provisions are reviewed annually (Note 32). 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.

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 32(iv)).

(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 32(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 3(iii), Note 32(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 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.

(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(e)(iii), (j)(iii), (m)(i), Note 3(i)(ii), Note 21(i),Note 32(iv))
- Provisions: (Note 32)
- Depreciation rates: (Note 1(e)(ii), Note 21)
- Defined Benefit Pension Scheme valuation: (Note 31)
- Valuation of the Special Portfolio: (Note 1(j)(ii)(v), Note 16(ii)(b)(i))
- Levy Income: (Note 40(iii))
- Valuation of Investment Properties: (Note 1(p), Note 7(iii), Note 20(vi))

(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 30(ix)).

(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(vi)).

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 (Note 8(vii)). Falls in fair value are offset against revaluation accounts, but only to the extent that they reverse previously recognised unrealised gains.

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(iii)).

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(ii)). 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, fees collected from lenders in excess of costs incurred will be utilised to defray future CCR costs and are reflected in the CCR liability account in Other Liabilities (Note 7(ii), Note 20(ix), Note 30(viii)).

(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 35).

Note 2: Net Interest (Expense)/Income

	2023 €000	2022 €000
TARGET (i)	3,421,873	566,149
Securities for Monetary Policy Purposes (ii)	379,036	270,801
Securities - MTM (iii)	245,664	142,767
Securities - HTM (iv)	81,970	65,489
Deposits (v)	52,702	20,752
Reverse Repurchase Agreements (vi)	52,647	8,785
SDR (vii)	47,237	13,723
Transfer of Foreign Reserve Assets to ECB (viii)	22,417	3,408
Other (ix)	15,250	4,526
Open Market Operations (x)	4,354	-
Government Deposits (xi)	-	8,204
Repurchase Agreements (vi)	-	5,354
Insurance Compensation Fund (xii)	-	57
Interest Income	**4,323,150**	**1,110,015**
Credit Institutions Deposits (xi)	(2,839,902)	(152,703)
Allocation of Euro Banknotes within the Eurosystem (xiii)	(889,305)	(125,475)
Government Deposits (xi)	(747,947)	-
DGS Contributory Fund (xiv)	(27,537)	(1,399)
Reverse Repurchase Agreements (vi)	(22,798)	(10,361)
Credit Institutions Resolution Fund (xv)	(2,043)	(151)
Bank and Investment Resolution Fund (xvi)	(1,837)	(123)
Insurance Compensation Fund (xii)	(1,474)	-
Repurchase Agreements (vi)	(1,188)	(359)
Other (xvii)	(921)	(39,813)
Swaps (xviii)	(788)	(5,719)
Open Market Operations (x)	-	(107,445)
Deposits (xix)	-	(436)
Interest Expense	**(4,535,740)**	**(443,984)**
Total	**(212,590)**	**666,031**

(i) This item relates to interest income earned as a result of euro-cross border payments transacted over the TARGET 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. The increase in interest income in 2023 reflects a rise in the average Main Refinancing Operations (MRO) interest rate to 3.81% (2022: 0.57%) (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)):

Securities Held for Monetary Policy Purposes

	2023 €000	2022 €000
PSPP	330,441	262,350
PEPP	38,302	(5,525)
SMP	6,347	6,365
CBPP3	3,946	7,611
Total	**379,036**	**270,801**

The change in the level of net income earned in 2023 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.

Interest income earned on securities held in the Special Portfolio amounted to €53.3m (2022: €106.7m). This portfolio of securities comprised floating rate notes acquired following the Irish Bank Resolution Corporation (IBRC) liquidation in February 2013. The decrease in interest earned on the Special Portfolio reflects the sale of all remaining floating rate notes during the period (Note 16(ii)(b)).

Interest income earned on other securities (other than the special portfolio) in the MTM portfolios increased to €192.4m (2022: €36.1m). This increase is due to higher yields on the Central Bank's euro and foreign currency investments which includes the Singapore Dollar (SGD), US Dollar (USD), Australian Dollar (AUD) and Chinese Renminbi (CNY) portfolios.

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 increased to €82.0m (2022: €65.5m) as a result of reinvestment of matured bonds into higher yielding bonds (Note 13(i), Note 16(ii)(a)).

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 €52.7m (2022: €20.8m) is largely due to an increase in USD interest rates in 2023 (Note 11(ii)).

(vi) 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 expense generated represents the difference between the sale and repurchase/purchase and subsequent sell prices. Net interest income on repurchase and reverse repurchase transactions has increased due to improving yields (Note 1(l), Note 12(ii), Note 15(i), Note 24, Note 27).

(vii) 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 2023.

(viii) 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 2023 (Note 1(c)(vii), Note 18).

(ix) The increase in Other income to €15.3m (2022: €4.5m) is mainly due to an increase in interest income relating to foreign exchange swaps carried out as part of normal market activity (Note 37(i)).

(x) This item consists of the net income on Longer Term Refinancing Operations (LTROs) held by the Central Bank which were a net interest expense in 2022. The move to a net income of €4.4m (2022: net expense €107.4m) is as a result of changes in the applicable rates and the early repayments of TLTRO borrowings in 2022. (Note 14).

(xi) 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)55. The Governing Council decision on 7 February 2023 stated that from May 2023, there would be a new ceiling for the remuneration of euro area Government Deposits, set at the €STR minus 20 basis points56. As a result, there was an increase in the overall interest expense for 2023 to €747.9m from interest income in 2022 of €8.2m due to the positive €STR during 2023 (Note 25(i), Note 30(ii)).

Credit Institutions can avail of the deposit facility to place funds with the Central Bank on an overnight basis at the DFR. The DFR rates moved from 2.0% to 2.5% on 8 February 2023, to 3.0% on 22 March 2023, to 3.25% on 10 May 2023, to 3.5% on 21 June 2023, to 3.75% on 2 August 2023 and to 4.0% on 20 September 2023. Whilst the

[55] 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.
[56] Decisions of the Governing Council on the 7th of February 2023 https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.pr230207_2~02299a78b5.en.html.

year end holdings have decreased in 2023 compared to 2022, the impact of the positive rate adjustments has led to significant increases observed in the average holdings of the deposit facility during 2023 compared to 2022 which has driven the higher interest expense (Note 23(i)).

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[57] that from 21 December 2022 these deposits were to be remunerated at the DFR rate. On 27 July 2023, the Governing Council decided[58] that from 20 September 2023 the remuneration of the minimum reserves would be set at 0.00% (Note 23(ii)).

Overall as a result of these rate changes, the Central Bank recorded an interest expense on Credit Institutions Deposits of €2,839.9m (2022: €152.7m) (Note 30(ii), Note 23).

Credit Institutions Deposits

	2023 €000	2022 €000
Deposit facility	(2,750,922)	(344,583)
Current accounts (covering the minimum reserve system)	(88,980)	191,880
Total	**(2,839,902)**	**(152,703)**

(xii) This relates to income on the Insurance Compensation Fund which is remunerated at the €STR minus 20 basis points. Interest moved from income to an expense in 2023 as a result of the change in the €STR from negative to positive in 2022 (Note 30(vii)).

(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 MRO rate. The interest expense reflects a higher average MRO interest rate in 2023 of 3.80% (2022: 0.57%) (Note 1(c)(ii), (c)(iv), Note 29, Note 30(ii)).

(xiv) This relates to expenses on the Deposit Guarantee Scheme (DGS) Contributory Fund which is remunerated at the €STR minus 20 basis points. The interest expense on the DGS Contributory Fund is higher in 2023 as rates moved from negative to positive and continued to increase during the year (Note 30(i)).

(xv) This relates to interest expense on the Credit Institutions Resolution Fund which is remunerated at the €STR minus 20 basis points. The increase in the expense in 2023 is due to the balance of the Fund being held with the Central Bank for the full year at

[57] 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.
[58] Decisions of the Governing Council on the 27th of July 2023 https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.pr230727~7206e9aa48.en.html#:~:text=Credit%20institutions%20are%20required%20to%20hold%20a%20minimum%20amount%20equivalent,liabilities%2C%20mainly%20customers%27%20deposits.

higher interest rates. In 2022, it was held with an external party until it was transferred back to the Central Bank in late 2022 (Note 30(iii)).

(xvi) This relates to interest expense on the Bank and Investment Resolution Fund which is remunerated at the €STR minus 20 basis points. The increase in the expense in 2023 is due to the balance of the Fund being held with the Central Bank for the full year at higher interest rates. In 2022, it was held with an external party until it was transferred back to the Central Bank in late 2022 (Note 30(iv)).

(xvii) The decrease in Other interest expense is primarily due to a decrease in interest expenses relating to variation margins on futures contracts used to hedge the Euro MTM portfolio (Note 1(c)(viii), Note 37(ii)).

(xviii) The lower expense is due to general movements in foreign exchange contract activity in 2023 (Note 1(c)(viii), Note 37(i)).

(xix) This relates to interest expense payable on deposit bank account balances. The decrease is due to the change from negative to positive interest rates in 2022 resulting in income earned on these accounts throughout 2023 (Note 2(v), Note 15).

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

(i) Net Realised Gains arising from Financial Operations

	2023 €000	2022 €000
Realised Price Gains/(Losses) on Securities	995,208	1,463,653
- Special Portfolio (i)	*1,001,054*	*1,470,250*
- HTM Portfolio (ii)	*(4,409)*	*(264)*
- MTM Portfolio (iii)	*(1,437)*	*(6,333)*
Realised Price Gains on Funds (iv)	48,145	-
Realised Exchange Rate Gains (v)	3	25
Total	**1,043,356**	**1,463,678**

(i) This reflects the realised gains on the sales of the Floating Rate Notes (FRNs) (Note 16(ii)(b)(i)). Gains on the sales of the special portfolio have decreased to €1,001.1m (2022: €1,470.3m) primarily due to lower sales in 2023 (€2.5bn nominal) compared to 2022 (€3.0bn nominal). The portfolio was sold in full in 2023.

(ii) This reflects the realised losses on securities in the HTM portfolio. Realised losses of €4.4m (2022: €0.3m) are due to the forced sales from the portfolio dictated by the ECB in order to adhere to ECB purchase programme limits (Note 13(i), Note 16(ii)(a)).

(iii) This reflects the realised losses on securities in the MTM portfolio, other than special portfolio securities. Realised losses of €1.4m (2022: €6.3m) relate to the sales of bonds purchased at a negative yield (Note 11(ii)(a), Note 12(i), Note 13(i), Note 16(ii)(b)).

(iv) In order to improve the carbon metrics of the Bank's investments, the Bank began replacing its conventional equity benchmark (MSCI World Global Equity Index fund) with an EU Paris-aligned benchmark (MSCI PAB Overlay Sustainable Equity Index fund). The beginning of this transition occurred in 2023 and resulted in a realised gain of €48.1m on the partial sale of the MSCI World Global Equity Index fund (Note 20(ii)).

(v) This reflects the net realised exchange rate gains as a result of holding assets in foreign currencies (Note 11(ii), Note 12, Note 20(iii), Note 27, Note 37(i)).

(ii) Write-Downs on Financial Assets and Positions

	2023 €000	2022 €000
Unrealised Exchange Rate Losses (i)	(31,631)	(211)
Unrealised Price Losses on Securities (ii)	(9,762)	(90,292)
Unrealised Price Losses on Funds (iii)	-	(25,105)
Total	**(41,393)**	**(115,608)**

(i) The increase in the unrealised exchange rate loss in 2023 to €31.6m (2022: €0.2m) relates to unrealised special drawing rights (SDR) losses driven by the negative exchange rate movements on a higher net SDR asset and unrealised losses on the BIS Korean Won fund driven by negative exchange rate movements (Note 11(i), Note 20(iii), Note 28).

(ii) The decrease in unrealised price losses on securities to €9.8m (2022: €90.3m) relates to a reduced decline in the market value of securities at year end (Note 11(ii)(a), Note 12(i), Note 13(i), Note 16(ii)(b)).

(iii) Due to higher market values at year end of the Bank's investments in BIS funds, there were no unrealised price losses as at 31 December 2023 (Note 20(iii), Note 33(iv)).

(iii) Transfer to Provisions

	2023 €000	2022 €000
Provision for Financial Risks (Note 1(m)(ii), Note 32(i))	132,095	(1,200,000)
Restructuring Provision (Note 1(m)(iii), Note 32(iii))	(161)	811
Total	**131,934**	**(1,199,189)**

Note 4: Income from Fees and Commissions

	2023 €000	2022 €000
Securities Lending	2,465	1,927
TARGET Distribution of Pooled Income	1,431	1,448
Service Fees and Charges	592	605
Total	**4,488**	**3,980**

Note 5: Income from Equity Shares and Participating Interests

	2023 €000	2022 €000
BIS Dividend (i)	2,978	2,980
Share of ECB Profits (ii)	-	706
Total	**2,978**	**3,686**

(i) This item represents a dividend received on shares held in the Bank of International Settlements (Note 1(c)(xiii), Note 20(vii), Note 35(i)).

(ii) This item represents the Central Bank's share of the ECB's final profit distribution for 2022, payable in February 2023. The Governing Council, in view of the ECB's overall financial result for the year decided there would be no profit distribution for 2023 (Note 1(c)(v)).

Note 6: Net Result of Pooling of Monetary Income

	2023 €000	2022 €000
Net Result of Pooling of Monetary Income (i)	(639,728)	(323,160)
Creation of provision from share of impaired Eurosystem Securities (ii) (Note 32(iv))	(721)	-
Total	**(640,449)**	**(323,160)**

(i) This represents the difference between the monetary income pooled by the Central Bank of €1,325.3m (2022: €444.2m) and that reallocated to the Central Bank of €684.7m (2022: €120.8m) following the distribution of total Eurosystem monetary income among NCBs in 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 €1.6m (2022: €0.2m) (Note 1(c)(vi)).

(ii) This item contains the Central Bank's share in the provision against losses in monetary policy operations, which was established in relation to securities held by an NCB of the Eurosystem in its PEPP portfolio. The Central Bank's share in this provision amounts to €0.7m (Note 32(iv)).

	2023 €000	2022 €000
Monetary income pooled	(1,325,292)	(444,241)
Monetary income reallocated	684,661	120,840
Net Payer of Monetary Income	**(640,631)**	**(323,401)**
Previous Years' Eurosystem Adjustments	1,579	241
Interest payment relating to Monetary Income	(673)	-
CBI share in realised loss with Indover Bank	(3)	-
Total	**(639,728)**	**(323,160)**

Note 7: Other Net Income

	2023 €000	2022 €000
Financial Regulation Net Industry Funding Levy* (i)	199,484	193,527
Expected Return on Pension Fund Assets (Note 31(i))	32,200	9,500
Other (ii)	16,856	8,465
Other Financial Regulation Income* (Note 40)	5,533	5,591
Rental Income (iii)	2,696	2,636
Financial Regulation Monetary Penalties (iv)	193	213,661
Interest on Pension Scheme Liabilities (Note 31(i))	(34,300)	(16,100)
Total	**222,662**	**417,280**

* Related specifically to Funding Levy income

(i) The composition of Financial Regulation Net Industry Funding Levy is provided in Note 40.

(ii) Included in Other is Central Credit Register (CCR) Income of €9.0m (2022: €8.9m) 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 €1.2m (2022: €2.5m) relating to Ireland Safe Deposit Box, Bank and Payment Accounts Register (ISBAR), Beneficial Ownership Register (BOR) and Beneficial Ownership Registers Interconnection System (BORIS) levies was recorded in 2023.

(iii) 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(vi)). There were two tenants in place in Block R, Spencer Dock as at 31 December 2023.

(iv) Monetary penalties represent amounts payable to the Central Bank by financial services providers in relation to 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 €0.2m (2022: €213.7m) were paid at year end, with the decrease in 2023 due to reduced penalties being issued in the period.

Note 8: Total Expenses

	Total Head Office & Printworks*		Mint**		Total	
	2023 €000	2022 €000	2023 €000	2022 €000	2023 €000	2022 €000
Salaries/Allowances (i)	180,499	166,382	1,917	2,171	182,416	168,553
Pensions (Note 31(i))	22,300	66,000	-	-	22,300	66,000
PRSI	18,432	17,114	197	216	18,629	17,330
Staff Expenses	**221,231**	**249,496**	**2,114**	**2,387**	**223,345**	**251,883**
Staff Expenses Capitalised (Note 1(e)(vi))	(7,422)	(4,554)	(36)	-	(7,458)	(4,554)
Net Staff Expenses	**213,809**	**244,942**	**2,078**	**2,387**	**215,887**	**247,329**
IT	29,070	26,718	96	169	29,166	26,887
Professional Fees (ii)	15,057	7,740	11	5	15,068	7,745
Contract Labour	13,671	9,781	87	99	13,758	9,880
Miscellaneous (iii)	11,002	9,225	601	6	11,603	9,231
Payments and Custody Fees (iv)	6,527	7,260	-	3	6,527	7,263
Rent and Utilities	5,896	5,136	346	339	6,242	5,475
Facilities and Maintenance	5,481	4,279	448	459	5,929	4,738
Corporate Subscriptions	3,642	3,046	7	7	3,649	3,053
Training	3,029	2,188	17	8	3,046	2,196
Recruitment & Other Staff Costs (v)	2,086	1,771	2	3	2,088	1,774
Travel (vi)	1,459	663	16	14	1,475	677
Other Operating Expenses	**96,920**	**77,807**	**1,631**	**1,112**	**98,551**	**78,919**
Unrealised Loss on Investment Property (vii)	**18,229**	**-**	**-**	**-**	**18,229**	**-**
Impairment Charge on Property, Plant, Equipment (viii)	**156,858**	**-**	**-**	**-**	**156,858**	**-**
Depreciation	**20,890**	**13,080**	**143**	**171**	**21,033**	**13,251**
Currency Production Raw Materials (ix)	**4,280**	**5,863**	**225**	**1,802**	**4,505**	**7,665**
Total Expenses* **	**510,986**	**341,692**	**4,077**	**5,472**	**515,063**	**347,164**

* 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)).

*** 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 €15,081 were made to five individuals during the year (2022: €6,558).

There was one settlement in 2023 of €52,723 on termination of employment (2022: no settlements).

There were no garden leave payments in 2023 (2022: €129,232).

Staff Expenses are further analysed into the following:

Staff Expenses (including Mint)

	2023 €000	2022 €000
Staff short-term benefits	182,348	168,546
Pensions (Note 31(i))	22,300	66,000
Employers PRSI	18,629	17,330
Termination benefits	68	7
Total	**223,345**	**251,883**
Staff Numbers (FTE) at 31 December	2,234	2,103

FTE – full time equivalents inclusive of maternity cover and interns

Staff Salaries and Allowances are analysed into the following:

Short Term Benefits (including Mint)

	2023 €000	2022 €000
Basic Pay	179,772	165,921
Allowances	1,635	*1,837
Overtime	941	*788
Total	**182,348**	**168,546**

*A mistranslation in the prior year has led to the re categorisation of Overtime and Allowances.

Included in Basic Pay is an accrual in respect of untaken annual leave of €11.1m (2022: €9.9m) (Note 30(vi)).

Remuneration of the Executive Commission members in 2023

Name	2023	Salary	2022	Salary
Gabriel Makhlouf Governor (a)(b)	1 January - 31 December	€316,794	1 January - 31 December	€307,108
Sharon Donnery Deputy Governor Financial Regulation (a)	1 January - 31 December	€275,473	1 January - 31 December	€267,050
Vas Madouros Monetary & Financial Stability (a)	1 January - 31 December	€275,473	1 November – 31 December	€44,990

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

Fees of Non-Executive Commission Members

Name	2023	2022
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)	Nil	Nil

Expenses of Non-Executive Commission Members

Name	Travel	Accommodation and Subsistence	Total 2023	Total 2022
David Miles	€2,617	€1,235	€3,852	€3,571
John Trethowan	€3,465	€1,379	€4,844	€2,210
Niamh Moloney	€408	Nil	€408	Nil
Patricia Byron	Nil	Nil	Nil	Nil
Sarah Keane	€67	Nil	€67	Nil
Shay Cody	Nil	Nil	Nil	Nil
John Hogan (c)	Nil	Nil	Nil	Nil

(a) The pension scheme entitlements of Governor Gabriel Makhlouf, Deputy Governor Sharon Donnery, and Deputy Governor Vas Madouros does not extend beyond the standard entitlements in the Central Bank's defined benefit superannuation scheme (Note 31).

(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 (2022: one) non-executive member of the Commission did not receive payment of fees.

Remuneration of Key Management Personnel[59]

	2023 €000	2022 €000
Gross Salary	€13,529	€12,133
Total	**€13,529**	**€12,133**

The Central Bank operates a Revenue Commissioners approved holiday loan scheme for all staff. Included in this amount are advances totalling €58,875 (2022: €45,700) to 12 Key Management Personnel (2022: 14 Key Management Personnel). As at 31 December 2023 all advances under this scheme were fully repaid (2022: fully repaid).

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

Pay Bands	2023 No. of People	2022 No. of People
60,000-70,000	283	313
70,000-80,000	434	380
80,000-90,000	160	166
90,000-100,000	115	110
100,000-110,000	305	281
110,000-120,000	48	109
120,000-130,000	101	24
130,000-140,000	33	41
140,000-150,000	68	49
150,000-160,000	14	19
160,000-170,000	18	22
170,000-180,000	21	1
180,000-190,000	-	3
190,000+	19	17
Total	**1,619**	**1,535**

(ii) Included in Professional Fees are Auditors' fees payable to Grant Thornton (2022: Mazars) and the Comptroller and Auditor General which amount to:

[59] 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.
[60] Short-term benefits includes Basic Pay, Allowances and Overtime payments to staff.

Auditors' Fees[61]	2023 €000	2022 €000
Audit of Individual Accounts	**536**	**339**
Grant Thornton	363	-
Mazars	-	171
Comptroller and Auditor General	173	168
Other Assurance Services	**104**	**54**
Grant Thornton	104	-
Mazars	-	54
Other Non-Audit Services	**241**	**147**
Grant Thornton	241	-
Mazars	-	147
Total	**881**	**540**

Included in Professional Fees and analysed in the following table are Consultancy costs charged to income and expenditure totalling €10.6m (2022: €4.6m) and Consultancy costs capitalised totalling €4.0m (2022: €4.8m) which is included in PPE and Intangible Assets (Note 21).

Consultancy

	2023 €000	2022 €000
IT	4,478	3,805
Premises	1,968	1,349
Legal Advice	808	1,137
Other	79	120
Financial	1,639	1,079
Pensions & HR	348	127
Business Improvement	5,273	1,743
Total	**14,593**	**9,360**
Consultancy Costs Charged to Income and Expenditure	10,605	4,796
Consultancy Costs Capitalised	3,988	4,564
Total	**14,593**	**9,360**

Included in Professional Fees are legal costs in relation to legal proceedings totalling €1.9m (2022: €1.0m).

Legal Fees

	2023 €000	2022 €000
Legal fees – legal proceedings	1,854	1,031
Total	**1,854**	**1,031**

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 24 separate legal cases (2022: 16).

[61] Auditors' Fees are shown exclusive of VAT so that the net amount received by the supplier is disclosed.

The Central Bank's insurance company paid €70,246 (2022: €6,550) relating to legal costs and settlements.

(iii) Included in Miscellaneous are €7.4m of CCR related costs, (€3.3m of which related to outsourced services and a €4.1m release of CCR recoverable costs (Note 20(ix))), fixed assets write off amounting to €2.6m and the expenses of the Financial Services Appeals Tribunal €0.2m (2022: €0.2m), which the Central Bank discharge in accordance with the provisions of Section 57AX (4) of the Central Bank Act, 1942 (as amended).

(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 2023, with corresponding figures for 2022.

Late Payments	2023	2022
Total Number of Late Payments	13	63
Total Value of All Late Payments (A)	€76,266	€692,400
Total Value of All Payments (B)	€129,863,062	€128,144,822
A as a % of B	0.06%	0.54%
Total Value of Interest Paid on Late Payments	€904	€5,809

(v) Included in Recruitment & Other Staff Costs above is Hospitality Expenditure of €0.3m (2022: €0.2m), analysed as follows:

Hospitality Expenditure	2023 €000	2022 €000
Staff Hospitality	250	153
Total	**250**	**153**

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)	2023 €000	2022 €000

Domestic		
Commission*	13	17
Staff	123	81
International		
Commission*	81	52
Staff	1,258	527
Total	**1,475**	**677**

* Commission includes both executive and non-executive members.

(vii) An unrealised loss of €18.2m was recognised in the Profit & Loss Appropriation Account for the investment property held at 31 December 2023, in line with the investment property accounting policy (Note 1(p)). The investment property, Block R, Spencer Dock, East wing, was valued at €31.0m at 31 December 2023 (2022: €46.2m) (Note 20(vi)). The unrealised loss of €18.2m includes €15.2m unrealised loss in 2023 together with an unrealised loss of €3.0m from the prior year transferred from the investment property revaluation reserve (Note 33).

(viii) The impairment charge relates to the Mayor Street building. This building was acquired pre-pandemic as part of the Bank's long term office space strategy which took into account current and expected future needs. This included both scalability and flexibility. Since the pandemic, there has been a significant shift in the commercial property market, with a substantial move to hybrid working models. This has led to companies reducing their office footprint, ultimately leading to an oversupply of office space in Dublin. This has resulted in the market value of the Mayor Street building being less than the carrying value. Taking the above into account and giving consideration to the value of the use of the building the Bank has raised an impairment charge of €156.9m (Note 21(d)).

(ix) Currency Production Raw Materials expense relates to the production of banknotes €4.3m (2022: €5.9m) and coin €0.2m (2022: €1.8m). The reduction in banknote costs in 2023 was due to a reduced banknote allocation and a lower unit purchase cost per banknote than in 2022. Coin materials decreased as coin blanks were not purchased in 2023 and the 2023 Collector Coin programme did not include a gold coin product.

Note 9: Surplus Income Payable to the Exchequer

There is no Surplus Income payable to the Exchequer in respect of the year ended 31 December 2023 (2022: €500.1m) (Note 1(o), Note 30(ix)).

Note 10: Gold and Gold Receivables

	2023 €000	2023 Fine Ounces of Gold	2022 €000	2022 Fine Ounces of Gold
Gold and Gold Receivables	722,100	386,598	659,566	386,598

Total	**722,100**	**386,598**	**659,566**	**386,598**

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 2023 is due to an increase in the market value of gold holdings from the year-end 2022 to 2023 (Note 1(j)(iv), Note 33(i)).

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

	2023 €000	2022 €000
Receivables from the IMF (i)	6,230,592	6,381,290
Balances with Banks and Security Investments, External Loans and other External Assets (ii)	4,372,581	4,865,039
Total	**10,603,173**	**11,246,329**

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

	2023 €000	2022 €000
Quota	4,198,648	4,321,311
Less IMF Holdings maintained by the Bank	(3,069,723)	(3,167,716)
Reserve Position in the IMF (a)	1,128,925	1,153,595
SDR Holdings (b)	5,101,667	5,227,695
Total	**6,230,592**	**6,381,290**

(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[62]. The holdings of euro by the IMF, 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% (2022: 73%) (Note 1(c)(x), Note 35(v)).

(b) Special Drawing Rights (SDR) 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 28)).

[62] 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.

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

	2023 €000	2022 €000
Security Investments - MTM (a)	3,096,046	3,226,048
Balance with Banks	1,230,759	1,638,991
Reverse Repurchase Agreements (b)	45,776	-
Total	**4,372,581**	**4,865,039**

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

(b) As part of the management of its investment assets, the Central Bank uses repurchase transactions with approved counterparties under GMRA legal agreements. The increase in reverse repurchase agreements with non-euro area residents in foreign currency to €45.8m (2022: €0.0m) relates to a general increase in reverse repurchase opportunities in the non-euro area in foreign currency due to market dynamics (Note 1(l), Note 27).

Breakdown by foreign currency

	2023 €000	2022 €000
USD	2,790,554	2,656,306
AUD	548,786	514,541
CNY	488,657	510,686
SGD	444,444	438,539
JPY	96,112	744,232
Other	4,028	735
Total	**4,372,581**	**4,865,039**

Maturity Profile

	2023 €000	2022 €000
0 - 3 months	1,423,733	1,944,979
3 months - 1 year	860,539	791,487
1 - 5 years	2,088,309	2,128,573
Total	**4,372,581**	**4,865,039**

Note 12: Claims on Euro Area Residents in Foreign Currency

	2023 €000	2022 €000
Security Investments - MTM (i)	10,757	21,892
Balances with Banks	3,537	3,435
Reverse Repurchase Agreements (ii)	-	92,402
Total	**14,294**	**117,729**

(i) These securities comprise debt issued by euro area issuers in foreign currency (Note 1(j)(ii)). The year-end 2023 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.

(ii) As part of the management of its investment assets, the Central Bank uses repurchase transactions with approved counterparties under GMRA legal agreements. The reduction in reverse repurchase agreements with euro area residents in foreign currency to €0.0m (2022: €92.4m) is as a result of a general decline in reverse repurchase activity in the euro area in foreign currency due to market dynamics and better alternatives elsewhere (Note 1(l)).

Breakdown by foreign currency

	2023 €000	2022 €000
AUD	11,144	3,365
USD	3,113	114,167
SGD	36	196
Other	1	1
Total	**14,294**	**117,729**

Maturity Profile

	2023 €000	2022 €000
0 - 3 months	3,537	114,495
3 months - 1 year	4,810	-
1 - 5 years	5,947	3,234
Total	**14,294**	**117,729**

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

	2023 €000	2022 €000
Security Investments - HTM (i)	1,882,791	1,952,934
Balances with Banks (ii)	122,224	379,356
Security Investments - MTM (i)	104,277	188,542
Total	**2,109,292**	**2,520,832**

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

(ii) The decrease in balances with banks to €122.2m (2022: €379.4m) was due to regular market activities.

Maturity Profile

	2023	2022

	€000	€000
0 - 3 months	362,239	554,675
3 months - 1 year	310,409	406,589
1 - 5 years	978,861	1,296,176
5 - 10 years	457,783	263,392
Total	**2,109,292**	**2,520,832**

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

	2023 €000	2022 €000
Longer Term Refinancing Operations of which TLTROs	84,500	219,400
Total	**84,500**	**219,400**

Maturity Profile

	2023 €000	2022 €000
0 - 3 months	57,500	-
3 months - 1 year	27,000	134,900
1 - 5 years	-	84,500
Total	**84,500**	**219,400**

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 2023, 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 €410.3bn (2022: €1,324.3bn), of which the Central Bank held €0.1bn (2022: €0.2bn) (Note 1(c)(xii)).

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 all TLTRO-III, starting 12 months after the settlement of each operation, participants have the option on a quarterly basis of terminating or reducing the amount of TLTRO-III concerned before maturity. Borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, but in any case may not become less negative than -1.0%, and as low as the average - for the relevant period - interest rate on the deposit facility during the rest of the life of the same operation[63].

[63] 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.

The actual interest rates can only be known at the maturity or early repayment of each operation and before that a reliable estimate is used for calculating the TLTRO-III interest accruals. This means, that for the 2023 annual accounts, the interest rates over the additional special interest rate period, for the accruals was indexed to the average applicable key ECB interest rate since the beginning of the last interest period of these operations, which begun on 23 November 2022.

The decrease in the balances to €84.5m (2022: €219.4m) is as a result of early repayments of longer term TLTRO borrowings in 2023, with the remaining instruments due to mature in 2024 (Note 2(x)).

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

	2023 €000	2022 €000
Reverse Repurchase Agreements (i)	1,576,848	1,489,174
Balances with Banks	159,654	157,307
Total	**1,736,502**	**1,646,481**

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 increase in reverse repurchase agreements with euro area residents in euro to €1,576.9m (2022: €1,489.2m) relates to a general increase in reverse repurchase opportunities in the euro area in euro due to market dynamics (Note 1(l)).

Note 16: Securities of Euro Area Residents in Euro

	2023 €000	2022 €000
Securities Held for Monetary Policy Purposes (i)	60,016,155	62,990,868
Other Securities (ii)	7,929,946	10,364,821
Total	**67,946,101**	**73,355,689**

(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 2023, 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:

	2023 €000 Amortised Cost	2023 €000 Market Value	2022 €000 Amortised Cost	2022 €000 Market Value
CBPP3	686,932	659,418	1,455,089	1,404,570
SMP	102,572	106,446	101,802	109,162
PSPP *of which*	37,274,916	33,888,794	39,082,179	33,712,471
Government/Agency Securities (Own-Risk)	*34,456,087*	*31,316,355*	*35,995,430*	*31,000,546*
Supranational Securities (Shared-Risk)	*2,818,829*	*2,572,439*	*3,086,749*	*2,711,925*
PEPP *of which*	21,951,735	19,010,346	22,351,798	18,116,046
Government/Agency Securities (Own-Risk)	*21,951,735*	*19,010,346*	*22,351,798*	*18,116,046*
Covered Bonds (Shared-Risk)	-	-	-	-
Total	**60,016,155**	**53,665,004**	**62,990,868**	**53,342,249**

Maturity Profile

	2023 €000 Amortised Cost	2022 €000 Amortised Cost
0 - 3 months	3,615,467	3,889,112
3 months - 1 year	549,011	314,416
1 - 5 years	17,718,774	18,158,435
5 - 10 years	23,044,188	24,306,776
10-15 years	5,064,682	7,201,517
> 15 years	10,024,033	9,120,612
Total	**60,016,155**	**62,990,868**

Purchases under the SMP were terminated on 6 September 2012.

Until the end of February 2023[64], the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme (APP)[65]. Subsequently, the APP portfolio declined at a measured and predictable pace. Until the end of June 2023, the decline amounted to €15.0bn per month on average as the Eurosystem did not reinvest all of the principal payments from maturing securities. In June 2023 the Governing Council decided[66] to discontinue the reinvestments under the APP as of July 2023. Thereafter, the APP portfolio was declining due to maturities.

[64] See the press release of 15 December 2022 of the Governing Council's decisions.
[65] Further details on the APP can be found on the ECB's website.
[66] See the press release of 15 June 2023 of the Governing Council's decisions.

As concerns the PEPP[67], the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased throughout the year. The Governing Council intends[68] to continue to reinvest, in full, the principal payments from maturing securities purchased under the PEPP during the first half of 2024. It also intends to reduce the PEPP portfolio by €7.5bn per month on average over the second half of 2024 and to discontinue reinvestments under the PEPP at the end of the same year. In addition, the Governing Council will continue applying 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 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, CBPP3, PSPP and CSPP programmes as at 31 December 2023 (2022: Nil).

In the context of the impairment test conducted as at the end of 2023 on securities purchased across the Eurosystem under the PEPP-CORP programme, the Governing Council identified one impairment indicator relating to the holdings of a security, which was triggered in the course of 2023.

In accordance with Article 32.4 of the Statute, losses from securities holdings purchased under the PEPP-CORP programme, if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to their prevailing ECB capital key shares. As a result of the impairment test conducted on the above-mentioned security, the Governing Council has deemed it appropriate to establish a buffer against credit risks in monetary policy operations during 2023 (Note 32(iv)).

The Eurosystem NCBs' aggregate holdings of monetary policy securities at end December 2023 amounted to €4,269.0bn of which the Central Bank held €60.0bn (2022: €4,479.9bn of which the Central Bank held €63.0bn) (see table below) (Note 1(c)(ix), Note 2(ii)):

Amortised Cost	Year	SMP €m	CBPP3 €m	PSPP €m	CSPP €m	PEPP €m	Total €m
Eurosystem NCBs	2023	1,901	262,090	2,178,168	323,921	1,502,916	4,268,996
	2022	2,143	276,857	2,341,809	344,119	1,514,981	4,479,909
Bank	2023	102	687	37,275	-	21,952	60,016
	2022	102	1,455	39,082	-	22,352	62,991

(ii) Other Securities

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

[67] Further details on the PEPP can be found on the ECB's website.
[68] See the press release of 14 December 2023 of the Governing Council's decisions.

	2023 €000	2022 €000
Security Investments - HTM (a)	5,292,862	5,121,091
Security Investments - MTM (b)	2,637,084	5,243,730
Total	**7,929,946**	**10,364,821**

Maturity Profile

	2023 €000	2022 €000
0 - 3 months	746,965	786,004
3 months - 1 year	2,080,814	1,697,778
1 - 5 years	3,516,498	3,416,881
5 - 10 years	1,585,669	967,873
> 15 years	-	3,496,285
Total	**7,929,946**	**10,364,821**

(a) Security Investments – 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 increase in the HTM portfolio to €5.3bn (2022: €5.1bn) relates to reinvestments in 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 2023 (2022: Nil)).

(b) Security Investments – MTM

	2023 Closing Market Value €000	2022 Closing Market Value €000
Government Issue Bonds	2,124,521	1,587,493
Treasury Bills	512,563	159,950
Special Portfolio (i)	-	3,496,287
Total	**2,637,084**	**5,243,730**

(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 2023, the Central Bank fully sold the remaining €2.5bn balance of the 2053 FRNs realising gains amounting to €1.0bn (2022: sold €0.5bn nominal of the 2051 FRNs and €2.5bn nominal of the 2053 FRNS, gain €1.5bn) (Note 3(i)).

As there is no active market in the FRNs, the Central Bank measured 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 was periodically evaluated by the Central Bank to ensure that it is consistent with best practice.

	BOOK VALUES				REVALUATION MOVEMENTS				MARKET VALUES	
€000	2022 Closing Balance	Purchases	Sales/ Redemptions	2023 Closing Balance	2022 Closing Balance	Opening Revaluation on Disposal	Movement on Retained Portfolio	2023 Closing Balance	2022 Closing Market Value	2023 Closing Market Value
Floating Rate Notes	2,534,000	-	(2,534,000)	-	962,287	(962,287)	-	-	3,496,287	-
Total	**2,534,000**	**-**	**(2,534,000)**	**-**	**962,287**	**(962,287)**	**-**	**-**	**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 sold the portfolio of FRNs in full in 2023.

Note 17: Participating Interest in ECB

	2023 €000	2022 €000
Participating Interest in ECB	237,271	237,271
Total	**237,271**	**237,271**

This represents the Central Bank's contribution to the capital of the ECB (Note 1(c)(ii),(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 remained unchanged at 1.3772% (2022: 1.3772%) (Note 1(c)(iii), Note 39).

The subscribed capital of the ECB is €10,825.0m which, remained unchanged upon Croatia's adoption of the single currency.

The ECB's paid-up capital increased from €8,879.6m in 2022 to €8,948.3m in 2023 as a result of Croatia's adoption of the single currency. The paid-up share capital for Ireland remained unchanged in 2023.

Note 18: Claims Equivalent to the Transfer of Foreign Reserves

	2023 €000	2022 €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 (2022: €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 35(ii)).

Croatia's adoption of the single currency resulted in the Central Bank's Eurosystem capital key reducing from 1.6934% to 1.6798% (Note 1(c)(iii)).

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(viii)).

Note 19: Other Claims within the Eurosystem (net)

	2023 €000	2022 €000
TARGET Balance (net) (i)	97,594,703	101,975,640
Net Result of Pooling of Monetary Income (ii)	(639,055)	(323,160)
Total	**96,955,648**	**101,652,480**

(i) This item represents the Central Bank's net asset from the ECB as a result of euro cross-border payments transacted over the TARGET system by all NCBs participating in the ESCB, which amounted to €97.6bn (2022: €102.0bn) (Note 1(c)(ii)). The decrease in the TARGET asset reflects a net outflow of euro out of the State, via the Central Bank's TARGET account over the period. The outflows were largely channelled through credit institutions' reserve accounts (Note 1(b), Note 23).

At year-end 2023, four non-participating countries (Bulgaria, Denmark, Poland and Romania) were members of TARGET and, therefore, included in the multilateral netting process. The remuneration of TARGET 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) This represents the Central Bank's monetary income payable (Note 1(b), Note 1(c)(iii), Note 1(c)(vi), Note 6).

Note 20: Other Assets

	2023	2022

	€000	€000
Accrued Interest Income (i)	1,094,868	959,362
Equities (ii)	449,292	351,841
BIS Funds (iii)	423,270	421,064
Property, Plant, Equipment and Intangible Assets (Note 21)	337,917	462,431
- Tangible - Plant, Property, Equipment (Note 21(i))	*271,218*	*418,746*
- Intangible - Computer Software (Note 21 (ii))	*66,699*	*43,685*
Other (iv)	263,507	32,885
Funding Levy (v)	191,744	190,314
Investment Property (vi)	30,980	46,200
Shares in the Bank for International Settlements (vii)	23,199	22,583
Accrued Interest Purchased (viii)	10,672	16,118
Prepayments	8,204	7,769
Central Credit Register (ix)	-	550
Total	**2,833,653**	**2,511,117**

(i) This item includes the accrued income earned on the Central Bank's portfolio of securities. The increase largely relates to remuneration of TARGET balances due from euro area NCBs and interest receivable on investment assets.

(ii) The Central Bank invests in equities as part of its investment strategy. The equities track the MSCI World Global Equity Index and the MSCI PAB Overlay Sustainable Equity Index. The movement relates to an investment into the MSCI PAB Overlay Sustainable Equity Index fund, offset by the partial sale of the MSCI World Global Equity Index fund in 2023 as the Bank is pursuing improvements to the carbon metrics of its investments. The funds are 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 3(i)(iv), Note 33(iii), Note 36).

(iii) 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(i)(v), Note 3(ii)(iii), Note 33(iv), Note 36).

(iv) Included in Other is an amount of €257.3m (2022: €14.3m) relating to debtors. The year on year increase primarily relates to increased accrued DGS receivables in 2023 (Note 30(i)).

(v) The net funding levy of €191.7m (2022: €190.3m) relates to income owed to the Central Bank from industry regulated entities of €194.5m (2022: €192.4m) which will be levied in 2024 as well as a provision for accrued and outstanding levies of €2.7m (2022: €2.1m) (Note 40(v)).

(vi) In November 2015 the Central Bank acquired Block R, Spencer Dock, comprised of the West and East wing. The West wing was sold on 30 September 2022. As at 31 December 2023, the Central Bank remains in possession of the East wing, an investment property valued at €31.0m 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 33).

A lease has been in place with a third party for a portion of the East wing of Spencer Dock since 2015. This lease has a remaining term of 12 years with a break clause in 4 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. In October 2023 a lease was entered into with another third party for a further portion of the East Wing. This lease has a remaining term of 3 years. There are no break clauses or provisions for rent reviews, but an option to extend for a further four years is available if agreeable by all parties to the lease. The future minimum lease payments arising from both of these leases are as follows:

Future Minimum Lease Payments Receivable

	2023 €000	2022 €000
Not later than one year	2,931	2,636
After one year but not more than five years	11,256	10,546
After five years	16,765	19,401
Total	**30,952**	**32,583**

(vii) The Central Bank holds 8,564 shares (2022: 8,564 shares) in the Bank for International Settlements, the euro equivalent of which is €23.2m (2022: €22.6m) (Note 1(c)(xiii), Note 5(i), Note 35(i)).

(viii) Accrued interest purchased has decreased to €10.7m (2022: €16.1m) which is largely driven by reduced purchasing activity in monetary policy securities in 2023.

(ix) The balance in the CCR asset account was €Nil (2022: €0.6m). During 2023, all of the costs of CCR have been recouped through fees charged to CIPs. Fees collected from CIPs in excess of costs have been reflected in the CCR liability account in Other Liabilities (Note 1(q), Note 7(ii), Note 30(viii)).

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		Total Tangible Fixed Assets	
	2023 €000	2022 €000	2023 €000	2022 €000	2023 €000	2022 €000	2023 €000	2022 €000	2023 €000	2022 €000	2023 €000	2022 €000	2023 €000	2022 €000
At Cost - 1 January	100,130	163,789	43,159	44,414	20,581	19,281	7,176	7,133	17,090	16,799	320,685	289,441	508,821	540,857
Transfer (a)	236,343	578	66,861	498	9,798	1,300	90	191	15,773	423	(328,865)	(2,990)	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	27,737	34,233	27,737	34,233
Disposals (b)	(4,841)	(64,237)	-	(1,753)	-	-	-	(148)	(42)	(132)	-	-	(4,883)	(66,270)
At Cost - 31 December	331,632	100,130	110,020	43,159	30,379	20,581	7,266	7,176	32,821	17,090	19,557	320,684	531,675	508,820

Accumulated Depreciation at 1 January	27,590	32,589	23,293	22,338	16,220	14,438	6,769	6,805	16,202	15,305	-	-	90,074	91,475
Depreciation for Year (c)	4,616	3,448	6,341	2,708	2,101	1,782	124	112	2,670	1,029	-	-	15,852	9,079
Impairment of Tangible Assets (d)	128,320	-	28,538	-	-	-	-	-	-	-	-		156,858	-
Disposals	(2,284)	(8,447)	-	(1,753)	-	-	(1)	(148)	(42)	(132)	-	-	(2,327)	(10,480)
Accumulated Depreciation and Impairment Losses at 31 December	158,242	27,590	58,172	23,293	18,321	16,220	6,892	6,769	18,830	16,202	-	-	260,457	90,074
Net book value at 31 December	**173,390**	**72,540**	**51,848**	**19,866**	**12,058**	**4,361**	**374**	**407**	**13,991**	**888**	**19,557**	**320,684**	**271,218**	**418,746**

(a) The build and fitout of the Mayor Street premises which is part of the Dockland Campus totalling €323.2m was completed in 2023, with the cost being transferred from AUC to the relevant asset categories.

(b) Disposals from the premises asset class relates to carrying value of works previously undertaken being written off as a result of upgrade works completed in 2023.

(c) Of the total depreciation charge of €15.9m (2022: €9.1m), €0.1m in respect of Mint machinery was charged to the Currency Reserve (2022: €0.2m).

(d) The impairment charge relates to the Mayor Street building. This building was acquired pre-pandemic as part of the Bank's long term office space strategy which took into account current and expected future needs. This included both scalability and flexibility. Since the pandemic, there has been a significant shift in the commercial property market, with a substantial move to hybrid working models. This has led to companies reducing their office footprint, ultimately leading to an oversupply of office space in Dublin. This has resulted in the market value of the Mayor Street building being less than the carrying value. Taking the above into account and giving consideration to the value of the use of the building the Bank has raised an impairment charge of €157m (Note 1(e)(iii), Note 8 (viii)).

(e) The Central Bank currently holds an art collection at market value of €2.1m based on a 2022 valuation (2022: €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)).

(ii) Intangible Computer Software

	Computer Equipment		Assets Under Development (a)		Total Intangible Fixed Assets	
	2023 €000	2022 €000	2023 €000	2022 €000	2023 €000	2022 €000
At Cost - 1 January	55,399	51,121	27,979	7,267	83,378	58,388
Transfer	541	4,303	(541)	(4,303)	-	-
Acquisitions	-	-	28,195	25,015	28,195	25,015
Disposals	(928)	(25)	-	-	(928)	(25)
At Cost - 31 December	55,012	55,399	55,633	27,979	110,645	83,378

Accumulated Depreciation at 1 January	39,693	35,546	-	-	39,693	35,546
Depreciation for Year	5,181	4,172	-	-	5,181	4,172
Disposals	(928)	(25)	-	-	(928)	(25)
Accumulated Depreciation at 31 December	43,946	39,693	-	-	43,946	39,693
Net Book Value at 31 December	**11,066**	**15,706**	**55,633**	**27,979**	**66,699**	**43,685**

(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 €0.5m (2022: €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

	2023 €000	2022 €000
Total value of euro banknotes issued into circulation by the Central Bank	48,634,587	46,710,441
Liability resulting from the ECB's share of euro banknotes in circulation	(2,106,047)	(2,129,636)
Liability according to the Central Bank's weighting in the ECB's capital key	(22,307,047)	(20,088,531)
Total	**24,221,493**	**24,492,274**

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 4.1% (2022: 5.5%) in 2023, from €46.7bn to €48.6bn. The total value of banknotes in circulation within the Eurosystem decreased by 1.1% (2022: increased by 1.8%) from 1 January 2023 to end December 2023. According to the allocation key, the Central Bank had euro banknotes in circulation worth €24.2bn at year-end 2023, compared to €24.5bn at year-end 2022. As the banknotes actually issued by the Central Bank were more than the allocated amount, the difference of €24.4bn (2022: €22.2bn) is shown in “Liabilities Related to the Allocation of Euro Banknotes within the Eurosystem” (Note 1(b), Note 1(c)(iv), Note 29).

Note 23: Liabilities to Euro Area Credit Institutions related to Monetary Policy Operations in Euro

	2023 €000	2022 €000
Deposit Facility (i)	90,205,362	96,815,372
Current Accounts (covering the minimum reserve system) (ii)	3,834,972	5,634,995
Total	**94,040,334**	**102,450,367**

(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 2.0% to 2.5% on 8 February 2023, to 3.0% on 22 March 2023, to 3.25% on 10 May 2023, to 3.5% on 21 June 2023, to 3.75% on 2 August 2023 and to 4.0% on 20 September 2023 (Note 2(xi)). Whilst the year end holdings have decreased in 2023 compared to 2022, the impact of the positive rate adjustments has led to significant increases observed in the average holdings of the deposit facility during 2023 compared to 2022.

(ii) Current accounts contain the credit balances on the transaction accounts of credit institutions in the euro area that 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[69]. 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[70], the Governing Council decided to suspend the two-tier system as it was no longer necessary.

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[71].

On 27 July 2023 the Governing Council decided that, starting from 20 September 2023, these balances will be remunerated at 0% (Note 2(xi)).

Note 24: Other Liabilities to Euro Area Credit Institutions in Euro

	2023 €000	2022 €000
Repurchase Agreements	751,848	934,174
Total	**751,848**	**934,174**

[69] The multiplier may be adjusted by the Governing Council over time with changing levels of excess liquidity holdings.
[70] 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.
[71] 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.

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 reduction in repurchase agreements with euro area residents in euro to €751.9m (2022: €934.2m) is as a result of a general reduction in repurchase activity in the euro area in euro due to market dynamics and better alternatives elsewhere (Note 1(l)).

Note 25: Liabilities to Other Euro Area Residents in Euro

	2023 €000	2022 €000
General Government Deposits (i)	22,553,511	25,991,118
Other Liabilities	2,553	5,127
Currency Reserve Relating to Net Proceeds of Coin (ii)	1,419	2,998
Total	**22,557,483**	**25,999,243**

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(xi), Note 38(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. From May 2023 a new ceiling for remuneration of euro area Government Deposits was set at the €STR minus 20 basis points.

(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 is reported as an asset or liability of the Central Bank (Note 1(g), Note 38(i)). Expenses in relation to the production of coin are captured in Note 8. Expenses related to retirement benefits are included in Note 31. Details of net proceeds for the year are included in the table below:

	2023 €000	2022 €000
Coin issued into Circulation	7,054	18,547
Specimen Coin Sets	570	1,244
Withdrawn Irish Coin	(122)	(110)
Less Operating Costs (Note 8)*	(4,077)	(5,472)
Net Proceeds of Coin Issue	**3,425**	**14,209**
Superannuation Employer Contribution**	(351)	(402)
Transfer to the Exchequer	(4,653)	(13,888)

Opening Balance	2,998	3,079
Closing Balance	**1,419**	**2,998**

* Included in 2023 Operating Costs of €4.1m is €2.9m relating to overhead costs attributable to the provision and issuance of coin.

** Included in Superannuation Employer Contribution of €0.4m is €0.2m 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 €7.1m (2022: net issuance €18.5m) from the Central Bank in 2023. As a result, this generated a transfer of €4.7m which was paid to the Exchequer on 20 December 2023 (2022: €13.9m paid to the Exchequer).

Note 26: Liabilities to Non-Euro Area Residents in Euro

	2023 €000	2022 €000
EU Agencies (i)	1,020,332	667,742
International Financial Institutions	10,567	10,546
Total	**1,030,899**	**678,288**

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) cash account with the Central Bank. The balance held in this account was €1,013.2m in 2023 (2022: €661.6m).

Note 27: Liabilities to Non-Euro Area Residents in Foreign Currency

	2023 €000	2022 €000
Repurchase Agreements	45,776	-
Total	**45,776**	**-**

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 increase in repurchase agreements with non-euro area residents in foreign currency to €45.8m (2022: €0.0m) relates to a general increase in repurchase opportunities in the non-euro area in foreign currency due to market dynamics (Note 1(l), Note 11(ii)(b)).

Note 28: Counterpart of Special Drawing Rights Allocated by the IMF

	2023	2022

	€000	€000
Counterpart of SDR allocated by the IMF	4,962,491	5,109,457
Total	**4,962,491**	**5,109,457**

This is the liability of the Central Bank to the IMF in respect of the allocation of Special Drawing Rights (SDR) to Ireland. The Central Bank's SDR assets can change as a result of IMF lending operations or exchanges of SDR for foreign currency with the IMF itself, other IMF members and other official holders of SDR. 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 29: Liabilities Related to the Allocation of Euro Banknotes within the Eurosystem

	2023 €000	2022 €000
Liability according to the Bank's weighting in the ECB's capital key	22,307,047	20,088,531
Liability resulting from the ECB's share of euro banknotes in circulation	2,106,047	2,129,636
Total	**24,413,094**	**22,218,167**

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 30: Other Liabilities

	2023 €000	2022 €000
DGS Contributory Fund Deposit (i)	1,158,823	884,050
Interest Accruals (ii)	490,865	206,060
Credit Institutions Resolution Fund Deposit (iii)	67,014	60,704
Bank and Investment Firm Resolution Fund Deposit (iv)	65,518	49,248
Other Liabilities (v)	56,110	32,393
Other Accruals (vi)	31,300	36,314
Insurance Compensation Fund Deposit (vii)	12,663	27,531
Central Credit Register (viii)	3,621	-
Profit & Loss Appropriation (ix)	-	500,121
Total	**1,885,914**	**1,796,421**

(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(xiv), Note 20(iv)).

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	2023 €000	2022 €000
Opening Balance Held with Central Bank	884,050	154,112
Contributions(a)	247,237	167,560
Payments	(1)	(21)
Interest – Income	27,537	1,399
NTMA Exchequer Note Programme(b)	-	561,000
Closing Balance Held with Central Bank	**1,158,823**	**884,050**

(a) The 2023 contributions have been invoiced in January 2024. In prior years, the contributions were invoiced in December of the year to which they relate.

(b) In November 2022, DGS funds previously held in Exchequer Notes were returned to the Central Bank.

(ii) 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 2023 (Note 1(c)(iv), Note 2(xi)(xiii)).

(iii) A Credit Institutions Resolution Fund was established in 2011 under the Central Bank and Credit Institutions (Resolutions), Act 2011. The balance of €67.0m (2022: €60.7m) represents deposits with the Central Bank on behalf of the Fund. The increase in the balance held reflects an increase in the 2023 CIRF receipts as well as interest earned on the balance held at 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(xv), Note 38(v)).

(iv) The Bank and Investment Firm Resolution Fund was established in 2015 under the European Union (Bank Recovery and Resolution) Regulations 2015. The balance of €65.5m (2022: €49.2m) represents deposits with the Central Bank on behalf of the Fund. The increase in the balance held reflects an increase in the 2023 BIFR receipts as well as interest earned on the balance held at 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(xvi)).

(v) The movement in other liabilities primarily relates to an increase in the Superannuation Fund account of €20.1m, and €10.4m VAT reclaimed on the Mayor Street premises under the Revenue Capital Goods Scheme.

(vi) Included in other accruals is an accrual of €11.1m (2022: €9.9m) in respect of untaken annual leave (Note 8(i)), capital project accruals €2.6m (2022: €11.9m) and shared Eurosystem project costs yet to be invoiced €6.2m (2022: €6.3m).

(vii) 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(xii), Note 38(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 €12.7m (2022: €27.5m) represents deposits with the Central Bank on behalf of the Fund. The decrease in the balance in 2023 is due to further repayment of the Minister's loan.

(viii) The balance in the CCR liability account was €3.6m (2022: €Nil) representing the fees collected from CIPs in excess of costs incurred to date, which will be utilised to defray future CCR costs (Note 1(q), Note 7(ii), Note 20(ix)).

(ix) This represents the amount of Surplus Income Payable to the Exchequer (Note 1(o), Note 9, (Note 34(ii)). There is no distributable profit in 2023.

Note 31: 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 2023 to comply with the disclosure requirements under FRS 102.

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 2022, to comply with section 56 of the Pensions Act. The next full actuarial valuation is due to be completed as at 31 December 2025.

(i) Amount charged to Profit and Loss and Appropriation Account

	Profit and Loss 2023 €000	Profit and Loss 2022 €000
Expected Return on Pension Fund Assets	32,200	9,500
Interest on Pension Scheme Liabilities	(34,300)	(16,100)
Current Service Cost (i)	(22,300)	(66,000)
Total Pension Cost of Defined Benefit Scheme	**(24,400)**	**(72,600)**

(i) Current Service costs charged to the Profit and Loss and Appropriation Account in 2023 was €22.3m (2022: €66.0m) and is based on actuarial assumptions set at the beginning of each year (Note 1(f)). The decrease in the charge compared to 2022 was primarily due to the increase in the discount rate from 1.00% at 31 December 2021 to 3.60% at 31 December 2022 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 2023 was 8.7% (2022: -8.6%).

As at 31 December 2023, there was no previously unrecognised surplus deducted from settlements or curtailments and no gains or losses on any settlements or curtailments.

(ii) Actuarial (Loss)/Gain on Pension Scheme

Year Ended 31 December	2023 €000	2022 €000	2021 €000	2020 €000	2019 €000
Actuarial (Loss)/Gain on pension liability	(59,223)	734,014	178,361	(231,228)	(291,921)
Actuarial Gain/(Loss) on plan assets	45,388	(90,372)	83,490	15,094	68,211
Total	**(13,835)**	**643,642**	**261,851**	**(216,134)**	**(223,710)**

(iii) Balance Sheet Recognition

Year Ended 31 December	2023 €000	2022 €000	2021 €000	2020 €000	2019 €000
Present value of Wholly or Partly Funded Obligations (iv)	(1,066,777)	(953,902)	(1,608,408)	(1,697,988)	(1,393,987)
Fair Value of Plan Assets (v)	1,002,859	893,740	945,093	829,418	783,815
Net Pension Liability	**(63,918)**	**(60,162)**	**(663,315)**	**(868,570)**	**(610,172)**

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.

The net adjustment to the Central Bank's reserves amounts to a loss of €13.8m (2022: gain of €643.6m), primarily due to the reduction in the discount rate which is partially offset by a gain on Scheme assets.

(iv) Movement in Scheme Obligations

	2023 €000	2022 €000	2021 €000	2020 €000	2019 €000
Opening Present Value of Scheme Obligations	(953,902)	(1,608,408)	(1,697,988)	(1,393,987)	(1,043,408)
Current Service Cost	(22,300)	(66,000)	(75,100)	(59,500)	(37,900)
Past Service (Cost)	-	-	(6,500)	-	-
Pensions Paid	19,601	17,943	17,273	15,442	14,691
Employee Contributions	(16,134)	(14,991)	(13,930)	(13,062)	(13,843)
Transfers Received	(519)	(360)	(324)	(353)	(706)
Interest on Pension Scheme Liabilities	(34,300)	(16,100)	(10,200)	(15,300)	(20,900)
Actuarial (Loss)/Gain	(59,223)	734,014	178,361	(231,228)	(291,921)
Closing Present Value of Scheme Obligations	**(1,066,777)**	**(953,902)**	**(1,608,408)**	**(1,697,988)**	**(1,393,987)**

(v) Movement in Fair Value of Plan Assets

	2023 €000	2022 €000	2021 €000	2020 €000	2019 €000
Opening Fair Value of Plan Assets (Bid Value)	893,740	945,093**	829,418	783,815	679,157
Expected Return	32,200	9,500	5,000	8,600	13,600
Actuarial Gain/(Loss)	45,388	(90,372)	83,490	15,094	68,211
Employer Contribution	34,479	32,111	30,204	23,936	22,989
Employee Contributions	16,134	14,991	13,930	13,062	13,843
Pensions Paid	(19,601)	(17,943)	(17,273)	(15,442)	(14,691)
Transfers Received	519	360	324	353	706
Closing Fair Value of Plan Assets (Bid Value)*	**1,002,859**	**893,740**	**945,093****	**829,418**	**783,815**

* 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 2023 was €1.4m (2022: €0.1m) and €26.2m (2022: €7.4m) respectively.

** Projected asset value used for 31 December 2021. Actual asset value used in prior years. Actual asset value used for 2023 and 2022.

(vi) Financial Assumptions

	2023 %	2022 %	2021 %	2020 %	2019 %
Discount Rate	3.30	3.60	1.00	0.60	1.10
Rate of Increase in Pensionable Salaries	Inflation +1.40%	Inflation +1.40%	3.40	3.30	3.30
Rate of Increase in Pensions	Inflation +1.40%	Inflation +1.40%	3.40	3.30	3.30
Rate of Price Inflation	2.00^	2.00^	2.00	1.90	1.90

^ To reflect short-term inflation expectations, an allowance has been made for assumed price inflation of 2.7% for 2024 and 2.1% for 2025, with 2.0% per annum from 2026 onwards.

The impact of a 0.1% increase/decrease in the discount rate would be a corresponding decrease/increase of approximately 2.3%/2.4% (2022: 2.2%/2.2%) in scheme liabilities.

Demographic and Other Assumptions

ILT17 (males) and ILT17 (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. The mortality tables used at 31 December 2023 have been updated to reflect proposed changes to mortality assumptions used in the minimum transfer value basis as laid out in the Pension Authority's statutory guidance.

	2023	2022
Mortality Pre Retirement	90% ILT17 (males) 90% ILT17 (females)	73% ILT15 (males) 77% ILT15 (females)
Mortality Post Retirement	90% ILT17 (males) 90% ILT17 (females)	58% ILT15 (males) 62% ILT15 (females)
Allowance for future improvements in mortality	Yes	Yes
Retirements	Age between 60 and 65 at which 40 years' service completed (for those with option to retire at 60)	Age between 60 and 65 at which 40 years' service completed (for those with option to retire at 60)
Ill Health Retirement	(for those with option to retire at 60)	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 At age 65	Male: 87.3	Male: 87.1

	Female: 89.5	Female: 89.4

(vii) Plan Assets of the Scheme

Class	Distribution	Long Term Distribution
	%	%
Equities	40.1	40.0
Bonds	39.4	40.0
Multi asset funds (MAF)	8.7	10.0
Property	8.6	10.0
Cash	3.2	-
Total	**100**	**100**

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. In December 2023, the Commission approved the decision to change the asset allocation ratio from 40:40:10:10 bonds/equities/property/MAF to 50:40:10 bonds/equities/property ahead of further work that will be completed on the asset allocation in 2024.

Note 32: Provisions

The following amounts were provided for at 31 December 2023:

	Opening Balance 2023 €000	Created €000	Utilised €000	Released to P&L €000	Closing Balance 2023 €000
Provision for financial risks (i)	3,000,000	-	(132,095)	-	2,867,905
Unredeemed Irish Pound Banknotes (ii)	3,503	-	(403)	-	3,100
Restructuring Provision (iii)	291	161	(452)	-	-
Eurosystem Securities (iv)	-	721	-	-	721
Total	**3,003,794**	**882**	**(132,950)**	**-**	**2,871,726**

(i) The Central Bank has a provision for financial risks (Note 36). 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 €2,867.9m is included in the 2023 statement of accounts, which has decreased compared to the provision for the same risk in 2022 (2022: €3,000.0m). This is due to the utilisation of €132.1m of the provision to cover financial losses driven by interest rate mismatch on the Balance Sheet which were incurred during 2023. Risks arising from the interest rate mismatch on the Balance Sheet of the Central Bank remain covered by this provision (Note 1(m)(ii), Note 3(iii)).

(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 €0.4m was redeemed in 2023 leaving the balance in the provision at €3.1m as at 31 December 2023 (2022: €3.5m) (Note 35(iii)).

(iii) The restructuring provision relates to the implementation of a revised cash operating model in the Currency Centre. The opening provision of €0.3m was utilised in 2023, followed by the creation and utilisation of an additional provision of €0.2m in the same year (Note 1(m)(iii), Note 3(iii)).

(iv) As a result of the impairment test conducted on its PEPP portfolio, the Governing Council has deemed it appropriate to establish a buffer totalling €42.9m against credit risks in monetary policy operations, in relation to a security held by the Eurosystem. In accordance with Article 32.4 of the ESCB Statute, this provision will be funded by all the NCBs of participating Member States in proportion to their subscribed capital key shares in the ECB prevailing in 2023. Accordingly, the Central Bank created a provision for €0.7m, equivalent to our capital key share of the total provision (Note 1(m)(iv), Note 6(ii), Note 16(i)).

Note 33: Revaluation Accounts

	2023 €000	2022 €000	Net Movement in Unrealised Gains €000
Gold (i)	363,210	300,675	62,535
Foreign Currency (ii)	319,165	495,154	(175,989)
Equities (iii)	157,220	133,690	23,530
BIS Funds (iv)	21,141	-	21,141
Securities (v)	15,666	963,053	(947,387)
Investment Property (Note 8(vii), Note 20(vi))	-	(3,009)	3,009
At 31 December	**876,402**	**1,889,563**	**(1,013,161)**

(i) The increase in the balance of gold at year-end 2023 is due to the change in the market value of gold holdings (Note 1(j)(iv), Note 10).

(ii) The decrease in the foreign currency value at year-end 2023 is mainly as a result of increased foreign exchange rates on the USD, CNY, AUD, and SGD currencies compared to year-end 2022 (Note 1(j)(i), Note 3(ii)(i), Note 11(ii)(a), Note 12(i), Note 20(iii), Note 36).

(iii) The increase in the value of the equities is due to higher prices at year-end 2023 (Note 1(j)(ii), (k), Note 20(ii), Note 36).

(iv) The increase in the value of the BIS funds is due to higher fund prices at year-end 2023 compared to year-end 2022 (Note 1(j)(ii), (k), Note 3(ii)(iii), Note 20(iii), Note 36).

(v) The revaluation on securities in 2022 related primarily to unrealised capital gain movements arising from the year-end 2023 valuation of the securities acquired following the liquidation of IBRC. The decrease is due to the full sale of €2.5bn nominal of the FRNs in 2023, partially offset by increases in market prices across the MTM portfolio. (Note 1(j), Note 2(iii), Note 16(ii)(b)).

The foreign exchange rates used vis-à-vis the euro for the year-end 2023 valuations are as follows:

Currency	2023 Rate	2022 Rate
Australian Dollar	1.6263	1.5693
Canadian Dollar	1.4642	1.4440
Chinese Renminbi	7.8509	7.3582
Danish Krone	7.4529	7.4365
Japanese Yen	156.3300	140.6600
Pound Sterling	0.8691	0.8869
SDR	0.8226	0.7989
Singapore Dollar	1.4591	1.4300
Swedish Krona	11.0960	11.1218
Swiss Franc	0.9260	0.9847
US Dollar	1.1050	1.0666
The gold prices used were:		
Euro per fine ounce	1,867.828	1,706.075

Note 34: Capital and Reserves

	Capital (i)	General Reserve	Currency Reserve	Total

	€000	€000	€000	€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**

	Capital (i) €000	General Reserve €000	Currency Reserve €000	Total €000
At 31 December 2022	**30**	**5,866,655**	**351,648**	**6,218,333**
Retained profit for the year (ii)	-	-	-	-
Actuarial Loss on Pension Scheme (ii)	-	(13,835)	-	(13,835)
Release of Fixed Asset Reserve	-	-	-	-
At 31 December 2023	**30**	**5,852,820**	**351,648**	**6,204,498**

(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 no transfer from the Profit and Loss and Appropriation account to the general reserve (Note 9, Note 30 (ix)). There was a transfer to the Pension Liability Account of €13.8m, resulting in a reduction in the general reserve of €13.8m at year-end (Note 31(ii)).

Note 35: 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 2023, Irish pound banknotes to the value of €222.8m (2022: €223.2m) were still outstanding, against which the Central Bank has a provision of €3.1m (2022: €3.5m) (Note 1(r), Note 32(ii)).

(iv) ***Litigation***

The Central Bank has eight on-going legal cases (2022: 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 provisions in respect of these cases are recognised in the Statement of Accounts (2022: None) (Note 1(r)).

(v) ***IMF New Arrangements to Borrow (NAB)***

Ireland became a participant in the IMF's NAB, effective from 21 March 2023. Ireland's current NAB Credit Arrangement amounts to SDR 1,915.9m. To date, there have been no drawings made on Ireland's NAB Credit Arrangement (Note 11(i)(a)).

(vi) ***Central Credit Register Data Breach***

An archiving error impacted borrower information held on the Central Credit Register which meant that some data was retained for longer that it should and subsequently included in credit reports. In line with our obligations under data protection legislation, the Central Bank notified the Data Protection Commission (DPC) of the incident and immediately initiated actions to rectify the issue. The DPC has commenced an investigation which is ongoing. The DPC can exercise corrective powers and impose administrative fines following an investigation. The maximum fine that the DPC can impose on the Central Bank as a public body is €1m.

Commitments

(i) ***Operating Leases***

The Central Bank did not enter into any new operating leases in 2023 (Note 1(r)).

Future Minimum Lease Payments

	2023 €000	2022 €000
Not later than one year	93	93
After one year but not more than five years	374	374
After five years	421	514
Total	**888**	**981**
Actual Lease Payments	93	102

Note 36: 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. Climate-related risks do not form a new risk category within the risk management process, but rather are an amplifying factor of existing categories such as credit and market risks, which are managed as part of the Bank's financial risk management framework.

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, 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 (TARGET) 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. 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, the ELC, and the Risk Committee of the Commission.

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.

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 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. The Central Bank has set aside a provision of €0.7m in its 2023 annual accounts, as a result of an impairment in the Eurosystem's PEPP portfolio (Note 32(iv)).

Interest Rate Risk

Interest rate risk refers to the risk of loss arising from adverse changes in interest rates.

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 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.

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 an 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 holds a provision for financial risks. In the 2023 annual accounts, €132.1m of this provision was utilised to cover financial losses driven by interest rate mismatch. The Central Bank has deemed it prudent to maintain the provision for financial risks at €2,867.9m for 2023 (Note 32(i)).

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 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 2023, 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 SDR. This exposure was held on a partially hedged basis in 2022 (Note 11, Note 12, Note 28).

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 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 equities which are 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 20(ii),(iii)).

Note 37: Off-Balance Sheet Items

(i) Unmatured Contracts in Foreign Exchange

	31 December 2023			31 December 2022		
	EUR 000	JPY 000	SDR 000	EUR 000	JPY 000	SDR 000
Unmatured Purchases	100,836	-	-	900,823	3,611	-
Unmatured Sales	-	(15,000,000)	(5,000)	(25)	(104,662,970)	(136,627)
Unmatured Purchases and Sales	**100,836**	**(15,000,000)**	**(5,000)**	**900,798**	**(104,659,359)**	**(136,627)**

The outstanding amounts relate to foreign exchange contracts used for hedging certain foreign exchange exposures (Note 1(c)(viii), Note 2(xviii)).

All foreign exchange contracts matured on 20 February 2024.

(ii) Unmatured Contracts in Futures

	2023 EUR 000	2023 USD 000	2022 EUR 000	2022 USD 000

Unmatured Purchases	730,000	168,000	775,000	-
Unmatured Purchases	**730,000**	**168,000**	**775,000**	**-**

These contracts are used for hedging interest rate exposure as well as making investments within approved limits (Note 1(c)(viii), Note 2(xvii)). The balances include EUR and USD investments.

All futures contracts matured on 28 March 2024.

Note 38: Related Parties

For the basis of preparation for related party disclosures, the Central Bank applies the criteria of FRS 102.

(i) The Central Bank provides several services to the Minister for Finance, its sole shareholder, and to other Government departments and bodies.

The main services provided during the year to 31 December 2023 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
- Operating and maintaining the Ireland Safe Deposit Box, Bank and Payment Accounts Register (ISBAR) and the Beneficial Ownership Register for Certain Financial Vehicles (BOR), as well as enabling future interconnection of such registers across EU member states, as required by legislation.

(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)
- TARGET Balance (Note 19)
- Banknotes in circulation (Note 22, Note 29)
- Provisions (Note 32)

(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 2023 the Central Bank recovered costs of €0.9m (2022: €0.8m). At 31 December 2023 a balance of €205,707 was due from ICCL (2022: €73,381) (Note 20(iv)). 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 €12.7m (2022: €27.5m) was held with the Central Bank on behalf of the Fund as at 31 December 2023 (Note 30(vii)).

(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 €67.0m (2022: €60.7m) was held with the Central Bank on behalf of the Fund as at 31 December 2023 (Note 30(iii)).

(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 31.

(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 2023.

(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 39: Events after the End of the Reporting Period

(i) Five-yearly adjustment of the ECB's capital key

Pursuant to Article 29 of the Statute of the ESCB, the weightings assigned to the NCBs in the key for subscription to the ECB's capital are adjusted every five years[72]. The ninth adjustment following the establishment of the ECB was made on 1 January 2024 as follows:

	Capital key since 01 January 2024 %	Capital key as at 31 December 2023 %
Central Bank of Ireland	1.7811	1.3772

On 1 January 2024, the share that the Bank held in the subscribed capital of the ECB increased from 1.3772% to 1.7811% and consequently the paid-up capital in the ECB increased by €43.7m to €192.8m.

Pursuant to Article 30.2 of the Statute of the ESCB, the contributions of the NCBs to the transfer of foreign reserve assets to the ECB are fixed in proportion to their share in the ECB's subscribed capital. Given the increase in the weighting of the Bank in the ECB's subscribed capital, the claim equivalent to this transfer was also adjusted accordingly. This resulted in an increase of €200.4m on 1 January 2024, which was repaid to the ECB.

[72] These weights are also adjusted whenever there is a change in the number of NCBs that contribute to the ECB's capital. These are the NCBs of EU Member States.

Note 40: Financial Regulation Activities

				2023 €000	2022 €000
Funding of Financial Regulation Activities	Levy Income	Current year levies		194,971	191,418
		Prior year surplus		8,332	4,135
		Recoup of Deferred Levy Income (i)		-	(5,964)
		Levy income deferred (ii)		(983)	725
		Levy Income (iii)		**202,320**	**190,314**
		Prior year variance on accrual (iv)		(1,875)	3,048
		Total Levy Income	A	**200,445**	**193,362**
	Provisions	Opening Provisions for Unpaid Levies		2,137	2,819
		Levies Written Off		(390)	(517)
		Closing Provisions for Unpaid Levies (v)		(2,708)	(2,137)
		Charge for Year	B	**(961)**	**165**
	Financial Regulation Net Industry Funding (Note 7(i))		**C** (A+B)	**199,484**	**193,527**
	Other Income	Securities Market Fees		3,903	3,498
		Additional Supervisory Levy		1,606	2,071
		Miscellaneous		24	22
		Other Income (Note 7)		**5,533**	**5,591**
		Prior year variance on accrual (iv)		-	(215)
		Total Other Income	D	**5,533**	**5,376**
	Total Income		**E** (C+D)	**205,017**	**198,903**
	Subvention	Securities Market Supervision Activities		8,595	8,185
		Other Financial Regulation Costs not Recovered		20,557	16,242
		Prior year variance on accrual (iv)		1,292	(3,393)
		Subvention from Central Bank (vi)	F	**30,444**	**21,034**
	Total Funding of Financial Regulation Activities		**G** (E+F)	**235,461**	**219,937**
Costs of Financial Regulation Activities	Direct Expenses	Salaries / Allowances		92,136	85,652
		PRSI		9,508	8,891
		Pension Provision		17,641	16,537
		Staff Expenses	H	**119,285**	**111,080**
		Training & Conferences		289	218
		Business Travel		798	284
		Professional Fees		3,610	2,415
		Other Non-Pay		1,893	1,803
		Communications & IT		742	707
		Facilities, Rent, Depreciation		1,050	1,219
		Non-Pay Operating Expenses	I	**8,382**	**6,646**
		Total Direct Expenses	**J** (H+I)	**127,667**	**117,726**
	Support Services	Premises & Facilities		18,693	16,164
		Information Technology Services		45,324	41,603
		Human Resources		8,506	7,297
		Other Services		40,222	37,761
		Total Support Services (vii)	K	**112,745**	**102,825**
	Provisions	**Restructuring Charge for Year**	L	**5**	**16**
	Other Income	**Miscellaneous Receipts**	M	**(403)**	**(329)**
	Costs Excluded	**Non-Financial Regulation activities (viii)**	N	**(3,905)**	**-**
	Costs reallocated	**NCID levy costs**	O	**(65)**	**(318)**
		Prior year variance on accrual (iv)	P	**(583)**	**17**
	Total Costs of Financial Regulation Activities		**Q** (J+K+L+M+N+O+P)	**235,461**	**219,937**

(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 was recovered from industry over the 2020 to 2022 levy cycles, impacting levies issued in the 2021 to 2023 calendar years. On this basis, €6.0m was recovered from Industry in the 2022 levy cycle. Therefore, the deferred pension levy income has been fully recouped.

(ii) *Levy Income Deferred*

Significant increases in regulatory costs occurred within the Retail Credit & Credit Servicing Firms (RCF/CSF) sector in 2021 and 2022, due to increased regulatory and supervisory oversight. The Bank took the decision to defer part of the RCF/CSF 2021 and 2022 levy, mainly attributed to work on Distressed Debt, and to collect those amounts in equal instalments in the subsequent two levy cycles. For Levy 2022, €0.9m of 2022 levy income was deferred, to be recouped in Levy 2023 and Levy 2024. Therefore, a total levy income deferral of €0.4m (€0.9m-€0.5m (50% of 2021 deferral of €1.1m)) was included, reducing 2022 levy income. For Levy 2023, there will be no costs deferred to future levy years. A total estimated levy income deferral of €1.0m (50% of 2021 deferral of €1.1m and 50% of 2022 deferral of €0.9m) has been included, increasing 2023 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 2022 actual levy income.

	2023 Levy Income Estimate	2022 Actual Levy Income A (C+D-B) €000	2021 Deficit/ (Surplus) B €000	Amount levied for 2022 Levies C €000	2022 Deficit/ (Surplus) D €000
Credit Institutions		72,180	(116)	72,137	(73)
Insurance Undertakings		47,946	(332)	51,792	(4,178)
Intermediaries & Debt Management Firms		7,374	(3,226)	7,280	(3,132)
Securities and Investment Firms		38,299	(264)	38,760	(725)
Investment Funds		12,697	(248)	12,712	(263)
Credit Unions		5,692	-	5,692	-
High Cost Credit Providers		372	-	376	(4)
Approved Professional Bodies		11	-	11	-
Bureaux de Change		18	-	18	-
Retail Credit, Credit Servicing & Home Reversion Firms		4,046	44	4,060	30
Payment Services & E-Money Institutions		5,380	7	5,374	13
Total Funding	**203,303**	**194,015**	**(4,135)**	**198,212**	**(8,332)**
Recoup of Deferred Pension Levy Income (i)	-	(5,964)			
Levy Income Deferred (ii)	(983)	388			
Levy Income	**202,320**	**188,439**			

(iv) *Prior year variance on accrual*

Prior year variance on accrual represents the difference between the 2022 levy income accrued in the 2022 Annual Accounts and the final funding requirement to cover 2022 costs. The majority of the difference between estimated and final funding requirement for 2022 relates to revised assumptions for the final levy model 2022.

	2022 Final €000	2022 Accrued €000	Variance €000
Current Year Levies	189,880	191,418	(1,538)
Prior Year Surplus	4,135	4,135	-
Funding Requirement	**194,015**	**195,553**	**(1,538)**
Recoup of Deferred Pension Levy Income	(5,964)	(5,964)	-
Levy Income Deferred	388	725	(337)
2022 Levy Income	**188,439**	**190,314**	**(1,875)**
Prior Year Variance on Accrual	3,048	3,048	-
Total Levy Income	**191,487**	**193,362**	**(1,875)**
Provision Charge	165	165	-
Other Income	5,376	5,376	-
Subvention from Central Bank	22,326	21,034	1,292
Total Funding of Financial Regulation Activities	**219,354**	**219,937**	**(583)**
Total Costs of Financial Regulation Activities	**219,354**	**219,937**	**(583)**

(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 €8.6m (2022: €8.2m) 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 €112.7m (2022: €102.8m).

(viii) *Non Financial Regulation costs*

An estimated €1.5m of depreciation costs, associated with an area of the Central Bank buildings not being used for financial regulatory activities, has been excluded from the cost of financial regulation activities. In the same manner, estimated costs of €2.4m, incurred in regulatory and supervisory areas of the Central Bank, which are also deemed not relating to financial regulatory activities, have been omitted from financial regulation cost.

Note 41: Comparatives

Certain comparative information has been reclassified for consistency with current year disclosures.

Note 42: Approval of Accounts

The Commission approved the Statement of Accounts on 23 April 2024.

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 2023 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 2023 and of its income and expenditure for 2023 in accordance with the financial reporting framework set out in note 1(b) 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.

Impairment charges and unrealised losses on properties

As disclosed in note 21(i) to the accounts, the Central Bank of Ireland incurred an impairment charge of €156.9 million in relation to its Mayor Street building, on which construction and fit out was completed in 2023. The impairment charge reflects the reduction in the market value of the building due to the oversupply of office space in Dublin following a substantial move to hybrid working models. Additionally, as disclosed in note 8(vii), the Central Bank recognised an unrealised loss of €18.2 million in respect of its Spencer Dock office building, which is held as an investment property.

Seamus McCarthy

Seamus McCarthy
Comptroller and Auditor General

23 April 2024

Appendix to the report

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.

Grant Thornton

Independent auditor's report to the Commission of the Central Bank of Ireland

Opinion

We have audited the statement of accounts of the Central Bank of Ireland ("the Bank"), which comprise the Balance Sheet as at 31 December 2023, and the Profit and Loss and Appropriation account for the year ended 31 December 2023, and notes to the statement of accounts, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the statement of accounts 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 of the European Central Bank does not provide specific direction, with Financial Reporting Standard 102, the financial reporting standard appliable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102").

In our opinion, the Bank's statement of accounts:

- give a true and fair view of the assets, liabilities and financial position of the Bank as at 31 December 2023, and of its financial performance for the year then ended; and
- has been properly prepared in accordance with the Guideline, and where the Guideline does not provide specific direction, FRS 102.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") including International Standard (Ireland) on Auditing 800 and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the statement of accounts' section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the Bank. 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 preparation

We draw attention to Note 1 to the statement of accounts, which describes the basis of preparation which is specific to the European System of Central Banks. As a result, the statement of accounts may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Grant Thornton

Independent auditor's report to the Commission of the Central Bank of Ireland

Other matter

The statement of accounts of the Bank for the year ended 31 December 2022 were audited by Mazars who expressed an unmodified opinion on those statements on 18 April 2023.

Conclusions relating to going concern

In auditing the statement of accounts, we have concluded that the Commission's use of going concern basis of accounting in the preparation of the statement of accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern 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 with respect to going concern are described in the relevant sections of this report.

Other information

Other information comprises information included in the annual report, other than the Profit and Loss Appropriation Account, the Balance Sheet, the related notes to the statement of accounts and our auditors' report thereon. The Commission is responsible for the other information. 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.
In connection with our audit of the statement of accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Profit and Loss Appropriation Account, the Balance Sheet and the related notes to the statement of accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the statement of accounts, 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 to the statement of accounts 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

Responsibilities of the Commission 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 which give a true and fair view in accordance with the applicable financial reporting framework as set out in Note 1, and for such internal control as they determine necessary to enable the preparation of statement of accounts that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the Commission of the Central Bank of Ireland

Responsibilities of the Commission for the statement of accounts (continued)

In preparing the statement of accounts, the Commission is responsible for assessing the Bank's ability to continue as a going concern. Based on the applicable financial reporting framework, the Commission must prepare the statement of accounts using the going concern basis of accounting.

The Commission is responsible for overseeing the Bank's financial reporting process.

Responsibilities of the auditor 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 auditor's 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 the statement of accounts.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 our 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.
- 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commission.
- Conclude on the appropriateness of the Commission's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the statement of accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- 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.

Independent auditor's report to the Commission of the Central Bank of Ireland

Responsibilities of the auditor for the audit of the statement of accounts (continued)

We communicate with the Commission, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Bank's Commission, as a body, in accordance with Article 27 of the Statute of the European System of Central Banks and of the European Central Bank. Our audit work has been undertaken so that we might state to the Commission, those matters we are required to state to them in an auditor's 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 Bank and the Bank's Commission as a body, for our audit work, for this report, or for the opinions we have formed.

COLIN FEELY

For and on behalf of

Grant Thornton

Chartered Accountants & Statutory Audit Firm

13-18 City Quay

Dublin 2

D02 ED70

Ireland

23 April 2024

T: +353 (0)1 224 5800
E: publications@centralbank.ie
www.centralbank.ie

Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem