

**Introductory Statement by Governor Philip R. Lane on the  
publication of the Central Bank of Ireland Annual Report and  
Annual Performance Statement 2018**

I would like to welcome all of you to our media briefing for our Annual Report and Annual Performance Statement on financial regulation. I am joined today by Deputy Governor Sharon Donnery, Deputy Governor Ed Sibley, Director General Derville Rowland and Chief Operations Officer Gerry Quinn.

The reports published today – our Annual Report and Annual Performance Statement – show the scale and variety of work undertaken by the Central Bank last year. Our priority throughout has been to serve the public interest by safeguarding monetary and financial stability and by working to ensure that the financial system operates in the best interests of consumers and the wider economy.

Ensuring that the financial system is resilient and able to withstand adverse shocks is a core element of our work. To help build resilience, we have continued to develop our macro-prudential tools. Over the past year, we reviewed and maintained our mortgage measures to enhance lender and borrower resilience and mitigate the risk of credit-house price spirals. We also activated the countercyclical capital buffer (CCyB), with the aim that extra capital will enable banks to be better prepared for future downturns.

We have also requested the power to activate the Systemic Risk Buffer from the Minister for Finance. This buffer would ensure that the banking system would be resilient in the event of a structural shock to the Irish economy.

Building resilience also requires us to ensure that the banking system tackles the excessive stock of non-performing loans (NPLs). A high unresolved stock of NPLs constitutes a financial stability risk in the event of a future adverse shock: reducing NPLs – while maintaining protections for borrowers – is essential. Throughout 2018, this has remained a key supervisory priority for the Central Bank and, more broadly, the ECB. We continue to monitor individual institution's performance and raise

challenges where necessary – this will remain a key priority for the Central Bank in 2019.

Much our time and resources over the last year have been focused on Brexit, in terms of contingency planning, risk management and firm authorisations. We will continue to analyse and work to mitigate the risks posed to the economy, consumers, the financial system, and the regulatory environment. We will also continue to work to ensure that financial services firms have robust contingency plans to cope with all Brexit scenarios.

Our work on the Tracker Examination is drawing to a close and our report on the supervisory phase is near completion. Our latest update shows that €647 million has been returned to 39,800 affected customers, while enforcement cases against the six main lenders are ongoing. During 2018, we also published a detailed assessment of the behaviour and culture of the Irish retail banks and set out related reform proposals to enhance the individual accountability of senior bank executives.

Given the uncertainty around a number of risks, both domestic and international, it is right that we take a prudent approach and build resilience into the financial system. In parallel, our advice to the government is to run sufficient surpluses during phases of good economic performance, in order to enable counter-cyclical fiscal measures in the event of a future adverse shock: the key to avoiding damaging austerity in a downturn is maintaining fiscal discipline during upswings.

Today we report a financial profit for 2018 of €2.98 billion. After retained earnings, surplus income amounting to approximately €2.38 billion will be paid over to the Exchequer. While the last number of years has seen elevated levels of surplus income, the fading out of the temporary accounting impact of the special portfolio of floating rate notes means that headline profits will normalise over the medium term..

Since this is my last public event in this role, I would like to take the opportunity to thank the staff and management of the Central Bank for their dedication and commitment to serving the public interest by delivering our mandate. I am also grateful to the members of the Central Bank Commission for their support during my tenure.

Finally, I would like to offer my best wishes to Gabriel Makhlouf - who will take office as the incoming Governor in September - and also to Sharon Donnery during her period as Acting Governor over the summer.

I am happy to take your questions.

ENDS