

**BARCLAYS BANK IRELAND PLC**

**FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

# BARCLAYS BANK IRELAND PLC

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# BARCLAYS BANK IRELAND PLC

## DIRECTORS AND OTHER INFORMATION

### BOARD OF DIRECTORS

Helen Keelan	Irish	Independent Non-Executive Director
David Farrow	British	Group Non-Executive Director
James Kelly	Irish	Chief Risk Officer
David Martin	Irish	Independent Non-Executive Director
Eoin O'Driscoll	Irish	Independent Non-Executive Director
Sasha Wiggins	British	Chief Executive Officer
Sinead Mahon	Irish	Chief Operating Officer

### SECRETARY

Pauline Gallagher

### AUDIT COMMITTEE MEMBERS

David Martin	Chairman
Eoin O'Driscoll	
David Farrow	

### COMPANY NUMBER

396330

### REGISTERED OFFICE AND BUSINESS ADDRESS

Two Park Place, Hatch Street, Dublin 2

### SOLICITORS

Matheson	70 Sir John Rogerson's Quay, Dublin 2
Arthur Cox	Earlsfort Court, Earlsfort Terrace, Dublin 2

### INDEPENDENT AUDITORS

PricewaterhouseCoopers	One Spencer Dock, North Wall Quay, Dublin 1
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# BARCLAYS BANK IRELAND PLC

## DIRECTORS' REPORT

The Directors present the annual report and audited financial statements for the financial year ended 31 December 2016.

### PRINCIPAL ACTIVITY

The principal activity of the Bank is the provision of wholesale banking services to corporate entities and wealth management advisory services.

The Bank advises, leads, underwrites and participates in debt transactions and also provides operational banking, trade and treasury services. The Bank also introduces Irish companies to the debt and equity capital-raising and risk management structuring capability of Barclays Investment Bank, a leader in the global investment banking market.

The Bank continues to pursue opportunities to grow the business and to provide a wide range of banking services to corporate entities and advisory services to wealth management clients.

With effect from 1 January 2015, the Bank extended its services to include cross-border merchant acquiring services provided to the card acquiring division of Barclays Bank PLC, via the industry standard Payment Facilitator model under which Barclaycard is the sole merchant acquiring customer of the Bank.

The Bank is licensed by the Central Bank of Ireland and received its banking licence on 7th March 2005.

### BUSINESS REVIEW

Excluding a one-off provision charge, the Bank's profit after tax for the year ended 31 December 2016 increased by 9% year on year. The profit after tax for the year to 31 December 2016 was €24.4 million (2015: €25.0 million), the 2016 profit after tax total including a one-off provision charge of €3.0 million (net of tax) resulting from the restructuring of the Barclays Ireland defined benefit pension scheme. As at 31 December 2016, the Bank had a constructive obligation to make a payment to the Barclays Bank Irish Retirement & Life Assurance Scheme arising from the anticipated disposal of the Barclays Assurance and Insurance Dublin businesses to a third party.

The Bank's common equity tier one ratio remains strong at 15.4% as at 31 December 2016 (2015: 12.7%). The increase in the year is due primarily to a decrease in the level of credit risk weighted assets attributed to the Bank's loans and advances provided to customers and to banks. The Bank's total capital ratio was 17.7% as at 31 December 2016 (2015: 14.7%), giving sufficient capacity to conservatively expand the balance sheet.

Profit before tax for the financial year ended 31 December 2016, excluding the impact of the provision, was 7% up on prior year, primarily due to the inclusion of an impairment credit of €1.1m for the year ended 31 December 2016 as against a €0.8 million impairment charge in the prior year. Total operating income was flat year on year with a 13% decrease in net interest income, driven by the negative interest rate environment that the Bank now operates in, being offset by a 29% increase in foreign exchange income and a 24% increase in fee income. The increase in fee income was due to higher fees generated from loan facilities and from the wealth management business.

Before the impact of the provision, the cost income ratio fell from 38% in 2015 to 37% in 2016, with total general and administrative expenses flat year on year.

Customer deposits rose by 16% in 2016 to €2.4 billion and drawn customer loans increased by 53% to €1.5 billion resulting in the loan to deposit ratio increasing from 48% in 2015 to 63% as at the end of 2016. A ratio of 63% reflects a position where the Bank was fully able to fund loans from deposits without the need to access its parent bank or the wholesale interbank market for its day to day liquidity requirements. The increase of €0.5 billion in drawn customers loans in the year was offset by a decrease of €0.4 billion in undrawn credit facilities in the same period.

The Bank is the principal employer in a defined benefit pension plan, with Barclays Assurance and Barclays Insurance in Dublin being associated employers for the purposes of the plan. The plan was closed to future accrual in May 2013. At the end of 2016, the Bank's share was a net liability of €12.1 million being the fair value of the plan assets less the present value of the plan liabilities, versus a prior year net liability of €11.4 million.

Following on from the announcement of the sale by Barclays Bank PLC of the Barclays Assurance and Insurance Dublin businesses, the Bank, in conjunction with the plan trustees, agreed to make a payment to Barclays Bank Irish Retirement & Life Assurance plan arising from the anticipated disposal of these entities to a third party, to maintain the deferred benefits of the employees of Barclays Assurance and Barclays Insurance. The net pension liability of these associated employer entities was valued at €3.4 million as at 31 December 2016 and the sale process was completed in February 2017.

# BARCLAYS BANK IRELAND PLC

## DIRECTORS' REPORT

The Bank has a proactive approach to customers showing early signs of financial distress and utilises the advice of Barclays' group experts to help manage such situations. The Bank posted an impairment credit of €1.1 million in the financial year ended 31 December 2016 (financial year ended 31 December 2015: charge of €0.8 million), due to the release of impairment model driven provisions and recoveries on previously written off debt. The total balance sheet impairment provision of €1.5 million at the end of 2016 is made up of specific provisions of €1.1 million and model driven impairment provisions of €0.4 million.

The Bank forecasts its liquidity position on a daily basis as the balance sheet asset and liability maturity profile changes with each new asset or liability booked. The Bank has sufficient buffers over the required minimum levels of daily liquidity necessary to meet its regulatory liquidity requirements. In addition, the Bank has the ability to borrow from Barclays Group Treasury should the need arise and has a detailed liquidity funding plan in place and, if required, access to the Barclays Group liquidity contingency plan and expert personnel.

The Bank holds high quality liquid assets in the form of €524 million placed with the Central Bank as at 31 December 2016 (2015: €521 million).

The Bank prepared a Recovery Plan, in compliance with the Bank Recovery and Resolution Directive, identifying a range of potential options available to restore the Bank's capital, liquidity and balance sheet position during times of stress if necessary.

## FUTURE DEVELOPMENTS

Following on from the UK referendum decision in June 2016 to exit the EU, the Bank continues to monitor the potential future impact of this decision and plan for a number of scenarios.

## RESULTS AND DIVIDENDS

The Bank's profit after tax for the financial year ended 31 December 2016 was €24.4 million (financial year ended 31 December 2015: €25.0 million). No interim dividend was paid in 2016 (2015: € nil). The Directors do not propose to make a final dividend payment for the financial year ended 31 December 2016 (financial year ended 31 December 2015: € nil).

## DIRECTORS

The names of persons who were Directors at any time during the financial year ended 31st December 2016, or who have been appointed since that date, are set out below.

David Farrow  
Helen Keelan  
James Kelly  
David Martin  
Eoin O'Driscoll  
Sasha Wiggins  
Sinead Mahon

## DIRECTORS' AND SECRETARY'S INTERESTS

The Directors and Secretary had no interests in the shares of the company or any other group company that are required by the Companies Act 2014 to be recorded in the register of interests or disclosed in the Directors' Report.

## FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Directors and management of the Bank manage a variety of risks with credit, operational, conduct, liquidity, interest and foreign currency risks being the most significant. These risks are identified, measured and monitored through various control mechanisms across the Bank in order to price facilities and products on a risk adjusted basis and to highlight risk concentrations which require management attention. Independent checks on risk issues and key processes are undertaken by the Barclays Bank PLC internal audit function.

### Credit risk

Credit risk arises because the Bank's customers, clients or counterparties may not be able or willing to fulfil their contractual obligations under loan agreements or other credit facilities. The objective of credit risk management is to create value by ensuring that the income generated by each exposure individually and in aggregate is commensurate with the credit risk taken.

# BARCLAYS BANK IRELAND PLC

## DIRECTORS' REPORT

The Bank closely monitors the credit risk of the portfolio on a number of bases including sector, geography, credit grade and security and has a range of control mechanisms in place to manage the risk.

Credit approvals are rigorously reviewed by expert credit staff and approved by senior credit officers who have sanctioning discretion.

### Operational risk

Operational risk, which is inherent in all business activities, is the potential for financial and reputational loss arising from failures in internal controls, operational processes or the systems that support them. The Bank manages this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements, including taking into account cyber security considerations.

### Conduct risk

Conduct risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays because of inappropriate judgement in the execution of our business activities. The Bank continues to improve conduct risk management across governance structures, management information, culture change initiatives, risk management processes and enterprise-wide risk management.

### Funding and liquidity risk

The objective of liquidity management is to ensure the availability, at all times, of sufficient funds to meet the demand of customers for additional committed borrowings or to repay existing deposits as they mature or are withdrawn. The Bank holds clients deposits and cash reserves in excess of client advances and maintains a balance of high quality liquid assets with the Central Bank of Ireland in order to ensure availability of funds and to support the liquidity position. All residual excess funds held are placed on overnight deposit with Barclays Bank plc.

### Interest rate risk

Interest rate risk is the risk of loss arising on the cost of funding the balance sheet from adverse movements in market interest rates. The interest rate re-pricing mismatch in the balance sheet of the Bank is short-term with the majority of loans and deposits re-pricing within three months. The risk of loss is considered low and within accepted risk appetite.

### Foreign exchange risk

Foreign exchange risk is the risk of loss arising on currency exposures in the balance sheet from adverse movements in market foreign exchange rates. The Bank provides foreign exchange capability to customers, with most FX deals undertaken at spot value. Forward foreign exchange deals undertaken on behalf of clients are matched by corresponding trades to close out the Bank's position with Barclays Bank PLC. FX positions on spot and forward activity are closely monitored with positions being closed out within accepted risk tolerance levels. Incomes in currencies other than Euro are converted to Euro each month.

## CODE OF CORPORATE GOVERNANCE

The Bank is subject to the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings. The Bank does not have to comply with the additional requirements in Appendices 1 and 2 of the Code for Major Institutions.

## POST BALANCE SHEET EVENTS

There have been no significant events affecting the Bank since the year end.

# **BARCLAYS BANK IRELAND PLC**

## **DIRECTORS' REPORT**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with Irish law.

Irish law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Under Irish law the Directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the company for the financial year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adapted by the EU and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **DISCLOSURE OF RELEVANT INFORMATION TO AUDITORS**

The Directors in office at the date of this report have confirmed that, as far as they are aware:

- there is no relevant audit information of which the Bank's auditor is unaware; and
- they have taken all the steps that ought to be taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

### **AUDIT COMMITTEE**

The Bank's Audit Committee, which comprises a majority of independent non-executive Directors, assists the Board of Directors (the "Board") in fulfilling its responsibilities relating to:

- the integrity of the financial statements;
- the relationship between the Bank and its external auditors;
- the Bank's internal controls, internal audit and IT systems; and
- compliance functions.

# BARCLAYS BANK IRELAND PLC

## DIRECTORS' REPORT

### DIRECTORS' COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the company's compliance with its relevant obligations.

The directors confirm that;

- A compliance policy statement setting out the company's policies, that in our opinion are appropriate to the company, respecting compliance by the company with its relevant obligations has been drawn up.
- Appropriate arrangements or structures that are designed to secure material compliance with the company's relevant obligations have been put in place.
- A review of the arrangements and structures referred to at two above has been conducted during the financial year ended 31 December 2016.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks faced by the bank are credit risk, market risk, liquidity risk and operational risk. The financial risk management objectives and policies of the Bank and the exposure of the Bank to these key risks are set out in the financial risk management section and in note 29.

The UK's decision to exit the European Union, on as yet unidentified terms, represents a risk to the Irish economy. We will continue to monitor developments and assess their impact on our risk profile and potential growth trajectory.

### ACCOUNTING RECORDS

The measures taken by the Directors to secure compliance with the company's obligation to keep adequate accounting records are the appointment of professionally qualified accounting personnel with appropriate expertise and the provision of adequate resources to the finance function and the use of appropriate systems. The accounting records are kept at the Bank's registered office at Two Park Place, Hatch Street, Dublin 2.

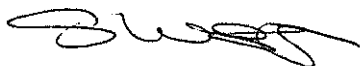
### GOING CONCERN

The Directors are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparation of the financial statements.

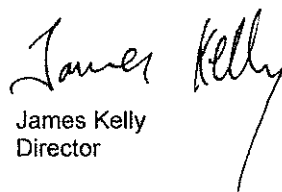
### AUDITORS

As part of a Group wide process KPMG, will become Barclays Bank Ireland's auditors with effect from the 2017 financial year.

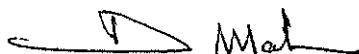
On behalf of the Board



Sasha Wiggins  
Director



James Kelly  
Director



David Martin  
Director

23 March 2017





## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS BANK IRELAND PLC

### Report on the financial statements

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#### Our opinion

In our opinion, Barclays Bank Ireland plc's financial statements (the "financial statements"):

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2016 and of its profit and cash flows for the year then ended;
  - have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
  - have been properly prepared in accordance with the requirements of the Companies Act 2014.
- 

#### What we have audited

The financial statements comprise:

- the balance sheet as at 31 December 2016;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Matters on which we are required to report by the Companies Act 2014

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- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
  - In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
  - The financial statements are in agreement with the accounting records.
  - In our opinion the information given in the directors' report is consistent with the financial statements.
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#### Matters on which we are required to report by exception

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##### Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS BANK IRELAND PLC - CONTINUED

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

A handwritten signature in black ink, appearing to read 'Ronan Doyle', is written over a horizontal line.

**Ronan Doyle**  
for and on behalf of PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
Dublin

23 March 2017

# BARCLAYS BANK IRELAND PLC

## INCOME STATEMENT

for the financial year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Interest and similar income	4	47,174	46,925
Interest and similar expenses	5	(19,297)	(15,027)
<b>Net interest income</b>		<b>27,877</b>	<b>31,898</b>
Fee and commission income	6	14,541	11,758
Trading and foreign exchange income	7	5,205	4,043
Other expense	21	(261)	(255)
<b>Total operating income</b>		<b>47,362</b>	<b>47,444</b>
General and administrative expenses	8	(17,036)	(16,977)
Provisions	22	(3,387)	-
Depreciation and amortisation expense	9	(706)	(874)
<b>Operating profit before impairment</b>		<b>26,233</b>	<b>29,593</b>
Loan impairment release / (charge)	10	1,093	(774)
<b>Operating profit</b>		<b>27,326</b>	<b>28,819</b>
<b>Profit before income tax</b>		<b>27,326</b>	<b>28,819</b>
Income tax expense	11	(2,965)	(3,784)
<b>Profit for the financial year</b>		<b>24,361</b>	<b>25,035</b>

The notes on pages 14 to 48 are an integral part of these financial statements.

# BARCLAYS BANK IRELAND PLC

## STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Profit for the financial year		24,361	25,035
<b>Items that will not be reclassified to profit or loss</b>			
Re-measurements of post-employment benefit obligations	21	(1,474)	1,704
		<b>(1,474)</b>	<b>1,704</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in value of available-for-sale financial assets	11	-	(195)
		-	<b>(195)</b>
<b>Other comprehensive (loss) / income for the financial year, net of tax</b>		<b>(1,474)</b>	<b>1,509</b>
<b>Total comprehensive income for the financial year</b>		<b>22,887</b>	<b>26,544</b>

Items in the statement above are disclosed net of tax. The deferred tax relating to each component of other comprehensive income is disclosed in note 11.

The notes on pages 14 to 48 are an integral part of these financial statements.

# BARCLAYS BANK IRELAND PLC

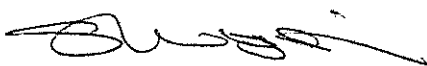
## BALANCE SHEET

as at 31 December

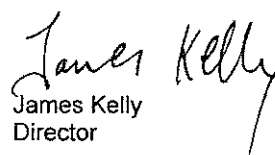
	Note	2016 €'000	2015 €'000
<b>Assets</b>			
Cash and balances at central bank		523,792	520,746
Loans and advances to banks	12	835,684	1,013,334
Loans and advances to customers	13	1,499,445	980,012
Derivative financial instruments	14	9,907	20,468
Current income tax assets		390	-
Property, plant and equipment	15	19	226
Intangible assets	16	396	895
Deferred income tax assets	17	1,932	1,420
Other assets	18	633,799	31,002
<b>Total assets</b>		<b>3,505,364</b>	<b>2,568,103</b>
<b>Liabilities</b>			
Deposits from banks	19	56,390	76,231
Deposits from customers	20	2,383,087	2,046,786
Derivative financial instruments	14	9,826	20,330
Retirement benefit obligations	21	12,071	11,362
Provisions	22	3,387	-
Current income tax liabilities		-	649
Other liabilities	23	637,503	32,528
Subordinated debt	24	50,056	50,060
<b>Total liabilities</b>		<b>3,152,320</b>	<b>2,237,946</b>
<b>Equity</b>			
Share capital	25	138,446	138,446
Capital contribution	26	121,000	121,000
Retained earnings		93,598	70,711
<b>Total equity</b>		<b>353,044</b>	<b>330,157</b>
<b>Total equity and liabilities</b>		<b>3,505,364</b>	<b>2,568,103</b>

The notes on pages 14 to 48 are an integral part of these financial statements.

On behalf of the Board



Sasha Wiggins  
Director



James Kelly  
Director



David Martin  
Director



Pauline Gallagher  
Company Secretary

23 March 2017

# BARCLAYS BANK IRELAND PLC

## STATEMENT OF CHANGES IN EQUITY for the financial year ended 31 December 2016

	Share capital €'000	Capital contribution €'000	Available for sale reserve €'000	Retained earnings €'000	Total equity €'000
<b>Balance as at 1 January 2015</b>	138,446	121,000	195	43,972	303,613
Profit for the financial year	-	-	-	25,035	25,035
Other comprehensive (loss) / income for the financial year	-	-	(195)	1,704	1,509
<b>Total comprehensive (loss) / income for the financial year</b>	-	-	(195)	26,739	26,544
<b>Balance as at 31 December 2015</b>	<b>138,446</b>	<b>121,000</b>	-	<b>70,711</b>	<b>330,157</b>
<b>Balance as at 1 January 2016</b>	138,446	121,000	-	70,711	330,157
Profit for the financial year	-	-	-	24,361	24,361
Other comprehensive loss for the financial year	-	-	-	(1,474)	(1,474)
<b>Total comprehensive income for the financial year</b>	-	-	-	22,887	22,887
<b>Balance as at 31 December 2016</b>	<b>138,446</b>	<b>121,000</b>	-	<b>93,598</b>	<b>353,044</b>

The notes on pages 14 to 48 are an integral part of these financial statements.

# BARCLAYS BANK IRELAND PLC

## STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2016

	2016 €'000	2015 €'000
<b>Reconciliation of profit before tax to net cash flows from operating activities:</b>		
Profit before tax	27,326	28,819
<i>Adjustment for non-cash items:</i>		
Impairment (credit) / charge	(1,093)	774
Depreciation and amortisation	706	874
Other provisions and retirement benefit obligations	2,563	(84)
<i>Changes in operating assets and liabilities</i>		
Net (decrease) / increase in loans and advances	(474,761)	7,604
Net increase / (decrease) in deposits	316,460	(26,245)
Net decrease / (increase) in derivative financial instruments	57	(18)
Net increase in other assets	(602,797)	(27,425)
Net increase in other liabilities	604,971	26,045
Corporate income tax paid	(4,457)	(3,389)
<b>Net cash from operating activities</b>	<b>(131,025)</b>	<b>6,955</b>
Proceeds from redemption of available for sale financial instruments	-	450,000
Proceeds from sale of property, plant and equipment	-	9
Expenditure on intangible assets	-	(601)
<b>Net cash from investing activities</b>	<b>-</b>	<b>449,408</b>
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>
Effects of exchange rates on cash and cash equivalents	-	-
<b>Net increase in cash and cash equivalents</b>	<b>(131,025)</b>	<b>456,363</b>
Cash and cash equivalents at beginning of the financial year	1,399,116	942,753
<b>Cash and cash equivalents at end of financial year</b>	<b>1,268,091</b>	<b>1,399,116</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and balances at central banks	523,792	520,746
Loans and advances to banks with original maturity less than three months	744,299	878,370
	<b>1,268,091</b>	<b>1,399,116</b>

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

The notes on pages 14 to 48 are an integral part of these financial statements.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

Barclays Bank Ireland PLC ('the Bank') provides wholesale banking services to corporate entities and wealth management advisory services. The Bank is a public limited company and is incorporated and tax resident in Ireland. The address of its registered office is Two Park Place, Hatch Street, Dublin 2, Ireland. The Bank is a wholly owned subsidiary of Barclays Bank PLC, a company incorporated and domiciled in England and Wales.

The Financial Statements for the financial year ended 31 December 2016 were authorised for issue by order of the Board of Directors on 23 March 2017.

### 2. Summary of significant accounting policies

#### Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations (IFRICs) issued by the Interpretations Committee, issued by the International Accounting Standards Board ('IASB') and adopted by the European Union ('EU'); and, in accordance with Irish law. IFRS adopted by the EU differ in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

#### Basis of preparation

From 1 January 2015 the financial statements have been prepared in accordance with IFRS and IFRICs adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS. Prior to this the Bank prepared its financial statements in accordance with accounting standards generally accepted in Ireland (Irish GAAP).

The Financial Statements are presented in Euro rounded to the nearest thousand. They have been prepared under historical cost convention except for the following which are recognised at fair value: derivative financial instruments; available-for-sale financial assets; share-based payments; and pension plan assets. Pension obligations are measured at the present value of the future estimated cash flows of benefits earned.

The preparation of financial statements in accordance with IFRS and Irish law requires the use of accounting judgements, estimates and assumptions that affect the reported amounts of assets, income and expenses. The areas involving a higher degree of judgement and areas where assumptions and estimates are significant are discussed in the 'Significant accounting judgements, estimates and assumptions' note.

Foreign exchange rates used during the year are as follows:

	31 December 2016		31 December 2015	
	Average	Closing	Average	Closing
€ / STG £	0.8163	0.8570	0.7263	0.7365

#### Adoption of new accounting standards

Amendments to IAS 1: 'Presentation of financial statements' as part of the disclosure initiative. This amendment did not have a significant impact on the financial position of the Group.

#### Going concern

On the basis of the Director's assessment, having considered the Bank's business, profitability projections, funding and capital plans, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its financial statements.

#### Future accounting developments

There have been and are expected to be a number of significant changes to the Bank's financial reporting after 2016 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRS 9 is a new accounting standard with an effective date of 1 January 2018 and it will replace IAS 39 Financial Instruments: Recognition and Measurement. The complete version of IFRS 9 was issued in July 2014. It will lead to significant changes in the accounting for financial instruments. The key changes relate to:

- Financial assets: Financial assets will be held at either fair value or amortised cost, except for equity investments not held for trading and certain debt instruments, which may be held at fair value through other comprehensive income;



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- **Financial liabilities:** Gains and losses arising from changes in own credit on non-derivative financial liabilities designated at fair value through profit or loss will be excluded from the income statement and instead taken to other comprehensive income;
- **Impairment:** Credit losses expected at the balance sheet date, (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss will be reflected in impairment allowances; and
- **Hedge accounting:** Hedge accounting will be more closely aligned with financial risk management.

Based on the Bank's assessment the most likely impact is in the area of impairment. IFRS 9 introduces the requirement to calculate Expected Credit Loss (ECL), which enables a more progressive approach to recognising credit loss than the current IAS39 incurred loss model. Under IAS 39, a financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment ("a loss event"). The IFRS 9 impairment model looks to the movement in the credit risk of an asset since its origination and requires recognition of lifetime expected loan loss when there is a significant increase in credit risk, even where a loss event has not yet occurred.

IFRS 9 requires an entity to monitor and assess changes in credit risk on financial instruments since origination and determine whether the credit risk on those financial instruments has increased significantly since initial recognition. Under IFRS 9 an entity is required to track and assess changes in credit risk on financial instruments since origination and determine whether the credit risk on those financial instruments has increased significantly since initial recognition. Under the IFRS 9 ECL model, the change in credit risk should be based on the risk of default and not changes in the amount of ECL which may be expected on a financial instrument. The standard introduces a 3-stage model for impairment, based on changes in credit quality since initial recognition:

**Stage 1** – includes financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month ECL is recognised. 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Therefore all financial assets in scope will have an impairment provision equal to at least 12-month ECL.

**Stage 2** – includes financial instruments that have had a significant increase in credit risk since initial recognition, but that do not have objective evidence of impairment. For these assets, lifetime ECL is recognised, being the expected credit losses that result from all possible default events over the expected life of the financial instrument.

**Stage 3** – includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognised.

This change in methodology will result in a number of changes to the Bank's approach to impairment provisions. The more important of these changes are as follows:

- All originated loans and other assets within scope of the standard will attract a provision equal to at least 12 months expected loss from origination.
- The standard will require the Bank to calculate and maintain lifetime inputs, such as lifetime Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). Determining the probability of default at initial recognition is expected to require management estimates, in particular for exposures issued before the effective date of IFRS 9.
- The Bank will be required to conduct its assessment of a change in credit risk relative to the risk at origination for that exposure. Where there has been an increase in credit risk since origination that is significant, a provision for lifetime expected losses will be recognised. Barclays expects to estimate when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Quantitative assessments will be based on changes in and/or absolute thresholds for weighted average cumulative lifetime probabilities of default, determined for each portfolio. Qualitative drivers of a significant increase in credit risk are expected to include exposures determined to be higher risk (by credit risk) and subject to closer credit risk monitoring. Exposures which are more than 30 days past due will be used as a backstop rather than a primary driver. Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to a minimum of 12 months' full performance including timely receipt of all payments over that period, for exposures that have been restructured or granted forbearance or concessions.

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- The scope of the standard includes undrawn loan commitments previously within the scope of IAS 37. This will require the Bank to hold a provision on such undrawn facilities.
- Forward looking macroeconomic scenarios are required to be included into the provisioning process and the determination of changes in credit risk. This will require the Bank to develop an approach to include its forward looking views into its provision estimates, including for periods beyond its traditional forecast horizon.
- IFRS 9 requires the Bank to calculate ECL which considers multiple scenarios and possible outcomes together with their probability of occurrence.

The Bank expects that IFRS 9 is likely to have an impact on its financial statements and the Bank is part of a group wide team responsible for implementation of the standard. The main impact is likely to arise from the implementation of the expected loss model although full quantification of this impact is still underway.

In 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which will replace IAS 18 Revenue and IAS 11 Construction Contracts. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard will establish a more systematic approach for revenue measurement and recognition. Adoption is not mandatory until periods beginning on or after 1 January 2018. The standard was endorsed by the EU in September 2016. Adoption of the standard is not expected to have a significant impact.

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. Under the new requirements, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The expected effective date is 1 January 2019. The standard has not yet been endorsed by the EU.

### Foreign currency translation

The Bank applies IAS 21 The Effects of Changes in Foreign Exchange Rates. Transactions and balances in foreign currencies are translated into euro at the rate ruling on the date of the transaction. Foreign currency balances are translated into euro at the period end exchange rates. Exchange gains and losses on such balances are taken to the income statement.

### Financial assets and liabilities

The Bank applies IAS 39 Financial Instruments: Recognition and Measurement for the recognition, classification and measurement and de-recognition of financial assets and financial liabilities, for the impairment of financial assets.

#### *Recognition*

The Bank recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date.

#### *Classification and measurement*

Financial assets and liabilities are initially recognised at fair value and may be held at fair value or amortised cost depending on the Bank's intention towards the assets and the nature of the assets and liabilities, mainly determined by their contractual terms.

The Bank's policies for determining the fair values of the assets and liabilities are set out in note 29.

#### *De-recognition*

The Bank derecognises a financial asset, or a portion of a financial asset, from its balance sheet where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset. Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished.

#### *Impairment*

In accordance with IAS 39, the Bank assesses at each balance sheet date whether there is objective evidence that loan assets or available for sale financial assets will not be recovered in full and, wherever necessary, recognises an impairment loss in the income statement.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets. These events include:

- becoming aware of significant financial difficulty of the issuer or obligor;

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- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Bank, for economic or legal reasons relating to the borrowers' financial difficulty, grants a concession that it would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment assessments are conducted individually for significant assets. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

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 by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Following impairment, interest income continues to be recognised at the original effective interest rate on the unimpaired amount.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Bank's internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

### Interest income and expense

The Bank applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income on loans and advances at amortised cost, available for sale financial assets, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Bank to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities.

### Fee and commission income and expense

The Bank applies IAS 18 Revenue. Fees and commissions charged for services provided or received by the Bank are recognised as the services are provided, for example on completion of the underlying transaction.

### Trading income

In accordance with IAS 39, trading positions are held at fair value and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

### Income tax

The Bank applies IAS 12 Income Taxes in accounting for taxes on income. Income tax payable on taxable profits ('current tax') is recognised as an expense in the period in which the profits arise. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

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### Derivative financial instruments

The Bank applies IAS 39 for derivative financial instruments. All financial instruments are initially recognised at fair value on the date of recognition and, depending on the classification of the asset, may continue to be held at fair value either through profit or loss or other comprehensive income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

The Bank's derivative financial instruments are primarily forward foreign exchange contracts. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. All derivative instruments are held at fair value through profit or loss.

### Property, plant and equipment

The Bank applies IAS 16 Property Plant and Equipment. Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in an enhancement to the asset.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. The Bank uses the following annual rates in calculating depreciation:

<i>Annual rates in calculating depreciation</i>	<i>Depreciation rate</i>
Motor vehicles	20%
Fixtures, plant & equipment	10-20%

Where a leasehold property has a remaining useful life of less than 15 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

### Intangible assets

The accounting standard that the Bank applies in accounting for intangible assets is IAS 38. Intangible assets comprise internally generated software, other software and licences. They are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost less amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 4-5 years. Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

### Operating leases

The Bank applies IAS 17 Leases, for operating leases. An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. Rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term.

### Provisions

The Bank applies IAS 37 Provisions, Contingent Liabilities and Contingent Assets in accounting for non-financial liabilities. Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated.

Provision is made for undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

### Subordinated debt

Subordinated debt is measured at amortised cost using the effective interest method under IAS 39.

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### Share based payments

The Bank applies IFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares. Employee incentives include awards in the form of shares and share options, as well as offering employees the opportunity to purchase shares on favourable terms.

The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services, generally the period in which the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions - such as continuing to make payments into a share based savings scheme.

### Retirement benefit obligations

The Bank operates a defined contribution scheme and a defined benefit scheme.

Defined contribution schemes – the Bank recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

Defined benefit schemes – the Bank recognises its obligation to members of the scheme at the period end, less the fair value of the scheme assets. Actuarial gains and losses are recognised in other comprehensive income in the reporting period in which they occur. Each scheme's obligations are calculated using the projected unit credit method on the assumptions set out. Scheme assets are stated at fair value as at the period end.

The expected return on assets assumption is replaced by an assumed return on assets in line with the discount rate. Changes in pension scheme liabilities or assets ('re-measurements') that do not arise from regular pension cost, interest on net defined benefit liabilities or assets, past service costs, plan amendment, settlements or contributions to the plan, are recognised in other comprehensive income. A plan amendment occurs when the Bank introduces, or withdraws, a defined benefit plan, or changes the benefits payable under an existing plan.

Re-measurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

### Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

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## NOTES TO THE FINANCIAL STATEMENTS

### 3. Significant accounting judgements, estimates and assumptions

#### Impairment of financial assets

The calculation of the impairment allowance involves the use of judgement, based on the Bank's experience of managing credit risk.

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Bank's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process).

The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

Further information on impairment allowances and related credit information is set out in note 29.

#### Retirement benefit obligations

The Bank operates a defined benefit pension scheme. In determining the actual pension cost, the actuarial values of the liabilities of the scheme are calculated by external actuaries. This involves modelling their future growth and requires management to make assumptions as to discount rates, price inflation, salary and pensions increases, employee mortality and other demographic assumptions. There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. An analysis of the sensitivity of the defined benefit pension liability to changes in the key assumptions is set out in note 21 on retirement benefit obligations.

### 4. Interest and similar income

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Loans and advances to banks	14,709	19,365
Loans and advances to customers	32,465	27,439
Available for sale financial assets	-	121
<b>Interest and similar income</b>	<b>47,174</b>	<b>46,925</b>

Included in Loans and advances to banks income is €170 thousand relating to income earned on borrowings from BBPLC due to negative interest rates.

### 5. Interest and similar expenses

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Cash and balances with central banks	1,443	133
Deposits from banks	14,492	11,508
Deposits from customers	2,042	1,946
Subordinated debt	1,320	1,440
<b>Interest and similar expenses</b>	<b>19,297</b>	<b>15,027</b>

The interest expense on cash and balances with central banks is incurred due to the negative interest rate charge being applied to the funds placed. Included in the Deposits from banks expense is €1,000 thousand relating to interest expense on funds placed with BBPLC due to negative interest rates.

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## NOTES TO THE FINANCIAL STATEMENTS

### 6. Fee and commission income

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Loan related fee income	5,097	3,495
Transactional banking fee income	795	1,002
Barclays Wealth fee income	4,969	3,994
Trade finance & guarantee fee income	2,156	1,715
Other fee income	207	220
Merchant acquiring fee income	1,317	1,332
<b>Fee and commission income</b>	<b>14,541</b>	<b>11,758</b>

### 7. Trading and foreign exchange income

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Trading income	5,253	3,971
Foreign exchange on balance sheet re-translation	(48)	72
<b>Net foreign exchange income</b>	<b>5,205</b>	<b>4,043</b>

Trading income represents the net margin earned on spot and forward foreign exchange transactions.

### 8. General and administrative expenses

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Staff costs	13,050	13,160
Other administrative expenses	3,986	3,817
<b>Administrative expenses</b>	<b>17,036</b>	<b>16,977</b>

Total staff costs are analysed as follows:

Wages and salaries	10,894	11,160
Social insurance costs	1,214	1,179
Retirement benefit costs (defined benefit plan)	80	77
Retirement benefit costs (defined contribution plan)	862	744
<b>Total staff costs including retirement benefit</b>	<b>13,050</b>	<b>13,160</b>

At 31 December 2016, the number of staff was 99 (31 December 2015: 104). The average number of staff during the financial year was 102 (financial year ended 31 December 2015: 108). Other administrative expenses includes an amount of €480 thousand (financial year ended 31 December 2015: €480 thousand) relating to operating lease payments.

Auditors' remuneration (including expenses and excluding VAT):

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Statutory audit	100	100
Other assurance services	-	20
Taxation services	-	-
Other non-audit services	-	-
<b>Auditors' remuneration</b>	<b>100</b>	<b>120</b>

The figures in the above table relate to fees paid to PricewaterhouseCoopers (PwC).

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## NOTES TO THE FINANCIAL STATEMENTS

### 9. Depreciation and amortisation expense

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Depreciation of property, plant & equipment (note 15)	207	212
Amortisation of intangible assets (note 16)	499	662
<b>Depreciation and amortisation expense</b>	<b>706</b>	<b>874</b>

### 10. Loan impairment (release) / charge

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Loans and advances to customers (release) / charge	(404)	802
Loans and advances to customers recoveries	(689)	(28)
<b>Loan impairment (release) / charge</b>	<b>(1,093)</b>	<b>774</b>

An analysis of impairment charges for the financial year is included in note 13.

### 11. Income tax expense

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Current tax – Irish corporation tax:		
Current year	3,880	3,989
Adjustment in respect of prior years	(492)	(205)
Adjustment for Deferred tax credit	(423)	-
<b>Taxation charge</b>	<b>2,965</b>	<b>3,784</b>

The reconciliation of tax on the profit before taxation at the standard Irish corporation tax rate to the Bank's actual tax charge for the financial years ended 31 December 2016 and 31 December 2015 is as follows:

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2015: 12.5%)	3,416	3,602
Effects of:		
Adjustments in respect of prior years	(492)	(205)
Adjustment for Deferred tax credit	(423)	-
Other adjustments for tax purposes	464	387
<b>Taxation charge</b>	<b>2,965</b>	<b>3,784</b>

The effective taxation rate on a statutory profit basis for the financial year ended 31 December 2016 is 10.9% (financial year ended 31 December 2015: 13.1%).

The tax effects relating to each component of other comprehensive income are as follows:

	Year ended 31 December 2016			Year ended 31 December 2015		
	Pre-tax €'000	Tax €'000	Net of tax €'000	Pre-tax €'000	Tax €'000	Net of tax €'000
Change in available for sale reserve	-	-	-	(220)	25	(195)
Re-measurement of retirement benefit obligation	(1,563)	89	(1,474)	1,971	(267)	1,704
<b>Other comprehensive income / (loss) for the financial year</b>	<b>(1,563)</b>	<b>89</b>	<b>(1,474)</b>	<b>1,751</b>	<b>(242)</b>	<b>1,509</b>



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## NOTES TO THE FINANCIAL STATEMENTS

### 12. Loans and advances to banks

	31 December 2016 €'000	31 December 2015 €'000
Placements with other banks	835,663	1,010,893
Mandatory deposits with Central Bank of Ireland	21	2,441
<b>Loans and advances to banks</b>	<b>835,684</b>	<b>1,013,334</b>

Mandatory deposits with Central Bank of Ireland include €21 thousand relating to the Bank's deposit protection requirement (31 December 2015: €2,441 thousand).

### 13. Loans and advances to customers

	31 December 2016 €'000	31 December 2015 €'000
Loans and advances to customers	1,500,926	982,128
Less allowance for impairment charges on loans and advances to customers	(1,481)	(2,116)
<b>Loans and advances to customers</b>	<b>1,499,445</b>	<b>980,012</b>

The following tables show the movement in the impairment provisions on total loans and advances to customers during the financial year ended 31 December 2016 and 31 December 2015.

31 December 2016	Financial services €'000	Construction & property €'000	Wholesale & retail trade €'000	Transport, postal & other €'000	Energy & water €'000	Total €'000
Provision at 1 January 2016	57	604	265	146	1,044	2,116
(Release) / charge in income statement	(5)	504	(96)	(73)	(734)	(404)
Amounts written off	-	-	-	-	(231)	(231)
<b>Provision at 31 December 2016</b>	<b>52</b>	<b>1,108</b>	<b>169</b>	<b>73</b>	<b>79</b>	<b>1,481</b>

31 December 2015	Financial services €'000	Construction & property €'000	Wholesale & retail trade €'000	Transport, postal & other €'000	Energy & water €'000	Total €'000
Provision at 1 January 2015	42	1,415	203	54	424	2,138
Charge in income statement	15	13	62	92	620	802
Amounts written off	-	(824)	-	-	-	(824)
<b>Provision at 31 December 2015</b>	<b>57</b>	<b>604</b>	<b>265</b>	<b>146</b>	<b>1,044</b>	<b>2,116</b>

Provisions include specific and 'incurred but not reported' (IBNR) provisions. IBNR provisions are recognised on all categories of loans for incurred losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

Provisions utilised reflect impairment provisions which have been utilised against the related loan balance; the utilisation of a provision does not, of itself, alter a customer's obligations nor does it impact on the Bank's rights to take relevant enforcement action.

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## NOTES TO THE FINANCIAL STATEMENTS

### 14. Derivative financial instruments

The Bank's use of objectives and policies on managing the risks that arise in connection with derivatives are included in the financial risk management section of note 29. The notional amounts of certain types of derivatives do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit risk. The derivative instruments give rise to assets or liabilities as a result of fluctuations in market rates or prices relative to their terms.

The notional amounts and fair values of derivative instruments held by the Bank are set out in the following tables:

31 December 2016	Contract / Notional amount €'000	Fair values	
		Assets €'000	Liabilities €'000
<u>Derivatives held for trading</u>			
Foreign exchange forward contracts	360,082	9,907	(9,826)
<b>Total derivative assets / liabilities held for trading</b>	<b>360,082</b>	<b>9,907</b>	<b>(9,826)</b>
<hr/>			
31 December 2015	Contract / Notional amount €'000	Fair values	
		Assets €'000	Liabilities €'000
<u>Derivatives held for trading</u>			
Foreign exchange forward contracts	499,406	20,468	(20,330)
<b>Total derivative assets / liabilities held for trading</b>	<b>499,406</b>	<b>20,468</b>	<b>(20,330)</b>

Derivatives held for trading above comprise derivatives entered into with economic hedging intent to which the Bank does not apply hedge accounting.

### 15. Property, plant and equipment

	Fixtures, plant & equipment €'000	Motor vehicles €'000	Total €'000
<u>Cost</u>			
At 1 January 2016	595	20	615
Additions	-	-	-
Disposals / write-offs	-	-	-
<b>At 31 December 2016</b>	<b>595</b>	<b>20</b>	<b>615</b>
<u>Accumulated depreciation</u>			
At 1 January 2016	369	20	389
Charge in the year	207	-	207
<b>At 31 December 2016</b>	<b>576</b>	<b>20</b>	<b>596</b>
<b>Net book value at 31 December 2016</b>	<b>19</b>	<b>-</b>	<b>19</b>

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

	Fixtures, plant & equipment €'000	Motor vehicles €'000	Total €'000
<u>Cost</u>			
At 1 January 2015	594	30	624
Additions	1	-	1
Disposals / write-offs	-	(10)	(10)
<b>At 31 December 2015</b>	<b>595</b>	<b>20</b>	<b>615</b>
<u>Accumulated depreciation</u>			
At 1 January 2015	157	20	177
Charge in the year	212	-	212
<b>At 31 December 2015</b>	<b>369</b>	<b>20</b>	<b>389</b>
<b>Net book value at 31 December 2015</b>	<b>226</b>	<b>-</b>	<b>226</b>

### Operating leases

The Bank leases an office premises to carry out its business. Minimum future rentals are the rentals payable under operating leases up to the next available break option where this exists or to expiry date of the lease. Both the required break option notice period and the amount of any penalty rent have been included in the amounts payable below. The Bank had a break option on its current lease on 16 November 2016, this option was not utilised.

Minimum future rentals under non-cancellable operating leases are as follows:

	31 December 2016 €'000	31 December 2015 €'000
Not later than 1 year	480	422
Later than 1 year and not later than 5 years	1,919	-

### 16. Intangible assets

	Internally generated software €'000	Total €'000
<u>Cost</u>		
At 1 January 2016	1,739	1,739
Additions	-	-
<b>At 31 December 2016</b>	<b>1,739</b>	<b>1,739</b>
<u>Accumulated depreciation</u>		
At 1 January 2016	844	844
Charge in the year	499	499
<b>At 31 December 2016</b>	<b>1,343</b>	<b>1,343</b>
<b>Net book value at 31 December 2016</b>	<b>396</b>	<b>396</b>

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

	Internally generated software €'000	Total €'000
<u>Cost</u>		
At 1 January 2015	1,138	1,138
Additions	601	601
At 31 December 2015	<b>1,739</b>	<b>1,739</b>
<u>Accumulated depreciation</u>		
At 1 January 2015	182	182
Charge in the year	662	662
At 31 December 2015	<b>844</b>	<b>844</b>
Net book value at 31 December 2015	<b>895</b>	<b>895</b>

Intangible assets predominantly comprise computer software that is developed internally by the Bank and purchased computer software.

### Impairment review – intangible assets

Intangible assets have been reviewed for any indication that impairment may have occurred. Where any such indication exists impairment has been measured by comparing the carrying value of the intangible asset to its recoverable amount. There was no impairment identified in the financial year ended 31 December 2016 and 31 December 2015.

### 17. Deferred tax assets and liabilities

	31 December 2016 €'000	31 December 2015 €'000
The movement on the deferred tax account is as follows:		
At beginning of financial year	1,420	1,662
Income statement credit / (charge) for financial year	-	-
Pension and other retirement benefits	89	(267)
Provisions	423	-
Available for sale financial assets	-	25
At end of financial year	<b>1,932</b>	<b>1,420</b>

Deferred tax assets are attributable to the following items:

#### Deferred tax assets

Pension and other post-retirement benefits	1,509	1,420
Provisions	423	-
Deferred tax assets	<b>1,932</b>	<b>1,420</b>

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Other assets

	31 December 2016 €'000	31 December 2015 €'000
Credit related fees receivable	620	1,502
Amounts receivable from group companies	100,078	1,474
Amounts receivable from Visa	532,557	25,412
Other debtors and prepaid expenses	544	2,614
<b>Other assets</b>	<b>633,799</b>	<b>31,002</b>

Amounts receivable from VISA of €532,557 thousand (31 December 2015: €25,412 thousand) relates to the pending settlement of non-domestic merchant acquiring transactions.

Amounts receivable from group companies includes €98,452 thousand (31 December 2015: €nil) that relates to the pending settlement of domestic merchant acquiring transactions.

### 19. Deposits from banks

	31 December 2016 €'000	31 December 2015 €'000
Deposits from banks	56,390	76,231
<b>Deposits from banks</b>	<b>56,390</b>	<b>76,231</b>

An analysis of the contractual maturity profile of deposits by banks is set out in note 29.

### 20. Deposits from customers

	31 December 2016 €'000	31 December 2015 €'000
Term deposits	1,002,321	759,050
Demand deposits	50,366	62,786
Current accounts	1,330,400	1,224,950
<b>Deposits from customers</b>	<b>2,383,087</b>	<b>2,046,786</b>

An analysis of the contractual maturity profile of deposits by customer is set out in note 29.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Retirement benefit obligations

The Bank operated a defined benefit scheme under which pension entitlements of certain employees arise. Contributions are made annually by the Bank to a separately administered pension fund. The cost to the Bank for the financial year ended 31 December 2016 was €80 thousand (financial year ended 31 December 2015: €77 thousand).

#### Barclays Bank Irish Retirement and Life Assurance Plan

The Bank operates a defined benefit ("DB") scheme in conjunction with Barclays Insurance Dublin ("BID"). The scheme was closed to new entrants and future accrual on 31 May 2013. The scheme is funded and provides retirement benefits on the basis of the members' salary as at the time of closure and are determined by an independent actuary, Willis Towers Watson ("WTW"), on the basis of triennial valuations. The latest full actuarial valuation of the DB scheme was carried out as at 31 December 2014. The assets recorded in the Bank's balance sheet are based on its share of future scheme obligations. At 31 December 2016, the Bank has recorded 78% of the scheme's assets and future obligations (31 December 2015: 78%).

#### *Amounts recognised*

The following tables include amounts recognised in the income statement and an analysis of benefit obligations and scheme assets for the DB scheme. The net position is recognised on the balance sheet.

Income statement charge	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Current service cost	80	77
Net finance cost	261	255
Past service cost – plan amendments	-	689
<b>Total charge</b>	<b>341</b>	<b>1,021</b>

The pension levy paid ceased to be payable in the financial year ended 31 December 2016 (financial year ended 31 December 2015: €62 thousand).

Statement of other comprehensive income	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Impact of re-measurement, gross of tax (see note 11)	1,563	(1,971)
<b>Total</b>	<b>1,563</b>	<b>(1,971)</b>

Balance sheet reconciliation	31 December 2016 €'000	31 December 2015 €'000
Benefit obligation at beginning of the financial year	(42,549)	(43,161)
Current service cost	(80)	(77)
Interest costs on scheme liabilities	(993)	(980)
Re-measurement – experience (loss) / gain	(425)	572
Past service cost – plan amendments	-	(689)
Changes in assumptions	(1,548)	1,131
Benefits paid	759	655
Benefit obligation at end of the financial year	<b>(44,836)</b>	<b>(42,549)</b>
Fair value of scheme assets at beginning of the financial year	31,187	29,669
Interest income on scheme assets	732	725
Employer contribution	1,195	1,180
Re-measurement – return on plan assets greater than discount rate	410	268
Benefits paid	(759)	(655)
Fair value of scheme assets at the end of the financial year	<b>32,765</b>	<b>31,187</b>
<b>Net deficit</b>	<b>(12,071)</b>	<b>(11,362)</b>

All figures above are shown before deferred tax.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Assets

A long-term investment strategy has been set for the DB scheme, with its asset allocation comprising a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others. The long-term investment strategy ensures, amongst other aims, that investments are adequately diversified.

The value of the assets of the schemes and their percentage in relation to total scheme assets were as follows:

	31 December 2016 €'000	% of assets	31 December 2015 €'000	% of assets
Equity	14,810	45.2%	13,566	43.5%
Fixed interest	14,318	43.7%	13,629	43.7%
Property	1,245	3.8%	1,123	3.6%
Other (including cash)	2,392	7.3%	2,869	9.2%
	<b>32,765</b>	<b>100%</b>	<b>31,187</b>	<b>100%</b>

Included within the fair value of scheme assets were: €22 thousand (31 December 2015: €20 thousand) relating to shares in Barclays PLC. Scheme assets do not include any of Bank's own financial instruments, or any property occupied by the Bank.

### Assumptions

Actuarial valuation of the schemes' obligation is dependent upon a series of assumptions, below is a summary of the main financial and demographic assumptions adopted for the DB scheme.

	2016 % p.a.	2015 % p.a.
Discount rate	2.00%	2.40%
Inflation rate	1.75%	1.90%
Rate of increase for pensions	1.75%	1.90%

The discount rate assumption for 2016 and 2015 are taken based on the single equivalent discount rate implied by the Willis Towers Watson RATE Link model.

Assumptions regarding future mortality are set based on advice from published statistics and represent the Bank's best estimate of future experience. The table below shows the assumed life expectancy at 60, for members of the DB scheme:

Assumed life expectancy	2016 years	2015 years
Life expectancy at 60 for current pensioners		
- Males	25.8	25.7
- Females	28.5	28.4
Life expectancy at 60 for future pensioners currently aged 40		
- Males	28.4	28.3
- Females	30.7	30.6

### Sensitivity analysis on actuarial assumptions

The sensitivity analysis has been calculated by valuing the liabilities using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed in the assumptions table above:

	2016 €'000	2015 €'000
0.5% increase in discount rate (reduces defined benefit obligations)	(4,793)	(4,566)
0.5% increase in inflation rate (increases defined benefit obligations)	5,490	5,225

### Funding

The latest triennial funding valuation of the DB scheme was carried out with an effective date of 31 December 2014. This was completed in 2015 and showed a deficit of €5,400 thousand and a funding level of 88%. The Bank and trustee agreed a scheme-specific plan to fund the deficit.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

Defined benefit contributions paid with respect to the DB scheme were as follows:

	€'000
2016	1,195
2015	1,180

The Bank's expected regular contribution in respect of the DB scheme in 2017 is €1,195 thousand (2016: €1,195 thousand). The Bank is also expected to make a special employer contribution of €3,700 thousand into the DB scheme in 2017 as part of the scheme restructuring necessitated by the sale of the Barclays Assurance and Barclays Insurance Dublin businesses to a buyer external to the Barclays Group.

An escrow account was set up in 2013 which may be used to provide further resources to meet obligations in certain circumstances. The expected value of contributions by the Bank to the escrow account in 2017 is €390 thousand (2016: €390 thousand) and the value of this escrow account is €2,000 thousand and is included within Loans and advances to banks.

### 22. Provisions

	31 December 2016 €'000	31 December 2015 €'000
Disposal of a business	3,387	-

As at 31 December 2016, the Bank had a constructive obligation to make a payment to the Barclays Bank Irish Retirement & Life Assurance Scheme arising from the anticipated disposal of Barclays Assurance and Insurance Dublin businesses to a third party. The amount is expected to be settled within 12 months of the Balance Sheet date.

### 23. Other liabilities

	31 December 2016 €'000	31 December 2015 €'000
Amounts payable to group companies	632,780	27,028
Staff costs payable	3,427	3,214
Other creditors and accrued expenses	1,296	2,286
<b>Other liabilities</b>	<b>637,503</b>	<b>32,528</b>

Included in the amount payable to group companies is €632,245 thousand (31 December 2015: €25,478 thousand) for the VISA acquiring payable to Barclays Bank PLC.

### 24. Subordinated debt

	31 December 2016 €'000	31 December 2015 €'000
<b>Dated loan capital</b>		
€50 million Floating Rate Notes 2023	50,056	50,060

On 16 December 2013 the Bank availed of €50m Tier 2 Subordinated debt from its parent Barclays Bank PLC, as part of optimising its Tier 1 and Tier 2 capital mix and to provide the Bank with sufficient capital to support business growth. This debt re-prices on a three monthly basis, based on the 3 month Euribor rate plus 2.84%. The Bank may, with the prior approval of the Central Bank of Ireland, elect to prepay the debt in whole or in part after 16 December 2018, or with the prior approval of the Central Bank of Ireland at any period before this date if there has been a change in the regulatory classification or applicable tax treatment which was not reasonably foreseeable at the time of issuance.

### 25. Share capital

<b>Authorised</b>	<b>31 December 2016 €'000</b>	<b>31 December 2015 €'000</b>
5 billion units of ordinary stock of €1 each	5,000,000	5,000,000
<b>Allotted, called up and fully paid</b>	<b>31 December 2016 €'000</b>	<b>31 December 2015 €'000</b>
138,446,218 units (2015: 138,446,218) of ordinary stock at €1 each	138,446	138,446



# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Capital contribution

	31 December 2016 €'000	31 December 2015 €'000
Capital contribution	121,000	121,000

On 24 June 2005, the Bank received a capital contribution of €121 million from its parent, Barclays Bank PLC, for on-going use in its operations. The Bank has no repayment obligation in respect of this contribution.

### 27. Share based payments

The Bank, as part of Barclays PLC, engages in equity settled share-based payment transactions in respect of services received from certain of its employees. The cost of all share based payments to the Bank for the financial year ended 31 December 2016 was €63 thousand (financial year ended 31 December 2015: €132 thousand) and is included in general and administrative expenses.

The terms of the main current plans are as follows:

#### Sharesave

Under this scheme, eligible employees may enter into contracts to save up to €300 per month and, at the expiry of a fixed term of three, five or seven years, have the option to use these savings to acquire shares in Barclays PLC at a discount, calculated in accordance with the rules of the scheme. The discount is currently 20% of the market price at the date the options are granted. Participants in the scheme have six months from the date of vest in which the option can be exercised.

#### Share Value Plan (SVP)

The SVP was introduced in March 2010 and approved by shareholders (for Executive Director participation and use of new issue shares) at the AGM in April 2011. SVP awards are granted to participants in the form of a conditional right to receive Barclays PLC shares or provisional allocations of Barclays PLC shares which vest or are considered for release over a period of three years in equal annual tranches. Participants do not pay to receive an award or to receive a release of shares. The grantor may also make a dividend equivalent payment to participants on release of a SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

#### Other schemes

In addition to the Sharesave scheme and SVP, the Group operates a number of other schemes, none of which are individually or in aggregate material in relation to the charge for the financial year. Included within other schemes are the Barclays Long Term Incentive Plan and the Executive Share Award Scheme.

#### Share option and award plans

The weighted average fair value per award granted and weighted average share price at the date of exercise / release of shares during the financial year was:

	Weighted average fair value per award granted in year		Weighted average share price at exercise / release during year	
	2016 £	2015 £	2016 £	2015 £
SVP	1.66	2.54	1.66	2.53
Other	0.61 – 1.67	0.49 – 2.54	1.65 – 1.88	2.37 – 2.67

SVP are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value at that date.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Movements in options and awards

The movement in the number of options and awards for the major schemes and the weighted average exercise price of options was:

	SVP <sup>1</sup>		Sharesave			
	Number		Number		Weighted avg. ex. price	
	2016	2015	2016	2015	2016	2015
Outstanding at start of year	36,320	42,745	231,089	208,777	1.86	1.69
Granted in the year	33,311	15,642	141,327	69,069	1.40	2.04
Exercised in the year	(18,560)	(22,067)	(8,043)	(47,047)	1.76	1.69
Transferred in the year	-	-	(26,395)	11,275	-	-
Less: forfeited in the year	-	-	(90,562)	(10,985)	1.95	1.69
Less: expired in the year	-	-	(14,812)	-	-	-
Outstanding at end of year	<b>51,071</b>	<b>36,320</b>	<b>232,604</b>	<b>231,089</b>	<b>1.54</b>	<b>1.80</b>

<sup>1</sup> Nil cost award and therefore the weighted average exercise price was nil.

### 28. Contingent liabilities and commitments

The table below gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

	31 December 2016 Contract amount €'000	31 December 2015 Contract amount €'000
<b>Contingent liabilities</b>		
Guarantees and irrevocable letters of credit	247,656	137,117
Other contingent liabilities	98,527	101,547
	<b>346,183</b>	<b>238,664</b>
<b>Commitments</b>		
Undrawn formal standby facilities, credit lines and other commitments to lend	973,893	1,337,706

**Guarantees and letters of credit** are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

**Other contingent liabilities** primarily include performance bonds and are generally short term commitments to third parties which are not directly dependent on the customers' credit worthiness.

**Commitments to lend** are agreements to lend to a customer in the future, subject to certain conditions.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 29. Financial risk management

Responsibility for risk management policies and limits on the level of risk assumed by the Bank lies with the Board of Directors. The Bank's approach to risk management is derived from that of its holding company, which has a separate function dedicated to risk management. The risk management framework is designed to provide a reasonable degree of assurance that no single event, or combination of events, will materially affect the financial well-being of the Bank.

The Bank has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. The principal risks faced by the bank are credit risk, market risk, liquidity risk and operational risk.

#### (a) Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk exists as a result of the Bank providing commercial loans, advances and loan commitments arising from such lending activities and from credit enhancements provided by the Bank such as financial guarantees, letters of credit, endorsements and acceptances.

The granting of credit is one of the Bank's major sources of income and the Bank dedicates considerable resources to its control. The sanctioning of individual exposures is performed either by the Bank's Chief Credit Officer, Associate Credit Director or the Bank's Credit Committee (in accordance with sanctioning discretions).

The subsequent control of exposures is performed by the Bank's Lending Middle Office which report to the Bank's Operations Team who in turn report to the Bank's Chief Operating Officer. The Associate Credit Director reports to the Bank's Chief Credit Officer who reports to the Chief Risk Officer, a member of the Board.

The Bank's Sanctioning Committee is the Ireland Credit Committee which is the highest level credit sanctioning forum in the Bank. Responsibility for oversight of this Committee lies with the Credit Risk Management Committee which is chaired by the Chief Executive Officer.

The Bank's Credit Risk Management Committee exercises oversight through regular review of the Bank's credit portfolio examining, inter alia, the constitution of the portfolio in terms of sectorial and individual exposures against the Bank's overall Risk appetite. The Chief Credit Officer, who is a member of Bank's Credit Risk Management Committee, reports the views of this Committee to the Board Risk Committee as a standard agenda item.

Corporate loans which are identified as showing signs of credit stress / deterioration are recorded on graded problem exposure lists known as watch lists. These lists are updated monthly and circulated to the relevant Management Committees. Once listing has taken place, exposures are closely monitored and, where appropriate, reduced and/or cancelled.

Watch list exposures are categorised in line with the perceived degree of the risk attached to the lending, and its probability of default. In line with Barclays Group policy, the Bank works to four watch list categories based on the degree of concern. By the time an account becomes impaired it will normally have passed through all four categories, each of which reflect the need for ever-increasing caution and control.

Where a customer's financial health gives grounds for concern, it is placed into the appropriate category. All customers, regardless of financial health, are subject to a full review of all facilities on, at least, an annual basis. More frequent interim reviews may be undertaken should circumstances dictate.

#### **Asset credit quality**

All loans and advances are categorised as either 'neither past due nor impaired', 'past due but not impaired', or 'past due and impaired', which includes restructured loans. For the purposes of the credit risk disclosures:

- A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract.
- The impairment allowance includes allowances against financial assets that have been individually impaired. Loans neither past due nor impaired consist of corporate loans that are performing. These loans, although unimpaired, may carry an unidentified impairment provision.
- Impaired loans that are individually assessed consist of corporate loans that are past due and for which an individual allowance has been raised.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

The Bank uses the following internal measures to determine credit quality for loans that are performing:

Default Grade	Credit Quality Description	Probability of Default
1-3	Strong	0.0% – 0.05%
4-5		0.05% – 0.15%
6-8		0.15% – 0.30%
9-11		0.30% – 0.60%
12-14	Satisfactory	0.60% – 2.15%
15-19		2.15% – 11.35%
20-21	Higher risk	11.35%+

For loans that are performing, these descriptions can be summarised as follows:

**Strong:** there is a very high likelihood of the asset being recovered in full.

**Satisfactory:** while there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Bank, the asset may not be collateralised, regardless of the fact that the output of internal grading models may have indicated a higher classification. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of some deterioration.

**Higher risk:** there is concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency. There may also be concerns over the value of collateral or security provided. However, the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

Loans that are past due are monitored closely, with impairment allowances raised as appropriate and in line with the Bank's impairment policies. These loans are all considered higher risk for the purpose of this analysis of credit quality.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Balance sheet credit quality

The following tables present the credit quality of the Bank's financial assets exposed to credit risk.

As at 31 December 2016	Neither Past due	Past due but	Individually	Impairment		Total
	nor individually	not individually	impaired	Total	allowance	carrying
	Impaired	impaired		€'000	€'000	value
	€'000	€'000	€'000	€'000	€'000	€'000
Cash and balances at central bank	523,792	-	-	523,792	-	523,792
Loans and advances to banks	835,684	-	-	835,684	-	835,684
Loans and advances to customers	1,499,926	-	1,000	1,500,926	(1,481)	1,499,445
Derivative financial instruments	9,907	-	-	9,907	-	9,907
Other assets	633,799	-	-	633,799	-	633,799
<b>Total</b>	<b>3,503,108</b>	<b>-</b>	<b>1,000</b>	<b>3,504,108</b>	<b>(1,481)</b>	<b>3,502,627</b>

As at 31 December 2015	Neither Past due	Past due but	Individually	Impairment		Total
	nor individually	not individually	impaired	Total	allowance	carrying
	Impaired	impaired		€'000	€'000	value
	€'000	€'000	€'000	€'000	€'000	€'000
Cash and balances at central bank	520,746	-	-	520,746	-	520,746
Loans and advances to banks	1,013,334	-	-	1,013,334	-	1,013,334
Loans and advances to customers	917,498	61,697	2,933	982,128	(2,116)	980,012
Derivative financial instruments	20,468	-	-	20,468	-	20,468
Other assets	31,002	-	-	31,002	-	31,002
<b>Total</b>	<b>2,503,048</b>	<b>61,697</b>	<b>2,933</b>	<b>2,567,678</b>	<b>(2,116)</b>	<b>2,565,562</b>

The impairment allowance above includes allowances against financial assets that have been individually impaired and those that are subject to collective impairment. Assets subject to a collective impairment allowance are included in financial assets neither past due nor individually impaired or financial assets past due but not individually impaired, as appropriate.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Credit quality of financial assets neither past due nor individually impaired

As at 31 December 2016	Strong €'000	Satisfactory €'000	Higher risk €'000	Maximum exposure to credit risk €'000
Cash and balances at central bank	523,792	-	-	523,792
Loans and advances to banks	835,684	-	-	835,684
Loans and advances to customers	1,365,985	133,940	1	1,499,926
Derivative financial instruments	9,907	-	-	9,907
Other assets	633,799	-	-	633,799
<b>Total</b>	<b>3,369,167</b>	<b>133,940</b>	<b>1</b>	<b>3,503,108</b>

As at 31 December 2015	Strong €'000	Satisfactory €'000	Higher risk €'000	Maximum exposure to credit risk €'000
Cash and balances at central banks	520,746	-	-	520,746
Loans and advances to banks	1,013,334	-	-	1,013,334
Loans and advances to customers	780,979	107,553	28,966	917,498
Derivative financial instruments	20,468	-	-	20,468
Other assets	31,002	-	-	31,002
<b>Total</b>	<b>2,366,529</b>	<b>107,553</b>	<b>28,966</b>	<b>2,503,048</b>

Whilst the Bank's maximum exposure to credit risk is the carrying value of the assets, the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the Bank's exposure.

#### Credit risk mitigation, collateral and security

The Bank uses a wide variety of techniques to reduce credit risk on its lending. The most important of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing. The Bank's policy is to establish that loans are within the customer's capacity to repay, rather than to rely excessively on security.

The Bank actively manages its credit exposures. When weakness in exposures is detected – either in individual exposures or in groups of exposures – the Bank takes action to mitigate the risks. Such actions may, for example, include; reducing the amounts outstanding (in discussion with the customers, clients or counterparties, if appropriate) and / or, on occasion, selling the financial asset which constitutes the exposure.

The Bank looks to maintain the diversification of its portfolio to avoid unwanted credit risk concentrations. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to higher-rated borrowers than to lower-rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually through the credit function as they arise and are reviewed regularly.

Collateral, security and parental guarantees provided by Barclays Bank PLC are an important mitigation of credit risk. The Bank routinely obtains non tangible collateral and security typically by way of intergroup and / or third party guarantees, where possible supported by negative pledges which prohibit the granting of tangible security to other lenders / creditors. The Bank ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. All exposures afforded to the property sector are fully secured by property collateral.

Valuation of the collateral and security taken is within set Bank parameters which are reviewed for appropriateness on a regular basis. Before reliance is placed on third party protection, a credit assessment is undertaken of the proposed protection.

Security structures and legal covenants are subject to regular review, at least annually, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Industrial concentration of credit risk

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank implements limits on concentrations in order to mitigate the risk. An analysis of the Bank's credit risk concentration by industrial sector is set out below.

As at 31 December 2016	Government & central banks €'000	Financial services €'000	Construction & property €'000	Agriculture, Manufacturing & wholesale & retail trade €'000	Transport, postal & communications and business & other services €'000	Energy & water €'000	Total €'000
<i>On balance sheet:</i>							
Cash and balances at central bank	523,792	-	-	-	-	-	523,792
Loans and advances to banks	-	835,684	-	-	-	-	835,684
Loans and advances to customers	-	17,709	399,694	565,731	264,781	251,530	1,499,445
Derivative financial instruments	-	8,979	-	928	-	-	9,907
Other Assets	-	633,179	33	454	16	117	633,799
<i>Off balance sheet:</i>							
Guarantees and letters of credit	-	129,823	11,425	17,131	66,974	22,303	247,656
Other contingent liabilities	-	3,662	465	78,263	4,134	12,003	98,527
Undrawn commitments	-	69,855	131,440	530,187	217,278	25,133	973,893
<b>Total</b>	<b>523,792</b>	<b>1,698,891</b>	<b>543,057</b>	<b>1,192,694</b>	<b>553,183</b>	<b>311,086</b>	<b>4,822,703</b>

As at 31 December 2015	Government & central banks €'000	Financial services €'000	Construction & property €'000	Agriculture, Manufacturing & wholesale & retail trade €'000	Transport, postal & communications and business & other services €'000	Energy & water €'000	Total €'000
<i>On balance sheet:</i>							
Cash and balances at central bank	520,746	-	-	-	-	-	520,746
Loans and advances to banks	-	1,013,334	-	-	-	-	1,013,334
Loans and advances to customers	-	11,051	154,338	473,769	208,092	132,762	980,012
Derivative financial instruments	-	19,805	-	474	189	-	20,468
Other Assets	-	27,680	226	2,641	116	339	31,002
<i>Off balance sheet:</i>							
Guarantees and letters of credit	-	67,144	-	15,833	53,852	288	137,117
Other contingent liabilities	-	50	-	95,407	6,057	33	101,547
Undrawn commitments	-	65,766	275,247	569,188	183,857	243,648	1,337,706
<b>Total</b>	<b>520,746</b>	<b>1,204,830</b>	<b>429,811</b>	<b>1,157,312</b>	<b>452,163</b>	<b>377,070</b>	<b>4,141,932</b>

### Analysis of problem loans

#### Loans and advances past due but not impaired

The following tables present an age analysis of loans and advances that are past due but not impaired and loans that are assessed as impaired. These loans are reflected in the balance sheet credit quality tables as being Higher Risk.

As at 31 December 2016 there were no financial assets past due and not individually impaired.

As at 31 December 2015	Past due up to 1 month €'000	Past due 1-2 months €'000	Past due 2-3 months €'000	Past due 3-6 Months €'000	Past due 6 months and over €'000
Loans and advances to customers					
- Corporate loans	61,697	-	-	-	-
<b>Total</b>	<b>61,697</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Loans and advances assessed as impaired

The following tables present an age analysis of loans and advances collectively impaired, total individually impaired loans, and total impairment allowance.

As at 31 December 2016	Past due up to 1 month €'000	Past due 1-2 months €'000	Past due 2-3 months €'000	Past due 3-6 Months €'000	Past due 6 months and over €'000	Individually assessed for impairment €'000	Total assessed for impairment €'000
Loans and advances to customers							
- Corporate loans	-	-	-	-	-	1,000	1,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>

As at 31 December 2015	Past due up to 1 month €'000	Past due 1-2 months €'000	Past due 2-3 months €'000	Past due 3-6 Months €'000	Past due 6 months and over €'000	Individually assessed for impairment €'000	Total assessed for impairment €'000
Loans and advances to customers							
- Corporate loans	-	-	-	-	-	2,933	2,933
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,933</b>	<b>2,933</b>

### Impairment allowance

2016	At beginning of year €'000	Amounts written off €'000	Amounts charged / reversed €'000	Balance at 31 December €'000
Loans and advances to customers				
- Corporate loans	2,116	(231)	(404)	1,481
<b>Total</b>	<b>2,116</b>	<b>(231)</b>	<b>(404)</b>	<b>1,481</b>

2015	At beginning of year €'000	Amounts written off €'000	Amounts charged / (reversed) €'000	Balance at 31 December €'000
Loans and advances to customers				
- Corporate loans	2,138	(824)	802	2,116
<b>Total</b>	<b>2,138</b>	<b>(824)</b>	<b>802</b>	<b>2,116</b>

### (b) Market risk

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, foreign exchange rates, market prices and volatility. The market risk appetite of the Bank is determined by the Board of Directors in conjunction with the Group Market Risk function.

### Daily Value at Risk (DVaR)

The measurement technique used to measure and control market risk is daily value at risk. DVaR is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 95%. Daily losses exceeding the DVaR figure are likely to occur, on average five times in every 100 business days. DVaR is calculated by Barclays Group using the historical simulation method with a historical sample of two years.

### Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. Part of the Bank's return on financial instruments is obtained from controlled mismatching of the dates on which its financial instruments mature or, if earlier, the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates.

Interest rate risk arises primarily from the Bank's fixed rate money market deposits and loan book. Fluctuations in interest rates are reflected in interest margins and earnings.



# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

The following table summarise the interest rate re-pricing gap as at 31st December 2016 and as at 31st December 2015. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

31 December 2016	Less than 3 months €'000	3-6 Months €'000	6 months to 1 year €'000	1-5 years €'000	Greater than 5 years €'000	Non-interest bearing €'000	Total €'000
<b>Assets</b>							
Cash and balances at central bank	523,792	-	-	-	-	-	523,792
Loans and advances to banks	835,684	-	-	-	-	-	835,684
Loans and advances to customers	1,442,095	57,350	-	-	-	-	1,499,445
Derivative financial instruments	-	-	-	-	-	9,907	9,907
Current income tax assets	-	-	-	-	-	390	390
Property, plant and equipment	-	-	-	-	-	19	19
Intangible assets	-	-	-	-	-	396	396
Deferred income tax assets	-	-	-	-	-	1,932	1,932
Other assets	-	-	-	-	-	633,799	633,799
<b>Total assets</b>	<b>2,801,571</b>	<b>57,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>646,443</b>	<b>3,505,364</b>
<b>Liabilities</b>							
Deposits from banks	(56,390)	-	-	-	-	-	(56,390)
Deposits from customers	(711,563)	(276,217)	(204,334)	-	-	(1,190,973)	(2,383,087)
Derivative financial instruments	-	-	-	-	-	(9,826)	(9,826)
Retirement benefit obligations	-	-	-	-	-	(12,071)	(12,071)
Provisions	-	-	-	-	-	(3,387)	(3,387)
Other liabilities	-	-	-	-	-	(637,503)	(637,503)
Subordinated debt	(50,056)	-	-	-	-	-	(50,056)
<b>Total liabilities</b>	<b>(818,009)</b>	<b>(276,217)</b>	<b>(204,334)</b>	<b>-</b>	<b>-</b>	<b>(1,853,760)</b>	<b>(3,152,320)</b>
Equity	-	-	-	-	-	(353,044)	(353,044)
<b>Total equity and liabilities</b>	<b>(818,009)</b>	<b>(276,217)</b>	<b>(204,334)</b>	<b>-</b>	<b>-</b>	<b>(2,206,804)</b>	<b>(3,505,364)</b>
Interest rate repricing gap	1,983,562	(218,867)	(204,334)	-	-	(1,560,361)	-
Cumulative gap	1,983,562	1,764,695	1,560,361	1,560,361	1,560,361	-	-

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2015	Less than 3 months €'000	3-6 Months €'000	6 months to 1 year €'000	1-5 years €'000	Greater than 5 years €'000	Non-interest bearing €'000	Total €'000
<b>Assets</b>							
Cash and balances at central bank	520,746	-	-	-	-	-	520,746
Loans and advances to banks	1,013,334	-	-	-	-	-	1,013,334
Loans and advances to customers	883,494	96,518	-	-	-	-	980,012
Derivative financial instruments	-	-	-	-	-	20,468	20,468
Property, plant and equipment	-	-	-	-	-	226	226
Intangible assets	-	-	-	-	-	895	895
Deferred income tax assets	-	-	-	-	-	1,420	1,420
Other assets	-	-	-	-	-	31,002	31,002
<b>Total assets</b>	<b>2,417,574</b>	<b>96,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,011</b>	<b>2,568,103</b>
<b>Liabilities</b>							
Deposits from banks	(51,723)	(24,508)	-	-	-	-	(76,231)
Deposits from customers	(826,138)	(63,894)	(155,022)	-	-	(1,001,732)	(2,046,786)
Derivative financial instruments	-	-	-	-	-	(20,330)	(20,330)
Retirement benefit obligations	-	-	-	-	-	(11,362)	(11,362)
Current income tax liabilities	-	-	-	-	-	(649)	(649)
Other liabilities	-	-	-	-	-	(32,528)	(32,528)
Subordinated debt	(50,060)	-	-	-	-	-	(50,060)
<b>Total liabilities</b>	<b>(927,921)</b>	<b>(88,402)</b>	<b>(155,022)</b>	<b>-</b>	<b>-</b>	<b>(1,066,601)</b>	<b>(2,237,946)</b>
Equity	-	-	-	-	-	(330,157)	(330,157)
<b>Total equity and liabilities</b>	<b>(927,921)</b>	<b>(88,402)</b>	<b>(155,022)</b>	<b>-</b>	<b>-</b>	<b>(1,396,758)</b>	<b>(2,568,103)</b>
Interest rate repricing gap	1,489,653	8,116	(155,022)	-	-	(1,342,747)	-
Cumulative gap	1,489,653	1,497,769	1,342,747	1,342,747	1,342,747	-	-

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Foreign currency risk

The Bank is exposed to foreign exchange risk represented by exposures on assets and liabilities, denominated in currencies other than the functional currency of the Bank. The Bank's risk management policies prevent the holding of significant open positions in foreign currencies. The below tables summarises the Bank's exposure to foreign currencies at 31 December 2016 and 31 December 2015:

31 December 2016	Euro €'000	British pounds €'000	US dollars €'000	Other €'000	Total €'000
<b>Assets</b>					
Cash and balances at central banks	523,792	-	-	-	523,792
Loans and advances to banks	471,438	144,407	190,318	29,521	835,684
Loans and advances to customers	1,232,556	109,973	128,038	28,878	1,499,445
Derivative financial instruments	9,903	4	-	-	9,907
Current income tax assets	390	-	-	-	390
Other assets	5,061	631,208	(119)	(4)	636,146
<b>Total financial assets</b>	<b>2,243,140</b>	<b>885,592</b>	<b>318,237</b>	<b>58,395</b>	<b>3,505,364</b>

<b>Liabilities</b>					
Deposits from banks	31,850	25	138	24,377	56,390
Deposits from customers	1,778,437	253,045	317,859	33,746	2,383,087
Derivative financial instruments	9,824	2	-	-	9,826
Retirement benefit obligations	12,071	-	-	-	12,071
Provisions	3,387	-	-	-	3,387
Other liabilities	5,205	632,237	29	32	637,503
Subordinated debt	50,056	-	-	-	50,056
<b>Total financial liabilities</b>	<b>1,890,830</b>	<b>885,309</b>	<b>318,026</b>	<b>58,155</b>	<b>3,152,320</b>
Equity	353,044	-	-	-	353,044
<b>Total equity and financial liabilities</b>	<b>2,243,874</b>	<b>885,309</b>	<b>318,026</b>	<b>58,155</b>	<b>3,505,364</b>

31 December 2015	Euro €'000	British pounds €'000	US dollars €'000	Other €'000	Total €'000
<b>Assets</b>					
Cash and balances at central bank	520,746	-	-	-	520,746
Loans and advances to banks	426,133	425,063	139,212	22,926	1,013,334
Loans and advances to customers	736,336	143,525	82,054	18,097	980,012
Derivative financial instruments	20,331	136	1	-	20,468
Other assets	6,060	25,641	1,775	67	33,543
<b>Total financial assets</b>	<b>1,709,606</b>	<b>594,365</b>	<b>223,042</b>	<b>41,090</b>	<b>2,568,103</b>

<b>Liabilities</b>					
Deposits from banks	58,037	7	230	17,957	76,231
Deposits from customers	1,232,952	568,178	222,591	23,065	2,046,786
Derivative financial instruments	20,193	136	1	-	20,330
Retirement benefit obligations	11,362	-	-	-	11,362
Current income tax liabilities	649	-	-	-	649
Other liabilities	6,923	25,537	36	32	32,528
Subordinated debt	50,060	-	-	-	50,060
<b>Total financial liabilities</b>	<b>1,380,176</b>	<b>593,858</b>	<b>222,858</b>	<b>41,054</b>	<b>2,237,946</b>
Equity	330,157	-	-	-	330,157
<b>Total equity and financial liabilities</b>	<b>1,710,333</b>	<b>593,858</b>	<b>222,858</b>	<b>41,054</b>	<b>2,568,103</b>

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### (c) Liquidity risk

Liquidity risk is the risk that the Bank, although solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can secure such resources only at excessive cost. This also results in the Bank's inability to meet regulatory liquidity requirements. This risk is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

The liquidity risk management process ensures that the Bank is able to honour all of its financial commitments as they fall due. Liquidity limits are set and are reported daily. The need to monitor, manage and control intraday liquidity is recognised by the Bank as a mission critical process: any failure to meet specific intraday commitments would have significant consequences. The liquidity position is monitored on a daily basis with the expected next day position also being reviewed.

The Bank holds high quality liquid assets that can be utilised against any unforeseen interruption to cash flow. An important source of structural liquidity is provided by our core corporate deposits, mainly current accounts and savings accounts. Although current accounts are repayable on demand and savings accounts at short notice, the Bank's broad base of corporate customers helps to protect against unexpected fluctuations. Such accounts help to form a stable funding base for the Bank's operations and liquidity needs.

Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Bank's liquidity at risk. The Bank performs a range of stress tests on the net funding position and projected cash flows. These stress scenarios include Bank-specific scenarios such as an unexpected rating downgrade, and external scenarios such as an economic recession. The output informs both the liquidity mismatch limits and the Bank's contingency funding plan.

The ability to raise funds is impacted by Barclays Group. The funding impact of a credit downgrade is regularly estimated. Whilst the impact of a single downgrade may affect the price at which funding is available, the effect on liquidity is not considered significant in overall terms.

The table below presents the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values). The balances in the below table do not agree directly to the balances in the balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments.

The Bank is subject to negative interest rates on the Deposits from customers and these future cash flows have been added to this balance.

As at 31 December 2016	On demand €'000	Within 3 Months €'000	3 months to 1 year €'000	1-5 years €'000	Over 5 years €'000	Total €'000
<i>Financial liabilities:</i>						
Deposits from banks	(31,510)	(24,848)	-	-	-	(56,358)
Deposits from customers	(1,380,765)	(522,035)	(481,087)	-	-	(2,383,887)
Derivative financial instruments – pay leg	-	126,944	219,883	9,995	-	356,822
Derivative financial instruments – receive leg	-	(126,972)	(219,938)	(9,993)	-	(356,903)
Other liabilities	-	(637,503)	-	-	-	(637,503)
Subordinated debt	-	(315)	(963)	(5,114)	(52,503)	(58,895)
<b>Total cash outflows</b>	<b>(1,412,275)</b>	<b>(1,184,729)</b>	<b>(482,105)</b>	<b>(5,112)</b>	<b>(52,503)</b>	<b>(3,136,724)</b>

As at 31 December 2015	On demand €'000	Within 3 Months €'000	3 months to 1 year €'000	1-5 years €'000	Over 5 years €'000	Total €'000
<i>Financial liabilities:</i>						
Deposits from banks	(33,063)	(18,656)	(24,519)	-	-	(76,238)
Deposits from customers	(1,293,838)	(534,152)	(219,028)	-	-	(2,047,018)
Derivative financial instruments – pay leg	-	205,527	293,876	14,041	-	513,444
Derivative financial instruments – receive leg	-	(205,568)	(293,959)	(14,056)	-	(513,583)
Current income tax liabilities	-	-	(649)	-	-	(649)
Other liabilities	-	(32,528)	-	-	-	(32,528)
Subordinated debt	-	(342)	(1,034)	(5,493)	(54,061)	(60,930)
<b>Total cash outflows</b>	<b>(1,326,901)</b>	<b>(585,719)</b>	<b>(245,313)</b>	<b>(5,508)</b>	<b>(54,061)</b>	<b>(2,217,502)</b>

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Maturity analysis of off-balance sheet commitments given

The table below presents the maturity split of the Bank's off balance sheet commitments given at the balance sheet date. The amounts disclosed in the table are the undiscounted cash flows (i.e. nominal values) on the basis of earliest opportunity at which they are available.

As at 31 December 2016	On demand €'000	Within 3 Months €'000	3 months to 1 year €'000	1-5 years €'000	Over 5 years €'000	Total €'000
<i>Off balance sheet:</i>						
Guarantees and letters of credit	247,656	-	-	-	-	247,656
Other contingent liabilities	98,527	-	-	-	-	98,527
Commitments	973,893	-	-	-	-	973,893
<b>Total cash outflows</b>	<b>1,320,076</b>	-	-	-	-	<b>1,320,076</b>

As at 31 December 2015	On demand €'000	Within 3 Months €'000	3 months to 1 year €'000	1-5 years €'000	Over 5 years €'000	Total €'000
<i>Off balance sheet:</i>						
Guarantees and letters of credit	137,117	-	-	-	-	137,117
Other contingent liabilities	101,547	-	-	-	-	101,547
Commitments	1,259,039	44,000	34,667	-	-	1,337,706
<b>Total cash outflows</b>	<b>1,497,703</b>	<b>44,000</b>	<b>34,667</b>	-	-	<b>1,576,370</b>

#### (d) Operational risk

Operational risk, which is inherent in all business activities, is the potential for financial and reputational loss arising from failures in internal controls, operational processes or the systems that support them. The Bank manages this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements, including taking into account cyber security considerations.

#### (e) Fair value

Fair value refers to the price that would be received to sell an asset or the price that would be paid to transfer a liability in an arm's length transaction with a willing counterparty, which may be an observable market price or, where there is no quoted price for the instrument, may be an estimated based on available market data.

IFRS 13 Fair Value Measurement requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below:

##### **Quoted market prices – Level 1**

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

##### **Valuation technique using observable inputs – Level 2**

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

##### **Valuation technique using significant unobservable inputs – Level 3**

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

The following tables show the Bank's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and balance sheet classification:

As at 31 December 2016	Quoted Market prices (Level 1) €'000	Observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000	Total €'000
<b>Assets</b>				
Derivative financial instruments	-	9,907	-	9,907
<b>Total assets</b>	-	<b>9,907</b>	-	<b>9,907</b>
<b>Liabilities</b>				
Derivative financial instruments	-	9,826	-	9,826
<b>Total liabilities</b>	-	<b>9,826</b>	-	<b>9,826</b>

As at 31 December 2015	Quoted Market prices (Level 1) €'000	Observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000	Total €'000
<b>Assets</b>				
Derivative financial instruments	-	20,468	-	20,468
<b>Total assets</b>	-	<b>20,468</b>	-	<b>20,468</b>
<b>Liabilities</b>				
Derivative financial instruments	-	20,330	-	20,330
<b>Total liabilities</b>	-	<b>20,330</b>	-	<b>20,330</b>

### Derivative financial instruments

These are FX forward contracts linked to the foreign exchange (FX) market. The vast majority are traded as OTC derivatives and observable inputs to valuation are FX forward rates.

The following tables summarises the fair value of financial assets and liabilities measured at amortised cost on the Bank's balance sheet:

As at 31 December 2016	Carrying value €'000	Fair Value €'000	Quoted Market prices (Level 1) €'000	Observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000
<b>Assets</b>					
Cash and balances at central bank	523,792	523,792	-	523,792	-
Loans and advances to banks	835,684	835,684	-	835,684	-
Loans and advances to customers	1,499,445	1,481,452	-	-	1,481,452
Current income tax assets	390	390	-	390	-
Other assets	633,799	633,799	-	633,799	-
<b>Total assets</b>	<b>3,493,110</b>	<b>3,475,117</b>	-	<b>1,993,665</b>	<b>1,481,452</b>
<b>Liabilities</b>					
Deposits from banks	56,390	56,390	-	56,390	-
Deposits from customers	2,383,087	2,383,087	-	2,383,087	-
Other liabilities	637,503	637,503	-	637,503	-
Subordinated debt	50,056	50,056	-	50,056	-
<b>Total liabilities</b>	<b>3,127,036</b>	<b>3,127,036</b>	-	<b>3,127,036</b>	-

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015	Carrying value €'000	Fair Value €'000	Quoted Market prices (Level 1) €'000	Observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000
<b>Assets</b>					
Cash and balances at central bank	520,746	520,746	-	520,746	-
Loans and advances to banks	1,013,334	1,013,334	-	1,013,334	-
Loans and advances to customers	980,012	962,176	-	-	962,176
Other assets	31,002	31,002	-	31,002	-
<b>Total assets</b>	<b>2,545,094</b>	<b>2,527,258</b>	<b>-</b>	<b>1,565,082</b>	<b>962,176</b>
<b>Liabilities</b>					
Deposits from banks	76,231	76,231	-	76,231	-
Deposits from customers	2,046,786	2,046,786	-	2,046,786	-
Current income tax liabilities	649	649	-	649	-
Other liabilities	32,528	32,528	-	32,528	-
Subordinated debt	50,060	50,060	-	50,060	-
<b>Total liabilities</b>	<b>2,206,254</b>	<b>2,206,254</b>	<b>-</b>	<b>2,206,254</b>	<b>-</b>

The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are available, it may not be appropriate to directly compare this fair value information to independent market or other financial institutions. Different valuation methodologies and assumptions can have a significant impact on fair values which are based on unobservable inputs.

### Loans and advances to banks

The fair value of loans and advances, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Where market data or credit information on the underlying borrowers is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rates. There is minimal difference between the fair value and carrying amount due to the short term nature of the lending (i.e. predominantly overnight deposits) and the high credit quality of counterparties.

### Loans and advances to customers

The fair value of loans and advances to customers, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. The fair value of corporate loans is calculated by the use of discounted cash flow techniques where the gross loan values are discounted at a rate of difference between contractual margins and hurdle rates or spreads where Barclays charges a margin over LIBOR depending on credit quality and loss given default and years to maturity.

### Deposits from banks and customers

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently such as customer accounts and other deposits and short term debt securities. The fair value for deposits with longer term maturities such as time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently the fair value discount is minimal.

### Subordinated liabilities

Fair values for dated and undated convertible and non-convertible loan capital are based on quoted market rates for the issues with similar terms and conditions.

# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Related party disclosures

The holding company of the Bank is Barclays Bank PLC, which holds 100% of the issued ordinary shares of the Bank. The ultimate holding company of the Bank is Barclays PLC.

#### Related party transactions

##### *Barclays Group*

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one party controls both. The definition includes the holding and ultimate holding company and fellow subsidiaries, associates, joint ventures and pension schemes of the Barclays Group.

The Bank has a small number of large exposures which are in excess of 25% of its capital base relevant for limits to large exposures as detailed in Regulation (EU) No. 575/2013 ('The Capital Requirements Regulation'). On 31st July 2012 Barclays Bank PLC provided an irrevocable and unconditional pari-passu guarantee amount of €75 million to cover any excesses above the 25% limit. The guarantee remains in place and Barclays Bank PLC has provided a number of amended and restated guarantees to provide further credit risk mitigation for new and increased loan facilities. As at 31 December 2015 the guarantee limit was €270 million. This was further increased to €430 million on 18 February 2016.

Barclays Bank PLC provided an additional parental guarantee for GBP€1.6 billion on 1 January 2015 specifically to cover the receivable arising from its merchant acquiring business to ensure compliance with large exposures rules at all times.

Amounts included in the financial statements, in aggregate, by category of related party are as follows:

	Parent company €'000	Other group companies €'000	Defined benefit scheme €'000	Total €'000
<b>For the financial year ended and as at 31 December 2016</b>				
Net interest income	(2,106)	(76)	-	(2,182)
Fee, commission & other income	7,203	180	-	7,383
General and administrative expenses	(2,480)	-	(80)	(2,560)
Provisions	-	-	(3,387)	(3,387)
Other Expense	-	-	(261)	(261)
Loans and advances to banks	742,362	-	2,000	744,362
Derivative financial instruments	8,414	-	-	8,414
Other assets	99,993	85	-	100,078
Deposits by banks	(24,366)	-	-	(24,366)
Deposits by customers	-	(36,870)	(1,314)	(38,184)
Derivative financial instruments	(1,609)	-	-	(1,609)
Retirement benefit obligations	-	-	(12,071)	(12,071)
Provisions	-	-	(3,387)	(3,387)
Other liabilities	(632,780)	-	-	(632,780)
Subordinated debt	(50,056)	-	-	(50,056)



# BARCLAYS BANK IRELAND PLC

## NOTES TO THE FINANCIAL STATEMENTS

	Parent company €'000	Other group companies €'000	Defined benefit scheme €'000	Total €'000
<b>For the financial year ended and as at 31 December 2015</b>				
Net interest income	5,534	(98)	-	<b>5,436</b>
Fee, commission & other income	6,060	124	-	<b>6,184</b>
General and administrative expenses	(2,725)	-	(77)	<b>(2,802)</b>
Other Expense	-	-	(255)	<b>(255)</b>
Loans and advances to banks	907,457	-	1,500	<b>908,957</b>
Derivative financial instruments	18,910	-	-	<b>18,910</b>
Other assets	1,387	87	-	<b>1,474</b>
Deposits by banks	(17,957)	-	-	<b>(17,957)</b>
Deposits by customers	-	(48,833)	(1,085)	<b>(49,918)</b>
Derivative financial instruments	(1,656)	-	-	<b>(1,656)</b>
Retirement benefit obligations	-	-	(11,362)	<b>(11,362)</b>
Other liabilities	(27,028)	-	-	<b>(27,028)</b>
Subordinated debt	(50,060)	-	-	<b>(50,060)</b>

### Key Management Personnel

The Bank's Key Management Personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank (directly or indirectly) and comprise the Directors of the Bank and certain direct reports of the Chief Executive.

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Short-term employee benefits	1,791	1,481
Post-employment benefits	116	87
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-

There were no loans, deposits or commitments with Key Management Personnel during the financial year ended or as at 31 December 2016 (financial year ended or as at 31 December 2015: none).

### Directors' remuneration

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Directors remuneration		
- For services as directors	-	-
- For other services	1,171	871
Gain on exercise of share options during the financial year	-	-
Benefits under long-term incentive schemes	-	-
Contributions to retirement benefits schemes:		
- Defined contribution	69	40
- Defined benefit	-	-
Compensation for loss of office paid by the Bank and other termination payments	-	-
Fees paid to non-executive directors	170	157

As at 31 December 2016, there were no Directors accruing benefits under a defined benefit scheme (2015: €nil).

# **BARCLAYS BANK IRELAND PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **31. Post balance sheet events**

There have been no significant events affecting the Bank since the year end.

### **32. Approval of financial statements**

The Board of Directors approved the financial statements on 23 March 2017.