

# **Barclays Bank Ireland PLC Annual Report**

31 December 2019



## Contents

Page

---

Key performance highlights 2

Directors' report 3

### Risk review

Risk review contents 8

Risk management strategy 9

Material existing and emerging risks 12

Principal risk management and performance 21

Supervision and regulation 59

### Financial statements

Financial statements contents 62

Independent Auditor's report 63

Financial statements 69

Accounting policies 74

Notes to the financial statements 78

Abbreviations 130

## Key performance highlights

	2019	2018
Income Statement:		
Income (€m)	728	85
Profit before tax (€m)	76	25
No. of employees at 31 Dec (full time equivalent)	1,563	912
Balance Sheet:		
Liquidity pool (€bn)	14.9	6.1
Customer loans (€bn)	13.0	4.9
Derivative assets (€bn)	27.3	-
Total assets (€bn)	69.0	12.6
Credit quality:		
% of customer loans impaired (%)	3.8%	3.7%
ECL coverage on impaired loans (%)	40%	64%
Capital:		
Risk weighted assets (€bn)	17.9	6.0
Common equity tier 1 ('CET1') (transitional) (€bn)	2.6	1.0
CET1 (transitional) (%)	14.4%	15.9%

# Directors' report

## DIRECTORS' REPORT

The Directors present the annual report and audited financial statements for the financial year ended 31 December 2019.

### OVERVIEW

Barclays Bank Ireland PLC (the 'Bank' / 'BBI') is a wholly owned subsidiary of Barclays Bank PLC ('BB PLC'). BB PLC is a wholly owned subsidiary of Barclays PLC ('B PLC'). The consolidation of B PLC and its subsidiaries is referred to as the Barclays Group.

The Bank is licensed as a credit institution by the Central Bank of Ireland ('CBI') and is designated as a significant institution, directly supervised by the Single Supervisory Mechanism ('SSM') of the European Central Bank ('ECB'). The Bank is regulated by the CBI for financial conduct and the Bank's branches are also subject to direct supervision for local conduct purposes by national supervisory authorities in the jurisdictions where they are established.

### PRINCIPAL ACTIVITIES

The Bank's activities and business have expanded since December 2018 as part of the Barclays Group's preparations for the impact of the United Kingdom's ('UK') exit from the European Union ('EU') and the Barclays Group's plans for the Bank to become the primary legal entity within the Barclays Group serving its European clients. As part of such expansion plans, the Bank received confirmation of its extended banking licence from the CBI in October 2018 and has obtained all other regulatory licences and authorisations otherwise necessary to be able to conduct its activities across the European Economic Area ('EEA').

The expansion of the Bank's activities commenced in December 2018 with the transfer of BBPLC's German branch to the Bank. BBPLC subsequently migrated all of its European branches in France, Italy, Portugal, Spain, Sweden and the Netherlands to the Bank during the first quarter of 2019. The migration of the branches detailed above included the transfer of the Barclaycard Germany credit card and personal loan business, an Italian mortgage portfolio (which is being allowed to naturally run-off) and all EEA deposits booked in the transferred branches.

In November 2019, the Bank's Luxembourg branch obtained a licence to conduct regulated activities and in February 2020, the Bank's Belgium branch (which was registered in May 2019) obtained a licence to conduct regulated activities.

BB PLC and the Bank separately received approval from the High Court of England and Wales on 29 January 2019 to transfer certain Banking and Markets, Corporate and Private Banking business (including related contracts, assets, liabilities and other positions) to the Bank under Part VII of the UK Financial Services and Markets Act 2000 (the "Part VII"). The Part VII enabled the transfer and/or duplication of certain legal relationships and contracts that were in place with the clients of BB PLC and Barclays Capital Securities Limited ('BCSL') (another subsidiary of BB PLC) to the Bank without the need for new documentation to be signed. The effective window under the Part VII to effect the transfer of client positions or business or duplication of contracts ended on 26 July 2019 and, accordingly, no further transfers to the Bank will be undertaken under the Part VII.

Additional contracts, positions, assets and liabilities have also separately been transferred to the Bank from BB PLC by bilateral agreement with individual clients during the course of 2019. This has resulted in significant numbers of clients of the Corporate and Investment Banking and Private Banking businesses moving their activity to the Bank during 2019.

### BUSINESS SEGMENTS

The Bank has two business segments:

- Corporate and Investment Bank ('CIB') which includes the Barclays Group's EU Corporate business and the Investment Bank; and
- Consumer, Cards and Payments ('CC&P') which includes Barclaycard Germany and the Barclays Group's EU Private Banking business.

Our CIB provides funding, financing, cash management, advisory and risk management products and services. We work with European money managers, financial institutions, governments and corporate clients to help them innovate and grow.

Our CC&P business offers consumer credit cards and loans in Germany, whilst our Private Bank provides a diverse range of personal and institutional wealth management products and services, including investments, credit and cash management solutions to European clients.

The Bank's Italian mortgage portfolio is held within Head Office.

### BUSINESS REVIEW

The Bank's profit before tax for the financial year ended 31 December 2019 increased by 204% on the prior year to €76 million. Profit growth from business activities, including the addition of the European business from BB PLC during 2019, was partly offset by an increase in costs related to expansion in activities. The impact of the transfer of business activities from BB PLC and BCSL during 2019 is disclosed in Note 1 to the financial statements.

The Bank's profit after tax for the year ended 31 December 2019 was €19 million (2018: €20 million). The increase in profit before tax was offset by a higher effective tax rate.

Customer deposits increased by 186% in 2019 to €18,272 million and customer loans and advances increased by 166% to €13,024 million, resulting in the loan to deposit ratio reducing from 77% in 2018 to 71% as at 31 December 2019. The ratio of 71% reflects a position where the Bank was more than able to fund customer loans from customer deposits.

## Directors' report

The Bank forecasts its liquidity position on a daily basis as the balance sheet asset and liability maturity profile changes. The Bank has sufficient buffers over the required minimum levels of daily liquidity necessary to meet its regulatory liquidity requirements and its own risk appetite. In addition, the Bank has a contingency funding plan in place.

The Bank's Common equity tier 1 ('CET1') ratio (transitional basis) was 14.4% as at 31 December 2019 (2018: 15.9%). The movement in the year was due primarily to an increase in the level of risk weighted assets attributed to the transfer of the European business, partly offset by Tier 1 capital issuance. The Bank's total capital ratio (transitional basis) was 20.8% as at 31 December 2019 (2018: 21.2%). The Bank's capital continues to be managed on an ongoing basis to ensure there are sufficient capital resources to support the expanding balance sheet.

The Bank held a liquidity pool of €14,873 million as at 31 December 2019 (2018: €6,129 million). This comprised of balances with central banks €12,452 million (2018: €6,129 million) and reverse repurchase agreements entered into for liquidity purposes of €2,421 million (2018: €nil), both of which met the requirements for classification as High Quality Liquidity Assets ('HQLA'). Balances with central banks earned a negative interest rates given the current low interest rate environment.

The Bank is the principal employer in a defined benefit pension plan in Ireland that was closed to future accrual in May 2013 and has additional pension liabilities relating to the Bank's operations in Germany, Portugal and France. As at 31 December 2019, the Bank's retirement benefit obligations on the plans was a net liability of €52 million, being the present value of the plan liabilities less the fair value of the plan assets (31 December 2018: net liability of €35 million).

### RESULTS AND DIVIDENDS

The Bank's profit after tax for the financial year ended 31 December 2019 was €19 million (2018: €20 million). No interim dividend was paid on the Bank's ordinary shares in 2019 (2018: €nil) and the Directors do not propose to make a final dividend payment on the Bank's ordinary shares for the financial year ended 31 December 2019 (2018: €nil).

### SHARE CAPITAL

At 31 December 2019, the Bank had 898,668,534 ordinary shares of €1.00 each in issue. Further details on the Bank's capital is set out in Note 28 to the financial statements.

### POST BALANCE SHEET EVENTS

The UK left the EU on 31 January 2020 and entered a transition period until 31 December 2020.

The Bank is monitoring the potential downside risk associated with both the direct and indirect impact of the COVID-19 outbreak.

### FUTURE DEVELOPMENTS

The Bank continues to monitor ongoing developments on Brexit and related impacts on the future plans and risk profile of the Bank. Client and business migrations, together with the transfer of future contracts, positions, assets and liabilities, to the Bank are expected to continue during (and after) the UK's Brexit transition period. The Bank separately continues to build-out its operational and booking systems to support the full scope of its future activities across the EU and EEA.

### BRANCHES OUTSIDE THE STATE

At 31 December 2019, in addition to its Irish head office, the Bank had branches in France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain, and Sweden. On 17 February 2020, the Bank's Belgium branch obtained a licence to conduct regulated activity.

### RESEARCH AND DEVELOPMENT

In the ordinary course of business, the Bank develops new products and services in each of its business segments.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Bank is exposed to internal and external risks as part of its ongoing activities. These risks include (among other things) credit risk, market risk, liquidity risk, operational risk and conduct risk. For a description of the Bank's Enterprise Risk Management Framework, the risks faced by the Bank and the managements of those risks, please see the Risk Review on pages 8 to 61.

The Bank has fully assessed the impact of the expansion of its activities on its risk profile.

### NON-FINANCIAL INFORMATION

The Bank is part of the Barclays Group which uses a variety of quantitative and qualitative measures to track and assess strategic delivery. The Barclays Group maintains a robust internal and external assurance process for its key metrics, ensuring that it has strong controls and clear data management in place.

## Directors' report

The Bank has addressed the non-financial reporting requirements contained in the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 through the disclosure contained in the B PLC 2019 annual report on pages 39 to 40.

### ENVIRONMENT

The Barclays Group focuses on addressing environmental issues where it believes it has the greatest potential to make a difference. The Barclays Group focuses on managing its own carbon footprint and reducing its absolute carbon emissions, developing products and services to help enable the transition to a low-carbon economy, and managing the risks of climate change to its operations, clients, customers and society at large.

The Barclays Group invests in improving the energy efficiency of its operations and offsets the emissions remaining through the purchase of carbon credits. It also has a long-standing commitment to managing the environmental and social risks associated with its lending practices, which is embedded into its risk processes. A governance structure is in place to facilitate clear dialogue across the business and with suppliers around issues of potential environmental and social risk.

Disclosure of global greenhouse gas emissions is done at a Barclays Group level with information available in the B PLC 2019 annual report with fuller disclosure available at [www.barclays.com/citizenship](http://www.barclays.com/citizenship)

### DIRECTORS

The names of persons who were Directors at any time during the financial year ended 31 December 2019, or who have been appointed since that date, are set out below.

Current Directors	Appointed	Nationality	Position
Helen Keelan <sup>(2), (4), (5), (6)</sup>		Irish	Chair and Board Nominations Committee Chair
Etienne Boris <sup>(2), (3), (4), (5)</sup>		French	Board Audit Committee Chair
Thomas Huertas <sup>(2), (3), (4), (6)</sup>		American	Board Risk Committee Chair
Eoin O'Driscoll <sup>(2), (3), (5), (6)</sup>		Irish	Board Remuneration Committee Chair
Jennifer Allerton <sup>(2), (7)</sup>	09 December 2019	British	
Andrew Dickens <sup>(1), (3), (4), (8)</sup>	09 January 2019	South African	
David Farrow <sup>(1), (3), (4), (9)</sup>		British	
Keith Smithson		Irish	Chief Financial Officer
Kevin Wall		British	Chief Executive Officer

(1): Group non-executive Director

(2): Independent non-executive Director

(3): Member of the Board Audit Committee

(4): Member of the Board Risk Committee

(5): Member of the Board Nominations Committee

(6): Member of the Board Remuneration Committee

(7): Appointed to the Board Audit, Remuneration and Nomination Committees on 29 January 2020

(8): Retired from the Board Audit Committee on 29 January 2020

(9): Retired from the Board Risk Committee on 29 January 2020

### COMPANY SECRETARY

Paul McCullagh

### COMPANY NUMBER

396330

### AUDIT COMMITTEE

The Bank's Board Audit Committee ('BAC') is comprised of a majority of independent non-executive Directors, is a Committee of the Board of Directors (the 'Board') and assists the Board in fulfilling its responsibilities relating to:

- the integrity of the Bank's accounting policies and contents of its financial statements;
- the effectiveness of the Bank's internal controls;
- the effectiveness of the internal and external audit functions and processes; and
- the performance and independence of the external auditors.

### RISK COMMITTEE

The Bank's Board Risk Committee ('BRC') is comprised of a majority of independent non-executive Directors, is a Committee of the Board and assists the Board in fulfilling its responsibilities relating to:

- the risk profile of the Bank; the Risk appetite and risk tolerance for financial and non-financial risks bearing in mind the current financial situation of the Bank and the present and future strategy;
- management of the principal risks to ensure that they are in line with the Bank's business strategy, objectives, corporate culture and values; and

## Directors' report

- implementation of strategies for capital and liquidity management as well as for all relevant risks, such as market, credit, operational (including legal and IT risks) and reputational risks, in order to assess their adequacy against the approved risk appetite and strategy.

### NOMINATIONS COMMITTEE

The Bank's Board Nomination Committee is comprised solely of independent non-executive Directors, is a Committee of the Board and assists the Board in fulfilling its responsibilities relating to:

- identifying individuals who are best able to discharge the duties and responsibilities of Directors, Pre-Controlled Function Holders and Key Function Holders for the Bank in line with legal and regulatory requirements;
- the composition, appointments, succession and effectiveness of the Board, ensuring that both appointments and succession policies are based on suitability, merit and objective criteria including diversity of gender, age and social and ethnic background; and
- the adoption of appropriate internal policies on the assessment of the suitability of Directors, members of the Executive Committee and other key personnel subject to regulatory approval.

### REMUNERATION COMMITTEE

The Bank's Board Remuneration Committee was established on 13 March 2019. The Remuneration Committee is a Committee of the Board and is comprised solely of independent non-executive Directors. It assists the Board in fulfilling its responsibilities relating to:

- the over-arching principles and parameters of the remuneration policy for the Bank;
- the incentive pool for the Bank and the remuneration of key executives and other specified individuals as determined by the Committee; and
- oversight of remuneration issues within the Bank and of matters that more generally concern people and culture.

### DIRECTORS' AND COMPANY SECRETARY'S INTERESTS

Save as provided below, none of the Directors or Company Secretary had any interests in ordinary shares, debentures or other debt securities of any member of the Barclays Group during the year ended 31 December 2019.

During the year ended 31 December 2019, certain of the Directors and the Company Secretary had interests in the ordinary shares of the Bank's ultimate parent company, B PLC. At no point during the year ended 31 December 2019 did this interest exceed 1% of B PLC's ordinary share capital.

### CODE OF CORPORATE GOVERNANCE

The Bank is subject to the CBI's Corporate Governance Requirements for Credit Institutions 2015 ('Requirements'). A statement of compliance with these Requirements is prepared and signed annually by the Board and is submitted to the CBI alongside the annual report and financial statements.

### POLITICAL DONATIONS

The Directors have satisfied themselves that there were no political contributions that require disclosure under the Electoral Acts, 1992 to 2014.

### ACCOUNTING RECORDS

The measures taken by the Directors to secure compliance with the Bank's obligation to keep adequate accounting records are the appointment of professionally qualified accounting personnel with appropriate expertise, ensuring the provision of adequate resources to the Bank's finance function and the use of appropriate systems. The Bank's accounting records are kept at its registered office at 1 Molesworth Street, Dublin 2, Ireland.

### GOING CONCERN

In preparing the Bank's financial statements, the Directors are required to:

- assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting, unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Bank's business activities, financial position, capital, factors likely to affect its future development and performance and its objectives and policies in managing the financial risks to which it is exposed are discussed in the Directors' report and risk management sections.

The Directors have evaluated these risks in the preparation of the financial statements and consider it appropriate to prepare the financial statements on a going concern basis.

### AUDITORS

KPMG, Chartered Accountants, were first appointed Statutory Auditor on 24 April 2017 and, pursuant to section 383(2) of the Companies Act 2014, will continue in office.



# Directors' report

## 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.

## 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, and subject to, applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the Bank's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Bank for that year. In preparing the 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 applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Bank and which enable them to ensure that the financial statements of the Bank comply with the provisions of the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking all reasonable steps to ensure such records are kept which enable them to ensure that the financial statements of the Bank comply with the provisions of the Companies Act 2014.

They are also responsible for safeguarding the assets of the Bank, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in respect of the Bank which is on the Barclays Group website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' COMPLIANCE STATEMENT

The Directors acknowledge that they are responsible for securing the Bank's compliance with its relevant obligations under the Companies Act 2014.

The Directors confirm that:

- A compliance policy statement setting out the Bank's policies, that in our opinion are appropriate to the Bank, respecting compliance by the Bank with its relevant obligations has been drawn up;
- Appropriate arrangements or structures that are designed to secure material compliance with the Bank's relevant obligations have been put in place; and
- A review of these arrangements and structures has been conducted during the financial year ended 31 December 2019.

On behalf of the Board



**Helen Keelan**  
Chair



**Kevin Wall**  
Chief Executive Officer



**Keith Smithson**  
Chief Financial Officer

11 March 2020

# Risk review

## Contents

		Page
<b>Risk management strategy</b>	▪ Enterprise Risk Management Framework	9
	▪ Segregation of duties – the “Three Lines of Defence” model	9
	▪ Principal risks	9
	▪ Risk appetite for the principal risks	11
	▪ Risk committees	11
	▪ Risk culture	12
<b>Material existing and emerging risks</b>	▪ Material existing and emerging risks potentially impacting more than one principal risk	13
	▪ Credit risk	15
	▪ Market risk	16
	▪ Treasury and capital risk	16
	▪ Operational risk	17
	▪ Model risk	18
	▪ Conduct risk	19
	▪ Reputation risk	19
	▪ Legal risk and legal, competition and regulatory matters	20
<b>Key principal risk management and performance</b>	▪ Credit risk	21
	▪ Market risk	47
	▪ Treasury and capital risk	50
<b>Supervision and regulation</b>	▪ Supervision of the Bank	58
	▪ Supervision in the EU	58
	▪ Brexit	58
	▪ Financial regulatory framework	58

# Risk review

## Risk Management strategy

### RISK MANAGEMENT STRATEGY

This section introduces the Bank's approach to managing and identifying risks, and for fostering a strong risk culture.

#### Enterprise Risk Management Framework ('ERMF')

The ERMF sets the strategic direction for risk management by defining standards, objectives and responsibilities for all areas of the Bank. It supports senior management in effective risk management and in developing a strong risk culture. The Bank's ERMF is adapted from and consistent with the Barclays Group ERMF as approved by the B PLC Board on the recommendation of the Barclays Chief Risk Officer.

The ERMF sets out:

- Segregation of duties: The ERMF defines a "Three Lines of Defence" model.
- Principal risks faced by the Bank. This list guides the organisation of the risk management function, and the identification, management and reporting of risks.
- Risk appetite requirements: This helps define the level of risk we are willing to undertake in our business.
- Roles and responsibilities for risk management: The ERMF sets out the accountabilities of the Bank's CEO and other senior managers, as well as the Bank's committees.

The ERMF is complemented by Frameworks, Policies and Standards, which are mainly aligned to individual Principal Risks:

- Frameworks cover the management processes for a collection of related activities and define the associated policies used to govern them.
- Policies set out principles and other core requirements for the activities of the firm. Policies describe "what" must be done.
- Standards set out the key control objectives that describe how the requirements set out in the Policy are met, and who needs to carry them out. Standards describe "how" controls should be undertaken.

#### Segregation of duties - the "Three Lines of Defence" model

The ERMF sets out a clear lines of defence model. All colleagues are responsible for understanding and managing risks within the context of their individual roles and responsibilities, as set out below:

- First line comprises all employees engaged in the revenue generating and client facing areas of the firm and all associated support functions, including Finance, Treasury, and Human Resources. The first line is responsible for identifying and managing the risks they generate, establishing a control framework, and escalating risk events to Risk and Compliance.
- Second line is comprised of the Risk and Compliance functions. The role of the second line is to establish the limits, rules and constraints under which first line activities shall be performed, consistent with the risk appetite of the firm, and to monitor the performance of the first line against these limits and constraints. Note that limits for a number of first line activities related to Operational Risk will be set by the first line and overseen by the Chief Controls Office. These will remain subject to supervision by the second line.
- Third line of defence is Internal Audit, who are responsible for providing independent assurance over the effectiveness of governance, risk management and control over current, systemic and evolving risks.
- The Legal function provides support to all areas of the Bank and is not formally part of any of the three lines. However, it is subject to second line oversight.

#### Principal risks

The ERMF identifies eight principal risks (see table on page 10 of this report) and sets out associated responsibilities and risk management standards.

Each of the principal risks is overseen by an accountable executive within the Bank who is responsible for the framework, policies and standards that detail the related requirements. Risk reports to executive and Board committees are clearly organised by principal risk.

Accountable executives, their delegates and teams frequently collaborate to address issues and drive initiatives that span more than one principal risk.

# Risk review

## Risk Management

### Risk management strategy

<b>Principal Risks are overseen by a dedicated Second Line function</b>		<b>How risks are managed</b>
<i>Risks are classified into Principal Risks, as below</i>		
<b>Financial Principal Risks</b>	<p><b>Credit Risk</b>    <i>The risk of loss to the Bank from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the Bank, including the whole and timely payment of principal, interest, collateral and other receivables.</i></p>	<i>Credit risk teams identify, evaluate, sanction, limit and monitor various forms of credit exposure, individually and in aggregate.</i>
	<p><b>Market Risk</b>    <i>The risk of loss arising from potential adverse changes in the value of the Bank's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.</i></p>	<i>A range of complementary approaches to identify and evaluate market risk are used to capture exposure to market risk. These are measured, limited and monitored by market risk specialists.</i>
	<p><b>Treasury and Capital Risk</b>    <i>Liquidity risk:</i> <i>The risk that the Bank is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.</i></p> <p><i>Capital risk:</i> <i>The risk that the Bank has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the Bank's pension plans.</i></p> <p><i>Interest rate risk in the Banking Book:</i> <i>The risk that the Bank is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.</i></p>	<i>Treasury and capital risk is identified and managed by specialists in Capital Planning, Liquidity, Asset and Liability Management and Market Risk. A range of approaches are used appropriate to the risk, such as limits; plan monitoring; and stress testing.</i>
	<p><b>Operational Risk</b>    <i>The risk of loss to the Bank from inadequate or failed processes or systems, human factors or due to external events (e.g. fraud or cyber risk) where the root cause is not due to credit or market risks.</i></p>	<i>The Bank assesses and manages its operational risk and control environment across its businesses and functions with a view to maintaining an acceptable level of residual risk.</i>
<b>Non-Financial Principal Risks</b>	<p><b>Model Risk</b>    <i>The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.</i></p>	<i>Models are evaluated for approval prior to implementation, and on an ongoing basis.</i>
	<p><b>Reputation Risk</b>    <i>The risk that an action, transaction, investment or event will reduce trust in the Bank's integrity and competence by clients, counterparties, investors, regulators, employees or the public.</i></p>	<i>Reputation risk is managed by maintaining a controlled culture within the Bank, with the objective of acting with integrity, enabling strong and trusted relationships to be built with customers and clients, colleagues and broader society.</i>
	<p><b>Conduct Risk</b>    <i>The risk of detriment to customers, clients, market integrity, competition or the Bank from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.</i></p>	<i>The Compliance function sets the minimum standards required, and provide oversight to monitor that these risks are effectively managed and escalated where appropriate.</i>
	<p><b>Legal Risk</b>    <i>The risk of loss or imposition of penalties, damages or fines from the failure of the Bank to meet its legal obligations, including regulatory or contractual requirements.</i></p>	<i>The Legal function supports colleagues in identifying and limiting legal risks.</i>

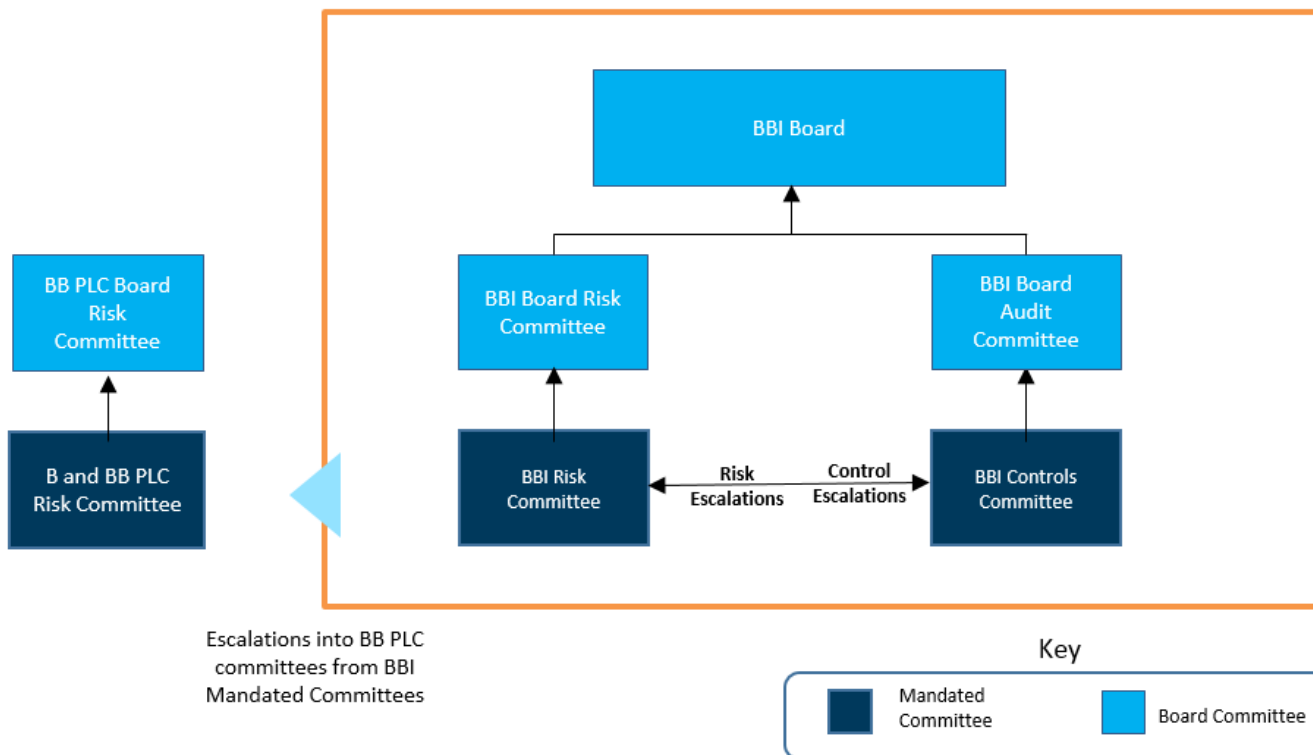
# Risk review

## Risk Management strategy

### Risk appetite for the principal risks

Risk appetite refers to the maximum loss under stress that the Bank is willing to incur by assuming principal risks. The Bank's Board sets the risk appetite for the Bank.

The Bank's risk appetite must also be within any limits set by its ultimate parent, Barclays plc.



### Risk Committees

The Bank's Product/Risk Type Committees consider risk matters relevant to their business, and escalate as required to the Bank's Board Committees and the Bank's Board.

There are two Board-level committees which oversee the application of the ERMF and review and monitor risk across the Bank. These are the Bank's Board Risk Committee ('BRC') and the Bank's Board Audit Committee ('BAC'). Additionally, the Bank's Board Remuneration Committee oversees pay practices focusing on aligning pay to sustainable performance in line with Group Policies, which BBI have formally adopted. Finally, the Bank's Board receives regular information on the Bank's risk profile, and has ultimate responsibility for risk appetite and capital plans, within the parameters set by the Barclays PLC Board.

- **The Barclays Bank Ireland PLC Board:** One of the Board's responsibilities is the approval of risk appetite allocated to the Bank. Risk appetite is approved by the Barclays PLC Board and disseminated across legal entities, including BBI. The BBI Board is also responsible for the adoption of the ERMF.
- **The Barclays Bank Ireland PLC Board Risk Committee ('BRC'):** The BRC monitors the Bank's risk profile against the agreed appetite. Where actual performance differs from expectations, the actions taken by management are reviewed to ascertain that the BRC is comfortable with them. The Bank's Chief Risk Officer ('CRO') regularly presents a report to the BRC summarising developments in the risk environment and performance trends in the key portfolios. The BRC receives regular reports on risk methodologies, the effectiveness of the risk management framework, and the Bank's risk profile, including the material issues affecting each business portfolio and forward risk trends. The committee also commissions in-depth analyses of significant risk topics, which are presented by the Bank's CRO or senior risk managers in the businesses.

All members are non-executive Directors. The Chairman of the BRC also sits on the BAC.

- **The Barclays Bank Ireland PLC Board Audit Committee ('BAC'):** The BAC receives regular reports on the effectiveness of internal control systems, on material control issues of significance and on accounting judgements. All members are non-executive Directors. The Chairman of the BAC also sits on the BRC.
- **The Barclays Bank Ireland PLC Board Remuneration Committee (RemCo):** The RemCo receives a detailed report on risk management performance and risk profile, and proposals on ex-ante and ex-post risk adjustments to variable remuneration. These inputs are considered in the setting of performance incentives.

# Risk review

## Risk Management

### Risk management strategy

In addition, a small number of risk management forums, supported by reporting processes, include representation from Barclays Group risk management executives, as well as from the operating entities (including BBI) as appropriate. This is typically to consider matters that are relevant to the risk profile of the Barclays Group, and/or where it is appropriate to make decisions that apply uniformly across the Barclays Group (for instance, the Barclays Group Impairment Committee approves impairment results).

#### Role of Barclays Group Risk Management Processes and Forums in BBI

The Barclays Group Risk teams and Board Committees conduct risk management activity, and oversight, in respect of BBI:

- Barclays Group Board allocates a portion of the overall risk appetite to BBI;
- Certain Barclays Group Committees and executives review, and take decisions on, matters, events or transactions originating in BBI that are relevant to the risk profile of the Barclays Group
- Barclays Group-wide risk policies are owned by the Barclays Group Risk Function teams, and adopted by BBI. Entity-specific addenda are agreed with the Barclays Group where local regulations would otherwise preclude adoption, or to clarify or emphasise particular aspects.

#### Barclays' risk culture

Risk culture can be defined as the “norms, attitudes and behaviours related to risk awareness, risk taking and risk management”. This is reflected in how the Bank identifies, escalates and manages risk matters.

The Bank is committed to maintaining a robust risk culture in which:

- management expect, model and reward the right behaviours from a risk and control perspective;
- colleagues identify, manage and escalate risk and control matters, and meet their responsibilities around risk management.

Specifically, all employees regardless of their positions, functions or locations must play their part in the Bank's risk management. Employees are required to be familiar with risk management policies which are relevant to their responsibilities, know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the risk management process as defined by the ERMF.

#### Our Code of Conduct – the Barclays Way

Globally, all Barclays colleagues must attest to the “Barclays Way”, our Code of Conduct, and all frameworks, policies and standards applicable to their roles. The Code of Conduct outlines the purpose and values which govern our “Barclays Way” of working across our business globally. It constitutes a reference point covering the aspects of colleagues' working relationships, with other Barclays employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community.

# Risk review

## Material existing and emerging risks

### Material existing and emerging risks to the Bank's future performance

The Bank has identified a broad range of risks to which its businesses are exposed to. Material risks are those to which senior management pay particular attention and which could cause the delivery of the Bank's strategy, results of operations, financial condition and/or prospects to differ materially from expectations. Emerging risks are those which have unknown components, the impact of which could crystallise over a longer time period. In addition, certain other factors beyond the Bank's control, including escalation of terrorism or global conflicts, natural disasters, epidemic outbreaks and similar events, although not detailed below, could have a similar impact on the Bank.

#### Material existing and emerging risks potentially impacting more than one Principal Risk

##### i) Business conditions, general economy and geopolitical issues

The Bank's operations are subject to potentially unfavourable global and local economic and market conditions, as well as geopolitical developments, which may have a material effect on the Bank's business, results of operations, financial condition and prospects.

A deterioration in global or local economic and market conditions may lead to (amongst other things): (i) deteriorating business, consumer or investor confidence and lower levels of fixed asset investment and productivity growth, which in turn may lead to lower client activity, including lower demand for borrowing from creditworthy customers; (ii) higher default rates, delinquencies, write-offs and impairment charges as borrowers struggle with the burden of additional debt; (iii) subdued asset prices and payment patterns, including the value of any collateral held by the Bank; (iv) mark-to-market losses in trading portfolios resulting from changes in factors such as credit ratings, share prices and solvency of counterparties; and (v) revisions to calculated expected credit losses ('ECLs') leading to increases in impairment allowances. In addition, the Bank's ability to borrow from other financial institutions or raise funding from external investors may be affected by deteriorating economic conditions and market disruption.

Geopolitical events may lead to further financial instability and affect economic growth. In particular:

- The decision of the UK to leave the EU may give rise to further economic and political consequences, including for investment and market confidence in the UK and the remainder of the EU. See "(ii) Process of UK withdrawal from the EU" below for further details.
- Global GDP growth weakened in 2019, as elevated policy uncertainty weighed on manufacturing activity and investment. As a result, a number of central banks, most notably the Federal Reserve and the ECB, pursued monetary easing. Growth is expected to stabilise in 2020, but macroeconomic risks remain skewed to the downside and the direct and indirect impact of the COVID-19 outbreak remains uncertain, while concerns around the efficacy of existing policy tools to counter these risks persist. An escalation in geopolitical tensions, increased use of protectionist measures or a disorderly withdrawal by the UK from the EU may negatively impact the Bank's business in the affected regions.

##### ii) Process of UK withdrawal from the EU

The manner in which the UK withdraws from the EU will likely have a marked impact on general economic conditions in the UK and the EU. The UK's future relationship with the EU and its trading relationships with the rest of the world could take a number of years to resolve. This may lead to a prolonged period of uncertainty, unstable economic conditions and market volatility, including fluctuations in interest rates and foreign exchange rates.

Whilst the exact impact of the UK's withdrawal from the EU is unknown, the Bank continues to monitor the risks that may have a more immediate impact for its business, including, but not limited to:

- Market volatility, including in currencies and interest rates, might increase which could have an impact on the value of the Bank's trading book positions.
- Credit spreads could widen leading to reduced investor appetite for the Bank's debt securities. This could negatively impact the Bank's cost of and/or access to funding. In addition, market and interest rate volatility could affect the underlying value of assets in the banking book
- A credit rating agency downgrade applied directly to the Bank, or indirectly as a result of a credit rating agency downgrade to the Irish government, could significantly increase the Bank's cost of, and/or reduce its access to, funding, widen credit spreads and materially adversely affect the Bank's interest margins and liquidity position.
- The ability to attract, or prevent the departure of, qualified and skilled employees may be impacted by the UK's and the EU's future approach to the EU freedom of movement and immigration from the EU countries and this may impact the Bank's access to the UK talent pool.
- Changes to current EU 'Passporting' rights may require further adjustment to the current model for the Bank's cross-border banking operation which could increase operational complexity and/or costs for the Bank.
- A disorderly exit from the EU by the UK may put a strain on the capabilities of the Bank's trading systems and migration plans, increasing the risk of failure of those systems and potentially resulting in losses and reputational damage for the Bank.

##### iii) The impact of interest rate changes on the Bank's profitability

Any changes to interest rates are significant for the Bank, especially given the uncertainty as to the direction of interest rates and the pace at which interest rates may change, particularly in the Bank's main market of the EU.

A continued period of low interest rates and flat yield curves, including any further cuts, may affect and continue to put pressure on the Bank's net interest margins (the difference between its lending income and borrowing costs) and could adversely affect the Bank's profitability and prospects.

However, whilst interest rate rises could positively impact the Bank's profitability as corporate business income increases due to margin de-compression, further increases in interest rates, if larger or more frequent than expected, could lead to generally weaker than expected growth, reduced business confidence and higher unemployment, which in turn could cause stress in the Bank's lending portfolio and underwriting activity. Resultant higher credit losses driving an increased impairment charge could have a material effect on the Bank's business, results of operations, financial condition and prospects.

# Risk review

## Material existing and emerging risks

### iv) The competitive environments of the banking and financial services industry

The Bank's businesses are conducted in competitive environments, with increased competition scrutiny, and the Bank's financial performance depends upon the Bank's ability to respond effectively to competitive pressures, whether due to competitor behaviour, new entrants to the market, consumer demand, technological changes or otherwise.

This competitive environment, and the Bank's response to it, may have a material adverse effect on the Bank's ability to maintain existing or capture additional market share, business, results of operations, financial condition and prospects.

### v) Regulatory change agenda and impact on business model

The Bank remains subject to ongoing significant levels of regulatory change and scrutiny in many of the countries in which it operates. As a result, regulatory risk will remain a focus for senior management. Furthermore, a more intensive regulatory approach and enhanced requirements together with the potential lack of international regulatory co-ordination as enhanced supervisory standards are developed and implemented may adversely affect the Bank's business, capital and risk management strategies and/or may result in the Bank deciding to modify its legal entity, capital and funding structures and business mix, or to exit certain business activities altogether or not to expand in areas despite otherwise attractive potential.

There are several significant pieces of legislation and areas of focus which will require significant management attention, cost and resource, including:

- Changes in prudential requirements may impact minimum requirements for own funds and eligible liabilities ('MREL') (including requirements for internal MREL), leverage, liquidity or funding requirements, applicable buffers and/or add-ons to such minimum requirements and risk weighted assets calculation methodologies all as may be set by international, EU or national authorities. Such or similar changes to prudential requirements or additional supervisory and prudential expectations, either individually or in aggregate, may result in, among other things, a need for further management actions to meet the changed requirements, such as:
  - increasing capital, MREL or liquidity resources, reducing leverage and risk weighted assets;
  - restricting distributions on capital instruments;
  - changing the Bank's business mix or exiting other businesses; and/or
  - undertaking other actions to strengthen the Bank's position.
- The derivatives market has been the subject of particular focus for regulators in recent years across the G20 countries and beyond, with regulations introduced which require the reporting and clearing of standardised over the counter ('OTC') derivatives and the mandatory margining of non-cleared OTC derivatives. These regulations may increase costs for market participants, as well as reduce liquidity in the derivatives markets. More broadly, changes to the regulatory framework (in particular, the review of the second Markets in Financial Instruments Directive and the implementation of the Benchmarks Regulation) could entail significant costs for market participants and may have a significant impact on certain markets in which the Bank operates.
- The Barclays Group and certain of its members, including the Bank, are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the programmes of the Bank of England ('BoE'), the European Banking Authority ('EBA'), the Federal Deposit Insurance Corporation ('FDIC') and the Federal Reserve Board ('FRB'). Failure to meet the requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of the Barclays Group, could result in the Barclays Group or certain of its members, including the Bank, being required to enhance their capital position, limit capital distributions or position additional capital in specific subsidiaries.

For further details on the regulatory supervision of, and regulations applicable to, the Bank, see Supervision and regulation on pages 58 to 61.

### vi) The impact of climate change on the Bank's business

The risks associated with climate change are subject to rapidly increasing societal, regulatory and political focus, both in the EU and internationally. Embedding climate risk into the Bank's risk framework in line with regulatory expectations, and adapting the Bank's operations and business strategy to address both the financial risks resulting from: (i) the physical risk of climate change; and (ii) the risk from the transition to a low carbon economy, could have a significant impact on the Bank's business.

Physical risks from climate change arise from a number of factors and relate to specific weather events and longer-term shifts in the climate. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the economy is predicted to be more acute in the future. The potential impact on the economy includes, but is not limited to, lower GDP growth, higher unemployment and significant changes in asset prices and profitability of industries. Damage to the properties and operations of borrowers could impair asset values and the creditworthiness of customers leading to increased default rates, delinquencies, write-offs and impairment charges in the Bank's portfolios. In addition, the Bank's premises and resilience may also suffer physical damage due to weather events leading to increased costs for the Bank.

As the economy transitions to a low-carbon economy, financial institutions such as the Bank may face significant and rapid developments in stakeholder expectations, policy, law and regulation which could impact the lending activities the Bank, as well as the risks associated with its lending portfolios, and the value of the Bank's financial assets. As sentiment towards climate change shifts and societal preferences change, the Bank may face greater scrutiny of the type of business it conducts, adverse media coverage and reputational damage, which may in turn impact customer demand for the Bank's products, returns on certain business activities and the value of certain assets and trading positions resulting in impairment charges.

In addition, the impacts of physical and transition climate risks can lead to second order connected risks, which have the potential to affect the Bank's retail and wholesale portfolios. The impacts of climate change may increase losses for those sectors sensitive to the effects of physical and transition risks. Any subsequent increase in defaults and rising unemployment could create recessionary pressures, which may lead to wider deterioration in the creditworthiness of the Bank's clients, higher ECLs, and increased charge-offs and defaults among retail customers.



## Risk review

### Material existing and emerging risks

If the Bank does not adequately embed risks associated with climate change into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, it may have a material and adverse impact on the Bank's level of business growth, competitiveness, profitability, capital requirements, cost of funding, and financial condition.

#### vii) Impact of benchmark interest rate reforms on the Bank

For several years, global regulators and central banks have been driving international efforts to reform key benchmark interest rates and indices, such as the London Interbank Offered Rate ('LIBOR'), which are used to determine the amounts payable under a wide range of transactions and make them more reliable and robust. This has resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative "risk-free" reference rates and the proposed discontinuation of certain reference rates (including LIBOR), with further changes anticipated.

Uncertainty as to the nature of such potential changes, the availability and/or suitability of alternative "risk-free" reference rates and other reforms may adversely affect a broad range of transactions (including any securities, loans and derivatives which use LIBOR to determine the amount of interest payable that are included in the Bank's financial assets and liabilities) that use these reference rates and indices and introduce a number of risks for the Bank, including, but not limited to:

- **Conduct risk:** in undertaking actions to transition away from using certain reference rates (including LIBOR), the Bank faces conduct risks, which may lead to customer complaints, regulatory sanctions or reputational impact if the Bank is (i) considered to be undertaking market activities that are manipulative or create a false or misleading impression, (ii) misusing sensitive information or not identifying or appropriately managing or mitigating conflicts of interest, (iii) providing customers with inadequate advice, misleading information, unsuitable products or unacceptable service, (iv) not taking an appropriate or consistent response to remediation activity or customer complaints, (v) providing regulators with inaccurate regulatory reporting or (vi) colluding or inappropriately sharing information with competitors;
- **Financial risks:** the valuation of certain of the Bank's financial assets and liabilities may change. Moreover, transitioning to alternative "risk-free" reference rates may impact the Bank's ability to calculate and model amounts receivable by them on certain financial assets and determine the amounts payable on certain financial liabilities (such as debt securities issued by them) because currently alternative "risk-free" reference rates (such as the Sterling Overnight Index Average ('SONIA'), Euro Overnight Index Average ('EONIA') and the Secured Overnight Financing Rate ('SOFR') are look-back rates whereas term rates (such as LIBOR) allow borrowers to calculate at the start of any interest period exactly how much is payable at the end of such interest period. This may have a material adverse effect on the Bank's cashflows;
- **Pricing risk:** changes to existing reference rates and indices, discontinuation of any reference rate or indices and transition to alternative "risk-free" reference rates may impact the pricing mechanisms used by the Bank on certain transactions; and
- **Operational risk:** changes to existing reference rates and indices, discontinuation of any reference rate or index and transition to alternative "risk-free" reference rates may require changes to the Bank's IT systems, trade reporting infrastructure, operational processes and controls. In addition, if any reference rate or index (such as LIBOR) is no longer available to calculate amounts payable, the Bank may incur additional expenses in amending documentation for new and existing transactions and/or effecting the transition from the original reference rate or index to a new reference rate or index; and
- **Accounting risk:** an inability to apply hedge accounting in accordance with IFRS could lead to increased volatility in the Bank's financial results and performance.

Any of these factors may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

For further details on the impacts of benchmark interest rate reforms on the Bank, see Note 13.

#### Material existing and emerging risks impacting individual Principal Risks

##### i) Credit risk

Credit risk is the risk of loss to the Bank from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the Bank, including the whole and timely payment of principal, interest, collateral and other receivables.

##### a) Impairment

The introduction of the impairment requirements of IFRS 9 *Financial Instruments*, resulted in impairment loss allowances that are recognised earlier, on a more forward-looking basis and on a broader scope of financial instruments, and may continue to have, a material impact on the Bank's business, results of operations, financial condition and prospects.

Measurement involves complex judgement and impairment charges could be volatile, particularly under stressed conditions. Unsecured products with longer expected lives, such as credit cards, are the most impacted. Taking into account the transitional regime, the capital treatment on the increased reserves has the potential to adversely impact the Bank's regulatory capital ratios.

In addition, the move from incurred losses to ECLs has the potential to impact the Bank's performance under stressed economic conditions or regulatory stress tests. For more information, refer to Significant accounting policies on pages 74 to 77.

# Risk review

## Material existing and emerging risks

### b) Specific sectors and concentrations

The Bank is subject to risks arising from changes in credit quality and recovery rates of loans and advances due from borrowers and counterparties in any specific portfolio. Any deterioration in credit quality could lead to lower recoverability and higher impairment in a specific sector. The following are areas of uncertainties to the Bank's portfolio which could have a material impact on performance:

- **Consumer affordability** has remained a key area of focus for regulators, particularly in unsecured lending. Macroeconomic factors, such as rising unemployment, that impact a customer's ability to service unsecured debt payments could lead to increased arrears in unsecured products. The Bank is exposed to the adverse credit performance of unsecured products, particularly in Germany, through the Bank's Barclaycard Germany business.
- **Italian mortgage portfolio.** The Bank is exposed to a decline in the Italian economic environment through a mortgage portfolio in run-off and positions to wholesale customers. Growth in the Italian economy remained weak in 2019 and should the economy deteriorate further, there could be a material adverse effect on the Bank's results including, but not limited to, increased credit losses and higher impairment charges.

The Bank also has large individual exposures to single name counterparties, both in its lending activities and in its financial services and trading activities, including transactions in derivatives and transactions with brokers, central clearing houses, dealers, other banks, mutual and hedge funds and other institutional clients. The default of such counterparties could have a significant impact on the carrying value of these assets. In addition, where such counterparty risk has been mitigated by taking collateral, credit risk may remain high if the collateral held cannot be realised, or has to be liquidated at prices which are insufficient to recover the full amount of the loan or derivative exposure. Any such defaults could have a material adverse effect on the Bank's results due to, for example, increased credit losses and higher impairment charges.

For further details on the Bank's approach to credit risk, see credit risk management and performance on pages 21 to 46.

### ii) Market risk

Market risk is the risk of loss arising from potential adverse change in the value of the Bank's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

A broadening in trade tensions between the US and its major trading partners, slowing global growth and political concerns in the US and Europe (including Brexit) are some of the factors that could heighten market risks for the Bank's portfolios. In addition, the Bank's trading business is generally exposed to a prolonged period of elevated asset price volatility, particularly if it negatively affects the depth of marketplace liquidity. Such a scenario could impact the Bank's ability to execute client trades and may also result in lower client flow-driven income and/or market-based losses on its existing portfolio of market risks. These can include having to absorb higher hedging costs from rebalancing risks that need to be managed dynamically as market levels and their associated volatilities change.

It is difficult to predict changes in market conditions, and such changes could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

For further details on the Bank's approach to market risk, see market risk management and performance on pages 47 to 49.

### iii) Treasury and capital risk

There are three primary types of treasury and capital risk faced by the Bank:

#### a) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. This could cause the Bank to fail to meet regulatory liquidity standards or be unable to support day-to-day banking activities. Key liquidity risks that the Bank faces include:

- The stability of the Bank's current funding profile: in particular, that part which is based on accounts and deposits payable on demand or at short notice, could be affected by the Bank failing to preserve the current level of customer and investor confidence. The Bank also regularly accesses money and capital markets to provide funding to support its operations. Several factors, including adverse macroeconomic conditions, adverse outcomes in conduct and legal, competition and regulatory matters and loss of confidence by investors, counterparties and/or customers in the Bank, can affect the Bank's ability to access the capital markets and/or the cost and other terms upon which the Bank is able to obtain market funding.
- Credit rating changes and the impact on funding costs: Rating agencies regularly review credit ratings given to the Bank. Credit ratings are based on a number of factors, including some which are not within the Bank's control (such as political and regulatory developments, changes in rating methodologies, macro-economic conditions and the sovereign credit ratings of the countries in which the Bank operates).

Whilst the impact of a credit rating change will depend on a number of factors (including the type of issuance and prevailing market conditions), any reductions in a credit rating (in particular, any downgrade below investment grade) may affect the Bank's access to the money or capital markets and/or terms on which the Bank's is able to obtain market funding, increase costs of funding and credit spreads, reduce the size of the Bank's deposit base, trigger additional collateral or other requirements in derivative contracts and other secured funding arrangements or limit the range of counterparties who are willing to enter into transactions with the Bank. Any of these factors could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

#### b) Capital risk

Capital risk is the risk that the Bank has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory stress testing purposes). Key capital risks that the Bank faces include:

- Failure to meet prudential capital requirements: This could lead to the Bank being unable to support some or all of its business activities, a failure to pass regulatory stress tests, increased cost of funding due to deterioration in investor appetite or credit ratings, restrictions on distributions including the ability to meet dividend targets, and/or the need to take additional measures to strengthen the Bank's capital or leverage position.

## Risk review

### Material existing and emerging risks

- Adverse changes in FX rates impacting capital ratios: The Bank has risk weighted assets and leverage exposures denominated in foreign currencies. Changes in foreign currency exchange rates may adversely impact the Euro equivalent value of these items. As a result, the Bank's regulatory capital ratios are sensitive to foreign currency movements. Failure to appropriately manage the Bank's balance sheet to take account of foreign currency movements could result in an adverse impact on the Bank's regulatory capital and leverage ratios.
- Adverse movements in the pension funds: Adverse movements in pension assets and liabilities for defined benefit pension schemes could result in deficits on a funding and/or accounting basis. This could lead to the Bank making additional contributions to its pension plans and/or a deterioration in its capital position. Under IAS 19, the liabilities discount rate is derived from the yields of high quality corporate bonds. Therefore, the valuation of the Bank's defined benefits schemes would be adversely affected by a prolonged fall in the discount rate due to a persistent low interest rate and/or credit spread environment. Inflation is another significant risk driver to the pension fund as the liabilities are adversely impacted by an increase in long-term inflation expectations.

#### c) Interest rate risk in the banking book

Interest rate risk in the banking book is the risk that the Bank is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities. The Bank's hedge programmes for interest rate risk in the banking book rely on behavioural assumptions and, as a result, the success of the hedging strategy cannot be guaranteed. A potential mismatch in the balance or duration of the hedge assumptions could lead to earnings deterioration. A decline in interest rates in Euro and other G3 currencies may also compress net interest margin on banking book liabilities. In addition, the Bank's liquid asset buffer is exposed to income reduction due to adverse movements in Central Bank deposit rates.

For further details on the Bank's approach to treasury and capital risk, see treasury and capital risk management and performance on pages 50 to 57.

#### iv) Operational risk

Operational risk is the risk of loss to the Bank from inadequate or failed processes or systems, human factors or due to external events where the root cause is not due to credit or market risks. Examples include:

##### a) Operational resilience

The loss of or disruption to business processing is a material inherent risk within the Bank and across the financial services industry, whether arising through impacts on the Bank's technology systems or availability of personnel or services supplied by third parties. Failure to build resilience and recovery capabilities into business processes or into the services of technology, real estate or suppliers on which the Bank's business processes depend, may result in significant customer detriment, costs to reimburse losses incurred by the Bank's customers, and reputational damage.

##### b) Cyber threats

The frequency of cyber-attacks continues to grow and is a global threat that is inherent across all industries. The financial sector remains a primary target for cyber criminals, hostile nation states, opportunists and hacktivists and there is an increasing level of sophistication in criminal hacking for the purpose of stealing money, stealing, destroying or manipulating data (including customer data) and/or disrupting operations, where multiple threats exist including threats arising from malicious emails, distributed denial of service ('DDoS') attacks, payment system compromises, insider attackers, supply chain and vulnerability exploitation. Cyber events have a compounding impact on services and customers, e.g. data breaches in social networking sites, retail companies and payments networks.

Any failure in the Bank's cyber-security policies, procedures or controls and/or its IT systems, may result in significant financial losses, major business disruption, inability to deliver customer services, or loss of data or other sensitive information (including as a result of an outage) and may cause associated reputational damage. Any of these factors could increase costs (including, but not limited to, costs relating to notification of, or compensation for customers) or may affect the Bank's ability to retain and attract customers. Regulators in Europe continue to recognise cyber-security as an increasing systemic risk to the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience (particularly of critical services) to cyber-attacks, and to provide timely notification of them, as appropriate. Given the Bank's reliance on technology, a cyber-attack could have a material adverse effect on its business, results of operations, financial condition and prospects.

##### c) New and emergent technology

Technological advancements present opportunities to develop new and innovative ways of doing business across the Bank, with new solutions being developed both in-house and in association with third-party companies. Introducing new forms of technology, however, also has the potential to increase inherent risk. Failure to evaluate, actively manage and closely monitor risk exposure during all phases of business development could introduce new vulnerabilities and security flaws and have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

##### d) External fraud

The level and nature of fraud threats continues to evolve, particularly with the increasing use of digital products and the greater functionality available online. Criminals continue to adapt their techniques and are increasingly focused on targeting customers and clients through ever more sophisticated methods of social engineering. External data breaches also provide criminals with the opportunity to exploit the growing levels of compromised data. These fraud threats could lead to customer detriment, loss of business, missed business opportunity and reputational damage, all of which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

##### e) Data management and information protection

The Bank holds and processes large volumes of data, including personally identifiable information, intellectual property, and financial data. The General Data Protection Regulation ('GDPR') has strengthened the data protection rights of customers and increased the accountability of the Bank in its management of such data. Failure to accurately collect and maintain this data, protect it from breaches of confidentiality and interference with its availability exposes the Bank to the risk of loss or unavailability of data (including customer data discussed under "vi) Conduct risk, d) Data protection and privacy" below) or data integrity issues. Any of these failures could have a material adverse effect on the Bank's business, results of

# Risk review

## Material existing and emerging risks

operations, financial condition and prospects.

### f) Algorithmic trading

In some areas of the investment banking business, trading algorithms are used to price and risk manage client and principal transactions. An algorithmic error could result in erroneous or duplicated transactions, a system outage, or impact the Bank's pricing abilities, which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects and reputation.

### g) Processing error

As a large, complex financial institution, the Bank faces the risk of material errors in operational processes, including payments and client transactions. Material operational or payment errors could disadvantage the Bank's customers, clients or counterparties and could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

### h) Supplier exposure

The Bank depends on suppliers, including Barclays Execution Services Limited (the Barclays Group's service company) for the provision of many of its services and the development of technology. Whilst the Bank depends on suppliers, it remains fully accountable for any risk arising from the actions of suppliers. The dependency on suppliers and sub-contracting of outsourced services introduces concentration risk where the failure of specific suppliers could have an impact on the Bank's ability to continue to provide material services to its customers. Failure to adequately manage supplier risk could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

### i) Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying relevant accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements, include credit impairment charges for amortised cost assets, taxes, fair value of financial instruments and pensions and post-retirement benefits, and provisions including conduct and legal, competition and regulatory matters. There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in material losses to the Bank, beyond what was anticipated or provided for. Further development of standards and interpretations under IFRS could also materially impact the financial results, condition and prospects of the Bank. For further details on the accounting estimates and policies, see pages 74 to 77.

### j) Tax risk

The Bank is required to comply with the domestic and international tax laws and practice of all countries in which it has business operations. There is a risk that the Bank could suffer losses due to additional tax charges, other financial costs or reputational damage as a result of failing to comply with such laws and practice, or by failing to manage its tax affairs in an appropriate manner, with much of this risk attributable to the international structure of the Bank. In addition, increasing reporting and disclosure requirements around the world and the digitisation of the administration of tax has potential to increase the Bank's tax compliance obligations further.

### k) Ability to hire and retain appropriately qualified employees

As a regulated financial institution, the Bank requires diversified and specialist skilled colleagues. The Bank's ability to attract, develop and retain a diverse mix of talent is key to the delivery of its core business activity and strategy. This is impacted by a range of external and internal factors, such as the UK's decision to leave the EU and the enhanced individual accountability applicable to the banking industry. Failure to attract or prevent the departure of appropriately qualified and skilled employees could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. Additionally, this may result in disruption to service which could in turn lead to disenfranchising certain customer groups, customer detriment and reputational damage.

## (v) Model risk

Model risk is the risk of potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports. The Bank relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures (including the calculation of impairment), conducting stress testing, assessing capital adequacy, supporting new business acceptance and risk and reward evaluation, managing client assets, and meeting reporting requirements. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs. For instance, the quality of the data used in models across the Bank has a material impact on the accuracy and completeness of our risk and financial metrics. Models may also be misused. Model errors or misuse may result in (among other things) the Bank making inappropriate business decisions and/or inaccuracies or errors being identified in the Bank's risk management and regulatory reporting processes. This could result in significant financial loss, imposition of additional capital requirements, enhanced regulatory supervision and reputational damage, all of which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

## (vi) Conduct risk

Conduct risk is the risk of detriment to customers, clients, market integrity, effective competition or the Bank from the inappropriate supply of financial services, including instances of wilful or negligent misconduct. This risk could manifest itself in a variety of ways:

### a) Employee misconduct

The Bank's businesses are exposed to risk from potential non-compliance with its policies and instances of wilful and negligent misconduct by employees, all of which could result in enforcement action and/or reputational harm. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not always be effective. Employee misconduct could have a material adverse effect on the Bank's customers, clients, market integrity as well as reputation, financial condition and prospects.

### b) Product governance and life cycle

The ongoing review, management and governance of new and amended products has come under increasing regulatory focus (for example, the recast of the Markets in Financial Instruments Directive and guidance in relation to the adoption of the EU Benchmarks Regulation) and the Bank expects this to continue. The following could lead to poor customer outcomes: (i) ineffective product governance, including design, approval and

# Risk review

## Material existing and emerging risks

review of products, and (ii) inappropriate controls over internal and third party sales channels and post sales services, such as complaints handling, collections and recoveries. The Bank is at risk of financial loss and reputational damage as a result.

### c) Financial crime

The Bank may be adversely affected if it fails to effectively mitigate the risk that third parties or its employees facilitate, or that its products and services are used to facilitate, financial crime (money laundering, terrorist financing and proliferation financing, breaches of economic and financial sanctions, bribery and corruption, and the facilitation of tax evasion). EU regulations covering financial institutions continue to focus on combating financial crime. Failure to comply may lead to enforcement action by the Bank's regulators, including severe penalties, which may have a material adverse effect on the Bank's business, financial condition and prospects.

### d) Data protection and privacy

Proper handling of personal data is critical to sustaining long-term relationships with our customers and clients and complying with privacy laws and regulations. Failure to protect personal data can lead to potential detriment to our customers and clients, reputational damage, enforcement action and financial loss, which may be substantial (see "iv) Operational risk, (e) Data management and information protection" above).

### e) Regulatory focus on culture and accountability

Regulators around the world continue to emphasise the importance of culture and personal accountability and enforce the adoption of adequate internal reporting and whistleblowing procedures to help to promote appropriate conduct and drive positive outcomes for customers, colleagues, clients and markets. The requirements and expectations of the CBI's Fitness and Probity Regime have driven additional accountabilities for individuals across the Bank with an increased focus on governance and rigour. Failure to meet these requirements and expectations may lead to regulatory sanctions, both for the individuals and the Bank.

### (vii) Reputation risk

Reputation risk is the risk that an action, transaction, investment, event, decision or business relationship will reduce trust in the Bank's integrity and competence.

Any material lapse in standards of integrity, compliance, customer service or operating efficiency may represent a potential reputation risk. Stakeholder expectations constantly evolve, and so reputation risk is dynamic and varies between geographical regions, groups and individuals. A risk arising in one business area can have an adverse effect upon the Bank's overall reputation and any one transaction, investment or event (in the perception of key stakeholders) can reduce trust in the Bank's integrity and competence. The Bank's association with sensitive topics and sectors has been, and in some instances continues to be, an area of concern for stakeholders, including (i) the financing of, and investments in, businesses which operate in sectors that are sensitive because of their relative carbon intensity or local environmental impact; (ii) potential association with human rights violations (including combating modern slavery) in the Bank's operations or supply chain and by clients and customers; and (iii) the financing of businesses which manufacture and export military and riot control goods and services.

Reputation risk could also arise from negative public opinion about the actual, or perceived, manner in which the Bank conducts its business activities, or the Bank's financial performance, as well as actual or perceived practices in banking and the financial services industry generally. Modern technologies, in particular online social media channels and other broadcast tools that facilitate communication with large audiences in short time frames and with minimal costs, may significantly enhance and accelerate the distribution and effect of damaging information and allegations. Negative public opinion may adversely affect the Bank's ability to retain and attract customers, in particular, corporate and retail depositors, and to retain and motivate staff, and could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

In addition to the above, reputation risk has the potential to arise from operational issues or conduct matters which cause detriment to customers, clients, market integrity, effective competition or the Bank (see "iv) Operational risk" above).

### (viii) Legal risk and legal, competition and regulatory matters

The Bank conducts activities in a highly regulated market which exposes it to legal risk arising from (i) the multitude of laws and regulations that apply to the businesses it operates, which are highly dynamic, may vary between jurisdictions, and are often unclear in their application to particular circumstances especially in new and emerging areas; and (ii) the diversified and evolving nature of the Bank's businesses and business practices. In each case, this exposes the Bank to the risk of loss or the imposition of penalties, damages or fines from the failure of members of the Bank's to meet their respective legal obligations, including legal or contractual requirements. Legal risk may arise in relation to a number of the risk factors identified above, including (without limitation) as a result of (i) the UK's withdrawal from the EU, (ii) benchmark reform, (iii) the regulatory change agenda, and (iv) rapidly evolving rules and regulations in relation to data protection, privacy and cyber-security.

A breach of applicable legislation and/or regulations by the Bank or its employees could result in criminal prosecution, regulatory censure, potentially significant fines and other sanctions in the jurisdictions in which the Bank operates. Where clients, customers or other third parties are harmed by the Bank's conduct, this may also give rise to civil legal proceedings, including class actions. Other legal disputes may also arise between the Bank's and third parties relating to matters such as breaches or enforcement of legal rights or obligations arising under contracts, statutes or common law. Adverse findings in any such matters may result in the Bank's being liable to third parties or may result in the Bank's rights not being enforced as intended.

Details of legal, competition and regulatory matters to which the Bank is currently exposed are set out in Note 26. The Bank is engaged in various legal proceedings which arise in the ordinary course of business. The Bank is also subject to requests for information, investigations and other reviews by regulators, governmental and other public bodies in connection with business activities in which the Bank is, or has been, engaged.

The outcome of legal, competition and regulatory matters, both those to which the Bank is currently exposed and any others which may arise in the future, is difficult to predict. In connection with such matters, the Bank may incur significant expense, regardless of the ultimate outcome, and any such matters could expose the Bank to any of the following outcomes: substantial monetary damages, settlements and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution; the loss of any existing agreed

## **Risk review**

### **Material existing and emerging risks**

protection from prosecution; regulatory restrictions on the Bank's business operations including the withdrawal of authorisations; increased regulatory compliance requirements or changes to laws or regulations; suspension of operations; public reprimands; loss of significant assets or business; a negative effect on the Bank's reputation; loss of confidence by investors, counterparties, clients and/or customers; risk of credit rating agency downgrades; potential negative impact on the availability and/or cost of funding and liquidity; and/or dismissal or resignation of key individuals. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters will not have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.



# Risk review

## Credit risk management and performance

All disclosures in this section (pages 21 to 46) are unaudited unless otherwise stated.

### 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 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 by the Bank's Credit Sanctioning Team (in accordance with sanctioning discretions).

Responsibility for oversight of credit sanctioning lies with the Credit Risk Management Forum which is chaired by the Bank's Head of Credit Risk, who reports to the Bank's Chief Risk Officer ('CRO').

The Bank's Credit Risk Management Forum 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 Risk Officer, who is a Co-Chair of the Bank's Credit Risk Management Forum, reports the views of this Forum to the Board Risk Committee as part of the CRO Risk Report, which is a standing 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 the wider Group's policy, the Bank works to four watch list categories based on the degree of concern. By the time an account becomes credit 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 corporate 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. Retail customers are greater in number and, therefore, are managed in aggregated segments.

### Credit risk mitigation

The Bank mitigates the credit risk to which it is exposed through netting and set-off, collateral and risk transfer.

#### Netting and set-off

Credit risk exposures can be reduced by applying netting and set-off. For derivative transactions, the Bank's normal practice is to enter into standard master agreements with counterparties (e.g. ISDAs). These master agreements typically allow for netting of credit risk exposure to a counterparty resulting from derivative transactions against the obligations to the counterparty in the event of default, and so produce a lower net credit exposure. These agreements may also reduce settlement exposure (e.g. for foreign exchange transactions) by allowing payments on the same day in the same currency to be set-off against one another.

#### Collateral

The Bank has the ability to call on collateral in the event of default of the counterparty, comprising:

- home loans: a fixed charge over residential property in the form of houses, flats and other dwellings.
- wholesale lending: a fixed charge over commercial property and other physical assets, in various forms.
- other retail lending: includes charges over motor vehicles and other physical assets; second lien charges over residential property and finance lease receivables.
- derivatives: the Bank also often seeks to enter into a margin agreement (e.g. Credit Support Annex) with counterparties with which the Bank has master netting agreements in place. These annexes to master agreements provide a mechanism for further reducing credit risk, whereby collateral (margin) is posted on a regular basis (typically daily) to collateralise the mark to market exposure of a derivative portfolio measured on a net basis.
- reverse repurchase agreements: collateral typically comprises highly liquid securities which have been legally transferred to the Bank subject to an agreement to return them for a fixed price.
- financial guarantees and similar off-balance sheet commitments: cash collateral may be held against these arrangements.

#### Risk transfer

A range of instruments including guarantees, credit insurance, credit derivatives and securitisation can be used to transfer credit risk from one counterparty to another. These mitigate credit risk in two main ways:

- if the risk is transferred to a counterparty which is more creditworthy than the original counterparty, then overall credit risk is reduced
- where recourse to the first counterparty remains, both counterparties must default before a loss materialises. This is less likely than the default of either counterparty individually so credit risk is reduced.

# Risk review

## Credit risk management and performance

### Analysis of the Balance Sheet

#### Maximum exposure and effects of netting, collateral and risk transfer

##### Basis of preparation

The following tables present a reconciliation between the maximum exposure and net exposure to credit risk; reflecting the financial effects of risk mitigation reducing the Bank's exposure.

For financial assets recognised on the balance sheet, maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment. For off-balance sheet guarantees, the maximum exposure is the maximum amount that the Bank would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments, the maximum exposure is the full amount of the committed facilities. This and subsequent analyses of credit risk exclude other financial assets not subject to credit risk.

##### Overview

As at 31 December 2019, the Bank's net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer was €51.7bn (2018: €17.8bn). Overall, the extent to which the Bank holds mitigation against its total exposure was 42.1% (2018: 3.6%). The increase is driven by the addition of home loans, reverse repurchase agreements and derivative financial instruments, all of which are highly collateralised.

Of the remaining exposure left unmitigated, a significant portion relates to cash held at central banks and cash collateral and settlement balances which are considered to be lower risk. The credit quality of counterparties to wholesale loan assets and derivatives are predominantly investment grade. Non cash collateral typically comprises of a fixed charge over commercial property and other physical assets, in various forms or financial instruments.

##### Collateral obtained

Where collateral has been obtained in the event of default, the Bank does not, as a rule, use such assets for its own operations and they are usually sold on a timely basis. The carrying value of assets held by the Bank as at 31 December 2019, as a result of the enforcement of collateral, was €nil (2018: €nil).



# Risk review

## Credit risk management and performance

### Maximum exposure and effects of netting, collateral and risk transfer (audited)

	Maximum exposure	Netting and set-off	Cash collateral	Non-cash collateral	Risk transfer	Net exposure
As at 31 December 2019	€m	€m	€m	€m	€m	€m
<b>On-balance sheet:</b>						
Cash and balances at central banks	12,788	-	-	-	-	12,788
Cash collateral and settlement balances	8,935	-	-	-	-	8,935
<b>Loans and advances at amortised cost:</b>						
Home loans	6,236	-	-	(6,208)	-	28
Credit cards, unsecured and other retail lending	4,168	-	(21)	(97)	-	4,050
Wholesale loans	2,620	-	(8)	(225)	(19)	2,368
Loans and advances to customers	13,024	-	(29)	(6,530)	(19)	6,446
Loans and advances to banks	658	-	-	-	-	658
<b>Total loans and advances at amortised cost</b>	<b>13,682</b>	<b>-</b>	<b>(29)</b>	<b>(6,530)</b>	<b>(19)</b>	<b>7,104</b>
<i>Of which credit-impaired (Stage 3):</i>						
Home loans	162	-	-	(162)	-	-
Credit cards, unsecured and other retail lending	129	-	-	(68)	-	61
Wholesale loans	13	-	-	-	-	13
<b>Total credit impaired loans and advances at amortised cost</b>	<b>304</b>	<b>-</b>	<b>-</b>	<b>(230)</b>	<b>-</b>	<b>74</b>
Reverse repurchase agreements and other similar secured lending	2,946	-	-	(2,946)	-	-
<b>Trading portfolio assets:</b>						
Debt securities	806	-	-	-	-	806
Traded loans	236	-	-	-	-	236
<b>Total trading portfolio assets</b>	<b>1,042</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,042</b>
<b>Financial assets at fair value through the income statement:</b>						
Loans and advances	433	-	-	(413)	-	20
Reverse repurchase agreements	1,361	-	-	(1,360)	-	1
<b>Total financial assets at fair value through the income statement</b>	<b>1,794</b>	<b>-</b>	<b>-</b>	<b>(1,773)</b>	<b>-</b>	<b>21</b>
Derivative financial instruments	27,329	(21,183)	(4,799)	(222)	-	1,125
Other assets	146	-	-	-	-	146
<b>Total on-balance sheet</b>	<b>68,662</b>	<b>(21,183)</b>	<b>(4,828)</b>	<b>(11,471)</b>	<b>(19)</b>	<b>31,161</b>
<b>Off-balance sheet:</b>						
Contingent liabilities	3,642	-	-	(22)	-	3,620
Loan commitments	17,037	-	(16)	(86)	-	16,935
<b>Total off-balance sheet</b>	<b>20,679</b>	<b>-</b>	<b>(16)</b>	<b>(108)</b>	<b>-</b>	<b>20,555</b>
<b>Total</b>	<b>89,341</b>	<b>(21,183)</b>	<b>(4,844)</b>	<b>(11,579)</b>	<b>(19)</b>	<b>51,716</b>

Off-balance sheet exposures are shown gross of provisions of €10m (2018: €1m). See Note 24 for further details.

## Risk review

### Credit risk management and performance

#### Maximum exposure and effects of netting, collateral and risk transfer (audited)

	Maximum exposure	Netting and set-off	Cash collateral	Non-cash collateral	Risk transfer	Net exposure
	€m	€m	€m	€m	€m	€m
<b>As at 31 December 2018</b>						
<b>On-balance sheet:</b>						
Cash and balances at central banks	6,220	-	-	-	-	6,220
Cash collateral and settlement balances	11	-	-	-	-	11
<b>Loans and advances at amortised cost:</b>						
Credit cards, unsecured and other retail lending	3,670	-	-	-	-	3,670
Wholesale loans	1,232	-	(9)	(376)	(41)	806
Loans and advances to customers	4,902	-	(9)	(376)	(41)	4,476
Loans and advances to banks	1,248	-	-	-	-	1,248
<b>Total loans and advances at amortised cost</b>	<b>6,150</b>	<b>-</b>	<b>(9)</b>	<b>(376)</b>	<b>(41)</b>	<b>5,724</b>
<i>Of which credit-impaired (Stage 3):</i>						
Credit cards, unsecured and other retail lending	70	-	-	-	-	70
Wholesale loans	-	-	-	-	-	-
<b>Total credit impaired loans and advances at amortised cost</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70</b>
<b>Derivative financial instruments</b>						
Derivative financial instruments	-	-	-	-	-	-
Other assets	72	-	-	-	-	72
<b>Total on-balance sheet</b>	<b>12,453</b>	<b>-</b>	<b>(9)</b>	<b>(376)</b>	<b>(41)</b>	<b>12,027</b>
<b>Off-balance sheet:</b>						
Contingent liabilities	403	-	(6)	(58)	-	339
Loan commitments	5,622	-	-	(183)	-	5,439
<b>Total off-balance sheet</b>	<b>6,025</b>	<b>-</b>	<b>(6)</b>	<b>(241)</b>	<b>-</b>	<b>5,778</b>
<b>Total</b>	<b>18,478</b>	<b>-</b>	<b>(15)</b>	<b>(617)</b>	<b>(41)</b>	<b>17,805</b>

# Risk review

## Credit risk management and performance

### Expected Credit Losses

#### Loans and advances at amortised cost by product

The table below presents a breakdown of loans and advances at amortised cost and the impairment allowance with stage allocation by asset classification.

Impairment allowance under IFRS 9 considers both the drawn and the undrawn counterparty exposure. For retail portfolios, the total impairment allowance is allocated to the drawn exposure to the extent that the allowance does not exceed the exposure as ECL is not reported separately. Any excess is reported on the liability side of the balance sheet as a provision. For wholesale portfolios, the impairment allowance on the undrawn exposure is reported on the liability side of the balance sheet as a provision.

#### Loans and advances at amortised cost by product (audited)

As at 31 December 2019	Stage 2						Stage 3	Total
	Stage 1	Not past due	<=30 days past due	>30 days past due	Total	Total		
	€'m	€'m	€'m	€'m	€'m	€'m	€'m	
<b>Gross exposure</b>								
Home loans	5,551	495	52	22	569	186	6,306	
Credit cards, unsecured loans and other retail lending	3,269	845	55	37	937	291	4,497	
Wholesale loans	2,287	308	6	19	333	28	2,648	
<b>Loans and advances to customers</b>	<b>11,107</b>	<b>1,648</b>	<b>113</b>	<b>78</b>	<b>1,839</b>	<b>505</b>	<b>13,451</b>	
Loans and advances to banks	658	-	-	-	-	-	658	
<b>Total<sup>a</sup></b>	<b>11,765</b>	<b>1,648</b>	<b>113</b>	<b>78</b>	<b>1,839</b>	<b>505</b>	<b>14,109</b>	
<b>Impairment allowance</b>								
Home loans	5	25	10	6	41	24	70	
Credit cards, unsecured loans and other retail lending	26	115	12	14	141	162	329	
Wholesale loans	6	7	-	-	7	15	28	
<b>Loans and advances to customers</b>	<b>37</b>	<b>147</b>	<b>22</b>	<b>20</b>	<b>189</b>	<b>201</b>	<b>427</b>	
Loans and advances to banks	-	-	-	-	-	-	-	
<b>Total<sup>a</sup></b>	<b>37</b>	<b>147</b>	<b>22</b>	<b>20</b>	<b>189</b>	<b>201</b>	<b>427</b>	
<b>Net exposure</b>								
Home loans	5,546	470	42	16	528	162	6,236	
Credit cards, unsecured loans and other retail lending	3,243	730	43	23	796	129	4,168	
Wholesale loans	2,281	301	6	19	326	13	2,620	
<b>Loans and advances to customers</b>	<b>11,070</b>	<b>1,501</b>	<b>91</b>	<b>58</b>	<b>1,650</b>	<b>304</b>	<b>13,024</b>	
Loans and advances to banks	658	-	-	-	-	-	658	
<b>Total<sup>a</sup></b>	<b>11,728</b>	<b>1,501</b>	<b>91</b>	<b>58</b>	<b>1,650</b>	<b>304</b>	<b>13,682</b>	
<b>Coverage ratio</b>	%	%	%	%	%	%	%	
Home loans	0.1	5.1	19.2	27.3	7.2	12.9	1.1	
Credit cards, unsecured loans and other retail lending	0.8	13.6	21.8	37.8	15.1	55.7	7.3	
Wholesale loans	0.3	2.3	-	-	2.1	53.6	1.1	
<b>Loans and advances to customers</b>	<b>0.3</b>	<b>8.9</b>	<b>19.5</b>	<b>25.6</b>	<b>10.3</b>	<b>39.8</b>	<b>3.2</b>	
Loans and advances to banks	-	-	-	-	-	-	-	
<b>Total<sup>a</sup></b>	<b>0.3</b>	<b>8.9</b>	<b>19.5</b>	<b>25.6</b>	<b>10.3</b>	<b>39.8</b>	<b>3.0</b>	

# Risk review

## Credit risk management and performance

### Loans and advances at amortised cost by product (audited)

As at 31 December 2018	Stage 2				Total	Stage 3	Total <sup>1</sup>
	Stage 1	Not past due	<=30 days past due	>30 days past due			
	€'m	€'m	€'m	€'m	€'m	€'m	€'m
<b>Gross exposure</b>							
Home loans	-	-	-	-	-	-	-
Credit cards, unsecured loans and other retail lending	2,389	1,266	78	33	1,377	191	3,957
Wholesale loans	1,121	115	-	-	115	1	1,237
<b>Loans and advances to customers</b>	<b>3,510</b>	<b>1,381</b>	<b>78</b>	<b>33</b>	<b>1,492</b>	<b>192</b>	<b>5,194</b>
Loans and advances to banks	1,248	-	-	-	-	-	1,248
<b>Total<sup>a</sup></b>	<b>4,758</b>	<b>1,381</b>	<b>78</b>	<b>33</b>	<b>1,492</b>	<b>192</b>	<b>6,442</b>
<b>Impairment allowance</b>							
Home loans	-	-	-	-	-	-	-
Credit cards, unsecured loans and other retail lending	20	118	15	13	146	121	287
Wholesale loans	1	3	-	-	3	1	5
<b>Loans and advances to customers</b>	<b>21</b>	<b>121</b>	<b>15</b>	<b>13</b>	<b>149</b>	<b>122</b>	<b>292</b>
Loans and advances to banks	-	-	-	-	-	-	-
<b>Total<sup>a</sup></b>	<b>21</b>	<b>121</b>	<b>15</b>	<b>13</b>	<b>149</b>	<b>122</b>	<b>292</b>
<b>Net exposure</b>							
Home loans	-	-	-	-	-	-	-
Credit cards, unsecured loans and other retail lending	2,369	1,148	63	20	1,231	70	3,670
Wholesale loans	1,120	112	-	-	112	-	1,232
<b>Loans and advances to customers</b>	<b>3,489</b>	<b>1,260</b>	<b>63</b>	<b>20</b>	<b>1,343</b>	<b>70</b>	<b>4,902</b>
Loans and advances to banks	1,248	-	-	-	-	-	1,248
<b>Total<sup>a</sup></b>	<b>4,737</b>	<b>1,260</b>	<b>63</b>	<b>20</b>	<b>1,343</b>	<b>70</b>	<b>6,150</b>
<b>Coverage ratio</b>	%	%	%	%	%	%	%
Home loans	-	-	-	-	-	-	-
Credit cards, unsecured loans and other retail lending	0.8	9.3	19.2	39.4	10.6	63.4	7.3
Wholesale loans	0.1	2.6	-	-	2.6	100.0	0.4
<b>Loans and advances to customers</b>	<b>0.6</b>	<b>8.8</b>	<b>19.2</b>	<b>39.4</b>	<b>10.0</b>	<b>63.5</b>	<b>5.6</b>
Loans and advances to banks	-	-	-	-	-	-	-
<b>Total<sup>a</sup></b>	<b>0.4</b>	<b>8.8</b>	<b>19.2</b>	<b>39.4</b>	<b>10.0</b>	<b>63.5</b>	<b>4.5</b>

#### Notes

a. Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and other assets. These have a total gross exposure of €9,085m (December 2018: €nil) and impairment allowance of €4m (December 2018: €nil). This comprises €nil impairment allowance on €9,081m Stage 1 assets and €4m on €4m Stage 3 other assets.

# Risk review

## Credit risk management and performance

### Movement in gross exposures and impairment allowance including provisions for loan commitments and financial guarantees

The following table presents a reconciliation of the opening to the closing balance of the exposure and impairment allowance. Explanation of the terms '12-month ECL', 'lifetime ECL' and 'credit-impaired' are included in note 7. The Bank does not hold any material purchased or originated credit-impaired assets as at year end.

Loans and advances at amortised cost (audited)	Stage 1		Stage 2		Stage 3		Total	
	Gross €m	ECL €m	Gross €m	ECL €m	Gross €m	ECL €m	Gross €m	ECL €m
<b>Home loans</b>								
As at 1 January 2019	-	-	-	-	-	-	-	-
Acquisition of business	6,857	9	671	49	170	14	7,698	72
Transfers from Stage 1 to Stage 2	(225)	-	225	-	-	-	-	-
Transfers from Stage 2 to Stage 1	217	10	(217)	(10)	-	-	-	-
Transfers to Stage 3	(22)	-	(45)	(8)	67	8	-	-
Transfers from Stage 3	-	-	45	1	(45)	(1)	-	-
Business activity in the year	30	-	-	-	-	-	30	-
Changes to models used for calculation <sup>a</sup>	-	-	-	-	-	-	-	-
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(239)	(13)	(24)	14	9	8	(254)	9
Final repayments	(242)	-	(15)	(1)	(11)	(4)	(268)	(5)
Disposals <sup>b</sup>	(825)	(1)	(71)	(4)	(3)	-	(899)	(5)
Write-offs <sup>c</sup>	-	-	-	-	(1)	(1)	(1)	(1)
As at 31 December 2019 <sup>d</sup>	5,551	5	569	41	186	24	6,306	70
<b>Credit cards, unsecured loans and other retail lending</b>								
As at 1 January 2019	2,389	20	1,377	146	191	121	3,957	287
Acquisition of business	48	-	-	-	135	39	183	39
Transfers from Stage 1 to Stage 2	(294)	(3)	294	3	-	-	-	-
Transfers from Stage 2 to Stage 1	666	63	(666)	(63)	-	-	-	-
Transfers to Stage 3	(22)	-	(86)	(34)	108	34	-	-
Transfers from Stage 3	1	1	1	1	(2)	(2)	-	-
Business activity in the year	1,041	9	73	8	3	2	1,117	19
Changes to models used for calculation <sup>a</sup>	-	5	-	(18)	-	-	-	(13)
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(433)	(68)	(39)	100	(31)	55	(503)	87
Final repayments	(127)	(1)	(17)	(2)	(18)	(14)	(162)	(17)
Disposals <sup>b</sup>	-	-	-	-	(50)	(28)	(50)	(28)
Write-offs <sup>c</sup>	-	-	-	-	(45)	(45)	(45)	(45)
As at 31 December 2019 <sup>d</sup>	3,269	26	937	141	291	162	4,497	329
<b>Wholesale loans<sup>e</sup></b>								
As at 1 January 2019	2,369	1	115	3	1	1	2,485	5
Acquisition of business	1,365	2	289	6	83	27	1,737	35
Transfers from Stage 1 to Stage 2	-	-	-	-	-	-	-	-
Transfers from Stage 2 to Stage 1	55	-	(55)	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Transfers from Stage 3	-	-	-	-	-	-	-	-
Business activity in the year	573	1	28	-	-	-	601	1
Changes to models used for calculation <sup>a</sup>	-	-	-	-	-	-	-	-
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(674)	2	36	1	(49)	(6)	(687)	(3)
Final repayments	(743)	-	(80)	(3)	(4)	(4)	(827)	(7)
Disposals <sup>b</sup>	-	-	-	-	-	-	-	-
Write-offs <sup>c</sup>	-	-	-	-	(3)	(3)	(3)	(3)
As at 31 December 2019 <sup>d</sup>	2,945	6	333	7	28	15	3,306	28

## Risk review

### Credit risk management and performance

Loans and advances at amortised cost (audited)	Stage 1		Stage 2		Stage 3		Total	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
	€m	€m	€m	€m	€m	€m	€m	€m
Loans and advances to Banks	658	-	-	-	-	-	658	-
Loans and advances to Customers	11,107	37	1,839	189	505	201	13,451	427
<b>Total</b>	<b>11,765</b>	<b>37</b>	<b>1,839</b>	<b>189</b>	<b>505</b>	<b>201</b>	<b>14,109</b>	<b>427</b>

#### Notes

a Changes to models used for calculation relate to a €13m movement in credit cards, unsecured loans and other retail lending which reflects methodology changes made during the year. Barclays continually review the output of models to determine accuracy of the ECL calculation including review of model monitoring, external benchmarking and experience of model operation over an extended period of time. This ensures that the models used continue to reflect the risks inherent across the businesses.

b The €899m movement of gross loans and advances disposed of across Home loans relates to the sale of a portfolio of mortgages from the Italian loan book. The €50m disposal reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year.

c In 2019, gross write-offs amounted to €49m (2018: €nil) and post write-off recoveries of €2m (2018: €nil). Net write-offs after applying recoveries amounted to €47m (2018: €nil).

d Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and other assets. These have a total gross exposure of €9,085m (December 2018: €nil) and impairment allowance of €4m (December 2018: €nil). This comprises €nil impairment allowance on €9,081m Stage 1 assets and €4m on €4m Stage 3 other assets.

e Includes Loans and advances to Banks of €658m in stage 1 (December 2018: €1,248m).

#### Reconciliation of ECL movement to impairment charge/(release) for the period (audited)

	€m
Home loans	76
Credit cards, unsecured loans and other retail lending	115
Wholesale loans	26
<b>ECL movement excluding assets derecognised due to disposals and write-offs</b>	<b>217</b>
Post write-off recoveries	(2)
ECL on acquisition of business	(146)
Other adjustments <sup>a</sup>	(5)
Impairment charge on loan commitments and financial guarantees	2
Impairment release on other financial assets <sup>b</sup>	(1)
<b>Income statement charge for the period</b>	<b>65</b>

#### Notes

a Includes interest and fees in suspense.

b Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and other assets. These have a total gross exposure of €9,085m (December 2018: €nil) and impairment allowance of €4m (December 2018: €nil). This comprises €nil impairment allowance on €9,081m Stage 1 assets and €4m on €4m Stage 3 other assets.

# Risk review

## Credit risk management and performance

Loan commitments and financial guarantees (audited)	Stage 1		Stage 2		Stage 3		Total	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
	€m	€m	€m	€m	€m	€m	€m	€m
<b>Home loans</b>								
As at 1 January 2019	-	-	-	-	-	-	-	-
Net transfers between stages	-	-	-	-	-	-	-	-
Business activity in the year	-	-	-	-	-	-	-	-
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	-	-	-	-	-	-	-	-
Final repayments	-	-	-	-	-	-	-	-
<b>As at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Credit cards, unsecured loans and other retail lending</b>								
As at 1 January 2019	4,302	-	263	-	52	-	4,617	-
Acquisition of business	21	-	-	-	-	-	21	-
Net transfers between stages	18	-	(30)	-	12	-	-	-
Business activity in the year	427	-	4	-	-	-	431	-
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	165	-	(53)	-	(2)	-	110	-
Final repayments	(274)	-	(13)	-	(12)	-	(299)	-
<b>As at 31 December 2019</b>	<b>4,659</b>	<b>-</b>	<b>171</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>4,880</b>	<b>-</b>
<b>Wholesale loans</b>								
As at 1 January 2019	1,345	-	63	-	-	-	1,408	-
Acquisition of business	11,599	3	505	4	15	-	12,119	7
Net transfers between stages	57	-	(57)	-	-	-	-	-
Business activity in the year	3,672	-	119	-	-	-	3,791	-
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(1,791)	1	291	2	9	-	(1,491)	3
Final repayments	(693)	-	(84)	-	-	-	(777)	-
<b>As at 31 December 2019</b>	<b>14,189</b>	<b>4</b>	<b>837</b>	<b>6</b>	<b>24</b>	<b>-</b>	<b>15,050</b>	<b>10</b>

# Risk review

## Credit risk management and performance

### Gross exposure for loans and advances at amortised cost (audited)

	Stage 1	Stage 2	Stage 3	Total
	€m	€m	€m	€m
As at 1 January 2018	2,584	97	1	2,682
Acquisition of business	2,395	1,409	193	3,997
Net transfers between stages	(28)	28	-	-
Net changes in exposure	(193)	(42)	5	(230)
Asset derecognised due to disposals	-	-	(3)	(3)
Asset derecognised due to write-offs	-	-	(4)	(4)
<b>As at 31 December 2018</b>	<b>4,758</b>	<b>1,492</b>	<b>192</b>	<b>6,442</b>

### Impairment allowance on loans and advances at amortised cost (audited)

	Stage 1	Stage 2	Stage 3	Total
	€m	€m	€m	€m
As at 1 January 2018	2	-	1	3
Acquisition of business	20	148	121	289
Net transfers between stages	5	(7)	2	-
Net changes in exposure	(6)	8	5	7
Final repayments	-	-	(3)	(3)
Disposals and write-offs	-	-	(4)	(4)
Other movements	-	-	-	-
<b>As at 31 December 2018</b>	<b>21</b>	<b>149</b>	<b>122</b>	<b>292</b>

### Reconciliation of ECL movement to impairment charge for the period (audited)

	€m
ECL movement excluding assets derecognised due to write-offs	7
Net recoveries post write-offs	(2)
Exchange and other adjustments	-
Impairment release on loan commitments and financial guarantees <sup>a</sup>	-
<b>Income statement charge for the period</b>	<b>5</b>

### Gross exposure for loan commitments and financial guarantees (audited)

	Stage 1	Stage 2	Stage 3	Total
	€m	€m	€m	€m
As at 1 January 2018	1,302	135	-	1,437
Acquisition of business <sup>a</sup>	4,263	261	52	4,576
Net transfers between stages	(3)	3	-	-
Net changes in exposure	85	(73)	-	12
<b>As at 31 December 2018</b>	<b>5,647</b>	<b>326</b>	<b>52</b>	<b>6,025</b>

<sup>a</sup> Stage 3 loan commitments of €52m primarily represent unutilised credit card limits. The impairment allowance on both the utilised and unutilised limits are reflected on the impairment allowance on loans and advances above.

## Stage 2 decomposition

### Loans and advances at amortised cost<sup>a</sup> (audited)

	2019		2018	
	Gross exposure	Impairment allowance	Gross exposure	Impairment allowance
As at 31 December	€m	€m	€m	€m
Quantitative test	1,603	161	1,301	138
Qualitative test	144	13	190	11
30 days past due backstop <sup>b</sup>	92	15	1	0
<b>Total Stage 2</b>	<b>1,839</b>	<b>189</b>	<b>1,492</b>	<b>149</b>

Note

a. Where balances satisfy more than one of the above three criteria for determining a significant increase in credit risk, the corresponding net exposure and ECL has been assigned in order of categories presented

b. Includes €52m of loans in arrears at 31 December 2019 where the arrears are less than 30 days.



## Risk review

### Credit risk management and performance

Stage 2 exposures are predominantly identified using quantitative tests where the lifetime PD has deteriorated more than a pre-determined amount since origination. This is augmented by inclusion of accounts meeting the designated high risk criteria for the portfolio under the qualitative test.

A small number of other accounts (€15m of impairment allowances and €92m of gross exposure) are included in stage 2. These accounts are not otherwise identified by the quantitative or qualitative tests but are more than 30 days past due. These balances mainly relate to Italy home loans.

For further detail on the three criteria for determining a significant increase in credit risk required for Stage 2 classification, refer to Note 7 on page 84.

#### Stage 3 decomposition

##### Loans and advances at amortised cost (audited)

	2019		2018	
	Gross Exposure	Impairment allowance	Gross Exposure	Impairment allowance
As at 31 December	€m	€m	€m	€m
Exposures not charged-off including within cure period <sup>a</sup>	288	76	123	64
Exposures individually assessed or in recovery book <sup>b</sup>	217	125	69	58
<b>Total Stage 3</b>	<b>505</b>	<b>201</b>	<b>192</b>	<b>122</b>

Note

a Includes €189m of gross exposure in a cure period that must remain in Stage 3 for a minimum of 12 months before moving to Stage 2.

b Exposures individually assessed or in recovery book cannot cure out of Stage 3.

#### Management adjustments to models for impairment

Management adjustments to impairment models are applied in order to factor in certain conditions or changes in policy that are not incorporated into the relevant impairment models, or to reflect additionally known facts and circumstances at the period end. Management adjustments are reviewed and incorporated into future model development, where applicable.

Total management adjustments to impairment allowance are presented by product below.

As at 31 December 2019 (audited)	Management adjustments to impairment allowances, including forbearance	Proportion of total impairment allowances
	€m	%
Home loans	-	-
Credit cards, unsecured loans and other retail lending	4	1%
Wholesale loans	-	-

#### Measurement uncertainty and sensitivity analysis

The measurement of ECL involves increased complexity and judgement, including estimation of probabilities of default ('PD'), loss given default ('LGD'), a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default ('EAD') and assessing significant increases in credit risk. Impairment charges under IFRS 9 will tend to be more volatile than under IAS39 and will be recognised earlier. Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted.

The Bank uses a global five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury (short and medium term forecasts) and Bloomberg (based on median of economic forecasters), which forms the initial baseline scenario. This initial baseline is expanded, with challenge from local portfolio experts as required, to all relevant markets (e.g. Germany, Italy, etc.). In addition, two adverse scenarios (downside 1 and downside 2) and two favourable scenarios (upside 1 and upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. Downside 2 is benchmarked to the Bank of England's ('BOE') annual cyclical scenarios and to the most severe scenario from Moody's inventory, but is not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include both core economic variables, (GDP, unemployment, house price index ('HPI') and base rates), and, expanded variables using statistical models based on historical correlations. These expanded variables include those required by the Bank's impairment models across all significant geographies of its exposures. The upside and downside shocks are designed to evolve over a five-year stress horizon, with all five scenarios converging to a steady state after approximately eight years.

# Risk review

## Credit risk management and performance

### Scenario weights (audited)

The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historical UK and US macroeconomic variables against the forecast paths of the five scenarios. These variables reflect global sentiment generally and are translated into the variables required by the Bank's portfolio. Additional European idiosyncratic risk is captured through stress testing. The methodology works such that the baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The same scenarios and weights that are used in the estimation of expected credit losses are also used for the Bank's internal planning purposes. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices and base rates, and credit cards and unsecured consumer loans are highly sensitive to unemployment.

The table below shows the core macroeconomic variables for each scenario and the respective scenario weights.

### Scenario probability weighting (audited)

	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
<b>As at 31 December 2019</b>					
Scenario probability weighting	10.1	23.1	40.8	22.7	3.3
<b>As at 31 December 2018</b>					
Scenario probability weighting	9.0	24.0	41.0	23.0	3.0

### Macroeconomic variables used in the calculation of ECL (specific bases) (audited)

	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
<b>As at 31 December 2019</b>					
Germany GDP	3.9	2.7	1.4	(0.3)	(4.8)
Germany unemployment	2.9	2.9	2.9	4.5	6.8
Germany HPI	25.1	21.9	3.5	(0.6)	(18.8)
ECB Refi	(0.1)	(0.1)	-	1.2	2.0
Italy GDP	3.4	2.3	0.7	(0.9)	(5.3)
Italy unemployment	8.5	9.5	10.6	12.1	16.6
Italy HPI	2.6	0.3	(0.4)	(4.9)	(15.2)
UK GDP	4.2	2.9	1.6	0.2	(4.7)
UK unemployment	3.4	3.8	4.2	5.7	8.7
UK HPI	46.0	32.0	3.1	(8.2)	(32.4)
UK bank rate	0.5	0.5	0.7	2.8	4.0
US GDP	4.2	3.3	1.9	0.4	(3.4)
US unemployment	3.0	3.5	3.9	5.3	8.5
US HPI	37.1	23.3	3.0	0.5	(19.8)
US federal funds rate	1.5	1.5	1.7	3.0	3.5

### As at 31 December 2018

Germany GDP	4.5	3.2	1.7	0.1	(4.8)
Germany unemployment	3.0	3.1	3.2	4.2	7.1
Germany HPI	32.7	26.8	3.7	0.7	(15.8)
ECB Refi	0.0	0.0	0.4	1.8	2.0
UK GDP	4.5	3.1	1.7	0.3	(4.1)
UK unemployment	3.4	3.9	4.3	5.7	8.8
UK HPI	46.4	32.6	3.2	(0.5)	(32.1)
UK bank rate	0.8	0.8	1.0	2.5	4.0
US GDP	4.8	3.7	2.1	0.4	(3.3)
US unemployment	3.0	3.4	3.7	5.2	8.4
US HPI	36.9	30.2	4.1	-	(17.4)
US federal funds rate	2.3	2.3	2.7	3.0	3.5

# Risk review

## Credit risk management and performance

Macroeconomic variables used in the calculation of ECL (5-year averages) (audited)					
	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
<b>As at 31 December 2019</b>					
Germany GDP	3.4	2.4	1.4	0.3	(1.3)
Germany unemployment	2.9	2.9	2.9	4.2	5.8
Germany HPI	4.6	4.0	3.5	1.6	(2.7)
ECB Refi	(0.0)	(0.0)	(0.0)	0.9	1.8
Italy GDP	2.3	1.7	0.7	(0.2)	(2.2)
Italy unemployment	8.7	9.6	10.6	11.8	15.3
Italy HPI	0.5	0.1	(0.4)	(1.0)	(3.1)
UK GDP	3.2	2.4	1.6	0.8	(0.7)
UK unemployment	3.5	3.9	4.2	5.4	7.7
UK HPI	7.9	5.7	3.1	(1.1)	(6.5)
UK bank rate	0.5	0.5	0.7	2.5	3.7
US GDP	3.5	2.8	1.9	1.0	(0.5)
US unemployment	3.1	3.6	3.9	5.0	7.5
US HPI	6.5	4.3	3.0	1.3	(3.7)
US federal funds rate	1.6	1.7	1.7	2.9	3.4
<b>As at 31 December 2018</b>					
Germany GDP	3.3	2.5	1.7	0.8	(1.4)
Germany unemployment	3.0	3.1	3.2	4.0	6.1
Germany HPI	5.8	4.9	3.7	2.2	(2.3)
ECB Refi	0.1	0.2	0.4	1.3	1.8
UK GDP	3.4	2.6	1.7	0.9	(0.6)
UK unemployment	3.7	4.0	4.3	5.1	7.9
UK HPI	7.9	5.8	3.2	0.9	(6.4)
UK bank rate	0.8	0.8	1.0	2.3	3.7
US GDP	3.7	3.0	2.1	1.1	(0.5)
US unemployment	3.1	3.5	3.7	4.7	7.4
US HPI	6.5	5.4	4.1	2.4	(2.6)
US federal funds rate	2.3	2.3	2.7	3.0	3.4

### Notes

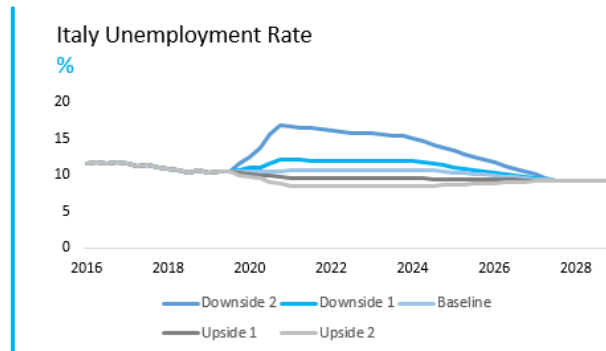
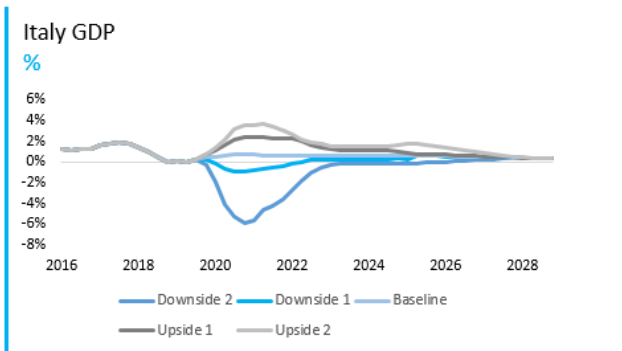
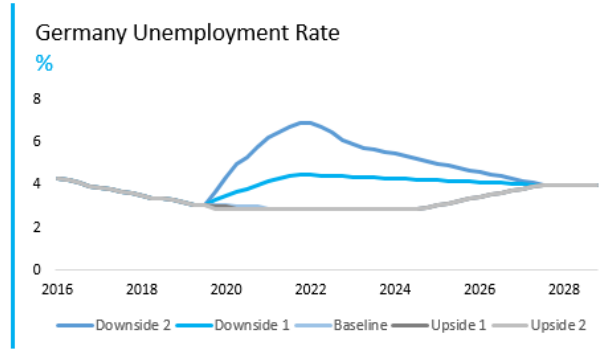
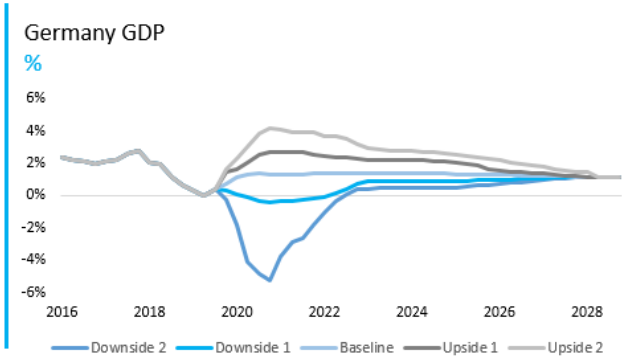
- Highest annual growth in Upside scenarios; 5-year average in Baseline; lowest annual growth in Downside scenarios.
- Lowest point in Upside scenarios; 5-year average in Baseline; highest point in Downside scenarios.
- 5-year cumulative growth in Upside scenarios; 5-year average in Baseline; cumulative fall (peak-to-trough) in Downside scenarios.

Over the year, the macroeconomic baseline variables have worsened in the US, in part due to the trade dispute with China. Baseline expectations for the US federal funds rate have also moved lower from 2.7% to 1.7% averaged over the first five years. Macroeconomic baseline variables in the UK have remained fairly flat with a small decrease in bank rates driven by market expectations of lower interest rates in the next few years. The other scenarios are generally unchanged from 2018, with the exception of UK HPI in the Downside 1 scenario where the cumulative fall in house prices now represents a more severe fall of 8.2% versus 0.5% in 2018.

# Risk review

## Credit risk management and performance

The graph below plot the historical data for GDP growth rate and unemployment in the Germany and Italy as well as the forecasted data under each of the five scenarios.



## Risk review

### Credit risk management and performance

#### ECL under 100% weighted scenarios for key principal portfolios (audited)

The table on the next page shows the ECL assuming scenarios have been 100% weighted. Model exposures are allocated to a stage based on the individual scenario rather than through a probability-weighted approach as required for Barclays reported impairment allowances. As a result, it is not possible to back solve to the final reported weighted ECL from the individual scenarios as a balance may be assigned to a different stage dependent on the scenario. Model exposure uses EAD values and is not directly comparable to gross exposure used in prior disclosures. For Credit cards, unsecured loans and other retail lending, an average EAD measure is used (12 month or lifetime depending on stage allocation in each scenario). Therefore, the model exposure movement into Stage 2 is higher than the corresponding Stage 1 reduction.

All ECL using a model is included, with the exception of Treasury assets (€316m Model Exposure and no ECL). Non-modelled exposures and management adjustments are excluded. Management adjustments can be found on page 31.

Model Exposures allocated to Stage 3 do not change in any of the scenarios as the transition criteria relies only on observable evidence of default as at 31 December 2019 and not on macroeconomic scenarios.

The Downside 2 scenario represents a severe global recession with substantial falls in GDP, unemployment rises towards 9% and there are substantial falls in asset prices including housing.

Under the Downside 2 scenario, model exposure moves between stages as the economic environment weakens. This can be seen in the movement of €1.8bn of model exposure into Stage 2 between the Weighted and Downside 2 scenario. ECL increases in Stage 2 predominantly due to unsecured portfolios as economic conditions deteriorate.

# Risk review

## Credit risk management and performance

### ECL Sensitivity Analysis (audited)

As at 31 December 2019	Scenarios					
	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
<b>Stage 1 Model Exposure (€m)</b>						
Home loans	5,663	5,680	5,670	5,662	5,650	5,636
Credit cards, unsecured loans and other retail lending	4,843	5,005	4,999	4,897	4,548	5,077
Wholesale loans	7,754	7,811	7,804	7,793	7,486	6,794
<b>Stage 1 Model ECL (€m)</b>						
Home loans	5	5	5	5	6	6
Credit cards, unsecured loans and other retail lending	27	22	23	25	30	37
Wholesale loans	8	6	7	7	11	14
<b>Stage 1 Coverage (%)</b>						
Home loans	0.1	0.1	0.1	0.1	0.1	0.1
Credit cards, unsecured loans and other retail lending	0.6	0.4	0.5	0.5	0.7	0.7
Wholesale loans	0.1	0.1	0.1	0.1	0.1	0.2
<b>Stage 2 Model Exposure (€m)</b>						
Home loans	581	564	574	582	594	608
Credit cards, unsecured loans and other retail lending	1,012	634	642	844	1,705	1,811
Wholesale loans	757	700	707	718	1,025	1,717
<b>Stage 2 Model ECL (€m)</b>						
Home loans	41	37	38	40	46	54
Credit cards, unsecured loans and other retail lending	141	77	81	110	309	356
Wholesale loans	15	13	13	14	20	36
<b>Stage 2 Coverage (%)</b>						
Home loans	7.1	6.6	6.7	6.8	7.8	8.8
Credit cards, unsecured loans and other retail lending	13.9	12.2	12.6	13.1	18.1	19.6
Wholesale loans	2.0	1.8	1.9	2.0	1.9	2.1
<b>Stage 3 Model Exposure (€m)</b>						
Home loans	178	178	178	178	178	178
Credit cards, unsecured loans and other retail lending	164	164	164	164	164	164
Wholesale loans <sup>a</sup>	-	-	-	-	-	-
<b>Stage 3 Model ECL (€m)</b>						
Home loans	18	18	18	18	19	19
Credit cards, unsecured loans and other retail lending	111	109	110	110	113	116
Wholesale loans <sup>a</sup>	-	-	-	-	-	-
<b>Stage 3 Coverage (%)</b>						
Home loans	10.3	10.2	10.2	10.3	10.4	10.6
Credit cards, unsecured loans and other retail lending	67.4	66.6	66.8	66.9	68.7	70.7
Wholesale loans <sup>a</sup>	-	-	-	-	-	-
<b>Total Model ECL (€m)</b>						
Home loans	64	60	61	63	71	79
Credit cards, unsecured loans and other retail lending	279	208	214	245	452	509
Wholesale loans <sup>a</sup>	23	19	20	21	31	50
<b>Reconciliation to total ECL</b>						<b>€m</b>
Total model ECL						366
ECL from non-modelled, individually assessed, and other adjustments <sup>b</sup>						67
ECL from management adjustments						4
Total ECL						437

#### Notes:

a Material wholesale loan defaults are individually assessed across different recovery strategies, and are not included.

b Of this €67m, two-thirds of this amount relates to high value Italian home loans and one-third relates to wholesale loans, all of which are in stage 3.

## Risk review

### Credit risk management and performance

The total weighted ECL represents a 11% uplift from the Baseline ECL, largely driven by credit cards and wholesale loans.

Home loans: Total weighted ECL of €64m represents a 2% increase over the Baseline ECL (€63m), reflecting falls in housing assets for Italy.

Credit cards, unsecured loans and other retail lending: Total weighted ECL of €279m represents a 14% increase over the Baseline ECL (€245m) reflecting the range of economic scenarios used, mainly impacted by Unemployment. Total ECL increases to €509m under Downside 2 scenario, mainly driven by Stage 2, where coverage rates increase to 19.6% from a weighted scenario approach of 13.9% and a €800m increase in model exposure that meets the Significant Increase in Credit Risk criteria and transitions from Stage 1 to Stage 2.

Wholesale loans: Total weighted ECL of €23m represents a 10% increase over the Baseline ECL (€21m) reflecting the range of economic scenarios used, with exposures in the Investment Bank particularly sensitive to Downside 2 scenario.

#### Staging sensitivity (audited)

An increase of 1% (€141m) of total gross exposure into Stage 2 (from Stage 1), would result in an increase in ECL impairment allowance of €14m based on applying the difference in Stage 2 and Stage 1 average impairment coverage ratios to the movement in gross exposure (refer to Loans and advances at amortised cost by product on page 25).

# Risk review

## Credit risk management and performance

### Analysis of the concentration of credit risk

A concentration of credit risk exists when a number of counterparties are located in a common geographical region or 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. The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged.

#### Geographic concentrations

##### Credit risk concentrations by geography (audited)

	Europe	United Kingdom	Americas	Asia	Africa and Middle East	Total
	€m	€m	€m	€m	€m	€m
<b>As at 31 December 2019</b>						
<b>On-balance sheet:</b>						
Cash and balances at central banks	12,788	-	-	-	-	12,788
Cash collateral and settlement balances	6,588	2,267	51	29	-	8,935
Loans and advances at amortised cost	13,006	608	24	22	22	13,682
Reverse repurchase agreements and other similar secured lending	-	2,946	-	-	-	2,946
Trading portfolio assets	927	8	62	45	-	1,042
Financial assets at fair value through the income statement	1,598	196	-	-	-	1,794
Derivative financial instruments	12,898	14,154	277	-	-	27,329
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Other assets	99	47	-	-	-	146
<b>Total on-balance sheet</b>	<b>47,904</b>	<b>20,226</b>	<b>414</b>	<b>96</b>	<b>22</b>	<b>68,662</b>
<b>Off-balance sheet:</b>						
Contingent liabilities	3,163	407	16	50	6	3,642
Loan commitments	16,183	702	151	-	1	17,037
<b>Total off-balance sheet</b>	<b>19,346</b>	<b>1,109</b>	<b>167</b>	<b>50</b>	<b>7</b>	<b>20,679</b>
<b>Total</b>	<b>67,250</b>	<b>21,335</b>	<b>581</b>	<b>146</b>	<b>29</b>	<b>89,341</b>

Exposure to the UK primarily represents transaction with the Parent, BB PLC. See Note 36 on page 127.

##### Credit risk concentrations by geography (audited)

	Europe	United Kingdom	Americas	Asia	Africa and Middle East	Total
	€m	€m	€m	€m	€m	€m
<b>As at 31 December 2018</b>						
<b>On-balance sheet:</b>						
Cash and balances at central banks	6,220	-	-	-	-	6,220
Cash collateral and settlement balances	-	11	-	-	-	11
Loans and advances at amortised cost	5,333	812	5	-	-	6,150
Reverse repurchase agreements and other similar secured lending	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-
Financial assets at fair value through the income statement	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Other assets	72	-	-	-	-	72
<b>Total on-balance sheet</b>	<b>11,625</b>	<b>823</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>12,453</b>
<b>Off-balance sheet:</b>						
Contingent liabilities	397	6	-	-	-	403
Loan commitments	5,547	75	-	-	-	5,622
<b>Total off-balance sheet</b>	<b>5,944</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,025</b>
<b>Total</b>	<b>17,569</b>	<b>904</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>18,478</b>



# Risk review

## Credit risk management and performance

### Industry concentrations

As at 31 December 2019, the concentration of the Bank's assets by industry concentrated towards cards, unsecured loans and other personal lending is 10% (2018: 45%), predominantly in loans and advances at amortised cost and loan commitments. Total assets concentrated towards government and central banks is 17% (2018: 34%).

### Credit risk concentrations by industry (audited)

As at 31 December 2019	Banks €m	Other financial institutions €m	Manu- facturing €m	Construc- tion and property €m	Govern- ment and central banks €m	Energy and water €m	Wholesale and retail distribu- tion and leisure €m	Business and other services €m	Home loans €m	Cards, unsecured loans and other personal lending €m	Other €m	Total €m
<b>On-balance sheet:</b>												
Cash and balances at central banks	-	-	-	-	12,788	-	-	-	-	-	-	12,788
Cash collateral and settlement balances	2,312	6,028	2	-	456	10	-	-	-	-	127	8,935
Loans and advances at amortised cost	658	106	561	301	64	358	467	335	6,236	4,308	288	13,682
Reverse repurchase agreements and other similar secured lending	2,946	-	-	-	-	-	-	-	-	-	-	2,946
Trading portfolio assets	405	344	-	236	57	-	-	-	-	-	-	1,042
Financial assets at fair value through the income statement	1,234	147	-	-	-	-	-	-	413	-	-	1,794
Derivative financial instruments	20,753	4,114	210	116	1,266	460	12	13	-	-	385	27,329
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	109	36	-	-	-	-	-	1	-	-	-	146
<b>Total on-balance sheet</b>	<b>28,417</b>	<b>10,775</b>	<b>773</b>	<b>653</b>	<b>14,631</b>	<b>828</b>	<b>479</b>	<b>349</b>	<b>6,649</b>	<b>4,308</b>	<b>800</b>	<b>68,662</b>
<b>Off-balance sheet:</b>												
Contingent liabilities	477	546	1,298	235	-	611	128	246	-	2	99	3,642
Loan commitments	380	715	3,738	630	16	3,273	726	880	-	4,880	1,799	17,037
<b>Total off-balance sheet</b>	<b>857</b>	<b>1,261</b>	<b>5,036</b>	<b>865</b>	<b>16</b>	<b>3,884</b>	<b>854</b>	<b>1,126</b>	<b>-</b>	<b>4,882</b>	<b>1,898</b>	<b>20,679</b>
<b>Total</b>	<b>29,274</b>	<b>12,036</b>	<b>5,809</b>	<b>1,518</b>	<b>14,647</b>	<b>4,712</b>	<b>1,333</b>	<b>1,475</b>	<b>6,649</b>	<b>9,190</b>	<b>2,698</b>	<b>89,341</b>

# Risk review

## Credit risk management and performance

### Credit risk concentrations by industry (audited)

As at 31 December 2018	Banks €m	Other financial institutions €m	Manu- facturing €m	Construc- tion and property €m	Government and central banks €m	Energy and water €m	Wholesale and retail distribu- tion and leisure €m	Business and other services €m	Home loans €m	Cards, unsecured loans and other personal lending €m	Other €m	Total €m
<b>On-balance sheet:</b>												
Cash and balances at central banks	-	-	-	-	6,220	-	-	-	-	-	-	6,220
Cash collateral and settlement balances	11	-	-	-	-	-	-	-	-	-	-	11
Loans and advances at amortised cost	1,248	27	216	357	-	169	253	156	-	3,670	54	6,150
Reverse repurchase agreements and other similar secured lending	-	-	-	-	-	-	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	60	-	-	-	-	-	-	-	-	12	-	72
<b>Total on-balance sheet</b>	<b>1,319</b>	<b>27</b>	<b>216</b>	<b>357</b>	<b>6,220</b>	<b>169</b>	<b>253</b>	<b>156</b>	<b>-</b>	<b>3,682</b>	<b>54</b>	<b>12,453</b>
<b>Off-balance sheet:</b>												
Contingent liabilities	178	-	16	14	-	53	83	52	-	-	7	403
Loan commitments	7	6	294	169	-	55	347	57	-	4,617	70	5,622
<b>Total off-balance sheet</b>	<b>185</b>	<b>6</b>	<b>310</b>	<b>183</b>	<b>-</b>	<b>108</b>	<b>430</b>	<b>109</b>	<b>-</b>	<b>4,617</b>	<b>77</b>	<b>6,025</b>
<b>Total</b>	<b>1,504</b>	<b>33</b>	<b>526</b>	<b>540</b>	<b>6,220</b>	<b>277</b>	<b>683</b>	<b>265</b>	<b>-</b>	<b>8,299</b>	<b>131</b>	<b>18,478</b>

# Risk review

## Credit risk management and performance

### The Bank's approach to management and representation of credit quality

#### Asset credit quality

The credit quality distribution is based on the IFRS 9 12 month probability of default (PD) at the reporting date to ensure comparability with other ECL disclosures on pages 26 to 32.

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

Default Grade (audited)	Retail and Wholesale lending	Credit Quality Description
	Probability of default	
1-3	0.0 to < 0.05%	Strong
4-5	0.05 to < 0.15%	
6-8	0.15 to < 0.30%	
9-11	0.30 to < 0.60%	
12-14	0.60 to < 2.15%	Satisfactory
15-19	2.15 to < 10%	
19	10 to < 11.35%	
20-21	11.35% to < 100%	Higher Risk
22	100%	Credit Impaired

For retail clients, a range of analytical tools is used to derive the probability of default of clients at inception and on an ongoing basis.

For loans that are not past due, 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, or may relate to unsecured retail facilities. 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 deterioration, mortgages with a high loan to value, and unsecured retail loans operating outside normal product guidelines.

**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 doubts 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.

#### Debt securities

For assets held at fair value, the carrying value on the balance sheet will include, among other things, the credit risk of the issuer. Most listed and some unlisted securities are rated by external rating agencies. The Bank mainly uses external credit ratings provided by Standard & Poor's, Fitch or Moody's. Where such ratings are not available or are not current, the Bank will use its own internal ratings for the securities.

# Risk review

## Credit risk management and performance

### Balance sheet credit quality

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

#### Overview

As at 31 December 2019, the ratio of the Bank's on-balance sheet assets classified as strong (0.0 < 0.60%) was at 85% (2018: 75%) of total assets exposed to credit risk.

#### Balance sheet credit quality (audited)

	PD range	0.0 to <0.60%	0.60 to <11.35%	11.35% to 100%	Total	0.0 to <0.60%	0.60 to <11.35%	11.35% to 100%	Total
		€m	€m	€m	€m	%	%	%	%
<b>As at 31 December 2019</b>									
Cash and balances at central banks		12,788	-	-	12,788	100	-	-	100
Cash collateral and settlement balances		8,074	861	-	8,935	90	10	-	100
Loans and advances at amortised cost									
Home loans		3,175	2,836	225	6,236	51	45	4	100
Credit cards, unsecured and other retail lending		814	3,125	229	4,168	20	75	5	100
Wholesale loans		2,074	479	67	2,620	79	18	3	100
Loans and advances to customers		6,063	6,440	521	13,024	47	49	4	100
Loans and advances to banks		652	6	-	658	99	1	-	100
<b>Total loans and advances at amortised cost</b>		<b>6,715</b>	<b>6,446</b>	<b>521</b>	<b>13,682</b>	<b>49</b>	<b>47</b>	<b>4</b>	<b>100</b>
Reverse repurchase agreements and other similar secured lending		2,946	-	-	2,946	100	-	-	100
Trading portfolio assets:									
Debt securities		739	66	-	805	92	8	-	100
Traded loans		237	-	-	237	100	-	-	100
<b>Total trading portfolio assets</b>		<b>976</b>	<b>66</b>	<b>-</b>	<b>1,042</b>	<b>94</b>	<b>6</b>	<b>-</b>	<b>100</b>
Financial assets at fair value through the income statement:									
Loans and advances		213	181	39	433	49	42	9	100
Reverse repurchase agreements		379	982	-	1,361	28	72	-	100
<b>Total financial assets at fair value through the income statement</b>		<b>592</b>	<b>1,163</b>	<b>39</b>	<b>1,794</b>	<b>33</b>	<b>65</b>	<b>2</b>	<b>100</b>
Derivative financial instruments		26,245	1,084	-	27,329	96	4	-	100
Other assets		143	3	-	146	98	2	-	100
<b>Total on-balance sheet</b>		<b>58,479</b>	<b>9,623</b>	<b>560</b>	<b>68,662</b>	<b>85</b>	<b>14</b>	<b>1</b>	<b>100</b>

#### Balance sheet credit quality (audited)

	PD range	0.0 to <0.60%	0.60 to <11.35%	11.35% to 100%	Total	0.0 to <0.60%	0.60 to <11.35%	11.35% to 100%	Total
		€m	€m	€m	€m	%	%	%	%
<b>As at 31 December 2018</b>									
Cash and balances at central banks		6,220	-	-	6,220	100	-	-	100
Cash collateral and settlement balances		11	-	-	11	100	-	-	100
Loans and advances at amortised cost									
Home loans		-	-	-	-	-	-	-	-
Credit cards, unsecured and other retail lending		707	2,754	209	3,670	19	75	6	100
Wholesale loans		1,123	109	-	1,232	91	9	-	100
Loans and advances to customers		1,830	2,863	209	4,902	38	58	4	100
Loans and advances to banks		1,248	-	-	1,248	100	-	-	100
<b>Total loans and advances at amortised cost</b>		<b>3,078</b>	<b>2,863</b>	<b>209</b>	<b>6,150</b>	<b>50</b>	<b>47</b>	<b>3</b>	<b>100</b>
Other assets		72	-	-	72	100	-	-	100
<b>Total on-balance sheet</b>		<b>9,381</b>	<b>2,863</b>	<b>209</b>	<b>12,453</b>	<b>75</b>	<b>23</b>	<b>2</b>	<b>100</b>

# Risk review

## Credit risk management and performance

### Credit exposures by internal PD grade

The below tables represents credit risk profile by PD grade for loans and advances at amortised cost, contingent liabilities and loan commitments.

Stage 1 higher risk assets, presented gross of associated collateral held, are of weaker credit quality but have not significantly deteriorated since origination.

IFRS 9 Stage 1 and Stage 2 classification is not dependent solely on the absolute probability of default but on elements that determine a Significant Increase in Credit Risk (see Note 7 on page 84), including relative movement in probability of default since initial recognition. There is therefore no direct relationship between credit quality and IFRS 9 stage classification.

#### Credit risk profile by internal PD grade for loans and advances to banks at amortised cost (audited)

As at 31 December 2019			Gross carrying amount				Allowance for ECL				Net exposure	Coverage ratio
Grading	PD range	Credit quality description	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%		€m	€m	€m	€m	€m	€m	€m	€m	€m	%
1-3	0.0 to < 0.05%	Strong	431	-	-	431	-	-	-	-	431	-
4-5	0.05 to < 0.15%	Strong	-	-	-	-	-	-	-	-	-	-
6-8	0.15 to < 0.30%	Strong	125	-	-	125	-	-	-	-	125	-
9-11	0.30 to < 0.60%	Strong	96	-	-	96	-	-	-	-	96	-
12-14	0.60 to < 2.15%	Satisfactory	5	-	-	5	-	-	-	-	5	-
15-19	2.15 to < 10%	Satisfactory	1	-	-	1	-	-	-	-	1	-
19	10 to < 11.35%	Satisfactory	-	-	-	-	-	-	-	-	-	-
20-21	11.35 to < 100%	Higher Risk	-	-	-	-	-	-	-	-	-	-
22	100%	Credit Impaired	-	-	-	-	-	-	-	-	-	-
<b>Total</b>			<b>658</b>	<b>-</b>	<b>-</b>	<b>658</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>658</b>	<b>-</b>

#### Credit risk profile by internal PD grade for loans and advances to customers at amortised cost (audited)

As at 31 December 2019			Gross carrying amount				Allowance for ECL				Net exposure	Coverage ratio
Grading	PD range	Credit quality description	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%		€m	€m	€m	€m	€m	€m	€m	€m	€m	%
1-3	0.0 to < 0.05%	Strong	441	-	-	441	1	-	-	1	440	0.1
4-5	0.05 to < 0.15%	Strong	815	48	-	863	1	-	-	1	862	0.1
6-8	0.15 to < 0.30%	Strong	1,446	99	-	1,545	1	1	-	2	1,543	0.1
9-11	0.30 to < 0.60%	Strong	3,167	55	-	3,222	4	-	-	4	3,218	0.1
12-14	0.60 to < 2.15%	Satisfactory	4,364	401	-	4,765	13	31	-	44	4,721	0.9
15-19	2.15 to < 10%	Satisfactory	860	969	-	1,829	16	102	-	118	1,711	6.4
19	10 to < 11.35%	Satisfactory	-	9	-	9	-	1	-	1	8	11.1
20-21	11.35 to < 100%	Higher Risk	14	258	-	272	1	54	-	55	217	20.2
22	100%	Credit Impaired	-	-	505	505	-	-	201	201	304	39.8
<b>Total</b>			<b>11,107</b>	<b>1,839</b>	<b>505</b>	<b>13,451</b>	<b>37</b>	<b>189</b>	<b>201</b>	<b>427</b>	<b>13,024</b>	<b>3.2</b>

#### Credit risk profile by internal PD grade for loans and advances to banks at amortised cost (audited)

As at 31 December 2018			Gross carrying amount				Allowance for ECL				Net exposure	Coverage ratio
Grading	PD range	Credit quality description	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%		€m	€m	€m	€m	€m	€m	€m	€m	€m	%
1-3	0.0 to < 0.05%	Strong	784	-	-	784	-	-	-	-	784	-
4-5	0.05 to < 0.15%	Strong	-	-	-	-	-	-	-	-	-	-
6-8	0.15 to < 0.30%	Strong	390	-	-	390	-	-	-	-	390	-
9-11	0.30 to < 0.60%	Strong	74	-	-	74	-	-	-	-	74	-
12-14	0.60 to < 2.15%	Satisfactory	-	-	-	-	-	-	-	-	-	-
15-19	2.15 to < 10%	Satisfactory	-	-	-	-	-	-	-	-	-	-
19	10 to < 11.35%	Satisfactory	-	-	-	-	-	-	-	-	-	-
20-21	11.35 to < 100%	Higher Risk	-	-	-	-	-	-	-	-	-	-
22	100%	Credit Impaired	-	-	-	-	-	-	-	-	-	-
<b>Total</b>			<b>1,248</b>	<b>-</b>	<b>-</b>	<b>1,248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,248</b>	<b>-</b>

# Risk review

## Credit risk management and performance

### Credit risk profile by internal PD grade for loans and advances to customers at amortised cost (audited)

As at 31 December 2018												
Grading	PD range	Credit quality description	Gross carrying amount				Allowance for ECL				Net exposure	Coverage ratio
			Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%		€m	€m	€m	€m	€m	€m	€m	€m	€m	%
1-3	0.0 to < 0.05%	Strong	686	-	-	686	1	-	-	1	685	0.1
4-5	0.05 to < 0.15%	Strong	395	41	-	436	-	-	-	-	436	-
6-8	0.15 to < 0.30%	Strong	190	26	-	216	1	-	-	1	215	0.5
9-11	0.30 to < 0.60%	Strong	493	2	-	495	1	-	-	1	494	0.2
12-14	0.60 to < 2.15%	Satisfactory	1,245	252	-	1,497	11	15	-	26	1,471	1.7
15-19	2.15 to < 10%	Satisfactory	497	943	-	1,440	7	86	-	93	1,347	6.5
19	10 to < 11.35%	Satisfactory	-	48	-	48	-	3	-	3	45	6.3
20-21	11.35 to < 100%	Higher Risk	4	180	-	184	-	45	-	45	139	24.5
22	100%	Credit Impaired	-	-	192	192	-	-	122	122	70	63.5
<b>Total</b>			<b>3,510</b>	<b>1,492</b>	<b>192</b>	<b>5,194</b>	<b>21</b>	<b>149</b>	<b>122</b>	<b>292</b>	<b>4,902</b>	<b>5.6</b>

### Credit risk profile by internal PD grade for contingent liabilities (audited)

As at 31 December 2019												
Grading	PD range	Credit quality description	Gross carrying amount				Allowance for ECL				Net exposure	Coverage ratio
			Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%		€m	€m	€m	€m	€m	€m	€m	€m	€m	%
1-3	0.0 to < 0.05%	Strong	877	-	-	877	1	-	-	1	876	0.1
4-5	0.05 to < 0.15%	Strong	906	23	-	929	-	1	-	1	928	0.1
6-8	0.15 to < 0.30%	Strong	740	16	-	756	-	-	-	-	756	-
9-11	0.30 to < 0.60%	Strong	102	77	-	179	-	-	-	-	179	-
12-14	0.60 to < 2.15%	Satisfactory	381	374	-	755	1	1	-	2	753	0.3
15-19	2.15 to < 10%	Satisfactory	19	75	-	94	-	2	-	2	92	2.1
19	10 to < 11.35%	Satisfactory	-	-	-	-	-	-	-	-	-	-
20-21	11.35 to < 100%	Higher Risk	-	31	-	31	-	2	-	2	29	6.5
22	100%	Credit Impaired	-	-	21	21	-	-	-	-	21	-
<b>Total</b>			<b>3,025</b>	<b>596</b>	<b>21</b>	<b>3,642</b>	<b>2</b>	<b>6</b>	<b>-</b>	<b>8</b>	<b>3,634</b>	<b>0.2</b>

### Credit risk profile by internal PD grade for contingent liabilities (audited)

As at 31 December 2018												
Grading	PD range	Credit quality description	Gross carrying amount				Allowance for ECL				Net exposure	Coverage ratio
			Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%		€m	€m	€m	€m	€m	€m	€m	€m	€m	%
1-3	0.0 to < 0.05%	Strong	194	-	-	194	-	-	-	-	194	-
4-5	0.05 to < 0.15%	Strong	54	-	-	54	-	-	-	-	54	-
6-8	0.15 to < 0.30%	Strong	60	16	-	76	-	-	-	-	76	-
9-11	0.30 to < 0.60%	Strong	51	20	-	71	-	-	-	-	71	-
12-14	0.60 to < 2.15%	Satisfactory	6	2	-	8	-	-	-	-	8	-
15-19	2.15 to < 10%	Satisfactory	-	-	-	-	-	-	-	-	-	-
19	10 to < 11.35%	Satisfactory	-	-	-	-	-	-	-	-	-	-
20-21	11.35 to < 100%	Higher Risk	-	-	-	-	-	-	-	-	-	-
22	100%	Credit Impaired	-	-	-	-	-	-	-	-	-	-
<b>Total</b>			<b>365</b>	<b>38</b>	<b>-</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>403</b>	<b>-</b>

# Risk review

## Credit risk management and performance

### Credit risk profile by internal PD grade for loan commitments<sup>a</sup> (audited)

As at 31 December 2019			Gross carrying amount				Allowance for ECL				Net exposure	Coverage ratio
Grading	PD range	Credit quality description	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%		€m	€m	€m	€m	€m	€m	€m	€m	€m	%
1-3	0.0 to < 0.05%	Strong	5,164	2	-	5,166	1	-	-	1	5,165	-
4-5	0.05 to < 0.15%	Strong	5,145	12	-	5,157	-	-	-	-	5,157	-
6-8	0.15 to < 0.30%	Strong	2,951	41	-	2,992	-	-	-	-	2,992	-
9-11	0.30 to < 0.60%	Strong	1,276	155	-	1,431	-	-	-	-	1,431	-
12-14	0.60 to < 2.15%	Satisfactory	965	66	-	1,031	1	-	-	1	1,030	0.1
15-19	2.15 to < 10%	Satisfactory	321	96	-	417	-	-	-	-	417	-
19	10 to < 11.35%	Satisfactory	-	-	-	-	-	-	-	-	-	-
20-21	11.35 to < 100%	Higher Risk	1	40	-	41	-	-	-	-	41	-
22	100%	Credit Impaired	-	-	53	53	-	-	-	-	53	-
<b>Total</b>			<b>15,823</b>	<b>412</b>	<b>53</b>	<b>16,288</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>16,286</b>	<b>-</b>

### Credit risk profile by internal PD grade for loan commitments<sup>a</sup> (audited)

As at 31 December 2018			Gross carrying amount				Allowance for ECL				Net exposure	Coverage ratio
Grading	PD range	Credit quality description	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%		€m	€m	€m	€m	€m	€m	€m	€m	€m	%
1-3	0.0 to < 0.05%	Strong	1,200	1	-	1,201	-	-	-	-	1,201	-
4-5	0.05 to < 0.15%	Strong	1,546	16	-	1,562	-	-	-	-	1,562	-
6-8	0.15 to < 0.30%	Strong	1,111	13	-	1,124	-	-	-	-	1,124	-
9-11	0.30 to < 0.60%	Strong	667	7	-	674	-	-	-	-	674	-
12-14	0.60 to < 2.15%	Satisfactory	710	99	-	809	-	-	-	-	809	-
15-19	2.15 to < 10%	Satisfactory	47	133	-	180	-	-	-	-	180	-
19	10 to < 11.35%	Satisfactory	-	3	-	3	-	-	-	-	3	-
20-21	11.35 to < 100%	Higher Risk	1	16	-	17	-	-	-	-	17	-
22	100%	Credit Impaired	-	-	52	52	-	-	-	-	52	-
<b>Total</b>			<b>5,282</b>	<b>288</b>	<b>52</b>	<b>5,622</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,622</b>	<b>-</b>

Note

<sup>a</sup> Excludes loan commitments of €749m (2018: €nil) carried at fair value.

# Risk review

## Credit risk management and performance

### Analysis of specific portfolios and asset types

#### Secured home loans

The Italian home loan portfolio primarily comprises first lien mortgages.

Home loans principal portfolios - distribution of balances by Loan To Value ('LTV') <sup>a</sup> (audited)												
As at 31 December 2019	Distribution of balances				Distribution of impairment allowance				Coverage ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	€m	€m	€m	€m	€m	€m	€m	€m	%	%	%	%
<=75%	4,283	416	130	4,829	4	28	15	47	0.1%	6.7%	11.5%	1.0%
>75% and <=90%	647	80	27	754	1	7	3	11	0.1%	8.7%	11.1%	1.5%
>90% and <=100%	240	27	9	276	-	2	1	3	0.1%	9.0%	12.8%	1.0%
>100%	381	46	20	447	-	4	5	9	0.1%	8.0%	27.0%	2.0%
<b>Total</b>	<b>5,551</b>	<b>569</b>	<b>186</b>	<b>6,306</b>	<b>5</b>	<b>41</b>	<b>24</b>	<b>70</b>	<b>0.1%</b>	<b>7.2%</b>	<b>12.9%</b>	<b>1.1%</b>

Home loans principal portfolios - distribution of balances by LTV <sup>a</sup> (audited)									
As at 31 December 2019	Distribution of balances				Distribution of impairment allowance				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	%	%	%	%	%	%	%	%	%
<=75%	67.9	6.6	2.1	76.6	5.5	40.0	20.2	65.7	
>75% and <=90%	10.2	1.3	0.4	11.9	1.1	9.9	4.3	15.3	
>90% and <=100%	3.9	0.4	0.1	4.4	0.4	3.5	1.6	5.5	
>100%	6.1	0.7	0.3	7.1	0.6	5.2	7.7	13.5	

#### Note

<sup>a</sup> Portfolio marked to market based on the most updated valuation including recovery book balances. Updated valuations reflect the application of the latest HPI available as at 31 December 2019.

The balance weighted average LTV% on the portfolio as at 31 December 2019 is 58.3%



# Risk review

## Market risk management and performance

All disclosures in this section (pages 47 to 49) are unaudited unless otherwise stated.

### Market Risk

Market risk is the risk of loss arising from potential adverse changes in the value of the Bank's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices and commodity prices. The Bank holds market positions and is exposed to market risk in both the trading and non-traded (banking) books which are managed within agreed limits set in line with risk appetite.

#### Non-Traded Market risk

Interest rate risk in the banking book (IRRBB) is the risk that the Bank is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

IRRBB arises primarily within the Bank from its fixed rate money market deposits and loan book. Fluctuations in interest rates are reflected in interest margins and earnings.

#### Risk Measurement and Assessment

The measurement technique used to measure and control market risk is Daily Value at Risk (DVaR). 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 with Barclays Group models using the historical simulation method with a historical sample of two years.

The 31 December 2019 Management DVaR was €0.2m (31 Dec 2018: €nil). The average Management DVaR for the year to 31 December 2019 was €0.23m. Derivative trade migrations started in mid-March 2019, and pre this date, market risk was de minimus.

The Bank is managed using a combination of three booking models and currently risk is relatively low due to many of the business still using the back-to-back booking model (i.e. first booking model below).

The three models are:

- a back to back model where market risk is transferred to a Barclays affiliate (BB PLC, BCSL and/or Barclays Capital International ('BCI') or a third party on a one to one, trade by trade basis;
- an internal portfolio hedge model where market risk is transferred to a Barclays affiliate (primarily BB PLC or BCSL) on a periodic (typically end of day) basis; and
- an external portfolio hedge model where market risk is retained in BBI and hedged externally with non-affiliated third parties.

The DVaR model in some instances may not appropriately measure some market risk exposures, especially for market moves that are not directly observable via prices. When reviewing VaR estimates, the following considerations are taken into account:

- the historical simulation uses the most recent two years of past data to generate possible future market moves, but the past may not be a good indicator of the future.
- the one-day time horizon may not fully capture the market risk of positions that cannot be closed out or hedged within one day.
- DVaR is based on positions as at close of business and consequently, it is not an appropriate measure for intra-day risk arising from a position bought and sold on the same day.
- DVaR does not indicate the size of potential loss beyond the DVaR confidence level.

#### Traded market risk review

#### Review of management measures

The following disclosures provide details on management measures of market risk.

The table below shows the total management VaR on a diversified basis by risk factor. Total management VaR includes all the trading books and certain banking books (those whose accounting treatment is fair value through profit or loss).

Limits are applied against each risk factor VaR as well as total Management VaR, which are then cascaded further by risk managers to each business.

# Risk review

## Market risk management and performance

The daily average, maximum and minimum values of management VaR

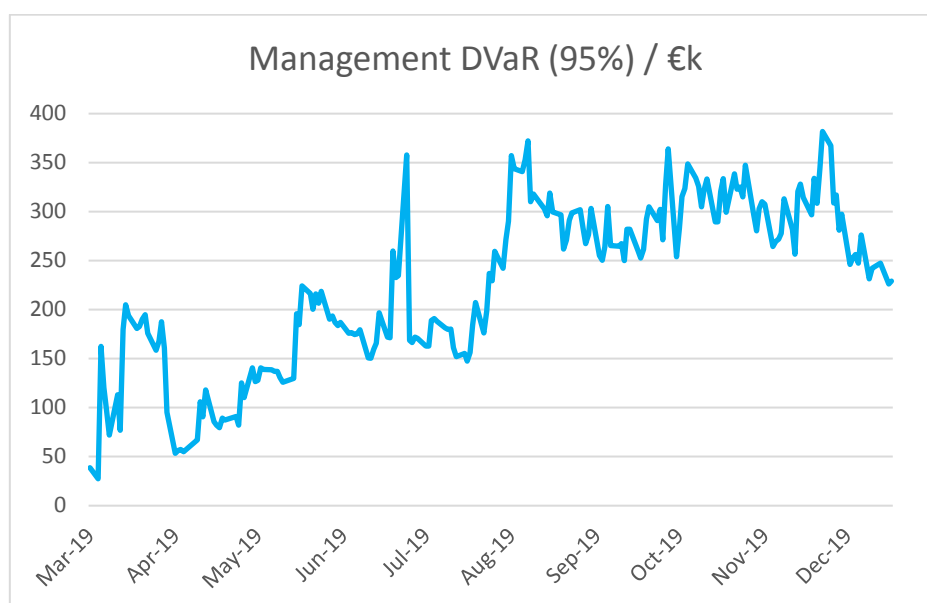
Management VaR (95%, one day) (audited)	2019			2018		
	Average <sup>a</sup> €m	High <sup>b</sup> €m	Low <sup>b</sup> €m	Average €m	High <sup>a</sup> €m	Low <sup>a</sup> €m
<b>For the year ended 31 December</b>						
Credit risk	0.11	0.22	-	-	-	-
Interest rate risk	0.10	0.19	0.03	-	-	-
Equity risk	0.01	0.11	-	-	-	-
Basis risk	0.12	0.24	0.01	-	-	-
Spread risk	0.01	0.08	-	-	-	-
Foreign exchange risk	0.04	0.23	-	-	-	-
Commodity risk	-	-	-	-	-	-
Inflation risk	-	0.03	-	-	-	-
Diversification effect <sup>a</sup>	(0.18)	-	-	-	-	-
<b>Total management VaR</b>	<b>0.23</b>	<b>0.38</b>	<b>0.03</b>	-	-	-

### Notes

a The average has been calculated from 15 March 2019 when trade migration started.

b Diversification effects recognise that forecast losses from different assets or businesses are unlikely to occur concurrently, hence the expected aggregate loss is lower than the sum of the expected losses from each area. Historical correlations between losses are taken into account in making these assessments. The high and low VaR figures reported for each category did not necessarily occur on the same day as the high and low VaR reported as a whole. Consequently, a diversification effect balance for the high and low VaR figures would not be meaningful and is therefore omitted from the above table.

Management VaR has increased slowly throughout the year as more trades have migrated to the Bank.



### Business scenario stresses

As part of Bank's risk management framework, on a regular basis the performance of the trading business in hypothetical scenarios characterised by severe macroeconomic conditions is modelled. Up to seven global scenarios are modelled on a regular basis, for example, a sharp deterioration in liquidity, a slowdown in the global economy, global recession, and a sharp increase in economic growth.

As at 31 December 2019, the scenario that showed the largest market risk related impacts was the severe deterioration in financial liquidity and global recession, showing a loss of €7m.

### Interest rate risk in the banking book management (IRRBB)

#### Overview

Interest rate risk in the banking book is driven by customer deposit taking and lending activities and funding activities. As per the Bank's policy to remain within the defined risk appetite, businesses and Treasury execute hedging strategies to mitigate the risks. However, the Bank remains susceptible to interest rate risk and other non-traded market risks from key sources:

- **Interest rate and repricing risk:** the risk that net interest income could be adversely impacted by a change in interest rates, differences in the timing of interest rate changes between assets and liabilities, and other constraints on interest rate changes as per product terms and conditions.

## Risk review

### Market risk management and performance

- **Customer behavioural risk:** the risk that net interest income could be adversely impacted by the discretion that customers and counterparties may have in respect of being able to vary their contractual obligations with the Bank. This risk is often referred to by industry regulators as 'embedded option risk'.

#### Organisation, roles and responsibilities

- The Bank's Asset and Liability Committee ('ALCO'), is responsible for monitoring and managing IRRBB risk in line with the Bank's management objectives and risk frameworks. The Risk Committee monitors and reviews the IRRBB risk profile and control environment, providing second line oversight of the management of IRRBB. The BRC reviews the interest rate risk profile, including annual review of the risk appetite and the impact of stress scenarios on the interest rate risk of the Bank's banking books.
- In addition, the Bank's IRRBB policy sets out the processes and key controls required to identify all IRRBB risks arising from banking book operations, to monitor the risk exposures via a set of metrics with a frequency in line with the risk management horizon, and to manage these risks within agreed risk appetite and limits.

# Risk review

## Treasury and Capital risk management and performance

All disclosures in this section (pages 50 to 57) are unaudited unless otherwise stated.

Treasury and Capital Risk

### Liquidity risk management

Liquidity risk is the risk that the Bank is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

#### Overview

The efficient management of liquidity is essential to the Bank in order to retain the confidence of the financial markets and maintain the sustainability of the business. The liquidity risk control framework is used to manage all liquidity risk exposures under both BAU and stressed conditions. The framework is designed to maintain liquidity resources that are sufficient in amount, quality and funding tenor profile to support the liquidity risk appetite as expressed by the Bank's Board. The liquidity risk appetite is monitored against both internal and regulatory liquidity metrics.

#### Organisation, roles and responsibilities

Treasury has the primary responsibility for managing liquidity risk within the set risk appetite. Both Risk and Treasury contribute to the production of the Internal Liquidity Adequacy Assessment Process ('ILAAP'). The Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk mandate, as defined by the Bank's Board.

The liquidity risk control framework is designed to deliver the appropriate term and structure of funding, consistent with the liquidity risk appetite set by the Bank's Board.

The control framework incorporates a range of ongoing business management tools to monitor, limit and stress test the Bank's balance sheet and contingent liabilities. Limit setting and transfer pricing are tools that are designed to control the level of liquidity risk taken and drive the appropriate mix of funds. In addition, the Bank maintains a recovery plan. Together, these tools reduce the likelihood that a liquidity stress event could lead to an inability to meet the Bank's obligations as they fall due.

The Bank's Board approves the funding plan, internal stress tests and results of regulatory stress tests (as applicable). The Bank's ALCO is responsible for monitoring and managing liquidity risk in line with the Bank's funding management objectives, funding plan and risk frameworks. Treasury and Capital Risk monitors and reviews the liquidity risk profile and control environment, providing second line oversight of the management of liquidity risk. The Bank's Board Risk Committee reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Bank's funding plan/forecast in order to agree the Bank's projected funding abilities.

#### Credit ratings

In addition to monitoring and managing key metrics related to the financial strength of the Bank, as a stand-alone issuer, the entity also solicits independent credit ratings from Standard & Poor's Global (S&P) and Fitch.

#### Credit ratings (audited)

As at 31 December 2019	Standard & Poor's	Fitch
Long-term	A / Stable	A+ / Stable
Short-term	A-1	F1

In June 2019, Fitch affirmed the ratings for the Bank. In December 2019, Fitch reverted the outlook of the Bank to stable from rating watch negative, which had been in place since March 2019, to reflect their view that the immediate risk of a disruptive no deal Brexit scenario was removed. These actions were taken concurrently with Barclays PLC and its other rated entities.

In June 2019, S&P affirmed the Bank's ratings.

A credit rating downgrade could result in outflows to meet collateral requirements on existing contracts. Outflows related to credit rating downgrades are included in the Bank's internal stress scenarios (Liquidity Risk Appetite or LRA) and a portion of the liquidity pool is held against this risk. Credit ratings downgrades could also result in reduced funding capacity and increased funding costs.

The contractual collateral requirement following a two-notch long-term and associated short-term downgrade across all credit rating agencies, would result in outflows of €0.1bn as at December 2019. The respective outflow is provided for in determining an appropriate liquidity pool size given the Bank's liquidity risk appetite. These numbers do not assume any management or restructuring actions that could be taken to reduce posting requirements.

## Risk review

### Treasury and Capital risk management and performance

#### Liquidity risk stress testing

The liquidity risk stress assessment measures the potential contractual and contingent stress outflows under a range of scenarios, which are then used to determine the size of the liquidity pool that is immediately available to meet anticipated outflows if a stress occurs. The scenarios include a 30 day Barclays-specific stress event, a 90 day market-wide stress event and a 30 day combined scenario consisting of both a Barclays specific and a market-wide stress event.

The Capital Requirements Regulation ('CRR') (as amended by CRR II) Liquidity Coverage ratio ('LCR') requirement takes into account the relative stability of different sources of funding and potential incremental funding requirements in a stress. The LCR is designed to promote short-term resilience of a bank's liquidity risk profile by holding sufficient HQLA to survive an acute stress scenario lasting for 30 days.

As at 31 December 2019, the Bank held eligible liquid assets in excess of the net stress outflows to its internal and external regulatory requirements. The Bank maintains an appropriate proportion of the liquidity pool between cash and deposits with central banks and other HQLA eligible securities.

	31 December 2019	31 December 2018
	€m	€m
Liquidity pool <sup>a</sup>	14,873	6,129
	%	%
Liquidity coverage ratio	187	344

Note  
<sup>a</sup> Comprises of €12,452m (2018: €6,129m) of balances with central banks and €2,421m (2018: €nil) of reverse repurchase agreements entered into for liquidity purposes, both of which met the requirements of the Commission Delegated Regulation (EU) 2015/61 as amended by the Commission Delegated Regulation (EU) 2018/1620 for inclusion as HQLA in the liquidity pool.

#### Contractual maturity of financial assets and liabilities

The table on the next page provides detail on the contractual maturity of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

# Risk review

## Treasury and Capital risk management and performance

### Contractual maturity of financial assets and liabilities (audited)

	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
As at 31 December 2019	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>Assets</b>											
Cash and balances at central banks	12,482	306	-	-	-	-	-	-	-	-	12,788
Cash collateral and settlement balances	105	8,830	-	-	-	-	-	-	-	-	8,935
Loans and advances at amortised cost	635	891	411	355	363	1,206	1,328	2,548	2,574	3,371	13,682
Reverse repurchase agreements and other similar secured lending	-	2,946	-	-	-	-	-	-	-	-	2,946
Trading portfolio assets	1,042	-	-	-	-	-	-	-	-	-	1,042
Financial assets at fair value through the income statement	17	1,359	18	7	7	27	26	49	123	161	1,794
Derivative financial instruments	27,114	-	-	1	-	4	2	1	86	121	27,329
Other financial assets	17	1	113	-	-	15	-	-	-	-	146
<b>Total financial assets</b>	<b>41,412</b>	<b>14,333</b>	<b>542</b>	<b>363</b>	<b>370</b>	<b>1,252</b>	<b>1,356</b>	<b>2,598</b>	<b>2,783</b>	<b>3,653</b>	<b>68,662</b>
<b>Other assets</b>											<b>383</b>
<b>Total assets</b>											<b>69,045</b>
<b>Liabilities</b>											
Deposits at amortised cost	7,223	9,779	697	228	250	89	33	13	1,933	385	20,630
Cash collateral and settlement balances	-	9,374	-	-	-	-	-	-	-	-	9,374
Repurchase agreements and other similar secured borrowing	-	532	723	-	-	-	-	-	-	-	1,255
Debt securities in issue	-	113	95	431	210	-	-	-	-	-	849
Subordinated liabilities	-	-	-	-	-	-	200	125	527	39	891
Trading portfolio liabilities	283	-	-	-	-	-	-	-	-	-	283
Financial liabilities designated at fair value	-	1,925	48	19	49	141	235	161	539	1,585	4,702
Derivative financial instruments	27,140	-	-	-	-	-	-	-	4	9	27,153
Other financial liabilities	65	68	3	3	3	17	10	12	20	19	220
<b>Total financial liabilities</b>	<b>34,711</b>	<b>21,791</b>	<b>1,566</b>	<b>681</b>	<b>512</b>	<b>247</b>	<b>478</b>	<b>311</b>	<b>3,023</b>	<b>2,037</b>	<b>65,357</b>
<b>Other liabilities</b>											<b>398</b>
<b>Total liabilities</b>											<b>65,755</b>
<b>Cumulative liquidity gap</b>	<b>6,701</b>	<b>(757)</b>	<b>(1,781)</b>	<b>(2,099)</b>	<b>(2,241)</b>	<b>(1,236)</b>	<b>(358)</b>	<b>1,929</b>	<b>1,689</b>	<b>3,305</b>	<b>3,290</b>

# Risk review

## Treasury and Capital risk management and performance

### Contractual maturity of financial assets and liabilities (audited)

	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
As at 31 December 2018	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>Assets</b>											
Cash and balances at central banks	6,220	-	-	-	-	-	-	-	-	-	6,220
Cash collateral and settlement balances	-	11	-	-	-	-	-	-	-	-	11
Loans and advances at amortised cost	508	854	271	212	263	704	814	1,038	608	878	6,150
Reverse repurchase agreements and other similar secured lending	-	-	-	-	-	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through the income statement	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	73	-	-	-	-	-	-	-	-	73
<b>Total financial assets</b>	<b>6,728</b>	<b>938</b>	<b>271</b>	<b>212</b>	<b>263</b>	<b>704</b>	<b>814</b>	<b>1,038</b>	<b>608</b>	<b>878</b>	<b>12,454</b>
<b>Other assets</b>											<b>155</b>
<b>Total assets</b>											<b>12,609</b>
<b>Liabilities</b>											
Deposits at amortised cost	4,726	5,123	439	213	52	4	-	-	-	-	10,557
Cash collateral and settlement balances	-	366	-	-	-	-	-	-	-	-	366
Repurchase agreements and other similar secured borrowing	-	-	-	-	-	-	-	-	-	-	-
Debt securities in issue	-	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	250	-	-	250
Trading portfolio liabilities	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	3	-	-	-	-	-	-	-	-	-	3
Other financial liabilities	-	12	-	-	-	-	-	-	-	-	12
<b>Total financial liabilities</b>	<b>4,729</b>	<b>5,501</b>	<b>439</b>	<b>213</b>	<b>52</b>	<b>4</b>	<b>-</b>	<b>250</b>	<b>-</b>	<b>-</b>	<b>11,188</b>
<b>Other liabilities</b>											<b>173</b>
<b>Total liabilities</b>											<b>11,361</b>
<b>Cumulative liquidity gap</b>	<b>1,999</b>	<b>(2,564)</b>	<b>(2,732)</b>	<b>(2,733)</b>	<b>(2,522)</b>	<b>(1,822)</b>	<b>(1,008)</b>	<b>(220)</b>	<b>388</b>	<b>1,266</b>	<b>1,248</b>

## Risk review

### Treasury and Capital risk management and performance

Expected maturity date may differ from the contractual dates, to account for:

- trading portfolio assets and liabilities and derivative financial instruments, which may not be held to maturity as part of Bank's trading strategies
- corporate and retail deposits, which are included within deposits at amortised cost, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for Bank's operations and liquidity needs because of the broad base of customers, both numerically and by depositor type
- loans to corporate and retail customers, which are included within loans and advances at amortised cost and financial assets at fair value, may be repaid earlier in line with terms and conditions of the contract
- debt securities in issue, subordinated liabilities, and financial liabilities designated at fair value, may include early redemption features.



## Risk review

### Treasury and Capital risk management and performance

#### Contractual maturity of financial liabilities on an undiscounted basis

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.

Derivative financial instruments held for trading are included in the “on demand” column at their fair value.

Contractual maturity of financial liabilities - undiscounted (audited)									
	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>As at 31 December 2019</b>									
Deposits at amortised cost	7,223	9,779	697	478	122	13	2,008	387	20,707
Cash collateral and settlement balances	-	9,374	-	-	-	-	-	-	9,374
Repurchase agreements and other similar secured borrowing	-	532	723	-	-	-	-	-	1,255
Debt securities in issue	-	113	95	639	-	-	-	-	847
Subordinated liabilities	-	-	-	-	208	133	610	47	998
Trading portfolio liabilities	283	-	-	-	-	-	-	-	283
Financial liabilities designated at fair value	-	1,925	48	68	377	161	543	1,775	4,897
Derivative financial instruments	27,140	-	-	-	-	-	4	9	27,153
Other financial liabilities	65	70	4	7	30	16	25	21	238
<b>Total financial liabilities</b>	<b>34,711</b>	<b>21,793</b>	<b>1,567</b>	<b>1,192</b>	<b>737</b>	<b>323</b>	<b>3,190</b>	<b>2,239</b>	<b>65,752</b>
<b>As at 31 December 2018</b>									
Deposits at amortised cost	4,726	5,122	440	266	4	-	-	-	10,558
Cash collateral and settlement balances	-	366	-	-	-	-	-	-	366
Repurchase agreements and other similar secured borrowing	-	-	-	-	-	-	-	-	-
Debt securities in issue	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	1	3	252	-	-	256
Trading portfolio liabilities	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-
Derivative financial instruments	3	-	-	-	-	-	-	-	3
Other financial liabilities	-	12	-	-	-	-	-	-	12
<b>Total financial liabilities</b>	<b>4,729</b>	<b>5,500</b>	<b>440</b>	<b>267</b>	<b>7</b>	<b>252</b>	<b>-</b>	<b>-</b>	<b>11,195</b>

## Risk review

### Treasury and Capital risk management and performance

#### Maturity analysis of off-balance sheet commitments given (audited)

	On demand €m	Not more than three months €m	Over three months but not more than six months €m	Over six months but not more than one year €m	Over one year but not more than three years €m	Over three years but not more than five years €m	Over five years but not more than ten years €m	Over ten years €m	Total €m
<b>As at 31 December 2019</b>									
Guarantees and letters of credit	1,861	37	15	75	121	24	2	44	2,179
Other contingent liabilities	1,461	-	-	-	-	-	-	2	1,463
Documentary credits	87	-	-	-	-	-	-	-	87
Commitments	16,749	100	-	-	-	-	101	-	16,950
<b>Total off-balance sheet</b>	<b>20,158</b>	<b>137</b>	<b>15</b>	<b>75</b>	<b>121</b>	<b>24</b>	<b>103</b>	<b>46</b>	<b>20,679</b>
<b>As at 31 December 2018</b>									
Guarantees and letters of credit	145	1	-	148	-	-	-	-	294
Other contingent liabilities	109	-	-	-	-	-	-	-	109
Commitments	5,615	7	-	-	-	-	-	-	5,622
<b>Total off-balance sheet</b>	<b>5,869</b>	<b>8</b>	<b>-</b>	<b>148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,025</b>

#### Maturity analysis of off-balance sheet commitments received (audited)

	On demand €m	Not more than three months €m	Over three months but not more than six months €m	Over six months but not more than one year €m	Over one year but not more than three years €m	Over three years but not more than five years €m	Over five years but not more than ten years €m	Over ten years €m	Total €m
<b>As at 31 December 2019</b>									
Guarantees, letters of credit and credit insurance	-	-	19	-	-	-	-	-	19
Forward starting repurchase agreements	-	-	-	-	-	-	-	-	-
<b>Total off balance sheet commitments received</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>
<b>As at 31 December 2018</b>									
Guarantees, letters of credit and credit insurance	8	-	-	-	22	11	-	-	41
Forward starting repurchase agreements	-	-	-	-	-	-	-	-	-
<b>Total off balance sheet commitments received</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>41</b>

# Risk review

## Treasury and Capital risk management and performance

### Capital risk

All disclosures in this section (page 57) are unaudited unless otherwise stated.

#### Overview

The Bank is licensed as a credit institution by the CBI and is designated as a significant institution, directly supervised by the SSM of the ECB. The Bank is regulated by the CBI for financial conduct and the Bank's branches are also subject to direct supervision for local conduct purposes by national supervisory authorities in the jurisdictions where they are established.

The disclosures below provide key capital metrics for the Bank.

On 27 June 2019, as part of the EU Risk Reduction Measure package, the CRR II entered into force, amending CRR. As an amending regulation, the existing provisions of CRR apply unless they are amended by CRR II. The amendments largely take effect and are phased in from 28 June 2021 with a number of exceptions which were implemented with immediate effect.

Amendments within this section include changes to qualifying criteria for CET1, AT1 and Tier 2 instruments, and an amendment to the treatment of deferred tax assets.

Certain aspects of CRR II are dependent on final technical standards to be issued by the European Banking Authority ('EBA') and adopted by the European Commission. The disclosures in the following section reflect the Bank's interpretation of the current rules and guidance.

As at 31 December 2019, the Bank's transitional CET1 ratio was 14.4%, which exceeded the 2019 minimum requirement.

Capital ratios <sup>a,b</sup>		
As at 31 December	2019	2018
CET1	14.4%	15.9%
Tier 1 (T1)	17.6%	20.8%
Total regulatory capital	20.8%	21.2%

Capital resources		
As at 31 December	2019 €m	2018 €m
CET1 capital	2,569	960
T1 capital	3,134	1,260
Total regulatory capital	3,723	1,279
<b>Total risk weighted assets (RWAs)<sup>a</sup></b>	<b>17,879</b>	<b>6,046</b>

Capital Requirements Regulation (CRR) leverage ratio <sup>a</sup>		
As at 31 December	2019 €m	2018 €m
CRR leverage ratio	5.5%	9.0%
T1 capital	3,134	1,260
CRR leverage exposure	56,769	14,054

a Capital, RWAs and leverage are calculated applying the IFRS9 arrangements of the CRR as amended by CRR II applicable as at the reporting date.

b The fully loaded CET1 ratio was 14.1%, with €2.5bn of CET1 capital and €17.8bn of RWAs calculated without applying the transitional arrangements of the CRR as amended by CRR II applicable as at the reporting date.

### Foreign exchange risk (audited)

Transactional foreign currency exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

Bank risk management policies prevent the holding of significant open positions in foreign currencies outside the Bank's trading portfolio, which is monitored through VaR. (See Market risk review on page 47).

Other banking book transactional foreign exchange risk is monitored on a daily basis by the market risk function and minimised by the businesses.

# Risk review

## Supervision and regulation

### Supervision of the Bank

The Bank is a subsidiary of BBPLC and a part of the Barclays Group. The Barclays Group's operations, including its overseas branches, subsidiaries and associates, are subject to a large number of rules and regulations that are a condition for authorisation to conduct banking and financial services business in each of the jurisdictions in which the Barclays Group operates. These apply to business operations, impact financial returns and include capital, leverage and liquidity requirements, authorisation, registration and reporting requirements, restrictions on certain activities, conduct of business regulations and many others.

The Bank is headquartered in Dublin, Ireland, and conducts business primarily across the EU and EEA. Although regulatory developments globally impact the Barclays Group, due to the location of the Bank, we focus on EU Regulation as EU regulatory developments impact the Bank directly.

The impact of the UK's withdrawal on UK financial regulation and how it relates to EU financial regulation is uncertain. The potential impact of UK withdrawal from the EU is addressed in the section "Brexit" below, while more information on the risks related to the supervision and regulation of the Bank is set out in the section entitled "Legal risk and legal, competition and regulatory matters" on page 19.

### Supervision in the EU

The Bank is licensed as a credit institution by the CBI and is designated as a significant institution falling under the remit of the Single Supervisory Mechanism (SSM) and, as a result, direct supervision on a solo basis by the European Central Bank (ECB). The Bank's EU branches are supervised by the ECB and are also subject to direct supervision for local conduct purposes by national supervisory authorities in the jurisdictions where they are established.

As a significant institution falling under direct supervision by the ECB, the Bank must undergo an ECB Comprehensive Assessment in 2020, which is a financial health check undertaken by the ECB to ensure that newly designated significant institutions are adequately capitalised and can withstand possible financial shocks. The Comprehensive Assessment comprises a detailed Asset Quality Review and Stress Test, the outcomes of which are assessed to determine if the significant institution has adequate capital in normal and stress scenarios. The ECB factors the outcome of the Comprehensive Assessment into the ongoing assessment of banks' risks, their governance arrangements and their capital and liquidity situation as part of the Supervisory Review and Evaluation Process ('SREP').

The Bank is subject to supervision by the CBI for the purposes of EU financial regulation that is a Home State competence, including the Markets in Financial Instruments Directive ('MiFID II'), Market Abuse Regulation ('MAR'), European Markets Infrastructure Regulation ('EMIR'), the Payments Services Directive ('PSD2') and the EU Funds Transfer Regulation ('FTR'). In addition, it also faces Host State supervision where appropriate in relation to its activities in EEA Member States.

The Bank has also been designated as an 'Other Systemically Important Institution' ('O-SII') by the CBI since 2 December 2019 as it has been identified by the CBI, in its role as national macro prudential authority, as systemically important to the domestic Irish economy.

The ECB's and CBI's continuing supervision of the Bank is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns or cross-firm reviews, regular supervisory visits to firms and regular meetings with management and directors to discuss issues such as strategy, governance, financial resilience, operational resilience, risk management, and recovery.

The CBI has developed a particular focus on culture and conduct risk, which is addressed in the section entitled "Conduct, culture and other regulation on page 61.

### Brexit

There remains much uncertainty regarding the state of the future relationship between the UK and the EU and therefore the potential impact of the UK's withdrawal from the EU on the Bank and our European clients and customers.

Following the UK's withdrawal from the EU on 31 January 2020 pursuant to the withdrawal agreement negotiated between the UK and the EU in October 2019, firms incorporated and authorised in the UK are able to continue to provide services into the EU27, and firms incorporated and authorised in the EU27 are able to continue to provide services into the UK, in accordance with the terms of the withdrawal agreement for the duration of the transition period set out in the agreement.

Following the expiry of that transitional period in December 2020, the ability of UK firms to access the EU market and vice versa would depend upon the terms of any future trade deal between the UK and the EU, including whether such deal provides for any access rights in respect of financial services. It would also depend upon whether the EU grants equivalence to the UK as a third country pursuant to equivalence regimes in existing EU financial services legislation.

If, after the expiry of the transitional period in December 2020, there is no deal or arrangement covering financial services in place and assuming no third country "equivalence"-based recognition in place, the Barclays Group entities in the UK would no longer be able to access EU markets as they do today. For some time now, as part of the Barclays Group's preparations for the impact of the UK leaving the EU, the Barclays Group have been expanding the Bank in order to continue to be able to provide products and services to our European clients following the UK's departure from the EU. The Bank obtained all regulatory authorisations and licences to be able to conduct such activities across the EU and EEA.

### Financial regulatory framework

#### a) Prudential regulation

Certain Basel III standards were implemented in EU law through the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive IV ('CRD IV').

# Risk review

## Supervision and regulation

O-SIIs, such as the Bank, are subject to a number of additional prudential requirements, including the requirement to hold additional capital buffers above the level required by Basel III standards. The level of the O-SII buffer is set by the CBI according to a bank's systemic importance and can range from 1% to 3.5% of risk-weighted assets ('RWAs'). The O-SII buffer must be met with CET1. In December 2019, the CBI published an update to its list of O-SIIs, setting a 0.5% O-SII buffer that will apply to the Bank from 1 July 2020, increasing to 0.75% from 1 July 2021.

The Bank is also subject to a 'combined buffer requirement' consisting of (i) a capital conservation buffer, and (ii) a countercyclical capital buffer ('CCyB'). The CCyB is based on rates determined by the regulatory authorities in each jurisdiction in which the Bank maintains exposures. These rates may vary in either direction.

Firms are required to hold additional capital to cover risks which the SSM assesses are not fully captured by the Pillar 1 capital requirement. The SSM sets this additional capital requirement (Pillar 2R) at least annually. For the year 2020, the Pillar 2R must be met with 100% CET1 capital. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2R) cannot be counted towards meeting the combined buffer requirement.

The SSM may also determine a Pillar 2 Guidance (Pillar 2G) on firms to cover risks over a forward looking planning horizon, including with regard to stresses. If the Pillar 2G buffer is determined for a specific firm, it applies separately to the combined buffer requirement, and it is expected that it would be met fully with CET1 capital.

Final Basel Committee of Banking Supervisors ('BCBS') standards on counterparty credit risk, leverage, large exposures and a Net Stable Funding Ratio ('NSFR') are being implemented under EU law via the Risk Reduction Measures package, which was published in the Official Journal in June 2019 and includes the CRR II regulation, the CRD V directive and the BRRD II directive.

The BCBS's finalisation of 'Basel III – post-crisis regulatory reforms' in December 2017, among other things, eliminated model-based approaches for certain categories of RWAs, revised the standardised approach's risk weights for a variety of exposure categories, replaced the four current approaches for operational risk (including the advanced measurement approach) with a single standardised measurement approach and established 72.5% of standardised approach RWAs for exposure categories as a floor for RWAs calculated under advanced approaches (referred to as the 'output floor'). The majority of the final Basel III changes are due to be implemented commencing 1 January 2022, with a five-year phase-in period for the output floor, although the precise timing as it applies to the Barclays Group and the Bank depends on national and EU legislative processes. In addition, the application of the output floor for the Bank on a standalone basis as a subsidiary of an international banking group is yet to be clarified. The new market risk framework, including rules made as a result of the 'fundamental review of the trading book', is expected to be implemented in the EU first as a reporting requirement, with further legislation needed to replace the existing, binding market risk requirements.

### *Stress testing*

The Bank is expected to be subject to supervisory stress testing exercises, designed to assess the resilience of banks to adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on such elements as data provision, stress testing capability including model risk management and internal management processes and controls.

## **b) Recovery and Resolution**

### *Stabilisation and resolution framework*

The 2014 Bank Recovery and Resolution Directive ('BRRD') established a framework for the recovery and resolution of EU credit institutions and investment firms. The European Union (Bank Recovery and Resolution) Regulations 2015 (S.I. No 289 of 2015) came into effect on 15 July 2015 (with the exception of the bail-in tool which came into effect on 1 January 2016) and transposed the BRRD into Irish law. Amendments to BRRD (referred to as BRRD II) were made via the finalisation of the EU Risk Reduction Measures. Member states are required to transpose BRRD II into national law by 28 December 2020 (subject to certain exceptions).

BRRD laid the foundation for the one of the pillars of Banking Union, the Single Resolution Mechanism Regulations ('SRMR'), which is comprised of the Single Resolution Board ('SRB') and the CBI as the Bank's National Resolution Authority. The purpose of the SRMR is to ensure an orderly resolution of failing banks with minimal costs for taxpayers and to the real economy.

The Bank, as a significant institution under the SRMR, is subject to the powers of the SRB as the Eurozone resolution authority. The CBI and the ECB require the Bank to submit a standalone BRRD-compliant recovery plan on an annual basis. The SRB has the power to require data submissions specific to the Bank under powers conferred upon it by the BRRD and the SRMR. The SRB will exercise these powers to determine the optimal resolution strategy for the Bank in the context of the BoE's preferred resolution strategy (as home regulator of the Barclays Group) of single point of entry with bail-in at Barclays PLC. The SRB also has the power under the BRRD and the SRMR to develop a resolution plan for the Bank.

### *TLAC and MREL*

The BRRD requires competent authorities to impose a Minimum Requirement for own funds and Eligible Liabilities ('MREL') on financial institutions to facilitate their orderly resolution without broader financial disruption or recourse to public funds. In November 2015, the FSB finalised its proposals to enhance the loss-absorbing capacity of global systemically important banks ('G-SIBs') and has set a new minimum requirement for 'total loss-absorbing capacity' ('TLAC'). As the TLAC standard requires a certain amount of loss-absorbing resources to be committed to subsidiaries or sub-groups that are located in host jurisdictions and deemed material for the resolution of the G-SIB as a whole, the Financial Stability Board published guiding principles on internal TLAC in July 2017. These provide guidance on the size and composition of the internal TLAC requirement, cooperation and co-ordination between home and host authorities and the trigger mechanism for internal TLAC.

# Risk review

## Supervision and regulation

The EU is implementing the TLAC standard (including internal TLAC) via the MREL requirement for G-SIBs and the relevant amendments are contained in the Risk Reduction Measures package. Under the BoE's 2018 statement of policy on MREL, the BoE will set MREL for UK G-SIBs as necessary to implement the TLAC standard and institution or group-specific MREL requirements will depend on the preferred resolution strategy for that institution or group. Internal MREL requirements will also be set for material operating subsidiaries (including the Bank) of G-SIBs. If the material operating subsidiary is based in a third country, the MREL requirement will be set as joint decision between the BoE, as the group resolution authority, and the subsidiary's resolution authority.

The Bank, as an EU financial institution, will also become subject to a standalone MREL requirement to be set jointly by the BoE, as the group resolution authority, and the European Single Resolution Board (SRB), as the Bank's resolution authority. This requirement will be set following the SRB's finalisation of their internal MREL policy.

In addition, the Bank will become subject to a separate standalone TLAC requirement under CRR upon expiry of the transitional period of the UK's withdrawal from the EU in December 2020 as the Bank will, at this point, become a material EU subsidiary of a non EU G-SIB.

Given that the Barclays Group have a 'single point of entry' resolution strategy, all of the Bank's MREL will be down streamed to the Bank from within the Barclays Group.

### *Single resolution fund*

In accordance with Regulation (EU) No 806/2014 of the European Parliament and the Council, the SRB calculates the ex-ante contributions to the Single Resolution Fund (SRF) on an annual basis. The SRB performs the calculation on the basis of the Council Implementing Regulation (EU) 2015/81 and Commission Delegated Regulation (EU) 2015/63. The Bank is subject to the SRF.

### *Deposit Guarantee Scheme ('DGS')*

The EU Directive on Deposit Insurance (Directive 2014/49/EU) was transposed into Irish law through the European Union (Deposit Guarantee Schemes) Regulations 2015 which came into effect on 20 November 2015. The CBI as the 'designated authority' is required to calculate risk based deposit insurance contributions in accordance with the EBA's guidelines "on methods for calculating contributions to deposit guarantee schemes". The DGS is administered by the CBI and is funded by the credit institutions covered by the scheme. The Bank is covered by this scheme and contributes to the funding of this scheme in accordance with the CBI's requirements.

### *Investor Compensation Scheme ('ICS')*

The Investor Compensation Directive (97/9/EC) sets out the basis for clients of investment firms (including banks that carry out investment services, such as the Bank) to receive statutory compensation when an authorised investment firm fails. In Ireland, the Investor Compensation Act 1998 ('ICA') provides for the establishment of the Investor Compensation Company DAC which administers the ICS. The Bank contributes to the funding of the ICS in accordance with the ICA. The deposit-taking business of the Bank is not covered by the ICS.

## **c) Market infrastructure regulation**

In recent years, regulators as well as global-standard setting bodies such as the International Organisation of Securities Commissions ('IOSCO') have focused on improving transparency and reducing risk in markets, particularly risks related to OTC transactions. This focus has resulted in a variety of new regulations across the G20 countries and beyond that require or encourage on-venue trading, clearing, posting of margin and disclosure of pre-trade and post-trade information. Some of the most significant developments are described below.

The European Market Infrastructure Regulation, as amended, ('EMIR') has introduced requirements designed to improve transparency and reduce the risks associated with the derivatives market, some of which are still to be fully implemented. EMIR has potential operational and financial impacts on the Barclays Group, including by imposing new collateral requirements.

CRD IV complements EMIR by applying higher capital requirements for bilateral, uncleared OTC derivative trades. Lower capital requirements for cleared derivative trades are only available if the central counterparty through which the trade is cleared is recognised as a 'qualifying central counterparty' ('QCCP') which has been authorised or recognised under EMIR.

The Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II) have largely been applicable since 3 January 2018. MiFID II affects many of the investment markets in which the Barclays Group and the Bank operate, the instruments in which it trades and the way it transacts with market counterparties and other customers. MiFID II is currently undergoing a review process in order to determine those areas of the regulation that require further amendment. These amendments are being considered particularly in light of the EU's ongoing focus on the development of a stronger Capital Markets Union.

As part of the EU's sustainable finance action plan, new regulatory requirements are being introduced to provide greater transparency on the environmental and social impact of financial investments. These include (i) the Regulation on Sustainability-Related Disclosures, which introduces disclosure obligations regarding the way in which financial institutions integrate environmental, social and governance factors in their investment decisions, and (ii) the Taxonomy Regulation, which provides for a general framework for the development of an EU-wide classification system for environmentally sustainable economic activities. In addition, changes are proposed to MiFID II to incorporate environmental, social and governance factors. These new requirements will have an impact on the Barclays Group and the Bank specifically as an intermediary performing investment services for customers and investors.

## **d) EU Benchmarks Regulation**

The EU Benchmarks Regulation applies to the administration, contribution and use of benchmarks within the EU. Financial institutions within the EU are prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU, subject to transitional provisions expiring on 1 January 2022.

# Risk review

## Supervision and regulation

The UK's Financial Conduct Authority has stated that it does not intend to support LIBOR after the end of 2021. International initiatives are therefore underway to develop alternative benchmarks and backstop arrangements.

### e) Conduct, culture and other regulation

#### *Conduct and culture*

The CBI introduced the Fitness and Probity ('F&P') Regime under the Central Bank Reform Act 2010 which the Bank is subject to. The aim of the F&P Regime is to ensure that individuals engaged in certain functions, taking up positions on the Board or that have significant influence level are persons of integrity who possess the requisite knowledge and competence to perform the roles. The Bank is required to ensure that personnel who are designated as control function holders comply with the F&P Regime.

The Bank's regulators have also enhanced their focus on the promotion of cultural values as a key area for banks, although they generally view the responsibility for reforming culture as primarily sitting with the industry. In addition, the Bank is required by our regulators to have a remuneration policy that is consistent with effective risk management.

#### *Data protection and PSD2*

Most countries in which the Barclays Group operates have comprehensive laws governing the collection and use of personal information. Prominent media reporting of recent cyber-security breaches or data losses and the significant penalties being handed down by European privacy regulators have heightened interest in data privacy worldwide. The introduction of the EU's General Data Protection Regulation ('GDPR') does not significantly alter the core principles established under the earlier Data Protection Directive, but it creates a harmonised privacy regime across EU member states with penalties up to the higher of 4% of global turnover or €20 million. The GDPR also institutes new mandatory breach notification requirements, enhances the rights of individual data subjects and introduces an accountability principle concerned with openly demonstrating compliance. The international nature of our business and IT infrastructure means personal information may be available in countries other than from where it originated. The GDPR has extra-territorial effect where a business established outside the EU is processing personal data of individuals located in the EU (e.g. European based customers or clients) and such processing relates to the offering of goods or services to such individuals, or the monitoring of their behaviour in the EU.

The revised PSD2 introduces additional security requirements when customers and clients are accessing accounts or making payments online. The CBI, in alignment with the EBA, has set a deadline of 31 December 2020 to complete adoption of Strong Customer Authentication ('SCA') for electronic commerce card-based payment transactions.

#### *Cyber security and operational resilience*

Regulators in Europe continue to focus on cyber security risk management and organisational operational resilience and overall soundness across all financial services firms, with customer and market expectations of continuous access to financial services at an all-time high.

This has led to a number of proposed laws and changes to regulatory frameworks being published that necessitate the implementation of a variety of increased controls and enhancement activities for regulated Barclays Group entities. To comply with these new requirements, firms such as the Barclays Group have adopted or will adopt a variety of increased controls and processes, including, among others, the amendment of cyber security policies and procedures to include specified criteria, additional security measures for enhanced reporting and public disclosures, compliance certification requirements, operational resilience and more advanced recovery solutions, as well as other cyber and information risk governance measures. These increased controls will enhance industry standardisation, expand and enhance our resilience capabilities as well as increase our ability to protect and maintain customer service during potential disruptions. Such measures are likely to result in increased technology and compliance costs for the Barclays Group.

#### *Sanctions and financial crime*

The EU 4<sup>th</sup> Anti-Money Laundering Directive is fully transposed into national law in Ireland and in each of the countries where the Bank has a branch. Key enhancements relative to previous EU Anti-Money Laundering Directives include:

- changes to Customer Due Diligence ('CDD'). CDD is required by anyone trading goods in cash with a value over €10,000 (previous value was €15,000);
- enhanced measures for local politically-exposed persons ;
- creation of centralised national registers of beneficial ownership;
- removal of simplified due diligence eligibility based on client categories; and
- a requirement to demonstrate a risk based approach via a risk assessment framework.

In July 2018, the EU 5<sup>th</sup> Anti-Money Laundering Directive ('MLD5') entered into force and EU Member States have begun transposing the Directive into national law. MLD5 introduces a number of key reforms to the anti-money laundering and counter-terrorist financing regime including:

- greater transparency with a right for members of the general public to access beneficial ownership registers in relation to bodies corporate;
- wider scope with certain virtual currency exchange platforms; custodian wallet providers and certain art dealers being brought within scope of the regime;
- harmonisation of the application of enhanced due diligence measures from transactions involving high-risk third countries;
- increased circumstances whereby enhanced customer due diligence must be applied;
- expanded powers of financial intelligence units; and
- creation of centralised national account registries



# Financial statements

## Contents

### Table of Contents

	Page	Note
<b>Financial statements</b>		
▪ Independent Auditor's Report	63	n/a
▪ Income statement	69	n/a
▪ Statement of comprehensive income	70	n/a
• Balance sheet	71	n/a
▪ Statement of changes in equity	72	n/a
▪ Cash flow statement	73	n/a
<b>Accounting policies</b>	74	n/a
▪ Significant accounting policies		
<b>Notes to the financial statements</b>		
<b>Acquisition of business</b>	78	1
▪ Acquisition of business		
<b>Performance/return</b>		
▪ Segmental reporting	80	2
▪ Net interest income	81	3
▪ Net fee and commission income	81	4
▪ Net trading income	84	5
▪ Net investment income	84	6
▪ Credit impairment charges and other provisions	84	7
▪ Operating expenses	88	8
▪ Tax	88	9
▪ Dividends on ordinary shares	89	10
<b>Assets and liabilities held at fair value</b>		
▪ Trading portfolio	91	11
▪ Financial assets at fair value through the income statement	91	12
▪ Derivative financial instruments	91	13
▪ Financial liabilities designated at fair value	97	14
▪ Fair value of financial instruments	98	15
▪ Offsetting financial assets and financial liabilities	104	16
<b>Asset and liabilities held at amortised cost</b>		
▪ Loans and advances and deposits at amortised cost	106	17
▪ Property, plant and equipment	106	18
▪ Leases	108	19
▪ Intangible assets	110	20
▪ Cash collateral and settlement balances	111	21
▪ Other assets	111	22
<b>Accruals, provisions, contingent liabilities and legal proceedings</b>		
▪ Other liabilities	112	23
▪ Provisions	112	24
▪ Contingent liabilities and commitments	113	25
▪ Legal, competition and regulatory matters	113	26
<b>Capital instruments, equity and reserves</b>		
▪ Subordinated liabilities	114	27
▪ Ordinary shares, share premium and other equity	115	28
▪ Reserves	116	29
<b>Employee benefits</b>		
▪ Staff costs	117	30
▪ Share-based payments	117	31
▪ Pensions and post-retirement benefits	119	32
<b>Other disclosure matters</b>		
▪ Structured Entities	123	33
▪ Analysis of change in financing during the year	125	34
▪ Assets pledged, collateral received and assets transferred	126	35
▪ Related party transactions and Directors' remuneration	127	36
▪ Auditors' remuneration	128	37
▪ Post balance sheet events	129	38
▪ Approval of financial statements	129	39
<b>Abbreviations</b>	130	n/a



# Independent Auditor's report

## Independent Auditors report to the member of Barclays Bank Ireland PLC

### Opinion

We have audited the financial statements of Barclays Bank Ireland PLC ('the Bank') for the year ended 31 December 2019 set out on pages 69 to 129, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and related notes, including the summary of significant accounting policies set out on pages 74 to 77. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Bank as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 24 April 2017. The period of total uninterrupted engagement is for the three financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Bank in accordance with, ethical requirements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

### Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We continued to perform procedures over the recognition of revenue (EIR) and the valuation of the defined benefit pension liability. However, as a result of the expansion of the Bank since the prior year, we have not assessed these as some of the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Key audit matter		How our audit addressed the key audit matter
<p><b>IFRS 9 – Expected Credit Losses</b></p> <p>31 December 2019: €427 million 31 December 2018: €292 million</p> <p>Refer to accounting policy and note 7 (financial disclosures)</p>	<p><b>Subjective estimate</b></p> <p>The estimation of expected credit losses ('ECL') on financial instruments, involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's estimation of ECLs are</p> <ul style="list-style-type: none"> <li>• Accuracy of PD models; and</li> <li>• Appropriateness of economic scenarios.</li> </ul> <p><i>Accuracy of PD models</i></p> <p>The calculation of expected credit losses ('ECLs') uses complex and inherently judgmental modelling techniques. The Probability of Default (PD) models are the key drivers of the expected credit loss calculation and also impact the staging of assets, especially for the German credit cards and Italian mortgage portfolios.</p> <p>ECLs may be inappropriate if PD models do not accurately predict defaults over time, become out of line with wider industry experience, or fail to reflect the credit risk of financial assets.</p>	<p>Our procedures included:</p> <p><b>Controls testing:</b></p> <p>We performed end to end process walkthroughs to identify the key systems, applications and controls used in the expected credit loss ('ECL') processes. We tested the relevant general IT and application controls over key systems used in the ECL process.</p> <p>Key aspects of our controls testing involved the following:</p> <ul style="list-style-type: none"> <li>– For the relevant portfolios, testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models;</li> <li>– Testing the design, implementation and operating effectiveness of the key controls over the application of the staging criteria;</li> <li>– Evaluating controls over validation, implementation and model monitoring; and</li> <li>– Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and probabilities.</li> </ul>

# Independent Auditor's report

## Independent Auditors report to the member of Barclays Bank Ireland PLC

Key audit matter		How our audit addressed the key audit matter
	<p><b>Economic Scenarios</b> Economic scenarios have a direct impact on the proportion of loans in stage 2 and the resultant ECL. Significant management judgement is applied in the determination of the economic scenarios and the weightings applied to them.</p> <p>IFRS 9 requires the Bank to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied to them especially when considering the current uncertain economic environment.</p> <p>The focus of this risk is on the key economic variables which drive the ECL scenario modelling being GDP, unemployment and house price indices, and the local economic scenarios which are applied to these figures, particularly in the context of the German credit cards and Italian mortgage portfolios.</p> <p><b>Disclosure quality</b> The disclosures regarding the Bank's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results.</p>	<p><b>Our testing of financial risk models:</b></p> <p>We involved our own financial risk modelling specialists in the following:</p> <ul style="list-style-type: none"> <li>- Evaluating the appropriateness of the Bank's IFRS 9 impairment methodologies (including the staging criteria used);</li> <li>- Re-performing the calculation of certain components of the ECL model calculation (including the staging criteria);</li> <li>- For a sample of models which were changed or updated during the year, evaluating whether the changes (including the updated model code) were consistent with the Barclays' approved IFRS 9 impairment methodologies by re-performing key model validation procedures; and</li> <li>- For a sample of key models in the identified portfolios, assessing the reasonableness of the model predictions by comparing them against actual results and evaluating the resulting differences.</li> </ul> <p><b>Economic scenarios:</b> We involved our own economic specialists to assist us in assessing the appropriateness of the Bank's methodology for determining the economic scenarios used and the probability weightings applied to them. We assessed key economic variables such as GDP, unemployment and house prices indices, which included agreeing samples of economic variables to external sources and performed sensitivity analysis on the weighting of economic scenarios to evaluate the appropriateness of the scenarios derived at the Barclays PLC Group level in the context of the Bank's portfolios.</p> <p><b>Tests of detail:</b> Key other aspects of our substantive testing involved sample testing over key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD assumptions applied.</p> <p><b>Assessing transparency:</b> We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the expected credit losses. As a part of this, we assessed the sensitivity analysis that is disclosed. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.</p> <p><b>Our results:</b> We found the ECL charge, provision recognised and the related disclosures to be reasonable.</p>
<p><b>Valuation of financial instruments held at fair value - unobservable or complex pricing inputs</b></p> <p>31 December 2019: €591 million assets €178 million liabilities</p> <p>31 December 2018: €nil</p>	<p><b>Subjective valuation</b> The fair value of the Bank's financial instruments is determined through the application of valuation techniques which often involve the exercise of significant judgement by management in relation to the choice of the valuation models, pricing inputs and post-model pricing adjustments, including fair value adjustments (FVAs) and credit and funding adjustments (together referred to as XVAs).</p> <p>Where significant pricing inputs are unobservable, management has no reliable, relevant market data available in determining</p>	<p>Our procedures included:</p> <p><b>Risk assessment:</b> We performed risk assessment procedures over the entire Level 2 and Level 3 balances within the Bank's financial statements (i.e. all of the non-listed fair value financial instruments held by the Bank). As part of these risk assessment procedures we identified which portfolios have a risk of material misstatement including those arising from significant judgements over valuation either due to unobservable inputs or complex models</p> <p><b>Control testing:</b> We obtained an understanding and tested the design, implementation and operating effectiveness of key controls relating specifically to these portfolios. These included:</p>

# Independent Auditor's report

## Independent Auditors report to the member of Barclays Bank Ireland PLC

Key audit matter	How our audit addressed the key audit matter
<p>Refer to accounting policy and note 15 (financial disclosures)</p> <p>the fair value and hence estimation uncertainty can be high. These financial instruments are classified as Level 3, with management having controls in place over the boundary between Level 2 and 3 positions.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the subjective estimates in fair value measurement of certain portfolios, as detailed above, have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> <p>At 31 December 2019, Level 3 instruments (€591 million) represented 1.9% of the Bank's financial assets carried at fair value and 0.5% (€178 million) of the Bank's financial liabilities carried at fair value.</p> <p>Within this population the fair value instrument portfolios in the Bank with the most significant judgements are:</p> <ul style="list-style-type: none"> <li>Italian mortgage portfolio held at fair value;</li> <li>Inflation swaps with unobservable inflation indices in the Rates business.</li> </ul> <p>The Italian mortgage portfolio require significant judgement in the valuation due to the long-dated nature of the portfolio, the lack of a secondary market in the relevant loans and unobservable loan spreads.</p> <p>The inflation swaps have a significant risk attached to the valuation methodology due to the lack observable pricing inputs.</p> <p><b>Disclosure quality</b> The IFRS 13 fair value measurement disclosures are key to explaining the valuation techniques, key judgements, assumptions and material inputs.</p>	<ul style="list-style-type: none"> <li>controls over independent price verification ('IPV'), performed by a control function, of key market pricing inputs, including completeness of positions and valuation inputs subject to IPV, as well as controls over unobservable inputs which are not subject to price verification.</li> <li>controls over FVAs, including exit adjustments (to mark the portfolio to bid or offer prices), model shortcoming reserves to address model limitations and XVAs.</li> <li>controls over the validation, completeness, implementation and usage of valuation models. This included controls over assessment of model limitations and assumptions.</li> </ul> <p><b>Independent re-performance:</b> With the assistance of our own valuation specialists we independently re-priced the entire Italian mortgage portfolio and a selection of inflation swap trades.</p> <p><b>Methodology assessment:</b> Our own valuation specialists assisted us in challenging the appropriateness of significant models and methodologies used in calculating fair values, with a particular focus on the Italian mortgage valuation model, risk exposures and in calculating FVAs, including comparison to industry practice.</p> <p><b>Historical comparison:</b> We inspected movements in unobservable inputs throughout the period to challenge whether any gain or loss generated was appropriate.</p> <p><b>Assessing transparency:</b> We assessed the adequacy of the Bank's financial statements disclosures in the context of the relevant accounting standards.</p> <p><b>Our results:</b> We found the fair value of Level 3 financial instrument assets and liabilities recognised to be reasonable.</p>
<p><b>Business Expansion – common control transactions</b></p> <p>Refer to accounting policy and note 1 (financial disclosures)</p>	<p><b>Pervasive impact</b> The Bank continued the acquisition of the European branch network and other portfolios of European customers from its parent, Barclays Bank PLC during the period. The business acquired includes a mortgage portfolio, corporate banking facilities, derivative and wealth management products, as well as the associated income streams.</p> <p>The financial statement impact of the migrations completed during the year is significant. Total assets of the Bank have increased from €12,609m to €69,045m year on year.</p> <p>Accounting for business combination transactions is complex and requires the use of</p> <p>Our procedures included:</p> <p><b>Control testing:</b> We obtained an understanding and tested the design and implementation of key controls in place in respect of the migration.</p> <p><b>Tests of detail:</b> Key aspects of our testing involved:</p> <ul style="list-style-type: none"> <li>we assessed the Bank's accounting policy for transactions between entities under common control and discussed the accounting treatment afforded to this transaction with representatives of the Bank and the Bank's Technical Accounting Group.</li> <li>we inspected the valuation reports provided by external experts, in respect of the fair value of assets and liabilities acquired, and evaluated the reasonableness of the assumptions contained therein.</li> </ul>

# Independent Auditor's report

## Independent Auditors report to the member of Barclays Bank Ireland PLC

Key audit matter	How our audit addressed the key audit matter
<p>judgement. Due to the significance of the transactions and their transformative impact on the financial statements of the Bank, as well as the complexities involved in accounting for the business combination, special audit consideration was required,</p> <p><b>Disclosure quality</b> Whilst the transaction is outside the scope of IFRS 3 Business Combinations, the disclosure requirements of that standard provide key guidance in explaining key judgements and assumptions, as well as the effects on the financial statements.</p>	<ul style="list-style-type: none"> <li>- we read the Business Transfer Agreements to understand the key terms and conditions underpinning the transaction.</li> <li>- we inspected the calculations underpinning the transaction within the equity including the recognition of share capital, share premium and adjustments to the merger reserve.</li> </ul> <p><b>Assessing transparency:</b> We assessed the adequacy of the Bank's financial statements disclosures in the context of the relevant accounting standards.</p> <p><b>Our results:</b> We found that the accounting for the migrations to be appropriate.</p>

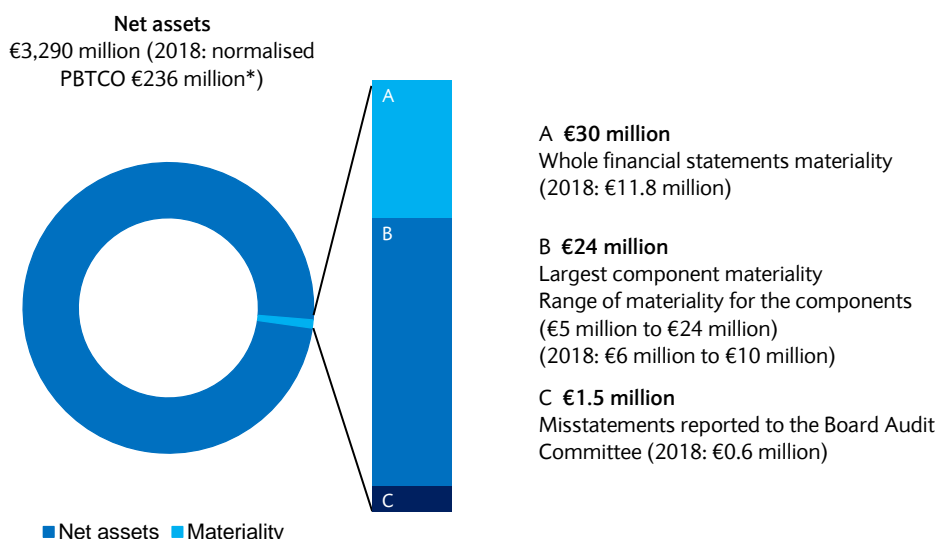
### Our application of materiality and an overview of the scope of our audit

#### Materiality

Materiality for the financial statements as whole was set at €30 million (2018: €11.8 million) determined with reference to a benchmark of net assets (of which it represents 0.9% (2018: 5% of normalised profit before tax from continuing operations (PBTCO))).

Materiality for the current year was determined in the aforementioned manner as the material transactions undertaken in the year have had a transformative effect on the statement of financial position and equity of the Bank and led to significant volatility and uncertainty in the income statement. The statement of financial position provides a fairer representation of the progress of the Bank's expansion and is the metric we consider to most influence the decisions of users of the financial statements, in the Bank's current state.

We reported to the Audit Committee any corrected and uncorrected identified misstatements exceeding €1.5 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.



\*normalised to reflect results of German branch acquisition which was completed in December 2018.

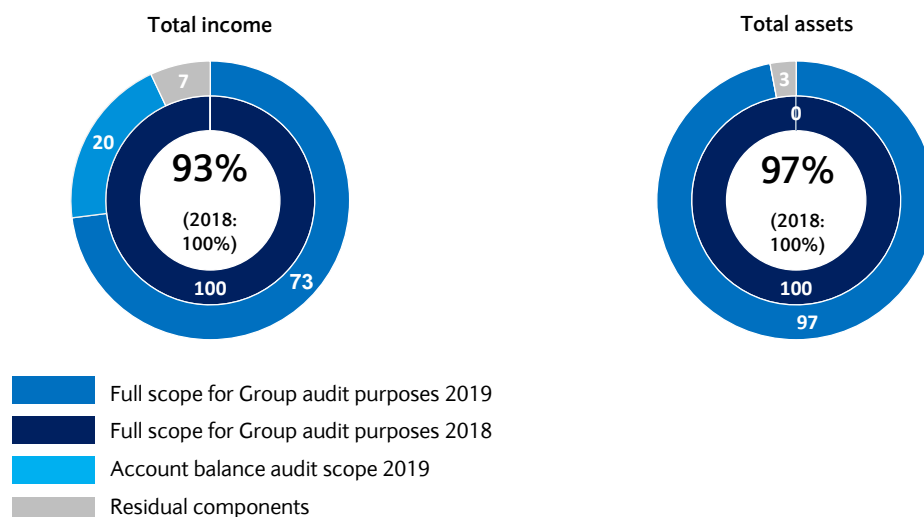
#### Scope - general

The Bank operates in various locations across Europe. Significant components were subject to audit procedures performed by component auditors. We subjected five (2018: three) components to full scope audits and two (2018: none) to specified audit procedures over account balances. The remaining 7% (2018: 0%) of total income and 3% (2018: 0%) of total assets is represented by a number of other components, none of which were individually significant. For these residual components we performed analysis at an aggregated level to re-examine our assessment that there were no significant risks of material misstatement within these.

# Independent Auditor's report

## Independent Auditors report to the member of Barclays Bank Ireland PLC

The work on six of the seven components (2018: two of the three components) was performed by component auditors and the remaining work was performed by the Group team. The components within the scope of our work accounted for the percentages illustrated below.



### Team structure

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from €5 million to €24 million, having regard to the mix of size and risk profiles of the components.

The Group team visited all component locations that were subject to audit procedures and undertook an assessment of the audit risk and strategy. Telephone conference meetings were also held regularly with all component auditors. At these visits and meetings, the components' key working papers were inspected, the findings reported to us were discussed in detail, and further work required by the Group team was then performed by the component auditor as necessary.

The Bank has centralised certain Barclays Group-wide processes primarily in the UK and India, the outputs of which are included in the financial information of the reporting components they service and therefore are not considered separate reporting components. These Group-wide processes are subject to specified audit procedures, predominantly the testing of general IT and IT automated controls, IFRS 9 expected credit loss modelling, IFRS 13 fair value measurement (UK) and transaction processing, reconciliations and review controls (India). The Group team visited the locations in the UK and India where these Group-wide processes reside and performed consistent procedures as described above for component site visits.

### We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report and Risk review.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Based solely on our work on the other information, we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

# Independent Auditor's report

## Independent Auditors report to the member of Barclays Bank Ireland PLC

### *Our opinions on other matters prescribed by the Companies Act 2014 are unmodified*

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 Bank were sufficient to permit the financial statements to be readily and properly audited and information and returns adequate for our audit have been received from branches of the Bank not visited by us, and the financial statements are in agreement with the accounting records.

### *We have nothing to report on other matters on which we are required to report by exception*

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

### **Respective responsibilities and restrictions on use**

#### *Directors' responsibilities*

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's responsibilities*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at [https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf).

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

Our report is made solely to the Bank's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.



James Casey  
for and on behalf of  
KPMG

Chartered Accountants, Statutory Audit Firm  
1 Harbourmaster Place  
IFSC  
Dublin  
D01 F6F5  
11 March 2020

# Financial statements

## Income statement

		2019	2018
For the year ended 31 December	Notes	€m	€m
Interest income	3	494	87
Interest expense	3	(190)	(29)
<b>Net interest income</b>		<b>304</b>	<b>58</b>
Fee and commission income	4	581	31
Fee and commission expense	4	(141)	(5)
<b>Net fee and commission income</b>		<b>440</b>	<b>26</b>
Net trading income	5	11	4
Net investment expense	6	(27)	(3)
<b>Total income</b>		<b>728</b>	<b>85</b>
Impairment losses on financial instruments	7	(65)	(5)
<b>Operating income after impairment losses</b>		<b>663</b>	<b>80</b>
Staff costs	30	(281)	(28)
Infrastructure costs	8	(64)	(8)
Administration and general expenses	8	(242)	(19)
<b>Operating expenses</b>		<b>(587)</b>	<b>(55)</b>
<b>Profit before tax</b>		<b>76</b>	<b>25</b>
Taxation	9	(57)	(5)
<b>Profit after tax</b>		<b>19</b>	<b>20</b>
<b>Attributable to:</b>			
Ordinary shareholders		(11)	20
Other equity instrument holders		30	-
<b>Profit after tax</b>		<b>19</b>	<b>20</b>

# Financial statements

## Statement of comprehensive income

	2019	2018
For the year ended 31 December	€m	€m
Profit after tax	19	20
<b>Other comprehensive (loss)/income that may be recycled to profit or loss from continuing operations:</b>		
<b>Cash flow hedging reserve</b>		
Net (losses)/gains from changes in fair value	(6)	-
Tax	1	-
<b>Other comprehensive (loss)/income that may be recycled to profit or loss from continuing operations</b>	<b>(5)</b>	<b>-</b>
<b>Other comprehensive (loss)/income not recycled to profit or loss from continuing operations:</b>		
<b>Retirement benefit remeasurements</b>		
Own credit	(46)	-
Tax	2	-
<b>Other comprehensive (loss)/income not recycled to profit or loss</b>	<b>(59)</b>	<b>-</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>(45)</b>	<b>20</b>
<b>Attributable to:</b>		
Ordinary shareholders	(75)	20
Other equity instrument holders	30	-
<b>Total comprehensive (loss)/income for the year</b>	<b>(45)</b>	<b>20</b>



# Financial statements

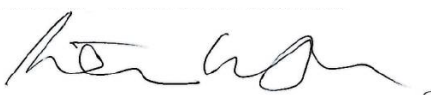
## Balance sheet

As at 31 December	Notes	2019 €m	2018 €m
<b>Assets</b>			
Cash and balances at central banks		12,788	6,220
Cash collateral and settlement balances	21	8,935	11
Loans and advances to banks	17	658	1,248
Loans and advances to customers	17	13,024	4,902
Reverse repurchase agreements and other similar secured lending		2,946	-
Trading portfolio assets	11	1,042	-
Financial assets at fair value through the income statement	12	1,794	-
Derivative financial instruments	13	27,329	-
Intangible assets	20	38	42
Property, plant and equipment	18	116	12
Current tax assets	9	2	-
Deferred tax assets	9	148	70
Other assets	22	225	104
<b>Total assets</b>		<b>69,045</b>	<b>12,609</b>
<b>Liabilities</b>			
Deposits from banks	17	2,358	4,161
Deposits from customers	17	18,272	6,396
Cash collateral and settlement balances	21	9,374	366
Repurchase agreements and other similar secured borrowing		1,255	-
Debt securities in issue		849	-
Subordinated liabilities	27	891	250
Trading portfolio liabilities	11	283	-
Financial liabilities designated at fair value	14	4,702	-
Derivative financial instruments	13	27,153	3
Current tax liabilities	9	19	3
Retirement benefit obligation	32	52	35
Other liabilities	23	515	142
Provisions	24	32	5
<b>Total liabilities</b>		<b>65,755</b>	<b>11,361</b>
<b>Equity</b>			
Called up share capital and share premium	28	974	849
Other equity instruments	28	565	300
Other reserves	29	(116)	(111)
Retained earnings		1,867	210
<b>Total equity</b>		<b>3,290</b>	<b>1,248</b>
<b>Total liabilities and equity</b>		<b>69,045</b>	<b>12,609</b>

The Board of Directors approved the financial statements on pages 69 to 129 on 11 March 2020.



Helen Keelan  
Chair



Kevin Wall  
Chief Executive Officer



Keith Smithson  
Chief Financial Officer



Paul McCullagh  
Company Secretary

# Financial statements

## Statement of changes in equity

	Called up share capital and share premium <sup>a</sup>	Other equity instruments <sup>a</sup>	Other reserves <sup>b</sup>	Retained earnings	Total equity
	€m	€m	€m	€m	€m
<b>Balance as at 1 January 2019</b>	<b>849</b>	<b>300</b>	<b>(111)</b>	<b>210</b>	<b>1,248</b>
Profit after tax	-	30	-	(11)	19
Cash flow hedges	-	-	(5)	-	(5)
Retirement benefit remeasurement	-	-	-	(13)	(13)
Own credit reserve	-	-	(46)	-	(46)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>30</b>	<b>(51)</b>	<b>(24)</b>	<b>(45)</b>
Issue of new ordinary shares	125	-	-	-	125
Issue and exchange of other equity instruments	-	265	-	-	265
Other equity instruments coupons paid	-	(30)	-	-	(30)
Capital contribution from Barclays Bank PLC	-	-	-	1,641	1,641
Net equity impact of intra-group transfers <sup>c</sup>	-	-	67	20	87
Other reserve movements <sup>d</sup>	-	-	(21)	20	(1)
<b>Balance as at 31 December 2019</b>	<b>974</b>	<b>565</b>	<b>(116)</b>	<b>1,867</b>	<b>3,290</b>
<b>Balance as at 31 December 2017</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>194</b>	<b>332</b>
Effects of changes in accounting policies <sup>e</sup>	-	-	-	(2)	(2)
<b>Balance as at 1 January 2018</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>192</b>	<b>330</b>
Profit after tax	-	-	-	20	20
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>20</b>
Issue of new ordinary shares	711	-	-	-	711
Issue and exchange of other equity instruments	-	300	-	-	300
Net equity impact of intra-group transfers	-	-	(111)	-	(111)
Other reserve movements	-	-	-	(2)	(2)
<b>Balance as at 31 December 2018</b>	<b>849</b>	<b>300</b>	<b>(111)</b>	<b>210</b>	<b>1,248</b>

### Notes

a For further details refer to Note 28.

b For further details refer to Note 29.

c Amounts included within other reserves for the net equity impact of intra-group transfers reflects excess of book value of inter-group transfers over their fair value.

d Other reserve movements primarily reflects the recycling of other reserves for intra-group transfers to retained earnings, following the disposal of certain loans during the year.

e Related to the day 1 impact of IFRS 9 in 2018.

# Financial statements

## Cash flow statement

For the year ended 31 December	Notes	2019 €m	2018 €m
<b>Reconciliation of profit before tax to net cash flows from operating activities:</b>			
Profit before tax		76	25
<b>Adjustment for non-cash items:</b>			
Allowance for impairment on financial instruments		65	5
Depreciation and amortisation of property, plant, equipment and intangibles		32	2
Other non-cash movements		(58)	-
<b>Changes in operating assets and liabilities</b>			
Net decrease in cash collateral and settlement balances		2,115	366
Net decrease/(increase) in loans and advances		2,805	(168)
Net increase in reverse repurchase agreements and other similar secured lending		(2,946)	-
Net increase in trading assets and liabilities		(759)	-
Net decrease in financial assets and liabilities designated at fair value		3,344	-
Net (increase)/decrease in derivative financial instruments		(420)	3
Net increase in deposits and debt securities in issue		3,852	1,522
Net (decrease) in repurchase agreements and other similar secured borrowing		(2,890)	-
Net decrease/(increase) in other assets and liabilities		97	(16)
Corporate income tax paid	9	(42)	(3)
<b>Net cash from operating activities</b>		<b>5,271</b>	<b>1,736</b>
<b>Net cash from investing activities</b>			
Net cash acquired from the acquisition of the European business		3	2,851
Purchase of property, plant and equipment and intangibles		(32)	(3)
<b>Net cash from investing activities</b>		<b>(29)</b>	<b>2,848</b>
<b>Net cash from financing activities</b>			
Capital contribution from Barclays Bank PLC		1,641	-
Dividends paid and coupon payments on other equity instruments		(30)	-
Issuance of subordinated debt	27	690	200
Redemption of subordinated debt	27	(50)	-
Issue of shares and other equity instruments		265	550
<b>Net cash from financing activities</b>		<b>2,516</b>	<b>750</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,758</b>	<b>5,334</b>
Cash and cash equivalents at beginning of year		7,160	1,826
<b>Cash and cash equivalents at end of year</b>		<b>14,918</b>	<b>7,160</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and balances at central banks		12,788	6,220
Loans and advances to banks with original maturity less than three months		87	929
Cash collateral and settlement balances with banks with original maturity less than three months		2,043	11
		<b>14,918</b>	<b>7,160</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.

Interest received by the Bank was €572m (2018: €87m) and interest paid by the Bank was €244m (2018: €27m).

The Bank is required to maintain balances with exchanges amounting to €87m (2018: €nil).

# Financial statements

## Accounting policies

This section describes the Bank's significant policies and critical accounting estimates and judgements that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate or judgement relates to a particular note, the accounting policy and/or critical accounting estimate/judgement is contained with the relevant note.

### Significant accounting policies

#### 1. Reporting entity

Barclays Bank Ireland PLC is a public limited company, registered in Ireland under the company number 396330.

These financial statements are prepared for the Bank under the Companies Act 2014. The principal activities of the Bank are the provision of corporate and investment banking services to EU corporate entities, retail banking services in Germany and Italy and private banking services to EU clients.

#### 2. Compliance with International Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations ('IFRICs') issued by the Interpretations Committee, as published by the International Accounting Standards Board ('IASB') and endorsed by the EU. The principal accounting policies applied in the preparation of the financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied, with the exception of the adoption of IFRS 16 *Leases*, IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, the amendments to IAS 12 *Income Taxes*, the amendments to IAS 19 *Employee Benefits*, and the amendments to IFRS 9, IAS 39 and IFRS 7 which were applied from 1 January 2019.

#### 3. Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in millions of Euro (€m), the functional currency of the Bank.

The financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2014 as applicable to companies using IFRS.

#### 4. Accounting policies

The Bank prepares financial statements in accordance with IFRS. The Bank's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out under the relevant notes. Accounting policies that affect the financial statements as a whole are set out below.

##### (i) Foreign currency translation

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

##### (ii) Financial assets and liabilities

The Bank applies IFRS 9 *Financial Instruments* to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets. The Bank applies the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting purposes.

##### Recognition

The Bank recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

##### Classification and measurement

Financial assets are classified on the basis of two criteria:

- i) the business model within which financial assets are managed; and
- ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' ('SPPI')).

The Bank assesses the business model criteria at a portfolio level. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent SPPI. In assessing whether contractual cash flows are SPPI compliant, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that it would not meet the condition for SPPI are considered, including: (i) contingent and leverage features, (ii) non-recourse arrangements and (iii) features that could modify the time value of money.

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI.

# Financial statements

## Accounting policies

Other financial assets are measured at fair value through profit or loss. There is an option to make an irrevocable election on initial recognition for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and the impairment requirements of IFRS 9 do not apply.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item. The Bank's policies for determining the fair values of the assets and liabilities are set out in Note 15

### *Derecognition*

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 de-recognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms – generally a difference of 10% in the present value of the cash flows or a substantive qualitative amendment – is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

### *Accounting for reverse repurchase and repurchase agreements including other similar lending and borrowing*

Reverse repurchase agreements (and stock borrowing or similar transaction) are a form of secured lending whereby the Bank provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Bank obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Bank purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Bank does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit or loss.

The Bank may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Bank retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost, unless it is designated at fair value through profit or loss.

### *Accounting for cash collateral*

Cash collateral provided is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit or loss.

Cash collateral received is accounted for as a financial liability at amortised cost, unless it is designated at fair value through profit or loss.

### *(iii) Issued debt and equity instruments*

The Bank applies IAS 32, *Financial Instruments: Presentation*, to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Bank having an obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Ordinary dividends to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

## **5. New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the adoption of IFRS 16 *Leases*, IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*, the amendments to IAS 12 *Income Taxes*, the amendments to IAS 19 *Employee Benefits*, and the amendments to IFRS 9, IAS 39 and IFRS 7 which were applied from 1 January 2019.

### **IFRS 16 – Leases**

IFRS 16, *Leases*, which replaced IAS 17, *Leases*, was applied effective from 1 January 2019. IFRS 16 does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases. Instead, the lessee is required to recognise both a right of use ('ROU') asset and lease liability on-balance sheet. There is a recognition exemption permitted for leases with a term of 12 months or less.

The Bank applied IFRS 16 on a modified retrospective basis and took advantage of the option not to restate comparative periods. The Bank applied the following transition options available under the modified retrospective approach:

- To calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments.
- To rely on the previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Bank adjusted the carrying amount of the ROU asset at the date of initial application by the previous carrying amount of its onerous lease provision.

# Financial statements

## Accounting policies

- To apply the recognition exception for leases with a term not exceeding 12 months.
- To use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Upon adoption of IFRS 16, the Bank applied the transition option which permitted the ROU asset to equal the lease liability, adjusted for prepaid or accrued prepayments. This approach resulted in a lease liability and an ROU asset of €58m being recognised as at 1 January 2019.

The ROU asset was recorded in property, plant and equipment and the lease liability within other liabilities.

When measuring lease liabilities, the Bank discounted lease payments using the incremental borrowing rate at 1 January 2019. The weighted average applied was 4.01%.

The following shows a reconciliation between the operating lease commitments as at 31 December 2018 and the lease liability recorded as at 1 January 2019.

	€m
<b>Operating lease commitment as at 31 December 2018</b>	<b>55</b>
Discounted using the Bank's incremental borrowing rate at 1 January 2019	(9)
Extension and termination options reasonably certain to be exercised	12
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>58</b>

### IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. There was no significant effect from the adoption of IFRIC 23 in relation to accounting for uncertain tax positions.

### IAS 12 – Income Taxes – Amendments to IAS 12

The IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. As a result of the amendment, the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in, and will reduce, the income statement tax charge. The amendments of IAS 12 were applied to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. This resulted in no change to the tax charge or profit after tax for 2019 or 2018. This change does not impact retained earnings.

### IAS 19 – Employee Benefits – Amendments to IAS 19

The IASB issued amendments to the guidance in IAS 19, *Employee Benefits*, in connection with accounting for plan amendments, curtailments and settlements. There was no significant effect from the adoption of the amendments of IAS 19.

### IFRS 9, IAS 39 and IFRS 7 Amendments relating to Interest Rate Benchmark Reform

IFRS 9, IAS 39 and IFRS 7 were amended in September 2019. The amendments are effective for periods beginning on or after 1 January 2020 with earlier application permitted. The amendments have been endorsed by the EU. The Bank elected to early adopt the amendments with effect from 1 January 2019.

IFRS 9 allows companies, when they first apply IFRS 9, to choose as an accounting policy to continue to apply the hedge accounting requirements of IAS 39. The Bank made the election to continue to apply the IAS 39 hedge accounting requirements. Consequently, the amendments to IAS 39 have been adopted by the Bank.

The objective of the amendments are to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty resulting from interest rate benchmark reform. Each of the exceptions adopted by the Bank are described below.

#### ▪ Highly probable requirement

When determining whether a forecast transaction or cash flow is highly probable, the Bank assumes that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. This amendment has also been applied to cash flow hedges that have been discontinued with an amount remaining in the cash flow hedge reserve.

#### ▪ Prospective assessments

When performing prospective assessments, the Bank assumes that the interest rate benchmark on which the hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

#### ▪ Retrospective assessments

The Bank will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80-125% range.

# Financial statements

## Accounting policies

### Future accounting developments

The following accounting standards have been issued by the IASB but are not yet effective:

#### IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

In June 2019, the IASB published an exposure draft with proposed amendments to IFRS 17. The proposed amendments that may be relevant to the Bank are changes to the scoping of IFRS 17, changes in the effective date of IFRS 17 and changes to IFRS 9 which were consequential amendments as a result of IFRS 17.

The standard is currently effective from 1 January 2021, although the amendments would change the effective date to 1 January 2022, and the standard has not yet been endorsed by the EU. The Bank is currently assessing the expected impact of adopting this standard.

### 6. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements are highlighted under the relevant note. Critical accounting estimates and judgements are disclosed in:

#### Accounting estimates

- Impairment losses on financial instruments on page 84
- Fair value of financial instruments on page 98
- Pension and post-retirements benefits on page 119
- Provisions on page 112

#### Accounting judgements

- Tax on page 88
- Accounting for acquisition of business under common control on page 78

### 7. Other disclosures

To improve transparency and ease of reference, by concentrating related information in one place, certain disclosures required under IFRS have been included within the Risk review section as follows:

- Credit risk on pages 21 to 46
- Market risk on pages 47 to 49
- Treasury and capital risk on pages 50 to 57

These disclosures are covered by the Audit opinion (included on pages 63 to 68) where referenced as audited.

# Notes to the financial statements

## Acquisition of business

### 1 Acquisition of business

#### Accounting for acquisition of business under common control

Transactions under common control are transactions under which all the combining entities or businesses are ultimately controlled by the same party, both before and after the transaction, and that control is not transitory.

The Bank has adopted predecessor book value accounting for common control transactions involving acquired businesses. Acquisition accounting, which involves restatement at fair value of assets and liabilities of the business transferred, is therefore not applied.

The Bank's application of predecessor book value accounting requires the acquiring entity's financial statements to be prepared using predecessor carrying values from the highest level of consolidation as at the date of the transaction. No adjustments are made to reflect fair values and no new goodwill is recognised. The comparative periods prior to the transaction date are not restated, such that the transferred businesses results and carrying amounts of assets and liabilities are reported prospectively from the date of the acquisition. The acquiring entity will also generally recognise the other comprehensive income reserves of the transferring entity, except in situations where the acquiring entity does not recognise the related underlying assets or liabilities.

On 1 February 2019, BB PLC transferred its branches in Spain and Sweden to the Bank. On 1 March 2019, BB PLC transferred its branches in France, Italy, Netherlands and Portugal to BBI. The net assets transferred in 2019 were €191m in exchange for 99m ordinary shares issued by the Bank at a premium of €26m together with other reserves of €66m.

On an ongoing basis throughout 2019, BB PLC also transferred financial instruments to the Bank. The positions were transferred in exchange for cash consideration. These financial instruments included derivatives, whereby BB PLC transferred derivative financial instrument assets of €13.3bn and derivative financial instrument liabilities of €15.8bn to the Bank. Concurrently, BB PLC entered into new derivative positions with the Bank to hedge the risk on the transferring positions. These financial instruments also included customer loans, deposits and repurchase agreements.

The assets and liabilities were recognised by the Bank at their predecessor book values in the consolidated financial statements of the Barclays Group on the date of transfer and therefore there was no impact on the consolidated financial statements of the Barclays Group.

The most material impacts on the balance sheet affect loans and advances at amortised cost of €18.6bn (2018: €3.7bn), deposits at amortised cost of €11.8bn (2018: €6.2bn), repurchase agreements and other similar secured lending of €4.1bn (2018: €nil) and financial liabilities designated at fair value of €3.1bn (2018: €nil).



# Notes to the financial statements

## Acquisition of business

	As at 31 December 2018	Acquisition of business	Other movements for the period	As at 31 December 2019
	€m	€m	€m	€m
<b>Assets</b>				
Cash and balances at central banks	6,220	3	6,565	12,788
Cash collateral and settlement balances	11	-	8,924	8,935
Loans and advances to banks	1,248	9,107	(9,697)	658
Loans and advances to customers <sup>a</sup>	4,903	9,472	(1,351)	13,024
Reverse repurchase agreements and other similar secured lending	-	-	2,946	2,946
Trading portfolio assets	-	754	288	1,042
Financial assets at fair value through the income statement	-	436	1,358	1,794
Derivative financial instruments	-	29,197	(1,868)	27,329
Intangible assets	42	1	(5)	38
Property, plant and equipment	12	32	72	116
Current tax assets	-	-	2	2
Deferred tax assets	70	75	3	148
Other assets	103	97	25	225
<b>Total assets</b>	<b>12,609</b>	<b>49,174</b>	<b>7,262</b>	<b>69,045</b>
<b>Liabilities</b>				
Deposits from banks	4,161	1,662	(3,465)	2,358
Deposits from customers	6,396	10,100	1,776	18,272
Cash and collateral and settlement balances	366	-	9,008	9,374
Repurchase agreements and other similar secured lending	-	4,145	(2,890)	1,255
Debt securities in issue	-	-	849	849
Subordinated liabilities	250	-	641	891
Trading portfolio liabilities	-	281	2	283
Financial liabilities designated at fair value	-	3,126	1,576	4,702
Derivative financial instruments	3	29,450	(2,300)	27,153
Current tax liabilities	3	-	16	19
Retirement benefit obligation	35	2	15	52
Other liabilities	142	175	198	515
Provisions	5	42	(15)	32
<b>Total liabilities</b>	<b>11,361</b>	<b>48,983</b>	<b>5,411</b>	<b>65,755</b>

The excess of liabilities acquired over assets acquired represents excess funding in the branches, which, on transfer, the branches placed on deposit with the Bank's Treasury function (and which the branches previously held on deposit with BB PLC).

### Note

<sup>a</sup> The acquisition of loans and advances to customers above includes €7,626m for the acquisition of an Italian mortgage portfolio in run off.

# Notes to the financial statements

## Performance/return

The notes included in this section focus on the results and performance of the Bank. Information on the income generated, expenditure incurred, segmental performance, tax and dividends are included here. For further detail on performance, see Directors Report on page 3.

### 2 Segmental reporting

#### Presentation of segmental reporting

The Bank's segmental reporting is in accordance with IFRS 8 *Operating Segments*. Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between business segments are conducted on an arm's-length basis, with intra-segment revenue and costs being eliminated in Head Office. Income and expenses directly associated with each segment are included in determining business segment performance.

The Bank's divisions, for segmental reporting purposes, have been defined as Corporate and Investment Bank, and Consumer, Cards and Payments.

- **Corporate and Investment Bank** includes the Barclays Group's EU Corporate business and the Investment Bank.
- **Consumer, Cards and Payments** includes Barclaycard Germany and the Barclays Group's EU Private Banking business.

The below table also includes Head Office which comprises head office, central support functions and an Italian mortgage portfolio.

#### Analysis of results by business

	Corporate and Investment Bank	Consumer, Cards and Payments	Head Office	Total
	€m	€m	€m	€m
<b>For the year ended 31 December 2019</b>				
Total income	412	381	(65)	728
Credit impairment releases/(charges)	2	(58)	(9)	(65)
<b>Net operating income/(expenses)</b>	<b>414</b>	<b>323</b>	<b>(74)</b>	<b>663</b>
Operating costs	(363)	(191)	(33)	(587)
<b>Profit/(loss) before tax</b>	<b>51</b>	<b>132</b>	<b>(107)</b>	<b>76</b>
<b>Total assets (€bn)</b>	<b>42</b>	<b>4</b>	<b>23</b>	<b>69</b>
<b>Number of employees (full time equivalent)</b>	<b>504</b>	<b>597</b>	<b>462</b>	<b>1,563</b>

	Corporate and Investment Bank	Consumer, Cards and Payments	Head Office	Total
	€m	€m	€m	€m
<b>For the year ended 31 December 2018</b>				
Total income	51	35	(1)	85
Credit impairment charges	(2)	(3)	-	(5)
<b>Net operating income/(expenses)</b>	<b>49</b>	<b>32</b>	<b>(1)</b>	<b>80</b>
Operating costs	(17)	(33)	(5)	(55)
<b>Profit/(loss) before tax</b>	<b>32</b>	<b>(1)</b>	<b>(6)</b>	<b>25</b>
<b>Total assets (€bn)</b>	<b>2</b>	<b>4</b>	<b>7</b>	<b>13</b>
<b>Number of employees (full time equivalent)</b>	<b>158</b>	<b>522</b>	<b>232</b>	<b>912</b>

#### Income by geographic region<sup>a</sup>

	2019	2018
	€m	€m
<b>For the year ended 31 December</b>		
Ireland	16	50
Germany	480	35
Italy	26	-
France	135	-
Spain	52	-
Other	19	-
<b>Total</b>	<b>728</b>	<b>85</b>

Note

a. The geographical analysis is based on the location of office where the transactions are recorded.

# Notes to the financial statements

## Performance/return

### 3 Net interest income

#### Accounting for interest income and expenses

Interest income on loans and advances at amortised cost, 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.

The Bank incurs certain costs to originate credit card balances and personal loans. To the extent these costs are attributed to customers that continuously carry an outstanding balance (revolver), they are capitalised and subsequently included within the calculation of the effective interest rate. They are amortised to interest income over the period of the expected repayment of the originated balance. There are no other individual estimates involved in the calculation of effective interest rates that are material to the results or financial position.

	2019	2018
	€m	€m
Loans and advances at amortised cost	484	86
Other	10	1
<b>Interest income</b>	<b>494</b>	<b>87</b>
Deposits at amortised cost	(86)	(21)
Subordinated liabilities	(22)	(1)
Other	(82)	(7)
<b>Interest expense</b>	<b>(190)</b>	<b>(29)</b>
<b>Net interest income</b>	<b>304</b>	<b>58</b>

Interest income presented above represents interest revenue calculated using the effective interest method. Costs to originate credit card and personal loan balances of €20m (2018: €2m) have been amortised to interest income during the period.

Other interest income comprised of €2m (2018: €1m) relating to income earned on borrowings from BB PLC due to negative interest rates.

Other interest expense includes:

- €56m (2018: €3m) incurred due to the negative interest rate being charged by central banks for funds placed. It also includes €2m (2018: €2m) relating to interest expense on funds placed with BB PLC due to negative interest rates.
- €3m (2018: €nil) which is the net interest cost on the defined benefit pension obligation. Refer to note 32 for the breakdown.
- €3m (2018: €nil) relating to IFRS 16 lease interest expense

### 4 Net fee and commission income

#### Accounting for net fee and commission income under IFRS 15 effective from 1 January 2018

The Bank applies IFRS 15 *Revenue from Contracts with Customers*. The standard establishes a five-step model governing revenue recognition. The five-step model requires the Bank to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

The Bank recognises fee and commission income charged for services provided by the Bank as the services are provided, for example on completion of the underlying transaction.

For fee and commission expenses, the Bank applies IFRS 15.

Fee and commission income is disaggregated below by fee types that reflect the nature of the services offered across the Bank and operating segments, in accordance with IFRS 15. It includes a total for fees in scope of IFRS 15. Refer to note 2 for more details information about operating segments.

# Notes to the financial statements

## Performance/return

2019	Corporate and Investment Bank €m	Consumer, Cards and Payments €m	Head Office €m	Total €m
<b>Fee type</b>				
Transactional	21	50	-	71
Advisory	3	5	-	8
Brokerage and execution	12	-	-	12
Underwriting and syndication	40	-	-	40
Service fees from affiliates	140	-	-	140
Other	15	1	21	37
<b>Total revenue from contracts with customers</b>	<b>231</b>	<b>56</b>	<b>21</b>	<b>308</b>
Other non-contract fee income	273	-	-	273
<b>Fee and commission income</b>	<b>504</b>	<b>56</b>	<b>21</b>	<b>581</b>
Fee and commission expense-non affiliates	(10)	(21)	(1)	(32)
Fee and commission expense-affiliates	(109)	-	-	(109)
<b>Fee and commission expense</b>	<b>(119)</b>	<b>(21)</b>	<b>(1)</b>	<b>(141)</b>
<b>Net fee and commission income</b>	<b>385</b>	<b>35</b>	<b>20</b>	<b>440</b>

2018	Corporate and Investment Bank €m	Consumer, Cards and Payments €m	Head Office €m	Total €m
<b>Fee type</b>				
Transactional	1	4	-	5
Advisory	4	-	-	4
Brokerage and execution	12	-	-	12
Underwriting and syndication	7	-	-	7
Service fees from affiliates	-	-	-	-
Other	-	-	-	-
<b>Total revenue from contracts with customers</b>	<b>24</b>	<b>4</b>	<b>-</b>	<b>28</b>
Other non-contract fee income	3	-	-	3
<b>Fee and commission income</b>	<b>27</b>	<b>4</b>	<b>-</b>	<b>31</b>
Fee and commission expense-non affiliates	-	-	-	-
Fee and commission expense-affiliates	(4)	(1)	-	(5)
<b>Fee and commission expense</b>	<b>(4)</b>	<b>(1)</b>	<b>-</b>	<b>(5)</b>
<b>Net fee and commission income</b>	<b>23</b>	<b>3</b>	<b>-</b>	<b>26</b>

### Fee types

#### Transactional

Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees including interchange and merchant fee income generated from credit and bank card usage. Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed. They include banking services such as wire transfer fees, balance transfer fees, overdraft or late fees and foreign exchange fees, among others. Interchange and merchant fees are recognised upon settlement of the card transaction payment.

The Bank incurs certain card related costs including those related to cardholder reward programmes and payments made to co-brand partner schemes. To the extent cardholder reward programmes costs are attributed to customers that settle their outstanding balance each period (transactors), they are expensed when incurred and presented in fee and commission expense, while costs related to customers who continuously carry an outstanding balance (revolvers) are included in the effective interest rate of the receivable (refer to Note 3). Payments to partners for new cardholder account originations for transactor accounts are reflected within fees and commission expenses as costs to obtain a contract under IFRS 15, while those costs related to revolver accounts are included in the effective interest rate of the receivable (refer to Note 3). Payments to co-brand partners based on revenue sharing are presented as a reduction of fee and commission income while payments based on profitability are presented in fee and commission expense.

#### Advisory

Advisory fees are generated from wealth management services and investment banking advisory services related to mergers, acquisitions and financial restructurings.

# Notes to the financial statements

## Performance/return

Wealth management advisory fees primarily consists of asset-based fees for advisory accounts of wealth management clients and are based on the market value of client assets. They are earned over the period the services are provided and are generally recognised quarterly when the market value of client assets is determined.

Investment banking advisory fees are recognised at the point in time when the services related to the transaction have been completed under the terms of the engagement. Investment banking advisory costs are recognised as incurred in fee and commission expense if direct and incremental to the advisory services or otherwise recognised in operating expenses.

### *Brokerage and execution*

Brokerage and execution fees are earned for executing client transactions with various exchanges and over-the-counter markets and assisting clients in clearing transactions. Brokerage and execution fees are recognised at the point in time the associated service has been completed which is generally the trade date of the transaction.

### *Underwriting and syndication*

Underwriting and syndication fees are earned for the distribution of client equity or debt securities and the arrangement and administration of a loan syndication. This includes commitment fees to provide loan financing. Underwriting fees are generally recognised on trade date if there is no remaining contingency, such as the transaction being conditional on the closing of an acquisition or another transaction. Underwriting costs are deferred and recognised in fee and commission expense when the associated underwriting fees are recorded. Syndication fees are earned for arranging and administering a loan syndication; however, the associated fee may be subject to variability until the loan has been syndicated to other syndicate members or until other contingencies (such as a successful M&A closing) have been resolved and therefore the fee revenue is deferred until the uncertainty is resolved.

Included in the underwriting and syndication income, are commitment fees to provide loan financing. This includes fees which are not presented as part of the carrying value of the loan in accordance with IFRS 9, for example as part of the effective interest rate. Loan commitment fees included as IFRS 15 revenues are fees for loan commitments that are not expected to fund, fees received as compensation for unfunded commitments and the applicable portion of fees received for a revolving loan facility, which for that period, are undrawn. Such commitment fees are recognised over time through to the contractual maturity of the commitment.

### *Service fees from affiliates*

Service fee from affiliates are compensation for services provided by the Bank to an affiliate entity. This includes sales credits and cost recharge revenues. Sales credits from affiliates are compensation for sales services provided to that affiliate. Cost recharge revenues relate to the recharge of infrastructure or business support costs incurred by the Bank in support of the activities of an affiliate. Service fees are in scope of IFRS 15 and are generally recognised at point in time when the services related to the transaction have been completed and the Bank is entitled to the compensation.

### *Other non-contract fee income*

This category primarily includes income for services provided to customers by the Bank in collaboration with affiliated entities. Collaborative arrangements are outside the scope of IFRS 15 however are recognised following the revenue recognition pattern of the underlying activity in accordance with IFRS 15 principles.

### *Fee and commission expenses - affiliates*

Fee and commission expense paid to affiliates include sales credits paid to affiliates for sales services provided to the Bank. These sales services are directly incremental to the Bank generating income, which include both fee and commission income and net trading income.

### **Contract assets and contract liabilities**

The Bank had no material contract assets or contract liabilities as at 31 December 2019 (2018: €nil).

### **Impairment on fee receivables and contract assets**

During 2019, there have been no material impairments recognised in relation to fees receivable and contract assets (2018: €nil). Fees in relation to transactional business can be added to outstanding customer balances. These amounts may be subsequently impaired as part of the overall loans and advances balances.

### **Remaining performance obligations**

The Bank applies the practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less or because the Bank has a right to consideration that corresponds directly with the value of the service provided to the client or customer.

# Notes to the financial statements

## Performance/return

### 5 Net trading income

#### Accounting for net trading income

In accordance with IFRS 9, 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 customer business and from changes in fair value caused by movements in interest and exchange rates.

Gains or losses on non-trading financial instruments designated or mandatorily at fair value with changes in fair value recognised in the income statement are included in net trading income where the business model is to manage assets and liabilities on a fair value basis which includes use of derivatives or where an instrument is designated at fair value to eliminate an accounting mismatch and the related instrument's gains and losses are reported in trading income.

	2019	2018
	€m	€m
Net gains from assets and liabilities held for trading <sup>a</sup>	11	4
<b>Net trading income</b>	<b>11</b>	<b>4</b>

Note

a Includes gains/(losses) on financial instruments designated at fair value to reduce an accounting mismatch.

### 6 Net investment expense

	2019	2018
	€m	€m
Net losses on other investments <sup>a</sup>	(9)	(3)
Net losses from disposal of financial assets and liabilities measured at amortised cost	(19)	-
Net gains from financial assets mandatorily at fair value	1	-
<b>Net investment expense</b>	<b>(27)</b>	<b>(3)</b>

Note

a Net losses on other investments represents fees payable to BB PLC in return for BB PLC's guarantee of the performance of certain large exposures held by the Bank.

### 7 Impairment losses on financial instruments

#### Accounting for the impairment of financial assets under IFRS 9 effective from 1 January 2018

##### Impairment

The Bank is required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

At the reporting date, an allowance (or provision for loan commitments and financial guarantees) is required for the 12 month (Stage 1) ECLs. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of ECL is calculated using three main components: (i) probability of default (PD) (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

The 12 month ECL and lifetime ECLs are calculated by multiplying the respective PD, LGD and the EAD. The 12 month and lifetime PDs represent the PD occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

To determine if there has been a significant increase in credit risk since initial recognition, the Bank assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. The credit risk of an exposure is considered to have significantly increased when:

##### i) Quantitative test

The annualised lifetime PD has increased by more than an agreed threshold relative to the equivalent at origination.

PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

# Notes to the financial statements

## Performance/return

The assessment of the point at which a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate. Application of quantitative PD floors does not represent the use of the low credit risk exemption as exposures can separately move into stage 2 via the qualitative route described below.

Wholesale assets apply a 100% increase in PD and 0.2% PD floor to determine a significant increase in credit risk.

Retail assets apply bespoke relative increase and absolute PD thresholds based on product type and origination PD. Thresholds are subject to maximums defined by the Bank's policy and a maximum relative threshold of 400%.

For existing/historical exposures where origination point scores or data are no longer available or do not represent a comparable estimate of lifetime PD, a proxy origination score is defined, based upon:

- Back-population of the approved lifetime PD score either to origination date or, where this is not feasible, as far back as possible, (subject to a data start point no later than 1 January 2015); or
- Use of available historical account performance data and other customer information, to derive a comparable 'proxy' estimation of origination PD.

### ii) Qualitative test

This is relevant for accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, including industry and Group wide customer level data wherever possible or relevant.

Whilst the high risk populations applied for IFRS 9 impairment purposes are aligned with risk management processes, they are also regularly reviewed and validated to ensure that they capture any incremental segments where there is evidence of credit deterioration.

### iii) Backstop criteria

This is relevant for accounts that are more than 30 calendar days past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that, at minimum, all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

Exposures are only removed from stage 3 and re-assigned to stage 2 once the original default trigger event no longer applies. Exposures being removed from stage 3 must no longer qualify as credit impaired, and:

- a) the obligor will also have demonstrated consistently good payment behaviour over a 12-month period, by making all consecutive contractual payments due and, for forbore exposures, the relevant EBA defined probationary period has also been successfully completed or;
- b) (for non-forborne exposures) the performance conditions are defined and approved within an appropriately sanctioned restructure plan, including 12 months' payment history have been met.

Management overlays and other exceptions to model outputs are applied only if consistent with the objective of identifying significant increases in credit risk.

### Forward-looking information

The measurement of ECL involves complexity and judgement, including estimation of PD, LGD, a range of unbiased future economic scenarios, estimation of expected lives (where contractual life is not appropriate), and estimation of EAD and assessing significant increases in credit risk.

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

The Bank uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury (short and medium term forecasts) and Bloomberg (based on median of economic forecasters), which forms the baseline scenario. In addition, two adverse scenarios (downside 1 and downside 2) and two favourable scenarios (upside 1 and upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. Downside 2 is benchmarked to the Bank of England's annual cyclical scenarios and to the most severe scenario from Moody's inventory, but is not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include eight economic variables, (GDP, unemployment, house price index (HPI) and base rates) and expanded variables using statistical models based on historical correlations. These expanded variables include those required by the Banks impairment models across all significant countries where it has exposures. The upside and downside shocks are designed to evolve over a five-year stress horizon, with all five scenarios converging to a steady state after approximately eight years.

The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historical UK and US macroeconomic variables against the forecast paths of the five scenarios. The methodology works such that the baseline (reflecting current

# Notes to the financial statements

## Performance/return

consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The same scenarios and weights that are used in the estimation of expected credit losses are also used for the Bank's internal planning purposes. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices and base rates, credit cards and unsecured consumer loans are highly sensitive to unemployment.

### *Definition of default, credit impaired assets, write-offs, and interest income recognition*

The definition of default for the purpose of determining ECLs, and for internal credit risk management purposes, has been aligned to the Regulatory Capital CRR Article 178 definition of default, to maintain a consistent approach with IFRS 9 and associated regulatory guidance. The Regulatory Capital CRR Article 178 definition of default considers indicators that the debtor is unlikely to pay and is no later than when the exposure is more than 90 days past due. When exposures are identified as credit impaired or purchased or originated as such interest income is calculated on the carrying value net of the impairment allowance.

An asset is considered credit impaired when one or more events occur that have a detrimental impact on the estimated future cash flows of the financial asset. This comprises assets defined as defaulted and other individually assessed exposures where imminent default or actual loss is identified.

Uncollectible loans are written off against the related allowance for loan impairment on completion of the Bank's internal processes and when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement. The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery.

### *Loan modifications and renegotiations that are not credit-impaired*

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to the credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile.

Where terms are substantially different, the existing loan will be derecognised and new loan recognised at fair value, with any difference in valuation recognised immediately within the income statement, subject to observability criteria.

Where terms are not substantially different, the loan carrying value will be adjusted to reflect the present value of modified cash flows discounted at the original EIR, with any resulting gain or loss recognised immediately within the income statement as a modification gain or loss.

### *Expected life*

Lifetime ECLs must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. For revolving facilities, expected life is analytically derived to reflect behavioural life of the asset, i.e. the full period over which the business expects to be exposed to credit risk. Behavioural life is typically based upon historical analysis of the average time to default, closure or withdrawal of facility. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or EAD until they occur.

### *Discounting*

ECLs are discounted at the EIR at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is the rate that is expected to apply when the loan is drawn down and a financial asset is recognised. For variable/floating rate financial assets, the spot rate at the reporting date is used and projections of changes in the variable rate over the expected life are not made to estimate future interest cash flows or for discounting.

### *Modelling techniques*

ECLs are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original EIR. The regulatory Basel Committee of Banking Supervisors (BCBS) ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

- BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 months or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives;
- IFRS 9 models do not include certain conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original EIR rather than using the cost of capital to the date of default;
- Management adjustments are made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events; and
- ECL is measured at the individual financial instrument level, however a collective approach where financial instruments with similar risk



# Notes to the financial statements

## Performance/return

characteristics are grouped together, with apportionment to individual financial instruments, is used where effects can only be seen at a collective level, for example for forward-looking information.

For the IFRS 9 impairment assessment, the Bank's risk models are used to determine the PD, LGD and EAD. For Stage 2 and 3, the Bank applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

### Forbearance

A financial asset is subject to forbearance when it is modified due to the credit distress of the borrower. A modification made to the terms of an asset due to forbearance will typically be assessed as a non-substantial modification that does not result in derecognition of the original loan, except in circumstances where debt is exchanged for equity.

Both performing and non-performing forbearance assets are classified as Stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period for non-performing forbearance is 12 months and for performing forbearance, 24 months. Hence, a minimum of 36 months is required for non-performing forbearance to move out of a forbore state.

No financial instrument in forbearance can transfer back to Stage 1 until all of the Stage 2 thresholds are no longer met and can only move out of Stage 3 when no longer credit impaired.

### Critical accounting estimates and judgements

IFRS 9 impairment involves several important areas of judgement, including estimating forward looking modelled parameters (PD, LGD and EAD), developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk.

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

Within the retail and small businesses portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics, the impairment allowance is calculated using forward looking modelled parameters which are typically run at account and portfolio level. There are many models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is considered to be reasonable and supportable.

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 in a range of economic scenarios 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.

	2019			2018		
	Impairment Charges	Recoveries <sup>a</sup>	Total	Impairment Charges	Recoveries <sup>a</sup>	Total
	€m	€m	€m	€m	€m	€
Loans and advances	66	(2)	64	7	(2)	5
Provision for undrawn contractually committed facilities and guarantees provided	2	-	2	-	-	-
<b>Loan impairment</b>	<b>68</b>	<b>(2)</b>	<b>66</b>	<b>7</b>	<b>(2)</b>	<b>5</b>
Cash collateral and settlement balances	(1)	-	(1)	-	-	-
<b>Impairment losses on financial instruments</b>	<b>67</b>	<b>(2)</b>	<b>65</b>	<b>7</b>	<b>(2)</b>	<b>5</b>

Notes

<sup>a</sup> Cash recoveries of previously written off amounts

### Write-off subject to enforcement activity

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2019 and that are still subject to enforcement activity is €46m (2018: €4m). This is lower than the write-off presented in the movement in gross exposures and impairment allowance table due to post write-off recoveries.

### Modification of financial assets

Financial assets with a loss allowance measured at an amount equal to life time ECL of €12m (2018: €16m) were subject to non-substantial modification during the period, with a resulting loss of €5m (2018: €6m). The gross carrying amount at 31 December 2019 for which the loss allowance has changed to a 12 month ECL during the year amounts to €27m (2018: €nil).

# Notes to the financial statements

## Performance/return

### 8 Operating expenses

	2019	2018
	€m	€m
<b>Infrastructure costs</b>		
Property and equipment	30	2
Depreciation and amortisation <sup>a</sup>	32	2
Lease payments (see note 19)	2	4
<b>Total infrastructure costs</b>	<b>64</b>	<b>8</b>
<b>Administration and general costs<sup>b</sup></b>	<b>242</b>	<b>19</b>
<b>Staff costs (See note 30)</b>	<b>281</b>	<b>28</b>
<b>Operating expenses</b>	<b>587</b>	<b>55</b>

#### Notes

<sup>a</sup>With adoption of IFRS 16 from 1 January 2019, the depreciation charge associated with right of use asset is reported within the depreciation and amortisation change for 2019.

<sup>b</sup>Other administration and general expenses of €242m includes expenses payable to fellow subsidiaries of €138m (2018: €1m) which primarily reflects the cost of services provided by Barclays Execution Services Limited, the Barclays PLC Group-wide service company.

### 9 Tax

#### Accounting for income taxes

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 periods in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior periods. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. An exception to this is that in certain circumstances, the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date which are 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.

The Bank considers an uncertain tax position to exist when it considers that ultimately, in the future, the amount of profit subject to tax may be greater than the amount initially reflected in the Bank's tax returns.

A current tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will alter the amount of cash tax due to, or from, a tax authority in the future. From recognition, the current tax provision is then measured at the amount the Bank ultimately expects to pay the tax authority to resolve the position.

#### Critical accounting estimates and judgements

The main area of judgement that impacts the reported tax position is the recognition and measurement of deferred tax assets.

The Bank does not consider there to be a significant risk of a material adjustment to the carrying amount of its deferred tax assets.

Deferred tax assets have been recognised based on business profit forecasts. Details on the recognition of deferred tax assets are provided in this note.

# Notes to the financial statements

## Performance/return

	2019	2018
	€m	€m
<b>Current tax charge/(credit)</b>		
Current year	52	4
Adjustment in respect of prior years	3	-
	55	4
<b>Deferred tax charge/(credit)</b>		
Current year	2	1
	2	1
<b>Tax charge</b>	<b>57</b>	<b>5</b>

The effective tax rate on a statutory profit basis for the financial year ended 31 December 2019 is 75.5% (31 December 2018 19.4%).

The effective tax rate is higher than the corporation tax rate of 12.5% in Ireland, primarily due to profits earned outside Ireland being taxed at local statutory tax rates that are higher than the tax rate in Ireland and deferred tax not being recognised on losses incurred outside of Ireland.

The table below shows the reconciliation between the actual tax charge and the tax charge which would result from applying the tax on the profit before taxation at the standard Irish corporation tax rate to the Bank's profit before tax.

	2019	2018
	€m	€m
<b>Profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2018: 12.5%)</b>	<b>10</b>	<b>3</b>
Impact of profits earned in overseas branch with different tax rate to Ireland	30	2
Overseas losses not tax impacted	10	-
Adjustments in respect of prior years	3	-
Other non-allowable expenses	4	-
<b>Tax charge</b>	<b>57</b>	<b>5</b>

Effective from 1 January 2019, a change in accounting standards requires the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, to be included in the income statement tax charge. There is no impact on the Bank's effective tax rate as a result of this change. Credit for foreign taxes suffered would be sufficient to offset any potential tax liability on increased profits arising if the tax deduction available in respect of such payments were excluded from the income statement tax charge.

The Bank's future tax charge will be sensitive to the geographic mix of profits earned and the tax rates in force in the jurisdictions that the Group operates in.

### Tax in other comprehensive income

Tax relating to each component of other comprehensive income can be found in the statement of comprehensive income on page 64, which includes within retirement benefit remeasurements a tax credit of €1m (2018: €nil).

### Tax assets and liabilities

Movements on tax assets and liabilities were as follows:

<b>Current tax assets and liabilities</b>	2019	2018
	€m	€m
<b>As at 1 January</b>	<b>(3)</b>	<b>-</b>
Income statement	(52)	(4)
Corporate income tax paid	42	3
Adjustments in respect of prior years	(3)	-
Other movements	(1)	(2)
	(17)	(3)
<b>Assets</b>	<b>2</b>	<b>-</b>
<b>Liabilities</b>	<b>(19)</b>	<b>(3)</b>
<b>As at 31 December</b>	<b>(17)</b>	<b>(3)</b>

# Notes to the financial statements

## Performance/return

### Deferred tax assets and liabilities

	2019	2018
	€m	€m
Spain	75	-
German	70	69
Ireland	3	1
Deferred tax asset	148	70
Deferred tax liability	-	-
<b>Net deferred tax</b>	<b>148</b>	<b>70</b>

### Deferred tax assets and liabilities

	IFRS 9	Losses	Pension	Other	Total
	€m	€m	€m	€m	€m
Assets	56	-	12	2	70
Liabilities	-	-	-	-	-
<b>As at 1 January 2019</b>	<b>56</b>	<b>-</b>	<b>12</b>	<b>2</b>	<b>70</b>
Income Statement	-	-	-	(2)	(2)
Other comprehensive income	-	-	2	1	3
Acquisition of business	-	73	2	-	75
Others	-	-	-	2	2
<b>As at 31 December 2019</b>	<b>56</b>	<b>73</b>	<b>16</b>	<b>3</b>	<b>148</b>

The amount of deferred tax assets expected to be recovered after more than 12 months is €142m.

### Unrecognised deferred tax

#### Tax losses and temporary differences

Deferred tax assets have not been recognised in respect of gross deductible temporary differences of €19m (2018: €nil), unused tax credits of €44m (2018: €nil), and gross tax losses of €1,803m (2018: €nil). The tax losses include capital losses of €nil (2018: €nil). Of these tax losses, €250m (2018: €nil) expire within six to ten years and €1,553m (2018: €nil) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which they can be utilised.

### 10 Dividends on ordinary shares

No ordinary dividend was paid in 2019 (2018: €nil).

# Notes to the financial statements

## Performance/return

The notes included in this section focus on assets and liabilities the Bank holds and recognises at 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 estimate based on available market data. Detail regarding the Bank's approach to managing market risk can be found on pages 47 to 49.

### 11 Trading portfolio

#### Accounting for trading portfolio assets and liabilities

In accordance with IFRS 9, all assets and liabilities held for trading purposes are held at fair value with gains and losses in the changes in fair value taken to the income statement in net trading income (Note 5).

	2019	2018
	€m	€m
Debt securities and other eligible bills <sup>a</sup>	806	-
Traded loans	236	-
<b>Trading portfolio assets</b>	<b>1,042</b>	<b>-</b>
Debt securities and other eligible bills	283	-
<b>Trading portfolio liabilities</b>	<b>283</b>	<b>-</b>

Note

<sup>a</sup> Debt securities and other eligible bills included within Trading portfolio assets are all investment grade.

### 12 Financial assets at fair value through the income statement

#### Accounting for financial assets mandatorily at fair value

Financial assets are held at fair value through profit or loss if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling.

Subsequent changes in fair value for these instruments are recognised in the income statement in net investment income, except if reporting it in trading income reduces an accounting mismatch.

The details on how the fair value amounts are derived for financial assets at fair value are described in Note 15.

	2019	2018
	€m	€m
Loans and advances to customers	433	-
Reverse repurchase agreements and other similar secured lending	1,361	-
<b>Financial assets mandatorily at fair value</b>	<b>1,794</b>	<b>-</b>

### 13 Derivative financial instruments

#### Accounting for derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward-rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

All derivative instruments are held at fair value through profit or loss, except for derivatives that are in a designated cash flow relationship. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or financial liability (the host), which, had it been a standalone contract, would have met the definition of a derivative. If these are separated from the host, i.e. when the economic characteristics of the embedded derivative are not closely related with those of the host contract and the combined instrument is not measured at fair value through profit or loss, then they are accounted for in the same way as derivatives.

#### Hedge Accounting

The Bank applies the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting purposes. The Bank applies hedge accounting to represent the economic effects of its interest rate risk management strategy. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Bank applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged.

The Bank has elected to early adopt the 'Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR ('Interbank Offered Rates') reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate.

# Notes to the financial statements

## Assets and liabilities held at fair value

However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to the Bank are:

- When considering the 'highly probable' requirement, the Bank has assumed that the IBOR interest rates upon which our hedged items are based do not change as a result of IBOR Reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Bank has assumed that the IBOR interest rates upon which the cash flows of the hedged items and the interest rate swaps that hedge them are based are not altered by IBOR reform.
- The Bank will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- The Bank has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.
- The Bank has assessed whether the hedged IBOR risk component is a separately identifiable risk only when it first designates a hedged item in a fair value hedge and not on an ongoing basis.

Further amendments are expected for future accounting periods following completion of the second part of the IASB's two-phased project which focuses on the impacts of IBOR reform on financial reporting.

### Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement. For items classified as fair value through other comprehensive income, the hedge accounting adjustment is included in other comprehensive income.

### Cash flow hedge accounting

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, and then recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

Total derivatives	2019			2018		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
€'m	€'m	€'m	€'m	€'m	€'m	
Total derivative assets/(liabilities) held for trading	1,264,748	27,114	(27,140)	1,639	-	(3)
Total derivative assets/(liabilities) held for risk management	1,546	215	(13)	-	-	-
<b>Derivative assets/(liabilities)</b>	<b>1,266,294</b>	<b>27,329</b>	<b>(27,153)</b>	<b>1,639</b>	<b>-</b>	<b>(3)</b>

Further information on netting arrangements of derivative financial instruments can be found within Note 16.

Trading derivatives are managed within the Bank's market risk management policies, which are outlined on pages 47 to 49.

The Bank's exposure to credit risk arising from derivative contracts are outlined in the Credit Risk section on pages 21 to 46.

# Notes to the financial statements

## Assets and liabilities held at fair value

The fair values and notional amounts of derivatives held for trading and held for risk management are set out in the following table:

Derivatives held for trading	2019			2018		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€'m	€'m	€'m	€'m	€'m	€'m
<b>Foreign exchange derivatives</b>						
OTC derivatives	354,135	3,873	(3,897)	439	-	(2)
Exchange traded futures and options – bought and sold	1,014	-	-	-	-	-
<b>Foreign exchange derivatives</b>	<b>355,149</b>	<b>3,873</b>	<b>(3,897)</b>	<b>439</b>	<b>-</b>	<b>(2)</b>
<b>Interest Rate derivatives</b>						
OTC derivatives	558,599	20,808	(20,733)	1,200	-	(1)
Interest rate derivatives cleared by central counterparty	179,905	457	(539)	-	-	-
Exchange traded futures and options – bought and sold	39,444	-	-	-	-	-
<b>Interest rate derivatives</b>	<b>777,948</b>	<b>21,265</b>	<b>(21,272)</b>	<b>1,200</b>	<b>-</b>	<b>(1)</b>
<b>Credit derivatives</b>						
OTC swaps	37,093	443	(544)	-	-	-
Credit derivatives cleared by central counterparty	20,483	396	(302)	-	-	-
<b>Credit derivatives</b>	<b>57,576</b>	<b>839</b>	<b>(846)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity and stock index derivatives</b>						
OTC derivatives	37,421	907	(895)	-	-	-
Exchange traded futures and options – bought and sold	33,095	211	(211)	-	-	-
<b>Equity and stock index derivatives</b>	<b>70,516</b>	<b>1,118</b>	<b>(1,106)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commodity derivatives</b>						
OTC derivatives	3,330	19	(19)	-	-	-
Exchange traded futures and options – bought and sold	229	-	-	-	-	-
<b>Commodity derivatives</b>	<b>3,559</b>	<b>19</b>	<b>(19)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Derivative assets/(liabilities) held for trading</b>	<b>1,264,748</b>	<b>27,114</b>	<b>(27,140)</b>	<b>1,639</b>	<b>-</b>	<b>(3)</b>
<b>Total OTC derivatives held for trading</b>	<b>990,578</b>	<b>26,050</b>	<b>(26,088)</b>	<b>1,639</b>	<b>-</b>	<b>(3)</b>
<b>Total derivatives cleared by central counterparty held for trading</b>	<b>200,388</b>	<b>853</b>	<b>(841)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total exchange traded derivatives held for trading</b>	<b>73,782</b>	<b>211</b>	<b>(211)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Derivative assets/(liabilities) held for trading</b>	<b>1,264,748</b>	<b>27,114</b>	<b>(27,140)</b>	<b>1,639</b>	<b>-</b>	<b>(3)</b>

Derivatives held for risk management	2019			2018		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€'m	€'m	€'m	€'m	€'m	€'m
<b>Derivatives designated as cash flow hedges</b>						
Interest rate swaps	117	4	-	-	-	-
Interest rate derivatives cleared by central counterparty	612	2	(2)	-	-	-
<b>Derivatives designated as cash flow hedges</b>	<b>729</b>	<b>6</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Derivatives designated as fair value hedges</b>						
Interest rate swaps	817	209	(11)	-	-	-
<b>Derivatives designated as fair value hedges</b>	<b>817</b>	<b>209</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Derivative assets/(liabilities) held for risk management</b>	<b>1,546</b>	<b>215</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total OTC derivatives held for risk management</b>	<b>934</b>	<b>213</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total derivatives cleared by central counterparty held for risk management</b>	<b>612</b>	<b>2</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Derivative assets/(liabilities) held for risk management</b>	<b>1,546</b>	<b>215</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements

## Assets and liabilities held at fair value

### Hedge accounting

Hedge accounting is applied predominantly for the following risks:

- Interest rate risk – arises due to a mismatch between fixed interest rates and floating interest rates. Interest rate risk also includes exposure to inflation risk for certain types of investments.

In order to hedge these risks, the Bank uses the following hedging instruments:

- Interest rate derivatives to swap interest rate exposures into either fixed or variable rates.

In some cases, certain items which are economically hedged may be ineligible hedged items for the purposes of IAS 39, such as core deposits and equity. In these instances, a proxy hedging solution can be utilised whereby portfolios of floating rate assets are designated as eligible hedged items in cash flow hedges.

In some hedging relationships, the Bank designates risk components of hedged items as follows:

- Benchmark interest rate risk as a component of interest rate risk, such as the LIBOR or Risk Free Rate (RFR) component.
- Components of cash flows of hedged items, for example certain interest payments for part of the life of an instrument.

Using the benchmark interest rate risk results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship. EURIBOR is considered the predominant interest rate risk and therefore the hedged items change in fair value on a fully proportionate basis with reference to this risk.

In respect of many of the Bank's hedge accounting relationships, the hedged item and hedging instrument change frequently due to the dynamic nature of the risk management and hedge accounting strategy. The Bank applies hedge accounting to dynamic scenarios, predominantly in relation to interest rate risk, with a combination of hedged items in order for its financial statements to reflect as closely as possible the economic risk management undertaken. In some cases, if the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated and a de-designated relationship is replaced with a different hedge accounting relationship.

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to quantitative tests, predominantly regression testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences.
- Changes in credit risk of the hedging instruments.
- Cash flow hedges using external swaps with non-zero fair values.
- The effects of the forthcoming reforms to IBOR, because these might take effect at a different time and have a different impact on hedged items and hedging instruments.

Across all benchmarks which the Bank is materially exposed to, there is still uncertainty regarding the precise timing and effects of IBOR reform. There is yet to be full consensus regarding methodologies for converging existing IBORs to their final benchmark rates. As such, the Bank has not incorporated any change in assumptions for affected benchmarks into its expectations or calculations. The Bank does, however, assume sufficient liquidity in IBOR linked benchmarks to provide reliable valuation calculations of both hedged items and hedging instruments (notwithstanding reliefs already applied within the financial reporting).

### Interest Rate Benchmark Reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as IBOR has become a priority for global regulators. Since the changes are market driven, there is currently some uncertainty around the timing and precise nature of these changes.

The Bank's risk exposure is directly affected by interest rate benchmark reform, across both its cash flow hedge accounting activities, where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked cash flows, and its fair value hedge accounting activities, where IBOR-linked derivatives are designated as a fair value hedge of fixed interest rate assets and liabilities.

Approaches to transition will vary product by product, and counterparty by counterparty. The Bank expects derivative contracts facing central clearing counterparties to follow a market-wide, standardised approach to reform. Bilateral derivative agreements, loan agreements and other cash securities are expected to largely be negotiated bilaterally with the counterparty.

There are key differences between IBORs and RFRs. IBORs are 'term rates', which means that they are published for a borrowing period (for example three months), and they are 'forward-looking', because they are published at the beginning of a borrowing period, based upon an estimated inter-bank borrowing cost for the period. RFRs are typically 'backward-looking' rates, as they are based upon overnight rates from actual transactions, and are therefore published at the end of the overnight borrowing period. Furthermore, IBORs include a credit spread over RFR. Therefore, to transition existing contracts and agreements to the RFR, adjustments for term and credit differences may need to be applied to RFR-linked rates to enable the two benchmarks to be economically equivalent upon transition. The methodologies for determining these adjustments are undergoing in-depth consultations by industry working groups, on behalf of the respective global regulators and related market participants.

Barclays has established a Group-wide IBOR Transition Programme, with oversight from the Barclays Group Finance Director and with cross-business line and functions-support governance. The Transition Programme follows a risk management approach, based upon recognised 'change delivery' control standards, to drive strategic execution, and identify, manage and resolve key risks and issues as they arise. Accountable Executives are in place within key working groups, with overall Board oversight delegated to the Barclays PLC Board Risk Committee and the Barclays PLC Group Finance Director. Barclays performs a prominent stewardship role to drive orderly transition via our representation on official sector and



## Notes to the financial statements

### Assets and liabilities held at fair value

industry working groups across all major jurisdictions and product classes. The Bank is actively engaging with the counterparties to include appropriate fallback provisions in its floating rate assets and liabilities with maturities after 2021, when most IBORs are expected to cease to exist. We expect that the hedging instruments will be modified by the amendments to the 2006 ISDA definitions that will include fallback provisions for when the existing IBORs are permanently discontinued. Further, hedge accounting specific impacts of IBOR reform are expected as transition progresses, with impact on financial reporting becoming clearer following anticipated completion of Phase 2 of the IASB's IBOR Reform project.

The Bank's exposure risk management is predominately Euro Interbank Offered Rate ('EURIBOR'). The calculation methodology of EURIBOR changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to EURIBOR under the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR after 1 January 2020 for both existing and new contracts. The Bank expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future. The Bank does not anticipate changing the hedged risk to a different benchmark. For these reasons, the Bank does not consider its fair value or cash flow hedges of the EURIBOR benchmark interest rate to be directly affected by interest rate benchmark reform at 31 December 2019.

#### Amount, timing and uncertainty of future cash flows

The following table shows the hedging instruments which are carried on the Bank's balance sheet:

Hedge Type	Risk Category	Carrying value			Change in fair value used as a basis to determine ineffectiveness
		Derivative assets €m	Derivative liabilities €m	Nominal amount €m	
<b>As at 31 December 2019</b>					
Fair Value	Interest rate risk	209	(11)	817	8
Cash Flow	Interest rate risk	6	(2)	729	(6)
Total		215	(13)	1,546	2

#### Hedged items in fair value hedge accounting relationships<sup>a</sup>

Hedged item statement of financial position classification and risk category	Carrying amount €m	Accumulated fair value adjustment included in carrying amount			Change in fair value used as a basis to determine ineffectiveness	Hedge ineffectiveness recognised in the income statement €m
		Total €m	Of which: Accumulated fair value adjustment on items no longer in a hedge relationship €m			
<b>2019</b>						
<b>Asset</b>						
Loans and advances at amortised cost						
- Interest rate risk	28	28	28	-	-	
<b>Liabilities</b>						
Debt securities in issue						
- Interest rate risk	(996)	(180)	(1)	(2)	6	
Total	(968)	(152)	27	(2)	6	

Note

<sup>a</sup> No equivalent balances in 2018. Hedge Accounting commenced in 2019.

## Notes to the financial statements

### Assets and liabilities held at fair value

Description of hedge relationship and hedged risk	Change in value of hedged item used as the basis for recognising ineffectiveness	Balance in cash flow hedging reserve for continuing hedges	Balances remaining in cash flow hedging reserve for which hedge accounting is no longer applied	Hedging gains or losses recognised in other comprehensive income	Hedge ineffectiveness recognised in the income statement
	€m	€m	€m	€m	€m
<b>2019</b>					
<b>Cash flow hedge of interest rate risk</b>					
Loans and advances at amortised cost	5	4	2	5	(1)

Note

a Hedge ineffectiveness is recognised in net interest income.

The following table profiles the expected notional values of current hedging instruments in future years:

	2019	2020	2021	2022	2023	2024	2025 and later
	€m	€m	€m	€m	€m	€m	€m
<b>2019</b>							
<b>Fair value hedges of interest rate risk</b>							
Notional amount	817	695	665	619	599	594	590

The Bank has 48 fair value hedges of interest rate risk with an average fixed rate of 4.7% across the relationships

The Bank has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

	Total	Up to one year	One to two years	Two to three years	Three to four years
	€m	€m	€m	€m	€m
<b>2019</b>					
Forecast receivable cash flows	8	3	2	2	1

# Notes to the financial statements

## Assets and liabilities held at fair value

The maximum length of time over which the Bank hedges exposure to the variability in future cash flows for forecast transactions, excluding those forecast transactions related to the payment of variable interest on existing financial instruments is 7 years

The effect on the income statement and other comprehensive income of recycling amounts in respect of cash flow hedges is set out in the following table:

Description of hedge relationship and hedged risk	2019	
	Amount recycled from other comprehensive income due to hedged item affecting income statement	Amount recycled from other comprehensive income due to sale or disposal of investment
	€m	€m
<b>Cash flow hedge of interest rate risk</b>		
Recycled to interest income	-	-

A detailed reconciliation of the movements of the cash flow hedging reserve is as follows:

Description of hedge relationship and hedged risk	2019	
	Cash flow hedging reserve	
	€m	
Hedging gains/(losses) for the year		6
Tax		(1)
<b>Balance as on 31 December</b>		<b>5</b>

### 14 Financial liabilities designated at fair value

#### Accounting for liabilities designated at fair value through profit or loss

In accordance with IFRS 9, financial liabilities may be designated at fair value, with gains and losses taken to the income statement within net trading income (Note 5) and net investment expense (Note 6). Movements in own credit are reported through other comprehensive income, unless the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. In these scenarios, all gains and losses on that liability (including the effects of changes in the credit risk of the liability) are presented in profit or loss. On derecognition of the financial liability no amount relating to own credit risk are recycled to the income statement. The Bank has the ability to make the fair value designation when holding the instruments at fair value reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), or is managed by the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics (note 13).

The details on how the fair value amounts are arrived for financial liabilities designated at fair value are described in Note 15

	2019		2018	
	Fair value	Contractual amount due on maturity	Fair value	Contractual amount due on maturity
	€m	€m	€m	€m
Deposits	2,845	2,947	-	-
Repurchase agreements and other similar secured borrowing	1,857	1,857	-	-
<b>Financial liabilities designated at fair value</b>	<b>4,702</b>	<b>4,804</b>	-	-

The cumulative own credit net loss recognised is €66m (2018: €nil).

# Notes to the financial statements

## Assets and liabilities held at fair value

### 15 Fair value of financial instruments

#### Accounting for financial assets and liabilities – fair values

Financial instruments that are held for trading are recognised at fair value through profit or loss. In addition, financial assets are held at fair value through profit or loss if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling. Subsequent changes in fair value for these instruments are recognised in the income statement in net investment income, except if reporting it in trading income reduces an accounting mismatch.

All financial instruments are initially recognised at fair value on the date of initial recognition (including transaction costs, other than financial instruments held at fair value through profit or loss) and, depending on the classification of the asset or liability, 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.

Wherever possible, fair value is determined by reference to a quoted market price for that instrument. For many of the Bank's financial assets and liabilities, especially derivatives, quoted prices are not available and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market inputs where applicable including where available, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

For financial liabilities measured at fair value, the carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data such as in primary issuance and redemption activity for structured notes.

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.

For valuations that have made use of unobservable inputs, the difference between the model valuation and the initial transaction price (Day One profit) is recognised in profit or loss either: on a straight-line basis over the term of the transaction; or over the period until all model inputs will become observable where appropriate; or released in full when previously unobservable inputs become observable.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the marketplace, the maturity of market modelling and the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is shown on page 102.

#### Critical accounting estimates and judgements

The valuation of financial instruments often involves a significant degree of judgement and complexity, in particular where valuation models make use of unobservable inputs ('Level 3' assets and liabilities). This note provides information on these instruments, including the related unrealised gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs, and a sensitivity analysis.

#### Valuation

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 either directly or indirectly. 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.

## Notes to the financial statements

### Assets and liabilities held at fair value

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

Assets and liabilities held at fair value				
	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
<b>As at 31 December 2019</b>				
Trading portfolio assets	-	1,042	-	1,042
Financial assets at fair value through the income statement	-	1,381	413	1,794
Derivative financial instruments	-	27,151	178	27,329
<b>Total assets</b>	-	<b>29,574</b>	<b>591</b>	<b>30,165</b>
Trading portfolio liabilities	-	(283)	-	(283)
Financial liabilities designated at fair value	-	(4,702)	-	(4,702)
Derivative financial instruments	-	(26,975)	(178)	(27,153)
<b>Total liabilities</b>	-	<b>(31,960)</b>	<b>(178)</b>	<b>(32,138)</b>

Assets and liabilities held at fair value				
	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
<b>As at 31 December 2018</b>				
<b>Assets</b>				
Derivative financial instruments	-	-	-	-
<b>Total assets</b>	-	-	-	-
<b>Liabilities</b>				
Derivative financial instruments	-	(3)	-	(3)
<b>Total liabilities</b>	-	<b>(3)</b>	-	<b>(3)</b>

The following table shows the Bank's Level 3 assets and liabilities that are held at fair value disaggregated by product type:

Level 3 assets and liabilities held at fair value by product type				
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	€m	€m	€m	€m
Interest rate derivatives	170	(170)	-	-
Foreign exchange derivatives	8	(8)	-	-
Asset backed loans	413	-	-	-
<b>Total</b>	<b>591</b>	<b>(178)</b>	-	-

# Notes to the financial statements

## Assets and liabilities held at fair value

### Valuation techniques and sensitivity analysis

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative models.

Sensitivities are dynamically calculated on a monthly basis. The calculation is based on range or spread data of a reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

The valuation techniques used, observability and sensitivity analysis for material products within Level 3, are described below.

### Interest rate derivatives

*Description:* Derivatives linked to interest rates or inflation indices. The category includes futures, interest rate and inflation swaps, swaptions, caps, floors, inflation options and other exotic interest rate derivatives.

*Valuation:* Interest rate and inflation derivatives are generally valued using curves of forward rates constructed from market data to project and discount the expected future cash flows of trades. Instruments with optionality are valued using volatilities implied from market inputs, and use industry standard or bespoke models depending on the product type.

*Observability:* In general, inputs are considered observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are generally set by referencing liquid market instruments and applying extrapolation techniques or inferred via another reasonable method.

### Foreign exchange derivatives

*Description:* Derivatives linked to the foreign exchange ('FX') market. The category includes FX forward contracts, FX swaps and FX options. The majority are traded as over the counter ('OTC') derivatives.

*Valuation:* FX derivatives are valued using industry standard and bespoke models depending on the product type. Valuation inputs include FX rates, interest rates, FX volatilities, interest rate volatilities, FX interest rate correlations and others as appropriate.

*Observability:* FX correlations, forwards and volatilities are generally observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method.

### Asset backed loans

*Description:* Portfolio of EUR-denominated mortgage loans secured on residential properties located in Italy. The mortgages are indexed to EURCHF FX rate and 6m CHF Libor. The portfolio is classified as fair value through the profit or loss ('FVTPL') on account of the features of the mortgages meaning contractual cash flows would not meet IFRS 9 Solely Payment of Principal and Interest ('SPPI') criteria.

*Valuation:* The loans are valued using a model that discounts projections of loan-level cash flows at an appropriate margin.

*Observability:* Spreads for CHF-indexed EUR denominated mortgages are generally unobservable. The spreads used in the valuation model are based on data for other Italian mortgages, alongside any transactional data that is available.

### Assets and liabilities reclassified between Level 1 and Level 2

During the period, there were no material transfers between Level 1 and Level 2 (2018: there were no material transfers between Level 1 and Level 2).

### Level 3 movement analysis

The following table summarises the movements in the Level 3 balances during the period.

#### Analysis of movements in Level 3 assets and liabilities

	As at 1		Sales	Issues	Settlements	Total gains and losses in the period recognised in the income statement		Total gains or losses recognised in OCI	Transfers		As at 31 December 2019
	January 2019	Acquisition of business				Trading income	Other income		In	Out	
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Asset backed loans <sup>a</sup>	-	436	-	-	(24)	-	1	-	-	-	413
<b>Financial assets at fair value through the income statement</b>	<b>-</b>	<b>436</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>413</b>

Note

a Represents CHF-indexed mortgage portfolio transferred from BB PLC in March 2019.

# Notes to the financial statements

## Assets and liabilities held at fair value

### Unrealised gains and losses on Level 3 financial assets and liabilities

The following tables disclose the unrealised gains and losses recognised in the year arising on Level 3 financial assets and liabilities held at year end.

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at year end		2019
		Income statement
		Other income
As at 31 December		€m
Asset backed loans		1

### Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for assets and liabilities recognised at fair value and classified as Level 3 along with the range of values used for those significant unobservable inputs:

	Valuation technique(s)	Significant unobservable inputs	2019 Range		2018 Range		Units <sup>a</sup>
			Min	Max	Min	Max	
<b>Derivative financial instruments<sup>a</sup></b>							
Interest rate derivatives	Discounted cash flows	Inflation forwards	1	2	-	-	%
<b>Non-derivative financial instruments</b>							
Asset backed loans	Discounted cash flows	Credit spread	180	270	-	-	bps

Note

a. The units used to disclose ranges for significant unobservable inputs are percentages and basis points. A basis point equals 1/100th of 1%; for example, 150 basis points equals 1.5%.

The following section describes the significant unobservable inputs identified in the table above, and the sensitivity of fair value measurement of the instruments categorised as Level 3 assets or liabilities to increases in significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Where reliable inter-relationships can be identified between significant unobservable inputs used in fair value measurement, a description of those inter-relationships is included below.

### Inflation Forwards

A price or rate that is applicable to a financial transaction that will take place in the future.

In general, a significant increase in a forward in isolation will result in a fair value increase for the contracted receiver of the underlying (currency, bond, commodity, etc.), but the sensitivity is dependent on the specific terms of the instrument.

### Credit spread

Credit spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Credit spreads reflect the additional yield that a market participant demands for taking on exposure to the credit risk of an instrument and form part of the yield used in a discounted cash flow calculation.

In general, a significant increase in credit spread in isolation will result in a fair value decrease for a cash asset.

For a derivative instrument, a significant increase in credit spread in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

# Notes to the financial statements

## Assets and liabilities held at fair value

### Sensitivity analysis of valuations using unobservable inputs

	2019		2018	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	€m	€m	€m	€m
Asset backed loans	12	(12)	-	-
<b>Total</b>	<b>12</b>	<b>(12)</b>	<b>-</b>	<b>-</b>

The effect of stressing unobservable inputs to a range of reasonably possible alternatives, alongside considering the impact of using alternative models, would be to increase fair values by up to €12m or to decrease fair values by up to €12m with all the potential effect impacting profit or loss. Derivative financial instruments are analysed on a net basis giving a balance of €nil and are therefore not analysed within the sensitivity analysis table.

### Fair value adjustments

Key balance sheet valuation adjustments are quantified below:

	2019	2018
	€m	€m
Exit price adjustments derived from market bid-offer spreads	(2)	-
Uncollateralised derivative funding	(2)	-
Derivative credit valuation adjustments	(10)	-
Derivative debit valuation adjustments	4	-

### Exit price adjustments derived from market bid-offer spreads

The Bank uses mid-market pricing where it is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets). For other financial assets and liabilities, bid-offer adjustments are recorded to reflect the exit level for the expected close out strategy. The methodology for determining the bid-offer adjustment for a derivative portfolio involves calculating the net risk exposure by offsetting long and short positions by strike and term in accordance with the risk management and hedging strategy.

Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

Exit price adjustments derived from market bid-offer spreads were €(2)m at 31 Dec 2019 (2018: €nil) with the movement mainly due to derivative migrations during 2019.

### Discounting approaches for derivative instruments

#### Collateralised

In line with market practice, the methodology for discounting collateralised derivatives takes into account the nature and currency of the collateral that can be posted within the relevant credit support annex ('CSA'). The CSA aware discounting approach recognises the 'cheapest to deliver' option that reflects the ability of the party posting collateral to change the currency of the collateral.

#### Uncollateralised

A fair value adjustment is applied to account for the impact of incorporating the cost of funding into the valuation of uncollateralised and partially collateralised derivative portfolios and collateralised derivatives where the terms of the agreement do not allow the rehypothecation of collateral received. This adjustment is referred to as the Funding Fair Value Adjustment ('FFVA'). FFVA was €(2)m at 31 Dec 2019 (2018: €nil) with the movement mainly due to derivative migrations during 2019.

FFVA is determined by calculating the net expected exposure at a counterparty level and applying a funding rate to the exposure that reflects the market cost of funding. The Bank's internal Treasury rates are used as an input to the calculation. The approach takes into account the probability of default of each counterparty, as well as any mandatory break clauses.

FFVA incorporates a scaling factor which is an estimate of the extent to which the cost of funding is incorporated into observed traded levels. On calibrating the scaling factor, it is with the assumption that Credit Valuation Adjustments ('CVA') and Debit Valuation Adjustments ('DVA') are retained as valuation components incorporated into such levels. The effect of incorporating this scaling factor at 31 December 2019 was to reduce FFVA by €5m.

The Bank continues to monitor market practices and activity to ensure the approach to uncollateralised derivative valuation remains appropriate.

### Derivative credit and debit valuation adjustments

CVA and DVA are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and the Bank's own credit quality respectively. These adjustments are calculated for uncollateralised and partially collateralised derivatives across all asset classes. CVA and DVA are calculated using estimates of exposure at default, probability of default and recovery rates, at a counterparty level. Counterparties include



## Notes to the financial statements

### Assets and liabilities held at fair value

(but are not limited to) corporates, sovereigns and sovereign agencies and supranationals.

Exposure at default is generally estimated through the simulation of underlying risk factors through approximating with a more vanilla structure, or by using current or scenario-based mark to market as an estimate of future exposure.

Probability of default and recovery rate information is generally sourced from the CDS markets. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping internal counterparty ratings onto historical or market-based default and recovery information. Probability of default and recovery rate information is generally sourced from the CDS markets. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping internal counterparty ratings onto historical or market-based default and recovery information.

CVA was €(10)m at 31 Dec 2019 (2018: €nil) and DVA was €4m at 31 Dec 2019 (2018: €nil) with the movements mainly due to derivative migrations during 2019.

#### Portfolio exemptions

The Bank uses the portfolio exemption in IFRS 13 *Fair Value Measurement* to measure the fair value of groups of financial assets and liabilities. Instruments are measured using the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the balance sheet date under current market conditions. Accordingly, the Bank measures the fair value of the group of financial assets and liabilities consistently with how market participants would price the net risk exposure at the measurement date.

#### Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

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

	2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December	€m	€m	€m	€m	€m
<b>Financial assets</b>					
Loans and advances to banks	658	658	-	658	-
Loans and advances to customers	13,024	12,455	-	1,251	11,204
Reverse repurchase agreements and other similar secured lending	2,946	2,946	-	2,946	-
<b>Financial liabilities</b>					
Deposits from banks	(2,358)	(2,358)	(730)	(1,628)	-
Deposits from customers	(18,272)	(18,272)	(10,356)	(7,916)	-
Repurchase agreements and other similar secured borrowing	(1,255)	(1,255)	-	(1,255)	-
Debt securities in issue	(849)	(849)	-	(849)	-
Subordinated liabilities	(891)	(1,008)	-	(1,008)	-

# Notes to the financial statements

## Assets and liabilities held at fair value

	2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December	€m	€m	€m	€m	€m
<b>Financial assets</b>					
Loans and advances to banks	1,248	1,248	-	1,248	-
Loans and advances to customers	4,902	4,788	-	18	4,770
Reverse repurchase agreements and other similar secured lending	-	-	-	-	-
<b>Financial liabilities</b>					
Deposits from banks	(4,161)	(4,161)	-	(4,161)	-
Deposits from customers	(6,396)	(6,396)	(2,391)	(4,005)	-
Repurchase agreements and other similar secured borrowing	-	-	-	-	-
Debt securities in issue	-	-	-	-	-
Subordinated liabilities	(250)	(250)	-	(250)	-

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 sources or other financial institutions. Different valuation methodologies and assumptions can have a significant impact on fair values which are based on unobservable inputs.

### Financial assets

The carrying value of financial assets held at amortised cost (including loans and advances to banks and customers, and other lending such as reverse repurchase agreements and cash collateral on securities borrowed) is determined in accordance with the relevant accounting policy in Note 17.

### Loans and advances at amortised cost

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.

### Reverse repurchase agreements and other similar secured lending

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

### Financial liabilities

The carrying value of financial liabilities held at amortised cost (including customer accounts, other deposits, repurchase agreements and cash collateral on securities lent, debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy section.

### Deposits at amortised cost

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, mainly 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.

### Repurchase agreements and other similar secured lending

The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated.

### Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, carrying amount approximates fair value.

### Subordinated liabilities

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

## 16 Offsetting financial assets and financial liabilities

In accordance with IAS 32 *Financial Instruments: Presentation*, the Bank reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- all financial assets and liabilities that are reported net on the balance sheet

# Notes to the financial statements

## Assets and liabilities held at fair value

- all derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The 'Net amounts' presented on the next page are not intended to represent the Bank's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	Amounts subject to enforceable netting arrangements						Amounts not subject to enforceable netting arrangements <sup>c</sup>	Balance sheet total <sup>d</sup>
	Effects of offsetting on-balance sheet			Related amounts not offset				
	Gross amounts	Amounts offset <sup>a</sup>	Net amounts reported on the balance sheet	Financial instruments	Financial collateral <sup>b</sup>	Net amount		
	€m	€m	€m	€m	€m	€m	€m	€m
<b>As at 31 December 2019</b>								
Derivative financial assets	30,872	(3,625)	27,247	(21,183)	(5,021)	1,043	82	27,329
Reverse repurchase agreements and other similar secured lending <sup>e</sup>	5,829	(1,522)	4,307	-	(4,307)	-	-	4,307
<b>Total assets</b>	<b>36,701</b>	<b>(5,147)</b>	<b>31,554</b>	<b>(21,183)</b>	<b>(9,328)</b>	<b>1,043</b>	<b>82</b>	<b>31,636</b>
Derivative financial liabilities	(30,693)	3,656	(27,037)	21,183	5,133	(721)	(116)	(27,153)
Repurchase agreements and other similar secured borrowing <sup>e</sup>	(4,630)	1,522	(3,108)	-	3,026	(82)	(4)	(3,112)
<b>Total liabilities</b>	<b>(35,323)</b>	<b>5,178</b>	<b>(30,145)</b>	<b>21,183</b>	<b>8,159</b>	<b>(803)</b>	<b>(120)</b>	<b>(30,265)</b>
<b>As at 31 December 2018</b>								
Derivative financial assets	-	-	-	-	-	-	-	-
Reverse repurchase agreements and other similar secured lending <sup>e</sup>	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Derivative financial liabilities	(3)	-	(3)	-	-	(3)	-	(3)
Repurchase agreements and other similar secured borrowing <sup>e</sup>	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>(3)</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>(3)</b>

### Notes

- Amounts offset for Derivative financial assets additionally includes cash collateral netted of €628m (2018: €nil). Amounts offset for Derivative financial liabilities additionally includes cash collateral netted of €597m (2018: €nil). Settlements assets and liabilities have been offset amounting to €49m (2018: €nil).
- Financial collateral of €5,021m (2018: €nil) was received in respect of derivative assets, including €4,799m (2018: €nil) of cash collateral and €222m (2018: €nil) of non-cash collateral. Financial collateral of €5,133m (2018: €nil) was placed in respect of derivative liabilities, including €4,436m (2018: €nil) of cash collateral and €697m (2018: €nil) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation.
- This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.
- The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.
- Reverse Repurchase agreements and other similar secured lending of €4,307m (2018: €nil) is split by fair value €1,361m (2018: €nil) and amortised cost €2,946m (2018: €nil). Repurchase agreements and other similar secured borrowing of €3,112m (2018: €nil) is split by fair value €1,857m (2018: €nil) and amortised cost €1,255m (2018: €nil).

### Derivative assets and liabilities

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

### Repurchase and reverse repurchase agreements and other similar secured lending and borrowing

The 'Amounts offset' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as Global Master Repurchase Agreements and Global Master Securities Lending Agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and other credit risk mitigation strategies used by the Bank are further explained in the Credit risk mitigation section on page 21.

# Notes to the financial statements

## Assets and liabilities held at amortised cost

The notes included in this section focus on the Bank's loans and advances and deposits at amortised cost, leases, property, plant and equipment, intangible assets, Cash collateral and Other assets. Details regarding the Bank's assets and liabilities at amortised cost can be found on pages 106 to 111.

### 17 Loans and advances and deposits at amortised cost

#### Accounting for financial instruments held at amortised cost

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the Bank is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the Bank will consider past sales and expectations about future sales.

#### Loans and advances at amortised cost

	2019			2018		
	Loans and advances to banks	Loans and advances to customers	Total	Loans and advances to banks	Loans and advances to customers	Total
As at 31 December	€m	€m	€m	€m	€m	€m
Gross loans and advances at amortised cost	658	13,451	14,109	1,248	5,194	6,442
Less: allowance for impairment	-	(427)	(427)	-	(292)	(292)
<b>Loans and advances at amortised cost</b>	<b>658</b>	<b>13,024</b>	<b>13,682</b>	<b>1,248</b>	<b>4,902</b>	<b>6,150</b>

#### Deposits at amortised cost

	2019			2018		
	Deposits from banks	Deposits from customers	Total	Deposits from banks	Deposits from customers	Total
As at 31 December	€m	€m	€m	€m	€m	€m
<b>Deposits at amortised cost</b>	<b>2,358</b>	<b>18,272</b>	<b>20,630</b>	<b>4,161</b>	<b>6,396</b>	<b>10,557</b>

### 18 Property, plant and equipment

#### Accounting for 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 enhancement of 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:

#### Annual rates in calculating depreciation

	Depreciation rate
Costs of adaptation of leasehold property	6-10%
Equipment installed in leasehold property	6-10%
Computers and similar equipment	17-33%
Fixtures and fittings and other equipment	9-20%

Costs of adaptation and installed equipment are depreciated over the shorter of the life of the lease or the depreciation rates noted in the table above.

# Notes to the financial statements

## Assets and liabilities held at amortised cost

	Property €m	Equipment €m	Right of use assets <sup>a</sup> €m	Total €m
<b>Cost</b>				
As at 31 December 2018	9	15	-	24
Effects of changes in accounting policies <sup>b</sup>	-	-	58	58
<b>As at 1 January 2019</b>	<b>9</b>	<b>15</b>	<b>58</b>	<b>82</b>
Acquisition of business	21	13	32	66
Additions	-	22	3	25
Other movements	5	4	1	10
<b>As at 31 December 2019</b>	<b>35</b>	<b>54</b>	<b>94</b>	<b>183</b>
<b>Accumulated depreciation and impairment</b>				
As at 31 December 2018	(3)	(9)	-	(12)
Effects of changes in accounting policies <sup>b</sup>	-	-	-	-
<b>As at 1 January 2019</b>	<b>(3)</b>	<b>(9)</b>	<b>-</b>	<b>(12)</b>
Acquisition of business	(18)	(13)	(3)	(34)
Additions	-	-	-	-
Depreciation charge	(3)	(4)	(11)	(18)
Other movements	-	(2)	(1)	(3)
<b>As at 31 December 2019</b>	<b>(24)</b>	<b>(28)</b>	<b>(15)</b>	<b>(67)</b>
<b>Net book value</b>	<b>11</b>	<b>26</b>	<b>79</b>	<b>116</b>
<b>Cost</b>				
As at 1 January 2018	-	1	-	1
Acquisition of business	9	14	-	23
Additions	-	-	-	-
<b>As at 31 December 2018</b>	<b>9</b>	<b>15</b>	<b>-</b>	<b>24</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 January 2018	-	(1)	-	(1)
Acquisition of business	(3)	(8)	-	(11)
Depreciation charge	-	-	-	-
<b>As at 31 December 2018</b>	<b>(3)</b>	<b>(9)</b>	<b>-</b>	<b>(12)</b>
<b>Net book value</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>12</b>

### Notes

a Right of use ('ROU') asset balances relate to property leases under IFRS 16, which the Bank adopted on 1 January 2019. Refer to Note 19 for further details.

b Refer to accounting policy section in the financial statements.

# Notes to the financial statements

## Assets and liabilities held at amortised cost

### 19 Leases

#### Accounting for leases under IFRS 16 effective from 1 January 2019

IFRS 16 applies to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38 *Intangible Assets*, service concession arrangements, leases of biological assets within the scope of IAS 41 *Agriculture* and leases of minerals, oil, natural gas and similar non-regenerative resources. IFRS 16 includes an accounting policy choice for a lessee to elect not to apply IFRS 16 to remaining assets within the scope of IAS 38 *Intangible Assets* which the Bank has decided to apply.

When the Bank is the lessee, it is required to recognise both:

- A lease liability, measured at the present value of remaining cash flows on the lease, and
- A right of use ('ROU') asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease. The lease liability is remeasured when there is a change in one of the following:

- Future lease payments arising from a change in an index or rate;
- The Bank's estimate of the amount expected to be payable under a residual value guarantee; or
- The Bank's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to nil.

On the balance sheet, the ROU assets are included within property, plant and equipment and the lease liabilities are included within other liabilities.

The Bank applies the recognition exemption in IFRS 16 for leases with a term not exceeding 12 months. For these leases the lease payments are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more appropriate.

#### Accounting for operating leases under IAS 17 for 2018

The Bank applied IAS 17 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.

Where the Bank is the lessee, rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

#### As a Lessee

The Bank leases various offices, branches and other premises under non-cancellable lease arrangements to meet its operational business requirements. In some instances, Bank will sublease property to third parties when it is no longer needed to meet business requirements. Currently, the bank does not have any material subleasing arrangements.

ROU asset balances relate to property leases only. Refer to Note 18 for a breakdown of the carrying amount of ROU assets.

The Bank did not have material short term leases during the year.

#### Lease liabilities

	2019
	€m
As at 31 December 2018	-
Effect of change in accounting policies <sup>a</sup>	58
As at 1 January 2019	58
Interest	3
Acquisition	30
New leases	3
Cash payments	(13)
Exchange and other movements	2
As at 31 December 2019 (see Note 23)	83

Note

<sup>a</sup> See significant accounting policies section

## Notes to the financial statements

### Assets and liabilities held at amortised cost

The below table sets out a maturity analysis of undiscounted lease liabilities, showing the lease payments to be paid after the reporting date.

<b>Undiscounted lease liabilities maturity analysis</b>		<b>2019</b>
		<b>€m</b>
Not more than one year		15
One to two years		14
Two to three years		13
Three to four years		8
Four to five years		7
Five to ten years		25
Greater than ten years		21
<b>Total undiscounted lease liabilities as at 31 December 2019</b>		<b>103</b>

In addition to the cash flows identified above, Bank is exposed to:

- Variable lease payments: This variability will typically arise from either inflation index instruments or market based pricing adjustments. Currently, Bank has 13 leases out of the total 17 leases which have variable lease payment terms based on market based pricing adjustments. Of the gross cash flows identified above, €101m is attributable to leases with some degree of variability predominately linked to market based pricing adjustments.
- Extension and termination options: The table above represents Bank's best estimate of future cash out flows for leases, including assumptions regarding the exercising of contractual extension and termination options. There is no significant impact where the Bank is expected to exercise extension and termination options.

The Bank currently does not have any significant sale and lease back transactions. The Bank does not have any restrictions or covenants imposed by the lessor on its property leases which restrict its businesses.

#### Operating lease commitments under IAS 17 in 2018

In 2018, operating lease rentals of €4m were included in infrastructure costs.

The prior year comparative table for future minimum lease payments by the Bank under non-cancellable operating leases are as follows:

		<b>2018</b>
		<b>Property</b>
		<b>€m</b>
Not more than one year		6
Over one year but not more than five years		23
Over five years		26
<b>Total</b>		<b>55</b>

# Notes to the financial statements

## Assets and liabilities held at amortised cost

### 20 Intangible assets

#### Accounting for intangible assets

##### Intangible assets

Intangible assets are accounted for in accordance with IAS 38 *Intangible Assets*.

Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost less accumulated 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 using the amortisation periods set out below:

Annual rates in calculating amortisation	Amortisation period
Other software	12 months to 6 years
Internally generated software <sup>a</sup>	12 months to 6 years

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

Note  
a Exceptions to the above rate relate to useful lives of certain core banking platforms that are assessed individually and, if appropriate, amortised over longer periods ranging from 10 to 15 years.

	Internally generated software €m	Other software €m	Total €m
<b>Cost</b>			
As at 1 January 2019	110	5	115
Acquisition of business	-	2	2
Additions	7	-	7
Other movements	1	1	2
<b>As at 31 December 2019</b>	<b>118</b>	<b>8</b>	<b>126</b>
<b>Accumulated amortisation and impairment</b>			
As at 1 January 2019	(69)	(4)	(73)
Acquisition of business	-	(1)	(1)
Amortisation charge	(13)	(1)	(14)
Other movements	1	(1)	-
<b>As at 31 December 2019</b>	<b>(81)</b>	<b>(7)</b>	<b>(88)</b>
<b>Net book value</b>	<b>37</b>	<b>1</b>	<b>38</b>
<b>Cost</b>			
As at 1 January 2018	2	-	2
Acquisition of business	105	5	110
Additions	3	-	3
<b>As at 31 December 2018</b>	<b>110</b>	<b>5</b>	<b>115</b>
<b>Accumulated amortisation and impairment</b>			
As at 1 January 2018	(1)	-	(1)
Acquisition of business	(66)	(4)	(70)
Amortisation charge	(2)	-	(2)
<b>As at 31 December 2018</b>	<b>(69)</b>	<b>(4)</b>	<b>(73)</b>
<b>Net book value</b>	<b>41</b>	<b>1</b>	<b>42</b>

Determining the estimated useful lives of intangible assets (such as those arising from contractual relationships) requires an analysis of circumstances. The assessment of whether an asset is exhibiting indicators of impairment as well as the calculation of impairment, which requires the estimate of future cash flows and fair values less costs to sell, also requires the preparation of cash flow forecasts and fair values for assets that may not be regularly bought and sold.



## Notes to the financial statements

### Assets and liabilities held at amortised cost

#### 21 Cash collateral and settlement balances

	2019	2018
	€m	€m
<b>Assets</b>		
Cash collateral (see note 35)	5,900	11
Settlement balances	3,035	-
<b>Cash collateral and settlement balances</b>	<b>8,935</b>	<b>11</b>
<b>Liabilities</b>		
Cash collateral	6,447	-
Settlement balances	2,927	366
<b>Cash collateral and settlement balances</b>	<b>9,374</b>	<b>366</b>

#### 22 Other assets

	2019	2018
	€m	€m
Credit related fees receivable	12	3
Amounts receivable from Barclays Group companies	131	72
Other debtors and prepaid expenses	82	29
<b>Other assets</b>	<b>225</b>	<b>104</b>

# Notes to the financial statements

## Accruals, provisions, contingent liabilities and legal proceedings

The notes included in this section focus on the Bank's Other liabilities, contingent liabilities, legal competition and other regulatory matters and subordinated liabilities. Details regarding the Bank's assets and liabilities at amortised cost can be found on pages 112 to 116.

### 23 Other liabilities

	2019	2018
	€m	€m
Accruals and deferred income	151	53
Payable to Barclays Group companies	145	78
Other creditors	71	11
Items in the course of collection due to banks	65	-
Lease liabilities <sup>a</sup> (See Note 19)	83	-
<b>Other liabilities</b>	<b>515</b>	<b>142</b>

Note

<sup>a</sup> Lease liabilities represents the minimum lease payments under the lease, discounted at the rate of interest implicit in the lease.

### 24 Provisions

#### Accounting for 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 the anticipated cost of restructuring, including redundancy costs when an obligation exists; for example, when the Bank has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan. 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.

#### Critical accounting estimates and judgements

The financial reporting of provisions involves a significant degree of judgement and is complex. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the outflows that may arise from past events requires judgements to be made based on the specific facts and circumstances relating to individual events and often requires specialist professional advice. When matters are at an early stage, accounting judgements and estimates can be difficult because of the high degree of uncertainty involved. Management continues to monitor matters as they develop to re-evaluate on an ongoing basis whether provisions should be recognised, however there can remain a wide range of possible outcomes and uncertainties, particularly in relation to legal, competition and regulatory matters, and as a result it is often not practicable to make meaningful estimates even when matters are at a more advanced stage.

The complexity of such matters often requires the input of specialist professional advice in making assessments to produce estimates. Customer redress and legal, competition and regulatory matters are areas where a higher degree of professional judgement is required. The amount that is recognised as a provision can also be very sensitive to the assumptions made in calculating it. This gives rise to a large range of potential outcomes which require judgement in determining an appropriate provision level.

	Redundancy and restructuring	Undrawn contractually committed facilities and guarantees provided <sup>a</sup>	Sundry provisions	Total
	€m	€m	€m	€m
<b>As at 1 January 2019</b>	<b>4</b>	<b>1</b>	<b>-</b>	<b>5</b>
Acquisition of business	20	7	15	42
Additions	-	19	1	20
Amounts utilised	(11)	-	(5)	(16)
Unused amounts reversed	(2)	(17)	-	(19)
<b>As at 31 December 2019</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>32</b>

Note

<sup>a</sup> Undrawn contractually committed facilities and guarantees provisions are accounted for under IFRS 9.

#### Redundancy and restructuring

These provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists. Additions made during the year relate to formal restructuring plans and have either been utilised, or reversed, where total costs are now expected to be lower than the original provision amount.

# Notes to the financial statements

## Accruals, provisions, contingent liabilities and legal proceedings

### Undrawn contractually committed facilities and guarantees

Impairment allowance under IFRS 9 considers both the drawn and the undrawn counterparty exposure. For retail portfolios, the total impairment allowance is allocated to the drawn exposure to the extent that the allowance does not exceed the exposure as ECL is not reported separately. Any excess is reported on the liability side of the balance sheet as a provision. For wholesale portfolios, the impairment allowance on the undrawn exposure is reported on the liability side of the balance sheet as a provision. Provisions are made if it is probable that a facility will be drawn and the resulting asset is expected to have a realisable value that is less than the amount advanced.

### Sundry provisions

This category includes provisions that do not fit into any of the other categories, such as fraud losses and dilapidation provisions.

### 25 Contingent liabilities and commitments

#### Accounting for 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 likelihood of an outflow of economic resources is remote.

The following table summarises the nominal principal amount of contingent liabilities and commitments which are not recorded on-balance sheet:

	2019	2018
	€m	€m
Guarantees and letters of credit pledged as collateral security	2,179	294
Performance guarantees, acceptances and endorsements	1,463	109
<b>Total contingent liabilities</b>	<b>3,642</b>	<b>403</b>
<i>Of which: Financial guarantees carried at fair value</i>	-	-
Documentary credits and other short-term trade related transactions	87	-
Standby facilities, credit lines and other commitments	16,950	5,622
<b>Total commitments</b>	<b>17,037</b>	<b>5,622</b>
<i>Of which: Loan commitments carried at fair value</i>	749	-

Provisions held against commitments at 31 December 2019 amounted to €10m (2018: €1m).

### 26 Legal, competition and regulatory matters

The Bank faces legal, competition and regulatory challenges, many of which are beyond our control. The extent of the impact of these matters cannot always be predicted but may materially impact our operations, financial results, condition and prospects. Matters arising from a set of similar circumstances can give rise to either a contingent liability or a provision, or both, depending on the relevant facts and circumstances.

In connection with the implementation of Barclays' response to the UK's withdrawal from the EU, parts of the businesses carried on by BB PLC and BCSL have been transferred to the Bank. Under the terms of these transfers, (1) BB PLC and BCSL will remain liable for any conduct and litigation liabilities arising in relation to acts or omissions (or alleged acts or omissions) of BB PLC or BCSL (as the case may be) which occurred prior to the transfer of the relevant business; and (2) the Bank will be liable for any conduct and litigation liabilities arising in relation to acts or omissions (or alleged acts or omissions) of the Bank which occur after the transfer of the relevant business.

The Bank is engaged in various legal, competition and regulatory matters in the jurisdictions in which it operates. It is subject to legal proceedings brought by and against the Bank which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data management and protection, money laundering, financial crime, employment, environmental and other statutory and common law issues.

The Bank is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Bank is or has been engaged. The Bank is cooperating with the relevant authorities and keeping all relevant agencies briefed as appropriate in relation to these matters and others described in this note on an ongoing basis.

At the present time, the Bank does not expect the ultimate resolution of any of these matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters, there can be no assurance that the outcome of a particular matter or matters (including formerly active matters or those matters arising after the date of this note) will not be material to the Bank's results, operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of profit otherwise reported for the reporting period.

# Notes to the financial statements

## Capital instruments, equity and reserves

### 27 Subordinated liabilities

#### Accounting for subordinated liabilities

Subordinated debt is measured at amortised cost using the effective interest method under IFRS 9.

	2019	2018
	€m	€m
As at 1 January	250	50
Issuance	690	200
Redemption	(50)	-
Other	1	-
<b>As at 31 December</b>	<b>891</b>	<b>250</b>

Issuances of €690m comprises €565m of Tier 2 subordinated liabilities and €125m of Tier 3 subordinated liabilities to BB PLC. Redemption of €50m comprises €50m Tier 2 subordinated liabilities issued to BB PLC.

Subordinated liabilities include accrued interest and none of the loan capital is secured.

	2019	2018
	€m	€m
	Rate	Maturity date
Tier 3 Floating Rate Subordinated Loan (€200m)	1m Euribor plus 2.293%	2022
Tier 3 Floating Rate Subordinated Loan (€125m)	1m Euribor plus 1.79%	2024
Tier 2 Floating Rate Subordinated Loan (€50m)	3m Euribor plus 2.84%	2023
Tier 2 Floating Rate Subordinated Loan (€375m)	1m Euribor plus 4.04%	2029
Tier 2 Floating Rate Subordinated Loan (€56m)	1m Euribor plus 3.851%	2029
Tier 2 Floating Rate Subordinated Loan (€95m)	1m Euribor plus 3.855%	2029
Tier 2 Floating Rate Subordinated Loan (€39m)	1m Euribor plus 3.32%	2031
<b>Total subordinated liabilities</b>	<b>891</b>	<b>250</b>

#### Subordinated liabilities

Subordinated liabilities are issued for the development and expansion of the business and to strengthen the capital base. The principal terms of these liabilities are described below:

##### Subordination

Tier 3 floating rate subordinated loans rank behind the claims of depositors and other unsecured unsubordinated creditors but above the claims of the holders of the Tier 2 Subordinated Loans, Additional Tier 1 Capital and ordinary shares.

Tier 2 floating rate subordinated loans rank behind the claims of depositors, other unsecured unsubordinated creditors and the holders of the Tier 3 Loans but above the claims of the holders of Additional Tier 1 Capital and ordinary shares.

##### Interest

Interest on the floating rate loans are fixed periodically in advance, based on the related market or local central bank rates.

##### Repayment

For Tier 3 loans, in the event of non-payment of principal and interest, or where there is a default in the performance or observance of loan obligations, the lender may immediately recall all or part of the loan.

For Tier 2 loans, in the event the Bank fails to pay any amount that has become due and payable under the Tier 2 loan and such failure to pay continues (after the expiration of applicable grace periods), the lender may, at its discretion and without further notice to the Bank, institute proceedings in Ireland for its winding-up and/or prove and/or claim in the Bank's liquidation.

Any prepayment prior to maturity requires the prior written consent of the regulator.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

# Notes to the financial statements

## Capital instruments, equity and reserves

### 28 Ordinary shares, share premium, and other equity

#### Authorised ordinary share capital

	2019		2018	
	Number of shares	Ordinary share capital	Number of shares	Ordinary share capital
	m	€m	m	€m
<b>At 31 December</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>

#### Called up share capital, allotted and fully paid

	Number of shares	Ordinary share capital	Ordinary share premium	Total share capital and share premium	Other equity instruments
	m	€m	€m	€m	€m
<b>As at 1 January 2019</b>	<b>799</b>	<b>799</b>	<b>50</b>	<b>849</b>	<b>300</b>
Issue of ordinary shares	99	99	26	125	-
AT1 securities issuance	-	-	-	-	265
<b>As at 31 December 2019</b>	<b>898</b>	<b>898</b>	<b>76</b>	<b>974</b>	<b>565</b>
<b>As at 1 January 2018</b>	<b>138</b>	<b>138</b>	<b>-</b>	<b>138</b>	<b>-</b>
Issue of ordinary shares	661	661	50	711	-
AT1 securities issuance	-	-	-	-	300
<b>As at 31 December 2018</b>	<b>799</b>	<b>799</b>	<b>50</b>	<b>849</b>	<b>300</b>

#### Ordinary shares

The issued ordinary share capital of the Bank, as at 31 December 2019, comprised 898m (2018: 799m) ordinary shares of €1 each. During the year the Bank issued 99m (2018: 661m) ordinary shares of €1 each at a premium of €26m as part of acquisition of the branches from BB PLC in Note 1.

#### Other equity instruments

Other equity instruments of €565m (2018: €300m) is comprised of AT1 securities issued by the Bank and purchased by BB PLC. The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under prevailing capital rules applicable as at the relevant issue date.

The coupon payments on the AT1 instrument are fully discretionary and non-cumulative and are recognised in directly in equity upon payment.

In 2019, there were four issuances (2018: one) of AT1 instruments, in the form of Floating Rate Perpetual Contingent Write-down Securities, with a principal amount of €265m (2018: €300m).

	Rate	2019	2018
		€m	€m
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€300m)	1m Euribor plus 7.356%	300	300
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€69m)	1m Euribor plus 6.682%	69	-
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€36m)	1m Euribor plus 5.950%	36	-
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€85m)	1m Euribor plus 6.240%	85	-
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€75m)	1m Euribor plus 6.240%	75	-
<b>Total Additional Tier 1 securities</b>		<b>565</b>	<b>300</b>

The principal terms of the AT1 securities are described below:

- The AT1 securities rank behind the claims against the Bank of 1) unsubordinated creditors; 2) claims which are expressed to be subordinated to the claims of unsubordinated creditors of the Bank but no further or otherwise; 3) claims which are, or are expressed to be, junior to the claims of other creditors of the Bank, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, pari passu with, or junior to, the claims of the holders of the AT1 securities.

# Notes to the financial statements

## Capital instruments, equity and reserves

- The AT1 securities bear a floating rate of interest. Interest on the AT1 securities is due and payable only at the sole discretion of the Bank, and the Bank shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date.
- AT1 securities are undated and are redeemable, at the option of the Bank, in whole but not in part on their fifth anniversary from the date of issue and every interest payment date thereafter. In addition, the AT1 securities are redeemable, at the option of the Bank, in whole in the event of certain changes in the tax or regulatory treatment of the AT1 securities. Any redemptions require the prior consent of the CBI and/or the ECB.
- Should the CET1 ratio of the Bank fall below 7%, the AT1 securities are irrevocably written down with by an amount equal to the lower of 1) the amount necessary to generate sufficient CET1 capital to restore the Bank's CET1 ratio to at least 7%; or 2) the amount that would reduce the principal amount of the AT1 securities to zero.

### 29 Reserves

#### Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to the income statement when the hedged transactions affect profit or loss.

#### Own credit reserve

The own credit reserve reflects the cumulative own credit gains and losses on financial liabilities at fair value. Amounts in the own credit reserve are not recycled to profit or loss in future periods.

#### Other reserves and other shareholders' equity

Other reserves and other shareholders' equity relate to the merger reserve and group reconstruction relief for the Bank, in respect of the transfer of European branches from BB PLC, and represents the excess of the book value at transfer over the fair value.

	2019	2018
	€m	€m
Cash flow hedging reserve	(5)	-
Own credit reserve	(66)	-
Other reserves and other shareholders' equity	(45)	(111)
<b>Total</b>	<b>(116)</b>	<b>(111)</b>

# Notes to the financial statements

## Employee benefits

The notes included in this section focus on the Bank's Staff costs, Share-based payments and Pensions and post-retirement benefits. Details regarding the Bank's employee benefits cost can be found on pages 117 to 123.

### 30 Staff costs

#### Accounting for staff costs

The Bank applies IAS 19 *Employee benefits* in its accounting for most of the components of staff costs.

*Short-term employee benefits* – salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate.

*Performance costs* – Recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the payments.

Deferred cash and share awards are made to employees to incentivise performance over the period employees provide services. To receive payment under an award, employees must provide service over the vesting period. The period over which the expense for deferred cash and share awards is recognised is based upon the period employees consider their services contribute to the awards. For past awards, the Bank considers that it is appropriate to recognise the awards over the period from the date of grant to the date that the awards vest.

The accounting policies for share-based payments, and pensions and other post-retirement benefits are included in note 31 and 32 respectively.

	2019	2018
	€m	€m
Salaries	138	16
Social security costs	39	2
Post-retirement benefits <sup>a</sup>	8	2
Performance costs	45	4
Other compensation costs <sup>b</sup>	21	3
<b>Total compensation costs</b>	<b>251</b>	<b>27</b>
<b>Other resourcing costs</b>		
Outsourcing	17	-
Redundancy and restructuring	2	1
Temporary staff costs	6	-
Others	5	-
<b>Total other resourcing costs</b>	<b>30</b>	<b>1</b>
<b>Total staff costs</b>	<b>281</b>	<b>28</b>

Note

a Post-retirement benefits charge includes €6m (2018: €2m) in respect of defined contribution schemes and €2m (2018: €nil) in respect of defined benefit schemes.

b Other compensation expenses include allowances and incentives, benefits in kind and other non-performance cost recharges.

At 31 December 2019, the number of staff (full time equivalents) was 1,563 (31 December 2018: 912). The average number of employees for the year was 1,315 (31 December 2018: 201).

### 31 Share-based payments

#### Accounting for 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. 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.

The Bank, as part of the Barclays Group, enters into equity settled share-based payment transactions in respect of services received from some of its employees.

# Notes to the financial statements

## Employee benefits

The cost to the Bank of all share based payments as recharged by Barclays Group for the financial year ended 31 December 2019 was €10m (2018: €1m).

The terms of the main current plans are as follows:

### Share Value Plan (SVP)

The SVP was introduced in Barclays Group in March 2010. SVP awards have been granted to participants in the form of a conditional right to receive B PLC shares or provisional allocations of B PLC shares which vest or are considered for release over a period of three, five or seven years. Participants do not pay to receive an award or to receive a release of shares. For awards granted before December 2017, 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.

### Deferred Share Value Plan (DSVP)

The DSVP was introduced in Barclays Group in February 2017. The terms of the DSVP are materially the same as the terms of the SVP as described above, save that Executive Directors are not eligible to participate in the DSVP and the DSVP operates over market purchase shares only.

### Other schemes

In addition to the SVP and DSVP, the Barclays Group operates a number of other schemes settled in Barclays PLC Shares including Sharesave, Sharepurchase, and the Barclays Group Long Term Incentive Plan. A delivery of upfront shares to 'Material Risk Takers' can be made as a Share Incentive Award (Holding Period).

### Share option and award plans

The weighted average fair value per award granted, weighted average share price at the date of exercise/release of shares during the year, weighted average contractual remaining life and number of options and awards outstanding (including those exercisable) at the balance sheet date were as follows:

	2019				2018			
	Weighted average fair value per award granted in year £	Weighted average share price at exercise/ release during year £	Weighted average remaining contractual life in years	Number of options/ awards outstanding	Weighted average fair value per award granted in year £	Weighted average share price at exercise/ release during year £	Weighted average remaining contractual life in years	Number of options/ awards outstanding
SVP <sup>a,b</sup>	1.48	1.61	1.13	9,474,884	1.99	2.10	0.66	1,441,199
Sharesave <sup>a</sup>	0.42	1.70	3.64	1,027,068	0.39	2.27	3.11	203,174
Others <sup>a</sup>	1.57-1.60	1.57-1.66	-	94,710	1.95-1.98	1.83-2.06	-	40,902

SVP is a nil cost award 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.

### 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>a,b</sup>		Sharesave <sup>a</sup>				Others <sup>a</sup>	
	Number		Number		Weighted average ex. price (£)		Number	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Outstanding at beginning of year/acquisition date<sup>c</sup></b>	1,441,199	46,432	203,174	237,890	1.39	1.46	40,902	-
Transfers in the year <sup>d</sup>	5,913,584	2,024,061	428,571	(68,625)	-	-	59,006	38,386
Granted in the year	7,381,092	719,019	701,512	78,039	1.16	1.49	2,629,077	10,457
Exercised/released in the year	(4,457,653)	(1,166,081)	(151,191)	-	1.29	-	(2,628,005)	(7,909)
Less: forfeited in the year	-	-	(136,281)	(37,169)	1.47	1.04	(6,270)	(32)
Less: expired in the year	(803,338)	(182,232)	(18,717)	(6,961)	1.86	1.79	-	-
<b>Outstanding at end of year</b>	<b>9,474,884</b>	<b>1,441,199</b>	<b>1,027,068</b>	<b>203,174</b>	<b>1.23</b>	<b>1.56</b>	<b>94,710</b>	<b>40,902</b>
<b>Of which exercisable:</b>	-	-	52,032	3,964	1.41	2.27	36,746	7,688

Notes

a Options/award granted over B PLC shares.

b Weighted average exercise price is not applicable for SVP and DSVP awards.

c Weighted average exercise price for outstanding at the beginning of the year includes transfers in the year.

d Awards of employees transferred between Barclays Group and the Bank in 2019.

Awards and options granted to employees and former employees of the Bank under the Barclays Group share plans may be satisfied using new issue shares, treasury shares and market purchase shares of B PLC.

There were no significant modifications to the share based payments arrangements in 2019 and 2018.



# Notes to the financial statements

## Employee benefits

### 32 Pensions and post-retirement benefits

#### Accounting for pensions and post-retirement benefits

The Bank operates a number of pension schemes and post-employment benefit schemes.

*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 obligations to members of each scheme at the period end, less the fair value of the scheme assets after applying the asset ceiling test.

Each scheme's obligations are calculated using the projected unit credit method. Scheme assets are stated at fair value as at the period end.

Changes in pension scheme liabilities or assets (re-measurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Re-measurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

#### Critical accounting estimates

There are four key estimates that impact the net defined benefit liability. These are the discount rate, the inflation rate, the rate of increase for pensions and mortality. These are set out in detail below.

The Bank operated a defined benefit pension scheme in Ireland under which pension entitlements of certain employees arise. Contributions are made annually by the Bank to a separately administered pension fund.

During 2018, the Bank assumed responsibility for additional pension liabilities relating to Barclays operations in Germany. With an effective date of 1 December 2018, certain pension liabilities were transferred from the German branch from BB PLC to the Bank and were immediately recognised. As these liabilities were unfunded, no corresponding assets were transferred.

In addition to the above, the Bank has defined benefit pension liabilities relating to immaterial schemes operating in France and Portugal. The benefits provided, the approach to funding and the legal basis of the plans reflect local environments.

- The Barclays Bank Irish Retirement and Life Assurance is a funded defined benefit pension plan that was closed to accrual on 31 May 2013. The contributions are determined by a qualified actuary on the basis of triennial valuations. A full actuarial valuation was carried out as at 31 December 2017, on which the amounts recognised in the financial statements are based.
- The transferred liabilities are unfunded as there is no legal requirement to fund pension liabilities in Germany.

The following tables include amounts recognised in the income statement and an analysis of benefit obligations and scheme assets for all the Bank's defined benefit schemes. The net position is reconciled to the assets and liabilities recognised on the balance sheet. The tables include funded and unfunded post-retirement benefits.

#### Income statement charge

	2019				
	Ireland €m	Germany €m	France <sup>a</sup> €m	Portugal <sup>a</sup> €m	Total €m
Interest cost/Interest cost on Defined Benefit Obligation (DBO)	1	3	-	-	4
Interest income on assets	(1)	-	-	-	(1)
<b>Net interest cost on net defined benefit liability</b>	-	3	-	-	3
<b>Other finance income</b>					
Current service cost	-	2	-	-	2
<b>Total service cost</b>	-	2	-	-	2
<b>Pension expense</b>	-	5	-	-	5

#### Income statement charge

	2018				
	Ireland <sup>a</sup> €m	Germany <sup>a</sup> €m	France €m	Portugal €m	Total €m
Interest cost/Interest cost on Defined Benefit Obligation (DBO)	1	-	-	-	1
Interest income on assets	(1)	-	-	-	(1)
<b>Net interest cost on net defined benefit liability</b>	-	-	-	-	-
<b>Other finance income</b>					
Current service cost	-	-	-	-	-
<b>Total service cost</b>	-	-	-	-	-
<b>Pension expense</b>	-	-	-	-	-

Note

a Income statement charge is immaterial, due to which the charge appears to be nil but is rounded off to nearest million.

# Notes to the financial statements

## Employee benefits

The amounts recognised in other comprehensive income are as follows:

Statement of other comprehensive income					
	2019				
	Ireland	Germany	France <sup>a</sup>	Portugal	Total
	€m	€m	€m	€m	€m
Actuarial (gain)/loss due to liability experience	-	(1)	-	-	(1)
Actuarial (gain)/loss due to liability assumption	13	5	-	1	19
Actuarial (gain)/loss arising during period	13	4	-	1	18
Return on plan assets (greater)/less than discount rate	(3)	-	-	-	(3)
Remeasurement effects recognised in OCI	10	4	-	1	15

Statement of other comprehensive income					
	2018				
	Ireland	Germany <sup>a</sup>	France	Portugal	Total
	€m	€m	€m	€m	€m
Actuarial (gain)/loss due to liability experience	(1)	-	-	-	(1)
Actuarial (gain)/loss arising during period	(1)	-	-	-	(1)
Return on plan assets (greater)/less than discount rate	1	-	-	-	1
Remeasurement effects recognised in OCI	-	-	-	-	-

Note

a Other comprehensive movement is immaterial, due to which the movement appears to be nil but is rounded off to nearest million.

The following tables outline the balance sheet position as at 31 December 2019 and 31 December 2018.

Balance sheet					
	2019				
	Ireland	Germany	France	Portugal	Total
	€m	€m	€m	€m	€m
Present value of funded liabilities	(68)	-	-	(3)	(71)
Present value of the unfunded liabilities	-	(33)	(2)	-	(35)
Present Value of total liabilities	(68)	(33)	(2)	(3)	(106)
Fair value of scheme assets	52	-	-	2	54
Retirement benefit liability	(16)	(33)	(2)	(1)	(52)

Balance sheet					
	2018				
	Ireland	Germany	France	Portugal	Total
	€m	€m	€m	€m	€m
Present value of funded liabilities	(56)	-	-	-	(56)
Present value of the unfunded liabilities	-	(28)	-	-	(28)
Present Value of total liabilities	(56)	(28)	-	-	(84)
Fair value of scheme assets	49	-	-	-	49
Retirement benefit liability	(7)	(28)	-	-	(35)

# Notes to the financial statements

## Employee benefits

### Reconciliation of Defined Benefit Asset/Liability

	Ireland €m	Germany €m	France €m	Portugal €m	Total €m
Defined benefit asset/(liability) at 1 January 2019	(7)	(28)	-	-	(35)
Cost recognised in P&L	-	(3)	-	-	(3)
Remeasurement loss recognised in OCI	(10)	(4)	-	(1)	(15)
Employer contributions	1	2	-	-	3
Acquisition of business	-	-	(2)	-	(2)
<b>Defined benefit asset/(liability) at 31 December 2019</b>	<b>(16)</b>	<b>(33)</b>	<b>(2)</b>	<b>(1)</b>	<b>(52)</b>

### Movement in Scheme Assets

	2019				
	Ireland €m	Germany <sup>a</sup> €m	France <sup>a</sup> €m	Portugal €m	Total €m
At 1 January 2019	49	-	-	-	49
Interest income on plan assets	1	-	-	-	1
Asset gain	3	-	-	-	3
Benefits paid – from plan assets	(2)	-	-	-	(2)
Acquisition of business	-	-	-	2	2
Employer contributions paid	1	-	-	-	1
<b>At 31 December 2019</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>54</b>

### Movement in Scheme Liabilities

	2019				
	Ireland €m	Germany <sup>a</sup> €m	France <sup>a</sup> €m	Portugal €m	Total €m
At 1 January 2019	56	28	-	-	84
Current service cost	-	2	-	-	2
Interest cost on DBO	1	1	-	-	2
Liability loss	13	4	-	1	18
Benefits paid – from plan assets	(2)	-	-	-	(2)
Benefits paid – directly by the Bank	-	(2)	-	-	(2)
Acquisition of business	-	-	2	2	4
<b>At 31 December 2019</b>	<b>68</b>	<b>33</b>	<b>2</b>	<b>3</b>	<b>106</b>

Note

<sup>a</sup> Pension schemes in Germany and France are unfunded and hence do not have any assets against them.

### Assets: The Barclays Bank Irish Retirement and Life Assurance Plan

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 strategy seeks to ensure, amongst other aims, that investments are adequately diversified.

The value of the asset classes and their percentages in relation to the total assets are set out below:

### Analysis of scheme assets

	2019		2018	
	Value	% of total fair value of scheme assets	Value	% of total fair value of scheme assets
	€m	%	€m	%
Equities	24	44.4%	22	45.5%
Bonds	24	44.4%	22	45.6%
Property	2	3.7%	2	3.7%
Other	4	7.5%	3	5.2%
<b>Fair value of scheme assets</b>	<b>54</b>	<b>100.0%</b>	<b>49</b>	<b>100.0%</b>

# Notes to the financial statements

## Employee benefits

### 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 material DB scheme.

#### Ireland

Key financial assumptions	2019 % p.a.	2018 % p.a.
Discount rate	1.10%	2.00%
Inflation rate (RPI)	1.75%	1.75%
Rate of increase for pension	1.75%	1.75%

Assumptions regarding future mortality are set based on advice from published statistics and experience. The mortality assumptions are based on standard mortality tables and life expectancies are set out below:

Assumed life expectancy	2019	2018
<b>Life expectancy at 60 for current pensioners (years)</b>		
– Males	26.3	25.8
– Females	28.9	28.5
<b>Life expectancy at 60 for future pensioners currently aged 40 (years)</b>		
– Males	28.8	28.2
– Females	31.0	30.0

#### Germany

The principal actuarial assumptions at the balance sheet date are as follows:

Key financial assumptions <sup>a</sup>	2019 % p.a.	2018 % p.a.
Discount rate	0.60%/1.20%	1.35%/2.10%
Inflation rate (RPI)	1.75%/1.75%	2.50%
Rate of increase for pension	1.75%/1.75%	1.90%/1.75%

Note

<sup>a</sup> Two percentages provided as there is more than one scheme in Germany

Assumptions regarding future mortality are set based on advice from published statistics and experience. The mortality assumptions are based on standard mortality tables and life expectancies are set out below:

Assumed life expectancy	2019	2018
<b>Life expectancy at 60 for current pensioners (years)</b>		
– Males	25.3	24.6
– Females	29.1	28.5
<b>Life expectancy at 60 for future pensioners currently aged 40 (years)</b>		
– Males	28.3	27.6
– Females	31.4	30.0

### Sensitivity analysis on actuarial assumptions

In order to illustrate the sensitivity of the results to changes in the key financial assumptions, the following table highlights the impact of a change in each of the main financial assumptions.

Change in key assumptions	2019 (Decrease)/Increase in defined benefit obligation €m	2018 (Decrease)/Increase in defined benefit obligation €m
<b>Discount rate</b>		
0.50% p.a. increase	(11)	(8)
<b>Assumed RPI</b>		
0.50% p.a. increase	10	11

# Notes to the financial statements

## Other disclosure matters

### 33 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

Depending on the Bank's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

#### Unconsolidated structured entities in which the Bank has an interest

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Bank. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to the Bank, lending, loan commitments, financial guarantees and investment management agreements.

Interest rate swaps, foreign exchange derivatives that are not complex and which expose the Bank to insignificant credit risk by being senior in the payment waterfall of a securitisation and derivatives that are determined to introduce risk or variability to a structured entity are not considered to be an interest in an entity and have been excluded from the disclosures below.

The nature and extent of the Bank's interests in structured entities is summarised below:

#### Summary of interests in unconsolidated structured entities

	Short-term traded interests	Traded derivatives	Other interests	Total
	€m	€m	€m	€m
<b>As at 31 December 2019</b>				
<b>Assets</b>				
Trading portfolio assets	109	-	-	109
Derivative financial instruments	-	29	-	29
Loans and advances at amortised cost	-	-	241	241
<b>Total assets</b>	<b>109</b>	<b>29</b>	<b>241</b>	<b>379</b>
<b>Liabilities</b>				
Derivative financial instruments	-	100	-	100
<b>As at 31 December 2018</b>				
<b>Assets</b>				
Trading portfolio assets	-	-	-	-
Derivative financial instruments	-	-	-	-
Loans and advances at amortised cost	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Derivative financial instruments	-	-	-	-

Short-term traded interests and traded derivatives are typically managed under market risk management policies described on page 47 which includes an indication of the change of risk measures compared to last year. For this reason, the total assets of these entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented. Other interests include conduits and lending where the interest is driven by normal customer demand.

#### Short-term traded interests

The Bank buys and sells interests in structured entities as part of its trading activities, for example, retail mortgage-backed securities, collateralised debt obligations and similar interests. Such interests are typically held individually or as part of a larger portfolio for no more than 90 days. In such cases, the Bank typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

As at 31 December 2019, €67m (2018: €nil) of the Bank's €109m (2018: €nil) short-term traded interests were comprised of debt securities issued by asset securitisation vehicles.

#### Traded derivatives

The Bank enters into a variety of derivative contracts with structured entities which reference market risk variables such as interest rates, foreign exchange rates and credit indices among other things. The main derivative types which are considered interests in structured entities include index-based and entity specific credit default swaps, balance guaranteed swaps, total return swaps, commodities swaps, and equity swaps. A description of the types of derivatives and the risk management practices are detailed in Note 13. The risk of loss may be mitigated through ongoing margining requirements as well as a right to cash flows from the structured entity which are senior in the payment waterfall. Such margining requirements are consistent with market practice for many derivative arrangements and in line with the Bank's normal credit policies.

# Notes to the financial statements

## Other disclosure matters

Derivative transactions require the counterparty to provide cash or other collateral under margining agreements to mitigate counterparty credit risk. The Bank is mainly exposed to settlement risk on these derivatives which is mitigated through daily margining. Total notionals amounted to €3,378m (2018: €nil).

Except for credit default swaps where the maximum exposure to loss is the swap notional amount, it is not possible to estimate the maximum exposure to loss in respect of derivative positions as the fair value of derivatives is subject to changes in market rates of interest, exchange rates and credit indices which by their nature are uncertain. In addition, the Bank's losses would be subject to mitigating action under its traded market risk and credit risk policies that require the counterparty to provide collateral in cash or other assets in most cases.

### *Other interests in unconsolidated structured entities*

The Bank's interests in structured entities not held for the purposes of short-term trading activities are set out below, summarised by the purpose of the entities and limited to significant categories, based on maximum exposure to loss.

#### Nature of interest

	Lending €m	Total €m
<b>As at 31 December 2019</b>		
Loans and advances at amortised cost	241	241
<b>Total on-balance sheet exposures</b>	<b>241</b>	<b>241</b>
Total off-balance sheet notional amounts	266	266
<b>Maximum exposure to loss</b>	<b>507</b>	<b>507</b>
<b>Total assets of the entity</b>	<b>28,374</b>	<b>28,374</b>
<b>As at 31 December 2018</b>		
Loans and advances at amortised cost	-	-
<b>Total on-balance sheet exposures</b>	<b>-</b>	<b>-</b>
Total off-balance sheet notional amounts	-	-
<b>Maximum exposure to loss</b>	<b>-</b>	<b>-</b>
<b>Total assets of the entity</b>	<b>-</b>	<b>-</b>

### *Maximum exposure to loss*

Unless specified otherwise below, the Banks's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments and financial guarantees. Exposure to loss is mitigated through collateral, financial guarantees, the availability of netting and credit protection held.

### *Lending*

The portfolio includes lending provided by the Bank to unconsolidated structured entities in the normal course of its lending business to earn income in the form of interest and lending fees and includes loans to structured entities that are generally collateralised by property, equipment or other assets. All loans are subject to the Bank's credit sanctioning process. Collateral arrangements are specific to the circumstances of each loan with additional guarantees and collateral sought from the sponsor of the structured entity for certain arrangements. During the period the Bank incurred an impairment of €1m (2018: €nil) against such facilities.

### *Assets transferred to sponsored unconsolidated structured entities*

No assets transferred to sponsored unconsolidated structured entities.

# Notes to the financial statements

## Other disclosure matters

### 34 Analysis of change in financing during the year

The below table represents a reconciliation of movements of liabilities to cash flow arising from financing activities.

	Liabilities		Equity				Total
	Subordinated debt	Called up share capital	Share premium	Other equity	Other reserve	Retained earnings	
	€m	€m	€m	€m	€m	€m	€m
<b>Balance as at 1 January 2019</b>	<b>250</b>	<b>799</b>	<b>50</b>	<b>300</b>	<b>(111)</b>	<b>210</b>	<b>1,498</b>
Proceeds from the issuance of subordinated debt	640	-	-	-	-	-	640
Proceeds from the issuance of shares	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Dividend paid	-	-	-	(30)	-	-	(30)
Capital contribution	-	-	-	-	-	1,641	1,641
Additional Tier 1 issuance	-	-	-	265	-	-	265
<b>Total changes from financing cash flows</b>	<b>640</b>	<b>-</b>	<b>-</b>	<b>235</b>	<b>-</b>	<b>1,641</b>	<b>2,516</b>
<b>Other changes</b>							
Interest expense	22	-	-	-	-	-	22
Interest paid	(21)	-	-	-	-	-	(21)
<b>Total liability related other changes</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Total equity related other changes</b>	<b>-</b>	<b>99</b>	<b>26</b>	<b>30</b>	<b>(5)</b>	<b>16</b>	<b>166</b>
<b>Balance as at 31 December 2019</b>	<b>891</b>	<b>898</b>	<b>76</b>	<b>565</b>	<b>(116)</b>	<b>1,867</b>	<b>4,181</b>
<b>Balance as at 31 December 2017</b>	<b>50</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194</b>	<b>382</b>
Effects of changes in accounting policies	-	-	-	-	-	(2)	(2)
<b>Balance as at 1 January 2018</b>	<b>50</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192</b>	<b>380</b>
Proceeds from the issuance of subordinated debt	200	-	-	-	-	-	200
Proceeds from the issuance of shares	-	200	-	-	-	-	200
Share premium	-	-	50	-	-	-	50
Additional Tier 1 issuance	-	-	-	300	-	-	300
<b>Total changes from financing cash flows</b>	<b>200</b>	<b>200</b>	<b>50</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>750</b>
<b>Other changes</b>							
Interest expense	1	-	-	-	-	-	1
Interest paid	(1)	-	-	-	-	-	(1)
<b>Total liability related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity related other changes</b>	<b>-</b>	<b>461</b>	<b>-</b>	<b>-</b>	<b>(111)</b>	<b>18</b>	<b>368</b>
<b>Balance as at 31 December 2018</b>	<b>250</b>	<b>799</b>	<b>50</b>	<b>300</b>	<b>(111)</b>	<b>210</b>	<b>1,498</b>

# Notes to the financial statements

## Other disclosure matters

### 35 Assets pledged, collateral received and assets transferred

Assets are pledged or transferred as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to derivatives. Assets transferred are non-cash assets transferred to a third party that do not qualify for derecognition from the Bank's balance sheet, for example because the Bank retains substantially all the exposure to those assets under an agreement to repurchase them in the future for a fixed price.

Where non-cash assets are pledged or transferred as collateral for cash received, the asset continues to be recognised in full, and a related liability is also recognised on the balance sheet. Liabilities are shown on a net basis in accordance with IAS 32. Where non-cash assets are pledged or transferred as collateral in an exchange for non-cash assets, the transferred asset continues to be recognised in full, and there is no associated liability as the non-cash collateral received is not recognised on the balance sheet. The Bank is unable to use, sell or pledge the transferred assets for the duration of the transaction and remains exposed to interest rate risk and credit risk on these pledged assets. Unless stated, the counterparty's recourse is not limited to the transferred assets.

The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

	2019	2018
	€m	€m
Cash collateral and settlement balances	5,900	11
Trading portfolio assets	737	-
Loans and advances at amortised cost	728	-
<b>Assets pledged</b>	<b>7,365</b>	<b>11</b>

The following table summarises the transferred financial assets and the associated liabilities.

	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	2019	2019	2018	2018
	€m	€m	€m	€m
Derivative financial instruments	5,900	5,900	11	11
Repurchase agreements	1,465	1,433	-	-
	<b>7,365</b>	<b>7,333</b>	<b>11</b>	<b>11</b>

The Bank has an additional €3bn (2018: nil) of loans and advances within its asset backed funding programmes that can readily be used to raise additional secured funding and are available to support future issuance.

### Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Bank is allowed to resell or re-pledge the collateral held. The fair value at the balance sheet date of collateral accepted and re-pledged to others was as follows:

	2019	2018
	€m	€m
Fair value of securities accepted as collateral	7,859	-
Of which fair value of securities re-pledged/transferred to others	5,008	-

Additional disclosure has been included in collateral and other credit enhancements.



# Notes to the financial statements

## Other disclosure matters

### 36 Related party transactions and Directors' remuneration

#### Related party transactions

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 operational decisions, or one other party controls both.

The acquisition of the European operations from BB PLC has materially affected the financial position and the performance of the Bank during this period with regards to its related party transactions. Refer to Note 1 for details of the business acquisition.

#### Parent company

The parent company is BB PLC, which holds 100% (31 December 2018: 100%) of the issued ordinary shares of the Bank and 100% (31 December 2018: 100%) of the AT1 securities issued by the Bank. The ultimate controlling parent of the Bank is B PLC.

#### Fellow subsidiaries

Transactions between the Bank and other subsidiaries of the parent company also meet the definition of related party transactions.

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

	Parent €m	Fellow subsidiaries €m	Pension funds €m
<b>For the year ended and as at 31 December 2019</b>			
Total income	267	17	-
Credit impairment charges	-	-	-
Operating expenses	(5)	(138)	-
Total assets	17,304	1,390	4
Total liabilities	19,647	2,940	1
<b>For the year ended and as at 31 December 2018</b>			
Total income	28	1	-
Credit impairment charges	-	-	-
Operating expenses	(8)	(1)	-
Total assets	1,253	24	3
Total liabilities	4,724	103	1

Operating expenses payable to fellow subsidiaries above of €138m (2018: €1m) primarily reflects the cost of services provided by Barclays Execution Services Limited, the B PLC Group-wide service company.

The Bank received capital contributions totalling €1,641m from its parent, BB PLC during the year.

The Bank made coupon payments of €30m (2018: €nil) to its parent during the year on AT1 securities.

#### Key Management Personnel

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 Board of Directors and the Executive Committee of the Bank.

#### Loans outstanding

	2019 €m	2018 €m
<b>As at 31 December</b>	<b>0.5</b>	<b>-</b>

#### Notes

a Includes loans issued to existing Key Management Personnel and new or existing loans issued to newly appointed Key Management Personnel.

b Includes loan repayments by existing Key Management Personnel and loans to former Key Management Personnel.

No allowances for impairment were recognised in respect of loans to Key Management Personnel (or any connected person)

There were no deposits from Key Management Personnel during 2019.

#### Total Commitments outstanding

Total commitments outstanding refer to the total of any undrawn amounts on credit card and/or overdraft facilities provided to Key Management Personnel. Total commitments outstanding as at 31 December 2019 were €0.4m (2018: €nil).

# Notes to the financial statements

## Other disclosure matters

### Remuneration of Key Management Personnel

Total remuneration awarded to Key Management Personnel below represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest remuneration decisions. Costs recognised in the income statement reflect the accounting charge for the year included within operating expenses. The difference between the values awarded and the recognised income statement charge principally relates to the recognition of deferred costs for prior year awards. Figures are provided for the period that individuals met the definition of Key Management Personnel.

	2019	2018
	€m	€m
Short-term employee benefits	12.6	3.9
Post-employment benefits	0.7	0.1
Other long-term benefits	3.0	0.1
Termination benefits	-	0.1
<b>Total Key Management Personnel remuneration</b>	<b>16.3</b>	<b>4.2</b>

### Directors' remuneration

	2019	2018
	€m	€m
Emoluments in respect of qualifying services	2.1	2.1
Benefits under long term incentive schemes	0.2	0.1
Compensation for loss of office paid by the Bank and other termination payments	-	0.1
<b>Total Directors' remuneration</b>	<b>2.3</b>	<b>2.3</b>

As at 31 December 2019, there were no Directors accruing benefits under a defined benefit scheme (2018: €nil).

### 37 Auditor's remuneration

Auditor's remuneration is included within administration and general expenses and comprises:

	2019	2018
	€m	€m
Audit of the Bank's financial statements	2.2	0.4
<b>Other services:</b>		
Other assurance services	0.4	-
Tax advisory services	-	-
Other non-audit services	-	-
<b>Total Auditors' remuneration<sup>a</sup></b>	<b>2.6</b>	<b>0.4</b>

#### Notes

a Of the 2019 audit fees, €1.1m of the statutory audit fees (2018: €0.2m) and €0.3m (2018: €nil) of the other non-audit services fees relates to fees paid to other KPMG network firms.

# Notes to the financial statements

## Other disclosure matters

### 38 Post balance sheet events

The UK left the EU on 31 January 2020 and entered a transition period until 31 December 2020.

The Bank is monitoring the potential downside risk associated with both the direct and indirect impact of the COVID-19 outbreak.

### 39 Approval of financial statements

The Board of Directors approved the financial statements on 11 March 2020.

# Abbreviations

ALCO	Asset & Liability Committee	CSDR	Central Securities Depositories Regulation
AQR	Asset Quality Review	CVA	Credit Valuation Adjustment
AT1	Additional tier 1	DBO	Defined benefit Obligation
BAC	Board Audit Committee	DC	Defined contribution
BAU	Business as Usual	DCF	Discounted Cash Flow
BBA	British Banking Association	DDoS	Distribute denial of service
BB PLC	Barclays Bank PLC	DGS	Deposit Guarantee Scheme
B PLC	Barclays PLC	DIRT	Deposit Interest Retention Tax
BBI	Barclays Bank Ireland PLC	DSVP	Deferred Share Value Plan
BCBS	Basel Committee on Banking Supervision	DTA	Deferred tax asset
BCI	Barclays Capital International	DVA	Debit Valuation Adjustment
BCSL	Barclays Capital Securities Limited	DVaR	Daily Value at Risk
BoE	Bank of England	EAD	Exposure at Default
bps	Basis points	EBA	European Banking Authority
BRC	Board Risk Committee	EC	European Commission
Brexit	UK's withdrawal from the EU	ECB	European Central Bank
BRRD	Bank Recovery and Resolution Directive	ECL	Expected credit losses
CBI	Central Bank of Ireland	EEA	European Economic Area
CC&P	Consumer, Cards and Payments	EIR	Effective interest rate
CCyB	Countercyclical capital buffer	EMIR	European Market Infrastructure Regulation
CDD	Customer Due Diligence	EONIA	Euro Overnight Index Average
CDO	Collateralised Debt Obligation	ERMF	Enterprise Risk Management Framework
CDS	Credit default swap	EU	European Union
CEO	Chief Executive Officer	Euribor	Euro Inter Bank Offered Rate
CET1	Common Equity Tier 1	FCA	Financial Conduct Authority
CFO	Chief Financial Officer	FDIC	Federal Deposit Insurance Corporation
CIB	Corporate and Investment Bank	FFVA	Funding Fair Value Adjustment
CPI	Consumer Price Index	FLI	Forward looking information
CRD	Capital Requirements Directive	FRB	Federal Reserve Board
CRO	Chief Risk Officer	FSB	Financial Stability Board
CRR	Capital Requirements Regulation	FTR	Funds Transfer Regulation
CSA	Credit Support Annex	FVTPL	Fair Value Through Profit or Loss

## Abbreviations

FX	Foreign Exchange	NSFR	Net Stable Funding Ratio
F&P	Fitness and Probity	O-SII	Other systemically important institution
GDP	Gross domestic product	OTC	Over the Counter
GDPR	General Data Protection Regulation	QCCP	Qualifying central counterparty
GHG	Global greenhouse gas emissions	PD	Probability of Default
G-SIB	Global systemically important banks	PEPs	Politically exposed persons
HPI	House Price Index	POCI	Purchased or originated credit-impaired financial asset
HQLA	High quality liquid assets	PRA	Prudential Regulation Authority
IAS	International Accounting Standard	PSD2	Payments Services Directive
IASB	International Accounting Standards Board	QCCP	Qualifying central counterparty
IBOR	Interbank Offered Rates	RoI	Republic of Ireland
ICA	Investor Compensation Act	RoW	Rest of World
ICAAP	Internal Capital Adequacy Assessment Process	RPI	Retail Price Index
ICS	Investor Compensation Scheme	RFR	Risk free rate
IFRIC	International Financial Reporting Interpretations Committee	RoU	Right of Use
IFRS	International Financial Reporting Standard	RWAs	Risk weighted assets
ILAAP	Internal Liquidity Adequacy Assessment Process	SCA	Strong Customer Authentication
IOSCO	International Organisation of Securities Commissions	SOFR	Secured Overnight Funding Rate
IRRBB	Interest Rate Risk in the Banking Book	SONIA	Sterling Overnight Index Average
ISDA	International Swaps and Derivative Association	SPPI	Solely payments of principal and interest
KMP	Key management personnel	SRB	Single Resolution Board
LCR	Liquidity Coverage Ratio	SREP	Supervisory Review & Evaluation Process
LGD	Loss Given Default	SRF	Single Resolution Fund
LIBOR	London Inter Bank Offered Rate	SRMR	Single Resolution Mechanism Regulations
LRA	Liquidity Risk Appetite	SSM	Single Supervisory Mechanism
LTV	Loan to Value	SVP	Share Value Plan
MAR	Market Abuse Regulation	S&P	Standard and Poor's
MiFID	Markets in Financial Instruments Directive in Europe	TLAC	Total Loss Absorbing Capacity
MLD4	4 <sup>th</sup> Anti-Money Laundering Directive	T1	Tier 1
MLD5	5 <sup>th</sup> Anti-Money Laundering Directive	UK	United Kingdom
MREL	Minimum Requirement for own Funds and Eligible Liabilities	US	United States
		VaR	Value at Risk