

# **Barclays Bank Ireland PLC**

## **Annual Report**

31 December 2021

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# Strategic report

## Performance review

The Strategic Report was approved by the Board of Directors on 9 March 2022.

### 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 term Barclays refers to either B PLC or, depending on the context, the Barclays Group as a whole.

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.

The Bank has issued debt securities listed on a European regulated market and as a result, the Bank has prepared and published this Annual Report in accordance with the requirements for periodic financial information under the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, which apply to the Bank.

The Bank is the primary legal entity within the Barclays Group serving its European Economic Area ('EEA') clients, with branches in Belgium, France, Germany, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden, in addition to its Irish Head Office. During 2021, as part of the Barclays Group's response to the impact of the United Kingdom's ('UK') exit from the European Union ('EU') ('Brexit'), additional contracts, positions, assets and liabilities have been transferred to the Bank from BB PLC.

### OUR STRUCTURE

The Bank has two business segments, the Corporate and Investment Bank ('CIB') and Consumer, Cards and Payments ('CC&P'). The CIB is comprised of the Corporate Banking, Investment Banking and Markets businesses, providing products and services to money managers, financial institutions, governments, supranational organisations and corporate clients to manage their funding, financing, strategic and risk management needs. CC&P is comprised of Barclays Consumer Bank Europe and the Bank's Private Bank. Barclays Consumer Bank Europe provides credit cards, online loans, instalment purchase financing, electronic point-of-sale financing and deposits. The Bank's Private Bank offers investment, banking and credit capabilities to meet the needs of our clients across the EEA.

The Bank's Italian mortgage portfolio (which is being run off) is held within the Bank's Head Office.

### MARKET AND OPERATING ENVIRONMENT

The COVID-19 pandemic, alongside difficult market conditions, proved challenging for many of our customers and clients. We supported our clients through a range of actions such as enabling the raising of debt and equity financing in the capital markets, providing or facilitating lending and offering payment holidays.

In our CIB segment, we continued to assist our clients to access the capital markets for liquidity, capital and investment purposes. Our clients range from supranational and sovereign clients to corporates; our Investment Banking business underwrote bond offerings, including innovative and sustainability-linked offerings that were linked to reductions in CO<sub>2</sub> emissions and gender balance goals. We provided equity offerings and acquisition financing packages, and advised clients on a number of acquisitions across many different industries. We continued to support our clients' risk management needs during volatile markets throughout the COVID-19 pandemic. Our Corporate Banking business continued to support our clients with multiple bespoke solutions.

Within CC&P, Barclays Consumer Bank Europe operates a leading German credit card and personal lending franchise and an innovative partnership providing point-of-sale finance for an e-commerce business, and aims to explore further partnerships across the region. The Private Bank continued to execute its expansion plans, which involved entering new European private banking markets in France, Italy and Spain.

Client and business migrations resulting from the expansion of the Bank were substantially completed at the end of 2020 in advance of the end of the Brexit transition period. Migrations during the course of 2021 were considerably lower than 2020 and included derivative financial assets of €6.9bn (2020: €10.8bn), derivative financial liabilities of €5.3bn (2020: €13.8bn) and customer loan facilities of €1.5bn (2020: €5.3bn), of which €0.1bn (2020: €0.4bn) were drawn. Some further migrations are expected during 2022.

We remain committed to our purpose of "deploying finance responsibly to support people and businesses, acting with empathy and integrity, championing innovation and sustainability, for the common good and the long term". As part of Barclays' £100m COVID-19 Community Aid Package, the Barclays Group distributed over €5.5m to support communities across the EU hardest hit by the pandemic and helped over 730 people during the year to build skills and break down barriers to employment through Barclays' LifeSkills programme. Consistent with Barclays' goal to use finance as a way of encouraging the transition to a low-carbon economy, we continued to innovate our product offering and support our clients' issuance of green and other sustainability-linked securities. Our ability to adapt to alternative working arrangements and still deliver for our customers and clients is evidence of the resilience and dedication of our colleagues. As we begin 2022, we will continue to work hard at protecting and strengthening our culture, continuing to find ways to help talent progress, respecting the diversity of our communities and colleagues, and building a supportive working environment within BBI enabling us to operate for the benefit of all our stakeholders.

# Strategic report

## Performance review

### GROWING WITH SOCIETY

We believe that our success is judged not only by commercial performance, but also by our contribution to society and how we act responsibly for the common good and the long term. These outcomes are mutually dependent. We believe that we can, and should, make a positive difference for society – globally and locally. We do that through the choices we make about how we run our business, and through the commitments we make to support our communities. We prize sustainability, and recognise our role in leaving things better than we found them. We cannot be successful in the long term without recognising that we are at our best when our clients, customers, communities and colleagues all progress.

Addressing climate change is an urgent and complex challenge. It requires a fundamental transformation of the global economy, so that society stops adding to the total amount of Greenhouse Gases ('GHG') in the atmosphere. The financial sector has a critical role to play in supporting the economy to reach this goal. It is estimated that at least \$3-5 trillion<sup>1</sup> of additional investment will be needed each year, for the next 30 years, in order to finance the transition.

At Barclays, we are determined to play our part. In March 2020, we announced our ambition to be a net zero bank by 2050, becoming one of the first banks to do so.

Barclays Group has a strategy to turn that ambition into action:

#### Achieving net zero operations

As part of the Barclays Group's ambition to be a net zero bank by 2050, the Barclays Group is working to achieve net zero operations<sup>2</sup> and supply chain emissions. The Barclays Group continues to remain carbon neutral<sup>3</sup> for its Scope 1<sup>4</sup>, Scope 2<sup>5</sup> and Scope 3<sup>6</sup> business travel emissions. The Barclays Group intends to remain carbon neutral, while investing in the continued decarbonisation of its operations in the development of a net zero pathway for the emissions from its supply chain.

The Barclays Group is defining net zero operations as the state in which it will achieve a GHG reduction of its Scope 1 and Scope 2 emissions of at least 90% against a 2018 baseline and use carbon removals to neutralise any residual operational emissions that the Barclays Group cannot yet eliminate.

More information on the Barclays Group's approach, including its progress on the global renewable energy initiative, RE100, is set out in the Environmental, Social and Governance ('ESG') section of the Barclays PLC Annual Report 2021.

#### Reducing the Barclays Group's financed emissions

Most of the Barclays Group's emissions result from the activities of the clients that it finances and those generated in their respective value chains. These are so-called 'financed emissions' and fall within the general definition of Scope 3 emissions. In November 2020, the Barclays Group published details of its strategy for measuring and managing alignment of its financing with the goals and timelines of the Paris Agreement. Barclays' approach is underpinned by BlueTrack<sup>TM</sup>, a methodology<sup>7</sup> it has developed for measuring its financed emissions and tracking them at a portfolio level against the goals of the Paris Agreement. BlueTrack<sup>TM</sup> builds on and extends existing industry approaches to cover not only lending, but also capital markets financing. This better reflects the breadth of the Barclays Group's support for clients through its investment bank.

The Barclays Group believes that it can make the greatest difference by supporting the transition to a low-carbon economy, rather than by simply phasing out support for some of the clients who are most engaged in it. The Barclays Group believes that banks, especially those like itself with a large capital markets business, are in a unique position to help accelerate the transition towards a low-carbon economy, as many of its clients have already begun to do so.

#### Financing the transition

The transition to a low-carbon economy is today's defining opportunity for innovation and growth. There is a significant opportunity for the Barclays Group to play a leading role in helping to meet the demand for climate change related financing to support the transition. The Barclays Group is directing investment, including its own capital, into new green technologies and infrastructure projects that will build up low-carbon capacity and capability.

For an overview of the Bank's approach to managing climate risk, please refer to pages 37 to 39 in the Climate risk management section.

#### Notes

1 \$3-5trn as estimated in the GFMA/BCG (Global Financial Markets Association/Boston Consulting Group) Climate Finance Markets and the Real Economy report, December 2020.

2 Operations include company cars, offices, retail branches and data centres where Barclays Group have operational control.

3 The Barclays Group is defining carbon neutral as first reducing carbon dioxide emissions then counterbalancing carbon dioxide emissions from Scope 1, Scope 2 and Scope 3 business travel with carbon offsets.

4 Scope 1 emissions include direct GHG emissions from natural gas, fuel oil, company cars and HFC refrigerants.

5 Scope 2 emissions include indirect GHG emissions from purchased electricity and purchased steam and chilled water.

6 Scope 3 business travel emissions are indirect emissions from commercial air travel and other transport.

7 Further information and a detailed methodology white paper are available online, see [home.barclays/sustainability/addressing-climate-change/](https://home.barclays/sustainability/addressing-climate-change/).

# Strategic Report

## Managing risk

The Bank is exposed to internal and external risks as part of its ongoing activities. These risks are managed as part of our business model.

### Enterprise Risk Management Framework

Within the Bank, risks are identified and overseen through the Enterprise Risk Management Framework ('ERMF'), which supports the business in its aim to embed effective risk management and a strong risk management culture.

The ERMF governs the way in which the Bank identifies and manages its risks. The ERMF is approved by the Barclays PLC Board on the recommendation of the Barclays Group Chief Risk Officer; it is then adopted by the Bank with minor modifications where needed.

The management of risk is embedded into each level of the business, with all colleagues being responsible for identifying and controlling risk.

Given the increasing risks associated with climate change, and to support the Barclays Group's ambition to be a net zero bank by 2050, it was agreed that climate risk would become a Principal Risk from 2022.

### Risk appetite

Risk appetite defines the level of risk we are prepared to accept across the different risk types, taking into consideration varying levels of financial and operational stress. Risk appetite is key to our decision-making processes, including ongoing business planning and setting of strategy, new product approvals and business change initiatives.

The Bank may choose to adopt a lower risk appetite than allocated to it by the Barclays Group. A Barclays Group level climate risk appetite was recently introduced in line with the Barclays Group's risk appetite approach.

### Three lines of defence

The first line of defence is comprised of the revenue-generating and client-facing areas, along with all associated support functions, including Finance, Treasury, Human Resources and Operations and Technology. The first line identifies the risks, sets the controls and escalates risk events to the second line of defence.

The second line of defence is made up of Risk and Compliance and oversees the first line by setting limits, rules and constraints on their operations, consistent with the risk appetite. These functions also provide a degree of assurance which complements the third line.

The third line of defence is comprised of Internal Audit, providing independent assurance to the BBI Board and the Executive Committee on the effectiveness of governance, risk management and control over current, systemic and evolving risks.

Although the Legal function does not sit in any of the Three lines, it works to support them all and plays a key role in overseeing legal risk throughout the Bank. Legal risks are notified by the legal function to the first line, who may accept them or choose to mitigate them. The Legal function is also subject to oversight from the Risk and Compliance functions (second line) with respect to the management of operational and conduct risks.

# Strategic Report

## Managing risk

<b>Principal Risks are overseen by a dedicated Second Line function</b>			
<i>Risks are classified into Principal Risks, as below</i>		<i>How risks are managed</i>	
<b>Principal Risk</b>	<b>Credit Risk</b>	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.	Credit risk teams identify, evaluate, sanction, limit and monitor various forms of credit exposure, individually and in aggregate.
	<b>Market Risk</b>	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.	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.
	<b>Treasury and Capital Risk</b>	<p><b>Liquidity Risk:</b> 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.</p> <p><b>Capital Risk:</b> 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 and stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the Bank's defined benefit pension plans.</p> <p><b>Interest Rate Risk in the banking book:</b> 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.</p>	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 based on real time/timely information from our operations.
	<b>Climate Risk</b>	The impact on Financial and Operational Risks arising from climate change through physical risks, risks associated with transitioning to a lower carbon economy and connected risks arising as a result of second order impacts on portfolios of these two drivers.	The Bank assesses and manages its climate risk across its businesses and functions in line with its net zero ambition by monitoring exposure to elevated risk sectors, conducting scenario analysis and risk assessments for key portfolios. Climate risk controls are embedded across the Financial and Operational Principal Risk types through the the Barclays Group's Frameworks, Policies and Standards.
	<b>Operational Risk</b>	The risk of loss to the Bank from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.	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.
	<b>Model Risk</b>	The potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.	Models are evaluated for approval prior to implementation, and on an ongoing basis.
	<b>Conduct Risk</b>	The risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the Bank's products and services.	The Compliance function sets the minimum standards required, and provides oversight to monitor that these risks are effectively managed and escalated where appropriate.
	<b>Reputation Risk</b>	The risk that an action, transaction, investment, event, decision, or business relationship will reduce trust in the Bank's integrity and/or competence.	Reputation risk is managed by embedding our purpose and values, and 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.
	<b>Legal Risk</b>	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.	The Legal function supports colleagues in the first line in identifying and limiting legal risks.

**Note**

The ERMF defines nine Principal Risks. For further information on how these Principal Risks apply specifically to the Bank, please see pages 37 to 45.

# Strategic Report

## Performance measures

### Key performance highlights

	2021 €m	2020 €m
<b>Income statement:</b>		
Total income	1,196	847
Impairment releases/(charges) on financial instruments	97	(280)
Operating income after impairment losses	1,293	567
Operating expenses	(968)	(670)
Profit/(loss) before tax	325	(103)
Tax charge	(90)	(15)
Profit/(loss) after tax	235	(118)
Attributable to other equity instrument holders	(40)	(37)
<b>Attributable to ordinary shareholders</b>	<b>195</b>	<b>(155)</b>
Cost: income ratio <sup>a</sup>	81%	79%
No. of employees at 31 December (full time equivalent)	1,708	1,646
<b>Balance Sheet information:</b>		
	€bn	€bn
<b>Assets</b>		
Central bank balances	24.1	20.1
Cash collateral and settlement assets	17.7	19.1
Loans and advances to customers	13.1	12.1
Trading portfolio assets	8.2	7.4
Financial assets at fair value through the income statement	15.4	14.7
Derivative financial instrument assets	33.9	56.8
<b>Total assets</b>	<b>117.1</b>	<b>134.9</b>
<b>Liabilities</b>		
Deposits from customers	21.4	19.6
Cash collateral and settlement liabilities	17.1	19.4
Trading portfolio liabilities	10.3	7.8
Subordinated liabilities	3.2	1.1
Financial liabilities designated at fair value	13.8	14.9
Derivative financial instrument liabilities	33.5	57.7
<b>Total equity</b>	<b>5.9</b>	<b>4.6</b>
<b>Credit quality:</b>		
% of loans and advances to customers impaired <sup>b</sup> (%)	4.6%	5.1%
Expected Credit Loss ('ECL') coverage on loans and advances to customers <sup>c</sup> (%)	3.3%	4.7%
ECL coverage on impaired loans and advances to customers <sup>d</sup> (%)	40%	39%
<b>Capital and liquidity<sup>e</sup>:</b>		
Risk weighted assets <sup>f</sup> (€bn)	32.1	23.7
Common equity tier 1 ('CET1') (transitional) <sup>g,h</sup> (€bn)	5.0	3.9
CET1 (transitional) <sup>h,i</sup> (%)	15.5%	16.6%
Total regulatory capital (transitional) <sup>h</sup> (%)	20.8%	22.0%
Liquidity pool <sup>j</sup> (€bn)	25.4	21.0
Liquidity coverage ratio ('LCR') <sup>k</sup> (%)	171%	218%
Loan to Deposit ratio <sup>l</sup>	61%	62%

#### Notes:

- a Operating expenses divided by total income (see page 106).
- b Stage 3 gross loans and advances to customers divided by total gross loans and advances to customers (see page 49).
- c Total ECL on loans and advances to customers divided by total gross loans and advances to customers (see page 49).
- d Stage 3 ECL on loans and advances to customers divided by stage 3 gross loans and advances to customers (see page 49).
- e Capital and liquidity requirements are part of the regulatory framework governing how banks and depository institutions are supervised.
- f Risk weighted assets ('RWAs') are measured in accordance with the provisions of the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive IV ('CRD IV') as amended by Capital Requirements Regulation II ('CRR II') and the Capital Requirements Directive V ('CRD V').
- g CET1 is a measure of capital that is predominantly common equity as defined by the CRR, as amended by CRR II.
- h 2020 comparative figures have been restated following a review of the calculation applied to the IFRS9 transitional relief applicable to CET1 capital. The numbers at 31 December 2020 prior to restatement were reported as: CET1 capital €4.0m, CET1 capital 16.7% and Total regulatory capital 22.1%.
- i Capital ratios express a bank's capital as a percentage of its RWAs (see page 87).
- j The Bank's liquidity pool represents its stock of high quality liquid assets ('HQLA's), which are high or extremely high liquidity and credit quality assets as defined by Commission delegated Regulation (EU) 2015/61, commonly referred to as the 'Delegated Act'.
- k The liquidity coverage ratio expresses a bank's HQLA's as a percentage of its stressed net outflows over a 30 day period as defined by the Delegated Act.
- l Loans and advances to customers divided by deposits from customers (see page 108).

# Strategic Report

## Performance measures

### Income statement commentary

The Bank earned a profit before tax in the year ended 31 December 2021 of €325m (2020: loss before tax of €103m). This represented an improvement of €428m, including an increase in income of €349m and a reduction in impairment charges of €377m, partially offset by an increase in costs of €298m. Both the CIB and CC&P segments were profitable, with CIB profit before tax increasing by €231m to €254m and CC&P profit before tax increasing by €65m to €127m. The Bank's profit before tax includes losses incurred within Head Office on the Italian mortgage portfolio and the additional funding cost of maintaining surplus liquid assets over and above prudential requirements.

Total income increased by €349m to €1,196m (2020: €847m), largely reflecting:

- Increased CIB income, €279m or 48% higher than in 2021 to €863m, as a result of increased client activity in Investment Banking and migrations from BB PLC; and
- lower losses in Head Office, €110m lower than in 2020, primarily due to the negative interest rate available on drawings under the ECB's Targeted Longer Term Refinancing Operations ('TLTRO III') and the continued run off of the Italian mortgage portfolio,

partly offset by

- lower income in CC&P, down €40m or 11%, due to lower income in Barclays Consumer Bank Europe as the COVID-19 pandemic resulted in lower average balances and margin compression.

Credit impairment charges decreased by €377m leading to a net impairment release of €97m (2020: €280m charge), primarily driven by improvements in the macro-economic outlook, particularly impacting the consumer lending portfolios within CC&P and Corporate Banking in CIB.

Operating expenses increased by €298m to €968m (2020: €670m), largely attributable to the full year cost in 2021 of CIB activity that migrated to the Bank from other Barclays Group entities over the course of 2020. The increase was primarily in staff costs, administrative costs and regulatory levies.

The Bank's profit after tax for the year ended 31 December 2021 was €235m (2020: €118m loss after tax). The Bank incurred a tax charge of €90m (2020: €15m). The effective tax rate of 27.7% is higher than the corporation tax rate in Ireland of 12.5%, primarily due to the profits earned outside of Ireland being taxed at local statutory tax rates that are higher than the Irish tax rate and non-allowable expenses.

### Balance sheet commentary

As at 31 December 2021, total assets were €117.1bn, a decrease of €17.8bn compared to 31 December 2020 (€134.9bn), driven by decreases in derivative financial assets, partially offset by an increase in central bank placings.

Derivative financial assets decreased by €22.9bn to €33.9bn, due primarily to an amendment to the ISDA Master Agreement governing over the counter ('OTC') derivatives between the Bank and BB PLC, which results in the OTC derivative positions mark to market being settled daily by cash payments, rather than being collateralised.

The increase in central bank placings of €4.0bn to €24.1bn was primarily driven by an increase in customer deposits and capital issuances during the year.

Customer deposits increased by €1.8bn or 9% in 2021 to €21.4bn primarily due to an increase in short-term deposits. Customer loans and advances increased by €1.0bn or 8% to €13.1bn. As a result, the loan to deposit ratio reduced from 62% as at 31 December 2020 to 61% as at 31 December 2021. The increase in loan balances is primarily due to increased lending within CIB and CC&P, which was partially offset with repayments in the Bank's Italian mortgage portfolio which is being run off. The loan to deposit ratio of 61% reflects a position where the Bank continues to be able to fund customer loans from customer deposits.

ECL provisions decreased by €168m from €645m to €477m, with the impairment release for the year being primarily driven by an improved macroeconomic outlook towards the end of 2021. Our coverage ratio on loans and advances to customers decreased from 4.7% to 3.3%. ECL provisions include additional provisions of €101m (2020: €102m) over and above modelled and individually assessed ECL in order to allow for risks which may not be reflected in models, in particular those risks related to credit stress impacts which may have been deferred due to support actions by the Bank and by governments.

### Other Metrics and Capital

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 held a liquidity pool of €25.4bn as at 31 December 2021 (2020: €21.0bn). This comprised balances with central banks of €23.4bn<sup>a</sup> (2020: €19.7bn<sup>a</sup>) and reverse repurchase agreements entered into for liquidity purposes of €2.0bn (2020: €1.3bn), both of which met the requirements for classification as High Quality Liquidity Assets ('HQLA'). Balances with central banks earned a negative interest rate given the current interest rate environment.

The Bank's CET1 ratio (transitional basis) was 15.5% as at 31 December 2021 (2020: 16.6%<sup>b</sup>). The movement in the year was due primarily to an increased level of RWAs in the year, partially offset by issuances of CET1. The Bank's total capital ratio (transitional basis) was 20.8% as at 31 December 2021 (2020: 22.0%<sup>b</sup>). The Bank's capital continues to be managed on an ongoing basis to ensure there are sufficient capital resources.

a. Residual central bank balances related to minimum reserves.

b. 2020 comparative figures have been restated following a review of the calculation applied to the IFRS9 transitional relief applicable to CET1 capital. Please see page 87 for the numbers for the year ended 31 December 2020 prior to restatement.



# Strategic Report

## Performance measures

### POST BALANCE SHEET EVENTS

The Bank continues to monitor the direct and indirect impact of the COVID-19 pandemic.

The Bank is currently undergoing an ECB Comprehensive Assessment ('CA') comprised of an asset quality review and stress test. The CA represents the entrance exam to supervision by the ECB's SSM, which the Bank entered in 2019. The CA is being conducted with reference to the Bank's balance sheet as at 31 December 2020. The CA will run through H1 2022.

### FUTURE DEVELOPMENTS

Following the client and business migrations that progressed throughout 2018 to 2021, the build out of the Bank's operational capabilities, and the completion of the Brexit transition period in 2020, the Bank is now well positioned to meet the needs of our EEA customers and clients across our businesses. Some further client migrations, together with the transfer of some contracts, positions, assets and liabilities to the Bank, are expected to continue in 2022.

### NON-FINANCIAL INFORMATION

Information required in accordance with the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 can be found in the Non-financial information statement on pages 16 to 18.

### OTHER INFORMATION

Information on research and development, existence of branches of the Bank and financial risk management objectives and policies can be found in the Directors' Report on page 9.

# Directors' Report

The Directors present their report together with the financial statements for the financial year ended 31 December 2021.

The Bank has chosen, as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report.

Other information that is relevant to the Directors' Report, and which is incorporated by reference into this report, can be located at:

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## REVIEW OF THE BUSINESS AND LIKELY FUTURE DEVELOPMENTS

A detailed review of the Bank's business activities are provided on page 2, and the performance for the year and an indication of likely future developments are on pages 7 and 8, in each case within the Strategic Report.

## PROFITS AND DIVIDENDS

The Bank's profit after tax for the financial year ended 31 December 2021 was €235m (2020: loss after tax of €118m). No dividends were paid on the Bank's ordinary shares in 2021 (2020: €nil) and the Directors do not propose to make a dividend payment on the Bank's ordinary shares for the financial year ended 31 December 2021 (2020: €nil).

## SHARE CAPITAL

At 31 December 2021, the Bank had 898,668,934 ordinary shares of €1.00 each in issue (2020: 898,668,634). Further details on the Bank's capital is set out in Note 28 to the financial statements.

## 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, climate risk, operational risk and conduct risk. An updated ERMF was adopted by the Barclays Group, which reflects Climate Risk as a Principal Risk from 2022. For a description of the Bank's ERMF, the risks faced by the Bank and the management of those risks, please see the Risk Review on pages 21 to 96.

The Bank has fully assessed the impact of the expansion of its activities on its risk profile and continues to monitor the potential downside risk associated with both the direct and indirect impact of the COVID-19 pandemic.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Information regarding the Bank's financial risk management objectives and policies in relation to the use of financial instruments is set out in the Risk Review on pages 21 to 96.

## POLITICAL DONATIONS

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

## ENVIRONMENT

Information regarding the Bank's approach to environmental matters can be found on pages 16 to 17 and 19 to 20.

## RESEARCH AND DEVELOPMENT

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

## BRANCHES OUTSIDE THE STATE

At 31 December 2021, in addition to its Irish Head Office, the Bank had branches in Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden.

# Directors' Report

## 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.

This involves an assessment of the future performance of the business, to provide assurance that the Bank has the resources in place that are required to meet its ongoing regulatory requirements. The assessment is based upon business plans which contain future forecasts of profitability taken from management's three year medium term plan as well as projections of future regulatory capital requirements and business funding needs. This also includes details of the impact of internally generated stress testing scenarios on the liquidity and capital requirement forecasts. The stress tests used were based upon management's assessment of reasonably possible economic scenarios that the Bank could experience.

This assessment showed that the Bank had sufficient capital in place to support its future business requirements and remained above its regulatory minimum requirements in the stress test scenarios. It also showed that the Bank has an expectation that it can continue to meet its funding requirements during the scenarios. The Directors concluded that there was a reasonable expectation that the Bank has adequate resources to continue as a going concern for the foreseeable future.

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 Strategic Report and Risk Management sections of this report.

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

## 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.

## AUDITORS

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

## 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.

## CORPORATE GOVERNANCE

The Bank is subject to the CBI's Corporate Governance Code for Credit Institutions 2015 ('Code'), including the additional requirements set out in the Code as the Bank is designated as High Impact by the CBI. A statement of compliance with the Code is prepared and signed annually by the Board and is submitted to the CBI alongside the Annual Report and financial statements.

The Board aspires to have high standards of corporate governance and has adopted corporate governance arrangements which it believes are appropriate to apply and are designed to ensure effective decision-making to promote the Bank's success for the long term.

The Board's primary aim is that its governance arrangements:

- are effective in providing advice and support to management;
- provide checks and balances and encourage constructive challenge;
- drive informed, collaborative and accountable decision-making; and
- create long-term sustainable value for the Bank's shareholder, the ultimate shareholders of B PLC and our wider stakeholders.

A Group-wide governance framework is set by Barclays and has been designed to facilitate the effective management of the Barclays Group. This includes the setting of the Barclays Group's policies and approach in relation to matters such as Barclays' Purpose, Values and Mindset, Barclays' Remuneration Policy and Barclays' Charter of Expectations. Where appropriate, this governance makes reference to those Group policies, which are relevant to the way in which the Bank is governed.

## Directors' Report

A description of the main features of the Bank's internal control and risk management systems in relation to its financial reporting process is set out in the Section entitled Controls over Financial Reporting on page 14.

The Bank is not subject to the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006.

### DIRECTORS

The names of persons who were Directors at any time during the financial year ended 31 December 2021, or who have been appointed since that date, are set out below.

Directors	Appointed/Resigned	Nationality	Position
Tim Breedon CBE <sup>(2),(5)</sup>	Appointed 16 April 2021	British	Board Chair and Chair of Board Nominations Committee
Etienne Boris <sup>(2), (3), (4), (5)</sup>		French	Board Audit Committee Chair
Thomas Huertas <sup>(2), (3), (4), (5), (6)</sup>		American	Board Risk Committee Chair
Eoin O'Driscoll <sup>(2), (3), (4), (5), (6)</sup>		Irish	Board Remuneration Committee Chair
Jennifer Allerton <sup>(2), (3), (5), (6)</sup>		British	
Francesco Ceccato <sup>(7)</sup>		Italian	Chief Executive Officer
Andrew Dickens <sup>(1), (4)</sup>	Resigned 5 August 2021	South African	
David Farrow <sup>(1), (3)</sup>	Resigned 5 August 2021	British	
Jasper Hanebuth <sup>(7)</sup>	Appointed 30 April 2021	German	Chief Financial Officer
Helen Keelan <sup>(2),(4),(5),(6)</sup>	Resigned 15 April 2021	Irish	Board Chair and Chair of Board Nominations Committee
Keith Smithson <sup>(7)</sup>	Resigned 29 April 2021	Irish	Chief Financial 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): Executive Director

### COMPANY SECRETARY

David Jackson

### COMPANY NUMBER

396330

### DIRECTORS' AND COMPANY SECRETARY'S INTERESTS

During the year ended 31 December 2021, 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 2021 did this interest exceed 1% of B PLC's ordinary share capital.

Save as provided above, 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 2021.

### THE BOARD

Executive and Non-Executive Directors share the same duties and are subject to the same constraints. However, a clear division of responsibilities has been established. The Chair is responsible for leading the Board and its overall effectiveness, demonstrating objective judgement and promoting a culture of openness and constructive debate between all Directors. The Chair facilitates the effective contribution of the Board and ensures Directors receive accurate, clear and timely information. It is the Board's responsibility to ensure that management delivers on short-term objectives, whilst promoting the long-term success of the Bank in the context of the Group. The Board is also responsible for ensuring that management maintains an effective system of internal control which should provide assurance of effective and efficient operations, internal financial controls and compliance with law and regulation.

The Bank's Schedule of Matters Reserved to the Board specifies those decisions to be taken by the Board, including but not limited to material decisions relating to strategy, risk appetite, medium term plans, capital and liquidity plans, risk management and controls frameworks, reputation risk, approval of financial statements, and approval of share allotments and dividends. The Board has delegated the responsibility for making and implementing operational decisions and running the Bank's business on a day-to-day basis to the Chief Executive Officer ('CEO') and his senior management team.

## Directors' Report

The current Board comprises of a Chair, who was independent on appointment, two Executive Directors, and four independent Non-Executive Directors. The majority of the Board are independent Non-Executive Directors bringing significant expertise (including external perspectives) and independent challenge.

### BOARD COMMITTEES

The Board has established four board sub-committees, which are the Audit Committee, Risk Committee, Nominations Committee and Remuneration Committee. Each Board Committee has delegated authority from the Board in respect of the functions and powers which are set out in each Committee's Terms of Reference.

The Chair of each Board Committee provides a report on the proceedings of each Committee meeting at the next scheduled Board meeting, including any matters being recommended for approval.

#### Audit Committee

The Bank's Board Audit Committee ('BAC') is comprised solely of independent non-executive Directors, is a Committee of the Board and assists the Board in monitoring:

- the integrity of the Bank's accounting policies and contents of its financial statements and the disclosure controls and procedures;
- the effectiveness of the Bank's internal controls;
- the effectiveness of the internal and external audit functions and processes; and
- the effectiveness of the Bank's whistleblowing procedures.

#### Risk Committee

The Bank's Board Risk Committee ('BRC') is comprised solely of independent non-executive Directors, is a Committee of the Board and assists the Board in:

- reviewing the risk profile of the Bank;
- considering 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;
- reviewing the management of the Principal Risks in the ERMF to ensure that they are in line with the Bank's business strategy, objectives, corporate culture and values;
- overseeing the implementation of strategies for capital and liquidity management as well as for all relevant risks, such as market, credit and operational risks (including legal, human resources and IT risks), in order to assess their adequacy against the approved risk appetite and strategy; and
- assessing the risks associated with the Bank's offered financial products and services, taking into account the alignment between the prices assigned to and the profits gained from those products and services.

#### Nominations Committee

The Bank's Board Nominations 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 and Key Function Holders (individuals holding CBI Pre-Approval Controlled Function roles) 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 promoting diversity of gender, age and social and ethnic background, cognitive and personal strengths; and
- the adoption of appropriate internal policies on the assessment of the suitability of Directors, members of the Bank's Executive Committee and other key personnel subject to regulatory approval.

#### Remuneration Committee

The Bank's Board Remuneration 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:

- 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.

### ACCOUNTABILITY

The Board has put processes in place to support the presentation to stakeholders of fair, balanced and understandable information.

The Board is responsible for setting the Bank's risk appetite within the overall parameters set by BB PLC, that is, the level of risk it is prepared to take in the context of achieving the Bank's and the Barclays Group's strategic objectives. The ERMF is designed to identify and set minimum requirements in respect of the main risks to achieving the Bank's strategic objectives and to provide reasonable assurance that internal controls are effective.

## Directors' Report

The Board, assisted by the BRC, conducts robust assessments of the principal risks facing the Bank, including those that would threaten its business model, future performance, solvency or liquidity.

The BAC oversees the effectiveness of the Bank's internal and external auditors. The Directors also review the effectiveness of the Bank's systems of internal control and risk management.

### CONTROLS OVER FINANCIAL REPORTING

A framework of disclosure controls and procedures is in place to support the approval of the Bank's financial statements. Specific committees and accountable individuals are responsible for examining the financial reports and disclosures to ensure that they have been subject to adequate verification and comply with applicable standards and legislation.

Relevant accountable individuals report their conclusions to the BAC, which debates the conclusions and provides further challenge. Finally, the Board scrutinises and approves the Annual Report and ensures that appropriate disclosures have been made. This governance process ensures that both management and the Board are given sufficient opportunity to debate and challenge the Bank's financial statements and other significant disclosures before they are made public.

### AUDIT, RISK AND INTERNAL CONTROL

The Bank is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposure to unacceptable potential losses or reputational damage.

The Board is responsible for ensuring that management maintains an effective system of risk management and internal control and for assessing its effectiveness. Such a system is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, rather than absolute, assurance against material misstatement or loss.

Processes are in place for identifying, evaluating and managing the principal risks facing the Bank. A key component of the framework is the ERMF which supports the business in its aim to embed effective risk management and a strong risk management culture. The ERMF is designed to identify and set minimum requirements, in respect of the main risks, to achieve the Bank's strategic objectives and to provide reasonable assurance that internal controls are effective. Further detail on the Principal Risks and management of them can be found in the Risk review on pages 37 to 45.

The effectiveness of the risk management and internal control systems is reviewed regularly by the BRC and the BAC (as detailed above).

The BRC is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures examining reports covering the principal risks including those that would threaten the Bank's business model, future performance, solvency or liquidity, as well as reports on risk measurement methodologies and risk appetite.

As referenced above, the BAC carries out several duties, delegated to it by the Board, including oversight of financial reporting processes, reviewing the effectiveness of internal controls, considering whistleblowing arrangements and oversight of the work of the external and internal auditors.

Throughout the year ended 31 December 2021 and to date, the Bank has operated a system of internal control that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations.

The Board, assisted by the BAC, is responsible for ensuring the independence and effectiveness of the internal and external audit functions. For this reason, the BAC members met periodically with the Bank's Chief Internal Auditor and the Lead Audit Engagement Partner of the external auditor without management present.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting under the supervision of the principal executive and financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements, in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail:

- accurately and fairly reflect transactions and dispositions of assets;
- provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as adopted by the EU and that receipts and expenditures are being made only in accordance with authorisations of management and the respective Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

Internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

# Directors' Report

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Bank's internal control over financial reporting that occurred during the period covered by this report which have materially affected or are reasonably likely to materially affect the Bank's internal control over financial reporting.

## EXECUTIVE COMMITTEE

During 2021, the Executive Committee membership included the Bank's CEO, Chief Financial Officer ('CFO'), Chief Operating Officer ('COO'), Chief Risk Officer ('CRO'), and leaders of each business unit, Human Resources, Legal and Compliance. The Executive Committee meets regularly (albeit virtually for the majority of the year) and is chaired by the CEO. The Executive Committee is also attended by the Bank's Chief Internal Auditor to ensure full transparency of all matters discussed at the committee and to inform the audit plan. In addition to the day-to-day management of the Bank, the Executive Committee supports the CEO in ensuring that the values, strategy and culture align, are implemented and are communicated consistently to colleagues – for example, through regular leadership team conferences and communications that are available to all colleagues.

## DIVERSITY AND INCLUSION

The Board recognises the importance of ensuring that there is broad diversity among the Directors inclusive of, but not limited to, gender, ethnicity, geography and business experience. In addition, the Bank aims to ensure that employees of all backgrounds are treated equally and have the opportunity to be successful. The Barclays Group's Global Diversity and Inclusion ('D&I') strategy, which is supported by the Bank, sets objectives, initiatives and plans across six areas of focus: Gender, LGBT+, Disability, Multicultural, Multigenerational and Socioeconomic inclusion, in support of that ambition.

## 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 the Directors' opinion are appropriate to the Bank, regarding 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 2021.

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

The Directors are responsible for preparing the Directors' Report and the Consolidated and Company financial statements in accordance with, and subject to, applicable law and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Consolidated and Company financial statements in accordance with IFRS as adopted by the EU.

Under Irish 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. The Directors are responsible for such internal controls as they determine are 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.

The Directors 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.

## Directors' Report

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.

The current Directors, whose names and functions are set out on page 11, confirm to the best of their knowledge that:

- they have complied with the above requirements in preparing the Consolidated and Company financial statements;
- the Consolidated and Company financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank;
- the management report contained within the Strategic Report, on pages 2 to 8, includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties that the Bank faces; and
- the Annual Report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the Bank's shareholder to assess the Bank's position and performance, business model and strategy.

On behalf of the Board



**Tim Breedon CBE**  
Chair



**Francesco Ceccato**  
Chief Executive Officer



**Jasper Hanebuth**  
Chief Financial Officer

9 March 2022



## Non-financial information statement

The Bank uses a variety of tools to track and measure its strategic delivery, and collects both quantitative and qualitative information to develop a the full picture of its performance. The measures of success include:

	2021	2020
Females at Managing Director and Director level (%)	25%	22%
Colleague engagement (%)	75%	79%
“it’s safe to speak up” (%)	74%	73%
“I would recommend Barclays as a good place to work” (%)	75%	83%

The Barclays Group has a range of policies and guidance (available at [home.barclays/sustainability/esg-resource-hub/](http://home.barclays/sustainability/esg-resource-hub/)) that support key outcomes in respect of non-financial performance for all of its stakeholders. Across the Barclays Group, policies and statements of intent are in place to ensure consistent governance on a range of issues. For the purposes of the reporting requirements of the European Union (Disclosure of Non-Financial and Diversity information by certain large undertakings and groups) Regulations 2017, these include, but are not limited to:

### Environmental matters

#### Climate Change statement

The Barclays Group Position on Climate Change sets out our approach to energy sectors with higher carbon-related exposures or emissions from extraction or consumption, or those which may have an impact in certain sensitive environments or on communities, namely thermal coal, Arctic oil and gas, oil sands and hydraulic fracturing. The statement outlines the important role the Barclays Group plays in ensuring that the world’s energy needs are met, while helping to limit the threat that climate change poses to people and to the natural environment.

#### World Heritage Site and Ramsar Wetlands statement

We understand that certain industries, and in particular mining, oil and gas, and power, can impact areas of high biodiversity value including UNESCO World Heritage Sites (‘WHS’) and Ramsar Wetlands (‘RW’). The Barclays Group’s WHS and RW statement outlines the Barclays Group’s client due diligence approach to preserving and safeguarding these sites.

#### Climate Change, Financial and Operational Risk Policy

In 2019, the Barclays Group published a ‘Climate Change Financial Risk and Operational Risk Policy’. This introduced climate change as an overarching risk impacting certain Principal Risks: Credit risk, Market risk, Treasury and Capital risk and Operational risk. The policy is jointly owned by the relevant Principal Risk Leads with oversight by the Barclays Group Board Risk Committee. With Climate risk becoming a Principal Risk, the policy has been updated accordingly and is still in effect. For more information, please see the Risk review section on pages 37 to 39.

#### Forestry and Agricultural Commodities statement

The Barclays Group recognises that the forestry and agribusiness industries are responsible for producing a range of commodities such as timber, palm oil and soy that are often associated with significant environmental and social impacts, particularly in relation to biodiversity loss, tropical deforestation and climate change. The Barclays Group Forestry and Agricultural Commodities Statement outlines its due diligence approach for clients involved in these activities, ensuring that the Group supports clients that promote sustainable forestry and agribusiness practices while respecting the rights of workers and local communities.

### Managing impacts in lending and financing

The Barclays Group recognises that we have a responsibility to proactively identify and address the adverse impacts that we may be linked to through the provision of financial services to our customers and clients.

Our assessment of environmental and social risks not only helps safeguard our reputation, ensuring longevity of the business but also enhances our ability to serve our clients and support them in improving their own sustainability practices and disclosures.

#### Managing social and environmental risks

Social and environmental risks are governed and managed through our ERMF, setting our strategic approach for risk management by defining standards, objectives and responsibilities for all areas of the Barclays Group. The ERMF is complemented by a number of other frameworks, policies and standards, all of which are aligned to individual Principal Risks.

The Barclays Group Climate Change Statement sets out our approach to managing the impact of our climate-related activities. We have developed internal standards to reflect these positions in more detail, including for Forestry and Agricultural Commodities, WHS, RW and Defence and Security. These standards sit under the management of Reputation risk in the ERMF. These standards determine our approach to climate change and relevant sensitive sectors and are considered as part of our existing transaction origination, review and approval process.

#### Monitoring

As part of our management of environmental and social risks, we may require further client engagement calls in relation to the specific environmental and social risks that we have identified as part of our enhanced due diligence process. We have used these calls as an opportunity to gain a more detailed understanding of the risks and challenges that the client is facing and to better understand any climate transition plan that they may have.

## Non-financial information statement

The Barclays Group intends to continue its work with clients in key sectors, believing it is better to be engaging with clients in relation to the transition, rather than simply walking away from financing for these sectors. We recognise there may be companies or particular activities that cannot transition over time, and in such cases we believe those clients will find it increasingly difficult to access markets for financing, including through the Barclays Group.

### Training

The Barclays Group Climate risk team provides training to banking and credit risk teams to raise awareness of the environmental credit risks in particular sectors and highlight their responsibilities in identifying these risks. The Barclays Group is also looking to expand the opportunity for its training in other areas to further awareness. In addition to climate risk becoming a Principal Risk, mandatory training for employees in the Barclays Group will be introduced in 2022.

### Our approach to nature and biodiversity

Nature and biodiversity are intrinsically connected to efforts to mitigate and adapt to the effects of climate change and are vital to ensuring a sustainable economy and healthy society. The financial sector will have an important role to play in stewarding responsible finance and in supporting new financial flows for a nature-positive future. As a financial services institution, this includes understanding and evaluating the ways in which our financing activities impact on nature. It also includes the ways in which the organisation is dependent on nature and functioning ecosystems.

Barclays has relationships with customers and clients across a wide range of sectors and geographies, who face risks to their operations, supply chains and markets from biodiversity loss and land-use change. Recognising the importance of this agenda, we are developing our understanding and evaluating the Barclays Group's environmental impacts and dependencies as well as where we can support our clients through the transition to a nature-positive economy.

Collaboration both within and across industries is essential to this transition. The Barclays Group is pleased to be a member of the Taskforce on Nature-related Financial Disclosures ('TNFD') Forum. It has also joined the Get Nature Positive initiative alongside other businesses to identify opportunities to take nature-positive action. Recognising deep interlinkages across environmental and social themes, it is necessary to view our work on nature and biodiversity, which includes our approach to deforestation, in tandem with our work on climate change and human rights.

### Nature-related risk in financing

The Barclays Group intends to do more to assess and minimise negative impacts of its financing activities on nature. The Barclays Group has included financing restrictions that seek to address biodiversity risk within its position statements on Forestry and Agricultural Commodities, WHS and RW, and Climate Change.

The Barclays Group has engaged with a number of emerging methodologies to assess nature-related impacts and dependencies at a portfolio level. In 2021, the Barclays Group contributed to initial developments of the Natural Capital Finance Alliance's ENCORE biodiversity module which supports financial institutions to better understand biodiversity-related impacts of their portfolios. The Barclays Group is also part of an industry user group working to develop an approach to assess nature-related risks and opportunities relevant to financial institutions.

Further to the work that began in 2020 in relation to identifying biodiversity and ecosystems as a critical area within our Principles for Responsible Banking ('PRB') pilot impact assessment, we continue to assess any associated impacts within our portfolio.

For further details, see the Barclays Group position statements and policy positions on the Barclays ESG Resource Hub at: [home.barclays/sustainability/esg-resource-hub/](https://home.barclays/sustainability/esg-resource-hub/)

See additional disclosures on pages 19 to 20.

### Colleagues

#### Board Diversity Policy

The Bank recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in reflecting its European footprint and maintaining a competitive advantage. The Board Diversity Policy sets out the approach to diversity on the Board of the Bank, and provides that the Nominations Committee will review and assess Board composition on behalf of the Board and will recommend the appointment of new Directors. In considering the composition, suitability of appointments and effectiveness of the Board, the Nominations Committee considers differences in the skills, regional and industry experience, social and ethnic background, nationality, race, gender and other distinctions between Directors such as cognitive and personal strengths. In terms of gender, the Board's current target is to ensure that the proportion of women on the Board is 33% by 2022.

#### Code of Conduct

The Barclays Code of Conduct outlines the Values and behaviours which govern our way of working across the Barclays Group's business globally. It constitutes a reference point covering all aspects of colleagues' working relationships, specifically (but not exclusively) with other Barclays Group employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community.

# Non-financial information statement

## Social matters

### Donations

The Barclays Group works in partnership with non-profit organisations, including charities and non-governmental organisations, to develop high-performing programmes and volunteering opportunities that harness the skills and passion of our employees. The Barclays Group has chosen to partner with a small number of organisations, allowing us to have deeper relationships and ultimately enabling us to have the greatest impact on our communities in which we operate. The Barclays Group does not accept unsolicited donation requests.

### Tax

The Barclays Group Tax Principles are central to the Bank's approach to tax planning, for ourselves or on behalf of our clients. Since their introduction in 2013 we believe the Barclays Group Tax Principles have been a strong addition to the way we manage tax, ensuring that we take into account all of our stakeholders when making decisions related to our tax affairs. The same applies to the Barclays Group Tax Code of Conduct.

### Sanctions

Sanctions are restrictions on activity with targeted countries, governments, entities, individuals and industries that are imposed by bodies such as the United Nations ('UN'), the EU, individual countries or groups of countries. The Barclays Group Sanctions Policy is designed to ensure that the Bank and the Barclays Group complies with applicable sanctions laws in every jurisdiction in which it operates.

### The defence industry

The Barclays Group Statement on the Defence Sector outlines Barclays Group's appetite for defence related transactions and relationships. Barclays Group provides financial services to the defence sector within a specific policy framework. Each proposal is assessed on a case-by-case basis and legal compliance alone does not automatically guarantee their support.

## Human rights

### Human rights

The Barclays Group operates in accordance with the International Bill of Human Rights and takes account of other internationally accepted human rights standards, including the UN Guiding Principles on Business and Human Rights. We respect and promote human rights in our operations through our employment policies and practices and our supply chain through screening and engagement.

### Modern slavery

The Barclays Group recognises its responsibility to comply with all relevant legislation including the UK Modern Slavery Act 2015. The Barclays Group releases an annual Statement on Modern Slavery, which outlines the actions the Barclays Group has taken in seeking to identify and address the risks of modern slavery and human trafficking in our operations, supply chain, and customer and client relationships.

### Supply chain

Our supply base is diverse, including start-ups, small and medium-sized enterprises, and businesses owned, controlled and operated by under-represented segments of society as well as multinational corporations. We recognise that these partnerships have significant direct and indirect environmental and social impacts. We actively encourage our supplier partners to meet the Bank's requirements in order to meet our obligations to our stakeholders.

### Data protection

Across the Barclays Group, the privacy and security of personal information is respected and protected. The Barclays Group Privacy Statement governs how we collect, handle, store, share, use and dispose of information about people. We regard sound privacy practices as a key element of corporate governance and accountability.

## Anti-bribery and anti-corruption

### Bribery and corruption

The Barclays Group recognises that corruption can undermine the rule of law, democratic processes and basic human freedoms, impoverishing states and distorting free trade and competition. The Barclays Group policy statement reflects the statutory requirements applicable in the UK as derived from the UN and Organisation for Economic Co-operation and Development conventions on corruption.

### Anti-money laundering and counter-terrorist financing

The Barclays Group's Anti-Money Laundering Policy is designed to ensure that we comply with the requirements and obligations set out in applicable legislation, regulations, rules and industry guidance for the financial services sector, including the need to have adequate systems and controls in place to mitigate the risk of the Barclays Group being used to facilitate financial crime.

# EU Taxonomy

## Overview

In 2020, the EU Taxonomy Regulation<sup>a</sup> ('the Regulation') was published with the objective of establishing a green classification system that will play an important role in helping the EU scale up sustainable investment and implement the European Green Deal<sup>b</sup>.

The Regulation defines what can be considered an environmentally sustainable economic activity. Article 8 of the Regulation requires entities subject to the Non-Financial Reporting Directive ('NFRD')<sup>c</sup> to disclose to the public how and to what extent their activities are associated with environmentally sustainable economic activities as defined under the Regulation.

Under Article 8 of the Regulation, the Bank must provide Key Performance Indicators ('KPIs') on the share of the balance sheet associated with sustainable activities. For the financial year ended 31 December 2021, the Bank is required by the Regulation to identify economic activities that are "taxonomy eligible" relevant to climate change mitigation and climate change adaptation objectives. Practically, "taxonomy eligible activities" means economic activities within those sectors identified as most relevant to climate objectives. Eligible activities will qualify for further screening in the future to determine whether they are taxonomy aligned, and thus considered environmentally sustainable.

From the financial year ending 31 December 2023 onwards, the Bank is additionally required to report taxonomy aligned activities as a Green Asset Ratio ('GAR'). Taxonomy alignment will show the proportion of taxonomy eligible assets that contribute substantially to the climate objectives, or that enable other activities to contribute. This will be particularly important in helping to refine strategies and identify how the Bank can further align financing activities with our overall environmental sustainability objectives.

As at 31 December 2021	KPIs	Description
Taxonomy eligible activities as a proportion of total covered assets <sup>d</sup>	6.5%	Economic activities with undertakings subject to NFRD, households and local governments that have been assessed as eligible in line with the Regulation, as a percentage of total covered assets.
Taxonomy non-eligible activities as a proportion of total covered assets	17.4%	Economic activities with undertakings subject to NFRD, households and local governments that have been assessed as non-eligible in line with the Regulation, as a percentage of total covered assets.
Exposures to undertakings in scope for NFRD as a proportion of total covered assets	23.9%	
Exposures to undertakings out of scope for NFRD as a proportion of total covered assets <sup>e</sup>	76.1%	Covered assets that are exposures to entities not subject to NFRD, as a percentage of total covered assets. Exposures that are not in scope of total covered assets are not included in this KPI.
Derivatives as a proportion of total covered assets	43.7%	Derivatives as a percentage of total covered assets. Derivatives are part of total covered assets, but out of scope for eligibility in line with the Regulation.
Exposures to central banks, central governments and supranationals as a proportion of total covered assets	40.4%	Exposures to central banks, central governments and supranationals, as a percentage of total covered assets. Selected regional and state governments are treated as central governments in line with the European Banking Authority ('EBA') list <sup>f</sup> of regional governments, local authorities and public sector entities that may be treated as central governments.
Trading book as a proportion of total covered assets	10.6%	Trading book exposures as a percentage of total covered assets. Trading book assets comprises debt and equity securities and traded loans reported on the balance sheet as trading portfolio assets, and excludes reverse repurchase agreements at fair value separately reported on the balance sheet.
On demand interbank exposures as a proportion of total covered assets	1.0%	Exposures in the on-demand interbank market, as a percentage of total covered assets.
Total covered assets <sup>g</sup>	€77,555m	Total covered assets are defined by the EU Taxonomy FAQs as total on-balance sheet assets minus those assets excluded from the calculation of the GAR. Therefore, total assets as defined under IFRS as adopted by the EU, minus exposures to central banks, central governments and supranationals, trading portfolio assets.

### Notes

a Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

b [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

c Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014.

d Taxonomy eligible activities as a proportion of total covered assets is 6.5%, of which: 6.4% is climate change mitigation and 0.1% is climate change adaptation

e The non-NFRD reported figure of 76.1% comprises 56.1% balances with non-NFRD entities and 20.0% balances with entities for which we have not yet been able to determine based on available information if the entity is in scope for NFRD.

f <https://www.eba.europa.eu/eba-updates-lists-regional-governments-and-local-authorities-rglas-and-public-sector-entities-pses>

g Voluntary information provided to contextualise and support the readability of the mandatory regulatory disclosures.

## EU Taxonomy

The Bank's taxonomy eligible activities amounted to 6.5% of total covered assets as at 31 December 2021. Eligible activities comprise of wholesale lending, of which 2% of the portfolio is assessed as taxonomy eligible and home loans, of which 100% is taxonomy eligible. Home loans refers to the Italy mortgage portfolio held on the balance sheet which is in the process of being run off. The remainder of loans and advances to customers relates to credit cards, unsecured loans and other retail lending which are not taxonomy eligible.

The EU Taxonomy disclosures are unaudited and have been prepared to the best of our ability using corporate disclosures, published financial reports and third party data providers. We continue to develop our industry data sourcing and methodologies and will continue to review the impact these have on our disclosures in future periods.

### Business strategies

The Bank supports the objectives of the Regulation and European Green Deal. Addressing climate change is an urgent and complex challenge. It requires a fundamental transformation of the global economy, so that society stops adding to the total amount of GHG in the atmosphere.

The financial sector has a critical role to play in supporting the economy to reach this goal. It is estimated that at least \$3-5<sup>1</sup> trillion of additional investment will be needed each year, for the next 30 years, in order to finance the transition.

As the EU Taxonomy is still being developed and because data from non-financial corporates on taxonomy-aligned activities is very limited at the moment, the Bank is not in a position to fully utilise taxonomy alignment in product design and processes, or engagement with counterparties.

At the Barclays Group, we are determined to play our part in supporting the transition towards a low-carbon economy. In March 2020, we announced our ambition to be a net zero bank by 2050, becoming one of the first banks to do so.

Barclays Group have a strategy to turn that ambition into action:

#### Achieving net zero operations

As part of the Barclays Group's ambition to be a net zero bank by 2050, the Barclays Group is working to achieve net zero operations<sup>2</sup> and supply chain emissions. The Barclays Group continues to remain carbon neutral<sup>3</sup> for its Scope 1<sup>4</sup>, Scope 2<sup>5</sup> and Scope 3<sup>6</sup> business travel emissions. The Barclays Group intends to remain carbon neutral, while investing in the continued decarbonisation of its operations, and in the development of a net zero pathway for the emissions from its supply chain.

The Barclays Group is defining net zero operations as the state in which it will achieve a GHG reduction of its Scope 1 and Scope 2 emissions of at least 90% against a 2018 baseline and use carbon removals to neutralise any residual operational emissions that the Barclays Group cannot yet eliminate.

More information on the Barclays Group's approach, including its progress on the global renewable energy initiative, RE100, is set out in the ESG report section of the Barclays PLC Annual Report 2021.

#### Reducing the Barclays Group's financed emissions

Most of the Barclays Group's emissions result from the activities of the clients that it finances and those generated in their respective value chains. These are so-called 'financed emissions' and fall within the general definition of Scope 3 emissions. In November 2020, the Barclays Group published details of its strategy for measuring and managing alignment of its financing with the goals and timelines of the Paris Agreement. Barclays' approach is underpinned by BlueTrack<sup>TM</sup>, a methodology<sup>7</sup> it has developed for measuring its financed emissions and tracking them at a portfolio level against the goals of the Paris Agreement. BlueTrack<sup>TM</sup> builds on and extends existing industry approaches to cover not only lending, but also capital markets financing. This better reflects the breadth of the Barclays Group's support for clients through its investment bank.

The Barclays Group believes that it can make the greatest difference by supporting the transition to a low-carbon economy, rather than by simply phasing out support for some of the clients who are most engaged in it. The Barclays Group believes that banks, especially those like itself with a large capital markets business, are in a unique position to help accelerate the transition towards a low-carbon economy, as many of its clients have already begun to do so.

#### Financing the transition

The transition to a low-carbon economy is today's defining opportunity for innovation and growth. There is a significant opportunity for the Barclays Group to play a leading role in helping to meet the demand for climate change related financing to support the transition. The Barclays Group is directing investment, including its own capital, into new green technologies and infrastructure projects that will build up low-carbon capacity and capability.

#### Notes

1 \$3-5trn as estimated in the GFMA/BCG (Global Financial Markets Association/Boston Consulting Group) Climate Finance Markets and the Real Economy report, December 2020.

2 Operations include company cars, offices, retail branches and data centres where Barclays Group have operational control.

3 The Barclays Group is defining carbon neutral as first reducing carbon dioxide emissions then counterbalancing carbon dioxide emissions from Scope 1, Scope 2 and Scope 3 business travel with carbon offsets.

4 Scope 1 emissions include direct GHG emissions from natural gas, fuel oil, company cars and HFC refrigerants.

5 Scope 2 emissions include indirect GHG emissions from purchased electricity and purchased steam and chilled water.

6 Scope 3 business travel emissions are indirect emissions from commercial air travel and other transport.

7 Further information and a detailed methodology white paper are available online, see [home.barclays/sustainability/addressing-climate-change/](https://home.barclays/sustainability/addressing-climate-change/).

# Risk review

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# 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 outlines the highest level principles for risk management by setting out standards, objectives and key responsibilities of different groups of employees of the Bank. 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 Group Board Risk Committee and the Barclays Group Chief Risk Officer. This is then reviewed and formally adopted by the Bank's Board at local legal entity level.

The ERMF sets out:

- Principal risks faced by the Bank which guides the organisation of the risk management function.
- Risk appetite requirements: This helps define the level of risk we are willing to undertake in our business.
- Risk Management and segregation of duties: The ERMF defines a "Three Lines of Defence" model.
- Roles and responsibilities for risk management and governance structure.

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, control objectives and other core requirements for the activities of the firm. Policies describe "what" must be done.
- Standards set out the key control requirements that describe how the requirements set out in the policy are met.

#### 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:

- The First line comprises of all employees engaged in the revenue generating and client facing areas of the Bank and all associated support functions, including Finance, Operations, Treasury, and Human Resources etc. The first line is responsible for identifying and managing the risks in which they are engaged in, developing a control framework, and escalating risk events to Risk and Compliance.
- The Second line is comprised of the Risk and Compliance functions. The role of the second line is to establish the limits, rules and constraints, policies and standards under which first line activities shall be performed, consistent with the risk appetite of the Bank, and to monitor the performance of the first line against these limits, rules and constraints. Controls for first line activities, especially those related to operational risk, will ordinarily be established by the control officers operating within the control framework of the firm. These will remain subject to supervision by the second line.
- The 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 is subject to second line oversight with respect to operational and conduct risks.

#### Principal risks

The ERMF identifies nine principal risks namely: credit risk, market risk, treasury and capital risk, climate risk, operational risk, model risk, conduct risk, reputation risk and legal risk. Note that climate risk was added in January 2022; see pages 37 to 39 for more information.

Each of the principal risks is overseen by an accountable executive at the Barclays Group level who is responsible for the framework, policies and standards that set out associated responsibilities and expectations, and detail the related requirements around risk management. In addition, certain risks span across more than one principal risk.

#### Risk appetite

Risk appetite is defined as the level of risk which the Bank is prepared to accept in the conduct of its activities. It provides a basis for ongoing dialogue between management and Board with respect to the Bank's current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

Risk appetite is approved by the Barclays PLC Board in aggregate and disseminated across legal entities and businesses, including the Bank. The Bank Board cannot approve a higher risk appetite than that determined by the Group Board without the approval of the Group Board but may choose to operate at a lower level of risk appetite than that approved by the Group Board.

The Barclays Group's total risk appetite and its allocation to the Bank are supported by limits to enable and control specific exposures and activities that have material concentration risk implications.

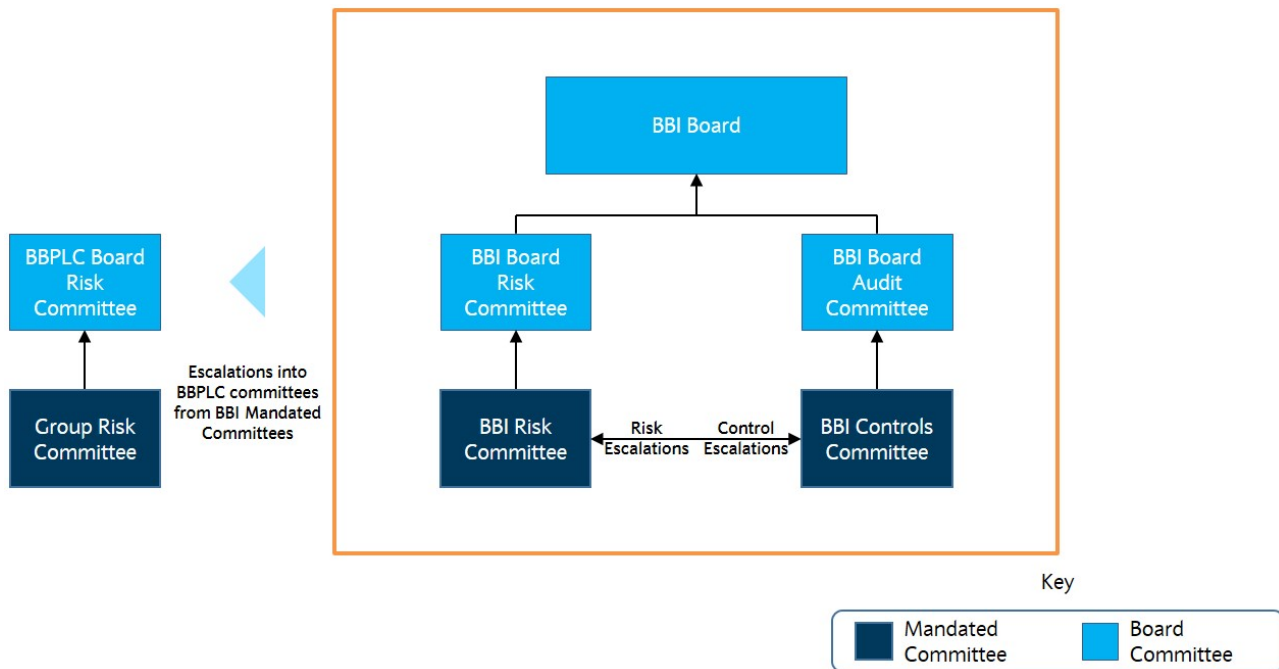


# Risk review

## Risk Management strategy

### 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.



The Barclays Bank Ireland PLC 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. One of the responsibilities of the Bank's Board is the approval of risk appetite allocated to the Bank. The Bank's Board is also responsible for the adoption of the ERMF.

Further, there are two Board-level committees which oversee the application of the ERMF and review and monitor risk across the Bank. These are: the Barclays Bank Ireland PLC Board Risk Committee and the Barclays Bank Ireland PLC Board Audit Committee. Additionally, the Barclays Bank Ireland PLC Board Remuneration Committee oversees pay practices focusing on aligning pay to performance along the criteria of "what and how".

- **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 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.
- **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 (including impairment), and a semi-annually review of the adequacy of impairment allowances relative to the risk inherent in the portfolios, the business environment, and the adequacy of Barclays policies and methodologies.
- **The Barclays Bank Ireland PLC Board Remuneration Committee (RemCo):** The RemCo receives proposals on ex-ante and ex-post risk adjustments to variable remuneration based on risk management performance including events, issues and the wider risk profile. These inputs are considered in the setting of performance incentives.

### 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; and
- colleagues identify, manage and escalate risk and control matters, and meet their responsibilities around risk management.

The CEO works with the Executive Management to embed a strong risk culture within the Bank, with particular regard to the identification, escalation and management of risk matters, in accordance with the ERMF. 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.



## Risk review

### Risk Management strategy

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

Globally, all Barclays colleagues must attest to a familiarity with the “Barclays Way”, our Code of Conduct, and all frameworks, policies and standards applicable to their roles. The Code of Conduct outlines the Purpose, Values and Mindset which govern our ‘Barclays Way’ of working across our business globally. It constitutes a reference point covering all aspects of colleagues’ working relationships, and provides guidance on working 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. 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, pandemics 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) Risks relating to the impact of COVID-19

The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. Additionally, the impacts of the economic downturn resulting from the COVID-19 pandemic and post-recovery environment, from a commercial, regulatory and risk perspective, could be significantly different to past crises and persist for a prolonged period. As a result, there are a number of factors associated with the COVID-19 pandemic and its impact on global economies that have had and could continue to have a material adverse effect on the profitability, capital and liquidity of the Bank.

The COVID-19 pandemic has caused disruption to the Bank's customers, suppliers and staff. Most jurisdictions in which the Bank operates implemented severe restrictions on the movement of their respective populations, with a resultant significant impact on economic activity in those jurisdictions. While a number of restrictions have been eased with the roll-out of COVID-19 vaccination programmes, others still remain in place and future developments are highly uncertain. In some jurisdictions, restrictions that had been previously lifted were re-imposed in response to a resurgence in cases. These decisions are being taken by the governments of individual jurisdictions (including through the implementation of emergency powers) and impacts (including any subsequent lifting, extension or reimposition of restrictions) may vary from jurisdiction to jurisdiction and/or within jurisdictions. It remains unclear how the COVID-19 pandemic will evolve through 2022 (including whether there will be further waves of the COVID-19 pandemic, whether COVID-19 vaccines continue to prove effective, whether further new strains of COVID-19 will emerge and whether, and in what manner, additional restrictions will be imposed and/or existing restrictions extended) and the Bank continues to monitor the situation closely. However, despite the COVID-19 contingency plans established by the Bank, the ability to conduct business may be adversely affected by disruptions to infrastructure and supply chains, business processes and technology services, resulting from the unavailability of staff due to illness or the failure of third parties to supply services. This may cause significant customer detriment, costs to reimburse losses incurred by the Bank's customers, potential litigation costs (including regulatory fines, penalties and other sanctions), and reputational damage.

In many of the jurisdictions in which the Bank operates, schemes were initiated by central banks, national governments and regulators to provide financial support to parts of the economy most impacted by the COVID-19 pandemic. The rapid introduction and varying nature of these support schemes, as well as customer expectations, required the Bank to implement large-scale changes in a short period of time, leading to an increase in certain risks faced by the Bank, including operational risk, conduct risk, reputation risk and fraud risk. These risks are likely to be heightened further as and when those government and other support schemes expire, are withdrawn or are no longer supported. Furthermore, the impact from participating in government and central bank-supported loan and other financing schemes may be exacerbated if the Bank is required by any government or regulator to offer forbearance or additional financial relief to borrowers or if the Bank is unable to rely on guarantees provided by governments in connection with financial support schemes.

As these schemes and other financial support schemes provided by national governments (such as job retention and furlough schemes, payment deferrals and mass lending schemes) expire, are withdrawn or are no longer supported, there is a risk that economic growth and employment may be negatively impacted which may, in turn, impact the Bank's results of operations and profitability. In addition, the Bank may experience a higher volume of defaults and delinquencies in certain portfolios which may negatively impact the Bank's RWAs, level of impairment and, in turn, capital position, and may initiate collection and enforcement actions to recover defaulted debts. The inception of large scale collections and recovery programmes (including the use of third party debt collection agents) may also create significant risk if (because of the complexity, speed and scale of these programmes) defaulting borrowers are harmed by the Bank's conduct which may also give rise to civil legal proceedings, including class actions, regulatory censure, potentially significant fines and other sanctions, and reputational damage. Other legal disputes may also arise between the Bank and defaulting borrowers relating to matters such as breaches or enforcement of legal rights or obligations arising under loan and other credit agreements. Adverse findings in any such matters may result in the Bank's rights not being enforced as intended.

Changes in macroeconomic variables such as gross domestic product ('GDP') and unemployment have a significant impact on the modelling of ECLs by the Bank. As a result, the Bank experienced higher ECLs in 2020 compared to prior periods, though this trend was reversed in 2021 as economic conditions partially recovered. The economic environment remains uncertain and future impairment charges may be subject to further volatility (including from changes to macroeconomic variable forecasts) depending on the longevity of the COVID-19 pandemic and related containment measures and the continued efficacy of any COVID-19 vaccines, as well as the longer term effectiveness of central bank, government and other support measures. For further details on macroeconomic variables used in the calculation of ECLs, refer to the credit risk performance section. In addition, ECLs may be adversely impacted by increased levels of default for single name exposures in certain sectors directly impacted by the COVID-19 pandemic.

Furthermore, 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 and assessing capital adequacy. 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 and/or misused. This may be exacerbated when dealing with unprecedented scenarios, such as the COVID-19 pandemic, due to the lack of reliable historical reference points and data. For further details on model risk, refer to 'vi) Model risk' below.

# Risk review

## Material existing and emerging risks

There can be no assurance that economic activity will return to pre-pandemic levels and, accordingly, there could be further adverse impacts on the Bank's income and profitability caused by lower lending and transaction volumes due to volatility or weakness in the capital markets. Furthermore, in order to support lending activity to promote economic growth, governments and/or regulators may limit management's flexibility in managing its business, require the deployment of capital in particular business lines or otherwise restrict or limit capital distributions and capital allocation.

Any and all such events mentioned above could have a material adverse effect on the Bank's business, results of operations, financial condition, prospects, liquidity, capital position and credit ratings (including potential credit rating agency changes of outlooks or ratings), as well as on the Bank's customers, employees and suppliers.

### ii) 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 (among 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 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:

- Global GDP growth recovered in 2021 from the severe contraction in 2020 as a result of the COVID-19 pandemic. While government support packages, accommodative monetary policy and the lifting of certain restrictions on movement bolstered economic growth and confidence in 2021, the global outlook remains highly uncertain, especially regarding: (a) ongoing concerns about how the COVID-19 pandemic may develop; (b) the disruptive impact of the COVID-19 pandemic on supply chains; and (c) how long inflationary pressures will persist and whether central banks will succeed in normalising monetary policy. These factors could adversely affect economic growth, affect specific industries or countries or affect the Bank's employees and business operations in affected countries. Refer to 'i) Risks relating to the impact of COVID-19' above for further details.
- Recent increases in inflation have been partly driven by a rebalancing of supply and demand, following the relaxation of restrictions on movement that were imposed during the COVID-19 pandemic. Monetary policy remains highly accommodative, increasing the risk that more abrupt government action will be necessary later if inflation does not prove transitory. A prolonged period of rising inflation may develop into slow or stagnant economic growth if combined with slowing economic expansion and elevated unemployment. Inflation may be further driven by supply chain disruptions and labour shortages and the imposition of further restrictions on movement due to the failure to contain the spread of COVID-19.
- An escalation in geopolitical tensions or increased use of protectionist measures, such as in the Ukraine and Russia conflict, may have a material adverse effect on the Bank's business.
- Trading disruption between the EU and the UK may have a significant impact on economic activity in the EU and the UK which, in turn, could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. Unstable economic conditions could result in (among other things):
  - a recession in Ireland and/or one or more member states of the EEA in which it operates, with lower growth, higher unemployment and falling property prices, which could lead to increased impairments in relation to a number of the Bank's portfolios (including, but not limited to, its mortgage portfolio, unsecured lending portfolio (including credit cards) and commercial real estate exposures);
  - increased market volatility (in particular in currencies and interest rates), which could impact the Bank's trading book positions and affect the underlying value of assets in the banking book and securities held by the Bank for liquidity purposes;
  - a credit rating downgrade for the Bank (either directly or indirectly as a result of a downgrade in the Irish sovereign credit ratings) or its parent (Barclays Bank PLC), which 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; and/or
  - a widening of credit spreads more generally or reduced investor appetite for the Bank's debt securities, which could negatively impact the Bank's cost of and/or access to funding.

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

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 they may change particularly in the Bank's main market of the EU.

A period of low interest rates and flat yield curves, including any rate cuts and/or negative interest rates, may affect and 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.

Interest rate rises could positively impact the Bank's profitability over the medium term as corporate business income increases due to margin decompression. However, further increases in interest rates, if larger or more frequent than expected, could lead to generally weaker than expected growth, reduced business confidence, investment and higher unemployment. This, combined with the impact

# Risk review

## Material existing and emerging risks

interest rate rises may have on the affordability of loan arrangements for borrowers, could cause stress in the Bank's lending portfolio and underwriting activity with resultant higher credit losses driving an increased impairment charge which could have a material effect on the Bank's business, results of operations, financial condition and prospects.

### iv) Competition in the banking and financial services industry

The Bank operates in a highly competitive environment in which it must evolve and adapt to the significant changes as a result of financial regulatory reform, technological advances, increased public scrutiny and prevailing economic conditions. The Bank expects that competition in the financial services industry will continue to be intense and may have a material adverse effect on the Bank's future business, results of operations, financial condition and prospects.

New competitors in the financial services industry continue to emerge. Technological advances and the growth of e-commerce have made it possible for non-banks to offer products and services that traditionally were banking products such as electronic securities trading, payments processing and online automated algorithmic-based investment advice. Furthermore, payments processing and other services could be significantly disrupted by technologies, such as blockchain (used in cryptocurrency systems) and "buy now pay later" lending, both of which are currently subject to lower levels of regulatory oversight. Furthermore, the introduction of Central Bank Digital Currencies could potentially have significant impacts on the banking system and the role of commercial banks within it by disrupting the current provision of banking products and services. It could allow new competitors, some previously hindered by banking regulation (such as FinTechs), to provide customers with alternative access to financial services and increase disintermediation of banking services.

New technologies have required and could require the Bank to spend more to modify or adapt its products or make additional capital investments in its businesses to attract and retain clients and customers or to match products and services offered by its competitors, including technology companies.

Ongoing or increased competition and/or disintermediation of our services may put pressure on the pricing for the Bank's products and services, which could reduce the Bank's revenues and profitability, or may cause the Bank to lose market share, particularly with respect to traditional banking products such as deposits and bank accounts. This competition may be on the basis of quality and variety of products and services offered, transaction execution, innovation, reputation and price. The failure of any of the Bank's businesses to meet the expectations of clients and customers, whether due to general market conditions, under-performance, a decision not to offer a particular product or service, changes in client and customer expectations or other factors, could affect the Bank's ability to attract or retain clients and customers. Any such impact could, in turn, reduce the Bank's revenues.

### 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 considerable management attention, cost and resource, including:

- Changes in prudential requirements may impact minimum requirements for own funds and eligible liabilities ('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 or EU authorities. This includes the upcoming implementation of the remaining Basel III reforms, as well as the expected incorporation of risks associated with climate change into the prudential framework and increased scrutiny of firms' governance and risk management frameworks (including in respect of climate change and ESG risks). Such or similar changes to prudential requirements or additional supervisory and prudential expectations, as well as requirements imposed by the Bank's regulators under the resolution framework, 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;
  - modifying the terms of outstanding capital instruments;
  - modifying legal entity structure (including with regard to issuance and deployment of capital, MREL and funding at an unquantified cost);
  - changing the Bank's business mix or exiting other certain businesses thus potentially reducing our business prospects; and/or
  - undertaking other actions to strengthen the Bank's position or resolvability which may have unforeseen cost, capital or other consequences constraining our business.
- 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 on-venue trading and clearing of standardised 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, in particular if there are areas of overlapping or conflicting regulation. More broadly, changes to the regulatory framework could entail significant costs for market participants and may have a significant impact on certain markets in which the Bank operates.

# Risk review

## Material existing and emerging risks

- The Barclays Group and certain of its members, including the Bank, are subject to supervisory stress testing exercises and other similar assessments in a number of jurisdictions. These exercises currently include the programmes of the Bank of England and the European Banking Authority. 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 Bank or Barclays Group, could result in the Barclays Group or certain of its members, including the Bank, being required to increase their capital position, limit capital distributions or position additional capital in specific subsidiaries.
- As a result of the on-shoring of EU legislation in the UK, UK-based entities within the Barclays Group are currently subject to substantially the same rules and regulations as prior to the UK's withdrawal from the EU. It is the UK's intention to recast on-shored EU legislation as part of UK legislation and Prudential Regulation Authority and Financial Conduct Authority rules, which could result in changes to regulatory requirements in the UK. If the regulatory regimes for EU and UK financial services change further, the provision of cross-border banking and investment services across the Bank may become more complex and costly which could have a material adverse effect on the Bank's business and results of operations and could result in the Bank modifying its legal entity, capital and funding structures and business mix, exiting certain business activities altogether or not expanding in areas despite otherwise attractive potential returns. This may also be exacerbated if the Bank expands further and, as a result of its growth and importance to the Barclays Group and the EEA banking system as a whole, the Bank is made subject to higher capital requirements or restrictions are imposed by regulators, on capital allocation and capital distributions by the Bank.

For further details, refer to the Bank's supervision and regulation section.

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

Global regulators and central banks in the UK, US and EU have been driving international efforts to reform key benchmark interest rates and indices, such as the London Interbank Offered Rate ('LIBOR') and the Euro Overnight Index Average ('EONIA'), which are used to determine the amounts payable under a wide range of transactions and make them more reliable and robust. These benchmark reforms have resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative "risk-free" reference rates ('RFRs'), the discontinuation of certain reference rates (including LIBOR and EONIA), and the introduction of implementing legislation and regulations. Specifically, regulators in the UK, US and EU directed that certain non-US dollar LIBOR tenors would cease at the end of 2021. Furthermore, certain US dollar LIBOR tenors are to cease by the end of June 2023 and restrictions have been imposed on new use of US dollar LIBOR. Notwithstanding these developments, given the unpredictable consequences of benchmark reform, any of these developments could have an adverse impact on market participants, including the Bank, in respect of any financial instruments linked to, or referencing, any of these benchmark interest rates.

Uncertainty associated with such potential changes, including the availability and/or suitability of alternative RFRs, the participation of customers and third-party market participants in the transition process, challenges with respect to required documentation changes, and impact of legislation to deal with certain legacy contracts that cannot convert into or add fall-back RFRs before cessation of the benchmark they reference, may adversely affect a broad range of transactions (including any securities, loans and derivatives which use LIBOR or EONIA or any other affected benchmark to determine the interest payable which are included in the Bank's financial assets and liabilities) that use these reference rates and indices, and present 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 (such as LIBOR and EONIA) to new alternative RFRs, the Bank faces conduct risks. These may lead to customer complaints, regulatory sanctions or reputational impact if the Bank is considered to be (among other things): (i) 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 a consistent approach to remediation for customers in similar circumstances; (v) unduly delaying the communication and migration activities in relation to client exposure, leaving them insufficient time to prepare; or (vi) colluding or inappropriately sharing information with competitors.
- **Litigation risk:** the Bank may face legal proceedings, regulatory investigations and/or other actions or proceedings regarding (among other things): (i) the conduct risks identified above, (ii) the interpretation and enforceability of provisions in LIBOR-based contracts, and (iii) the Bank's preparation and readiness for the replacement of LIBOR with alternative RFRs.
- **Financial risk:** the valuation of certain of the Bank's financial assets and liabilities may change. Moreover, transitioning to alternative RFRs 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 certain alternative RFRs (such as the Swiss Average Rate Overnight and the euro short-term rate) are look-back rates whereas term rates (such as LIBOR and EONIA) 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 cash flows.
- **Pricing risk:** changes to existing reference rates and indices, discontinuation of any reference rate or indices and transition to alternative RFRs may impact the pricing mechanisms used by the Bank on certain transactions.
- **Operational risk:** changes to existing reference rates and indices, discontinuation of any reference rate or index and transition to alternative RFRs 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 or EONIA) is no longer available to calculate amounts payable, the Bank may incur 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.
- **Accounting risk:** an inability to apply hedge accounting in accordance with IAS 39 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, prospects and reputation.

## Risk review

### Material existing and emerging risks

For further details on the impacts of benchmark interest rate reforms on the Bank, refer to Note 41.

#### vii) Change delivery and execution risks

The Bank will need to adapt and/or transform the way it conducts business in response to changing customer behaviour and needs, technological developments, regulatory expectations, increased competition and cost management initiatives. Furthermore, changes to the Bank's business model might also arise from the ECB's ongoing review of how international banking groups (such as Barclays) manage their EU businesses. Accordingly, effective management of transformation projects is required to successfully deliver the Bank's strategic priorities, involving delivering both on externally driven programmes, as well as key business initiatives to deliver revenue growth, product enhancement and operational efficiency outcomes. The magnitude, complexity and, at times, concurrent demands of the projects required to meet these priorities can result in heightened execution risk.

The ability to execute the Bank's strategy may be limited by operational capacity and the increasing complexity of the regulatory environment in which the Bank operates. In addition, whilst the Bank continues to pursue cost management initiatives, they may not be as effective as expected and cost saving targets may not be met.

The failure to successfully deliver or achieve any of the expected benefits of these strategic initiatives and/or the failure to meet customer and stakeholder expectations could have a material adverse effect on the Bank's business, results of operations, financial condition, customer outcomes, prospects and reputation.

### Material existing and emerging risks impacting individual principal risks

#### i) Climate risk

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 requirements, and adapting the Bank's operations and strategy to address the financial risks resulting from both: (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, results of operations, financial condition and prospects, the Bank's customers and clients and the creditworthiness of the Bank's counterparties.

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 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 undertakes, 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.

With effect from 3 February 2022, climate risk became one of the principal risks within the Bank's Enterprise Risk Management Framework. Failure to 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 failure to adapt the Bank's strategy and business model to the changing regulatory requirements and market expectations on a timely basis, may have a material and adverse impact on the Bank's level of business growth, reputation, competitiveness, profitability, capital requirements, cost of funding, and financial condition.

In March 2020, the Barclays Group announced its ambition to become a net zero bank by 2050 and its commitment to align all of its financing activities with the goals and timelines of the Paris Agreement. In order to reach these ambitions and targets or any other climate-related ambitions or targets the Barclays Group may commit to in future, the Bank will need to incorporate climate considerations into its strategy, business model, the products and services it provides to customers and its financial and non-financial risk management processes (including processes to measure and manage the various financial and non-financial risks the Bank faces as a result of climate change).

The Bank also needs to ensure that its strategy and business model adapt to changing national and international standards, industry and scientific practices, regulatory requirements and market expectations regarding climate change, which remain under continuous development and are subject to different interpretations. There can be no assurance that these standards, practices, requirements and expectations will not be interpreted differently than what was the Barclays Group's understanding when defining its climate-related ambitions and targets, or change in a manner that substantially increases the cost or effort for the Bank to achieve such ambitions and targets. In addition, the Barclays Group's ambitions and targets may prove to be considerably more difficult or even impossible to achieve



# Risk review

## Material existing and emerging risks

under such changing circumstances. This may be exacerbated if the Barclays Group chooses or is required to accelerate its climate-related ambitions or targets as a result of (among other things) regulatory developments or stakeholder expectations.

Achieving the Barclays Group's climate-related ambitions and targets will also depend on a number of factors outside the Bank's control, including (among other things) availability of data to measure and assess the climate impact of the Bank's customers, advancements of low-carbon technologies and supportive public policies in the markets where the Bank operates. If these external factors and other changes do not occur, or do not occur on a timely basis, the Barclays Group may fail to achieve its climate-related ambitions and targets and this could have a material adverse effect on the Bank's business, results of operations, financial condition, prospects and reputation.

For further details on the Bank's approach to climate change, refer to the climate change risk management section.

### ii) 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

Impairment is calculated in line with the requirements of IFRS9 which results in recognition of loss allowances, based on ECLs, on a forward-looking basis using a broad scope of financial instruments. Measurement involves complex judgement and impairment charges are potentially volatile, particularly under stressed conditions which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. For further details, refer to Note 7.

#### 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:** this has remained a key area of focus, particularly in unsecured lending. Macroeconomic factors, such as unemployment, higher interest rates or broader inflationary pressures, that impact a customer's ability to service debt payments could lead to increased arrears in both unsecured and secured products. The Bank is exposed to the adverse credit performance of unsecured products, particularly in Germany, through Barclays Consumer Bank Europe business.
- **Italian mortgage and wholesale exposure:** the Bank is exposed to a decline in the Italian economic environment through a mortgage portfolio in run-off and positions to wholesale customers. The Italian economy was severely impacted by the COVID-19 pandemic in 2020 and recovery has been slower than anticipated. Should the Italian economy deteriorate further or any recovery take longer to materialise, there could be a material adverse effect on the Bank's results including, but not limited to, increased credit losses and higher impairment charges.
- **Leverage finance underwriting:** the Bank takes on sub-investment grade underwriting exposure, including single name risk. The Bank is exposed to credit events and market volatility during the underwriting period. Any adverse events during this period may potentially result in loss for the Bank, or an increased capital requirement should there be a need to hold the exposure for an extended period.
- **Air travel:** the COVID-19 pandemic has caused a significant reduction in demand for air travel as both the willingness and ability to travel have reduced, impacting revenues of the Bank's clients and their ability to service their debt obligations. While the situation is expected to improve as travel restrictions are eased, changes in consumer behaviour, both due to COVID-19 and climate change, create uncertainty for the sector. Furthermore, the possibility of further global and regional pandemics pose additional risks for the sector.

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 monetised, 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, refer to the credit risk management and credit risk performance sections.

### iii) 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, commodity prices, credit spreads, implied volatilities and asset correlations.

Economic and financial market uncertainties remain elevated, as the path of the COVID-19 pandemic is inherently difficult to predict. Further waves of the COVID-19 pandemic, a disruptive adjustment to monetary policy normalisation, intensifying social unrest that weighs on market sentiment and deteriorating trade and geopolitical tensions 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 adversely affects market liquidity. Such a scenario could impact the Bank's ability to execute client trades and may also result in lower client

# Risk review

## Material existing and emerging risks

flow-driven income and/or market-based losses on its existing portfolio of market risks. These can include 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, refer to the market risk management and market risk performance sections.

### iv) 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 internal and/or regulatory liquidity requirements, make repayments as they fall due or be unable to support day-to-day banking activities. Key liquidity risks that the Bank faces include:

- Stability of the Bank's deposit funding profile: deposits which are payable on demand or at short notice could be affected by the Bank failing to preserve the current level of customer and investor confidence.
- Ongoing access to wholesale funding: the Bank regularly accesses the money and capital markets to provide short-term and long-term unsecured and secured funding to support its operations. A loss of counterparty confidence, or adverse market conditions, could lead to a reduction in the tenor, or an increase in the costs of the Bank's unsecured and secured wholesale funding.
- Impacts of market volatility: adverse market conditions, with increased volatility in asset prices, can negatively impact the Bank's liquidity position through increased derivative margin requirements and/or wider haircuts when monetising liquidity pool securities, and make it more difficult to execute secured financing transactions.
- Intraday liquidity usage: increased collateral requirements at payments and securities settlement systems could negatively impact the Bank's liquidity position, as cash and liquid assets required for intraday purposes are unavailable to meet other outflows.
- Off-balance sheet commitments: deterioration in economic and market conditions could cause customers to draw on off-balance sheet commitments provided to them, for example, revolving credit facilities, negatively affecting the Bank's liquidity position.
- Credit rating changes and the impact on funding costs: 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 is able to obtain market funding (for example, this could lead to increased costs of funding and wider credit spreads, the triggering of additional collateral or other requirements in derivative contracts and other secured funding arrangements, or limits on 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 and stressed conditions (both actual and as defined for internal planning or regulatory stress testing purposes). This also includes the risk from the Bank's defined benefit pension plans. 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.
- 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 fund: Adverse movements in pension assets and liabilities for defined benefit pension schemes could result in deficits on a technical provision and/or IAS 19 accounting basis. This could lead to the Bank making additional contributions to its defined benefit 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 benefit pension 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 hedging programmes for interest rate risk in the banking book rely on behavioural assumptions and, as a result, the effectiveness of the hedging strategy cannot be guaranteed. A potential mismatch in the balance or duration of the hedging 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



## Risk review

### Material existing and emerging risks

income reduction due to adverse movements in Central Bank deposit rates which may have a material adverse effect on the capital position of the Bank.

For further details on the Bank's approach to treasury and capital risk, refer to the treasury and capital risk management and treasury and capital risk performance sections.

#### v) 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 Bank functions in a highly competitive market, with market participants that expect consistent and smooth business processes. 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) Cyberattacks

Cyberattacks continue to be a global threat that is inherent across all industries, with the number and severity of attacks continuing to rise. The financial sector remains a primary target for cybercriminals, hostile nation states, opportunists and hacktivists. The Bank, like other financial institutions, experiences numerous attempts to compromise its cybersecurity.

The Bank dedicates significant resources to reducing cybersecurity risks, but it cannot provide absolute security against cyberattacks. Malicious actors are increasingly sophisticated in their methods, seeking to steal money, gain unauthorised access to, destroy or manipulate data, and disrupt operations, and some of their attacks may not be recognised until launched, such as zero-day attacks that are launched before patches and defences can be readied. Cyberattacks can originate from a wide variety of sources and target the Bank in numerous ways, including attacks on networks, systems, or devices used by the Bank or parties such as service providers and other suppliers, counterparties, employees, contractors, customers or clients, presenting the Bank with a vast and complex defence perimeter. Moreover, the Bank does not have direct control over the cybersecurity of the systems of its clients, customers, counterparties and third-party service providers and suppliers, limiting the Bank's ability to effectively defend against certain threats. Some of the Bank's third-party service providers and suppliers have experienced successful attempts to compromise their cybersecurity. These included ransomware attacks that disrupted the service providers' or suppliers' operations and, in some cases, had a limited impact on the Bank's operations. Such cyberattacks are likely to continue.

A failure in the Bank's adherence to its cybersecurity policies, procedures or controls, employee malfeasance, and human, governance or technological error could also compromise the Bank's ability to successfully defend against cyberattacks. Furthermore, certain legacy technologies that are at or approaching end-of-life may not be able to maintain acceptable levels of security. The Bank has experienced cybersecurity incidents and near-misses in the past, and it is inevitable that additional incidents will occur in the future. Cybersecurity risks will continue to increase, due to factors such as the increasing demand across the industry and customer expectations for continued expansion of services delivered over the Internet; increasing reliance on internet-based products, applications and data storage; and changes in ways of working by the Bank's employees, contractors, and third party service providers and suppliers and their subcontractors as a potentially long-term consequence of the COVID-19 pandemic. Bad actors have taken advantage of remote working practices and modified customer behaviours that have taken hold during the COVID-19 pandemic, exploiting the situation in novel ways that may elude defences.

Common types of cyberattacks include deployment of malware to obtain covert access to systems and data; ransomware attacks that render systems and data unavailable through encryption; denial of service and distributed denial of service ("DDoS") attacks; infiltration via business email compromise; social engineering, including phishing, vishing and smishing; automated attacks using botnets; and credential validation or stuffing attacks using login and password pairs from unrelated breaches. A successful cyberattack of any type has the potential to cause serious harm to the Bank or its clients and customers, including exposure to potential contractual liability, litigation, regulatory or other government investigation or action, loss of existing or potential customers, damage to the Bank's brand and reputation, and other financial loss. The impact of a successful cyberattack is also likely to include operational consequences (such as unavailability of services, networks, systems, devices or data), remediation of which could come at significant cost.

Regulators worldwide continue to recognise cybersecurity 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 to, cyberattacks. A successful cyberattack may, therefore, result in significant regulatory fines for the Bank.

For further details on the Bank's approach to cyberattacks, refer to the operational risk performance section. For further details on cybersecurity regulation applicable to the Bank, refer to the supervision and regulation section.

##### c) New and emergent technology

Technology is fundamental to the Bank's business and the financial services industry. 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. For example, payment services and securities, futures and options trading are increasingly occurring electronically, both on the Bank's own systems and through other alternative systems, and becoming automated. Whilst increased use of electronic payment and trading systems and direct electronic access to trading markets could significantly reduce the

## Risk review

### Material existing and emerging risks

Bank's cost base, it may, conversely, reduce the commissions, fees and margins made by the Bank on these transactions which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Introducing new forms of technology, however, 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 nature of fraud is wide-ranging and continues to evolve, as criminals continually seek opportunities to target the Bank's business activities and exploit changes in customer behaviour and product and channel use (such as the increased use of digital products and enhanced online services). Fraud attacks can be very sophisticated and are often orchestrated by highly organised crime groups who use ever more sophisticated techniques to target customers and clients directly to obtain confidential or personal information that can be used to commit fraud. The impact from fraud can lead to customer detriment, financial losses (including the reimbursement of losses incurred by customers), loss of business, missed business opportunities and reputational damage, all of which could have a material adverse impact 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 personal information, intellectual property and financial data and the Bank's businesses are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals. The protected parties can include: (i) the Bank's clients and customers, and prospective clients and customers; (ii) clients and customers of the Bank's clients and customers; (iii) employees and prospective employees; and (iv) employees of the Bank's suppliers, counterparties and other external parties.

The nature of both the Bank's business and its IT infrastructure also means that personal information may be available in countries other than those from where it originated. Accordingly, the Bank needs to ensure that its collection, use, transfer and storage of personal information complies with all applicable laws and regulations in all relevant jurisdictions (including as such new and existing regulations continue to be implemented, interpreted and applied), which could: (i) increase the Bank's compliance and operating costs, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place; (ii) impact the development of new products or services, impact the offering of existing products or services, or affect how products and services are offered to clients and customers; (iii) demand significant oversight by the Bank's management; and (iv) require the Bank to review some elements of the structure of its businesses, operations and systems in less efficient ways.

Concerns regarding the effectiveness of the Bank's measures to safeguard personal information, or even the perception that those measures are inadequate, could expose the Bank to the risk of loss or unavailability of data or data integrity issues and/or cause the Bank to lose existing or potential clients and customers, and thereby reduce the Bank's revenues. Furthermore, any failure or perceived failure by the Bank to comply with applicable privacy or data protection laws and regulations (and the evolving standards imposed by data protection authorities in connection therewith) may subject it to potential contractual liability, litigation, regulatory or other government action (including significant regulatory fines) and require changes to certain operations or practices which could also inhibit the Bank's development or marketing of certain products or services, or increase the costs of offering them to customers. Any of these events could damage the Bank's reputation, subject the Bank to material fines or other monetary penalties, make the Bank liable to the payment of compensatory damages, divert management's time and attention, lead to enhanced regulatory oversight and otherwise materially adversely affect its business, results of operations, financial condition and prospects.

For further details on data protection regulation applicable to the Bank, refer to the supervision and regulation section.

#### 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, prospects and reputation.

#### g) Processing errors

The Bank's businesses are highly dependent on its ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex and occur at high volumes and frequencies, across numerous and diverse markets in many currencies. As the Bank's customer base and geographical reach expand and the volume, speed, frequency and complexity of transactions, especially electronic transactions (as well as the requirements to report such transactions on a real-time basis to clients, regulators and exchanges) increase, developing, maintaining and upgrading operational systems and infrastructure becomes more challenging, and the risk of systems or human error in connection with such transactions increases, as well as the potential consequences of such errors due to the speed and volume of transactions involved and the potential difficulty associated with discovering errors quickly enough to limit the resulting consequences. Furthermore, events that are wholly or partially beyond the Bank's control, such as a spike in transaction volume, could adversely affect the Bank's ability to process transactions or provide banking and payment services.

Processing errors could result in the Bank, among other things: (i) failing to provide information, services and liquidity to clients and counterparties in a timely manner; (ii) failing to settle and/or confirm transactions; (iii) causing funds transfers, capital markets trades and/or other transactions to be executed erroneously, illegally or with unintended consequences; and (iv) adversely affecting financial, trading or currency markets. Any of these events could materially disadvantage the Bank's customers, clients and counterparties (including them suffering financial loss) and/or result in a loss of confidence in the Bank which, in turn, could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

# Risk review

## Material existing and emerging risks

### h) Supplier exposure

The Bank depends on suppliers 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) Estimates and judgements relating to critical accounting policies and regulatory disclosures

The preparation of financial statements requires the application of accounting policies and judgements to be made in accordance with IFRS. Regulatory returns and capital disclosures are prepared in accordance with the relevant capital reporting requirements and also require assumptions and estimates to be made. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements, include credit impairment provisions, taxes, fair value of financial instruments, pensions and post-retirement benefits, and provisions including conduct and legal, competition and regulatory matters (refer to the notes to the audited financial statements for further details). 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 accounting standards and regulatory interpretations could also materially impact the Bank's results of operations, financial condition and prospects.

### 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 tax authority focus on 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. For example, the OECD and G20 Inclusive Framework on Base Erosion and Profit Shifting has announced plans to introduce a global minimum tax from 2023 which, if enacted, will likely increase the Bank's tax compliance obligations. Any systems and process changes associated with complying with these obligations introduce additional operational risk.

### 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 potential effects on employee engagement and wellbeing from long-term periods of working remotely. 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.

For further details on the Bank's approach to operational risk, refer to the operational risk management and operational risk performance sections.

### vi) Model risk

Model risk is the potential for adverse consequences from 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 representations of reality and have some degree of uncertainty because they rely on assumptions and inputs, and so are subject to intrinsic uncertainty, errors and inappropriate use affecting the accuracy of their outputs. This may be exacerbated when dealing with unprecedented scenarios, such as the COVID-19 pandemic, due to the lack of reliable historical reference points and data. For instance, the quality of the data used in models across the Bank has a material impact on the accuracy and completeness of its risk and financial metrics. Model uncertainty, errors and inappropriate use may result in (among other things) the Bank making inappropriate business decisions and/or inaccuracies or errors 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.

For further details on the Bank's approach to model risk, refer to the model risk management and model risk performance sections.

### vii) Conduct risk

Conduct risk is the risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the Bank's products and services. This risk could manifest itself in a variety of ways, including:

#### a) Market integrity

The Bank's businesses are exposed to risk from potential non-compliance with its policies and standards and instances of wilful and negligent misconduct by employees, all of which could result in potential customer and client detriment, enforcement action (including regulatory fines and/or sanctions), increased operation and compliance costs, redress or remediation or reputational damage which in turn could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. Examples of employee misconduct which could have a material adverse effect on the Bank's business include: (i) employees improperly selling or marketing the

# Risk review

## Material existing and emerging risks

Bank's products and services; (ii) employees engaging in insider trading, market manipulation or unauthorised trading; or (iii) employees misappropriating confidential or proprietary information belonging to the Bank, its customers or third parties. These risks may be exacerbated in circumstances where the Bank is unable to rely on physical oversight and supervision of employees (such as during the COVID-19 pandemic where employees have worked remotely).

### b) Customer protection

The Bank must ensure that its customers, particularly those that are vulnerable, are able to make well-informed decisions on how best to use the Bank's financial services and understand that they are appropriately protected if something goes wrong. Poor customer outcomes can result from the failure to: (i) communicate fairly and clearly with customers; (ii) provide services in a timely and fair manner; (iii) handle and protect customer data appropriately; and (iv) undertake appropriate activity to address customer detriment, including the adherence to regulatory and legal requirements on complaint handling. The Bank is at risk of financial loss and reputational damage as a result.

### c) Product design and review risk

Products and services must meet the needs of clients, customers, markets and the Bank throughout their life cycle. However, there is a risk that the design and review of the Bank's products and services fail to reasonably consider and address potential or actual negative outcomes, which may result in customer detriment, enforcement action (including regulatory fines and/or sanctions), redress and remediation and reputational damage. Both the design and review of products and services are a key area of focus for regulators and the Bank.

### d) 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, 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.

### 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 ECB and CBI's Fitness and Probity Regime have reinforced additional accountabilities for individuals across the Bank with an increased focus on governance and rigour, with similar requirements also introduced in other jurisdictions globally. The introduction of the CBI's Individual Accountability Framework is expected to further increase individual accountability. Failure to meet these requirements and expectations may lead to regulatory sanctions, both for the individuals and the Bank.

For further details on the Bank's approach to conduct risk, refer to the conduct risk management and conduct risk performance sections.

## viii) 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/or 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 (including its employees, clients and other associations) 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 (refer to 'v) Operational risk' above).

For further details on the Bank's approach to reputation risk, refer to the reputation risk management and reputation risk performance sections.

## ix) Legal risk and legal, competition and regulatory matters

The Bank conducts activities in a highly regulated market which exposes it and its employees 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/or conflict,

## Risk review

### Material existing and emerging risks

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 and its employees to the risk of loss or the imposition of penalties, damages or fines from the failure of members of the Bank to meet their respective legal obligations, including legal or contractual requirements. Legal risk may arise in relation to any number of the material existing and emerging risks identified above.

A breach of applicable legislation and/or regulations by the Bank and/or its employees could result in criminal prosecution, regulatory censure, potentially significant fines and other sanctions. 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 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 being liable to third parties or may result in the Bank's rights not being enforced as intended.

There are currently no legal, competition or regulatory matters to which the Bank is currently exposed that give rise to a material contingent liability. None the less, 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 and may (from time to time) be subject to legal proceedings and other investigations relating to financial and non-financial disclosures made by members of the Bank (including, but not limited to, in relation to ESG disclosures). Additionally, due to the increasing number of new climate and sustainability-related laws and regulations (or laws and regulatory processes seeking to protect the energy sector from any risks of divestment or challenges in accessing finance), growing demand from investors and customers for environmentally sustainable products and services, and regulatory scrutiny, financial institutions, including the Bank, may through their business activities face increasing litigation, conduct, enforcement and contract liability risks related to climate change, environmental degradation and other social, governance and sustainability-related issues. Furthermore, there is a risk that shareholders, campaign groups, customers and other interest groups could seek to take legal action against the Bank for financing or contributing to climate change and environmental degradation.

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 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 (including formerly active matters or those arising after the date of this Annual Report) will not have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

# Risk review

## Principal risk management

### Climate risk management

The impact on Financial and Operational Risks arising from climate change through physical risks, risks associated with transitioning to a lower carbon economy and connected risks arising as a result of second order impacts on portfolios of these two drivers.

#### Overview

Given the increasing risks associated with climate change, and to support the Barclays Group's ambition to be a net zero bank by 2050, it was agreed that climate risk would become a Principal Risk from 2022.

To support this decision, in 2021 the Barclays Group delivered a Climate Risk Integration Plan with three overarching objectives:

1. Governance Framework: Develop a Principal Risk Framework and Risk Appetite Statement and integrate climate drivers into limit setting.
2. Scenario Analysis: Refine methodologies to support stress testing across the Barclays Group, including for regulatory climate stress tests, with specific emphasis on new climate risk modelling required.
3. Carbon Modelling: Enhance the BlueTrack™ model to further develop the approach for the Energy sector, expand coverage to Cement and Metals and consider the overall net zero ambition of the Group.

For more detail on how climate risks arise and their impact on the Bank, refer to the 'material existing and emerging risks' section.

#### Organisation and structure

On behalf of the Barclays PLC Board, the Barclays PLC Board Risk Committee reviews and approves the Barclays Group's approach to managing the financial and operational risks associated with climate change. The Barclays Bank Ireland PLC Board Risk Committee ('BBI BRC') adopts the Barclays Group approach with adaptation as determined by local requirements. Reputation risk is the responsibility of the Barclays PLC Board, which directly handles the most material issues facing the Barclays Group. Broader sustainability matters and other reputation risk issues associated with climate change are coordinated by the Sustainability team.

In 2021 the Barclays Group Head of Climate Risk took the role of Climate Principal Risk owner, reporting directly to the Group Chief Risk Officer.

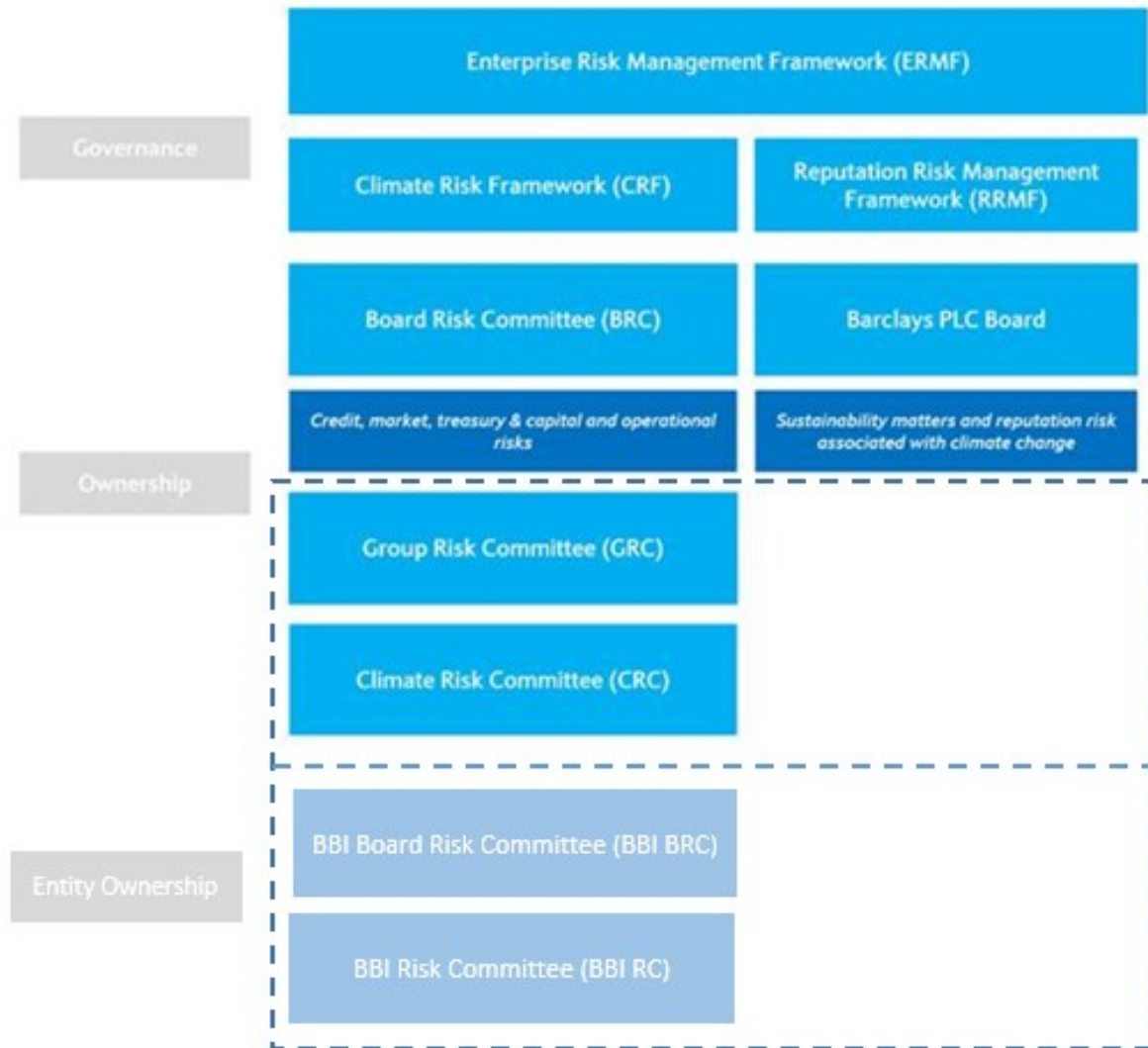
To support the oversight of Barclays Group climate risk profile a Climate Risk Committee ('CRC') has been established. The CRC is a sub-committee of the Group Risk Committee ('GRC'), the most senior executive body responsible for review and challenge of risk practices and risk profile, for climate risk and other principal risk types. The authority of the CRC is delegated by the GRC.

On behalf of the BBI Board, the BBI BRC reviews and approves the Bank's approach to managing the financial and operational risks associated with climate change. The BBI PLC Risk Committee is the delegated committee of BBI BRC where climate risk is reviewed, prior to review at BBI BRC.



# Risk review

## Principal risk management



The Climate Risk Framework ('CRF') was developed in 2021 to support the Enterprise Risk Management Framework and outlines the key principles for managing climate risk. The adoption of the CRF by the BBI Board has created roles and responsibilities across first, second and third lines.

Climate risk across certain other Principal Risk types is managed via a 'Climate Change Financial Risk and Operational Risk Policy', which is embedded in each of the following Principal Risk Frameworks and contains key principles for identifying and quantifying climate risk, with supporting reporting and governance.



## Risk review

### Principal risk management

Risk Type	Risk Identification	Risk Measurement
Credit risk	Identified as part of sovereign, portfolio and obligor credit annual reviews.	Measured using a Credit Risk Materiality Matrix completed for obligor/obligee groups with elevated exposure to climate change risk. Retail portfolios are monitored through regular reporting of climate metrics and are assessed against mandate triggers where appropriate.
Market risk	Identified using stress tests, aggregate market risk exposures from climate related risks.	Measured by using adverse multi-asset stress scenarios applied to individual risk factors reflecting climate change risks across sectors, countries and regions.
Treasury and capital risk	Identified using stress tests and analysis to assess the exposures which may be impacted by climate related risks.	Measured as part of stress testing and key risk indicator monitoring.
Operational risk	Confirmed operational risks associated with climate change are included in the Bank's Operational Risk Taxonomy. Climate risk included within the Strategic Risk Assessment process.	Established reporting on internal and external climate related risk events to the Operational Risk Committee. Risk tolerances for premises and resilience risks are reviewed so these adequately capture climate related risk drivers.

Risks resulting from climate change aligned to Model, Conduct, Reputation and Legal Principal Risks are out of the scope of the CRF and continue to be managed under their respective Principal Risk Frameworks. As climate risk continues to evolve, the effect upon these risks may change. Specific consideration of the impact of these changes will be covered as part of these frameworks.

A Climate Risk Appetite at Barclays Group level was introduced in line with the Barclays Group's risk appetite approach. It establishes a direct link between strategic plans and risk appetite, supporting the Barclays Group's ambition to be a net zero bank by 2050. BBI has embedded that risk appetite statement into its own documents, reflecting alignment with the Barclays Group in achieving its ambition of reducing emissions to net zero by 2050.

#### Linking with ESG and Reputation Risk:

Barclays Group has published a Climate Change Statement, which sets out the strategic ambition to support economies and clients through the net zero transition, as well as appetite for conducting business with particularly sensitive energy sub-sectors. It is supported by an internal Climate Change Standard, which outlines the controls and approach to these sectors in more detail, including requirements for enhanced due diligence for restricted activities (such as outlined in the Barclays Group Forestry and Palm Oil Standard).

These standards are enforced through an existing transaction origination, review and approval process. These Standards and Policies are adopted by BBI and modified as appropriate, each year.

A dedicated Sustainability team considers how the Barclays Group approaches wider sustainability and environmental, social and governance matters, working closely with the Environmental Risk Management function.

# Risk review

## Principal risk management

### Credit risk management (audited)

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.

#### Overview

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).

#### Organisation, roles and responsibilities

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 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 CRO, who is a Co-Chair of the Bank's Credit Risk Management Forum, reports the views of this Forum to the BRC 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 condition gives grounds for concern, it is placed into the appropriate category. Corporate customers, regardless of financial health, are typically 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. International Swaps Derivatives Association master agreements ('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.
- 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 or collateral in the form of securities may be held against these arrangements.

# Risk review

## Principal risk management

### 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.

### Market risk management (audited)

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, credit spreads, implied volatilities and asset correlations.

#### Overview

Market risk arises primarily as a result of client facilitation in wholesale markets, involving market making activities, risk management solutions and execution of syndications. Upon execution of a trade with a client, the Bank will look to hedge against the risk of the trade moving in an adverse direction. Mismatches between client transactions and hedges result in market risk due to changes in asset prices, volatility or correlations.

The Bank's market risk is managed with intragroup and external market counterparts and the Bank is committed to sourcing external hedges in line with the Bank's operating model. Some desks within the Bank still employ a back to back booking model (structured rates, equity derivatives as two examples). In the back to back model, market risk is transferred to a Barclays affiliate (BB PLC, Barclays Capital Securities Limited ('BCSL') and/or Barclays Capital International ('BCI') or a third party on a one to one, trade by trade basis).

A measurement technique used to measure and control market risk is Management Value at Risk ('VaR'). Management VaR 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 Management VaR figure are likely to occur, on average five times in every 100 business days. Management VaR is calculated with Barclays Group models using the historical simulation method with a historical sample of one year.

The Management VaR 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 Management VaR estimates, the following considerations are taken into account:

- the historical simulation uses the most recent year of past data to generate possible future market moves, but the past year 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;
- Management VaR 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; and
- Management VaR does not indicate the size of potential loss beyond the Management VaR confidence level.

#### Organisation, roles and responsibilities

The Market Risk Committee is at the Barclays Group-level which reviews and makes recommendations concerning the Barclays Group-wide market risk profile. This includes overseeing the operation of the Market Risk Framework and associated standards and policies; reviewing market or regulatory issues and limits and utilisation. The Barclays Europe Market Risk Committee reviews and makes recommendations concerning the Bank's market risk profile. This includes reviewing market or regulatory issues and limits and utilisation. The committee is chaired by the Head of Market Risk and attendees include business aligned market risk managers and the co-heads of the Markets business.

### Treasury and capital risk management

This comprises:

**Liquidity risk:** 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.

**Capital risk:** 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 and stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the Bank's defined benefit pension plans.

**Interest rate risk in the banking book:** 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.

#### Liquidity risk management (audited)

##### 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. Treasury and Capital Risk have created a framework to manage all liquidity risk exposures under both normal and stressed conditions. The framework is designed to maintain liquidity resources that are sufficient in amount, quality and funding tenor

# Risk review

## Principal risk management

profile to remain within 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 framework established by Treasury and Capital Risk is designed to deliver the appropriate term and structure of funding, consistent with the liquidity risk appetite set by the Bank's Board.

The 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 Asset and Liability Committee ('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 reviews liquidity risk appetite at least annually and the impact of stress scenarios on the Bank's funding plan/forecast in order to agree the Bank's projected funding abilities.

### Capital risk management (audited)

#### Overview

Capital risk is managed through ongoing monitoring and management of the capital position, regular stress testing and a robust capital governance framework. The objectives of the framework are to maintain adequate capital for the entity to withstand the impact of the risks that may arise under normal and stressed conditions, and maintain adequate capital to cover current and forecast business needs and associated risks to provide a viable and sustainable business offering.

#### Organisation, roles and responsibilities

The management of capital risk is integral to the Bank's approach to financial stability and sustainability management, and is embedded in the way businesses and legal entities operate.

Capital risk management is underpinned by a control framework and policy. The capital management strategy, outlined in the Bank's capital plans, is developed in alignment with the control framework and policy for capital risk, and is implemented consistently in order to deliver on the Bank's objectives.

The Board approves the Bank's capital plan, internal stress tests and results of regulatory stress tests, and the Bank's recovery plan. The ALCO is responsible for monitoring and managing capital risk in line with the Bank's capital management objectives, capital plan and risk frameworks. The Risk Committee monitors and reviews the capital risk profile and control environment, providing second line oversight of the management of capital risk. The Board Risk Committee reviews the risk profile, and reviews risk appetite at least annually and the impact of stress scenarios on the Bank's capital plan/forecast in order to agree the Bank's projected capital adequacy.

Management assures compliance with the Bank's minimum regulatory capital requirements by reporting to the ALCO, with oversight also from the Risk Committee.

Treasury has the primary responsibility for managing and monitoring capital adequacy. The Treasury and Capital Risk function provides oversight of capital risk. Production of the Bank's Internal Capital Adequacy Assessment Process ('ICAAP') is the responsibility of the Bank's Treasury function.

#### Pension risk

The Bank maintains a number of defined benefit pension schemes for past and current employees. The ability of schemes to meet pension payments is achieved with investments and contributions.

Pension risk arises because the market value of pension fund assets might decline; investment returns might reduce; or the estimated value of pension liabilities might increase. BBI monitors the pension risks arising from its defined benefit pension schemes and works with the relevant pension fund's trustees to address shortfalls. In these circumstances, the Bank could be required or might choose to make extra contributions to the pension fund.

### Interest rate risk in the banking book

#### Overview

Interest rate risk in the banking book ('IRRBB') 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 various IRRBB

# Risk review

## Principal risk management

risks that result from these activities. However, the Bank remains susceptible to interest rate risk and other non-traded market risks from the following 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.
- **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 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 review of the risk appetite at least annually 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.

## Operational risk management

The risk of loss to Bank from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.

### Overview

The management of operational risk has three key objectives:

- deliver an operational risk capability owned and used by business leaders to enable sound risk decisions over the long term;
- provide the frameworks, policies and standards to enable management to meet their risk management responsibilities while the second line of defence provides robust, independent, and effective oversight and challenge; and
- deliver a consistent and aggregated measurement of operational risk that will provide clear and relevant insights, so that the right management actions can be taken to keep the operational risk profile consistent with the Bank's strategy, the stated risk appetite and stakeholder needs.

The Bank operates within a system of internal controls that enables business to be transacted and risk taken without exposing it to unacceptable potential losses or reputational damages.

### Organisation, roles and responsibilities

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. The operational risk profile and control environment is reviewed by business management through specific meetings which cover these items. Operational risk issues escalated from these meetings are considered through the second line of defence review meetings. Depending on their nature, the outputs of these meetings are presented to the Operational Risk Profile Forum, the Operational Risk Committee, the Bank's BRC or the Bank's BAC.

Businesses and functions are required to report their operational risks on both a regular and an event-driven basis. The reports include a profile of the material risks that may threaten the achievement of their objectives and the effectiveness of key controls, operational risk events and a review of scenarios.

The Barclays Group Head of Operational Risk is responsible for establishing, owning and maintaining an appropriate Barclays Group-wide Operational Risk Management Framework and for overseeing the portfolio of operational risk across Barclays Group. The BBI Head of Operational Risk is responsible for recommending BBI's adoption of the Operational Risk Framework, ensuring BBI-specific requirements are recognised through BBI Addenda where appropriate, and is responsible for monitoring the portfolio of operational risk across BBI.

The Operational Risk function acts in a second line of defence capacity, and is responsible for defining and overseeing the implementation of the framework and monitoring Barclays' operational risk profile. The Operational Risk function alerts management when risk levels exceed acceptable tolerance in order to drive timely decision making and actions by the first line of defence.

Specific reports are prepared by Operational Risk on a regular basis for the BBI Risk Committee, and the Bank BRC.

### Operational risk categories

Operational risks are grouped into risk categories to support effective risk management, measurement and reporting. These comprise: Data Management Risk; Financial Reporting Risk; Fraud Risk; Information Security and Cyber Risk; Operational Resilience Planning Risk; Payments Processing Risk; People Risk; Premises Risk; Physical Security Risk; Strategic Investment Change Management Risk; Supplier Risk; Tax Risk; Technology Risk; and Transaction Operations Risk.

# Risk review

## Principal risk management

In addition to the above, operational risk encompasses risks associated with prudential regulation. This includes the risk of failing to: adhere to prudential regulatory requirements, provide regulatory submissions; or monitor and manage adherence to new prudential regulatory requirements.

### Risk themes

The Bank also recognises that there are certain threats/risk drivers that are more thematic and have the potential to impact the Bank's strategic objectives. These are risk themes which require an overarching and integrated risk management approach. The Bank's risk themes include Cyber, Data and Resilience.

For definitions of the Bank's operational risk categories and enterprise risk themes, refer to the Bank's Pillar 3 Report.

## Model risk management

The potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.

### Overview

The Bank uses models to support a broad range of activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing, assessing capital adequacy, managing client assets, and meeting reporting requirements.

### Organisation, roles and responsibilities

The Barclays Group has a dedicated Model Risk Management ('MRM') function that consists of four teams: (i) Independent Validation Unit ('IVU'), responsible for model validation and approval; (ii) Model Governance ('MG'), responsible for model risk governance, controls and reporting, including ownership of Model Risk Framework, the Group Model Risk Policy, and the associated standards; (iii) Strategy and Transformation, responsible for inventory, strategy, communications and business management; and (iv) Model Risk Measurement and Quantification ('MRMQ'), responsible for the design of the framework and methodology to measure and, where possible, quantify model risk. It is also responsible for the strategic Validation Centre of Excellence ('VCoE'), which is an independent quality assurance function within MRM with the mandate to review and challenge validation outcomes.

The primary responsibility for identifying and managing model risk and adherence to the control requirements sits with model users and support functions where the risk arises. Barclays Group's Global Head of Model Risk Management is responsible for providing effective oversight, management and escalation of model risk in line with the Model Risk Principal Risk Framework.

The Bank's Board has designated the Model Management Committee to provide executive oversight of model issues and model risk within the Bank. The Model Management Committee escalates issues to BBI's Executive Risk or Control Committees as appropriate, and regular updates are provided to the Bank's Board. The Model Management Committee is supported by the model management function. The head of model management reports to the Bank's CRO and is accountable for ensuring that all risk models remain appropriate for the Bank's portfolio, as well as complying with all aspects of Barclays' Model Risk Governance.

The model risk management framework consists of the model risk policy and standards. The policy prescribes the Barclays Group-wide, end-to-end requirements for the identification, measurement and management of model risk, covering model documentation, development, monitoring, annual review, independent validation and approval, change and reporting processes. The policy is supported by global standards covering model inventory, documentation, validation, complexity and materiality, testing and monitoring, overlays, risk appetite, as well as vendor models and stress testing challenger models.

The key model risk management activities include:

- Correctly identifying models across all relevant areas of the Bank and recording models in the Barclays Group Models Database ('GMD'), the Barclays Group-wide model inventory.
- Enforcing that every model has a model owner who is accountable for the model. The model owner must sign off models prior to submission to IVU for validation and maintain that the model presented to IVU is and remains fit for purpose.
- Overseeing that every model is subject to validation and approval by IVU, prior to being used and on a continual basis.
- Defining model risk appetite in terms of risk tolerance, and qualitative metrics which are used to track and report model risk.

## Conduct risk management

The risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the Bank's products and services.

### Overview

The Bank defines, manages and mitigates conduct risk with the objective of providing good customer and client outcomes, protecting market integrity and promoting effective competition.

Conduct risk incorporates market integrity, customer protection, financial crime and product design and review risks.

### Organisation, roles and responsibilities

The Conduct Risk Management Framework ('CRMF') outlines how the Bank manages and measures conduct risk. The Barclays Group Chief Compliance Officer is accountable for developing, maintaining and overseeing the CRMF. This includes defining and owning the

# Risk review

## Principal risk management

relevant conduct risk policies which detail the control objectives, principles and other core requirements for the activities of the Bank. The Bank's Chief Compliance Officer oversees the performance of these responsibilities for the Bank.

Senior managers are accountable within their areas of responsibility for owning and managing conduct risk in accordance with the CRMF. It is the responsibility of the first line of defence to establish controls to manage its performance and assess conformance to the CRMF.

Compliance as an independent second line function serves to help prevent, detect and manage breaches of applicable laws, rules, regulations and procedures and has a key role in helping the Bank achieve the right conduct outcomes and evolve a conduct-focused culture.

The governance of conduct risk within the Bank is fulfilled through management committees and forums operated by the first and second lines of defence with clear escalation to the BBI Board Risk Committee. The BBI Risk Committee is the primary second line governance committee for the oversight of conduct risk. The Risk Committee's responsibilities include the assessment of any emerging conduct risk exposures in the Bank. The BBI Conduct and Reputational Risk Committee, a subcommittee of the Bank's Executive Committee, is dedicated to providing executive oversight of conduct risk within BBI.

### Reputation risk management

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

#### Overview

A reduction of trust in the Bank's integrity and competence may reduce the attractiveness of the Bank to customers and clients and other stakeholders and could lead to negative publicity, loss of revenue, regulatory or legislative action, loss of existing and potential client business, reduce workforce morale and difficulties in recruiting talent. Ultimately it may destroy shareholder value.

#### Organisation, roles and responsibilities

The primary responsibility for identifying and managing reputation risk and adherence to the control requirements sits with the business and support functions where the risk arises. The Bank's Chief Compliance Officer is responsible for providing effective oversight, management and escalation of reputation risk in line with the Reputational Risk Management Framework.

The Barclays PLC Board is responsible for reviewing and monitoring the effectiveness of Barclays Group's management of reputation risk. Within the Bank, the Conduct and Reputational Risk Committee, a subcommittee of the BBI Executive Committee, is dedicated to providing executive oversight of conduct and reputation risk within the Bank and the Board as appropriate.

BBI is required to operate within established reputation risk appetite, and the component businesses of BBI prepare reports highlighting their most significant current and potential reputation risks and issues and how they are being managed. These reports are a key internal source of information for the quarterly reputation risk reports which are prepared for the BBI Conduct and Reputational Risk Committee and the BBI Board.

### Legal risk management

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.

#### Overview

The Bank has no tolerance for wilful breaches of laws, regulations or other legal obligations. However, the multitude of laws and regulations across the globe are highly dynamic and their application to particular circumstances is often unclear. This results in a high level of inherent legal risk which the Bank seeks to mitigate through the operation of a Barclays Group-wide legal risk management framework, including the implementation of Barclays Group-wide legal risk policies requiring the engagement of legal professionals in situations that have the potential for legal risk. Notwithstanding these mitigating actions, the Bank operates with a level of residual legal risk, for which the Bank has limited tolerance.

#### Organisation, roles and responsibilities

The Bank's businesses and functions have primary responsibility for identifying and escalating legal risk in their area as well as responsibility for adherence to minimum control requirements.

The Legal function organisation and coverage model aligns legal expertise to businesses, functions, products, activities and geographic locations so that the Bank receives support from appropriate legal professionals, working in partnership to manage legal risk. The Bank is supported specifically by the BBI General Counsel, who draws on the support of the wider Barclays Legal Function as appropriate. The senior management of the Legal Function oversees, challenges and monitors the legal risk profile and effectiveness of the legal risk control environment across the Barclays Group. The Legal Function does not sit in any of the Three Lines of Defence but supports them all.

The Barclays Group General Counsel is responsible for developing and maintaining a Barclays Group-wide legal risk management framework. This includes defining the relevant legal risk policies, developing Barclays Group-wide risk appetite for legal risk, and oversight of the implementation of controls to manage and escalate legal risk. The legal risk profile and control environment is reviewed by management through business risk committees and control committees. The BBI Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of risk management across the Bank. Escalation paths from this committee exist to the Barclays Group Risk Committee and BBI Board Risk Committee.



# Risk review

## Credit risk performance

All disclosures in this section (pages 46 to 79) are unaudited unless otherwise stated.

### 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 Bank's 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 that are irrevocable over the life of the respective facilities, 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. For off-balance sheet exposures certain contingent liabilities not subject to credit risk such as performance guarantees are excluded.

##### Overview

As at 31 December 2021, the Bank's net exposure to credit risk, after taking into account credit risk mitigation, increased 6% to €82.4bn (2020: €77.8bn). Overall, the extent to which the Bank holds mitigation against its total exposure is reduced to 44% (2020: 52%).

Of the unmitigated on balance sheet exposure, a significant portion relates to cash held at central banks, cash collateral and settlement balances, and debt securities issued by governments all of which are considered to be lower risk. The credit quality of counterparties to wholesale loan assets and derivatives are predominantly investment grade and there are no significant changes from prior year.

##### Collateral obtained

Where collateral has been obtained in the event of default, the Bank does not, ordinarily, 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 2021, as a result of the enforcement of collateral, was €Nil (2020: €Nil).

# Risk review

## Credit risk 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 2021</b>						
<b>On-balance sheet:</b>						
Cash and balances at central banks	24,125	—	—	—	—	24,125
Cash collateral and settlement balances	17,651	—	—	—	—	17,651
<b>Loans and advances at amortised cost:</b>						
Home loans	4,951	—	—	(4,941)	—	10
Credit cards, unsecured and other retail lending	4,154	—	(45)	(133)	(25)	3,951
Wholesale loans	3,978	—	—	(288)	(1,105)	2,585
<b>Loans and advances to customers</b>	<b>13,083</b>	<b>—</b>	<b>(45)</b>	<b>(5,362)</b>	<b>(1,130)</b>	<b>6,546</b>
Loans and advances to banks	903	—	—	—	—	903
<b>Total loans and advances at amortised cost</b>	<b>13,986</b>	<b>—</b>	<b>(45)</b>	<b>(5,362)</b>	<b>(1,130)</b>	<b>7,449</b>
<i>Of which credit-impaired (Stage 3):</i>						
Home loans	155	—	—	(155)	—	—
Credit cards, unsecured and other retail lending	120	—	—	(63)	—	57
Wholesale loans	97	—	—	(3)	—	94
<b>Total credit impaired loans and advances at amortised cost</b>	<b>372</b>	<b>—</b>	<b>—</b>	<b>(221)</b>	<b>—</b>	<b>151</b>
Reverse repurchase agreements and other similar secured lending	3,228	—	—	(3,228)	—	—
<b>Trading portfolio assets:</b>						
Debt securities	7,423	—	—	—	—	7,423
Traded loans	638	—	—	—	—	638
<b>Total trading portfolio assets</b>	<b>8,061</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8,061</b>
<b>Financial assets at fair value through the income statement:</b>						
Loans and advances	726	—	—	(333)	—	393
Debt securities	24	—	—	—	—	24
Reverse repurchase agreements	14,601	—	(149)	(14,452)	—	—
<b>Total financial assets at fair value through the income statement</b>	<b>15,351</b>	<b>—</b>	<b>(149)</b>	<b>(14,785)</b>	<b>—</b>	<b>417</b>
Derivative financial instruments	33,875	(21,928)	(9,666)	(699)	(93)	1,489
Other assets	181	—	—	—	—	181
<b>Total on-balance sheet</b>	<b>116,458</b>	<b>(21,928)</b>	<b>(9,860)</b>	<b>(24,074)</b>	<b>(1,223)</b>	<b>59,373</b>
<b>Off-balance sheet:</b>						
Contingent liabilities	4,059	—	—	(5)	(393)	3,661
Loan commitments	27,425	—	(1)	(215)	(7,861)	19,348
<b>Total off-balance sheet</b>	<b>31,484</b>	<b>—</b>	<b>(1)</b>	<b>(220)</b>	<b>(8,254)</b>	<b>23,009</b>
<b>Total</b>	<b>147,942</b>	<b>(21,928)</b>	<b>(9,861)</b>	<b>(24,294)</b>	<b>(9,477)</b>	<b>82,382</b>

Off-balance sheet exposures are shown gross of provisions of €27m (2020: €52m). See Note 24 for further details. In addition to the above, the Bank holds forward starting reverse repos amounting to €7.2bn (2020: €4.2bn). For further information on credit risk mitigation techniques, refer to the credit risk management section.

# Risk review

## Credit risk performance

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

As at 31 December 2020	Maximum exposure €'m	Netting and set-off €'m	Cash collateral €'m	Non-cash collateral €'m	Risk transfer €'m	Net exposure €'m
<b>On-balance sheet:</b>						
Cash and balances at central banks	20,066	—	—	—	—	20,066
Cash collateral and settlement balances	19,061	—	—	—	—	19,061
<b>Loans and advances at amortised cost:</b>						
Home loans	5,560	—	—	(5,542)	—	18
Credit cards, unsecured and other retail lending	3,649	—	(36)	(103)	(10)	3,500
Wholesale loans	2,934	—	—	(185)	(1,187)	1,562
<b>Loans and advances to customers</b>	<b>12,143</b>	<b>—</b>	<b>(36)</b>	<b>(5,830)</b>	<b>(1,197)</b>	<b>5,080</b>
Loans and advances to banks	906	—	—	—	—	906
<b>Total loans and advances at amortised cost</b>	<b>13,049</b>	<b>—</b>	<b>(36)</b>	<b>(5,830)</b>	<b>(1,197)</b>	<b>5,986</b>
<i>Of which credit-impaired (Stage 3):</i>						
Home loans	179	—	—	(179)	—	—
Credit cards, unsecured and other retail lending	140	—	—	(74)	—	66
Wholesale loans	73	—	—	—	—	73
<b>Total credit impaired loans and advances at amortised cost</b>	<b>392</b>	<b>—</b>	<b>—</b>	<b>(253)</b>	<b>—</b>	<b>139</b>
Reverse repurchase agreements and other similar secured lending	3,174	—	—	(3,174)	—	—
<b>Trading portfolio assets:</b>						
Debt securities	7,133	—	—	—	—	7,133
Traded loans	119	—	—	—	—	119
<b>Total trading portfolio assets</b>	<b>7,252</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,252</b>
<b>Financial assets at fair value through the income statement:</b>						
Loans and advances	744	—	—	(357)	—	387
Debt securities	—	—	—	—	—	—
Reverse repurchase agreements	14,005	—	—	(14,004)	—	1
<b>Total financial assets at fair value through the income statement</b>	<b>14,749</b>	<b>—</b>	<b>—</b>	<b>(14,361)</b>	<b>—</b>	<b>388</b>
Derivative financial instruments	56,842	(41,449)	(13,292)	(225)	—	1,876
Other assets	179	—	—	—	—	179
<b>Total on-balance sheet</b>	<b>134,372</b>	<b>(41,449)</b>	<b>(13,328)</b>	<b>(23,590)</b>	<b>(1,197)</b>	<b>54,808</b>
<b>Off-balance sheet:</b>						
Contingent liabilities	3,863	—	—	(5)	—	3,858
Loan commitments	22,823	—	(37)	(133)	(3,512)	19,141
<b>Total off-balance sheet</b>	<b>26,686</b>	<b>—</b>	<b>(37)</b>	<b>(138)</b>	<b>(3,512)</b>	<b>22,999</b>
<b>Total</b>	<b>161,058</b>	<b>(41,449)</b>	<b>(13,365)</b>	<b>(23,728)</b>	<b>(4,709)</b>	<b>77,807</b>

## Risk review

### Credit risk performance

#### Expected Credit Losses

Impairment allowance		
	2021	2020
As at 31 December	€m	€m
On loans and advances at amortised cost	450	593
On loan commitments and financial guarantees	27	52
<b>Total impairment allowance</b>	<b>477</b>	<b>645</b>

#### 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 2021		Stage 2					
	Stage 1	Not past due	<=30 days past due	>30 days past due	Total	Stage 3	Total
	€'m	€'m	€'m	€'m	€'m	€'m	€'m
<b>Gross exposure</b>							
Home loans	4,355	473	7	5	485	196	5,036
Credit cards, unsecured loans and other retail lending	3,440	682	25	28	735	288	4,463
Wholesale loans	3,214	383	10	293	686	134	4,034
<b>Loans and advances to customers</b>	<b>11,009</b>	<b>1,538</b>	<b>42</b>	<b>326</b>	<b>1,906</b>	<b>618</b>	<b>13,533</b>
Loans and advances to banks	895	8	—	—	8	—	903
<b>Total<sup>a</sup></b>	<b>11,904</b>	<b>1,546</b>	<b>42</b>	<b>326</b>	<b>1,914</b>	<b>618</b>	<b>14,436</b>
<b>Impairment allowance</b>							
Home loans	3	38	2	1	41	41	85
Credit cards, unsecured loans and other retail lending	27	100	5	9	114	168	309
Wholesale loans	4	14	—	1	15	37	56
<b>Loans and advances to customers</b>	<b>34</b>	<b>152</b>	<b>7</b>	<b>11</b>	<b>170</b>	<b>246</b>	<b>450</b>
Loans and advances to banks	—	—	—	—	—	—	—
<b>Total<sup>a</sup></b>	<b>34</b>	<b>152</b>	<b>7</b>	<b>11</b>	<b>170</b>	<b>246</b>	<b>450</b>
<b>Net exposure</b>							
Home loans	4,352	435	5	4	444	155	4,951
Credit cards, unsecured loans and other retail lending	3,413	582	20	19	621	120	4,154
Wholesale loans	3,210	369	10	292	671	97	3,978
<b>Loans and advances to customers</b>	<b>10,975</b>	<b>1,386</b>	<b>35</b>	<b>315</b>	<b>1,736</b>	<b>372</b>	<b>13,083</b>
Loans and advances to banks	895	8	—	—	8	—	903
<b>Total<sup>a</sup></b>	<b>11,870</b>	<b>1,394</b>	<b>35</b>	<b>315</b>	<b>1,744</b>	<b>372</b>	<b>13,986</b>
<b>Coverage ratio</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Home loans	0.1	8.0	28.6	20.0	8.5	20.9	1.7
Credit cards, unsecured loans and other retail lending	0.8	14.7	20.0	32.1	15.5	58.3	6.9
Wholesale loans	0.1	3.7	—	0.3	2.2	27.6	1.4
<b>Loans and advances to customers</b>	<b>0.3</b>	<b>9.9</b>	<b>16.7</b>	<b>3.4</b>	<b>8.9</b>	<b>39.8</b>	<b>3.3</b>
Loans and advances to banks	—	—	—	—	—	—	—
<b>Total<sup>a</sup></b>	<b>0.3</b>	<b>9.8</b>	<b>16.7</b>	<b>3.4</b>	<b>8.9</b>	<b>39.8</b>	<b>3.1</b>

## Risk review

### Credit risk performance

Italian home loans and advances at amortised cost reduced to €5.0bn (2020: €5.6bn) and continue to run-off since new bookings ceased in 2016. The portfolio is secured on residential property with an average balance weighted mark to market LTV of 55.3% (2020: 58.6%). At 31 December 2021, the book value of the portfolio where payment holidays remain in place was €33m (2020: €202m), representing 0.7% (2020: 3.6%) of the portfolio.

No payment holidays were provided to Barclays Consumer Bank Europe customers during the year (2020: 9,000). At 31 December 2021, no payment holidays remained in place (2020: €0.3m), representing nil% (2020: 0.01%) of the portfolio.

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

As at 31 December 2020	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	4,673	714	33	21	768	217	5,658
Credit cards, unsecured loans and other retail lending	2,753	898	53	32	983	303	4,039
Wholesale loans	2,401	433	68	10	511	127	3,039
<b>Loans and advances to customers</b>	<b>9,827</b>	<b>2,045</b>	<b>154</b>	<b>63</b>	<b>2,262</b>	<b>647</b>	<b>12,736</b>
Loans and advances to banks	899	7	—	—	7	—	906
<b>Total<sup>a</sup></b>	<b>10,726</b>	<b>2,052</b>	<b>154</b>	<b>63</b>	<b>2,269</b>	<b>647</b>	<b>13,642</b>
<b>Impairment allowance</b>							
Home loans	5	42	7	6	55	38	98
Credit cards, unsecured loans and other retail lending	28	158	20	21	199	163	390
Wholesale loans	14	28	8	1	37	54	105
<b>Loans and advances to customers</b>	<b>47</b>	<b>228</b>	<b>35</b>	<b>28</b>	<b>291</b>	<b>255</b>	<b>593</b>
Loans and advances to banks	—	—	—	—	—	—	—
<b>Total<sup>a</sup></b>	<b>47</b>	<b>228</b>	<b>35</b>	<b>28</b>	<b>291</b>	<b>255</b>	<b>593</b>
<b>Net exposure</b>							
Home loans	4,668	672	26	15	713	179	5,560
Credit cards, unsecured loans and other retail lending	2,725	740	33	11	784	140	3,649
Wholesale loans	2,387	405	60	9	474	73	2,934
<b>Loans and advances to customers</b>	<b>9,780</b>	<b>1,817</b>	<b>119</b>	<b>35</b>	<b>1,971</b>	<b>392</b>	<b>12,143</b>
Loans and advances to banks	899	7	—	—	7	—	906
<b>Total<sup>a</sup></b>	<b>10,679</b>	<b>1,824</b>	<b>119</b>	<b>35</b>	<b>1,978</b>	<b>392</b>	<b>13,049</b>
<b>Coverage ratio</b>	%	%	%	%	%	%	%
Home loans	0.1	5.9	21.2	28.6	7.2	17.5	1.7
Credit cards, unsecured loans and other retail lending	1.0	17.6	37.7	65.6	20.2	53.8	9.7
Wholesale loans	0.6	6.5	11.8	10.0	7.2	42.5	3.5
<b>Loans and advances to customers</b>	<b>0.5</b>	<b>11.1</b>	<b>22.7</b>	<b>44.4</b>	<b>12.9</b>	<b>39.4</b>	<b>4.7</b>
Loans and advances to banks	—	—	—	—	—	—	—
<b>Total<sup>a</sup></b>	<b>0.4</b>	<b>11.1</b>	<b>22.7</b>	<b>44.4</b>	<b>12.8</b>	<b>39.4</b>	<b>4.3</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 €17,837m (2020: €19,244m) and impairment allowance of €4m (2020: €4m). This comprises €nil (2020: €nil) impairment allowance on €17,833m (2020: €19,240m) Stage 1 assets and €4m (2020: €4m) on €4m (2020: €4m) Stage 3 other assets.

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

The following tables present a reconciliation of the opening to the closing balance of the exposure and impairment allowance. An explanation of the methodology used to determine credit impairment provisions is included in Note 7. Transfers between stages in the tables have been reflected as if they had taken place at the beginning of the year. The movements are measured over a 12-month period.

# Risk review

## Credit risk 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
<b>Home Loans</b>								
As at 1 January 2021	4,673	5	768	55	217	38	5,658	98
Acquisitions	—	—	—	—	—	—	—	—
Transfers from Stage 1 to stage 2	(79)	—	79	—	—	—	—	—
Transfers from Stage 2 to stage 1	322	24	(322)	(24)	—	—	—	—
Transfers to Stage 3	(14)	—	(30)	(5)	44	5	—	—
Transfers from Stage 3	7	—	36	2	(43)	(2)	—	—
Business activity in the year <sup>a</sup>	—	—	—	—	—	—	—	—
Refinements to models used for calculation <sup>b</sup>	—	—	—	(1)	—	10	—	9
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes <sup>c</sup>	(316)	(26)	(23)	15	(12)	(6)	(351)	(17)
Final repayments	(238)	—	(23)	(1)	(7)	(1)	(268)	(2)
Disposals <sup>d</sup>	—	—	—	—	—	—	—	—
Write-offs <sup>e</sup>	—	—	—	—	(3)	(3)	(3)	(3)
<b>As at 31 December 2021<sup>f</sup></b>	<b>4,355</b>	<b>3</b>	<b>485</b>	<b>41</b>	<b>196</b>	<b>41</b>	<b>5,036</b>	<b>85</b>
<b>Credit cards, unsecured loans and other retail lending</b>								
As at 1 January 2021	2,753	28	983	199	303	163	4,039	390
Acquisitions	—	—	—	—	—	—	—	—
Transfers from Stage 1 to stage 2	(138)	(2)	138	2	—	—	—	—
Transfers from Stage 2 to stage 1	339	61	(339)	(61)	—	—	—	—
Transfers to Stage 3	(38)	(1)	(78)	(32)	116	33	—	—
Transfers from Stage 3	15	2	1	1	(16)	(3)	—	—
Business activity in the year <sup>a</sup>	1,111	14	49	7	8	5	1,168	26
Refinements to models used for calculation <sup>b</sup>	—	—	—	(30)	—	—	—	(30)
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes <sup>c</sup>	(537)	(69)	(18)	28	(39)	34	(594)	(7)
Final repayments	(65)	(6)	(1)	—	(5)	(2)	(71)	(8)
Disposals <sup>d</sup>	—	—	—	—	(43)	(26)	(43)	(26)
Write-offs <sup>e</sup>	—	—	—	—	(36)	(36)	(36)	(36)
<b>As at 31 December 2021<sup>f</sup></b>	<b>3,440</b>	<b>27</b>	<b>735</b>	<b>114</b>	<b>288</b>	<b>168</b>	<b>4,463</b>	<b>309</b>
<b>Wholesale loans<sup>g</sup></b>								
As at 1 January 2021	3,300	14	518	37	127	54	3,945	105
Acquisitions	52	—	—	—	3	—	55	—
Transfers from Stage 1 to stage 2	(370)	(1)	370	1	—	—	—	—
Transfers from Stage 2 to stage 1	285	20	(285)	(20)	—	—	—	—
Transfers to Stage 3	—	—	(35)	(8)	35	8	—	—
Transfers from Stage 3	—	—	—	—	—	—	—	—
Business activity in the year <sup>a</sup>	822	—	20	—	—	—	842	—
Refinements to models used for calculation <sup>b</sup>	—	—	—	1	—	—	—	1
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes <sup>c</sup>	849	(28)	147	6	3	(22)	999	(44)
Final repayments	(829)	(1)	(41)	(2)	(2)	(2)	(872)	(5)
Disposals <sup>d</sup>	—	—	—	—	(32)	(1)	(32)	(1)
Write-offs <sup>e</sup>	—	—	—	—	—	—	—	—
<b>As at 31 December 2021<sup>f</sup></b>	<b>4,109</b>	<b>4</b>	<b>694</b>	<b>15</b>	<b>134</b>	<b>37</b>	<b>4,937</b>	<b>56</b>

## Risk review

### Credit risk 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
<b>Total</b>								
Loans and advance to banks	895	—	8	—	—	—	903	—
Loans and advance to customers	11,009	34	1,906	170	618	246	13,533	450
	11,904	34	1,914	170	618	246	14,436	450

#### Notes

- a Business activity in the year does not include additional drawdowns on the existing facility which are reported under “Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes”.
- b Refinements to models used for calculation include a €9m increase in Home Loans, €30m release in Credit cards, unsecured loans and other retail lending portfolio and €1m increase in Wholesale loans. These reflect 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.
- c Financial assets with a loss allowance measured at an amount equal to life time ECL of €229m (2020: €38m) were subject to non-substantial modification during the period, with a resulting loss of €nil (2020: €5m). The gross carrying amount of financial assets subject to non-substantial modification for which the loss allowance has changed to a 12 month ECL during the year amounts to €55m (2020: €nil).
- d The €43m (2020: €49m) disposal reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year. The €32m (2020: €nil) disposal reported within Wholesale loans relates to debt sales.
- e In 2021, gross write-offs amounted to €39m (2020: €84m) and post write-off recoveries of €1m (2020: €2m). Net write-offs after applying recoveries amounted to €38m (2020: €82m).
- f 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 €17,837m (2020: €19,244m) and impairment allowance of €4m (2020: €4m). This comprises €nil (2020: €nil) impairment allowance on €17,833m (2020: €19,240m) Stage 1 assets and €4m (2020: €4m) on €4m (2020: €4m) Stage 3 other assets.
- g Includes Loans and advances to Banks of €895m in stage 1 (2020: €899m) and €8m in stage 2 (2020: €7m).

Reconciliation of ECL movement to credit impairment (release)/charge for the period (audited)	€m
Home loans	(10)
Credit cards, unsecured loans and other retail lending	(19)
Wholesale loans	(48)
<b>ECL movement excluding assets derecognised due to disposals and write-offs</b>	<b>(77)</b>
Recoveries and reimbursements <sup>a</sup>	15
Exchange and other adjustments <sup>b</sup>	—
Credit impairment release on loan commitments and financial guarantees	(29)
Credit impairment release on other financial assets <sup>c</sup>	(6)
<b>Credit impairment release for the year</b>	<b>(97)</b>

#### Notes

- a Recoveries and reimbursements includes a net reduction in amounts recoverable from financial guarantee contracts held with third parties of €16m (2020 gain: €18m) and cash recoveries of previously written off amounts of €1m (2020: €2m).
- b Includes foreign exchange and interest and fees in suspense.
- c 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 €17,837m (2020: €19,244m) and impairment allowance of €4m (2020: €4m). This comprises €nil (2020: €nil) impairment allowance on €17,833m (2020: €19,240m) Stage 1 assets and €4m (2020: €4m) on €4m (2020: €4m) Stage 3 other assets.



# Risk review

## Credit risk performance

Loan commitments and financial guarantees (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>Credit cards, unsecured loans and other retail lending</b>								
As at 1 January 2021	4,685	—	261	—	4	—	4,950	—
Net transfers between stages	(3)	—	(11)	—	14	—	—	—
Business activity in the year	614	—	6	—	—	—	620	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	110	—	35	—	(4)	—	141	—
Limit management and final repayments	(13)	—	—	—	—	—	(13)	—
<b>As at 31 December 2021</b>	<b>5,393</b>	<b>—</b>	<b>291</b>	<b>—</b>	<b>14</b>	<b>—</b>	<b>5,698</b>	<b>—</b>
<b>Wholesale loans</b>								
As at 1 January 2021	18,423	14	2,614	38	126	—	21,163	52
Acquisitions	1,133	—	184	—	4	—	1,321	—
Net transfers between stages	347	11	(282)	(11)	(65)	—	—	—
Business activity in the year	3,273	2	627	4	—	—	3,900	6
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	2,030	(5)	(207)	(16)	23	1	1,846	(20)
Limit management and final repayments	(3,634)	(4)	(315)	(6)	(18)	(1)	(3,967)	(11)
<b>As at 31 December 2021</b>	<b>21,572</b>	<b>18</b>	<b>2,621</b>	<b>9</b>	<b>70</b>	<b>—</b>	<b>24,263</b>	<b>27</b>

There were no loan commitments or financial guarantees for home loans during 2021.

## Risk review

### Credit risk performance

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>								
<b>As at 1 January 2020</b>	5,551	5	569	41	186	24	6,306	70
Acquisitions	—	—	—	—	—	—	—	—
Transfers from Stage 1 to Stage 2	(462)	(1)	462	1	—	—	—	—
Transfers from Stage 2 to Stage 1	189	8	(189)	(8)	—	—	—	—
Transfers to Stage 3	(30)	—	(48)	(8)	78	8	—	—
Transfers from Stage 3	—	—	25	1	(25)	(1)	—	—
Business activity in the year	—	—	—	—	—	—	—	—
Refinements to models used for calculations	—	—	—	—	—	—	—	—
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes <sup>a</sup>	(321)	(7)	(34)	29	(15)	10	(370)	32
Final repayments	(254)	—	(17)	(1)	(5)	(1)	(276)	(2)
Disposals <sup>b</sup>	—	—	—	—	—	—	—	—
Write-offs <sup>c</sup>	—	—	—	—	(2)	(2)	(2)	(2)
<b>As at 31 December 2020<sup>d</sup></b>	<b>4,673</b>	<b>5</b>	<b>768</b>	<b>55</b>	<b>217</b>	<b>38</b>	<b>5,658</b>	<b>98</b>
<b>Credit cards, unsecured loans and other retail lending</b>								
<b>As at 1 January 2020</b>	3,269	26	937	141	291	162	4,497	329
Acquisitions	—	—	—	—	—	—	—	—
Transfers from Stage 1 to Stage 2	(385)	(5)	385	5	—	—	—	—
Transfers from Stage 2 to Stage 1	261	34	(261)	(34)	—	—	—	—
Transfers to Stage 3	(62)	(1)	(74)	(19)	136	20	—	—
Transfers from Stage 3	10	8	1	1	(11)	(9)	—	—
Business activity in the year	595	7	83	15	30	7	708	29
Refinements to models used for calculations	—	—	—	—	—	—	—	—
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes <sup>a</sup>	(862)	(30)	(83)	90	(42)	61	(987)	121
Final repayments	(73)	(11)	(5)	—	(4)	(1)	(82)	(12)
Disposals <sup>b</sup>	—	—	—	—	(49)	(29)	(49)	(29)
Write-offs <sup>c</sup>	—	—	—	—	(48)	(48)	(48)	(48)
<b>As at 31 December 2020<sup>d</sup></b>	<b>2,753</b>	<b>28</b>	<b>983</b>	<b>199</b>	<b>303</b>	<b>163</b>	<b>4,039</b>	<b>390</b>
<b>Wholesale loans<sup>e</sup></b>								
<b>As at 1 January 2020</b>	2,945	6	333	7	28	15	3,306	28
Acquisitions	410	7	—	—	7	4	417	11
Transfers from Stage 1 to Stage 2	(335)	(1)	335	1	—	—	—	—
Transfers from Stage 2 to Stage 1	161	3	(161)	(3)	—	—	—	—
Transfers to Stage 3	(45)	—	(43)	(1)	88	1	—	—
Transfers from Stage 3	—	—	—	—	—	—	—	—
Business activity in the year	752	—	54	—	—	—	806	—
Refinements to models used for calculations	—	—	—	—	—	—	—	—
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes <sup>a</sup>	48	(1)	39	34	39	69	126	102
Final repayments	(636)	—	(39)	(1)	(1)	(1)	(676)	(2)
Disposals <sup>b</sup>	—	—	—	—	—	—	—	—
Write-offs <sup>c</sup>	—	—	—	—	(34)	(34)	(34)	(34)
<b>As at 31 December 2020<sup>d</sup></b>	<b>3,300</b>	<b>14</b>	<b>518</b>	<b>37</b>	<b>127</b>	<b>54</b>	<b>3,945</b>	<b>105</b>

## Risk review

### Credit risk performance

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>Total</b>								
Loans and advances to Banks	899	—	7	—	—	—	906	—
Loans and advances to Customers	9,827	47	2,262	291	647	255	12,736	593
	10,726	47	2,269	291	647	255	13,642	593

#### Notes

- a Financial assets with a loss allowance measured at an amount equal to life time ECL of €38m (2019: €12m) were subject to non-substantial modification during the period, with a resulting loss of €5m (2019: €5m). The gross carrying amount at 31 December 2021 for which the loss allowance has changed to a 12 month ECL during the year amounts to €nil (2020: €27m).
- b The €49m disposal reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year.
- c In 2020, gross write-offs amounted to €84m (2019: €49m) and post write-off recoveries of €2m (2019: €2m). Net write-offs after applying recoveries amounted to €82m (2019: €47m).
- 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 €19,244m (As at 31 December 2019: €9,085m) and impairment allowance of €4m (As at 31 December 2019: €4m). This comprises €nil (As at 31 December 2019: €nil) impairment allowance on €19,240m (As at 31 December: €9,081m) Stage 1 assets and €4m (As at 31 December 2019: €4m) on €4m (As at 31 December 2019: €4m) Stage 3 other assets.
- e Includes Loans and advances to Banks of €899m in stage 1 (As at 31 December 2019: €658m) and €7m in stage 2 (As at 31 December 2019: €nil).

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

	€m
<i>Home loans</i>	30
<i>Credit cards, unsecured loans and other retail lending</i>	138
<i>Wholesale loans</i>	100
<b>ECL movement excluding assets derecognised due to disposals and write-offs</b>	<b>268</b>
Recoveries and reimbursements <sup>a</sup>	(20)
Exchange and other adjustments <sup>b</sup>	(8)
Credit impairment charge on loan commitments and financial guarantees	40
Credit impairment charge on other financial assets <sup>c</sup>	—
<b>Credit impairment charge for the year</b>	<b>280</b>

#### Notes

- a Recoveries and reimbursements includes €18m for reimbursements expected to be received under the arrangement where the Bank has entered into financial guarantee contracts which provide credit protection over certain loans assets with third parties. Cash recoveries of previously written off amounts to €2m.
- b Includes interest and fees in suspense.
- c 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 €19,244m (As at 31 December 2019: €9,085m) and impairment allowance of €4m (As at 31 December 2019: €4m). This comprises €nil (As at 31 December 2019: €nil) impairment allowance on €19,240m (As at 31 December: €9,081m) Stage 1 assets and €4m (As at 31 December 2019: €4m) on €4m (As at 31 December 2019: €4m) Stage 3 other assets.

## Risk review

### Credit risk performance

Loan commitments and financial guarantees (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>Credit cards, unsecured loans and other retail lending</b>								
As at 1 January 2020	4,659	—	171	—	50	—	4,880	—
Net transfers between stages	(64)	—	52	—	12	—	—	—
Business activity in the year	325	—	2	—	—	—	327	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	52	—	37	—	(58)	—	31	—
Limit management and final repayments	(287)	—	(1)	—	—	—	(288)	—
<b>As at 31 December 2020</b>	<b>4,685</b>	<b>—</b>	<b>261</b>	<b>—</b>	<b>4</b>	<b>—</b>	<b>4,950</b>	<b>—</b>
<b>Wholesale loans</b>								
As at 1 January 2020	14,189	4	837	6	24	—	15,050	10
Acquisitions	4,853	4	—	—	—	—	4,853	4
Net transfers between stages	(1,659)	—	1,553	—	106	—	—	—
Business activity in the year	1,087	1	252	25	2	—	1,341	26
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	1,593	5	180	9	(6)	—	1,767	14
Limit management and final repayments	(1,640)	—	(208)	(2)	—	—	(1,848)	(2)
<b>As at 31 December 2020</b>	<b>18,423</b>	<b>14</b>	<b>2,614</b>	<b>38</b>	<b>126</b>	<b>—</b>	<b>21,163</b>	<b>52</b>

There were no loan commitments or financial guarantees for home loans during 2020.

### Stage 2 decomposition

Loans and advances at amortised cost <sup>a</sup> (audited)	2021		2020	
	Gross exposure €m	Impairment allowance €m	Gross exposure €m	Impairment allowance €m
<b>As at 31 December</b>				
Quantitative test	1,357	140	1,914	251
Qualitative test	256	18	279	27
30 days past due backstop	301	12	76	13
<b>Total Stage 2</b>	<b>1,914</b>	<b>170</b>	<b>2,269</b>	<b>291</b>

Note

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

Stage 2 exposures are predominantly identified using quantitative tests where the lifetime PD has deteriorated more than a pre-determined amount since origination during the year driven by changes in macroeconomic variables. 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 (€12m of impairment allowances and €301m 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 and Corporate and Investment Banking.

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

# Risk review

## Credit risk performance

### Stage 3 decomposition

Loans and advances at amortised cost (audited)				
	2021		2020	
	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>	297	106	299	88
Exposures individually assessed or in recovery book <sup>b</sup>	321	140	348	167
<b>Total Stage 3</b>	<b>618</b>	<b>246</b>	<b>647</b>	<b>255</b>

Note

a Includes €240m (2020: €225m) 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 (audited)

Management adjustments to impairment models are applied in order to factor in certain conditions or changes in policy that are not fully incorporated into the impairment models, or to reflect additional 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:

Overview of management adjustments to models for impairment (audited) <sup>a</sup>				
	2021		2020	
	Management adjustments to impairment allowances	Proportion of total impairment allowances	Management adjustments to impairment allowances	Proportion of total impairment allowances
As at 31 December	€m	%	€m	%
Home loans	32	37.6	25	25.5
Credit cards, unsecured loans and other retail lending	54	17.5	61	15.6
Wholesale loans	15	18.1	16	10.2
<b>Total</b>	<b>101</b>	<b>21.2</b>	<b>102</b>	<b>15.8</b>

Notes

a Positive values reflect an increase in impairment allowance and negative values reflect a reduction in the impairment allowance.

### Management adjustments to models are presented by product below: (audited)<sup>a</sup>

	Impairment allowance pre management adjustments <sup>b</sup>	Economic uncertainty adjustments (i)	Other adjustments (ii)	Total management adjustments (i)+(ii)	Total impairment allowance <sup>c</sup>
	€m	€m	€m	€m	€m
<b>As at 31 December 2021</b>					
Home loans	53	32	—	32	85
Credit cards, unsecured loans and other retail lending	255	35	19	54	309
Wholesale loans	68	13	2	15	83
<b>Total</b>	<b>376</b>	<b>80</b>	<b>21</b>	<b>101</b>	<b>477</b>
<b>As at 31 December 2020</b>					
Home loans	73	23	2	25	98
Credit cards, unsecured loans and other retail lending	329	85	(24)	61	390
Wholesale loans	141	16	—	16	157
<b>Total</b>	<b>543</b>	<b>124</b>	<b>(22)</b>	<b>102</b>	<b>645</b>

Notes

a Positive values reflect an increase in impairment allowance and negative values reflect a reduction in the impairment allowance.

b Includes €292m (2020: €439m) of modelled ECL and €84m (2020: €104m) of individually assessed impairments.

c Total impairment allowance consists of ECL stock on drawn and undrawn exposures.

## Risk review

### Credit risk performance

#### Economic uncertainty adjustments

Throughout the COVID-19 pandemic in 2020 and 2021, macroeconomic forecasts anticipated lasting impacts to unemployment levels and customer and client stress. More recent macroeconomic forecasts indicated that the outlook has improved, with measures of government and bank support starting to taper down and no material deterioration in customer delinquencies observed to date. However, the degree of economic uncertainty remains relatively high: credit deterioration may still occur when support measures are fully withdrawn across geographies; emerging supply chain disruption and inflationary pressures may challenge economic stability; and economic consensus may not capture the range of economic uncertainty associated with fast moving new COVID-19 variants such as Omicron.

Given this backdrop, management has recognised economic uncertainty adjustments to modelled outputs to address these sources of uncertainties and ensure that the potential impacts of stress are provided for. This uncertainty continues to be captured in two distinct ways. Firstly, customer uncertainty: the identification of customers and clients who may be more vulnerable to the withdrawal of support schemes and emerging economic instability; and secondly, model uncertainty: to capture the impact from model limitations and sensitivities to specific macroeconomic parameters which are applied at a portfolio level.

The economic uncertainty adjustments of €80m (2020: €124m) includes customer and client uncertainty provisions of €46m (2020: €46m) and model uncertainty provisions of €34m (2020: €78m).

- a. **Customer uncertainty provisions** represents an adjustment of €46m (2020: €46m) applied to customers and clients considered potentially vulnerable to the withdrawal of support schemes and emerging economic instability against which lifetime coverage is applied. This is split between Credit cards, unsecured loans and other retail lending of €35m (2020: €36m) and wholesale loans of €11m (2020: €10m).
- b. **Model uncertainty provisions** reduced by €44m reflecting an update in adjustment in response to the modelled provisions following the update in the Q421 scenarios.

#### Other adjustments

Other adjustments are operational in nature and are expected to remain in place until they can be corrected in the underlying models. These adjustments result from data limitations and model performance related issues identified through established governance processes. The quantum of adjustments reduced in response to the Q421 scenarios as well as model enhancements made during the year. Material adjustments consists of the following:

**Credit cards, unsecured loans and other retail lending:** Includes an adjustment of €18m to reflect the impact of the definition of default change which is predominantly driven by the consumer portfolio in Germany. Further, it includes an adjustment for model inaccuracies informed by model monitoring.

**Wholesale loans:** Represents the net adjustments for model inaccuracies informed by model monitoring.

#### Measurement uncertainty and sensitivity analysis

Management has applied economic uncertainty and other adjustments to modelled ECL outputs. Economic uncertainty adjustments reflect the potential for specific customers and clients who may be more vulnerable to the full withdrawal of support and emerging economic instability and the degree to which economic consensus may not have captured the range of economic uncertainty associated with continued developments resulting from COVID-19. As a result, ECL is higher than would be the case if it were based on forecast economic scenarios alone.

The measurement of modelled ECL involves 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. The Bank uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including Bloomberg (based on median of economic forecasts), 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 broadly similar severity to Barclays' internal stress tests and stress scenarios provided by regulators whilst also considering IFRS 9 specific sensitivities and non-linearity. The favourable scenarios are designed to reflect plausible upside risks to the Baseline scenario which are broadly consistent with the economic narrative approved by the Senior Scenario Review Committee. All scenarios are regenerated at a minimum semi-annually. 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. 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.

Scenarios used to calculate the Bank's ECL charge were reviewed and updated regularly throughout 2021, following the continuation of the COVID-19 pandemic throughout the year, including the emergence of the Omicron variant and the global vaccination rollout. The current Baseline scenario reflects the latest consensus economic forecasts; the steady recovery in GDP in Germany, Italy, the UK and the US continues with GDP returning to pre-COVID-19 pandemic levels by Q222. UK unemployment peaks at 5.0% in Q122 and Germany, Italy and US unemployment continues to decline. In the Downside 2 scenario, inflation continues to accelerate and the ECB refi rate, the UK bank rate and the US federal funds rate are increased to 2.5%, 4.0% and 3.5% respectively, by the end of 2022, leading to a further downturn in GDP until Q323. Unemployment peaks in Q323 at 8.0% in Germany, 14.5% in Italy, 9.2% in the UK and 9.5% in the US. In the Upside 2 scenario, inflation expectations and global energy prices stabilise and GDP growth rises as COVID-19 risks continue to decline helping to release more of the pent-up demand and accumulated household savings into the economy. Unemployment rates decline gradually.

## Risk review

### Credit risk performance

The methodology for estimating probability weights used in calculating ECL involves simulating a range of future paths for GDP using historical data. The five scenarios are mapped against the distribution of these future paths, with the median centred around the Baseline such that scenarios further from the Baseline attract a lower weighting. 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 Barclays' 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, credit cards and unsecured consumer loans are highly sensitive to unemployment.

The changes to the scenario weights in 2021 primarily reflect changes made to the severity of the scenarios. The Downside 2 scenario has been aligned with the internal stress test, which is informed by a weaker GDP outlook. The effect of this is to move the Downside 2 scenario further away from the Baseline, resulting in a lower weighting. For further details see page 65.

Although the macroeconomic outlook has improved, the level of uncertainty remains relatively high. A key judgement is the extent to which economic uncertainty experienced throughout the COVID-19 pandemic now reflects additional challenges, namely inflationary pressures and global supply chain disruptions. Inflationary headwinds have yet to materially impact customer affordability and corporate profitability data. A balanced approach has therefore been adopted in the sizing of expert judgements as we move away from a period characterised by significant customer support.

The economic uncertainty adjustments of €80m (2020: €124m) includes customer and client uncertainty provisions of €46m (2020: €46m) and model uncertainty provisions of €34m (2020: €78m). For further details see page 58.

The tables below show the key macroeconomic variables used in the five scenarios (5 year annual paths), the probability weights applied to each scenario and the macroeconomic variables by scenario using 'specific bases' i.e. the most extreme position of each variable in the context of the scenario, for example, the highest unemployment for downside scenarios and the lowest unemployment for upside scenarios. 5-year average tables and movement over time graphs provide additional transparency. Annual paths show quarterly averages for the year (unemployment and base rate) or change in the year (GDP and HPI).



# Risk review

## Credit risk performance

### Baseline average macroeconomic variables used in the calculation of ECL

	2021	2022	2023	2024	2025
As at 31 December 2021	%	%	%	%	%
Italy GDP <sup>a</sup>	6.4	4.7	2.2	1.9	1.9
Italy unemployment <sup>b</sup>	9.8	9.4	9.1	9.1	9.1
Italy HPI <sup>c</sup>	1.9	1.5	0.1	(0.2)	(0.2)
Germany GDP <sup>a</sup>	2.6	3.9	2.1	2.0	2.0
Germany unemployment <sup>d</sup>	3.8	3.5	3.2	3.2	3.2
Germany HPI <sup>e</sup>	5.7	3.8	3.1	2.9	2.9
EA GDP <sup>a,k</sup>	5.3	4.4	2.3	2.1	2.1
EU unemployment <sup>f</sup>	7.1	6.8	6.3	6.2	6.1
ECB Refi	—	—	0.3	0.3	0.3
UK GDP <sup>a</sup>	6.2	4.9	2.3	1.9	1.7
UK unemployment <sup>g</sup>	4.8	4.7	4.5	4.3	4.2
UK HPI <sup>h</sup>	4.7	1.0	1.9	1.9	2.3
UK bank rate	0.1	0.8	1.0	1.0	0.8
US GDP <sup>a</sup>	5.5	3.9	2.6	2.4	2.4
US unemployment <sup>i</sup>	5.5	4.2	3.6	3.6	3.6
US HPI <sup>j</sup>	11.8	4.5	5.2	4.9	5.0
US federal funds rate	0.2	0.3	0.9	1.2	1.3

	2020	2021	2022	2023	2024
As at 31 December 2020	%	%	%	%	%
Italy GDP <sup>a</sup>	(15.6)	(2.2)	4.6	2.6	2.6
Italy unemployment <sup>b</sup>	9.8	11.5	10.4	10.4	10.4
Italy HPI <sup>c</sup>	(2.5)	(0.2)	0.1	0.7	1.4
Germany GDP <sup>a</sup>	(10.0)	(1.6)	3.7	2.5	2.5
Germany unemployment <sup>d</sup>	4.2	4.2	3.9	3.9	3.9
Germany HPI <sup>e</sup>	2.1	3.2	3.6	3.6	2.9
EA GDP <sup>a,k</sup>	(13.2)	(1.9)	4.3	2.6	2.6
EU unemployment <sup>f</sup>	7.3	7.9	7.6	7.5	7.5
ECB Refi	—	(0.1)	(0.1)	(0.1)	(0.1)
UK GDP <sup>a</sup>	(10.1)	6.3	3.3	2.6	2.0
UK unemployment <sup>g</sup>	4.5	6.7	6.4	5.8	5.1
UK HPI <sup>h</sup>	6.1	2.4	2.3	5.0	2.4
UK bank rate	0.2	—	(0.1)	—	0.1
US GDP <sup>a</sup>	(4.4)	3.9	3.1	2.9	2.9
US unemployment <sup>i</sup>	8.4	6.9	5.7	5.6	5.6
US HPI <sup>j</sup>	2.3	2.8	4.7	4.7	4.7
US federal funds rate	0.5	0.3	0.3	0.3	0.4

# Risk review

## Credit risk performance

### Downside 2 average macroeconomic variables used in the calculation of ECL

	2021	2022	2023	2024	2025
As at 31 December 2021	%	%	%	%	%
Italy GDP <sup>a</sup>	6.4	0.2	(4.6)	4.5	6.1
Italy unemployment <sup>b</sup>	9.8	11.6	14.1	12.8	11.3
Italy HPI <sup>c</sup>	1.9	(14.3)	(2.2)	4.9	1.7
Germany GDP <sup>a</sup>	2.6	0.2	(3.2)	3.6	4.1
Germany unemployment <sup>d</sup>	3.8	5.7	7.7	6.4	5.1
Germany HPI <sup>e</sup>	5.7	(9.6)	4.3	4.9	4.9
EA GDP <sup>a,k</sup>	5.3	(0.1)	(3.6)	4.0	5.0
EU unemployment <sup>f</sup>	7.1	8.7	10.6	9.4	8.2
ECB Refi	—	1.4	2.4	1.7	1.5
UK GDP <sup>a</sup>	6.2	0.2	(4.0)	2.8	4.3
UK unemployment <sup>g</sup>	4.8	7.2	9.0	7.6	6.3
UK HPI <sup>h</sup>	4.7	(14.3)	(21.8)	11.9	15.2
UK bank rate	0.1	2.2	3.9	3.1	2.2
US GDP <sup>a</sup>	5.5	(0.8)	(3.5)	2.5	3.2
US unemployment <sup>i</sup>	5.5	6.4	9.1	8.1	6.4
US HPI <sup>j</sup>	11.8	(6.6)	(9.0)	5.9	6.7
US federal funds rate	0.2	2.1	3.4	2.6	2.0

	2020	2021	2022	2023	2024
As at 31 December 2020	%	%	%	%	%
Italy GDP <sup>a</sup>	(15.6)	(9.6)	4.5	1.9	1.6
Italy unemployment <sup>b</sup>	9.8	13.7	12.9	12.4	12.0
Italy HPI <sup>c</sup>	(2.5)	(17.5)	(10.9)	(5.6)	(2.9)
Germany GDP <sup>a</sup>	(10.0)	(6.9)	3.8	2.1	1.9
Germany unemployment <sup>d</sup>	4.2	6.5	6.1	5.4	5.3
Germany HPI <sup>e</sup>	2.1	(14.3)	1.6	3.2	2.4
EA GDP <sup>a,k</sup>	(13.2)	(8.6)	4.1	1.8	1.6
EU unemployment <sup>f</sup>	7.3	11.4	10.0	9.5	9.2
ECB Refi	—	(0.1)	(0.1)	(0.1)	(0.1)
UK GDP <sup>a</sup>	(10.1)	(3.9)	6.5	2.6	1.4
UK unemployment <sup>g</sup>	4.5	8.0	9.3	7.8	6.3
UK HPI <sup>h</sup>	6.1	(13.6)	(10.8)	0.5	1.5
UK bank rate	0.2	(0.2)	(0.2)	(0.1)	(0.1)
US GDP <sup>a</sup>	(4.4)	(2.4)	3.6	2.1	2.0
US unemployment <sup>i</sup>	8.4	13.4	11.9	10.1	8.2
US HPI <sup>j</sup>	2.3	(17.2)	(0.7)	0.6	1.3
US federal funds rate	0.5	0.3	0.3	0.3	0.3

# Risk review

## Credit risk performance

### Downside 1 average macroeconomic variables used in the calculation of ECL

	2021	2022	2023	2024	2025
As at 31 December 2021	%	%	%	%	%
Italy GDP <sup>a</sup>	6.4	2.4	(1.2)	3.2	4.0
Italy unemployment <sup>b</sup>	9.8	10.7	11.9	11.2	10.5
Italy HPI <sup>c</sup>	1.9	(6.6)	(1.0)	2.3	0.7
Germany GDP <sup>a</sup>	2.6	2.0	(0.5)	2.8	3.0
Germany unemployment <sup>d</sup>	3.8	4.6	5.4	4.8	4.2
Germany HPI <sup>e</sup>	5.7	(3.1)	3.7	3.9	3.9
EA GDP <sup>a,k</sup>	5.3	2.2	(0.7)	3.1	3.6
EU unemployment <sup>f</sup>	7.1	7.7	8.4	7.8	7.2
ECB Refi	—	0.8	1.3	1.0	1.0
UK GDP <sup>a</sup>	6.2	2.8	(0.7)	2.3	2.9
UK unemployment <sup>g</sup>	4.8	6.2	6.8	6.0	5.3
UK HPI <sup>h</sup>	4.7	(6.8)	(10.5)	6.9	8.6
UK bank rate	0.1	1.6	2.7	2.3	1.6
US GDP <sup>a</sup>	5.5	1.6	(0.4)	2.4	2.7
US unemployment <sup>i</sup>	5.5	5.4	6.6	6.1	5.2
US HPI <sup>j</sup>	11.8	(1.2)	(2.1)	4.8	5.2
US federal funds rate	0.2	1.3	2.3	2.1	1.8

	2020	2021	2022	2023	2024
As at 31 December 2020	%	%	%	%	%
Italy GDP <sup>a</sup>	(15.6)	(6.7)	5.4	2.9	2.1
Italy unemployment <sup>b</sup>	9.8	12.4	11.4	11.0	11.0
Italy HPI <sup>c</sup>	(2.5)	(9.2)	(5.5)	(2.5)	(0.8)
Germany GDP <sup>a</sup>	(10.0)	(5.1)	4.1	2.6	2.3
Germany unemployment <sup>d</sup>	4.2	5.3	5.0	4.6	4.5
Germany HPI <sup>e</sup>	2.1	(5.8)	2.6	3.4	2.6
EA GDP <sup>a,k</sup>	(13.2)	(6.2)	4.8	2.7	2.1
EU unemployment <sup>f</sup>	7.3	9.4	8.5	8.3	8.1
ECB Refi	—	(0.1)	(0.1)	(0.1)	(0.1)
UK GDP <sup>a</sup>	(10.1)	0.1	6.6	3.2	1.8
UK unemployment <sup>g</sup>	4.5	7.3	8.0	6.9	5.8
UK HPI <sup>h</sup>	6.1	(6.7)	(3.5)	1.7	2.0
UK bank rate	0.2	(0.1)	(0.1)	—	—
US GDP <sup>a</sup>	(4.4)	0.4	3.6	2.3	2.2
US unemployment <sup>i</sup>	8.4	11.0	8.9	6.9	6.1
US HPI <sup>j</sup>	2.3	(5.9)	1.8	2.6	3.6
US federal funds rate	0.5	0.3	0.3	0.3	0.3

# Risk review

## Credit risk performance

### Upside 2 average macroeconomic variables used in the calculation of ECL

	2021	2022	2023	2024	2025
As at 31 December 2021	%	%	%	%	%
Italy GDP <sup>a</sup>	6.4	7.3	5.4	3.5	2.6
Italy unemployment <sup>b</sup>	9.8	9.2	8.8	8.8	8.8
Italy HPI <sup>c</sup>	1.9	4.7	4.8	2.5	2.0
Germany GDP <sup>a</sup>	2.6	7.3	5.4	3.0	2.2
Germany unemployment <sup>d</sup>	3.8	3.3	3.1	3.1	3.1
Germany HPI <sup>e</sup>	5.7	5.5	5.5	4.3	4.0
EA GDP <sup>a,k</sup>	5.3	7.3	5.4	3.1	2.6
EU unemployment <sup>f</sup>	7.1	6.4	6.2	6.1	6.0
ECB Refi	—	—	0.1	0.1	0.1
UK GDP <sup>a</sup>	6.2	7.2	4.0	2.7	2.1
UK unemployment <sup>g</sup>	4.8	4.5	4.1	4.0	4.0
UK HPI <sup>h</sup>	4.7	8.5	9.0	5.2	4.2
UK bank rate	0.1	0.2	0.5	0.5	0.3
US GDP <sup>a</sup>	5.5	5.3	4.1	3.5	3.4
US unemployment <sup>i</sup>	5.5	3.9	3.4	3.3	3.3
US HPI <sup>j</sup>	11.8	10.6	8.5	7.2	6.6
US federal funds rate	0.2	0.3	0.4	0.7	1.0

	2020	2021	2022	2023	2024
As at 31 December 2020	%	%	%	%	%
Italy GDP <sup>a</sup>	(15.6)	2.0	5.3	3.6	3.4
Italy unemployment <sup>b</sup>	9.8	9.4	9.0	8.8	8.8
Italy HPI <sup>c</sup>	(2.5)	3.5	2.0	2.0	2.0
Germany GDP <sup>a</sup>	(10.0)	3.0	4.7	3.3	3.1
Germany unemployment <sup>d</sup>	4.2	3.6	3.4	3.4	3.4
Germany HPI <sup>e</sup>	2.1	7.2	5.5	4.8	4.3
EA GDP <sup>a,k</sup>	(13.2)	2.2	5.0	3.4	3.2
EU unemployment <sup>f</sup>	7.3	6.9	6.5	6.6	6.7
ECB Refi	—	—	0.1	0.3	0.3
UK GDP <sup>a</sup>	(10.1)	12.2	5.3	3.9	2.9
UK unemployment <sup>g</sup>	4.5	6.2	5.5	4.8	4.4
UK HPI <sup>h</sup>	6.1	6.6	10.4	10.8	7.3
UK bank rate	0.2	0.1	0.3	0.3	0.5
US GDP <sup>a</sup>	(4.4)	7.1	4.6	4.0	3.5
US unemployment <sup>i</sup>	8.4	5.5	4.3	4.1	4.1
US HPI <sup>j</sup>	2.3	8.8	9.1	8.9	7.5
US federal funds rate	0.5	0.3	0.4	0.6	0.9

# Risk review

## Credit risk performance

### Upside 1 average macroeconomic variables used in the calculation of ECL

	2021	2022	2023	2024	2025
As at 31 December 2021	%	%	%	%	%
Italy GDP <sup>a</sup>	6.4	6.0	3.8	2.7	2.3
Italy unemployment <sup>b</sup>	9.8	9.3	8.9	8.9	8.9
Italy HPI <sup>c</sup>	1.9	3.1	2.5	1.1	0.9
Germany GDP <sup>a</sup>	2.6	5.6	3.7	2.5	2.1
Germany unemployment <sup>d</sup>	3.8	3.4	3.2	3.2	3.2
Germany HPI <sup>e</sup>	5.7	4.6	4.3	3.6	3.5
EA GDP <sup>a,k</sup>	5.3	5.9	3.8	2.6	2.3
EU unemployment <sup>f</sup>	7.1	6.6	6.2	6.1	6.1
ECB Refi	—	—	0.1	0.2	0.3
UK GDP <sup>a</sup>	6.2	6.0	3.1	2.3	1.9
UK unemployment <sup>g</sup>	4.8	4.6	4.3	4.2	4.1
UK HPI <sup>h</sup>	4.7	5.0	5.0	3.9	3.3
UK bank rate	0.1	0.6	0.8	0.8	0.5
US GDP <sup>a</sup>	5.5	4.6	3.4	2.9	2.9
US unemployment <sup>i</sup>	5.5	4.0	3.5	3.5	3.5
US HPI <sup>j</sup>	11.8	8.3	7.0	6.0	5.7
US federal funds rate	0.2	0.3	0.6	1.0	1.1

	2020	2021	2022	2023	2024
As at 31 December 2020	%	%	%	%	%
Italy GDP <sup>a</sup>	(15.6)	0.4	5.0	3.2	3.0
Italy unemployment <sup>b</sup>	9.8	10.3	9.4	9.3	9.3
Italy HPI <sup>c</sup>	(2.5)	1.6	1.1	1.4	1.7
Germany GDP <sup>a</sup>	(10.0)	0.9	4.2	3.1	2.9
Germany unemployment <sup>d</sup>	4.2	4.0	3.6	3.6	3.6
Germany HPI <sup>e</sup>	2.1	5.2	4.5	4.2	3.6
EA GDP <sup>a,k</sup>	(13.2)	0.4	4.6	3.1	3.0
EU unemployment <sup>f</sup>	7.3	7.4	7.0	7.1	7.1
ECB Refi	—	—	—	0.1	0.1
UK GDP <sup>a</sup>	(10.1)	9.3	3.9	3.4	2.5
UK unemployment <sup>g</sup>	4.5	6.4	6.0	5.2	4.7
UK HPI <sup>h</sup>	6.1	4.6	6.1	6.1	4.7
UK bank rate	0.2	0.1	0.1	0.3	0.3
US GDP <sup>a</sup>	(4.4)	5.5	4.0	3.7	3.3
US unemployment <sup>i</sup>	8.4	6.0	4.8	4.6	4.6
US HPI <sup>j</sup>	2.3	6.8	6.7	6.3	5.6
US federal funds rate	0.5	0.3	0.3	0.5	0.8

#### Notes:

- a Average Real GDP seasonally adjusted change in year.
- b Average Italy unemployment rate.
- c Change in year end Italy HPI, relative to prior year end.
- d Average Germany unemployment rate.
- e Change in year end Germany HPI, relative to prior year end.
- f Average EU unemployment rate.
- g Average UK unemployment rate 16-year+.
- h Change in year end UK HPI = Halifax All Houses, All Buyers index, relative to prior year end.
- i Average US civilian unemployment rate 16-year+.
- j Change in year end US HPI = FHFA House Price Index, relative to prior year end.
- k EA GDP refers to Euro Area GDP.

## Risk review

### Credit risk performance

Scenario probability weighting (audited)					
	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
<b>As at 31 December 2021</b>					
Scenario probability weighting	20.9	27.2	30.1	14.8	7.0
<b>As at 31 December 2020</b>					
Scenario probability weighting	20.2	24.2	24.7	15.5	15.4

Specific bases show the most extreme position of each variable in the context of the scenario, for example, the highest unemployment for downside scenarios, average unemployment for baseline scenarios and lowest unemployment for upside scenarios. GDP and HPI downside and upside scenario data represents the lowest and highest points relative to the start point in the 20 quarter period.

#### Macroeconomic variables used in the calculation of ECL (specific bases)<sup>a</sup> (audited)

<b>As at 31 December 2021</b>	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
Italy GDP <sup>b</sup>	26.0	21.0	3.4	0.2	(1.3)
Italy unemployment <sup>c</sup>	8.8	8.9	9.3	12.1	14.5
Italy HPI <sup>d</sup>	17.2	10.7	0.6	(5.8)	(14.6)
Germany GDP <sup>b</sup>	20.4	16.0	2.5	(2.0)	(3.1)
Germany unemployment <sup>c</sup>	3.1	3.2	3.4	5.6	8.0
Germany HPI <sup>d</sup>	27.7	23.7	3.7	1.5	(4.5)
EA GDP <sup>b,h</sup>	24.0	19.6	3.2	(0.3)	(1.6)
EU unemployment <sup>c</sup>	6.0	6.0	6.5	8.6	10.9
ECB Refi <sup>c</sup>	—	—	0.2	1.3	2.5
UK GDP <sup>b</sup>	21.4	18.3	3.4	(1.6)	(1.6)
UK unemployment <sup>c</sup>	4.0	4.1	4.5	7.0	9.2
UK HPI <sup>d</sup>	35.7	23.8	2.4	(12.7)	(29.9)
UK bank rate <sup>c</sup>	0.1	0.1	0.7	2.8	4.0
US GDP <sup>b</sup>	22.8	19.6	3.4	1.5	(1.3)
US unemployment <sup>c</sup>	3.3	3.5	4.1	6.8	9.5
US HPI <sup>d</sup>	53.3	45.2	6.2	2.2	(5.0)
US federal funds rate <sup>c</sup>	0.1	0.1	0.8	2.3	3.5

#### **As at 31 December 2020**

Italy GDP <sup>b</sup>	(1.5)	(4.2)	(1.9)	(23.6)	(26.0)
Italy unemployment <sup>c</sup>	8.0	8.0	10.5	12.7	14.1
Italy HPI <sup>d</sup>	7.1	3.2	(0.1)	(19.0)	(34.3)
Germany GDP <sup>b</sup>	4.4	1.4	(0.7)	(16.3)	(18.0)
Germany unemployment <sup>c</sup>	3.4	3.6	4.0	5.7	7.0
Germany HPI <sup>d</sup>	26.2	21.2	3.1	(3.9)	(13.3)
EA GDP <sup>b,h</sup>	0.5	(2.4)	(1.4)	(20.8)	(22.9)
EU unemployment <sup>c</sup>	6.4	6.5	7.5	10.0	12.1
ECB Refi <sup>c</sup>	—	—	(0.1)	—	—
UK GDP <sup>b</sup>	14.2	8.8	0.7	(22.1)	(22.1)
UK unemployment <sup>c</sup>	4.0	4.0	5.7	8.4	10.1
UK HPI <sup>d</sup>	48.2	30.8	3.6	(4.5)	(18.3)
UK bank rate <sup>c</sup>	0.1	0.1	—	0.6	0.6
US GDP <sup>b</sup>	15.7	12.8	1.6	(10.6)	(10.6)
US unemployment <sup>c</sup>	3.8	3.8	6.4	13.0	13.7
US HPI <sup>d</sup>	42.2	30.9	3.8	(3.7)	(15.9)
US federal funds rate <sup>c</sup>	0.1	0.1	0.3	1.3	1.3

Average basis represents the average quarterly value of variables in the 20 quarter period with GDP and HPI based on yearly average and quarterly CAGRs respectively.

# Risk review

## Credit risk performance

### Macroeconomic variables used in the calculation of ECL (5-year averages)<sup>a</sup> (audited)

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
As at 31 December 2021	%	%	%	%	%
Italy GDP <sup>e</sup>	5.0	4.2	3.4	2.9	2.4
Italy unemployment <sup>f</sup>	9.1	9.2	9.3	10.8	11.9
Italy HPI <sup>g</sup>	3.2	1.9	0.6	(0.6)	(1.9)
Germany GDP <sup>e</sup>	4.1	3.3	2.5	2.0	1.4
Germany unemployment <sup>f</sup>	3.3	3.3	3.4	4.5	5.7
Germany HPI <sup>g</sup>	5.0	4.3	3.7	2.8	1.8
EA GDP <sup>e,h</sup>	4.7	4.0	3.2	2.6	2.1
EU unemployment <sup>f</sup>	6.4	6.4	6.5	7.7	8.8
ECB Refi <sup>f</sup>	0.1	0.1	0.2	0.8	1.4
UK GDP <sup>e</sup>	4.4	3.9	3.4	2.7	1.8
UK unemployment <sup>f</sup>	4.3	4.4	4.5	5.8	7.0
UK HPI <sup>g</sup>	6.3	4.4	2.4	0.3	(2.0)
UK bank rate <sup>f</sup>	0.3	0.5	0.7	1.7	2.3
US GDP <sup>e</sup>	4.4	3.9	3.4	2.4	1.3
US unemployment <sup>f</sup>	3.9	4.0	4.1	5.7	7.1
US HPI <sup>g</sup>	8.9	7.7	6.2	3.6	1.4
US federal funds rate <sup>f</sup>	0.5	0.6	0.8	1.5	2.1

As at 31 December 2020					
Italy GDP <sup>e</sup>	(0.6)	(1.1)	(1.9)	(2.7)	(3.8)
Italy unemployment <sup>f</sup>	9.1	9.6	10.5	11.1	12.1
Italy HPI <sup>g</sup>	1.4	0.6	(0.1)	(4.1)	(8.1)
Germany GDP <sup>e</sup>	0.7	0.1	(0.7)	(1.4)	(2.0)
Germany unemployment <sup>f</sup>	3.6	3.8	4.0	4.7	5.5
Germany HPI <sup>g</sup>	4.8	3.9	3.1	0.9	(1.2)
EA GDP <sup>e,h</sup>	(0.1)	(0.7)	(1.4)	(2.2)	(3.1)
EU unemployment <sup>f</sup>	6.8	7.2	7.5	8.3	9.5
ECB Refi <sup>f</sup>	0.1	—	(0.1)	(0.1)	(0.1)
UK GDP <sup>e</sup>	2.5	1.6	0.7	0.1	(0.9)
UK unemployment <sup>f</sup>	5.0	5.3	5.7	6.5	7.2
UK HPI <sup>g</sup>	8.2	5.5	3.6	(0.2)	(3.6)
UK bank rate <sup>f</sup>	0.3	0.2	—	—	(0.1)
US GDP <sup>e</sup>	2.9	2.4	1.6	0.8	0.1
US unemployment <sup>f</sup>	5.3	5.7	6.4	8.3	10.4
US HPI <sup>g</sup>	7.3	5.5	3.8	0.8	(3.0)
US federal funds rate <sup>f</sup>	0.5	0.5	0.3	0.3	0.3

#### Notes

- GDP = Real GDP growth seasonally adjusted; UK unemployment = UK unemployment rate 16-year+; UK HPI = Halifax All Houses, All Buyers Index; US unemployment = US civilian unemployment rate 16-year+; US HPI = FHFA House Price Index. 20 quarter period starts from Q121 (2020: Q120).
- Maximum growth relative to Q420 (2020: Q419), based on 20 quarter period in Upside scenarios; 5-year yearly average Compound Annual Growth Rate ('CAGR') in Baseline; minimum growth relative to Q420 (2020: Q419), based on 20 quarter period in Downside scenarios.
- Lowest quarter in 20 quarter period in Upside scenarios; 5-year average in Baseline; highest quarter in 20 quarter period in Downside scenarios.
- Maximum growth relative to Q420 (2020: Q419), based on 20 quarter period in Upside scenarios; 5-year quarter end CAGR in Baseline; minimum growth relative to Q420 (2020: Q419), based on 20 quarter period in Downside scenarios.
- 5-year yearly average CAGR, starting 2020 (2020: 2019).
- 5-year average. Period based on 20 quarters from Q121 (2020: Q120).
- 5-year quarter end CAGR, starting Q420 (2020: Q419).
- EA GDP refers to Euro Area GDP.

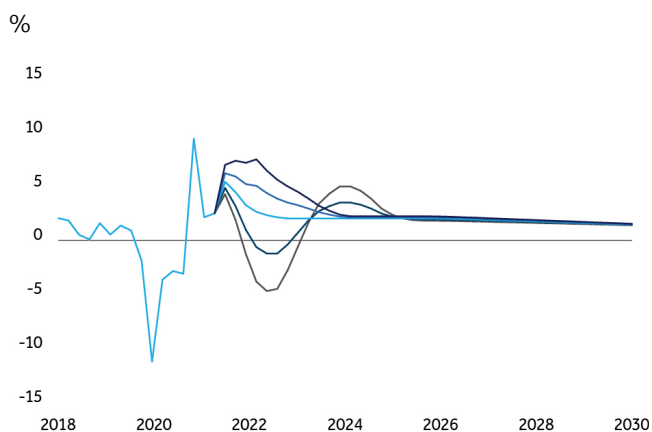


# Risk review

## Credit risk performance

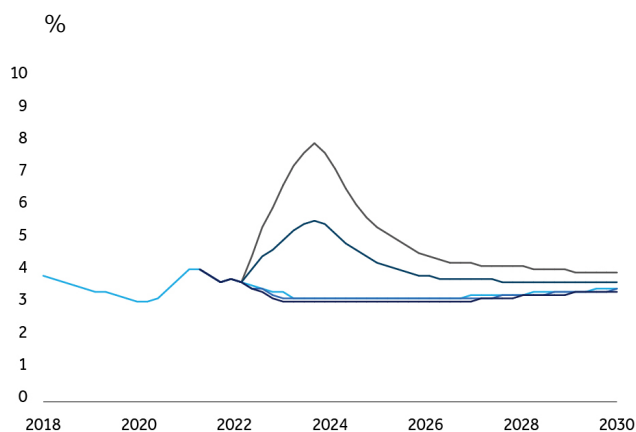
The graphs below plot the historical data for GDP growth rate (Q v Q-4) and unemployment in Germany and Italy as well as the forecasted data under each of the five scenarios.

### Germany GDP



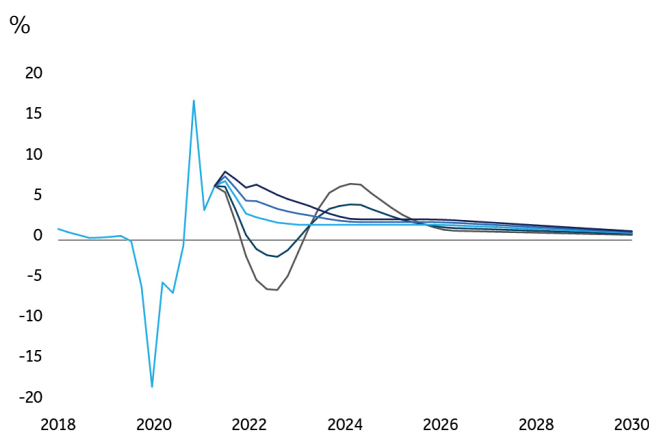
■ U2 ■ U1 ■ BL ■ D1 ■ D2

### Germany unemployment



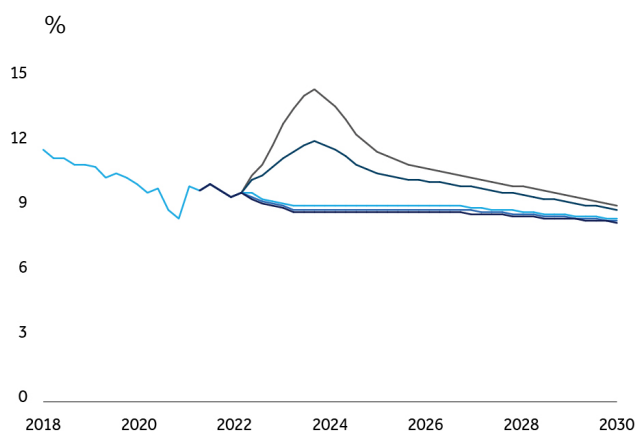
■ U2 ■ U1 ■ BL ■ D1 ■ D2

### Italy GDP



■ U2 ■ U1 ■ BL ■ D1 ■ D2

### Italy unemployment



■ U2 ■ U1 ■ BL ■ D1 ■ D2

### 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.

All ECL using a model is included, Non-modelled exposures and management adjustments are excluded. Management adjustments can be found in the management adjustments to models for impairment section.

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 2021 and not on macroeconomic scenarios.

The Downside 2 scenario represents a severe global recession with substantial falls in GDP, unemployment rises towards 14.5% in Italy and 8% in Germany, 9.2% in UK markets and 9.5% in US markets 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 €0.5bn 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 performance

### ECL Sensitivity Analysis (audited)

As at 31 December 2021	Scenarios					
	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
<b>Stage 1 Model exposure (€m)</b>						
Home loans	4,575	4,587	4,582	4,577	4,553	4,533
Credit cards, unsecured loans and other retail lending	3,326	3,399	3,362	3,329	3,218	3,096
Wholesale loans	10,185	10,225	10,193	10,224	10,090	9,999
<b>Stage 1 Model ECL (€m)</b>						
Home loans	3	2	2	2	3	4
Credit cards, unsecured loans and other retail lending	22	20	20	21	26	31
Wholesale loans	9	8	9	9	10	11
<b>Stage 1 Coverage (%)</b>						
Home loans	0.1	—	—	—	0.1	0.1
Credit cards, unsecured loans and other retail lending	0.7	0.6	0.6	0.6	0.8	1.0
Wholesale loans	0.1	0.1	0.1	0.1	0.1	0.1
<b>Stage 2 Model exposure (€m)</b>						
Home loans	250	239	243	248	273	293
Credit cards, unsecured loans and other retail lending	582	509	546	580	690	812
Wholesale loans	2,441	2,402	2,433	2,403	2,537	2,627
<b>Stage 2 Model ECL (€m)</b>						
Home loans	13	11	12	12	21	26
Credit cards, unsecured loans and other retail lending	93	75	83	90	123	162
Wholesale loans	26	24	25	25	31	40
<b>Stage 2 Coverage (%)</b>						
Home loans	5.2	4.6	4.9	4.8	7.7	8.9
Credit cards, unsecured loans and other retail lending	16.0	14.7	15.2	15.5	17.8	20.0
Wholesale loans	1.1	1.0	1.0	1.0	1.2	1.5
<b>Stage 3 Model exposure (€m)</b>						
Home loans	196	196	196	196	196	196
Credit cards, unsecured loans and other retail lending	136	136	136	136	136	136
Wholesale loans <sup>a</sup>	—	—	—	—	—	—
<b>Stage 3 Model ECL (€m)</b>						
Home loans	37	34	35	36	41	45
Credit cards, unsecured loans and other retail lending	92	92	92	92	94	96
Wholesale loans <sup>a</sup>	—	—	—	—	—	—
<b>Stage 3 Coverage (%)</b>						
Home loans	18.9	17.3	17.9	18.4	20.9	23.0
Credit cards, unsecured loans and other retail lending	67.6	67.6	67.6	67.6	69.1	70.6
Wholesale loans <sup>a</sup>	—	—	—	—	—	—
<b>Total Model ECL (€m)</b>						
Home loans	53	47	49	50	65	75
Credit cards, unsecured loans and other retail lending	207	187	195	203	243	289
Wholesale loans <sup>a</sup>	35	32	34	34	41	51
<b>Total ECL (€m)</b>	<b>295</b>	<b>266</b>	<b>278</b>	<b>287</b>	<b>349</b>	<b>415</b>
<b>Reconciliation to total ECL</b>						<b>€m</b>
Total model ECL						295
ECL from individually assessed impairments <sup>b</sup>						84
ECL from management adjustments <sup>c</sup>						98
<b>Total ECL</b>						<b>477</b>

#### Notes:

a Material wholesale loan defaults are individually assessed across different recovery strategies.

b Includes €37m for Wholesale loans and €47m for high value Italian home loans, which are individually assessed.

c €98m of management adjustments does not include €3m adjustment for CIB, part of total model ECL

The total weighted ECL represents 2.8% uplift from the Baseline ECL, largely driven by home loans and credit cards.

Home loans: Total weighted ECL of €53m represents a 6% increase over the Baseline ECL (€50m),

## Risk review

### Credit risk performance

Credit cards, unsecured loans and other retail lending: Total weighted ECL of €207m represents a 2% increase over the Baseline ECL (€203m) reflecting the range of economic scenarios used, mainly impacted by Unemployment. Total ECL increases to €289m under Downside 2 scenario, mainly driven by Stage 2, where coverage rates increase to 20% from a weighted scenario approach of 16% and €230m 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 €35m represents a 2.9% increase over the Baseline ECL (€34m) reflecting the range of economic scenarios used, with exposures in the Corporate and Investment Bank particularly sensitive to Downside 2 scenario.

#### ECL Sensitivity Analysis (audited)

As at 31 December 2020	Scenarios					
	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
<b>Stage 1 Model exposure (€m)</b>						
Home loans	4,830	4,849	4,843	4,833	4,811	4,787
Credit cards, unsecured loans and other retail lending	4,669	4,516	4,458	4,456	4,780	5,289
Wholesale loans	7,530	7,672	7,637	7,673	7,295	6,297
<b>Stage 1 Model ECL (€m)</b>						
Home loans	5	4	5	5	5	6
Credit cards, unsecured loans and other retail lending	27	21	22	23	30	34
Wholesale loans	15	13	14	15	17	18
<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	0.5	0.5	0.5	0.6	0.6
Wholesale loans	0.2	0.2	0.2	0.2	0.2	0.3
<b>Stage 2 Model exposure (€m)</b>						
Home loans	589	570	576	586	608	632
Credit cards, unsecured loans and other retail lending	1,039	677	934	1,061	1,465	1,393
Wholesale loans	1,562	1,420	1,455	1,419	1,797	2,795
<b>Stage 2 Model ECL (€m)</b>						
Home loans	36	34	34	35	39	43
Credit cards, unsecured loans and other retail lending	150	76	112	137	263	268
Wholesale loans	72	47	54	61	89	162
<b>Stage 2 Coverage (%)</b>						
Home loans	6.1	6.0	5.9	6.0	6.4	6.8
Credit cards, unsecured loans and other retail lending	14.4	11.2	12.0	12.9	18.0	19.2
Wholesale loans	4.6	3.3	3.7	4.3	5.0	5.8
<b>Stage 3 Model exposure (€m)</b>						
Home loans	217	217	217	217	217	217
Credit cards, unsecured loans and other retail lending	153	153	153	153	153	153
Wholesale loans <sup>a</sup>	4	4	4	4	4	4
<b>Stage 3 Model ECL (€m)</b>						
Home loans	32	29	30	30	33	41
Credit cards, unsecured loans and other retail lending	102	101	101	102	103	105
Wholesale loans <sup>a</sup>	—	—	—	—	—	—
<b>Stage 3 Coverage (%)</b>						
Home loans	14.7	13.4	13.8	13.8	15.2	18.9
Credit cards, unsecured loans and other retail lending	66.7	66.0	66.0	66.7	67.3	68.6
Wholesale loans <sup>a</sup>	—	—	—	—	—	—
<b>Total Model ECL (€m)</b>						
Home loans	73	67	69	70	77	90
Credit cards, unsecured loans and other retail lending	279	198	235	262	396	407
Wholesale loans <sup>a</sup>	87	60	68	76	106	180
Total ECL (€m)	439	325	372	408	579	677

#### Reconciliation to total ECL

	€m
Total model ECL	439
ECL from individually assessed impairments <sup>b</sup>	104
ECL from management adjustments	102
<b>Total ECL</b>	<b>645</b>

Notes:

a Material wholesale loan defaults are individually assessed across different recovery strategies.

b Includes €54m for Wholesale loans and €50m for high value Italian home loans, which are individually assessed.

## Risk review

### Credit risk 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 2021</b>						
<b>On-balance sheet:</b>						
Cash and balances at central banks	24,125	—	—	—	—	24,125
Cash collateral and settlement balances	13,511	3,583	481	76	—	17,651
Loans and advances at amortised cost	13,129	623	144	52	38	13,986
Reverse repurchase agreements and other similar secured lending	—	3,228	—	—	—	3,228
Trading portfolio assets	7,424	118	365	154	—	8,061
Financial assets at fair value through the income statement	9,415	5,936	—	—	—	15,351
Derivative financial instruments	27,892	5,648	26	307	2	33,875
Other assets	65	116	—	—	—	181
<b>Total on-balance sheet</b>	<b>95,561</b>	<b>19,252</b>	<b>1,016</b>	<b>589</b>	<b>40</b>	<b>116,458</b>
<b>Off-balance sheet:</b>						
Contingent liabilities	3,311	663	20	55	10	4,059
Loan commitments	25,158	805	1,403	59	—	27,425
<b>Total off-balance sheet</b>	<b>28,469</b>	<b>1,468</b>	<b>1,423</b>	<b>114</b>	<b>10</b>	<b>31,484</b>
<b>Total</b>	<b>124,030</b>	<b>20,720</b>	<b>2,439</b>	<b>703</b>	<b>50</b>	<b>147,942</b>

Exposure to the UK primarily represents transactions with the parent, BB PLC. See Note 38. The Bank does not have any material direct exposure to the Russian Federation or Ukraine.

##### 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 2020</b>						
<b>On-balance sheet:</b>						
Cash and balances at central banks	20,066	—	—	—	—	20,066
Cash collateral and settlement balances	16,004	2,775	234	38	10	19,061
Loans and advances at amortised cost	12,123	729	112	26	59	13,049
Reverse repurchase agreements and other similar secured lending	—	3,174	—	—	—	3,174
Trading portfolio assets	6,834	208	97	113	—	7,252
Financial assets at fair value through the income statement	11,584	3,165	—	—	—	14,749
Derivative financial instruments	28,201	28,627	14	—	—	56,842
Other assets	74	105	—	—	—	179
<b>Total on-balance sheet</b>	<b>94,886</b>	<b>38,783</b>	<b>457</b>	<b>177</b>	<b>69</b>	<b>134,372</b>
<b>Off-balance sheet:</b>						
Contingent liabilities	3,064	707	15	59	18	3,863
Loan commitments	21,859	713	248	3	—	22,823
<b>Total off-balance sheet</b>	<b>24,923</b>	<b>1,420</b>	<b>263</b>	<b>62</b>	<b>18</b>	<b>26,686</b>
<b>Total</b>	<b>119,809</b>	<b>40,203</b>	<b>720</b>	<b>239</b>	<b>87</b>	<b>161,058</b>

# Risk review

## Credit risk performance

### Industry concentrations

As at 31 December 2021, the concentration of the Bank's assets by industry concentrated towards other banks is 23% (2020: 33%), government and central banks is 24% (2020: 21%) and other financial institutions 23% (2020: 21%).

### Credit risk concentrations by industry (audited)

As at 31 December 2021	Banks	Other financial institutions	Manufacturing	Construction and property	Government and central banks	Energy and water	Wholesale and retail distribution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>On-balance sheet:</b>												
Cash and balances at central banks	28	—	—	—	24,097	—	—	—	—	—	—	24,125
Cash collateral and settlement balances	4,325	12,054	11	—	877	245	—	13	—	—	126	17,651
Loans and advances at amortised cost	892	982	418	189	41	917	566	344	4,951	4,304	382	13,986
Reverse repurchase agreements and other similar secured lending	3,228	—	—	—	—	—	—	—	—	—	—	3,228
Trading portfolio assets	980	377	389	86	5,582	61	18	363	—	—	205	8,061
Financial assets at fair value through the income statement	8,478	4,999	—	—	1,548	—	—	—	326	—	—	15,351
Derivative financial instruments	15,633	11,959	658	162	3,572	1,146	33	149	—	—	563	33,875
Other assets	97	78	—	—	—	—	—	—	—	—	6	181
<b>Total on-balance sheet</b>	<b>33,661</b>	<b>30,449</b>	<b>1,476</b>	<b>437</b>	<b>35,717</b>	<b>2,369</b>	<b>617</b>	<b>869</b>	<b>5,277</b>	<b>4,304</b>	<b>1,282</b>	<b>116,458</b>
<b>Off-balance sheet:</b>												
Contingent liabilities	424	1,037	1,172	316	—	386	166	270	—	—	288	4,059
Loan commitments	212	2,251	7,101	1,244	—	4,934	1,197	1,488	—	5,673	3,325	27,425
<b>Total off-balance sheet</b>	<b>636</b>	<b>3,288</b>	<b>8,273</b>	<b>1,560</b>	<b>—</b>	<b>5,320</b>	<b>1,363</b>	<b>1,758</b>	<b>—</b>	<b>5,673</b>	<b>3,613</b>	<b>31,484</b>
<b>Total</b>	<b>34,297</b>	<b>33,737</b>	<b>9,749</b>	<b>1,997</b>	<b>35,717</b>	<b>7,689</b>	<b>1,980</b>	<b>2,627</b>	<b>5,277</b>	<b>9,977</b>	<b>4,895</b>	<b>147,942</b>

# Risk review

## Credit risk performance

### Credit risk concentrations by industry (audited)

	Banks	Other financial institutions	Manu- facturing	Construc- tion and property	Govern- ment and central banks	Energy and water	Wholesale and retail distribu- tion and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
As at 31 December 2020	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>On-balance sheet:</b>												
Cash and balances at central banks	—	—	—	—	20,066	—	—	—	—	—	—	20,066
Cash collateral and settlement balances	3,246	14,030	14	3	1,116	582	—	4	—	—	66	19,061
Loans and advances at amortised cost	906	446	519	250	41	574	340	339	5,560	3,809	265	13,049
Reverse repurchase agreements and other similar secured lending	3,174	—	—	—	—	—	—	—	—	—	—	3,174
Trading portfolio assets	1,072	226	12	—	5,775	43	76	48	—	—	—	7,252
Financial assets at fair value through the income statement	8,159	6,174	—	—	59	—	—	—	357	—	—	14,749
Derivative financial instruments	36,258	11,739	389	269	6,068	1,150	40	223	—	—	706	56,842
Other assets	137	41	—	—	—	—	—	1	—	—	—	179
<b>Total on-balance sheet</b>	<b>52,952</b>	<b>32,656</b>	<b>934</b>	<b>522</b>	<b>33,125</b>	<b>2,349</b>	<b>456</b>	<b>615</b>	<b>5,917</b>	<b>3,809</b>	<b>1,037</b>	<b>134,372</b>
<b>Off-balance sheet:</b>												
Contingent liabilities	570	746	1,233	381	—	391	73	255	—	41	173	3,863
Loan commitments	405	964	4,703	1,091	—	5,018	1,446	864	—	4,938	3,394	22,823
<b>Total off-balance sheet</b>	<b>975</b>	<b>1,710</b>	<b>5,936</b>	<b>1,472</b>	<b>—</b>	<b>5,409</b>	<b>1,519</b>	<b>1,119</b>	<b>—</b>	<b>4,979</b>	<b>3,567</b>	<b>26,686</b>
<b>Total</b>	<b>53,927</b>	<b>34,366</b>	<b>6,870</b>	<b>1,994</b>	<b>33,125</b>	<b>7,758</b>	<b>1,975</b>	<b>1,734</b>	<b>5,917</b>	<b>8,788</b>	<b>4,604</b>	<b>161,058</b>

## Risk review

### Credit risk 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 49 to 57.

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

Default Grade (audited)	Retail and Wholesale lending Probability of default	Credit Quality Description
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 performance

#### Balance sheet credit quality

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

#### Overview

As at 31 December 2021, the ratio of the Bank's on-balance sheet assets classified as strong (0.0 < 0.60%) was at 94% (2020: 92%) 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 2021</b>								
Cash and balances at central banks	24,125	—	—	24,125	100	—	—	100
Cash collateral and settlement balances	17,196	455	—	17,651	97	3	—	100
Loans and advances at amortised cost								
Home loans	4,078	675	198	4,951	82	14	4	100
Credit cards, unsecured and other retail lending	1,982	2,001	171	4,154	48	48	4	100
Wholesale loans	3,099	672	207	3,978	78	17	5	100
Loans and advances to customers	9,159	3,348	576	13,083	70	26	4	100
Loans and advances to banks	858	45	—	903	95	5	—	100
Total loans and advances at amortised cost	10,017	3,393	576	13,986	72	24	4	100
Reverse repurchase agreements and other similar secured lending	3,228	—	—	3,228	100	—	—	100
Trading portfolio assets:								
Debt securities	7,004	419	—	7,423	94	6	—	100
Traded loans	137	494	7	638	21	78	1	100
Total trading portfolio assets	7,141	913	7	8,061	89	11	—	100
Financial assets at fair value through the income statement:								
Loans and advances	517	178	31	726	71	25	4	100
Debt securities	4	1	19	24	17	4	79	100
Reverse repurchase agreements	13,647	943	11	14,601	94	6	—	100
Other financial assets	—	—	—	—	—	—	—	—
Total financial assets at fair value through the income statement	14,168	1,122	61	15,351	93	7	—	100
Derivative financial instruments	33,428	447	—	33,875	99	1	—	100
Financial assets at fair value through other comprehensive income	—	—	—	—	—	—	—	—
Other assets	175	6	—	181	97	3	—	100
Total on-balance sheet	109,478	6,336	644	116,458	94	5	1	100



# Risk review

## Credit risk performance

### 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
As at 31 December 2020		€m	€m	€m	€m	%	%	%	%
<b>Cash and balances at central banks</b>		20,066	—	—	20,066	100	—	—	100
<b>Cash collateral and settlement balances</b>		17,523	1,533	5	19,061	92	8	—	100
<b>Loans and advances at amortised cost</b>									
Home loans		2,412	2,901	247	5,560	44	52	4	100
Credit cards, unsecured and other retail lending		634	2,787	228	3,649	18	76	6	100
Wholesale loans		2,107	559	268	2,934	72	19	9	100
<b>Loans and advances to customers</b>		5,153	6,247	743	12,143	42	52	6	100
Loans and advances to banks		853	53	—	906	94	6	—	100
<b>Total loans and advances at amortised cost</b>		6,006	6,300	743	13,049	46	48	6	100
<b>Reverse repurchase agreements and other similar secured lending</b>		3,174	—	—	3,174	100	—	—	100
<b>Trading portfolio assets:</b>									
Debt securities		7,017	116	—	7,133	98	2	—	100
Traded loans		119	—	—	119	100	—	—	100
<b>Total trading portfolio assets</b>		7,136	116	—	7,252	98	2	—	100
<b>Financial assets at fair value through the income statement:</b>									
Loans and advances		522	187	35	744	70	25	5	100
Debt securities		—	—	—	—	—	—	—	—
Reverse repurchase agreements		13,070	884	51	14,005	94	6	—	100
Other financial assets		—	—	—	—	—	—	—	—
<b>Total financial assets at fair value through the income statement</b>		13,592	1,071	86	14,749	92	7	1	100
<b>Derivative financial instruments</b>		55,604	1,238	—	56,842	98	2	—	100
<b>Financial assets at fair value through other comprehensive income</b>		—	—	—	—	—	—	—	—
<b>Other assets</b>		170	5	4	179	95	3	2	100
<b>Total on-balance sheet</b>		123,271	10,263	838	134,372	92	7	1	100

# Risk review

## Credit risk 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 120 ), 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 2021			Gross carrying amount				Allowance for ECL				Net exposure €m	Coverage ratio %
Grading	PD range %	Credit quality description	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m		
1-3	0.0 to < 0.05%	Strong	814	—	—	814	—	—	—	—	814	—
4-5	0.05 to < 0.15%	Strong	10	—	—	10	—	—	—	—	10	—
6-8	0.15 to < 0.30%	Strong	34	—	—	34	—	—	—	—	34	—
9-11	0.30 to < 0.60%	Strong	—	—	—	—	—	—	—	—	—	—
12-14	0.60 to < 2.15%	Satisfactory	37	—	—	37	—	—	—	—	37	—
15-19	2.15 to < 10%	Satisfactory	—	8	—	8	—	—	—	—	8	—
19	10 to < 11.35%	Satisfactory	—	—	—	—	—	—	—	—	—	—
20-21	11.35 to < 100%	Higher Risk	—	—	—	—	—	—	—	—	—	—
22	100%	Credit Impaired	—	—	—	—	—	—	—	—	—	—
<b>Total</b>			<b>895</b>	<b>8</b>	<b>—</b>	<b>903</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>903</b>	<b>—</b>

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

As at 31 December 2021			Gross carrying amount				Allowance for ECL				Net exposure €m	Coverage ratio %
Grading	PD range %	Credit quality description	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m		
1-3	0.0 to < 0.05%	Strong	442	114	—	556	—	—	—	—	556	—
4-5	0.05 to < 0.15%	Strong	1,506	40	—	1,546	—	—	—	—	1,546	—
6-8	0.15 to < 0.30%	Strong	2,072	173	—	2,245	1	—	—	1	2,244	—
9-11	0.30 to < 0.60%	Strong	4,641	186	—	4,827	14	—	—	14	4,813	0.3
12-14	0.60 to < 2.15%	Satisfactory	1,988	493	—	2,481	10	47	—	57	2,424	2.3
15-19	2.15 to < 10%	Satisfactory	342	649	—	991	8	78	—	86	905	8.7
19	10 to < 11.35%	Satisfactory	11	11	—	22	—	3	—	3	19	13.6
20-21	11.35 to < 100%	Higher Risk	7	240	—	247	1	42	—	43	204	17.4
22	100%	Credit Impaired	—	—	618	618	—	—	246	246	372	39.8
<b>Total</b>			<b>11,009</b>	<b>1,906</b>	<b>618</b>	<b>13,533</b>	<b>34</b>	<b>170</b>	<b>246</b>	<b>450</b>	<b>13,083</b>	<b>3.3</b>

# Risk review

## Credit risk performance

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

As at 31 December 2020

Grading	PD range %	Credit quality description	Gross carrying amount				Allowance for ECL				Net exposure €m	Coverage ratio %
			Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m		
1-3	0.0 to < 0.05%	Strong	756	—	—	756	—	—	—	—	756	—
4-5	0.05 to < 0.15%	Strong	94	—	—	94	—	—	—	—	94	—
6-8	0.15 to < 0.30%	Strong	3	—	—	3	—	—	—	—	3	—
9-11	0.30 to < 0.60%	Strong	—	—	—	—	—	—	—	—	—	—
12-14	0.60 to < 2.15%	Satisfactory	45	—	—	45	—	—	—	—	45	—
15-19	2.15 to < 10%	Satisfactory	1	7	—	8	—	—	—	—	8	—
19	10 to < 11.35%	Satisfactory	—	—	—	—	—	—	—	—	—	—
20-21	11.35 to < 100%	Higher Risk	—	—	—	—	—	—	—	—	—	—
22	100%	Credit Impaired	—	—	—	—	—	—	—	—	—	—
<b>Total</b>			<b>899</b>	<b>7</b>	<b>—</b>	<b>906</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>906</b>	<b>—</b>

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

As at 31 December 2020

Grading	PD range %	Credit quality description	Gross carrying amount				Allowance for ECL				Net exposure €m	Coverage ratio %
			Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m		
1-3	0.0 to < 0.05%	Strong	632	—	—	632	5	—	—	5	627	0.8
4-5	0.05 to < 0.15%	Strong	462	33	—	495	1	—	—	1	494	0.2
6-8	0.15 to < 0.30%	Strong	1,193	13	—	1,206	7	—	—	7	1,199	0.6
9-11	0.30 to < 0.60%	Strong	2,731	109	—	2,840	3	4	—	7	2,833	0.3
12-14	0.60 to < 2.15%	Satisfactory	4,110	549	—	4,659	17	42	—	59	4,600	1.3
15-19	2.15 to < 10%	Satisfactory	665	1,136	—	1,801	13	150	—	163	1,638	9.0
19	10 to < 11.35%	Satisfactory	—	11	—	11	—	2	—	2	9	18.2
20-21	11.35 to < 100%	Higher Risk	34	411	—	445	1	93	—	94	351	21.1
22	100 %	Credit Impaired	—	—	647	647	—	—	255	255	392	39.4
<b>Total</b>			<b>9,827</b>	<b>2,262</b>	<b>647</b>	<b>12,736</b>	<b>47</b>	<b>291</b>	<b>255</b>	<b>593</b>	<b>12,143</b>	<b>4.7</b>

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

As at 31 December 2021

Grading	PD range %	Credit quality description	Gross carrying amount				Allowance for ECL				Net exposure €m	Coverage ratio %
			Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m		
1-3	0.0 to < 0.05%	Strong	1,182	11	—	1,193	—	—	—	—	1,193	—
4-5	0.05 to < 0.15%	Strong	696	44	—	740	—	—	—	—	740	—
6-8	0.15 to < 0.30%	Strong	716	25	—	741	—	—	—	—	741	—
9-11	0.30 to < 0.60%	Strong	610	4	—	614	1	—	—	1	613	0.2
12-14	0.60 to < 2.15%	Satisfactory	388	53	—	441	—	—	—	—	441	—
15-19	2.15 to < 10%	Satisfactory	96	152	—	248	1	2	—	3	245	1.2
19	10 to < 11.35%	Satisfactory	—	1	—	1	—	—	—	—	1	—
20-21	11.35 to < 100%	Higher Risk	12	11	—	23	—	—	—	—	23	—
22	100%	Credit Impaired	—	—	58	58	—	—	—	—	58	—
<b>Total</b>			<b>3,700</b>	<b>301</b>	<b>58</b>	<b>4,059</b>	<b>2</b>	<b>2</b>	<b>—</b>	<b>4</b>	<b>4,055</b>	<b>0.1</b>

# Risk review

## Credit risk performance

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

As at 31 December 2020

Grading	PD range %	Credit quality description	Gross carrying amount				Allowance for ECL				Net exposure €m	Coverage ratio %
			Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m		
1-3	0.0 to < 0.05%	Strong	1,173	—	—	1,173	—	—	—	—	1,173	—
4-5	0.05 to < 0.15%	Strong	657	57	—	714	1	—	—	1	713	0.1
6-8	0.15 to < 0.30%	Strong	297	54	—	351	—	1	—	1	350	0.3
9-11	0.30 to < 0.60%	Strong	859	87	—	946	2	1	—	3	943	0.3
12-14	0.60 to < 2.15%	Satisfactory	300	69	—	369	1	1	—	2	367	0.5
15-19	2.15 to < 10%	Satisfactory	113	123	—	236	2	5	—	7	229	3.0
19	10 to < 11.35%	Satisfactory	—	—	—	—	—	—	—	—	—	—
20-21	11.35 to < 100%	Higher Risk	—	27	—	27	—	5	—	5	22	18.5
22	100%	Credit Impaired	—	—	47	47	—	—	—	—	47	—
<b>Total</b>			<b>3,399</b>	<b>417</b>	<b>47</b>	<b>3,863</b>	<b>6</b>	<b>13</b>	<b>—</b>	<b>19</b>	<b>3,844</b>	<b>0.5</b>

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

As at 31 December 2021

Grading	PD range %	Credit quality description	Gross carrying amount				Allowance for ECL				Net exposure €m	Coverage ratio %
			Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m		
1-3	0.0 to < 0.05%	Strong	6,372	438	—	6,810	4	—	—	4	6,806	0.1
4-5	0.05 to < 0.15%	Strong	7,907	873	—	8,780	1	1	—	2	8,778	—
6-8	0.15 to < 0.30%	Strong	4,547	117	—	4,664	1	1	—	2	4,662	—
9-11	0.30 to < 0.60%	Strong	1,662	313	—	1,975	—	1	—	1	1,974	0.1
12-14	0.60 to < 2.15%	Satisfactory	1,937	182	—	2,119	8	—	—	8	2,111	0.4
15-19	2.15 to < 10%	Satisfactory	610	565	—	1,175	2	2	—	4	1,171	0.3
19	10 to < 11.35%	Satisfactory	—	5	—	5	—	1	—	1	4	20.0
20-21	11.35 to < 100%	Higher Risk	230	118	—	348	—	1	—	1	347	0.3
22	100%	Credit Impaired	—	—	26	26	—	—	—	—	26	—
<b>Total</b>			<b>23,265</b>	<b>2,611</b>	<b>26</b>	<b>25,902</b>	<b>16</b>	<b>7</b>	<b>—</b>	<b>23</b>	<b>25,879</b>	<b>0.1</b>

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

As at 31 December 2020

Grading	PD range %	Credit quality description	Gross carrying amount				Allowance for ECL				Net exposure €m	Coverage ratio %
			Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m		
1-3	0.0 to < 0.05%	Strong	5,050	319	—	5,369	—	—	—	—	5,369	—
4-5	0.05 to < 0.15%	Strong	7,237	651	—	7,888	1	1	—	2	7,886	—
6-8	0.15 to < 0.30%	Strong	4,040	44	—	4,084	1	1	—	2	4,082	—
9-11	0.30 to < 0.60%	Strong	1,812	451	—	2,263	1	3	—	4	2,259	0.2
12-14	0.60 to < 2.15%	Satisfactory	1,129	255	—	1,384	1	1	—	2	1,382	0.2
15-19	2.15 to < 10%	Satisfactory	432	561	—	993	3	15	—	18	975	1.8
19	10 to < 11.35%	Satisfactory	—	—	—	—	—	—	—	—	—	—
20-21	11.35 to < 100%	Higher Risk	9	177	—	186	1	4	—	5	181	2.7
22	100%	Credit Impaired	—	—	83	83	—	—	—	—	83	—
<b>Total</b>			<b>19,709</b>	<b>2,458</b>	<b>83</b>	<b>22,250</b>	<b>8</b>	<b>25</b>	<b>—</b>	<b>33</b>	<b>22,217</b>	<b>0.2</b>

Note

a Excludes loan commitments of €1,523m (2020: €573m) carried at fair value.

# Risk review

## Credit risk 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)

	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%	3,511	361	118	3,990	2	30	17	49	0.1%	8.3%	14.4%	1.2%
>75% and <=90%	476	69	25	570	1	6	5	12	0.2%	8.7%	20.0%	2.1%
>90% and <=100%	175	24	14	213	—	2	3	5	—%	8.3%	21.4%	2.3%
>100%	193	31	39	263	—	3	16	19	—%	9.7%	41.0%	7.2%
<b>Total</b>	<b>4,355</b>	<b>485</b>	<b>196</b>	<b>5,036</b>	<b>3</b>	<b>41</b>	<b>41</b>	<b>85</b>	<b>0.1%</b>	<b>8.5%</b>	<b>20.9%</b>	<b>1.7%</b>

#### Home loans principal portfolios - distribution of balances by Loan To Value ("LTV")<sup>a</sup> (audited)

	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%	3,753	580	140	4,473	4	40	19	63	0.1%	6.9%	13.6%	1.4%
>75% and <=90%	495	102	31	628	1	8	5	14	0.2%	7.8%	16.1%	2.2%
>90% and <=100%	181	36	14	231	—	3	4	7	0.1%	8.3%	28.6%	3.0%
>100%	244	50	32	326	—	4	10	14	0.1%	8.0%	31.3%	4.3%
<b>Total</b>	<b>4,673</b>	<b>768</b>	<b>217</b>	<b>5,658</b>	<b>5</b>	<b>55</b>	<b>38</b>	<b>98</b>	<b>0.1%</b>	<b>7.2%</b>	<b>17.5%</b>	<b>1.7%</b>

#### Home loans principal portfolios - distribution of balances by LTV<sup>a</sup> (audited)

	Distribution of balances				Distribution of impairment allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	%	%	%	%	%	%	%	%
<=75%	69.7	7.2	2.3	79.2	2.4	35.3	20.0	57.6
>75% and <=90%	9.5	1.4	0.5	11.3	1.2	7.1	5.9	14.1
>90% and <=100%	3.5	0.5	0.3	4.2	—	2.4	3.5	5.9
>100%	3.8	0.6	0.8	5.2	—	3.5	18.8	22.4

#### Home loans principal portfolios - distribution of balances by LTV<sup>a</sup> (audited)

	Distribution of balances				Distribution of impairment allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	%	%	%	%	%	%	%	%
<=75%	66.3	10.3	2.5	79.1	3.8	41.2	19.4	64.4
>75% and <=90%	8.7	1.8	0.5	11.1	0.7	8.3	5.5	14.5
>90% and <=100%	3.2	0.6	0.2	4.0	0.2	2.8	3.7	6.7
>100%	4.3	0.9	0.6	5.8	0.3	4.1	10.0	14.4

Note

a 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 2021.

The balance weighted average LTV% on the portfolio as at 31 December 2021 55.3% (2020: 58.6%).

# Risk review

## Market risk performance

All disclosures in this section (pages 80 to 81) are unaudited unless otherwise stated.

### Traded market risk overview:

This section contains key statistics describing the market risk profile of the Bank. The market risk management section provides a description of management VaR.

### Measures of market risk

Traded market risk measures such as VaR and balance sheet exposure measures have fundamental differences:

- Balance sheet measures show accruals-based balances or marked to market values as at the reporting date;
- VaR measures also take account of current marked to market values, but in addition hedging effects between positions are considered;
- Market risk measures are expressed in terms of changes in value or volatilities as opposed to static values.

For these reasons, it is not possible to present direct reconciliations of traded market risk and accounting measures.

### 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 and certain banking books (those where the accounting treatment is fair value through profit or loss). In addition, it captures risk add-ons in the form of risks not in model engine ('RNIME') where a small population of risk factors are not well captured in VaR.

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.

### The daily average, maximum and minimum values of management VaR

Management VaR (95%, one day) (audited)	2021			2020		
	Average	High	Low	Average	High	Low
	€m	€m	€m	€m	€m	€m
Credit risk	0.95	1.82	0.44	0.49	1.02	0.17
Interest rate risk	0.76	2.58	0.21	0.29	1.36	0.04
Equity risk	0.07	0.13	0.02	0.14	0.32	—
Basis risk	0.36	0.63	0.18	0.20	0.37	0.08
Spread risk	1.23	2.79	0.42	0.32	1.55	0.01
Foreign exchange risk	0.18	0.41	0.03	0.07	0.50	0.01
Commodity risk	—	—	—	—	—	—
Inflation risk	0.05	0.25	0.01	0.01	0.03	—
Diversification effect <sup>a</sup>	(1.93)	n/a	n/a	(0.79)	n/a	n/a
<b>Total management VaR</b>	<b>1.67</b>	<b>3.25</b>	<b>0.77</b>	<b>0.72</b>	<b>1.71</b>	<b>0.22</b>

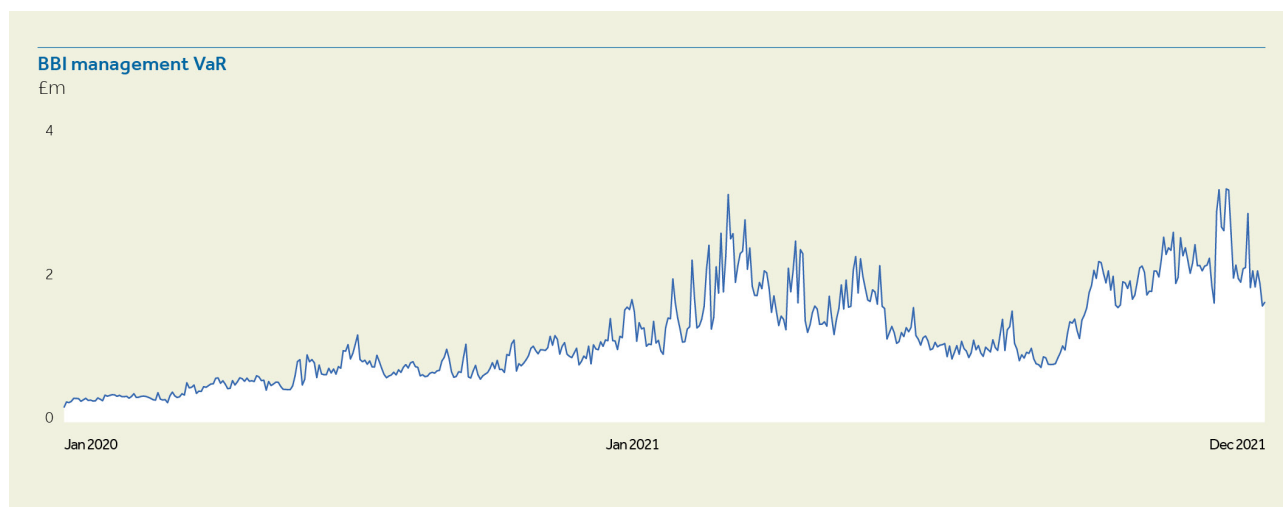
#### Notes

- a 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.

## Risk review

### Market risk performance

Average Management VaR increased to €1.67m (2020: €0.72m). This increase is driven by increased risk taking notably in the Rates business and to a lesser extent in the Credit business.



#### Business scenario stresses

As part of the 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 2021, the scenario analyses showed that the largest market risk related impacts would be due to a global recession.

## Risk review

### Treasury and Capital risk performance

All disclosures in this section (pages 82 to 87) are unaudited unless otherwise stated.

#### Treasury and Capital risk

##### 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		
As at 31 December 2021	Standard & Poor's	Fitch
Long-term	A+ / Positive	A+ / Stable
Short-term	A-1	F1

In June 2021, S&P revised the outlooks of Barclays PLC and its related entities, including the Bank, to Positive from Stable, whilst affirming all ratings. The revisions reflect the view that Barclays is delivering a stronger, more consistent business profile and financial performance.

In July 2021, Fitch revised the outlooks of Barclays PLC and its related entities, including the Bank, to Stable from Negative, whilst affirming all ratings. The revisions reflected improved expectations for economic recovery in Barclays' key markets and the Group's resilient performance through the pandemic.

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 Banks's internal stress scenarios (Liquidity Risk Appetite) 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 2021. 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.

##### 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, a 30 day combined scenario consisting of both a Barclays specific and a market-wide stress event, and a 1 year macroeconomic stress scenario.

The 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 2021, 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 2021	31 December 2020
	€m	€m
Liquidity pool <sup>a</sup>	25,445	21,007
	%	%
Liquidity coverage ratio	171	218

##### Note

a Comprises of €23.4bn (2020: €19.7bn) of balances with central banks and €2.0bn (2020: €1.3bn) 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. The increase in the liquidity pool is primarily driven by increased customer deposits and capital issuances partially offset by increased lending.

As at the 31 December 2021, the Bank's NSFR stood at 148% which was above the regulatory minimum requirement under CRR II for the Bank on 30 June 2021. The NSFR is intended to build on banks' improved funding profiles and establishes a harmonised standard for how much stable, long-term sources of funding a bank needs to weather periods of stress. It is defined as the amount of available stable funding relative to the amount of required stable funding with a minimum ratio of 100% required on an ongoing basis.



## Risk review

### Treasury and Capital risk performance

#### Contractual maturity of financial assets and liabilities

The table below 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.

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 2021	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>Assets</b>											
Cash and balances at central banks	24,125	—	—	—	—	—	—	—	—	—	24,125
Cash collateral and settlement balances	—	17,651	—	—	—	—	—	—	—	—	17,651
Loans and advances at amortised cost	1,317	587	619	382	668	1,740	1,457	2,504	2,169	2,543	13,986
Reverse repurchase agreements and other similar secured lending	—	51	—	—	1,427	—	—	1,750	—	—	3,228
Trading portfolio assets	8,204	—	—	—	—	—	—	—	—	—	8,204
Financial assets at fair value through the income statement	14	12,038	646	1,087	254	669	23	62	92	467	15,352
Derivative financial instruments	33,875	—	—	—	—	—	—	—	—	—	33,875
Other financial assets	21	—	131	—	—	23	—	—	—	—	175
<b>Total financial assets</b>	<b>67,556</b>	<b>30,327</b>	<b>1,396</b>	<b>1,469</b>	<b>2,349</b>	<b>2,432</b>	<b>1,480</b>	<b>4,316</b>	<b>2,261</b>	<b>3,010</b>	<b>116,596</b>
<b>Other assets</b>											<b>516</b>
<b>Total assets</b>											<b>117,112</b>
<b>Liabilities</b>											
Deposits at amortised cost	12,801	9,922	1,283	237	596	22	5	251	481	36	25,634
Cash collateral and settlement balances	—	17,125	—	—	—	—	—	—	—	—	17,125
Repurchase agreements and other similar secured borrowing	—	679	—	—	—	2,372	545	—	—	—	3,596
Debt securities in issue	—	224	681	766	226	—	—	800	700	—	3,397
Subordinated liabilities	—	—	—	—	—	—	125	—	2,346	700	3,171
Trading portfolio liabilities	10,286	—	—	—	—	—	—	—	—	—	10,286
Financial liabilities designated at fair value	2	7,827	751	597	304	1,121	461	733	969	1,078	13,843
Derivative financial instruments	33,517	—	—	—	—	—	—	—	—	—	33,517
Other financial liabilities	49	208	3	3	1	34	5	14	12	12	341
<b>Total financial liabilities</b>	<b>56,655</b>	<b>35,985</b>	<b>2,718</b>	<b>1,603</b>	<b>1,127</b>	<b>3,549</b>	<b>1,141</b>	<b>1,798</b>	<b>4,508</b>	<b>1,826</b>	<b>110,910</b>
<b>Other liabilities</b>											<b>303</b>
<b>Total liabilities</b>											<b>111,213</b>
<b>Cumulative liquidity gap</b>	<b>10,901</b>	<b>5,243</b>	<b>3,921</b>	<b>3,787</b>	<b>5,009</b>	<b>3,892</b>	<b>4,231</b>	<b>6,749</b>	<b>4,502</b>	<b>5,686</b>	<b>5,899</b>

## Risk review

### Treasury and Capital risk performance

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

As at 31 December 2020	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
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>Assets</b>											
Cash and balances at central banks	19,864	202	—	—	—	—	—	—	—	—	20,066
Cash collateral and settlement balances	—	19,061	—	—	—	—	—	—	—	—	19,061
Loans and advances at amortised cost	825	642	340	356	345	1,684	1,237	2,603	2,267	2,750	13,049
Reverse repurchase agreements and other similar secured lending	—	1,758	1,416	—	—	—	—	—	—	—	3,174
Trading portfolio assets	7,379	—	—	—	—	—	—	—	—	—	7,379
Financial assets at fair value through the income statement	17	13,599	298	6	514	25	24	45	98	123	14,749
Derivative financial instruments	56,632	—	—	—	—	1	—	28	133	48	56,842
Other financial assets	39	—	119	—	—	21	—	—	—	—	179
<b>Total financial assets</b>	<b>84,756</b>	<b>35,262</b>	<b>2,173</b>	<b>362</b>	<b>859</b>	<b>1,731</b>	<b>1,261</b>	<b>2,676</b>	<b>2,498</b>	<b>2,921</b>	<b>134,499</b>
<b>Other assets</b>											<b>438</b>
<b>Total assets</b>											<b>134,937</b>
<b>Liabilities</b>											
Deposits at amortised cost	9,856	11,452	651	228	63	30	5	185	466	172	23,108
Cash collateral and settlement balances	—	19,432	—	—	—	—	—	—	—	—	19,432
Repurchase agreements and other similar secured borrowing	—	527	641	—	—	—	2,415	—	—	—	3,583
Debt securities in issue	—	125	150	245	279	—	—	—	1,498	—	2,297
Subordinated liabilities	—	—	—	—	—	200	—	125	697	39	1,061
Trading portfolio liabilities	7,771	—	—	—	—	—	—	—	—	—	7,771
Financial liabilities designated at fair value	—	10,580	282	24	558	373	221	716	964	1,153	14,871
Derivative financial instruments	57,722	—	—	—	—	—	—	—	11	—	57,733
Other financial liabilities	72	78	3	3	3	23	5	17	16	15	235
<b>Total financial liabilities</b>	<b>75,421</b>	<b>42,194</b>	<b>1,727</b>	<b>500</b>	<b>903</b>	<b>626</b>	<b>2,646</b>	<b>1,043</b>	<b>3,652</b>	<b>1,379</b>	<b>130,091</b>
<b>Other liabilities</b>											<b>288</b>
<b>Total liabilities</b>											<b>130,379</b>
<b>Cumulative liquidity gap</b>	<b>9,335</b>	<b>2,403</b>	<b>2,849</b>	<b>2,711</b>	<b>2,667</b>	<b>3,772</b>	<b>2,387</b>	<b>4,020</b>	<b>2,866</b>	<b>4,408</b>	<b>4,558</b>

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 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
	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>As at 31 December 2021</b>									
Deposits at amortised cost	12,801	9,922	1,281	831	28	251	483	36	25,633
Cash collateral and settlement balances	—	17,122	—	—	—	—	—	—	17,122
Repurchase agreements and other similar secured borrowing	—	679	—	—	2,917	—	—	—	3,596
Debt securities in issue	—	224	679	989	—	821	737	—	3,450
Subordinated liabilities	—	—	—	—	129	—	2,675	803	3,607
Trading portfolio liabilities	10,286	—	—	—	—	—	—	—	10,286
Financial liabilities designated at fair value	2	7,821	750	897	1,576	741	959	1,673	14,419
Derivative financial instruments	33,517	—	—	—	—	—	—	—	33,517
Other financial liabilities	49	208	3	7	42	13	15	14	351
<b>Total financial liabilities</b>	<b>56,655</b>	<b>35,976</b>	<b>2,713</b>	<b>2,724</b>	<b>4,692</b>	<b>1,826</b>	<b>4,869</b>	<b>2,526</b>	<b>111,981</b>
<b>As at 31 December 2020</b>									
Deposits at amortised cost	9,856	11,450	651	290	35	180	453	168	23,083
Cash collateral and settlement balances	—	19,432	—	—	—	—	—	—	19,432
Repurchase agreements and other similar secured borrowing	—	526	641	—	2,420	—	—	—	3,587
Debt securities in issue	—	125	150	522	—	—	1,541	—	2,338
Subordinated liabilities	—	—	—	—	203	130	782	45	1,160
Trading portfolio liabilities	7,771	—	—	—	—	—	—	—	7,771
Financial liabilities designated at fair value	—	10,570	283	574	594	704	884	1,659	15,268
Derivative financial instruments	57,722	—	—	—	—	—	11	—	57,733
Other financial liabilities	72	79	3	6	30	17	21	17	245
<b>Total financial liabilities</b>	<b>75,421</b>	<b>42,182</b>	<b>1,728</b>	<b>1,392</b>	<b>3,282</b>	<b>1,031</b>	<b>3,692</b>	<b>1,889</b>	<b>130,617</b>

## Risk review

### Treasury and Capital risk performance

#### Maturity analysis of off-balance sheet commitments given (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
	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>As at 31 December 2021</b>									
Guarantees and letters of credit	2,519	—	—	—	—	—	—	—	2,519
Other contingent liabilities	1,540	—	—	—	—	—	—	—	1,540
Documentary credits	145	—	—	—	—	—	—	—	145
Commitments	27,280	—	—	—	—	—	—	—	27,280
<b>Total off-balance sheet</b>	<b>31,484</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>31,484</b>
<b>As at 31 December 2020</b>									
Guarantees and letters of credit	2,447	—	—	—	—	—	—	—	2,447
Other contingent liabilities	1,415	—	—	1	—	—	—	—	1,416
Documentary credits	63	—	—	—	—	—	—	—	63
Commitments	22,760	—	—	—	—	—	—	—	22,760
<b>Total off-balance sheet</b>	<b>26,685</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,686</b>

### Capital risk

#### 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, 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 took effect from 28 June 2021 with a number of exceptions which were implemented with immediate effect.

On 27 June 2020, CRR as amended by CRR II was further amended to accelerate specific CRR II measures and implement a new IFRS 9 transitional relief calculation, previously due to be implemented in June 2021. The accelerated measures primarily related to the CRR leverage calculation to include additional settlement netting and limited changes to the calculation of RWAs.

The IFRS 9 transitional arrangements have been extended by two years and a new modified calculation has been introduced. 100% relief will be applied to increases in stage 1 and stage 2 provisions from 1 January 2020 throughout 2020 and 2021; 75% in 2022; 50% in 2023; 25% in 2024 with no relief applied from 2025. The phasing out of transitional relief on the "day 1" impact of IFRS 9 as well as increases in stage 1 and stage 2 provisions between 1 January 2018 and 31 December 2019 under the modified calculation remain unchanged and continue to be subject to 70% transitional relief throughout 2020; 50% for 2021; 25% for 2022 and with no relief applied from 2023.

On 23 December 2020, a new regulatory technical standard on the prudential treatment of qualifying software assets was adopted into EU law replacing the CET1 capital deduction with prudential amortisation up to a 3-year period. Intangible assets that are no longer deducted are subject to 100% risk weight instead.

As at 31 December 2021, the Bank complied with its externally imposed minimal capital requirements (audited).

## Risk review

### Treasury and Capital risk performance

Capital ratios <sup>a,b,c</sup>		
As at 31 December	2021	2020
CET1	15.5%	16.6%
Tier 1 ('T1')	18.0%	18.9%
<b>Total regulatory capital</b>	<b>20.8%</b>	<b>22.0%</b>

Capital resources <sup>c</sup>		
As at 31 December	2021	2020
	€m	€m
CET1 capital	4,992	3,928
T1 capital	5,797	4,493
<b>Total regulatory capital</b>	<b>6,678</b>	<b>5,208</b>
<b>Total risk weighted assets ('RWAs')<sup>a</sup></b>	<b>32,120</b>	<b>23,717</b>

Capital Requirements Regulation ('CRR') leverage ratio <sup>d</sup>		
As at 31 December	2021	2020
	€m	€m
CRR leverage ratio	6.4%	6.3%
T1 capital <sup>c</sup>	5,746	4,373
<b>CRR leverage exposure</b>	<b>89,957</b>	<b>69,562</b>

#### Notes

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

b The fully loaded CET1 ratio was 15.4%, with €4.9bn of CET1 capital and €32.1bn of RWAs calculated without applying the transitional arrangements of CRR as amended by CRR II applicable as at the reporting date.

c 2020 comparative figures have been restated following a review of the calculation applied to the IFRS9 transitional relief applicable to CET1 capital. The numbers in 2020 prior to restatement were reported as: CET1 capital 16.7%, T1 19.1%, Total regulatory capital 22.1%, CET1 capital €3,955m, T1 capital €4,520m and Total regulatory capital €5,236m.

d The Bank has availed of the option, under the CRR, to measure its T1 capital for its leverage ratio on a fully phased basis.

### 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 80).

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

### Operational Risk performance

All disclosures in this section are unaudited unless otherwise stated.

#### Overview

Operational risks are inherent in BBI's business activities and it is not cost effective or possible to attempt to eliminate all operational risks. The Operational Risk Framework is therefore focused on identifying operational risks, assessing them and managing them within BBI's approved risk appetite.

The Operational Risk principal risk comprises the following risks: Data Management Risk; Financial Reporting Risk; Fraud Risk; Information Security Risk; Operational Resilience Planning Risk; Payments Process Risk; People Risk; Physical Security Risk; Premises Risk; Risk Reporting; Strategic Investment Change Management Risk; Supplier Risk; Tax Risk; Technology Risk and Transaction Operations Risk. The operational risk profile is also informed by a number of risk themes: Cyber, Data, and Resilience. These represent threats to the Bank that extend across multiple risk types, and therefore require an integrated risk management approach.

For definitions of these risks refer to the Bank's Pillar 3 report. In order to provide complete coverage of the potential adverse impacts on BBI arising from operational risk, the operational risk taxonomy extends beyond the risks listed above to cover operational risks associated with other principal risks too.

This section provides an analysis of BBI's operational risk profile, including events above BBI's reportable threshold, which have had a financial impact in 2021. BBI's operational risk profile is informed by bottom-up risk assessments undertaken by each business unit and top-down qualitative review for each risk type. Fraud, Transaction Operations, Information Security and Technology continue to be highlighted as key operational risk exposures.

For information on conduct risk events, see the conduct risk section.

#### Summary of performance in the period

During 2021, total operational risk losses<sup>a</sup> decreased to €1.98m (2020: €3.26m) and the number of recorded events for 2021 (13) also fell from the level for 2020 (22). The total operational risk losses for the year were mainly driven by events falling within the Execution, Delivery and Process Management category, which tend to be high volume but low impact events.

#### Key metrics

**46%**

of the Bank's net reportable operational risk events had a loss of €58,680 (£50,000<sup>b</sup>) or less

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**85%**

of events by number are due to Execution, Delivery and Process Management

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**94%**

of losses are from events aligned to Execution, Delivery and Process Management

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#### Notes

a The data disclosed includes operational risk losses for reportable events having impact of > €11,736 (£10,000) and excludes events that are conduct or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Due to the nature of risk events that keep evolving, prior year losses have been updated.

b Losses are recorded in GBP and converted for reporting here in EUR at an FX rate 1.1736.

#### Operational risk profile

Within operational risk, a high proportion of risk events have a low financial cost whilst a very small proportion of operational risk events will have a material impact on the financial results of the Bank. During 2021, 46% (2020: 59%) of the Bank's reportable operational risk events by volume had a value of less than €58,680 (£50,000<sup>b</sup>), although this type of event accounted for only 12% (2020: 7%) of the Bank's total net operational risk losses.

# Risk review

## Operational Risk performance

The analysis below presents the Bank's operational risk events by Basel event category:

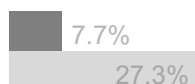
### Operational risk events by BASEL event category

% of total risk events by count

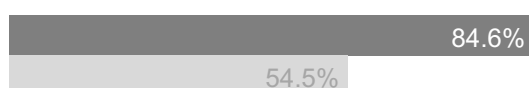
#### Internal Fraud

2021	0.0%
2020	0.0%

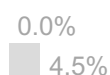
#### External Fraud



#### Execution, Delivery & Process Management



#### Employment Practices and Workplace Safety



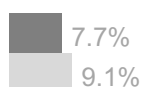
#### Damage to Physical Assets

2021	0.0%
2020	0.0%

#### Clients Products and Business Practices

2021	0.0%
2020	0.0%

#### Business Disruption and System Failures

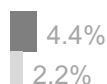


% of total risk events by value

#### Internal Fraud

2021	0.0%
2020	0.0%

#### External Fraud



#### Execution, Delivery & Process Management



#### Employment Practices and Workplace Safety



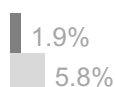
#### Damage to Physical Assets

2021	0.0%
2020	0.0%

#### Clients Products and Business Practices

2021	0.0%
2020	0.0%

#### Business Disruption and System Failures



Key:

Latest Year

Prior Year

#### Notes

a The data disclosed includes operational risk losses for reportable events having impact of > €11,736 (£10,000) and excludes events that are conduct or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Due to the nature of risk events that keep evolving, prior year losses have been updated.

b Losses are recorded in GBP and converted for reporting here in EUR at an FX rate 1.1736.

- Execution, Delivery and Process Management impacts for 2021 amounted to €1.86m (2020: €2.91m) and accounted for 94% (2020: 89%) of overall operational risk losses. Volume of events remained stable at 11 (2020: 12) accounting for 85% of total events (2020: 55%). The events in this category are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis.
- External Fraud events volume during 2021 fell to 1 (2020: 6) with impact of €0.09m (2020: €0.07m) accounting for 4% of overall losses (2020: 2%). In this category, high volume, low value events are driven by transactional fraud often related to debit and credit card usage.

## Risk review

### Operational Risk performance

Investment continues to be made in improving the control environment across BBI. Particular areas of focus include new and enhanced fraud prevention systems and tools to combat the increasing level of fraud attempts being made whilst minimising disruption to genuine transactions. Fraud remains an industry wide threat and BBI continues to work closely with external partners on various prevention initiatives.

Operational Resilience remains a key area of focus for BBI. The COVID-19 pandemic is the most severe global health emergency the World Health Organization ('WHO') has ever declared and whilst overall, BBI has continued to prove resilient and actual losses have not materially increased due to the effects of the pandemic, the COVID-19 pandemic has continued to cause some minor disruption to BBI's customers, suppliers, and staff globally. The COVID-19 pandemic has reinforced our focus on resilience and BBI continues to monitor potential operational disruptions associated with both BBI's and its suppliers' transition to a Work-from-Home environment and in response to initially high market volatility. BBI continues to strengthen its resilience approach across its most important business services to improve recoverability and assurance thereof.

Operational risk associated with cybersecurity remains a high priority for BBI to manage effectively. The sophistication of threat actors continues to grow as noted by multiple external risk events observed throughout the year. Ransomware attacks across the global Barclays supplier base were observed and we worked closely with the affected suppliers to manage potential impacts to BBI and its clients and customers. BBI's cybersecurity events were managed within its risk tolerances and there were no material loss events associated with cybersecurity recorded within the event categories above.

For further information, refer to the operational risk management section.



# Risk review

## Risk performance

### Model risk, Conduct risk, Reputation risk and Legal risk

#### Model risk

Barclays is committed to continuously improving model risk management and made a number of enhancements in 2021, including:

- strengthening the periodic assessment of the design and operating effectiveness of model risk controls to ensure adherence to model risk framework, policies and standards across the model risk lifecycle
- enhancing model risk assessment and appetite management with the design of a new Model Risk Uncertainty Assessment to measure and report model uncertainty, enabling risk-based decision making and remediation prioritisation
- improving model risk governance through the implementation and embedment of MRM led forums
- expanding its quality assurance function and its operating model to improve consistency and quality of the challenges raised, assess the relevance and soundness of the responses received from the model owners. and continue to review the rationale for decision made by validators
- improving model inventory data quality through enhanced platform controls and related processes

In 2022, MRM will continue to focus on the validation of additional low materiality models, embedding of validation and governance activities, further roll-out of Model Risk Uncertainty Assessment across the model population and expanding the coverage of the MRM framework to new/emerging model types.

#### Conduct Risk

The Bank is committed to driving a culture of robust conduct risk management throughout the entity. The Bank will continue to enhance its management of conduct risk, including through use of appropriate tools and management information and strong governance. Focus on the management of conduct risk is ongoing. Alongside other relevant business and control management information, the BBI conduct risk dashboard is a key tool in the oversight of conduct risk.

The Bank continues to take into consideration conduct risk events and issues in remuneration decisions at both the individual and business level.

Throughout 2021, the Bank maintained focus on the new and heightened inherent conduct risks created by the COVID-19 pandemic and continues to manage these on an ongoing basis.

Businesses have continued to assess the potential customer, client and market impacts of strategic change. As part of the 2021 medium-term planning process material conduct risks associated with strategic and financial plans were assessed.

Throughout 2021, conduct risks were raised by each business area for consideration by the BBI Conduct and Reputational Risk Committee. The Committee reviewed the risks raised and assessed whether management's proposed actions were appropriate to mitigate the risks effectively.

BBI remains focused on the continuous improvements being made to manage conduct risk effectively with an emphasis on enhancing governance and management information to identify such risk at an early stage.

#### Reputation Risk

The Bank is committed to identifying reputation risks and issues as early as possible and managing them appropriately. Throughout 2021, reputation risks and issues were overseen by the BBI Conduct and Reputational Risk Committee, a subcommittee of the BBI Executive Committee, is dedicated to providing executive oversight of conduct and reputation risk within BBI.

The BBI Conduct and Reputational Risk Committee reviewed risks escalated by the businesses and considered whether management's proposed actions were appropriate to mitigate the risks effectively. The committee also received regular updates with regard to key reputation risks and issues, including: Barclays' response to the pandemic; access to banking; lending practices and the resilience of key Barclays' systems and processes.

The BBI Chief Compliance Officer remains focused on the continuous improvements being made to manage risk effectively, with an emphasis on enhancing governance and management information to help identify risks at earlier stages.

#### Legal Risk

The Bank remains committed to continuous improvements in managing legal risk effectively. During 2021, improvements included a refresh of the Barclays Group-wide legal risk management framework and a review and update of the supporting legal risk policies, standards and mandatory training, reinforced by ongoing engagement with and education of the Barclays Group's businesses and functions by Legal function colleagues. Legal risk tolerances and legal risk appetite have also been reviewed.

Throughout 2021, the Bank has operated within set tolerances for legal risk. Tolerances adherence is assessed through key indicators, which are also used to evaluate the legal risk profile and are reviewed, at least annually, through the relevant risk and control committees. Minimum mandatory controls to manage legal risks are set out in the legal risk standards and are subject to ongoing monitoring.

# Risk review

## Supervision and regulation

### Supervision of the Bank

The Bank is a subsidiary of BB PLC 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 it is EU regulatory developments which impact the Bank directly.

### Supervision in the EU

The Bank is licensed as a credit institution by the Central Bank of Ireland (CBI) and is designated as a Significant Institution falling under direct supervision on a solo basis by the European Central Bank (ECB) for Capital Requirements Directive/Regulation (CRD/CRR) purposes. The Bank's EU branches are supervised by the ECB and are also subject to direct supervision for local conduct purposes by the Host (national) supervisory authorities in the jurisdictions where they are established.

The Bank is currently undergoing an ECB Comprehensive Assessment (CA) comprised of an asset quality review and stress test. The CA represents the entrance exam to supervision by the ECB's SSM, which the Bank entered in 2019. The CA is being conducted with reference to the Bank's balance sheet as at 31 December 2020. The CA will run through H1 2022. The ECB factors the outcome of the CA 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 CBI introduced a 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 designated 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 their roles. The Bank is required to ensure that personnel who are designated as control function holders comply with the F&P Regime.

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 being systemically important to the domestic Irish economy or the European economy. As a result, the Bank is required by the CBI to hold an O-SII capital buffer.

The ECB's and CBI's continuing supervision of the Bank is conducted using a variety of supervisory and regulatory tools, including the collection of information by way of prudential returns or cross-bank 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, which is addressed in the section entitled "Other regulation" on page 95.

The Barclays Group provides the majority of its cross-border banking and investment services to EEA clients via Barclays Bank Ireland PLC. Additionally, in certain EEA Member States, BB PLC and BCSL have cross-border licences to enable them to continue to conduct a limited range of activities, including accessing EEA trading venues and interdealer trading. BBPLC also has a Paris branch (to facilitate access to Target 2), which is regulated by the Autorité de contrôle prudentiel et de résolution ('ACPR').

### Financial regulatory framework

#### a) Prudential regulation

Certain Basel III standards were implemented in EU law through the CRR and CRD IV as amended by CRR II and CRD V.

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 RWAs. The O-SII buffer must be met with CET1. In November 2021, the CBI published an update to its list of O-SIIs, reconfirming a 0.5% O-SII buffer that applied from 1 July 2020, with an increase to 0.75% from 1 July 2021 and a further increase to 1.0% from 1 January 2022.

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. Pillar 2R for BBI is 3% of RWAs plus an 'execution risk' add-on, related to the transfer of activities from the Bank's parent to BBI, of the higher of €100 million or 0.3% of RWAs. This may change on the basis of the final outcome of the CA that the Bank is undergoing.

# Risk review

## Supervision and regulation

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 Supervision ('BCBS') standards on counterparty credit risk, leverage, large exposures and a Net Stable Funding Ratio ('NSFR') have been implemented under EU law via the Risk Reduction Measures package, which was published in the Official Journal in June 2019 and included the CRR II regulation, the CRD V directive and the BRRD II directive. Some aspects of CRR II were implemented through the 'CRR quick fix' as part of the EU's response to the Covid-19 pandemic; these included the introduction of an infrastructure support factor and a more extensive adding back of IFRS9 expected loss provisions to CET1 capital. The remaining changes introduced by CRR II including SA-CCR (Standardised approach to Counterparty Credit Risk) were implemented on 28 June 2021.

The BCBS's finalisation of 'Basel III – post-crisis regulatory reforms' in December 2019, 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'). On 27 October 2021, the EU Commission published the Banking Package 2021 including CRR3 whereby the final Basel III reforms will be implemented. The majority of the final Basel III changes are due to be implemented from 1 January 2025. The output floor will be applied only with a five-year phase-in period. CRR3 has also introduced a number of amendments to Market Risk to align the calculation of own funds requirements in line with the revised FRTB (Fundamental Review of Trading Book) Standards.

### *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 assumptions 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. An emerging development is the introduction of climate and environmental risk related Stress Tests by supervisory authorities including the ECB, which the Bank is currently undergoing.

### **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 by Directive (EU) 2019/879 ('BRRD II') were made via the finalisation of the EU Risk Reduction Measures. BRRD II was transposed into national law in Ireland by way of the European Union (Bank Recovery and Resolution) (Amendment) Regulations 2020 (S.I. No. 713/2020) and came into operation on 28 December 2020.

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 B 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 Bank will be subject to both total loss absorption capacity ('TLAC') and minimum requirement for own funds and eligible liabilities ('MREL') requirements. In each case, this will include both RWA based and leverage exposure based requirements.

The Bank became subject to TLAC requirements under CRR from 1 January 2021 when the Bank became a material EU subsidiary of a non EU Global systemically important bank ('G-SiB') following the end of the Brexit transitional period. As a subsidiary bank, the Bank's TLAC requirements are subject to a scalar and are set at 90% of the G-SiBs' TLAC requirements.

In addition, the Bank will become subject to MREL requirements set by the Single Resolution Board ('SRB') from 1 January 2022. This will initially be introduced as intermediate requirement in 2022 and phase in to an end state requirement by 1 January 2024. This MREL requirement will be set in line with the SRB's MREL policy. The SRB MREL policy does not currently envisage the application of any scalar to a subsidiary's MREL requirement. The RWA based MREL requirement is expected to be most binding of BBI's various loss absorption capacity requirements.

# Risk review

## Supervision and regulation

### *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.

The European Market Infrastructure Regulation, as amended, ('EMIR') has introduced requirements designed to improve transparency and reduce the risks associated with the derivatives market. EMIR has potential operational and financial impacts on the Bank and Barclays Group, including by imposing new collateral requirements on a broader range of market participants from 2022. If not extended, the EU's temporary exemption for certain intragroup transaction from the EMIR derivatives clearing and margin obligations, both due to expire at the end of June 2022, could also have operational and financial impacts on the Bank and Barclays Group.

The Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as 'MiFID II') affected many of the markets in which the Bank and the Barclays Group 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 have been introduced to provide greater transparency on the environmental and social impact of financial investments. These include (i) the Sustainable Finance Disclosure Regulation, which introduces disclosure obligations regarding, amongst other things, the way in which financial institutions integrate environmental, social and governance factors in their investment decisions, and (ii) the EU 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 have been proposed to MiFID II to incorporate environmental, social and governance factors. These new requirements will have an impact on the Bank and part of the Barclays Group.

US regulators have imposed similar rules to the EU with respect to the mandatory on-venue trading and clearing of certain derivatives, and post-trade transparency, as well as in relation to the margining of OTC derivatives. US regulators have finalised certain aspects of their rules with respect to their application on a cross-border basis, including with respect to their registration requirements in relation to non-US swap dealers and security-based swap dealers. The regulators may adopt further rules, or provide further guidance, regarding cross-border applicability. In December 2017, the Commodity Futures Trading Commission ('CFTC') and the European Commission recognised the trading venues of each other's jurisdiction to allow market participants to comply with mandatory on-venue trading requirements while trading on certain venues recognised by the other jurisdiction.

Certain participants in US swap markets are required to register with the CFTC as 'swap dealers' or 'major swap participants' and as of November 2021, with the Securities and Exchange Commission ('SEC') as 'security-based swap dealers' or 'major security-based swap participants'. Such registrants are subject to CFTC and SEC regulation and oversight. Entities required to register as swap dealers and security-based swap dealers are subject to business conduct, record-keeping and reporting requirements under both CFTC and SEC rules. The Bank is not registered with the SEC as a security-based swap dealer. As of 28 June 2021, the Bank became provisionally registered with the CFTC as a swap dealer and is subject to CFTC oversight. The Bank is now also subject to regulation by the Federal Reserve Board ('FRB') for swap dealer capital and margin requirements.

Accordingly, the Bank is subject to CFTC rules on business conduct, record-keeping and reporting and to FRB rules on capital and margin. The CFTC has approved certain comparability determinations that permit substituted compliance with non-US regulatory regimes for certain swap regulations. Substituted compliance is permitted for certain transaction-level requirements, where applicable, only with respect to transactions between a non-US swap dealer and a non-US counterparty, whereas entity-level determinations generally apply on an entity-wide basis regardless of counterparty status. In addition, the CFTC has issued guidance that would require a non-US swap dealer to comply with certain CFTC rules in connection with transactions that are "arranged, negotiated or executed" from the US. The CFTC has provided temporary no-action relief from application of the guidance. In July 2020 the CFTC adopted rules that, for certain CFTC requirements, codify on a permanent basis, the temporary no-action relief for transactions that are arranged, negotiated or executed in the US. The final rules also codify certain aspects of the CFTC's current cross-border framework with respect to internal and external business

## Risk review

### Supervision and regulation

conduct requirements, and it is expected that the CFTC will introduce additional rules addressing the application of the cross-border framework to mandatory clearing, trading and reporting requirements. In October 2017, the CFTC issued an order permitting substituted compliance with EU margin rules for certain uncleared derivatives. However, as the Bank is subject to the margin rules of the FRB, it will not benefit from the CFTC's action unless the FRB takes a similar approach.

#### 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, pursuant to the EU and UK Benchmarks Regulation.

Global regulators and central banks in the UK, US and EU 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. These benchmark reforms have resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative risk-free reference rates (RFRs), the discontinuation of certain reference rates (including LIBOR), and the introduction of implementing legislation and regulations. Specifically, regulators in the UK, US and EU directed that certain non-US dollar LIBOR tenors would cease at the end of 2021. Furthermore, certain US dollar LIBOR tenors are to cease by the end of June 2023, and restrictions have been imposed on new use of US dollar LIBOR.

In order to comply with the EU Benchmarks Regulation and applicable benchmark reform legislation, the Bank has employed and continues to employ a number of systems, policies and procedures, including (i) regulatory reporting, (ii) customer/client outreach and engagement, and (iii) compliance and risk management, ensuring the Bank's preparation and readiness for the replacement of LIBOR with alternative RFRs since the end of 2021.

#### e) Other regulation

##### *Culture*

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 where the Bank operates have comprehensive laws governing the collection and use of personal information, and across Barclays, the privacy and security of personal information is respected. We recognise that privacy laws reflect internationally acknowledged human rights values and regard sound privacy practice as a key element of good corporate governance and accountability. Through our Data Privacy Statements we inform individuals about our collection and use of their personal information and all Barclays businesses and functions are required to comply with a Group-wide Data Privacy Standard.

The EU's GDPR created a broadly harmonised privacy regime across EU member states, introducing mandatory breach notification, enhanced individual rights, a need to openly demonstrate compliance, and significant penalties for breaches. The GDPR has become the global benchmark as countries around the world either usher in or contemplate similar data privacy laws, or align their existing legislation. The extraterritorial effect of the GDPR means entities established outside the EU may fall within the Regulation's ambit when offering goods or services to European based customers or clients. Following the UK's withdrawal from the EU, the UK continues to apply the GDPR as transcribed into UK law and in 2021 the European Commission granted the UK an adequacy decision for four years which allows data transfers to continue as normal. Following the 'Schrems II' judgement by the Court of Justice of the EU in July 2020 Barclays, like all data controllers, must assess all data transfers to third countries and implement the supplemental measures based on the guidelines published by the European Data Protection Board. In practice this primarily impacts data transfers to the US but also includes transfers to third countries including India and China.

From 14 September 2019, new rules apply under the revised Payment Services Directive ('PSD2') that affect the way banks and other payment services providers check that the person requesting access to an account or trying to make a payment is permitted to do so. A core aspect of PSD2 is Strong Customer Authentication ('SCA'). During the first quarter of 2021, BBI plc implemented SCA for e-commerce transactions. This rollout schedule was aligned to the industry requirements from the CBI and the German Federal Financial Supervisory Authority ('BaFin').

##### *Cyber security and operational resilience*

Regulators in the EU continue to focus on cyber security risk management, 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 is evidenced by the publication of a number of proposed laws and changes to regulatory frameworks. The European Commission has proposed legislation on digital operational resilience for the financial sector, including oversight of third party service providers. Such measures are likely to result in increased technology and compliance costs for the Bank. The published EBA "Guidelines on Outsourcing Arrangements" and Central Bank of Ireland "Cross-Industry Guidance on Outsourcing" also reflect the importance of cyber and operational resilience.

# Risk review

## Supervision and regulation

### *Sanctions and financial crime*

In July 2018, the EU 5<sup>th</sup> Anti-Money Laundering Directive ('MLD5') entered into force and EU Member States have been 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; and
- expanded powers of financial intelligence units.

As of the date of this report, not all EU Member States where BBI has operations have fully completed the transposition of MLD5 into national law (including Ireland).

### 6th EU AML Directive ('MLD6'):

MLD6, came into effect on 3 December 2020 and individual Member States were required to implement it by 3 June 2021. MLD6 aims to: (i) toughen criminal penalties; (ii) expand the scope of the existing legislation to better fight against money laundering and the financing of terrorism; and (iii) harmonise the criminal laws relating to predicate money laundering offences across the EU. Although it is essentially a piece of criminal legislation and is not specifically targeted at financial institutions, its transposition across the EU has been monitored for any potential impacts on BBI (Note: Ireland opted out of transposing MLD6 under a separate EU protocol).

### Further EU AML Reform:

The European Commission published its proposals for significant EU-wide AML reform in July 2021 (the 'AML Reform Package'). This includes a new directly applicable single EU AML rulebook as well as the establishment of a new EU AML supervisor (the Anti-Money Laundering Authority ('AMLA')). This proposed authority would directly supervise the riskiest cross-border financial sector entities (BBI is unlikely to meet the anticipated risk-based criteria for direct supervision). AMLA will also have an indirect supervisory role through its coordination and oversight of national AML/CFT supervisors. The new rulebook is not anticipated to be in force until the end of 2025, and although AMLA is due to be established in 2023, it is not expected to commence active supervision until 2026.

The UK Bribery Act 2010 introduced a new form of corporate criminal liability focused broadly on a company's failure to prevent bribery on its behalf. The Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent the facilitation of UK and overseas tax evasion. Both pieces of legislation have broad application and in certain circumstances may have extraterritorial impact on entities, persons or activities located outside the UK, including B PLC's subsidiaries outside the UK. The UK Bribery Act requires the Barclays Group to have adequate procedures to prevent bribery which, due to the extraterritorial nature of the Act, makes this both complex and costly. Additionally, the Criminal Finances Act requires the Barclays Group to have reasonable prevention procedures in place to prevent the criminal facilitation of tax evasion by persons acting for, or on behalf of, the Barclays Group. In addition, BBI is subject to the Irish Criminal Justice (Corruption Offences) Act 2018 (the "2018 Act") which provides for a number of offences based on the concept of acting corruptly. The 2018 Act requires companies to take all reasonable steps and exercise all due diligence to avoid the commission of a corruption related offence under it.

In May 2018, the Sanctions and Anti-Money Laundering Act became law in the UK. The Act allows for the adoption of an autonomous UK sanctions regime, as well as a more flexible licensing regime post-Brexit. On 6 July 2020, the UK Government announced the first sanctions that have been implemented independently by the UK outside the auspices of the UN and EU. The autonomous UK sanctions regime came into force on 1 January 2021. Those sanctions apply within the UK and in relation to the conduct of all UK persons (including any UK persons working for or on behalf of BBI).



# Financial statements

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# Independent Auditor's report to the member of Barclays Bank Ireland PLC

## Opinion

We have audited the financial statements of Barclays Bank Ireland PLC ('the Company') and its consolidated undertakings ('the Group') for the year ended 31 December 2021 set out on pages 106 to 174, contained within the reporting package bbi-2021-12-31-en.zip, which comprise the consolidated and company income statement, consolidated and company statement of comprehensive income, consolidated and company balance sheet, consolidated and company statement of changes in equity, consolidated and company cash flow statement, and related notes, including the summary of significant accounting policies set out on pages 111 to 114. The financial reporting framework that has been applied in the preparation of the financial statements is Irish Law and, as regards the Group financial statements, including the Commission Delegated Regulation 2019/815 regarding the single electronic reporting format ('ESEF') and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Certain required disclosures have been presented in the Risk review, instead of in the notes to the financial statements. These are incorporated in the financial statements by cross-reference and are identified as audited.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2021 and of their profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. 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 Board Audit Committee.

We were appointed as auditor by the directors on 24 April 2017. The period of total uninterrupted engagement is for the five financial years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with ethical requirements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ('IAASA') as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included the following:

- we used our knowledge of the Group and Company, the financial services industry, and the general economic environment to identify the inherent risks to the business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and Company's available financial resources over this period were:
  - the availability of funding and liquidity in the event of a market wide stress scenario; and
  - the impact on regulatory capital requirements in the event of an economic slowdown or recession.
- we also considered whether these risks could plausibly affect the availability of financial resources in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

Based on the work we have performed, we have not identified any material uncertainty relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

We found the assumptions associated with the use of the going concern basis of accounting, outlined in the disclosure in Note 1 to be acceptable. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## The impact of climate change on our audit

In planning our audit, we considered the potential impact of climate change on the Group's business and financial statements. The Group has set out its commitments to be a net zero bank by 2050. Climate change risk could have a significant impact on the Group's business as the operations and strategy of the Group are adapted to address the potential financial risks which could arise from both the physical and transition risks associated with climate change. Climate change initiatives and commitments impact the Group in a variety of ways including credit risk and market risk and accordingly, greater narrative and disclosure of the impact of climate change risk is also incorporated into the annual report. As a part of our audit, we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. We have assessed how the Group



# Independent Auditor's report to the member of Barclays Bank Ireland PLC

considers the impact of climate change risk on the business, including physical and transition risks, and there was no impact of this on our key audit matters.

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

Key audit matters are those matters that, in our professional judgment, 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.

In the prior year, we identified a key audit matter in respect of fee income and expense from affiliates (i.e. transfer pricing income and expense) earned from various transfer pricing models across the Barclays Group and within the Company. As there have been no significant changes to transfer pricing methodologies and models in the current year, we have not separately identified this risk in our report this year. In arriving at our audit opinion above, the key audit matters applying to both the Group and Company, in decreasing order of audit significance, were as follows:

Key audit matter		How our audit addressed the key audit matter
<p><b>Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements</b></p> <p>31 December 2021: €477 million 31 December 2020: €645 million</p> <p>Refer to note 7 (accounting policy) and Risk review pages 46 to 79 (financial disclosures)</p>	<p><b>Subjective estimate</b></p> <p>The estimation of expected credit losses ('ECL') on financial instruments, involves the use of complex methods, assumptions and data. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's estimation of ECLs are:</p> <ul style="list-style-type: none"> <li>• Model estimations;</li> <li>• Appropriateness of economic scenarios;</li> <li>• Qualitative adjustments; and</li> <li>• Identification and quantification of impairment on individually assessed stage 3 loans.</li> </ul> <p><i>Model estimations</i></p> <p>Inherently judgemental modelling and assumptions are used to estimate ECL which involves determining Probabilities of Default ('PD'), Probabilities of Survival ('PS'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). ECLs may be inappropriate if certain models or underlying assumptions do not accurately predict defaults or recoveries over time, become out of line with wider industry experience, or fail to reflect the credit risk of financial assets. As a result, certain IFRS 9 models and model assumptions are the key drivers of complexity and subjectivity in the Group's calculation of the ECL estimate.</p> <p><i>Appropriateness of economic scenarios</i></p> <p>Economic scenarios have a direct impact on the proportion of loans in stage 2 and the resultant ECL. IFRS 9 requires the Group to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the forward-looking economic scenarios used, the probability weightings associated with the scenarios and the complexity of models used to derive the probability weightings.</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 ECL processes. We tested the relevant general IT and application controls over key systems used in the ECL process. Key aspects of our controls testing involved evaluating the design and implementation and testing the operating effectiveness of the key controls over the:</p> <ul style="list-style-type: none"> <li>– completeness and accuracy of the key inputs into the IFRS 9 impairment models;</li> <li>– application of the staging criteria;</li> <li>– model validation, implementation and monitoring;</li> <li>– authorisation and calculation of post-model adjustments and management overlays;</li> <li>– selection and implementation of economic variables and the controls over the economic scenario selection and probabilities; and</li> <li>– calculation, review and approval of individually assessed impairments.</li> </ul> <p><b>Our testing of financial risk models:</b> We involved our own financial risk modelling specialists in the following:</p> <ul style="list-style-type: none"> <li>– evaluating the appropriateness of the Group's IFRS 9 impairment methodologies;</li> <li>– inspecting model code for, the calculation of certain components of the ECL model to assess its consistency with the Group's approved staging criteria and the out of the model;</li> <li>– evaluating for a selection of models which were changed or updated during the year as to whether the changes (including the updated model code) were appropriate by assessing the updated model methodology against the applicable accounting standard;</li> <li>– reperforming the calculation of certain qualitative adjustments to assess the consistency with the qualitative adjustment methodologies;</li> <li>– evaluating the model output for a selection of models by inspecting the corresponding model functionality and independently implementing the model by rebuilding the model code and comparing our independent output with management's output; and</li> <li>– assessing and reperforming for a selection of models, the reasonableness of the model predictions by comparing them against actual results and evaluating the resulting differences.</li> </ul>

# Independent Auditor's report to the member of Barclays Bank Ireland PLC

Key audit matter		How our audit addressed the key audit matter
	<p><b>Qualitative adjustments</b> Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends as well as risks not captured by models, including where significant model enhancements have been made in the year but not fully embedded into the control environment. Post-model adjustments (PMAs) represent approximately 21% of the Group's total ECL at 31 December 2021 (including stage 3 individually assessed ECL).</p> <p><b>Individually assessed stage 3 loans</b> Loans and advances in the wholesale portfolios may be materially misstated if individual impairments are not appropriately estimated. Significant management judgement is applied to determine the recovery cash flows and probability weighting of scenarios used to calculate the level of provisioning required for impaired wholesale loans.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers including off balance sheet elements has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The credit risk sections of the financial statements (page 46 to 79) disclose the sensitivities estimated by the Group.</p> <p><b>Disclosure quality</b> The disclosures regarding the Group's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results.</p>	<p><b>Economic scenarios:</b> We involved our own economic specialists to assist us in assessing:</p> <ul style="list-style-type: none"> <li>– the reasonableness of the Group's methodology and models for determining the economic scenarios used and the probability weightings applied to them;</li> <li>– the key economic variables which included comparing samples of economic variables to external sources;</li> <li>– the overall reasonableness of the economic forecasts by comparing the Group's forecasts to our own modelled forecasts; and</li> <li>– the reasonableness of the Group and Company's qualitative adjustments by challenging key economic assumptions applied in their calculations based on external sources.</li> </ul> <p><b>Tests of detail:</b> Key other aspects of our substantive testing in addition to those set out above involved:</p> <ul style="list-style-type: none"> <li>– Sample testing over key inputs into ECL calculations to supporting documentation and market data, where available;</li> <li>– Selecting a sample of post model adjustments, considering the size and complexity of management overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source documentation; and</li> <li>– Assessing the valuation of impairment stock for a sample of stage 3 individually assessed loans by evaluating management judgement of the future cash flows within, and likelihood of, recovery strategies.</li> </ul> <p><b>Assessing transparency:</b> We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. As a part of this, we assessed the sensitivity analysis disclosures. In addition, we assessed whether the disclosure of the key judgements and assumptions was sufficiently clear.</p> <p><b>Our results:</b> We found the significant judgements used by management in determining the ECL charge, provision recognised and the related disclosures, application of PMAs, use of economic scenarios and identification and quantification of impairment on stage 3 wholesale loans, to be reasonable.</p>

# Independent Auditor's report to the member of Barclays Bank Ireland PLC

Key audit matter		How our audit addressed the key audit matter
<p><b>Valuation of financial instruments held at fair value – unobservable and complex pricing inputs</b></p> <p><i>Level 2 instruments*:</i> 31 December 2021: €56,276 million assets €56,815 million liabilities</p> <p>31 December 2020: €76,427 million assets €78,566 million liabilities</p> <p><i>Level 3 instruments:</i> 31 December 2021: €535 million assets €58 million liabilities</p> <p>31 December 2020: €662 million assets €229 million liabilities</p> <p><i>* The key audit matter identified relates to one derivative portfolio within this balance which we considered to be harder to value.</i></p> <p>Refer to note 15 (accounting policy and financial disclosures)</p>	<p><b>Subjective valuation</b> The fair value of the Group'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 methods and 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 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. The most significant judgement and estimation is therefore primarily over material Level 3 portfolios.</p> <p>In addition, there is also valuation complexity associated with certain Level 2 derivative portfolios, specifically where valuation modelling techniques result in significant limitations or where there is greater uncertainty around the choice of an appropriate pricing methodology, and consequently more than one valuation methodology could be used for that product across the market. In the current year, we identified one portfolio of Level 2 derivatives which fell into this category (harder-to-value).</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. The financial statements (note 15) disclose the sensitivity estimated by the Group.</p> <p>As the Group progressed with industry-wide IBOR transition milestones there were certain difficult-to-value financial instruments that changed from referencing IBOR to new risk-free reference (RFR) rates.</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>	<p>Our procedures included:</p> <p><b>Risk assessment:</b> We performed risk assessment procedures over the Level 1, Level 2 and Level 3 balances within the Group's financial statements (i.e. all fair value financial instruments held by the Group). 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 attended management's valuation committee throughout the year and observed discussion and challenge over valuation themes including items related to the valuation of certain difficult-to-value financial instruments recorded at fair value. We obtained an understanding and tested the design, implementation and operating effectiveness of key controls used in the valuations processes. We tested the design and operating effectiveness of key controls relating specifically to these portfolios. These included controls over:</p> <ul style="list-style-type: none"> <li>– 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>– FVAs, including exit adjustments (to mark the portfolio to bid or offer prices), model shortcoming reserves to address model limitations and XVAs;</li> <li>– the validation, completeness, implementation and usage of significant valuation models. This included controls over assessment of model limitations and assumptions; and</li> <li>– the assessment of the observability of a product and their unobservable inputs.</li> </ul> <p><b>Independent re-performance:</b> With the assistance of our own valuation specialists we:</p> <ul style="list-style-type: none"> <li>– independently re-priced a selection of trades and challenged management on the valuations where they were outside our tolerance; and</li> <li>– challenged the appropriateness of significant models and methodologies used in calculating fair values, risk exposures and in calculating FVAs, including comparison to industry practice.</li> </ul> <p><b>Seeking contradictory evidence:</b> For a selection of collateral disputes identified through management's control we challenged management's valuation where significant fair value differences were observable with the market participant on the other side of the trade. We also utilised collateral dispute data to identify fair value financial instruments with significant fair value differences against market counterparties and selected these to independently reprice.</p> <p><b>Inspection of movements:</b> We inspected trading revenue arising on level 3 positions to assess whether material gains or losses generated were in line with the accounting standards.</p> <p><b>Historical comparison:</b> We performed a retrospective review by inspecting significant gains and losses on a selection of new fair value financial instruments, position exits, novations and restructurings and evaluated whether these data points indicated elements of fair value not incorporated in the current valuation methodologies. We also 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 Group's financial statements disclosures in the context of the relevant accounting standards.</p> <p><b>Our results:</b> We found the subjective assumptions made in respect of the fair value of Level 3 financial instruments and the modelling techniques associated with harder-to-value Level 2 financial instruments to be reasonable.</p>

## Independent Auditor's report to the member of Barclays Bank Ireland PLC

<i>Key audit matter</i>		<i>How our audit addressed the key audit matter</i>
<p><b>User access management</b></p>	<p>User access management has a potential impact throughout the financial statements</p> <p><b>Control Performance</b> Operations across several countries support a wide range of products and services resulting in a large and complex IT infrastructure. The financial reporting processes and related internal controls are highly dependent on this IT environment, both within Finance and the broader business and operations.</p> <p>User access management controls are an integral part of the IT environment to ensure both system access and changes made to systems and data are authorised and appropriate. Our audit approach relies on the effectiveness of IT access management controls.</p>	<p>Our procedures included:</p> <p><b>Control testing:</b> We tested the design, implementation and operating effectiveness of automated controls that support material balances in the financial statements. We also tested the design and operating effectiveness of the relevant preventative and detective general IT controls over user access management including:</p> <ul style="list-style-type: none"> <li>– Authorising access rights for new joiners</li> <li>– Timely removal of user access rights</li> <li>– Logging and monitoring of user activities</li> <li>– Privileged user access management and monitoring</li> <li>– Developer access to transaction and balance information</li> <li>– Segregation of duties; and</li> <li>– Re-certification of user access rights.</li> </ul> <p>Our audit procedures identified deficiencies in certain IT access controls for systems relevant to financial reporting. More specifically, control deficiencies were identified around monitoring of activities performed by privileged users on a small percentage of infrastructure components. Management has ongoing programmes to remediate the deficiencies. Since these deficiencies were open during the year, we performed additional procedures to respond to the risk of unauthorised changes to automated controls over financial reporting.</p> <p>These procedures included conducting additional substantive procedures and where relevant, we determined whether compensating controls were effectively mitigating the identified deficiencies.</p> <p><b>Our results:</b> Our testing did not identify unauthorised user activities relevant to financial reporting which would have required us to significantly expand the extent of our planned detailed testing.</p>

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

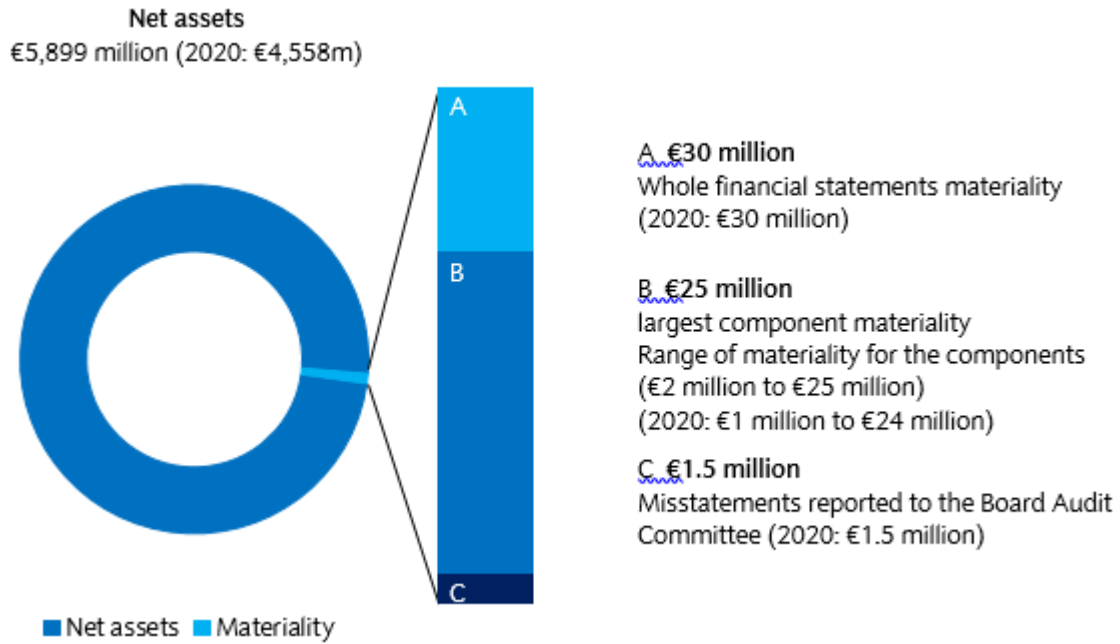
#### **Materiality**

Materiality for the financial statements as whole was set at €30 million (2020: €30 million) determined with reference to a benchmark of net assets. This produced a benchmark of €5,899 million, to which we applied a percentage of 0.5% in determining materiality (2020: 0.7%).

Materiality for the current year was determined in the aforementioned manner consistently with the prior year due to the continued expansion of the Group's European operations in the year which continue to have had a transformative effect on the balance sheet and equity of the Group and led to significant volatility and uncertainty in the income statement. The balance sheet provides a fairer representation of the progress of the Group's expansion and we consider net assets to be the most appropriate benchmark as it provides a more stable measure year on year than profit before tax and is the metric we consider to most influence the decisions of users of the financial statements, in the Group's current state.

We reported to the Board Audit Committee all corrected and uncorrected misstatements we identified during our audit with value exceeding €1.5 million, in addition to other identified misstatements below that threshold that warranted reporting on qualitative grounds.

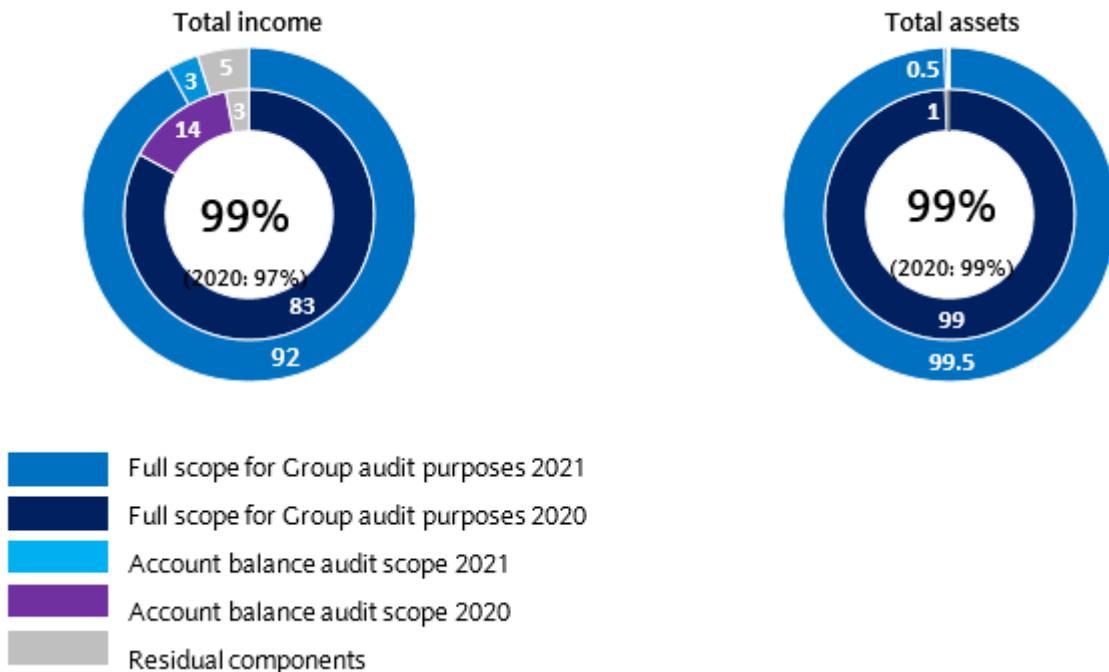
# Independent Auditor's report to the member of Barclays Bank Ireland PLC



## Scope - general

The Group operates in various locations across Europe. Significant components were subject to audit procedures performed by component auditors. In planning the audit we used materiality to assist in making the determination to subject six (2020: five) components to full scope audits and three components (2020: four) to audits of account balances. The remaining 7% (2020: 3%) of total income and 1% (2020: 1%) 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.

The work on six of the nine components (2020: six of the nine components) was performed by component auditors and the remaining work was performed by us (group audit team). The components within the scope of our work accounted for the percentages illustrated below.



# Independent Auditor's report to the member of Barclays Bank Ireland PLC

## **Team structure**

We applied materiality to assist us determine what risks were significant risk and the group audit team instructed component auditors as to the significant areas to be covered by them, including the relevant risks detailed above and the information to be reported back. The group audit team approved component materiality, ranging from €2 million to €25 million, having regard to the mix of size and risk profiles of the components.

Due to the travel restrictions imposed by COVID-19, the group audit team did not visit the overseas components. A virtual communication and oversight strategy was instead implemented between the group audit team and component auditors. This included a virtual planning meeting led by the group audit team to discuss key audit risks and obtain input from component auditors and other participating locations and regular telephone and internet conference meetings and calls held regularly with all component auditors throughout the duration of the audit, including attending closing meetings with management for full scope components. During these virtual meetings, we reviewed the components' key working papers, we used materiality to assist us determine the extent of the review, using remote technology capabilities to understand and challenge the audit approach and findings of each component auditor. In addition, the findings reported to us were discussed in detail, and further work required by the group audit team was then performed by the component auditors as necessary.

The Group 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). Given the aforementioned travel restrictions, the group audit team executed the same level of interaction and oversight with KPMG teams where these Group-wide processes reside and performed consistent procedures as described above for components.

## **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 Strategic report, Directors' report, Non-financial information statement and Risk review (other than those sections identified as audited, which form part of the financial statements). 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, in those parts of the directors' report specified for our consideration:

- 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.

## **Corporate governance disclosures**

As required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 10, that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process is consistent with the financial statements and has been prepared in accordance with the Act;
- based on our knowledge and understanding of the Group and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- the Non-financial Information Statement contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and group) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

The Group is not subject to the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and therefore not required to include information relating to voting rights and other matters required by those Regulations and specified by the Companies Act for our consideration in the Corporate Governance Statement.

## **Our opinions on other matters prescribed 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, information and returns for our audit have been received from branches of the Bank not visited by us and the Company's financial statements are in agreement with the accounting records.



# Independent Auditor's report to the member of Barclays Bank Ireland PLC

## 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; and
- the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2021 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.

## Respective responsibilities and restrictions on use

### *Directors' responsibilities*

As explained more fully in their statement set out on pages 14 to 15, 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 Group'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 Group 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the 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 <http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for>.

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

Our report is made solely to the Company's member, 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 Company'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 Company and the Company's member, as a body, for our audit work, for this report, or for the opinions we have formed.



**James Black**  
for and on behalf of  
**KPMG**  
Chartered Accountants, Statutory Audit Firm  
1 Harbourmaster Place  
IFSC  
Dublin  
D01 F6F5

9 March 2022

# Financial statements

## Consolidated and Company income statement

For the year ended 31 December	Notes	2021 €m	2020 €m
Interest income	3	621	565
Interest expense	3	(309)	(272)
<b>Net interest income</b>		<b>312</b>	<b>293</b>
Fee and commission income	4	935	623
Fee and commission expense	4	(164)	(77)
<b>Net fee and commission income</b>		<b>771</b>	<b>546</b>
Net trading income	5	152	41
Net investment expense	6	(39)	(33)
<b>Total income</b>		<b>1,196</b>	<b>847</b>
Impairment releases/ (charges) on financial instruments	7	97	(280)
<b>Operating income after impairment losses</b>		<b>1,293</b>	<b>567</b>
Staff costs	30	(399)	(326)
Infrastructure costs	8	(73)	(77)
Administration and general expenses	8	(487)	(267)
Litigation and conduct		(9)	—
<b>Operating expenses</b>		<b>(968)</b>	<b>(670)</b>
<b>Profit/ (loss) before tax</b>		<b>325</b>	<b>(103)</b>
Taxation	9	(90)	(15)
<b>Profit/ (loss) after tax</b>		<b>235</b>	<b>(118)</b>
<b>Attributable to:</b>			
Ordinary shareholders		195	(155)
Other equity instrument holders		40	37
<b>Profit/ (loss) after tax</b>		<b>235</b>	<b>(118)</b>



# Financial statements

## Consolidated and Company statement of comprehensive income

	2021	2020
	€m	€m
For the year ended 31 December		
Profit/ (loss) after tax	235	(118)
<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	(16)	9
Net (gains) transferred to profit and loss	—	(3)
Tax	2	(1)
<b>Other comprehensive (loss)/ income that may be recycled to profit or loss from continuing operations</b>	<b>(14)</b>	<b>5</b>
<b>Other comprehensive loss not recycled to profit or loss from continuing operations:</b>		
<b>Retirement benefit measures</b>		
Retirement benefit remeasurements	6	5
Tax	—	(4)
<b>Own credit reserve</b>		
Own credit	(57)	(33)
Tax	7	12
<b>Other comprehensive loss not recycled to profit or loss</b>	<b>(44)</b>	<b>(20)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>177</b>	<b>(133)</b>
<b>Attributable to:</b>		
Ordinary shareholders	137	(170)
Other equity instrument holders	40	37
<b>Total comprehensive income/(loss) for the year</b>	<b>177</b>	<b>(133)</b>

# Financial statements

## Consolidated and Company balance sheet

As at 31 December	Notes	2021 €m	2020 €m
<b>Assets</b>			
Cash and balances at central banks		24,125	20,066
Cash collateral and settlement balances	21	17,651	19,061
Loans and advances to banks	17	903	906
Loans and advances to customers	17	13,083	12,143
Reverse repurchase agreements and other similar secured lending		3,228	3,174
Trading portfolio assets	11	8,204	7,379
Financial assets at fair value through the income statement	12	15,352	14,749
Derivative financial instruments	13	33,875	56,842
Intangible assets	20	59	50
Property, plant and equipment	18	90	106
Current tax assets		27	6
Deferred tax assets	9	178	188
Other assets	22	337	267
<b>Total assets</b>		<b>117,112</b>	<b>134,937</b>
<b>Liabilities</b>			
Deposits from banks	17	4,252	3,488
Deposits from customers	17	21,382	19,620
Cash collateral and settlement balances	21	17,125	19,432
Repurchase agreements and other similar secured borrowing	36	3,596	3,583
Debt securities in issue		3,397	2,297
Subordinated liabilities	27	3,171	1,061
Trading portfolio liabilities	11	10,286	7,771
Financial liabilities designated at fair value	14	13,843	14,871
Derivative financial instruments	13	33,517	57,733
Current tax liabilities		32	7
Retirement benefit obligation	32	21	28
Other liabilities	23	512	416
Provisions	24	79	72
<b>Total liabilities</b>		<b>111,213</b>	<b>130,379</b>
<b>Equity</b>			
Called up share capital and share premium	28	3,247	2,282
Other equity instruments	28	805	565
Other reserves	29	(196)	(132)
Retained earnings		2,043	1,843
<b>Total equity</b>		<b>5,899</b>	<b>4,558</b>
<b>Total liabilities and equity</b>		<b>117,112</b>	<b>134,937</b>

The Board of Directors approved the financial statements on pages 106 to 174 on 9 March 2022.



**Tim Breedon CBE**  
Chair



**Francesco Ceccato**  
Chief Executive Officer



**Jasper Hanebuth**  
Chief Financial Officer



**David Jackson**  
Company Secretary

# Financial statements

## Consolidated and Company 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 2021</b>	<b>2,282</b>	<b>565</b>	<b>(132)</b>	<b>1,843</b>	<b>4,558</b>
Profit after tax	—	40	—	195	235
Cash flow hedges	—	—	(14)	—	(14)
Retirement benefit remeasurement	—	—	—	6	6
Own credit reserve	—	—	(50)	—	(50)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>40</b>	<b>(64)</b>	<b>201</b>	<b>177</b>
Issue of new ordinary shares	965	—	—	—	965
Issue of other equity instruments	—	240	—	—	240
Other equity instruments coupons paid	—	(40)	—	—	(40)
Other reserve movements	—	—	—	(1)	(1)
<b>Balance as at 31 December 2021</b>	<b>3,247</b>	<b>805</b>	<b>(196)</b>	<b>2,043</b>	<b>5,899</b>
<b>Balance as at 1 January 2020</b>	<b>974</b>	<b>565</b>	<b>(116)</b>	<b>1,867</b>	<b>3,290</b>
(Loss)/ profit after tax	—	37	—	(155)	(118)
Cash flow hedges	—	—	5	—	5
Retirement benefit remeasurement	—	—	—	1	1
Own credit reserve	—	—	(21)	—	(21)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>37</b>	<b>(16)</b>	<b>(154)</b>	<b>(133)</b>
Issue of new ordinary shares	1,308	—	—	—	1,308
Other equity instruments coupons paid	—	(37)	—	—	(37)
Capital contribution from Barclays Bank PLC	—	—	—	130	130
<b>Balance as at 31 December 2020</b>	<b>2,282</b>	<b>565</b>	<b>(132)</b>	<b>1,843</b>	<b>4,558</b>

### Notes

a For further details refer to Note 28.

b For further details refer to Note 29.

# Financial statements

## Consolidated and Company cash flow statement

For the year ended 31 December	Notes	2021 €m	2020 €m
<b>Reconciliation of profit/(loss) before tax to net cash flows from operating activities:</b>			
Profit/(loss) before tax		325	(103)
<b>Adjustment for non-cash items:</b>			
Impairment (releases)/charges on financial instruments		(97)	280
Depreciation and amortisation of property, plant and equipment and intangibles		35	39
Other provisions		20	48
Other non-cash movements		(72)	(47)
<b>Changes in operating assets and liabilities</b>			
Net increase in cash collateral and settlement balances		(897)	(68)
Net (increase)/decrease in loans and advances to banks and customers		(787)	535
Net increase in reverse repurchase agreements and other similar secured lending		(54)	(228)
Net decrease in trading assets and liabilities		1,690	1,151
Net increase in financial assets and liabilities designated at fair value		(1,631)	(2,786)
Net (increase)/decrease in derivative financial instruments		(1,249)	1,067
Net increase in deposits and customer accounts		2,528	2,478
Net increase in debt securities in issue		1,100	1,448
Net increase in repurchase agreements and other similar secured borrowing		13	2,328
Net decrease/(increase) in other assets and liabilities		28	(146)
Corporate income tax paid		(69)	(63)
<b>Net cash from operating activities</b>		<b>883</b>	<b>5,933</b>
<b>Purchase of property, plant and equipment and intangibles</b>			
		(30)	(28)
<b>Net cash from investing activities</b>		<b>(30)</b>	<b>(28)</b>
<b>Capital contribution from Barclays Bank PLC</b>			
		—	130
Coupon payments on other equity instruments		(40)	(37)
Issuance of subordinated debt	27	2,310	170
Redemption of subordinated debt	27	(200)	—
Issue of shares and other equity instruments		1,205	1,308
Lease liability payments		(16)	(16)
<b>Net cash from financing activities</b>		<b>3,259</b>	<b>1,555</b>
<b>Net increase in cash and cash equivalents</b>			
		4,112	7,460
Cash and cash equivalents at beginning of year		20,335	12,875
<b>Cash and cash equivalents at end of year</b>		<b>24,447</b>	<b>20,335</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and balances at central banks		24,125	20,066
Loans and advances to banks with original maturity less than three months		322	269
		<b>24,447</b>	<b>20,335</b>

### Note

Interest received by the Bank was €622m (2020: €586m) and interest paid by the Bank was €344m (2020: €293m). The Bank is required to maintain balances with central banks and other regulatory authorities. These amounted to €588m (2020: €579m) and are included within cash and cash equivalents.

# Notes to the 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.

### 1 Significant accounting policies

#### 1. Reporting entity

The Bank 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 consolidated and company 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.

#### 3. Basis of preparation

The consolidated and company 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 adopted by the EU, as set out in the relevant accounting policies. They are stated in millions of Euro (€m), the functional currency of the Bank. The Bank has not prepared separate parent company financial statements as the results and financial position of the Barclays Bank Ireland PLC consolidated group and the parent company, Barclays Bank Ireland PLC, are materially the same. There are no significant differences between the two to report, as the assets of the consolidated entities were acquired from, and have not been derecognised by, the parent, and the consolidated entities' liabilities are to the parent in relation to the same assets.

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2014 as applicable to companies using IFRS, as adopted by the EU. The financial statements are prepared on a going concern basis, as the Board is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Board has considered a wide range of information relating to present and future conditions.

This involves an assessment of the future performance of the business to provide assurance that it has the resources in place that are required to meet its ongoing regulatory requirements. The assessment is based upon business plans which contain future forecasts of profitability taken from management's three year medium term plan as well as projections of future regulatory capital requirements and business funding needs. This also includes details of the impact of internally generated stress testing scenarios on the liquidity and capital requirement forecasts. The stress tests used were based upon management's assessment of reasonably possible economic scenarios that the Bank could experience.

This assessment showed that the Bank had sufficient capital in place to support its future business requirements and remained above its regulatory minimum requirements in the stress test scenarios. It also showed that the Bank has an expectation that it can continue to meet its funding requirements during the scenarios. The Board concluded that there was a reasonable expectation that the Bank has adequate resources to continue as a Going Concern for the foreseeable future. The Board 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.

#### 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) Consolidation

The Bank applies IFRS 10 Consolidated Financial Statements.

The consolidated financial statements combine the financial statements of the Bank and its subsidiaries. Subsidiaries are entities over which the Bank has control. The Bank has control over another entity when the Bank has all of the following:

- 1) power over the relevant activities of the investee, for example through voting or other rights
- 2) exposure to, or rights to, variable returns from its involvement with the investee and
- 3) the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. The Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Intra-group transactions and balances are eliminated on consolidation. Consistent accounting policies are used throughout the Bank for the purposes of the consolidation.

Details of the consolidated entities are given in Note 37.

# Notes to the financial statements

## Accounting policies

### *(ii) 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 in relation to items measured in terms of historical cost are carried at historical transaction date exchange rates. Non-monetary foreign currency balances in relation to items measured at fair value are translated using the exchange rate at the date when the fair value was measured.

### *(iii) 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.

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 (i) the contractual rights to cash flows from the asset have expired, or (ii) the contractual rights to the cash flows from the asset have been transferred (usually by sale) and with them either (a) substantially all the risks and rewards of the asset have been transferred, or (b) where neither substantially all the risks and rewards have been transferred or retained, where control over the asset has been lost.

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 transactions) 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.

# Notes to the financial statements

## Accounting policies

### *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.

### *(iv) 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.

### *(v) Changes in the basis for determining contractual cash flows resulting from interest rate benchmark reform*

A change in the basis of determining the contractual cash flows of a financial instrument that are required by the interest rate benchmark reform is accounted for by updating the effective interest rate, without the recognition of an immediate gain or loss. This practical expedient is only applied where (1) the change to the contractual cash flows is necessary as a direct consequence of the reform and (2) the new basis for determining the contractual cash flows is economically equivalent to the previous basis. For changes made in addition to those required by the interest rate benchmark reform, the practical expedient is applied first, after which the normal IFRS 9 requirements for modifications of financial instruments is applied.

Refer to Note 13 for further details regarding hedge accounting policies in respect of interest rate benchmark reform.

Refer to Note 41 for further disclosure related to interest rate benchmark reform.

### *(vi) Cash flow statement*

Cash comprises cash on hand and balances at central banks. Cash equivalents comprise loans and advances to banks and treasury and other eligible bills with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

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

The accounting policies adopted have been consistently applied.

### **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 2020, the IASB published amendments to IFRS 17. The amendments that are relevant to the Bank are the scope exclusion for credit card contracts and similar contracts that provide insurance coverage, the optional scope exclusion for loan contracts that transfer significant insurance risk, and clarification that only financial guarantees issued at in scope of IFRS 9.

The amendments also defer the effective date of IFRS 17, including the above amendments, to annual reporting periods beginning on or after 1 January 2023.

IFRS 17, including the 2020 amendments to IFRS 17, has been endorsed by the EU. The Bank does not expect the impact of IFRS 17 to be material.

# Notes to the financial statements

## Accounting policies

### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021 the IASB issued amendments to IAS 1 that require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on the concept of materiality and its application to accounting policy information.

Under the amendments, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2023, and will be applied from that date.

### Definition of Accounting Estimate - Amendments to IAS 8

In February 2021 the IASB issued amendments to IAS 8 that replace the definition of a change in accounting estimates with a definition of accounting estimates.

Under the new definition, accounting estimates are clarified as monetary amounts in financial statements that are subject to measurement uncertainty. Where an entity's accounting policy requires an item to be measured at monetary amounts that cannot be observed directly, it should develop an accounting estimate to achieve this objective.

The amendments are effective for annual periods beginning on or after 1 January 2023, and will be applied from that date.

### 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 Bank's 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 120
- Fair value of financial instruments on page 135

#### Accounting judgements

- Tax on page 125

### 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 46 to 79
- Market risk on pages 80 to 81
- Treasury and capital risk on pages 82 to 87

These disclosures are covered by the Audit opinion (included on pages 98 to 105) where referenced as audited.



# Notes to the financial statements

## Financial performance and 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 Strategic Report on pages 6 to 7.

### 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 ('CIB')** includes the Barclays Group's EU Corporate business, Markets and Investment Banking.
- **Consumer, Cards and Payments ('CC&P')** includes Barclays Consumer Bank Europe and the Barclays Group's EU Private Banking business.

The below table also includes the Head Office segment, which comprises Head Office, central support functions and an Italian mortgage portfolio which is being run off. Head Office also includes net revenue from the CIB and CC&P segments of €51m (2020: €46m).

#### Analysis of results by business

	CIB	CC&P	Head Office	Total
	€m	€m	€m	€m
<b>For the year ended 31 December 2021</b>				
Net interest income/ (expense)	60	305	(53)	312
Other income	803	34	47	884
<b>Total income</b>	<b>863</b>	<b>339</b>	<b>(6)</b>	<b>1,196</b>
Impairment releases on financial instruments	64	24	9	97
<b>Net operating income</b>	<b>927</b>	<b>363</b>	<b>3</b>	<b>1,293</b>
Operating costs	(673)	(236)	(59)	(968)
<b>Profit/(loss) before tax</b>	<b>254</b>	<b>127</b>	<b>(56)</b>	<b>325</b>
<b>Total assets (€bn)</b>	<b>80</b>	<b>4</b>	<b>33</b>	<b>117</b>
<b>Total liabilities (€bn)</b>	<b>92</b>	<b>4</b>	<b>15</b>	<b>111</b>
<b>Number of employees (full time equivalent)</b>	<b>582</b>	<b>698</b>	<b>428</b>	<b>1,708</b>
<b>For the year ended 31 December 2020</b>				
Net interest income/ (expense)	99	344	(150)	293
Other income	485	35	34	554
<b>Total income</b>	<b>584</b>	<b>379</b>	<b>(116)</b>	<b>847</b>
Impairment charges on financial instruments	(114)	(129)	(37)	(280)
<b>Net operating income/ (expenses)</b>	<b>470</b>	<b>250</b>	<b>(153)</b>	<b>567</b>
Operating costs	(447)	(188)	(35)	(670)
<b>Profit/(loss) before tax</b>	<b>23</b>	<b>62</b>	<b>(188)</b>	<b>(103)</b>
<b>Total assets (€bn)</b>	<b>101</b>	<b>4</b>	<b>30</b>	<b>135</b>
<b>Total liabilities (€bn)</b>	<b>117</b>	<b>3</b>	<b>10</b>	<b>130</b>
<b>Number of employees (full time equivalent)</b>	<b>575</b>	<b>600</b>	<b>471</b>	<b>1,646</b>

# Notes to the financial statements

## Financial performance and return

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

	2021	2020
31 December	€m	€m
Ireland	186	91
Germany	466	451
Italy	84	29
France	313	197
Spain	87	62
The Netherlands	17	7
Sweden	35	6
Rest of Europe <sup>b</sup>	8	4
<b>Total</b>	<b>1,196</b>	<b>847</b>

Note

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

b Countries with total revenue over 1% are listed in the table above.

### 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) and incremental to the origination of credit card balances, 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.

	2021	2020
	€m	€m
<b>Interest and similar income</b>		
Loans and advances at amortised cost	426	467
Negative interest on liabilities	151	28
Other	44	70
	<b>621</b>	<b>565</b>
<b>Interest and similar expense</b>		
Deposits at amortised cost	(59)	(75)
Debt securities in issue	(18)	(22)
Subordinated liabilities	(33)	(25)
Negative interest on assets	(156)	(98)
Other	(43)	(52)
	<b>(309)</b>	<b>(272)</b>
<b>Net interest income</b>	<b>312</b>	<b>293</b>

Interest income presented above represents interest revenue calculated using the effective interest method. Costs to originate credit card balances of €3m (2020: €2m) have been amortised to interest income during the period. Other interest expense includes €2m (2020: €2m) relating to IFRS 16 lease interest expenses (refer to Note 19).

# Notes to the financial statements

## Financial performance and return

### 4 Net fee and commission income

#### Accounting for net fee and commission income under IFRS 15

The Bank applies IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 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. Where the contractual arrangements also result in the Bank recognising financial instruments in scope of IFRS 9, such financial instruments are initially recognised at fair value in accordance with IFRS 9 before applying the provisions of 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. The below table includes a total for fees in scope of IFRS 15. Refer to note 2 for more details/ information about operating segments.

2021	Corporate and Investment Bank €m	Consumer, Cards and Payments €m	Head Office €m	Total €m
<b>Fee type</b>				
Transactional	45	34	—	79
Advisory	92	7	—	99
Brokerage and execution	32	1	—	33
Underwriting and syndication	212	—	—	212
Service fees from affiliates	222	—	—	222
Other	13	7	17	37
<b>Total revenue from contracts with customers</b>	<b>616</b>	<b>49</b>	<b>17</b>	<b>682</b>
Other non-contract fee income	253	—	—	253
<b>Fee and commission income</b>	<b>869</b>	<b>49</b>	<b>17</b>	<b>935</b>
<b>Fee and commission expense-non affiliates</b>	<b>(34)</b>	<b>(17)</b>	<b>(1)</b>	<b>(52)</b>
<b>Fee and commission expense-affiliates</b>	<b>(112)</b>	<b>—</b>	<b>—</b>	<b>(112)</b>
<b>Fee and commission expense</b>	<b>(146)</b>	<b>(17)</b>	<b>(1)</b>	<b>(164)</b>
<b>Net fee and commission income</b>	<b>723</b>	<b>32</b>	<b>16</b>	<b>771</b>

2020	Corporate and Investment Bank €m	Consumer, Cards and Payments €m	Head Office €m	Total €m
<b>Fee type</b>				
Transactional	32	35	—	67
Advisory	16	4	—	20
Brokerage and execution	25	2	—	27
Underwriting and syndication	93	—	—	93
Service fees from affiliates	161	—	—	161
Other	13	7	19	39
<b>Total revenue from contracts with customers</b>	<b>340</b>	<b>48</b>	<b>19</b>	<b>407</b>
Other non-contract fee income	216	—	—	216
<b>Fee and commission income</b>	<b>556</b>	<b>48</b>	<b>19</b>	<b>623</b>
<b>Fee and commission expense-non affiliates</b>	<b>(21)</b>	<b>(13)</b>	<b>(1)</b>	<b>(35)</b>
<b>Fee and commission expense-affiliates</b>	<b>(42)</b>	<b>—</b>	<b>—</b>	<b>(42)</b>
<b>Fee and commission expense</b>	<b>(63)</b>	<b>(13)</b>	<b>(1)</b>	<b>(77)</b>
<b>Net fee and commission income</b>	<b>493</b>	<b>35</b>	<b>18</b>	<b>546</b>

# Notes to the financial statements

## Financial performance and return

### Fee types

#### *Transactional*

Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees. These include 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. 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 to co-brand partner schemes. Cardholder reward programmes costs related to customers that settle their outstanding balance each period (transactors) are expensed when incurred and presented in fee and commission expense while costs related to customers that 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 related to transactor accounts are deferred as costs to obtain a contract under IFRS 15, while costs related to revolver accounts are included in the effective interest rate of the receivable (refer to Note 3). Those costs deferred under IFRS 15 are capitalised and amortised over the estimated life of the customer relationship. 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. Wealth management advisory fees 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 are 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 have been resolved and therefore the fee revenue is deferred until the uncertainty is resolved.

Included in the underwriting and syndication fees are loan commitment fees which are not presented as part of the carrying value of the loan in accordance with IFRS 9. 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 recognised as the performance obligation is satisfied which is generally aligned with when the Bank is entitled to the compensation, which may be on completion of an individual performance obligation or over time as the performance obligation is performed.

#### *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 2021 (2020: € nil).

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

During 2021, there have been no material impairments recognised in relation to fees receivable and contract assets (2020: €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.

# Notes to the financial statements

## Financial performance and return

### 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.

### Costs incurred in obtaining or fulfilling a contract

The Bank had no material capitalised contract costs as at 31 December 2021 (2020: €nil).

### 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 market making and 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 are included in net trading income where the business model is to manage assets and liabilities on a fair value basis. This includes where an instrument is designated at fair value to eliminate an accounting mismatch and the related instrument's gain and losses are reported in trading income.

	2021	2020
	€m	€m
Net gains from assets and liabilities held for trading	139	41
Net gains on financial instruments mandatorily at fair value	13	—
<b>Net trading income</b>	<b>152</b>	<b>41</b>

### 6 Net investment expense

	2021	2020
	€m	€m
Net losses on other investments <sup>a</sup>	(44)	(25)
Net gains from disposal of financial assets and liabilities measured at amortised cost	1	—
Net gains/(losses) from financial assets mandatorily at fair value	4	(8)
<b>Net Investment expenses</b>	<b>(39)</b>	<b>(33)</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.

# Notes to the financial statements

## Financial performance and return

### 7 Impairment losses on financial instruments

#### Accounting for the impairment of financial assets

##### Impairment

In accordance with IFRS 9, 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.

The assessment of the point at which a PD increase is deemed 'significant', is based upon analysis of the portfolio's 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.

# Notes to the financial statements

## Financial performance and return

### 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 forborne 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 Bloomberg (based on median of economic forecasts), 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 broadly similar severity to Barclays' internal stress tests and stress scenarios provided by regulators whilst also considering IFRS 9 specific sensitivities and non-linearity. The favourable scenarios are calibrated to reflect upside risks to the Baseline scenario to the extent that is broadly consistent with recent favourable benchmark scenarios. All scenarios are regenerated at a minimum semi-annually. 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. 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 macroeconomic variables against the forecast paths of the five scenarios. 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 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 at the time when they are 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.

# Notes to the financial statements

## Financial performance and return

### *Accounting for purchased financial guarantee contracts*

The Bank may enter into a financial guarantee contract which requires the issuer of such contract to reimburse the Bank for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. For these separate financial guarantee contracts, the Bank recognises a reimbursement asset aligned with the recognition of the underlying ECLs, if it is considered virtually certain that a reimbursement would be received if the specified debtor fails to make payment when due in accordance with the terms of the debt instrument.

### *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. In respect of payment holidays granted to borrowers which are not due to forbearance, if the revised cash flows on a present value basis (based on the original EIR) are not substantially different from the original cash flows, the loan is not considered to be substantially modified.

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.

The significant accounting policies section on pages 111 to 114 sets out details for changes in the basis of determining the contractual cash flows of a financial instrument that are required by interest rate benchmark reform.

### *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 revolving 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.



# Notes to the financial statements

## Financial performance and return

### *Modelling techniques*

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 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 have 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 forborne 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 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. Management adjustments to impairment models, which contain an element of subjectivity, are applied in order to factor in certain conditions or changes in policy that are not fully incorporated into the impairment models, or to reflect additional facts and circumstances at the period end. Management adjustments are reviewed and incorporated into future model development where appropriate.

For individually significant assets in Stage 3, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows across a range of economic scenarios are taken into account. These considerations can be particularly subjective and can include 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. 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.

Temporary adjustments to calculated IFRS9 impairment allowances may be applied in limited circumstances to account for situations where known or expected risk factors or information have not been considered in the ECL assessment or modelling process. For further information please see page 46 in credit risk performance.

# Notes to the financial statements

## Financial performance and return

	2021			2020		
	Impairment Charges	Recoveries and reimbursements <sup>a</sup>	Total	Impairment Charges	Recoveries and reimbursements <sup>a</sup>	Total
	€m	€m	€m	€m	€m	€m
Loans and advances	(77)	15	(62)	260	(20)	240
Provision for undrawn contractually committed facilities and guarantees provided	(29)	—	(29)	40	—	40
<b>Loan impairment</b>	<b>(106)</b>	<b>15</b>	<b>(91)</b>	<b>300</b>	<b>(20)</b>	<b>280</b>
Other Assets	(6)	—	(6)	—	—	—
<b>Credit impairment charge/ (release)</b>	<b>(112)</b>	<b>15</b>	<b>(97)</b>	<b>300</b>	<b>(20)</b>	<b>280</b>

Note

a Recoveries and reimbursements includes a net reduction in amounts recoverable from financial guarantee contracts held with third parties of €16m (2020 gain: €18m) and cash recoveries of previously written off amounts of €1m (2020: €2m).

### Write-offs that can be subjected to enforcement activity

The contractual amount outstanding on financial assets that were written off during the year and that can still be subjected to enforcement activity is €28m (2020: €68m). This is lower than the write-off presented in the movement in gross exposures and impairment allowance table due to assets sold during the year post write-offs and post write-off recoveries.

### Modification of financial assets

Financial assets with a loss allowance measured at an amount equal to life time ECL of €229m (2020: €38m) were subject to non-substantial modification during the period, with a resulting loss of €0m (2020: €5m). The gross carrying amount of financial assets subject to non-substantial modification for which the loss allowance has changed to a 12 month ECL during the year amounts to €55m (2020: €0m).

## 8 Operating expenses

	2021	2020
	€m	€m
<b>Infrastructure costs</b>		
Property and equipment	37	35
Depreciation and amortisation	35	38
Lease payments	1	3
Impairment of intangible assets	—	1
<b>Total infrastructure costs</b>	<b>73</b>	<b>77</b>
<b>Administration and general expenses</b>		
Consultancy, legal and professional fees	29	18
Marketing and advertising	18	19
Other administration and general expenses <sup>a</sup>	440	230
<b>Total administration and general expenses</b>	<b>487</b>	<b>267</b>
<b>Staff costs (See note 30)</b>	<b>399</b>	<b>326</b>
<b>Provisions for litigation and conduct (See note 24)</b>	<b>9</b>	<b>—</b>
<b>Operating expenses</b>	<b>968</b>	<b>670</b>

Note

a Other administration and general expenses of €440m (2020: €230m) includes expenses payable to fellow subsidiaries of €290m (2020: €162m) which primarily reflects the cost of services provided by Barclays Execution Services Limited, the B PLC Group-wide service company.

# Notes to the financial statements

## Financial performance and return

### 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. Deferred tax liabilities are recognised for all taxable temporary differences except from the initial recognition of goodwill. Deferred tax is not recognised where the 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.

	2021	2020
	€m	€m
<b>Current tax charge/(credit)</b>		
Current year	59	51
Adjustment in respect of prior years	12	(3)
	71	48
<b>Deferred tax charge/(credit)</b>		
Current year	20	(27)
Adjustment in respect of prior years	(1)	(6)
	19	(33)
<b>Tax charge</b>	<b>90</b>	<b>15</b>

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

	2021	2021	2020	2020
	€m	%	€m	%
<b>Profit/(loss) before tax</b>	<b>325</b>		<b>(103)</b>	
Tax charge/(credit) based on the standard Ireland corporation tax rate of 12.5% (2020: 12.5%)	41	12.5%	(13)	12.5%
Impact of profits/losses earned in territories with different statutory rates to Ireland (weighted average statutory tax rate including in respect of Ireland is 25.8% (2020: 17.4%))	43	13.3%	(5)	4.9%
Non-deductible expenses and other tax adjustments	24	7.4%	3	(2.9%)
Adjustments in respect of prior years	11	3.4%	(9)	8.7%
Tax relief on payments made under AT1 instruments	(5)	(1.5%)	(5)	4.9%
Effect of unrecognised deferred tax	(24)	(7.4%)	44	(42.7%)
<b>Total tax charge</b>	<b>90</b>	<b>27.7%</b>	<b>15</b>	<b>(14.6%)</b>

# Notes to the financial statements

## Financial performance and return

### Factors driving the effective tax rate

The effective tax rate of 27.7% is higher than the Ireland corporation tax rate of 12.5% primarily due to the profits earned outside of Ireland being taxed at local statutory tax rates that are higher than the Irish tax rate and non-deductible expenses. These factors, which have each increased the effective tax rate are partially offset by the use of losses for which deferred tax was not previously recognised and tax relief on payments made under AT1 instruments.

The Bank's future tax charge will be sensitive to the geographic mix of profits earned, the tax rates in force and changes to the tax rules in the jurisdictions that the Bank operates in. In October 2021, the OECD and G20 Inclusive Framework on Base Erosion and Profit Shifting announced plans to introduce a global minimum tax rate of 15% from 2023. The model rules, which set out the scope of and the mechanism for calculating the global minimum tax, were released by the OECD on 20 December 2021. The Bank is reviewing the model rules and awaiting the OECD's anticipated publication of further guidance, as well as new legislation expected to be released by governments implementing this new tax regime, and will assess the potential impact of new legislation during 2022.

### Tax in the statement of comprehensive income

The tax relating to each component of other comprehensive income can be found in the statement of comprehensive income.

### Deferred tax assets

The deferred tax amounts on the balance sheet were as follows:

	2021	2020
	€m	€m
Spain	71	73
Germany	69	101
Ireland	22	14
France	16	—
<b>Deferred tax asset</b>	<b>178</b>	<b>188</b>

Of the deferred tax asset of €178m (2020: €188m), an amount of €71m (2020: €73m) relates to tax losses in Spain which do not expire and €107m (2020: €115m) relates to temporary differences. The recognition of these deferred tax assets is based on profit forecasts or local country laws which indicate that it is probable they will be fully recovered. In respect of recognised deferred tax assets of €71m (2020: €73m), to the extent these are not used to offset taxable profits before 2032, they may under local country laws be offset against other taxes or converted into government securities.

Of the deferred tax asset of €178m (2020: €188m), an amount of €22m (2020: €14m) relates to jurisdictions which have incurred a loss in either the current or prior year and for which the utilisation of the deferred tax asset is dependent on future taxable profits. This has been taken into account in reaching the above conclusion that these deferred tax assets will be fully recovered in the future.

### Deferred tax assets

	Loan impairment allowance	Retirement benefit obligations	Other temporary differences	Tax losses carried forward	Total
	€m	€m	€m	€m	€m
<b>As at 1 January 2021</b>	<b>86</b>	<b>15</b>	<b>14</b>	<b>73</b>	<b>188</b>
Income statement	(24)	(2)	9	(2)	(19)
Other comprehensive income and reserves	—	—	9	—	9
<b>As at 31 December 2021</b>	<b>62</b>	<b>13</b>	<b>32</b>	<b>71</b>	<b>178</b>
<b>As at 1 January 2020</b>	<b>56</b>	<b>16</b>	<b>3</b>	<b>73</b>	<b>148</b>
Income statement	30	4	(1)	—	33
Other comprehensive income and reserves	—	(5)	12	—	7
<b>As at 31 December 2020</b>	<b>86</b>	<b>15</b>	<b>14</b>	<b>73</b>	<b>188</b>

The amount of deferred tax assets expected to be recovered after more than 12 months is €177m (2020: €187m).

### Unrecognised deferred tax

#### Tax losses and temporary differences

Deferred tax assets have not been recognised in respect of gross deductible temporary differences of €12m (2020: €51m), unused tax credits of €98m (2020: €34m), and gross tax losses of €2,015m (2020: €1,977m). The tax losses include capital losses of €nil (2020: €nil). Of these tax losses, €8m (2020: €7m) expire within five years, €423m (2020: €247m) expire within six to ten years and €1,584m (2020: €1,723m) 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. The amount of unrecognised deferred tax relating to temporary differences on investments in branches is €nil (2020: €nil).

### 10 Dividends on ordinary shares

No ordinary dividend was paid in 2021 (2020: €nil).

# Notes to the financial statements

## Assets and liabilities held at fair value

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 orderly transaction between market participants at the measurement date, 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 page 41.

### 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).

	2021	2020
	€m	€m
Debt securities and other eligible bills	7,423	7,133
Equity securities	143	127
Traded loans	638	119
<b>Trading portfolio assets</b>	<b>8,204</b>	<b>7,379</b>
Debt securities and other eligible bills	(10,286)	(7,771)
<b>Trading portfolio liabilities</b>	<b>(10,286)</b>	<b>(7,771)</b>

### 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 expense, 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.

	2021	2020
	€m	€m
Loans and advances	726	744
Debt securities	24	—
Equity securities	1	—
Reverse repurchase agreements and other similar secured lending	14,601	14,005
<b>Financial assets mandatorily at fair value</b>	<b>15,352</b>	<b>14,749</b>

# Notes to the financial statements

## Assets and liabilities held at fair value

### 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. Derivatives are used to hedge interest rate risk.

All derivative instruments are held at fair value through profit or loss, except for derivatives that are in a designated cash flow hedge accounting 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 or cash flow hedge accounting as appropriate to the risks being hedged.

The Bank applies the 'Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019 (the Phase 1 amendments).

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.

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 Phase 1 amendments 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.

The Bank also applies the 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2' issued in August 2020. The Phase 2 amendments provide relief when changes are made to hedge relationships as a result of the interest rate benchmark reform.

In summary, the reliefs provided by the Phase 2 amendments are:

- Under a temporary exception, the Bank has considered that changes to the hedge designation and hedge documentation due to the interest rate benchmark reform would not constitute the discontinuation of the hedge relationship nor the designation of a new hedging relationship.
- In respect of the retrospective hedge effectiveness assessment, the Bank may elect, on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero when the exception to the retrospective assessment ends (Phase 1 relief). Any hedge ineffectiveness will continue to be measured and recognised in full in profit or loss.
- The Bank has deemed the amounts accumulated in the cash flow hedge reserve to be based on the alternative benchmark rate (on which the hedge future cash flows are determined) when there is a change in basis for determining the contractual cash flows.
- For hedges of groups of items (such as those forming part of a macro cash flow hedging strategy), the amendments provide relief for items within a designated group of items that are amended for changes directly required by the reform.
- In respect of whether a risk component of a hedged item is separately identifiable, the amendments provide temporary relief to entities to meet this requirement when an alternative risk free rate (RFR) financial instrument is designated as a risk component. These amendments allow the Bank upon designation of the hedge to assume that the separately identifiable requirement is met if the Bank reasonably expects the RFR risk will become separately identifiable within the next 24 months. The Bank applies this relief to each RFR on a rate-by-rate basis and starts when the Bank first designates the RFR as a non-contractually specified risk component.

# Notes to the financial statements

## Assets and liabilities held at fair value

### 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	2021			2020		
	Notional contract amount €m	Fair value		Notional contract amount €m	Fair value	
		Assets €m	Liabilities €m		Assets €m	Liabilities €m
Total derivative assets/(liabilities) held for trading	3,756,183	33,875	(33,515)	2,193,667	56,632	(57,722)
Total derivative assets/(liabilities) held for risk management	2,514	—	(2)	923	210	(11)
<b>Derivative assets/(liabilities)</b>	<b>3,758,697</b>	<b>33,875</b>	<b>(33,517)</b>	<b>2,194,590</b>	<b>56,842</b>	<b>(57,733)</b>

The Bank and BB PLC executed an amendment to their existing ISDA Master Agreement governing OTC derivatives during December 2021. The amendment results in the OTC derivative positions mark to market being settled daily by cash payments and not collateralised by these payments (known as variation margin) on a daily basis. For subsequent reporting periods, the fair value of derivatives will reflect the settlement which will reduce the fair value of the recognised derivative assets and liabilities and there will be no separate cash collateral recognised for the daily 'variation margin'. As of 31 December 2021, the impact was a reduction of derivatives assets of €16.6bn, derivative liabilities €18.0bn and collateral asset of €1.4bn.

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 page 41.

The Bank's exposure to credit risk arising from derivative contracts are outlined in the Credit Risk section on pages 46 to 79.

# 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	2021			2020		
	Notional contract amount €m	Fair value		Notional contract amount €m	Fair value	
		Assets €m	Liabilities €m		Assets €m	Liabilities €m
<b>Foreign exchange derivatives</b>						
OTC derivatives	785,832	4,857	(4,536)	600,090	8,587	(8,750)
Exchange traded futures and options – bought and sold	1,469	—	—	1,711	—	—
<b>Foreign exchange derivatives</b>	<b>787,301</b>	<b>4,857</b>	<b>(4,536)</b>	<b>601,801</b>	<b>8,587</b>	<b>(8,750)</b>
<b>Interest rate derivatives</b>						
OTC derivatives	2,360,375	27,167	(26,613)	1,140,737	45,909	(46,973)
Interest rate derivatives cleared by central counterparty	445,293	201	(45)	339,753	245	(67)
Exchange traded futures and options – bought and sold	29,556	4	(4)	22,533	3	(3)
<b>Interest rate derivatives</b>	<b>2,835,224</b>	<b>27,372</b>	<b>(26,662)</b>	<b>1,503,023</b>	<b>46,157</b>	<b>(47,043)</b>
<b>Credit derivatives</b>						
OTC swaps	59,798	277	(607)	30,559	397	(393)
Credit derivatives cleared by central counterparty	2,313	34	(53)	1,430	13	(34)
<b>Credit derivatives</b>	<b>62,111</b>	<b>311</b>	<b>(660)</b>	<b>31,989</b>	<b>410</b>	<b>(427)</b>
<b>Equity and stock index derivatives</b>						
OTC derivatives	52,694	1,069	(1,391)	37,674	1,157	(1,181)
Exchange traded futures and options – bought and sold	17,290	261	(261)	18,162	293	(293)
<b>Equity and stock index derivatives</b>	<b>69,984</b>	<b>1,330</b>	<b>(1,652)</b>	<b>55,836</b>	<b>1,450</b>	<b>(1,474)</b>
<b>Commodity derivatives</b>						
OTC derivatives	1,148	5	(5)	879	28	(28)
Exchange traded futures and options – bought and sold	415	—	—	140	—	—
<b>Commodity derivatives</b>	<b>1,563</b>	<b>5</b>	<b>(5)</b>	<b>1,019</b>	<b>28</b>	<b>(28)</b>
<b>Derivative assets/(liabilities) held for trading</b>	<b>3,756,183</b>	<b>33,875</b>	<b>(33,515)</b>	<b>2,193,667</b>	<b>56,632</b>	<b>(57,722)</b>
<b>Total OTC derivatives held for trading</b>	<b>3,259,847</b>	<b>33,375</b>	<b>(33,152)</b>	<b>1,809,939</b>	<b>56,078</b>	<b>(57,325)</b>
<b>Total derivatives cleared by central counterparty held for trading</b>	<b>447,606</b>	<b>235</b>	<b>(98)</b>	<b>341,183</b>	<b>258</b>	<b>(101)</b>
<b>Total exchange traded derivatives held for trading</b>	<b>48,730</b>	<b>265</b>	<b>(265)</b>	<b>42,545</b>	<b>296</b>	<b>(296)</b>
<b>Derivative assets/(liabilities) held for trading</b>	<b>3,756,183</b>	<b>33,875</b>	<b>(33,515)</b>	<b>2,193,667</b>	<b>56,632</b>	<b>(57,722)</b>

Derivatives held for risk management	2021			2020		
	Notional contract amount €m	Fair value		Notional contract amount €m	Fair value	
		Assets €m	Liabilities €m		Assets €m	Liabilities €m
<b>Derivatives designated as cash flow hedges</b>						
Interest rate swaps	578	—	(2)	109	—	—
Interest rate derivatives cleared by central counterparty	1,231	—	—	91	—	—
<b>Derivatives designated as cash flow hedges</b>	<b>1,809</b>	<b>—</b>	<b>(2)</b>	<b>200</b>	<b>—</b>	<b>—</b>
<b>Derivatives designated as fair value hedges</b>						
Interest rate swaps	705	—	—	723	210	(11)
Interest rate derivatives cleared by central counterparty	—	—	—	—	—	—
<b>Derivatives designated as fair value hedges</b>	<b>705</b>	<b>—</b>	<b>—</b>	<b>723</b>	<b>210</b>	<b>(11)</b>
<b>Derivative assets/(liabilities) held for risk management</b>	<b>2,514</b>	<b>—</b>	<b>(2)</b>	<b>923</b>	<b>210</b>	<b>(11)</b>
<b>Total OTC derivatives held for risk management</b>	<b>1,283</b>	<b>—</b>	<b>(2)</b>	<b>832</b>	<b>210</b>	<b>(11)</b>
<b>Total derivatives cleared by central counterparty held for risk management</b>	<b>1,231</b>	<b>—</b>	<b>—</b>	<b>91</b>	<b>—</b>	<b>—</b>
<b>Derivative assets/(liabilities) held for risk management</b>	<b>2,514</b>	<b>—</b>	<b>(2)</b>	<b>923</b>	<b>210</b>	<b>(11)</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. Following market-wide interest rate benchmark reform, sensitivity to risk-free rates is considered to be the predominant interest rate risk and therefore the hedged items (which often reference risk-free or similar 'overnight' rates) change in fair value on a 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 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.

As part of the industry-wide programme, all contracts subject to benchmark rate reform included within hedge accounting designations have been converted to alternative benchmarks. As such, there are no hedged items or hedging derivatives as at 31 December 2021 that are impacted by IBOR reform.

# Notes to the financial statements

## Assets and liabilities held at fair value

Amount, timing and uncertainty of future cash flows

### Hedged items in fair value hedge accounting relationships

Hedged item statement of financial position classification and risk category	Carrying amount	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
		Total	Of which: Accumulated fair value adjustment on items no longer in a hedge relationship		
	€m	€m	€m	€m	€m
<b>2021</b>					
<b>Asset</b>					
Loans and advances at amortised cost					
- Interest rate risk	6	6	6	—	—
<b>Liabilities</b>					
Debt securities in issue					
- Interest rate risk	(799)	(129)	(3)	47	2
<b>Total</b>	<b>(793)</b>	<b>(123)</b>	<b>3</b>	<b>47</b>	<b>2</b>
<b>2020</b>					
<b>Asset</b>					
Loans and advances at amortised cost					
- Interest rate risk	8	8	8	—	—
<b>Liabilities</b>					
Debt securities in issue					
- Interest rate risk	(904)	(179)	(3)	1	—
<b>Total</b>	<b>(896)</b>	<b>(171)</b>	<b>5</b>	<b>1</b>	<b>—</b>

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

Hedge Type	Risk Category	Carrying value		Notional amount	Change in fair value used as a basis to determine ineffectiveness
		Derivative assets	Derivative liabilities		
		€m	€m	€m	€m
<b>As at 31 December 2021</b>					
Fair Value	Interest rate risk	—	—	705	(45)
<b>Total</b>		<b>—</b>	<b>—</b>	<b>705</b>	<b>(45)</b>
<b>As at 31 December 2020</b>					
Fair Value	Interest rate risk	210	(11)	723	(1)
<b>Total</b>		<b>210</b>	<b>(11)</b>	<b>723</b>	<b>(1)</b>

## Notes to the financial statements

### Assets and liabilities held at fair value

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

	2021 €m	2022 €m	2023 €m	2024 €m	2025 €m	2026 €m	2027 and later €m
<b>2021</b>							
<b>Fair value hedges of interest rate risk</b>							
interest rate risk (outstanding notional amount)	705	704	699	694	541	471	471
	2020 €m	2021 €m	2022 €m	2023 €m	2024 €m	2025 €m	2026 and later €m
<b>2020</b>							
<b>Fair value hedges of interest rate risk</b>							
interest rate risk (outstanding notional amount)	723	723	723	704	699	694	541

The Bank has 38 (2020: 39) fair value hedges of Interest rate risk with an average fixed rate of 4.73% (2020: 4.72%) across the relationships.

Description of hedge relationship and hedged risk	Change in value of hedged item used as the basis for recognising ineffectiveness €m	Balance in cash flow hedging reserve for continuing hedges €m	Balances remaining in cash flow hedging reserve for which hedge accounting is no longer applied €m	Hedging gains or losses recognised in other comprehensive income €m	Hedge ineffectiveness recognised in the income statement <sup>a</sup> €m
<b>2021</b>					
<b>Cash flow hedge of interest rate risk</b>					
Loans and advances at amortised cost	16	7	8	16	(1)
<b>2020</b>					
<b>Cash flow hedge of interest rate risk</b>					
Loans and advances at amortised cost	(3)	—	—	(3)	(1)

Note

a Hedge ineffectiveness is recognised in net interest income.

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

Hedge Type	Risk Category	Carrying value		Notional amount €m	Change in fair value used as a basis to determine ineffectiveness €m
		Derivative assets €m	Derivative liabilities €m		
<b>As at 31 December 2021</b>					
Cash Flow	Interest rate risk	—	(2)	1,809	(17)
Total		—	(2)	1,809	(17)
<b>As at 31 December 2020</b>					
Cash Flow	Interest rate risk	—	—	200	2
Total		—	—	200	2

# Notes to the financial statements

## Assets and liabilities held at fair value

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	2021		2020	
	Amount recycled from other comprehensive income due to hedged item affecting income statement €m	Amount recycled from other comprehensive income due to sale of investment, or cash flows no longer expected to occur €m	Amount recycled from other comprehensive income due to hedged item affecting income statement €m	Amount recycled from other comprehensive income due to sale of investment, or cash flows no longer expected to occur €m
<b>Cash flow hedge of interest rate risk</b>				
Recycled to net interest income	(1)	1	—	3

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

Description of hedge relationship and hedged risk	2021		2020	
	Cash flow hedging reserve €m	Cash flow hedging reserve €m	Cash flow hedging reserve €m	Cash flow hedging reserve €m
<b>Balance on 1 January</b>		—		(5)
Hedging (losses)/gains for the year		(16)		9
Amounts reclassified in relation to cash flows affecting profit or loss		—		(3)
Tax		2		(1)
<b>Balance on 31 December</b>		(14)		—

### 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

	2021		2020	
	Fair value €m	Contractual amount due on maturity €m	Fair value €m	Contractual amount due on maturity €m
Debt securities	900	934	297	295
Deposits	3,295	3,755	3,266	3,673
Repurchase agreements and other similar secured borrowing	9,648	9,638	11,308	11,300
<b>Financial liabilities designated at fair value</b>	<b>13,843</b>	<b>14,327</b>	<b>14,871</b>	<b>15,268</b>

The cumulative own credit net loss recognised is €136m (2020: €87m)

# 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 139.

#### [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.

# Notes to the financial statements

## Assets and liabilities held at fair value

### 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.

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 2021</b>				
Trading portfolio assets	620	7,534	50	8,204
Financial assets at fair value through the income statement	—	15,002	350	15,352
Derivative financial instruments	—	33,740	135	33,875
<b>Total assets</b>	<b>620</b>	<b>56,276</b>	<b>535</b>	<b>57,431</b>
Trading portfolio liabilities	(773)	(9,509)	(4)	(10,286)
Financial liabilities designated at fair value	—	(13,843)	—	(13,843)
Derivative financial instruments	—	(33,463)	(54)	(33,517)
<b>Total liabilities</b>	<b>(773)</b>	<b>(56,815)</b>	<b>(58)</b>	<b>(57,646)</b>

Assets and liabilities held at fair value				
	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
<b>As at 31 December 2020</b>				
Trading portfolio assets	1,881	5,422	76	7,379
Financial assets at fair value through the income statement	—	14,392	357	14,749
Derivative financial instruments	—	56,613	229	56,842
<b>Total assets</b>	<b>1,881</b>	<b>76,427</b>	<b>662</b>	<b>78,970</b>
Trading portfolio liabilities	(1,580)	(6,191)	—	(7,771)
Financial liabilities designated at fair value	—	(14,871)	—	(14,871)
Derivative financial instruments	—	(57,504)	(229)	(57,733)
<b>Total liabilities</b>	<b>(1,580)</b>	<b>(78,566)</b>	<b>(229)</b>	<b>(80,375)</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				
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
	€m	€m	€m	€m
Interest rate derivatives	97	(9)	178	(178)
Foreign exchange derivatives	34	(41)	43	(43)
Credit derivatives	4	(4)	8	(8)
Corporate debt	—	(4)	—	—
Asset backed loans	326	—	357	—
Asset backed securities	24	—	—	—
Non asset backed loans	50	—	76	—
<b>Total</b>	<b>535</b>	<b>(58)</b>	<b>662</b>	<b>(229)</b>

### 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.

# Notes to the financial statements

## Assets and liabilities held at fair value

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 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. Deal Contingent FX Forwards are generally classified as level 3 as the probability of deal completion is unobservable.

### *Asset backed loans*

*Description:* Portfolio of EUR-denominated mortgage loans secured on residential properties located in Italy. The mortgages are indexed to EUR/CHF 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 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.

### *Non-asset backed loans*

*Description:* Largely made up of fixed rate loans.

*Valuation:* Fixed rate loans are valued using models that discount expected future cash flows based on interest rates and loan spreads.

*Observability:* Within this loan population, the loan spread is generally unobservable. Unobservable loan spreads are determined by incorporating funding costs, the level of comparable assets such as gilts, issuer credit quality and other factors.

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

During the period, there were no material transfers between Level 1 and Level 2 (2020: 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.

# Notes to the financial statements

## Assets and liabilities held at fair value

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

	As at 1 January 2021	Purchases	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 2021
						Trading income/ (losses)	Investment income		In	Out	
						€m	€m		€m	€m	
Non asset backed loans	76	50	(76)	—	—	—	—	—	—	—	50
<b>Trading portfolio assets</b>	<b>76</b>	<b>50</b>	<b>(76)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>50</b>
Asset backed loans	357	—	—	—	(35)	—	4	—	—	—	326
Asset backed securities	—	24	—	—	—	—	—	—	—	—	24
<b>Financial assets at fair value through the income statement</b>	<b>357</b>	<b>24</b>	<b>—</b>	<b>—</b>	<b>(35)</b>	<b>—</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>350</b>
<b>Trading portfolio liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4)</b>	<b>—</b>	<b>(4)</b>
Interest rate derivatives	—	—	—	—	(25)	96	—	—	(6)	23	88
Foreign exchange derivatives	—	—	—	—	(11)	(5)	—	—	9	—	(7)
Credit derivatives	—	(1)	3	—	(6)	4	—	—	—	—	—
<b>Net derivative financial instruments</b>	<b>—</b>	<b>(1)</b>	<b>3</b>	<b>—</b>	<b>(42)</b>	<b>95</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>23</b>	<b>81</b>
<b>Total</b>	<b>433</b>	<b>73</b>	<b>(73)</b>	<b>—</b>	<b>(77)</b>	<b>95</b>	<b>4</b>	<b>—</b>	<b>(1)</b>	<b>23</b>	<b>477</b>

### Analysis of movements in Level 3 assets and liabilities<sup>a</sup>

	As at 1 January 2020	Purchases	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 2020
						Trading income	Investment losses		In	Out	
						€m	€m		€m	€m	
Non asset backed loans	—	76	—	—	—	—	—	—	—	—	76
<b>Trading portfolio assets</b>	<b>—</b>	<b>76</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>76</b>
Asset backed loans	413	—	—	—	(48)	—	(8)	—	—	—	357
<b>Financial assets at fair value through the income statement</b>	<b>413</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(48)</b>	<b>—</b>	<b>(8)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>357</b>
<b>Total</b>	<b>413</b>	<b>76</b>	<b>—</b>	<b>—</b>	<b>(48)</b>	<b>—</b>	<b>(8)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>433</b>

Note

a Derivatives are not included in the above table as the level 3 assets and liabilities are opposite and equal, with the result that there is no net position.

### 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.



# Notes to the financial statements

## Assets and liabilities held at fair value

### Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at year end

	2021			2020		
	Income statement			Income statement		
	Trading income	Investment income	Total	Trading income	Investment losses	Total
As at 31 December	€m	€m	€m	€m	€m	€m
Financial assets at fair value through the income statement	—	4	4	—	(8)	(8)
Net derivative financial instruments	95	—	95	—	—	—
<b>Total</b>	95	4	99	—	(8)	(8)

### 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	2021 Range		2020 Range		Units <sup>a</sup>
			Min	Max	Min	Max	
<b>Derivative financial instruments</b>							
Interest rate derivatives	Discounted cash flows	Inflation forwards	3	4	1	3	%
	Option Model	Interest rate volatility	19	465	6	489	bps vol
Foreign exchange derivatives	Option Model	Option Volatility	5	14	—	30	points
<b>Non-derivative financial instruments</b>							
Asset backed securities	Comparable Pricing	Price	24	101	—	—	points
Asset backed loans	Discounted cash flows	Credit spread	200	300	200	300	bps
Non asset backed loans	Comparable Pricing	Yield	5	6	5	8	%

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.

#### Volatility

Volatility is a measure of the variability or uncertainty in return for a given derivative underlying. It is an estimate of how much a particular underlying instrument input or index will change in value over time. In general, volatilities are implied from observed option prices. For unobservable options the implied volatility may reflect additional assumptions about the nature of the underlying risk, and the strike/maturity profile of a specific contract.

In general a significant increase in volatility in isolation will result in a fair value increase for the holder of a simple option, but the sensitivity is dependent on the specific terms of the instrument.

#### Comparable price

Comparable instrument prices are used in valuation by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable observable instrument, then adjusting that yield (or spread) to account for relevant differences such as maturity or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable and unobservable instruments in order to establish a value.

In general, a significant increase in comparable price in isolation will result in an increase in the price of the unobservable instrument. For derivatives, a change in the comparable price 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

### 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.

### Sensitivity analysis of valuations using unobservable inputs

	2021		2020	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	€m	€m	€m	€m
Interest rate derivatives	1	(1)	1	(1)
Credit derivatives	1	—	—	—
Asset backed loans	18	(18)	21	(21)
Non asset backed loans	1	(1)	1	(1)
<b>Total</b>	<b>21</b>	<b>(20)</b>	<b>23</b>	<b>(23)</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 €21m (2020: €23m) or to decrease fair values by up to €20m (2020: €23m) with all the potential effect impacting profit or loss.

### Fair value adjustments

Key balance sheet valuation adjustments are quantified below:

	2021	2020
	€m	€m
Exit price adjustments derived from market bid-offer spreads	(11)	(7)
Uncollateralised derivative funding	(5)	(4)
Derivative credit valuation adjustments	(21)	(27)
Derivative debit valuation adjustments	6	5

### 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 have increased by €4m to €11m as a result of movements in market bid offer spreads.

### 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 of €5m 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 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

# Notes to the financial statements

## Assets and liabilities held at fair value

Adjustments ('DVA') are retained as valuation components incorporated into such levels. The effect of incorporating this scaling factor at 31 December 2021 was to reduce FFVA by €5m (2020: €4m).

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 (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. CVA decreased by €6m to €21m on tighter credit spreads and reduced expected exposures as major swap curves (EUR, USD) moved higher.

### *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.

# Notes to the financial statements

## Assets and liabilities held at fair value

### 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:

	2021				
	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	903	903	75	828	—
Loans and advances to customers	13,083	12,467	—	2,057	10,410
Reverse repurchase agreements and other similar secured lending	3,228	3,228	—	3,228	—
<b>Financial liabilities</b>					
Deposits from banks	(4,252)	(4,252)	(803)	(3,449)	—
Deposits from customers	(21,382)	(21,382)	(13,841)	(7,541)	—
Repurchase agreements and other similar secured borrowing	(3,596)	(3,596)	—	(3,596)	—
Debt securities in issue	(3,397)	(3,397)	—	(3,397)	—
Subordinated liabilities	(3,171)	(3,278)	—	(3,278)	—

	2020				
	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	906	906	—	906	—
Loans and advances to customers	12,143	11,561	—	1,317	10,244
Reverse repurchase agreements and other similar secured lending	3,174	3,174	—	3,174	—
<b>Financial liabilities</b>					
Deposits from banks	(3,488)	(3,488)	(757)	(2,731)	—
Deposits from customers	(19,620)	(19,620)	(12,846)	(6,774)	—
Repurchase agreements and other similar secured borrowing	(3,583)	(3,583)	—	(3,583)	—
Debt securities in issue	(2,297)	(2,297)	—	(2,297)	—
Subordinated liabilities	(1,061)	(1,115)	—	(1,115)	—

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) is determined in accordance with the relevant accounting policy in Note 17.

### Loans and advances to banks and customers

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, debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy section.

### Deposits from banks and customers

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently, such as customer accounts and other deposits and short-term debt securities.

# Notes to the financial statements

## Assets and liabilities held at fair value

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
- 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 below 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	
<b>As at 31 December 2021</b>								
Derivative financial assets	41,756	(8,003)	33,753	(21,928)	(10,365)	1,460	122	33,875
Reverse repurchase agreements and other similar secured lending <sup>e</sup>	46,444	(28,619)	17,825	—	(17,825)	—	4	17,829
<b>Total assets</b>	<b>88,200</b>	<b>(36,622)</b>	<b>51,578</b>	<b>(21,928)</b>	<b>(28,190)</b>	<b>1,460</b>	<b>126</b>	<b>51,704</b>
Derivative financial liabilities	(40,944)	7,617	(33,327)	21,928	10,273	(1,126)	(190)	(33,517)
Repurchase agreements and other similar secured borrowing <sup>e</sup>	(38,946)	28,619	(10,327)	—	10,327	—	(2,917)	(13,244)
<b>Total liabilities</b>	<b>(79,890)</b>	<b>36,236</b>	<b>(43,654)</b>	<b>21,928</b>	<b>20,600</b>	<b>(1,126)</b>	<b>(3,107)</b>	<b>(46,761)</b>
<b>As at 31 December 2020</b>								
Derivative financial assets	66,524	(9,824)	56,700	(41,449)	(13,517)	1,734	142	56,842
Reverse repurchase agreements and other similar secured lending <sup>e</sup>	36,013	(18,847)	17,166	—	(17,166)	—	13	17,179
<b>Total assets</b>	<b>102,537</b>	<b>(28,671)</b>	<b>73,866</b>	<b>(41,449)</b>	<b>(30,683)</b>	<b>1,734</b>	<b>155</b>	<b>74,021</b>
Derivative financial liabilities	(66,309)	8,743	(57,566)	41,449	14,749	(1,368)	(167)	(57,733)
Repurchase agreements and other similar secured borrowing <sup>e</sup>	(31,320)	18,847	(12,473)	—	12,473	—	(2,418)	(14,891)
<b>Total liabilities</b>	<b>(97,629)</b>	<b>27,590</b>	<b>(70,039)</b>	<b>41,449</b>	<b>27,222</b>	<b>(1,368)</b>	<b>(2,585)</b>	<b>(72,624)</b>

### Notes

a Amounts offset for Derivative financial assets additionally includes cash collateral netted of €1,285m (2020: €1,109m). Amounts offset for Derivative financial liabilities additionally includes cash collateral netted of €1,671m (2020: €2,190m). Settlements assets and liabilities have been offset amounting to €2,338m (2020: €549m).

b Financial collateral of €10,365m (2020: €13,517m) was received in respect of derivative assets, including €9,666m (2020: €13,292m) of cash collateral and €699m (2020: €225m) of non-cash collateral. Financial collateral of €10,273m (2020: €14,749m) was placed in respect of derivative liabilities, including €9,450m (2020: €13,297m) of cash collateral and €823m (2020: €1,452m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation.

c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

d 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'.

e Reverse Repurchase agreements and other similar secured lending of €17,829m (2020: €17,179m) is split by fair value €14,601m (2020: €14,005m) and amortised cost €3,228m (2020: €3,174m). Repurchase agreements and other similar secured borrowing of €13,244m (2020: €14,891m) is split by fair value €9,648m (2020: €11,308m) and amortised cost €3,596m (2020: €3,583m).

# Notes to the financial statements

## Assets and liabilities held at fair value

### *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 'Financial instruments' 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 40.

# 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, property, plant and equipment, leases, intangible assets, cash collateral and settlement balances and Other assets. Details regarding the Bank's assets and liabilities at amortised cost can be found on pages 145 to 149.

### 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 and deposits at amortised cost

	2021	2020
As at 31 December	€m	€m
Loans and advances at amortised cost to banks	903	906
Loans and advances at amortised cost to customers	13,004	12,143
Debt securities at amortised cost	79	—
<b>Total loans and advances at amortised cost</b>	<b>13,986</b>	<b>13,049</b>

#### Deposits at amortised cost

	2021			2020		
	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>4,252</b>	<b>21,382</b>	<b>25,624</b>	<b>3,488</b>	<b>19,620</b>	<b>23,108</b>

# Notes to the financial statements

## Assets and liabilities held at amortised cost

### 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
Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%
Leasehold property over the remaining life of the lease (less than 50 years to run)	Over the remaining life of the lease
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

	Property €m	Equipment €m	Right of use assets <sup>a</sup> €m	Total €m
<b>Cost</b>				
As at 1 January 2021	49	43	99	191
Additions	1	8	—	9
Other movements	—	—	(2)	(2)
<b>As at 31 December 2021</b>	<b>50</b>	<b>51</b>	<b>97</b>	<b>198</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 January 2021	(28)	(29)	(28)	(85)
Depreciation charge	(4)	(6)	(13)	(23)
<b>As at 31 December 2021</b>	<b>(32)</b>	<b>(35)</b>	<b>(41)</b>	<b>(108)</b>
<b>Net book value</b>	<b>18</b>	<b>16</b>	<b>56</b>	<b>90</b>
<b>Cost</b>				
As at 1 January 2020	35	54	94	183
Additions	1	3	—	4
Disposals	—	(3)	—	(3)
Other movements	13	(11)	5	7
<b>As at 31 December 2020</b>	<b>49</b>	<b>43</b>	<b>99</b>	<b>191</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 January 2020	(24)	(28)	(15)	(67)
Disposals	—	3	—	3
Depreciation charge	(4)	(4)	(13)	(21)
<b>As at 31 December 2020</b>	<b>(28)</b>	<b>(29)</b>	<b>(28)</b>	<b>(85)</b>
<b>Net book value</b>	<b>21</b>	<b>14</b>	<b>71</b>	<b>106</b>

Note

a Right of use ('ROU') asset balances relate to property leases under IFRS 16. Refer to Note 19 for further details.



# Notes to the financial statements

## Assets and liabilities held at amortised cost

### 19 Leases

#### Accounting for leases

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.

#### 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

	2021	2020
	€m	€m
As at 1 January	75	83
Interest	2	2
Cash payments	(16)	(16)
Exchange and other movements	(3)	6
As at 31 December (see Note 23)	58	75

The below table sets out a maturity analysis of undiscounted lease liabilities, showing the lease payments to be paid after the reporting date.

#### Undiscounted lease liabilities maturity analysis

	2021	2020
	€m	€m
Not more than one year	12	14
One to two years	8	13
Two to three years	7	8
Three to four years	6	8
Four to five years	6	8
Five to ten years	16	21
Greater than ten years	14	17
Total undiscounted lease liabilities as at 31 December	69	89

# Notes to the financial statements

## Assets and liabilities held at amortised cost

In addition to the cash flows identified above, the Bank is exposed to:

- Variable lease payments: This variability will typically arise from either inflation index instruments or market based pricing adjustments. Currently, the Bank has 12 leases (2020: 13) out of the total 17 leases (2020: 17) which have variable lease payment terms based on market based pricing adjustments. Of the gross cash flows identified above, €69m (2020: €89m) is attributable to leases with some degree of variability predominately linked to market based pricing adjustments.
- Extension and termination options: The table above represents the 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.

### 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.

For internally generated intangible assets, only costs incurred during the development phase are capitalised. Expenditures in the research phase are expensed when it is incurred.

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. Intangible assets not yet available for use are reviewed annually for impairment.

#### 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.

## Notes to the financial statements

### Assets and liabilities held at amortised cost

	Internally generated software €m	Other software €m	Licenses and Other contracts €m	Total €m
<b>Cost</b>				
As at 1 January 2021	120	8	3	131
Additions	21	—	—	21
<b>As at 31 December 2021</b>	<b>141</b>	<b>8</b>	<b>3</b>	<b>152</b>
<b>Accumulated amortisation and impairment</b>				
As at 1 January 2021	(73)	(7)	(1)	(81)
Amortisation charge	(12)	—	—	(12)
<b>As at 31 December 2021</b>	<b>(85)</b>	<b>(7)</b>	<b>(1)</b>	<b>(93)</b>
<b>Net book value</b>	<b>56</b>	<b>1</b>	<b>2</b>	<b>59</b>

<b>Cost</b>				
As at 1 January 2020	118	8	—	126
Additions	21	—	2	23
Disposals	(25)	—	—	(25)
Other movements	6	—	1	7
<b>As at 31 December 2020</b>	<b>120</b>	<b>8</b>	<b>3</b>	<b>131</b>
<b>Accumulated amortisation and impairment</b>				
As at 1 January 2020	(81)	(7)	—	(88)
Disposals	25	—	—	25
Impairment Charge	(1)	—	—	(1)
Amortisation Charge	(16)	—	(1)	(17)
<b>As at 31 December 2020</b>	<b>(73)</b>	<b>(7)</b>	<b>(1)</b>	<b>(81)</b>
<b>Net book value</b>	<b>47</b>	<b>1</b>	<b>2</b>	<b>50</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.

#### 21 Cash collateral and settlement balances

	2021 €m	2020 €m
<b>Assets</b>		
Cash collateral	13,416	15,478
Settlement balances	4,235	3,583
<b>Cash collateral and settlement balances</b>	<b>17,651</b>	<b>19,061</b>
<b>Liabilities</b>		
Cash collateral	13,293	15,691
Settlement balances	3,832	3,741
<b>Cash collateral and settlement balances</b>	<b>17,125</b>	<b>19,432</b>

#### 22 Other assets

	2021 €m	2020 €m
Credit related fees receivable	53	17
Amounts receivable from Barclays Group companies	159	138
Other debtors and prepaid expenses	125	112
<b>Other assets</b>	<b>337</b>	<b>267</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, provisions, contingent liabilities and commitments and legal competition and regulatory matters can be found on pages 150 to 151.

#### 23 Other liabilities

	2021	2020
	€'m	€'m
Accruals and deferred income	194	149
Payable to Barclays Group companies	71	31
Other creditors	140	89
Items in the course of collection due to banks	49	72
Lease liabilities (See Note 19)	58	75
<b>Other liabilities</b>	<b>512</b>	<b>416</b>

#### 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.

##### 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>	Customer redress	Legal, competition and regulatory matters	Sundry provisions	Total
	€m	€m	€m	€m	€m	€m
<b>As at 1 January 2021</b>	9	52	—	—	11	72
Additions	12	4	12	2	22	52
Amounts utilised	(9)	—	—	(1)	(2)	(12)
Unused amounts reversed	(2)	(31)	(3)	—	(1)	(37)
Exchange and other movements	—	2	—	2	—	4
<b>As at 31 December 2021</b>	<b>10</b>	<b>27</b>	<b>9</b>	<b>3</b>	<b>30</b>	<b>79</b>
<b>As at 1 January 2020</b>	11	10	—	—	11	32
Additions	9	42	—	—	1	52
Amounts utilised	(5)	—	—	—	(1)	(6)
Unused amounts reversed	(6)	(2)	—	—	—	(8)
Exchange and other movements	—	2	—	—	—	2
<b>As at 31 December 2020</b>	<b>9</b>	<b>52</b>	<b>—</b>	<b>—</b>	<b>11</b>	<b>72</b>

Note

a Undrawn contractually committed facilities and guarantees provisions are accounted for under IFRS 9.

Provisions expected to be recovered or settled within no more than 12 months after 31 December 2021 were €53m (2020: €67m).

# Notes to the financial statements

## Accruals, provisions, contingent liabilities and legal proceedings

### 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.

### 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. For further information, refer to Credit Risk section for loan commitments and financial guarantees on page 53.

### Customer redress

Customer redress provisions comprise the estimated cost of making redress payments to customers, clients and counterparties for losses or damages associated with certain judgements in the execution of the Bank's business activities. This represents a provision for potential customer refunds following a recent German court ruling against another bank in Germany.

### Legal, competition and regulatory matters

The Bank is engaged in various legal proceedings. For further information in relation to legal proceedings and discussion of the associated uncertainties, please refer to Note 26.

### 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:

	2021	2020
	€m	€m
Guarantees and letters of credit pledged as collateral security	2,519	2,447
Performance guarantees, acceptances and endorsements	1,540	1,416
<b>Total contingent liabilities and financial guarantees</b>	<b>4,059</b>	<b>3,863</b>
<i>Of which: Financial guarantees carried at fair value</i>	—	—
Documentary credits and other short-term trade related transactions	145	63
Standby facilities, credit lines and other commitments	27,280	22,760
<b>Total commitments</b>	<b>27,425</b>	<b>22,823</b>
<i>Of which: Loan commitments carried at fair value</i>	1,523	573

Expected credit losses held against commitments at 31 December 2021 amounted to €27m (2020: €52m) and are reported in Note 24.

## 26 Legal, competition and regulatory matters

The Bank faces legal, competition and regulatory challenges, many of which are beyond the Bank's control, in the jurisdictions in which it operates, including (but not limited to) proceedings brought by and against the Bank. 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. The recognition of provisions in relation to such matters involves critical accounting estimates and judgments in accordance with the relevant accounting policies applicable to Note 24, Provisions. At the present time, the Bank is not subject to any legal, competition or regulatory matters which give rise to a material contingent liability. 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.

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, and have agreed to indemnify the Bank in respect of, 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, and has agreed to indemnify BB PLC or BCSL (as the case may be) in respect of, 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.

# Notes to the financial statements

## Capital instruments, equity and reserves

The notes included in this section focus on the Bank's loan capital and shareholders' equity including issued share capital, retained earnings and other equity balances. For more information on capital management and how the Bank maintains sufficient capital to meet the Bank's regulatory requirements refer to page 42.

### 27 Subordinated liabilities

#### Accounting for subordinated liabilities

Subordinated debt is measured at amortised cost using the effective interest method under IFRS 9.

	2021	2020
	€m	€m
As at 1 January	1,061	891
Issuances	2,310	170
Redemption	(200)	—
<b>As at 31 December</b>	<b>3,171</b>	<b>1,061</b>

Issuances of €2,310m comprise €2,150m Euribor Tier 3 and €160m Euribor Tier 2 intra-group loans from Barclays Bank PLC.

Redemption comprise €200m Euribor Tier 3 intra-group loan from Barclays Bank PLC.

Subordinated liabilities include accrued interest and none of the capital is secured.

	2021	2020
	€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 3 Floating Rate Subordinated Loan (€100m)	1m Euribor plus 0.77%	2027
Tier 3 Floating Rate Subordinated Loan (€200m)	1m Euribor plus 0.86%	2027
Tier 3 Floating Rate Subordinated Loan (€350m)	1m Euribor plus 0.84%	2027
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 3 Floating Rate Subordinated Loan (€800m)	1m Euribor plus 0.94%	2029
Tier 2 Floating Rate Subordinated Loan (€170m)	1m Euribor plus 1.81%	2030
Tier 2 Floating Rate Subordinated Loan (€160m)	1m Euribor plus 1.625%	2031
Tier 2 Floating Rate Subordinated Loan (€39m)	1m Euribor plus 3.32%	2031
Tier 3 Floating Rate Subordinated Loan (€370m)	1m Euribor plus 1.07%	2032
Tier 3 Floating Rate Subordinated Loan (€130m)	1m Euribor plus 1.10%	2032
Tier 3 Floating Rate Subordinated Loan (€200m)	1m Euribor plus 1.01%	2032
<b>Total subordinated liabilities<sup>a</sup></b>	<b>3,171</b>	<b>1,061</b>

Note

a Instrument values are disclosed to the nearest million

#### 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.

# Notes to the financial statements

## Capital instruments, equity and reserves

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.

### 28 Ordinary shares, share premium, and other equity

	2021		2020	
	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>	5,000	5,000

#### Called up share capital, allotted and fully paid and other equity instruments

	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 2021</b>	<b>899</b>	<b>899</b>	<b>1,383</b>	<b>2,282</b>	<b>565</b>
Issue of ordinary shares	—	—	965	965	—
AT1 securities issuance	—	—	—	—	240
<b>As at 31 December 2021</b>	<b>899</b>	<b>899</b>	<b>2,348</b>	<b>3,247</b>	<b>805</b>
<b>As at 1 January 2020</b>	<b>899</b>	<b>899</b>	<b>75</b>	<b>974</b>	<b>565</b>
Issue of ordinary shares	—	—	1,308	1,308	—
<b>As at 31 December 2020</b>	<b>899</b>	<b>899</b>	<b>1,383</b>	<b>2,282</b>	<b>565</b>

#### Ordinary shares

The issued ordinary share capital of the Bank, as at 31 December 2021, comprised 898,668,934 (2020: 898,668,634,) ordinary shares of €1 each. During the year 2021 the Bank issued 300 ordinary shares of €1 each at a premium of €965m.

#### Other equity instruments

Other equity instruments of €805m (2020: €565m) 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 directly in equity upon payment.

In 2021, there were two issuances of AT1 instruments (2020: no issuances).

		2021	2020
	Rate	€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	69
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€36m)	1m Euribor plus 5.950%	36	36
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€85m)	1m Euribor plus 6.240%	85	85
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€75m)	1m Euribor plus 6.240%	75	75
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€100m)	1m Euribor plus 4.343%	100	—
Additional Tier 1 Floating Rate Perpetual Contingent Write-down Securities (€140m)	1m Euribor plus 3.720%	140	—
<b>Total Additional Tier 1 securities</b>		<b>805</b>	<b>565</b>

# Notes to the financial statements

## Capital instruments, equity and reserves

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.
- 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 in 2018 and 2019, and represents the excess of the book value at transfer over the fair value.

	2021	2020
	€m	€m
Cash flow hedging reserve	(14)	—
Own credit reserve	(137)	(87)
Other reserves and other shareholders' equity	(45)	(45)
<b>Total</b>	<b>(196)</b>	<b>(132)</b>



# Notes to the financial statements

## Other disclosure matters

The notes included in this section focus on the Bank's staff costs, share-based payments and pensions and post-retirement benefits, structured entities, financing activities, assets pledged, collateral received and assets transferred, repurchase agreements and other similar borrowing, consolidated entities, related party transactions and directors' remuneration, auditor's remuneration, post balance sheet events and interest rate benchmark reform can be found on pages 155 to 174.

### 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 notes 31 and 32 respectively.

	2021	2020
	€m	€m
Salaries	186	168
Social security costs	64	49
Post-retirement benefits <sup>a</sup>	11	9
Performance costs	87	56
Other compensation costs <sup>b</sup>	18	18
<b>Total compensation costs</b>	<b>366</b>	<b>300</b>
<b>Other resourcing costs</b>		
Outsourcing	11	14
Redundancy and restructuring	10	5
Temporary staff costs	7	3
Other resourcing costs	5	4
<b>Total other resourcing costs</b>	<b>33</b>	<b>26</b>
<b>Total staff costs</b>	<b>399</b>	<b>326</b>

#### Notes

a Post-retirement benefits charge includes €11m (2020: €6m) in respect of defined contribution schemes and €Nil (2020: €3m) 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 2021, the number of staff (full time equivalents) was 1,708 (31 December 2020: 1,646). The average number of employees for the year was 1,690 (31 December 2020: 1,606).

# Notes to the financial statements

## Other disclosure matters

### 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.

The cost to the Bank of all share based payments as recharged by Barclays Group for the financial year ended 31 December 2021 was €20m (2020: €16m). There are no cash settled share based payment transactions.

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. 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 B 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:

	2021				2020			
	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
DSVP and SVP <sup>a,b</sup>	1.63	1.75	1.09	15,468,680	1.04	1.26	1.17	13,227,450
Sharesave <sup>a</sup>	0.63	1.72	3.30	1,615,979	0.52	1.77	4.17	1,705,327
Others <sup>a</sup>	1.75-1.78	1.75-1.80	—	119,378	1.18-1.24	1.22-1.24	—	114,245

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

Sharesave has a contractual life of 3 and 5 years, the expected volatility is 30.97% for 3 years and 29.76% for 5 years. The risk free interest rates used for valuations are 1.20% and 1.18% for 3 and 5 years respectively. The pure dividend yield rates used for valuations are 2.94% and 2.87% for 3 and 5 years respectively. The repo rates used for valuations are -0.3% and -0.44% for 3 and 5 years respectively. The

# Notes to the financial statements

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inputs into the model such as risk free interest rate, expected volatility, pure dividend yield rates and repo rates are derived from the market data.

### 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:

	DSVP and SVP <sup>a,b</sup>		Sharesave <sup>a</sup>				Others <sup>a</sup>	
	Number		Number		Weighted average ex. price (£)		Number	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Outstanding at beginning of year/acquisition date<sup>c</sup></b>	<b>13,227,450</b>	<b>9,474,884</b>	<b>1,705,327</b>	<b>1,027,068</b>	<b>0.90</b>	<b>1.23</b>	<b>114,245</b>	<b>94,710</b>
Transfers in the year <sup>d</sup>	1,506,170	630,632	117,600	51,295			15,834	9,607
Granted in the year	8,284,419	7,683,095	6,293	1,400,216	1.43	0.82	3,812,579	4,049,690
Exercised/released in the year	(5,517,908)	(4,287,372)	(29,355)	(22,500)	1.37	1.20	(3,818,894)	(4,035,904)
Less: forfeited in the year	(2,031,451)	(273,789)	(130,905)	(696,830)	1.03	1.22	(4,386)	(3,858)
Less: expired in the year	—	—	(52,981)	(53,922)	1.13	1.41	—	—
<b>Outstanding at end of year</b>	<b>15,468,680</b>	<b>13,227,450</b>	<b>1,615,979</b>	<b>1,705,327</b>	<b>0.88</b>	<b>0.90</b>	<b>119,378</b>	<b>114,245</b>
<b>Of which exercisable:</b>	<b>—</b>	<b>—</b>	<b>23,906</b>	<b>29,787</b>	<b>1.43</b>	<b>1.41</b>	<b>55,016</b>	<b>48,540</b>

#### 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 2021.

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 2021 and 2020.

### 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).

#### 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 in pages 161 to 162.

The Bank operates a funded defined benefit pension scheme in Ireland (The Barclays Bank Irish Retirement and Life Assurance Plan) which was closed to new accrual on 31 May 2013. Contributions are made annually by the Bank to a separately administered pension fund as determined by a qualified actuary on the basis of triennial valuations. The most recent triennial valuation was carried out as at 31 December 2020. The Plan liabilities were assessed using the Attained Age method and were arrived at using actuarial assumptions based on market expectations at the valuation date. The triennial valuation disclosed that the fair value of the Plan assets represented 96% of the value of benefits that had accrued to members, after allowing for expected future increases in pensions. As a result of the valuation discussions with the Trustees and the recommendations of the actuary, the Bank agreed to pay €0.5 million per annum in contributions over 5 years from 2021 to 2025. The Plan is also subject to an annual valuation under the Irish Pensions Authority Minimum Funding Standard (MFS). The MFS valuation is designed to assess whether the scheme has sufficient funds to provide a minimum level of benefits in a wind up scenario. The actuary confirmed that the Plan satisfied the statutory Minimum Funding Standard at 31 December 2020.

# Notes to the financial statements

## Other disclosure matters

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. There is no legal requirement to fund pension liabilities in Germany.

With effect from 31 December 2020, the financing of the main plan in Germany, the Hamburg pension scheme, was moved to a multi-employer plan. This follows a similar move in 2016 for certain pension arrangements for operations in Frankfurt. A lump sum contribution of €21m was paid to transfer accrued obligations and contributions will be paid to the multi-employer plan in respect of future accrual. The multi-employer plan applies German funding rules for pension insurances which prescribe necessary funding levels. The relationship between ongoing contributions for future service (which are agreed between the Bank and the relevant works councils) and the pensions emerging from the multi-employer plan is governed by tariffs that are agreed with the BaFin regulatory authority. The assets are effectively shared between the companies participating in the arrangement; there is no pre-specified allocation between companies on an ongoing basis, nor on wind-up or withdrawal. There will be insufficient information on the Bank's 'share' of plan assets going forwards to account for this plan as defined benefit under IAS19 as the multi-employer plan does not sufficiently allocate assets between member companies or individuals. This defined benefit plan will therefore be accounted for as if it were defined contribution, in line with typical market practice. A settlement gain of €1m was recognised in profit or loss as a result of this transaction during 2020, representing the difference between the liabilities removed from the Bank's balance sheet and the contribution paid to the multi-employer plan. Accrued benefits are reinsured. Experience within the multi-employer plan is pooled across membership and any surplus returns may be used to offset the cost of indexing pensions in payment. There may be additional costs if surplus returns are less than required indexation. The Bank remains ultimately liable for the benefits it promised, as are other employers participating in the multi-employer plan. As at 31 December 2020 the multi-employer plan had 800 member companies and 480,000 insured individuals. The multi-employer plan showed a small surplus in its published results as at 31 December 2020 with both assets and liabilities of some €31bn. The Bank's Frankfurt and Hamburg offices, together, have c.1,000 employees and former employees covered by the multi-employer plan. The Bank expects to contribute €2.3m to the multi-employer plan in 2022.

The remaining plans in Germany are closed to new entrants.

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 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

	2021				
	Ireland	Germany	France <sup>a</sup>	Portugal <sup>a</sup>	Total
	€m	€m	€m	€m	€m
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>	—	—	—	—	—

### Income statement charge

	2020				
	Ireland	Germany	France <sup>a</sup>	Portugal <sup>a</sup>	Total
	€m	€m	€m	€m	€m
Interest cost on Defined Benefit Obligation ('DBO')	1	1	—	—	2
Interest income on assets	(1)	—	—	—	(1)
<b>Net interest cost on net defined benefit liability</b>	—	1	—	—	1
<b>Other finance income</b>					
Current service cost	—	3	—	—	3
<b>Total service cost</b>	—	3	—	—	3
<b>Pension expense</b>	—	4	—	—	4

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

## Other disclosure matters

The amounts recognised in other comprehensive income are as follows:

Statement of other comprehensive income					
	2021				
	Ireland	Germany <sup>a</sup>	France <sup>a</sup>	Portugal <sup>a</sup>	Total
	€m	€m	€m	€m	€m
Actuarial (gain)/loss - demographic	(1)	—	—	—	(1)
Actuarial (gain)/loss - financial	1	—	—	—	1
<b>Actuarial (gain)/loss arising during period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Return on plan assets (greater)/less than discount rate	(6)	—	—	—	(6)
<b>Remeasurement effects recognised in OCI</b>	<b>(6)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(6)</b>

Statement of other comprehensive income					
	2020				
	Ireland	Germany	France <sup>a</sup>	Portugal <sup>a</sup>	Total
	€m	€m	€m	€m	€m
Actuarial (gain)/loss - experience	(1)	—	—	—	(1)
Actuarial (gain)/loss - financial	(1)	(1)	—	—	(2)
<b>Actuarial (gain)/loss arising during period</b>	<b>(2)</b>	<b>(1)</b>	<b>—</b>	<b>—</b>	<b>(3)</b>
Return on plan assets (greater)/less than discount rate	(2)	—	—	—	(2)
<b>Remeasurement effects recognised in OCI</b>	<b>(4)</b>	<b>(1)</b>	<b>—</b>	<b>—</b>	<b>(5)</b>

Note

a Other comprehensive income 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 2021 and 31 December 2020.

Balance sheet					
	2021				
	Ireland	Germany	France	Portugal	Total
	€m	€m	€m	€m	€m
Present value of funded liabilities	(63)	—	—	(3)	(66)
Present value of the unfunded liabilities	—	(12)	(4)	—	(16)
<b>Present value of total liabilities</b>	<b>(63)</b>	<b>(12)</b>	<b>(4)</b>	<b>(3)</b>	<b>(82)</b>
Fair value of scheme assets	59	—	—	2	61
<b>Retirement benefit liability</b>	<b>(4)</b>	<b>(12)</b>	<b>(4)</b>	<b>(1)</b>	<b>(21)</b>

Balance sheet					
	2020				
	Ireland	Germany	France	Portugal	Total
	€m	€m	€m	€m	€m
Present value of funded liabilities	(64)	—	—	(3)	(67)
Present value of the unfunded liabilities	—	(14)	(3)	—	(17)
<b>Present value of total liabilities</b>	<b>(64)</b>	<b>(14)</b>	<b>(3)</b>	<b>(3)</b>	<b>(84)</b>
Fair value of scheme assets	54	—	—	2	56
<b>Retirement benefit liability</b>	<b>(10)</b>	<b>(14)</b>	<b>(3)</b>	<b>(1)</b>	<b>(28)</b>

# Notes to the financial statements

## Other disclosure matters

### Reconciliation of defined benefit asset/liability

	Ireland	Germany	France	Portugal	Total
	€m	€m	€m	€m	€m
Defined benefit asset/(liability) at 1 January 2021	(10)	(14)	(3)	(1)	(28)
Current service cost	—	—	—	—	—
Interest cost on DBO	(1)	—	—	—	(1)
Interest income on assets	1	—	—	—	1
Remeasurement gain recognised in OCI	6	—	—	—	6
Employer contributions	—	2	—	—	2
Settlement	—	—	—	—	—
Other movements	—	—	(1)	—	(1)
<b>Defined benefit asset/(liability) at 31 December 2021</b>	<b>(4)</b>	<b>(12)</b>	<b>(4)</b>	<b>(1)</b>	<b>(21)</b>

### Movement in Scheme Assets

	2021				
	Ireland	Germany <sup>a</sup>	France <sup>a</sup>	Portugal	Total
	€m	€m	€m	€m	€m
At 1 January 2021	54	—	—	2	56
Interest income on plan assets	1	—	—	—	1
Return on plan assets (greater)/less than discount rate	6	—	—	—	6
Benefits paid – from plan assets	(2)	—	—	—	(2)
Employer contributions paid	—	—	—	—	—
<b>At 31 December 2021</b>	<b>59</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>61</b>

### Movement in Scheme Liabilities

	2021				
	Ireland	Germany <sup>a</sup>	France <sup>a</sup>	Portugal	Total
	€m	€m	€m	€m	€m
At 1 January 2021	64	14	3	3	84
Current service cost	—	—	—	—	—
Interest cost on DBO	1	—	—	—	1
Actuarial (gain)/loss- demographic	(1)	—	—	—	(1)
Actuarial (gain)/loss - financial	1	—	—	—	1
Benefits paid – from plan assets	(2)	—	—	—	(2)
Benefits paid – directly by the Bank	—	(2)	—	—	(2)
Settlement	—	—	—	—	—
Other movements	—	—	1	—	1
<b>At 31 December 2021</b>	<b>63</b>	<b>12</b>	<b>4</b>	<b>3</b>	<b>82</b>

#### Notes

a Pension schemes in Germany and France are unfunded and hence do not have any assets against them.

The weighted average duration of the benefit payments reflected in the defined benefit obligation for Ireland and Germany is 25 years and 9 years respectively.

#### Analysis of scheme assets

A long-term investment strategy has been set for the BBI Pension Plan with its asset allocation comprising a mix of equities, bonds, property, mixed investment funds and other assets. This recognises that different asset classes are likely to produce different returns and some asset classes may be more volatile than others. The long-term investment strategy aims to ensure, among other objectives, that investments are adequately diversified and the overall level of investment risk is acceptable.

# Notes to the financial statements

## Other disclosure matters

The value of the asset classes and their percentages in relation to the total assets are set out below:

	2021		2020	
	Value <sup>a</sup>	% of total fair value of scheme assets	Value <sup>a</sup>	% of total fair value of scheme assets
	€m	%	€m	%
Equities	26	43.0%	22	39.3%
Bonds	22	36.0%	22	39.3%
Property	2	3.0%	2	3.6%
Mixed Investment Funds <sup>b</sup>	11	18.0%	10	17.8%
Other	—	0.0%	—	—%
<b>Fair value of scheme assets</b>	<b>61</b>	<b>100.0%</b>	<b>56</b>	<b>100.0%</b>

Notes

a All assets in the above table are quoted assets

b Ireland's Diversified Growth Fund is included under the Mixed Investment Funds category in both 2020 and 2021 in the above table.

### 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 defined benefit schemes.

#### Ireland

Key financial assumptions	2021	2020
	% p.a.	% p.a.
Discount rate	1.10%	0.90%
Inflation rate ('RPI')	1.75%	1.50%
Rate of increase for pension	1.75%	1.50%

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	2021	2020
<b>Life expectancy at 60 for current pensioners (years)</b>		
– Males	26.6	26.4
– Females	29.1	29.0
<b>Life expectancy at 60 for future pensioners currently aged 40 (years)</b>		
– Males	29.0	28.9
– Females	31.2	31.1

#### Germany

The principal actuarial assumptions at the balance sheet date are as follows:

Key financial assumptions	2021	2020
	% p.a.	% p.a.
Discount rate	0.80%	0.50%
Inflation rate ('RPI')	1.75%	1.50%
Rate of increase for pension	1.75%	1.50%

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	2021	2020
<b>Life expectancy at 60 for current pensioners (years)</b>		
– Males	25.1	24.9
– Females	28.8	28.7
<b>Life expectancy at 60 for future pensioners currently aged 40 (years)</b>		
– Males	28.0	27.9
– Females	31.1	31.0

# Notes to the financial statements

## Other disclosure matters

### 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	2021	2020
	(Decrease)/ Increase in defined benefit obligation	(Decrease)/ Increase in defined benefit obligation
	€m	€m
<b>Discount rate</b>		
0.50% p.a. increase	(7)	(8)
<b>Assumed RPI</b>		
0.50% p.a. increase	8	8

### Expected employer contributions

The Bank's expected contributions to the Barclays Bank Irish Retirement and Life Assurance Plan in respect of defined benefits in 2022 is €0.5m (2021: €1.06m). In addition, the expected contributions to the Irish defined contribution scheme in 2021 is €3m (2021: €3m). The next triennial valuation is due to be carried out as at 31st Dec 2023 which will assess the long-term funding position and may lead to a requirement for additional contributions beyond 2025.

Direct benefit payments of €1.9m are expected to be paid to the unfunded plans in Germany in 2022.

### 33 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. 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

The term 'unconsolidated structured entities' refers to structured entities not consolidated by Barclays, and are established by a third party. 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.

The Bank enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions, risk management services and for specific investment opportunities. This is predominately within the CIB business. Structured entities may take the form of funds, trusts, securitisation vehicles, and private investment companies. The largest transactions for Barclays include loans and derivatives with hedge fund structures and special purpose entities and holding notes issued by securitisation vehicles.



# Notes to the financial statements

## Other disclosure matters

The nature and extent of the Bank's interests in structured entities is summarised below:

### Summary of interests in unconsolidated structured entities

	Secured financing €m	Short-term traded interests €m	Traded derivatives €m	Other interests €m	Total €m
<b>As at 31 December 2021</b>					
<b>Assets</b>					
Trading portfolio assets	—	11	—	—	11
Financial assets at fair value through the income statement	792	—	—	24	816
Derivative financial instruments	—	—	260	—	260
Loans and advances at amortised cost	—	—	—	403	403
<b>Total assets</b>	<b>792</b>	<b>11</b>	<b>260</b>	<b>427</b>	<b>1,490</b>
<b>Liabilities</b>					
Derivative financial instruments	—	—	444	—	444
<b>As at 31 December 2020</b>					
<b>Assets</b>					
Trading portfolio assets	—	1	—	—	1
Financial assets at fair value through the income statement	538	—	—	—	538
Derivative financial instruments	—	—	174	—	174
Loans and advances at amortised cost	—	—	—	134	134
<b>Total assets</b>	<b>538</b>	<b>1</b>	<b>174</b>	<b>134</b>	<b>847</b>
<b>Liabilities</b>					
Derivative financial instruments	—	—	332	—	332

Secured financing arrangements, short-term traded interests and traded derivatives are typically managed under market risk management policies described in the Market risk management section 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 lending where the interest is driven by normal customer demand. As at 31 December 2021, there were 151 (2020: 84) structured entities that the Bank entered into transactions with.

#### Secured financing

The Bank routinely enters into reverse repurchase contracts, stock borrowing and similar arrangements on normal commercial terms where the counterparty to the arrangement is a structured entity. Due to the nature of these arrangements, especially the transfer of collateral and ongoing margining, the Bank is able to manage its variable exposure to the performance of the structured entity counterparty. The counterparties included in secured financing include hedge fund limited structures, investment companies, funds and special purpose entities.

#### Short-term traded interests

As part of its market making activities, the Bank buys and sells interests in structured vehicles, which are predominantly debt securities issued by asset securitisation vehicles. 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.

#### 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. 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.

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.

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 notional contract amounts were €6,803m (2020: €3,358m).

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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 nature of the interest and limited to significant categories, based on maximum exposure to loss.

#### Nature of interest

	Lending €m	Others €m	Total <sup>1</sup> €m
<b>As at 31 December 2021</b>			
<b>Assets</b>			
Financial assets at fair value through the income statement	—	24	24
Loans and advances at amortised cost	324	79	403
<b>Total on-balance sheet exposures</b>	<b>324</b>	<b>103</b>	<b>427</b>
Total off-balance sheet notional amounts	255	—	255
<b>Maximum exposure to loss</b>	<b>579</b>	<b>103</b>	<b>682</b>
<b>Total assets of the entity</b>	<b>8,353</b>	<b>1,302</b>	<b>9,655</b>
<b>As at 31 December 2020</b>			
<b>Assets</b>			
Financial assets at fair value through the income statement	—	—	—
Loans and advances at amortised cost	134	—	134
<b>Total on-balance sheet exposures</b>	<b>134</b>	<b>—</b>	<b>134</b>
Total off-balance sheet notional amounts	205	—	205
<b>Maximum exposure to loss</b>	<b>339</b>	<b>—</b>	<b>339</b>
<b>Total assets of the entity</b>	<b>9,561</b>	<b>—</b>	<b>9,561</b>

<sup>1</sup> None of the structured entities are Barclays Bank Ireland owned and not consolidated per IFRS 10 Consolidated Financial Statements.

### Maximum exposure to loss

Unless specified otherwise below, the Bank'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 immaterial impairment against such facilities.

### Other

This includes interests in debt securities issued by securitisation vehicles.

### Assets transferred to sponsored unconsolidated structured entities

BBI is considered to sponsor another entity if, it had a key role in establishing that entity, it transferred assets to the entity, the Barclays name appears in the name of the entity or it provides guarantees on the entity's performance. As at 31 December 2021, no assets were 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	Lease liabilities <sup>a</sup>	Called up share capital	Share premium	Other equity	Other reserve	Retained earnings	
	€m	€m	€m	€m	€m	€m	€m	€m
<b>Balance as at 1 January 2021</b>	<b>1,061</b>	<b>75</b>	<b>899</b>	<b>1,383</b>	<b>565</b>	<b>(132)</b>	<b>1,843</b>	<b>5,694</b>
Proceeds from the issuance of subordinated debt	2,310	—	—	—	—	—	—	2,310
Lease liability paid	—	(16)	—	—	—	—	—	(16)
Other equity instruments coupons paid	—	—	—	—	(40)	—	—	(40)
Redemption of subordinated debt	(200)	—	—	—	—	—	—	(200)
Additional Tier 1 issuance	—	—	—	965	240	—	—	1,205
<b>Total changes from financing cash flows</b>	<b>2,110</b>	<b>(16)</b>	<b>—</b>	<b>965</b>	<b>200</b>	<b>—</b>	<b>—</b>	<b>3,259</b>
<b>Other changes</b>								
Interest expense	33	2	—	—	—	—	—	35
Interest paid	(33)	—	—	—	—	—	—	(33)
Exchange and other movements	—	(3)	—	—	—	—	—	(3)
<b>Total liability related other changes</b>	<b>—</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>—</b>	<b>—</b>	<b>—</b>	<b>40</b>	<b>(64)</b>	<b>200</b>	<b>176</b>
<b>Balance as at 31 December 2021</b>	<b>3,171</b>	<b>58</b>	<b>899</b>	<b>2,348</b>	<b>805</b>	<b>(196)</b>	<b>2,043</b>	<b>9,128</b>
<b>Balance as at 1 January 2020</b>	<b>891</b>	<b>83</b>	<b>899</b>	<b>75</b>	<b>565</b>	<b>(116)</b>	<b>1,867</b>	<b>4,264</b>
Proceeds from the issuance of subordinated debt	170	—	—	—	—	—	—	170
Lease liability paid	—	(16)	—	—	—	—	—	(16)
Other equity instruments coupons paid	—	—	—	—	(37)	—	—	(37)
Capital contribution	—	—	—	—	—	—	130	130
Additional Tier 1 issuance	—	—	—	1,308	—	—	—	1,308
<b>Total changes from financing cash flows</b>	<b>170</b>	<b>(16)</b>	<b>—</b>	<b>1,308</b>	<b>(37)</b>	<b>—</b>	<b>130</b>	<b>1,555</b>
<b>Other changes</b>								
Interest expense	25	2	—	—	—	—	—	27
Interest paid	(25)	—	—	—	—	—	—	(25)
Exchange and other movements	—	6	—	—	—	—	—	6
<b>Total liability related other changes</b>	<b>—</b>	<b>8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8</b>
<b>Total equity related other changes</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>37</b>	<b>(16)</b>	<b>(154)</b>	<b>(133)</b>
<b>Balance as at 31 December 2020</b>	<b>1,061</b>	<b>75</b>	<b>899</b>	<b>1,383</b>	<b>565</b>	<b>(132)</b>	<b>1,843</b>	<b>5,694</b>

Note

a See note 19 (Leases) for further details

# 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. 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:

	2021	2020
	€m	€m
Cash collateral and settlement balances	13,457	15,788
Trading portfolio assets	6,207	5,984
Loans and advances at amortised cost	1,975	1,957
<b>Assets pledged</b>	<b>21,639</b>	<b>23,729</b>

The following table summarises the transferred financial assets and the associated liabilities.

	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	2021	2021	2020	2020
	€m	€m	€m	€m
Derivative financial instruments	14,252	14,252	16,565	16,565
Repurchase agreements	6,831	2,794	7,092	3,691
Other	556	—	72	55
	<b>21,639</b>	<b>17,046</b>	<b>23,729</b>	<b>20,311</b>

There are no agreements where a counterparty's recourse is limited to only the transferred assets.

### 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:

	2021	2020
	€m	€m
Fair value of securities accepted as collateral	70,865	40,271
Of which fair value of securities re-pledged/transferred to others	51,547	37,623

Additional disclosure has been included in collateral and other credit enhancements.

### 36 Repurchase agreements and other similar secured borrowing

Repurchase agreements and other similar secured borrowing of €3,596m at 31 Dec 2021 (31 December 2020: €3,583m) includes €2,917m (31 December 2020: €2,415) in relation to secured borrowings under the third series of the ECB's Targeted Longer Term Refinancing Operations ('TLTRO III'). Under the parameters of the TLTRO III, as modified during 2020, banks' borrowing rates under TLTRO III can be as low as 0.50% below the average interest rate on the ECB deposit facility over the period from 24 June 2020 to 23 June 2022, and as low as the average interest rate on the deposit facility during the rest of the life of the respective TLTRO III transaction.

However, this reduced interest rate is subject to the achievement of predefined lending performance thresholds during the period from 1 March 2020 to 31 March 2021 (first special reference period) and from 1 October 2020 to 31 December 2021 (second special reference period).

During 2021, the Bank became sufficiently confident that it achieved the predefined lending performance threshold during the first and second special reference period and, as a result, in accordance with IFRS 9, booked income adjustments throughout 2021 to reflect the change in effective interest rate ('EIR'), while on an ongoing basis continued to accrue the position at the day 1 EIR rate of -41 bps. Included within interest income during 2021 is a gain of €35m as a result of the re-estimation of cash flows (2020: €nil).

As the TLTRO is issued by the ECB, the Bank does not consider TLTRO III funding to represent a government grant.

# Notes to the financial statements

## Other disclosure matters

### 37 Consolidated entities

The Bank has assessed its involvement with structured entities in accordance with the definitions and guidance in:

- IFRS 10 Consolidated financial statements;
- IFRS 11 Joint arrangements;
- IAS 28 Investments in associates and joint ventures, and
- IFRS 12 Disclosure of interests in other entities.

The Bank consolidates a structured entity if it controls the investee. Under IFRS 10, this is when the Bank is exposed or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. The Bank generally considers it has control over securitisation vehicles whose purpose is to securitise loans and advances to the customers to provide the Bank with collateral for financing activities, see note 35.

The Bank consolidates two structured entities whose purpose is to acquire loans, other financial assets and issue mortgage backed securities. A list of these structures, the country of incorporation and the nature of business is set out below. The information is provided as at 31 December 2021.

Company Name	Registered office	% nominal value held	Principal place of business or incorporation	Nature of business
Alstertal Consumer Finance 2021-1 DAC	3rd Floor, Fleming Court, Fleming's Place, Dublin 4	—	Ireland	Special Purpose Vehicle
Mercurio Mortgage Finance s.r.l	Corso Vercelli 40, 20145, Milan, Italy	—	Italy	Special Purpose Vehicle

The Bank has three subsidiary undertakings, being Barclays Europe Nominees DAC, Barclays Europe Firm Nominees DAC, and Barclays Europe Client Nominees DAC, each having its registered office at One Molesworth Street, Dublin 2, D02 RF29, Ireland. In each case, the Bank holds 100% of the ordinary shares in the subsidiary undertaking, and the business of the subsidiary undertaking is to act as a nominee company and hold shares as such.

### Financial support given to consolidated entities

During the year ended 31 December 2021, the Bank had a contractual arrangement in place which may require it to provide financial support of up to €19m to Mercurio Mortgage Finance s.r.l.

### Significant restrictions

The Bank does not have significant restrictions on its ability to access or use its assets or repay the liabilities of the consolidated entities.

### 38 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.

#### Parent company

The parent company is BB PLC, which holds 100% (31 December 2020: 100%) of the issued ordinary shares of the Bank and 100% (31 December 2020: 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.

# Notes to the financial statements

## Other disclosure matters

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 2021</b>			
Total income	333	63	—
Credit impairment charges	—	—	—
Operating expenses	(7)	(290)	(1)
Total assets	13,935	3,255	4
Total liabilities	17,601	3,968	1
<b>For the year ended and as at 31 December 2020</b>			
Total income	311	42	—
Credit impairment charges	—	—	—
Operating expenses	(12)	(162)	(1)
Total assets	34,859	1,791	4
Total liabilities	42,467	2,931	1

Total income from parent and fellow subsidiaries above of €396m (2020: €353m) includes net fee and commission income of €357m (2020: €347m). Further information on net fees and commission income can be found within note 4.

Operating expenses payable to fellow subsidiaries above of €290m (2020: €162m) primarily reflects the cost of services provided by Barclays Execution Services Limited, the B PLC Group-wide service company.

During the year 2021 the Bank issued 300 ordinary shares of €1 each to its parent, at a premium of €965m.

The Bank received no capital contributions from its parent, BB PLC during the year (2020: €130m).

The Bank made coupon payments of €40m (2020: €37m) to its parent during the year on AT1 securities.

As at 31 December 2021, the Bank has collateralised financial guarantees from its parent totalling €9,570m (2020: €4,490m).

Total assets and liabilities with parent and fellow subsidiaries comprise:

As at 31 December	2021 €m	2020 €m
Cash collateral and settlement balances	2,392	1,664
Loans and advances at amortised cost	522	563
Reverse repurchase agreements and other similar secured lending	3,228	3,174
Financial assets at fair value through the income statement	5,932	3,153
Derivative financial instruments	4,963	27,960
Other assets	154	136
<b>Total assets with parents and fellow subsidiaries</b>	<b>17,191</b>	<b>36,650</b>
Deposits at amortised cost	2,580	2,609
Cash collateral and settlements balances	1,923	5,031
Repurchase agreements and other similar secured borrowing	680	1,167
Debt securities in issue	1,500	1,498
Subordinated liabilities	3,171	1,061
Financial liabilities designated at fair value	7,000	9,982
Derivative financial instruments	4,644	24,019
Other liabilities	73	31
<b>Total liabilities with parents and fellow subsidiaries</b>	<b>21,571</b>	<b>45,398</b>

Derivatives with the parent and fellow subsidiaries are collateralised with cash and other financial instruments. Reverse repurchase agreements, repurchase agreements and financial assets/liabilities at fair value through the income statement are secured on underlying financial instruments.

# Notes to the financial statements

## Other disclosure matters

### 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.

As at 31 December	2021	2020
	€m	€m
Loans	1.0	0.4
Undrawn amount or credit cards and/or overdraft facilities	0.6	0.6
Deposits	0.6	0.8

No allowances for impairment were recognised in respect of loans to Key Management Personnel (or any connected person).

### 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.

	2021	2020
	€m	€m
Short-term employee benefits	11.8	10.7
Post-employment benefits	0.3	0.5
Share-based payments	4.3	1.8
Termination benefits	1.5	—
Other long term benefits	3.0	0.9
<b>Total Key Management Personnel remuneration</b>	<b>20.9</b>	<b>13.9</b>

### Directors' remuneration

	2021	2020
	€m	€m
Emoluments in respect of qualifying services	3.4	2.7
Benefits under long term incentive schemes	2.3	1.1
<b>Total Directors' remuneration</b>	<b>5.7</b>	<b>3.8</b>

During the year ended 31 December 2021, Directors accrued benefits under a defined benefit scheme or defined contribution scheme of €0.1m (2020: €0m).

# Notes to the financial statements

## Other disclosure matters

### 39 Auditor's remuneration

Auditor's remuneration is included within administration and general expenses and comprises:

	2021	2020
	€m	€m
Audit of the Bank's financial statements	2.9	2.6
<b>Other services:</b>		
Other assurance services	0.9	0.4
Tax advisory services	—	—
Other non-audit services	—	—
<b>Total Auditor's remuneration<sup>a</sup></b>	<b>3.8</b>	<b>3.0</b>

Note

a of the 2021 audit fees, €1.4m of the statutory audit fees (2020: €1.3m) and €0.3m (2020: €0.1m) of the non-audit services fees relates to fees paid to other KPMG network firms

### 40 Post balance sheet events

The Bank continues to monitor the direct and indirect impact of the COVID-19 pandemic.

The Bank is currently undergoing an ECB Comprehensive Assessment (CA) comprised of an asset quality review and stress test. The CA represents the entrance exam to supervision by the ECB's SSM, which the Bank entered in 2019. The CA is being conducted with reference to the Bank's balance sheet as at 31 December 2020. The CA will run through H1 2022.

### 41 Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as LIBOR has been a priority for global regulators. As a result, the UK's Financial Conduct Authority (FCA) and other global regulators instructed market participants to prepare for the cessation of most LIBOR rates after the end of 2021, and to adopt "near Risk-Free Rates" ('RFRs').

Pursuant to FCA announcements during 2021 panel bank submissions for all GBP, JPY and CHF LIBOR and Euro Overnight Index Average (EONIA) LIBOR tenors ceased, and representative LIBOR rates also ceased after 31 December 2021. For USD, certain actively used tenors will continue to be provided until June 2023 however, in line with the US banking regulators' joint statement, Barclays ceased issuing or entering into new contracts that use USD LIBOR as a reference rate from 31 December 2021, other than in relation to those allowable use cases set out under the FCA's prohibition notice (ref 21A). These include market making in support of client activity; or transactions that reduce or hedge Barclays' or any client of Barclays' US dollar LIBOR exposure on contracts entered into before 1 January 2022.

The Bank's exposure to rates subject to benchmark interest rate reform has been predominately to GBP, USD, JPY and CHF LIBOR and EONIA with the vast majority concentrated in derivatives within the Corporate and Investment Bank. Some additional exposure resides on Retail mortgages, floating rate loans and advances, repurchase agreements, and debt securities held within the Corporate and Investment Bank. Following transition activity in late 2021 and early 2022, GBP, USD (one week and two month tenors), JPY and CHF LIBOR and EONIA positions ('2021 scope') have transitioned onto RFRs, and while there are a number of IBORs yet to cease, Barclays Europe risk exposure is now mainly to USD LIBOR.

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 based upon overnight rates from actual transactions, and are therefore published after the end of the overnight borrowing period. Furthermore, IBORs include a credit spread over the RFRs. Therefore, to transition existing contracts and agreements to RFRs, adjustments for term and credit differences may need to be applied to RFR-linked rates. The methodologies for these adjustments have been determined through in-depth consultations by industry working groups, on behalf of the respective global regulators and related market participants.

#### How the Bank is managing the transition to alternative benchmark rates

Barclays has established a Group-wide LIBOR Transition Programme, with oversight from the Group Finance Director. The Programme spans all business lines and has cross-functional governance which includes Legal, Compliance, Conduct Risk, Client Engagement and Communications, Risk, and Finance. The programme also spans all entities, including the Bank. The Transition Programme aims to drive strategic execution, and identify, manage and resolve key risks and issues as they arise. Barclays' transition plans primarily focus on G5 currencies while providing quarterly updates on progress and exposures to the PRA/FCA and other regulators as required.

The Transition Programme follows a risk based approach, using recognised 'change delivery' control standards. Accountable Executives are in place within key working groups and workstreams, with overall Board oversight delegated to the Board Risk Committee and the Group Finance Director. Barclays performs a prominent stewardship role to drive orderly transition via our representation on official sector and industry working groups across all major jurisdictions and product classes. Additionally, the Group Finance Director is Chair of the UK's 'Working Group on Sterling Risk-Free Reference Rates' (UK £RFRWG), whose mandate is to catalyse a broad-based transition to using SONIA ('Sterling Overnight Index Average') as the primary sterling interest rate benchmark in bond, loan and derivatives markets.

Approaches to transition exposure expiring post the expected end dates for LIBOR vary by product and nature of counterparty. The Group has actively engaged with the counterparties to transition or include appropriate fallback provisions and transition mechanisms in its floating rate assets and liabilities with maturities after 2021, when relevant IBORs excluding USD LIBOR ceased to be published. The



# Notes to the financial statements

## Other disclosure matters

fallback will provide the relevant replacement rate. In the case of the ISDA Protocol it is the RFR plus a credit adjusted spread, that should be used post cessation or pre-cessation of the relevant IBOR. For the derivative population, adherence to the ISDA IBOR Fallbacks Protocol has provided Barclays with an efficient mechanism to amend outstanding trades to incorporate fallbacks. Beyond the ISDA IBOR Fallbacks Protocol, other options have included terminating or bilaterally agreeing new terms with counterparties. Derivative contracts facing central clearing counterparties have followed a market-wide, standardised approach to reform through a series of CCP-led conversions.

The FCA has authorised broad usage of synthetic LIBOR as a temporary solution for the 'tough legacy' population of unremediated contracts for GBP and JPY. Given cleared derivatives for the 2021 scope transitioned via CCP driven conversions, synthetic LIBOR does not apply in this context. Barclays' strategy remains to actively transition LIBOR exposure where viable, and/or to implement and utilise robust contractual fallbacks where possible. Where contracts remain unremediated, they may be able to utilise synthetic LIBOR on a temporary basis. Barclays will continue to monitor and assess and limit the reliance on synthetic LIBOR.

As announced by the FCA on 5 March 2021, USD LIBOR tenors (except 1 week and 2 month tenors) will cease to be representative from 30 June 2023. As detailed above, the key area of focus for transition prior to 2022 was on the other non-USD IBOR currency-tenors that ceased to be published at the end of 2021. Cessation of new USD LIBOR trading and transition of USD LIBOR exposures is the priority for the Barclays LIBOR transition programme in 2022/23. Clients and colleagues have been notified that we have prohibited entering into new USD LIBOR transactions (with narrow permitted exceptions) from 1 January 2022 in line with regulatory expectations.

Whilst synthetic LIBOR will be published on a temporary basis for 1, 3 and 6 month tenors of GBP and JPY LIBOR to assist the transition of certain exposures, no synthetic rate has been announced for USD LIBOR. New York State legislation has been enacted (with US Federal legislation to follow) which provides a solution for contracts governed under New York law for USD LIBOR to the Secured Overnight Financing Rate ('SOFR') transition with the additional benefit of statutory contract continuity and safe harbour protection. This contrasts with the legislation implemented in the UK which provides for statutory contract continuity with safe harbour protection only for the administrator, and could expose market participants to additional litigation risk. Clients have been engaged on the transition of their legacy USD LIBOR exposures through active transition or the implementation of fallbacks, and have been issued with communications on key regulatory developments in the transition away from USD LIBOR.

### Progress made during 2021

During 2021, the Bank delivered RFR product capabilities and alternatives to LIBOR across loans, bonds, securities financing transactions and derivatives required for LIBOR cessation to support transition of legacy contracts. Barclays transitioned the majority (by gross notional exposure) of legacy positions in those rates within the 2021 scope, onto new RFRs in line with official sector expectations and milestones. This has been achieved through bilateral negotiation of contracts with clients, including the use of appropriate fallback provisions (which became effective post 31 December 2021, however, note that the switch onto the RFR may not take place until next reset post 31 December 2021 and so exposures may still be reported as LIBOR) and taking part in large scale transition events at a number of Central Counterparty Clearing Houses (London Clearing House (LCH)). In relation to those contracts yet to be transitioned, we remain in active dialogue with clients. The Bank transitioned the EONIA / LIBOR language in all active Credit Support Annexes (CSAs) via a number of mechanisms, primarily through bilateral CSA amendments but also by means of adherence to the ISDA 2021 EONIA Collateral Agreement Fallbacks Protocol. In addition, the European Commission has adopted a statutory replacement for CHF LIBOR. The Bank delivered technology and business process changes required to ensure operational readiness in preparation for LIBOR cessation and transitions to RFRs for those benchmark rates ceasing at the end of 2021. Any incremental Technology or Business Process changes required to support USD LIBOR cessation will be delivered ahead of 30 June 2023. Whilst the majority of IBOR exposures have moved to RFRs, where appropriate other rates such as fixed rates or Bank of England base rates have also been used.

### Risks to which the Bank is exposed as a result of the transition

Global regulators and central banks in the UK, US and EU have been driving international efforts to reform key benchmark interest rates and indices, such as LIBOR, which are used to determine the amounts payable under a wide range of transactions and make them more reliable and robust. These benchmark reforms have resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of RFRs, the discontinuation of certain reference rates (including LIBOR), and the introduction of implementing legislation and regulations. Specifically, regulators in the UK, US and EU have directed that certain non-US dollar LIBOR tenors cease at the end of 2021. Certain US dollar LIBOR tenors are to cease by the end of June 2023, and restrictions have been imposed on new use of USD LIBOR. Notwithstanding these developments, given the unpredictable consequences of benchmark reform, any of these developments could have an adverse impact on market participants, including the Group, in respect of any financial instruments linked to, or referencing, any of these benchmark interest rates

Uncertainty associated with such potential changes, including the availability and/or suitability of alternative RFRs, the participation of customers and third-party market participants in the transition process; challenges with respect to required documentation changes; and impact of legislation to deal with 'tough legacy' contracts that cannot convert into or add fall-back RFRs before cessation of the benchmark they reference, may adversely affect a broad range of transactions (including any securities, loans and derivatives which use LIBOR or any other affected benchmark 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 present 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 (such as LIBOR) to new alternative RFRs, the Bank faces conduct risks. These may lead to customer complaints, regulatory sanctions or reputational impact if the Bank is considered to be (among other things) (i) 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, not taking a consistent approach to remediation for customers in similar circumstances, (v) unduly delaying the communication and migration activities in relation to client exposure, leaving them insufficient time to prepare, or (vi) colluding or inappropriately sharing information with competitors.

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- **Litigation risk:** members of the Bank may face legal proceedings, regulatory investigations and/or other actions or proceedings regarding (among other things) (i) the conduct risks identified above, (ii) the interpretation and enforceability of provisions in LIBOR-based contracts, and (iii) the Bank's preparation and readiness for the replacement of LIBOR with alternative RFRs.
- **Financial risk:** the valuation of certain of the Bank's financial assets and liabilities may change. Moreover, transitioning to alternative RFRs may impact the ability of members of the Bank 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 certain alternative RFRs (such as the SONIA and 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 cash flows.
- **Pricing risk:** changes to existing reference rates and indices, discontinuation of any reference rate or indices and transition to alternative RFRs may impact the pricing mechanisms used by the Bank on certain transactions.
- **Operational risk:** changes to existing reference rates and indices, discontinuation of any reference rate or index and transition to alternative RFRs 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.
- **Accounting risk:** an inability to apply hedge accounting in accordance with IAS39 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, prospects and reputation. While a number of the above risks in relation to transition of legacy 2021 scope onto RFRs have been substantially mitigated, they remain relevant in relation to USD and related LIBOR rate transitions.

The Bank does not expect material changes to its risk management approach and strategy as a result of interest rate benchmark reform.

The following table summarises the significant exposures impacted by interest rate benchmark reform:

	GBP LIBOR	USD LIBOR	CHF LIBOR	EUR LIBOR	Total
	€m	€m	€m	€m	€m
<b>As at 31 December 2021</b>					
<b>Non-derivative financial assets</b>					
Loans and advances at amortised cost	122	397	—	29	548
Financial assets at fair value through the income statement	—	—	370	—	370
<b>Non-derivative financial assets</b>	<b>122</b>	<b>397</b>	<b>370</b>	<b>29</b>	<b>918</b>
<b>Standby facilities, credit lines and other commitments</b>	<b>8,377</b>	<b>233</b>	<b>—</b>	<b>5,245</b>	<b>13,855</b>

	GBP LIBOR	USD LIBOR	CHF LIBOR	EUR LIBOR	Total
	€m	€m	€m	€m	€m
<b>As at 31 December 2020</b>					
<b>Non-derivative financial assets</b>					
Loans and advances at amortised cost	415	558	—	315	1,288
Financial assets at fair value through the income statement	—	—	315	—	315
<b>Non-derivative financial assets</b>	<b>415</b>	<b>558</b>	<b>315</b>	<b>315</b>	<b>1,603</b>
<b>Standby facilities, credit lines and other commitments</b>	<b>21</b>	<b>1,309</b>	<b>—</b>	<b>9,954</b>	<b>11,284</b>

The table above represents the exposures to interest rate benchmark reform by balance sheet account, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2021, apart from USD, which is for maturities after 30 June 2023 (2020: exposures are disclosed for maturities more than one year for all rates). Balances reported at amortised cost are disclosed at their gross carrying value and do not include any expected credit losses that may be held against them.

The following table represents the derivative exposures to interest rate benchmark reform, which have yet to transition.

# Notes to the financial statements

## Other disclosure matters

	GBP LIBOR	USD LIBOR	EONIA	JPY LIBOR	CHF LIBOR	EUR LIBOR	Total
	€m	€m	€m	€m	€m	€m	€m
<b>As at 31 December 2021</b>							
<b>Derivative notional contract amount</b>							
OTC interest rate derivatives	11,236	41,150	65,815	5,222	1,006	7,527	131,956
OTC interest rate derivatives cleared by central counterparty	—	3,897	—	—	—	—	3,897
Exchange traded interest rate derivatives	—	—	—	—	—	—	—
OTC foreign exchange derivatives	7,278	62,055	—	1,148	3,612	—	74,093
Other derivatives	—	1,249	—	—	—	—	1,249
<b>Derivative notional contract amount</b>	<b>18,514</b>	<b>108,351</b>	<b>65,815</b>	<b>6,370</b>	<b>4,618</b>	<b>7,527</b>	<b>211,195</b>

	GBP LIBOR	USD LIBOR	EONIA	JPY LIBOR	CHF LIBOR	EUR LIBOR	Total
	€m	€m	€m	€m	€m	€m	€m
<b>As at 31 December 2020</b>							
<b>Derivative notional contract amount</b>							
OTC interest rate derivatives	30,435	39,444	37,639	4,920	3,424	282	116,144
OTC interest rate derivatives cleared by central counterparty	11	66	—	—	—	—	77
Exchange traded interest rate derivatives	63	6,577	—	—	—	—	6,640
OTC foreign exchange derivatives	9,012	21,509	—	49	3,277	—	33,847
Other derivatives	27	129	110	—	—	—	266
<b>Derivative notional contract amount</b>	<b>39,548</b>	<b>67,725</b>	<b>37,749</b>	<b>4,969</b>	<b>6,701</b>	<b>282</b>	<b>156,974</b>

The exposure disclosed is for positions with contractual maturities after 31 December 2021, apart from USD, which is for maturities after 30 June 2023 (2020: exposures are disclosed for maturities more than one year for all rates). Derivatives are reported by using the notional contract amount and where derivatives have both pay and receive legs with exposure to benchmark reform such as cross currency swaps, the notional contract amount is disclosed for both legs. As at 31 December 2021, there were €19.0bn (2020: €4.1bn) of cross currency swaps where both the pay and receive legs are impacted by interest rate benchmark reform.

### Fallback clauses

The 31 December 2021 exposure has been broken up into those with robust fallbacks and those without. Fallbacks here are defined as any mechanism involving a 'switch' or 'hardwire' or a contractual agreement to transition to an automatically selected rate. One of the most commonly used is the ISDA 2020 IBOR Protocol published in October 2020 which enabled market participants to incorporate fallback provisions into legacy non-cleared derivatives and certain non-derivatives transactions. Market participants who have adhered to the ISDA 2020 IBOR Protocol agree, between adhering parties, that their legacy contracts will be amended to include the relevant fallback provisions. In addition to this, ISDA developed bilateral Swap Rate Fallbacks templates for GBP and JPY Swap Rate bilateral derivative trades with the GBP ICE Swap Rate fallback provisions being published in August 2021 and the JPY ISDA Swap Rate fallback provisions being published in November 2021. Whilst the fallback provisions have been applied to the majority of trades, with some limited exceptions being worked through, the switch to the replacement rate as a result of fallback provision inclusion may not take place until the next rate reset post the cessation or pre-cessation event.

The following tables present a breakdown of the exposures to IBOR reform (excluding USD LIBOR) with fallbacks in place and those without.

	With appropriate fallback clause				Without appropriate fallback clause			
	GBP LIBOR	CHF LIBOR	EUR LIBOR	Total	GBP LIBOR	CHF LIBOR	EUR LIBOR	Total
	€m	€m	€m	€m	€m	€m	€m	€m
<b>As at 31 December 2021</b>								
Non-derivative financial assets								
Loans and advances at amortised cost	47	—	9	56	75	—	20	95
Financial assets at fair value through the income statement	—	370	—	370	—	—	—	—
<b>Non-derivative financial assets</b>	<b>47</b>	<b>370</b>	<b>9</b>	<b>426</b>	<b>75</b>	<b>—</b>	<b>20</b>	<b>95</b>
Standby facilities, credit lines and other commitments	3,304	—	4,171	7,475	5,073	—	1,073	6,146

The majority of the remaining lending exposures, without fallbacks in place, are either undrawn facilities or syndicated facilities where the transition is led by a third party agent. Work is ongoing with clients and agents to transition facilities or insert fallbacks prior to the next rate reset. There may be some scenarios where synthetic LIBOR is temporarily used whilst Barclays continues to work with the client to remediate their exposures, with little expectation of longer term usage.

# Notes to the financial statements

## Other disclosure matters

	With appropriate fallback clause						Without appropriate fallback clause					
	GBP LIBOR	EONIA	JPY LIBOR	CHF LIBOR	EUR LIBOR	Total	GBP LIBOR	EONIA	JPY LIBOR	CHF LIBOR	EUR LIBOR	Total
As at 31 December 2021	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>Derivative notional contract amount</b>												
OTC interest rate derivatives	11,232	3,702	5,219	1,006	4,475	25,634	4	62,113	3	—	3,052	65,172
OTC interest rate derivatives - cleared by central counterparty	—	—	—	—	—	—	—	—	—	—	—	—
Exchange traded interest rate	—	—	—	—	—	—	—	—	—	—	—	—
OTC foreign exchange derivatives	7,277	—	1,147	3,612	—	12,036	1	—	1	—	—	2
Other derivatives	—	—	—	—	—	—	—	—	—	—	—	—
<b>Derivative notional contract amount</b>	<b>18,509</b>	<b>3,702</b>	<b>6,366</b>	<b>4,618</b>	<b>4,475</b>	<b>37,670</b>	<b>5</b>	<b>62,113</b>	<b>4</b>	<b>—</b>	<b>3,052</b>	<b>65,174</b>

For the small amount of remaining exposures without fallbacks at year end, the approach is to actively transition them ahead of next reset.

### 42 Approval of financial statements

The Board of Directors approved the financial statements on 9 March 2022.

## Abbreviations

ACPR	Autorité de contrôle prudentiel et de résolution	CAGR	Compound Annual Growth Rate
ALCO	Asset & Liability Committee	CBI	Central Bank of Ireland
AQR	Asset Quality Review	CC&P	Consumer, Cards and Payments
AT1	Additional tier 1	CCP	Central counterparty clearing
B PLC	Barclays PLC	CCyB	Countercyclical capital buffer
BAC	Board Audit Committee	CDS	Credit default swap
BaFin	German Federal Financial Supervisory Authority	CEO	Chief Executive Officer
BAU	Business as Usual	CET1	Common Equity Tier 1
BB PLC	Barclays Bank PLC	CFO	Chief Financial Officer
BBA	British Banking Association	CIB	Corporate and Investment Bank
BBI	Barclays Bank Ireland PLC	COO	Chief Operating Officer
BCBS	Basel Committee on Banking Supervision	CRD	Capital Requirements Directive
BCI	Barclays Capital International	CRMF	Conduct Risk Management Framework
BCSL	Barclays Capital Securities Limited	CRO	Chief Risk Officer
BERC	Barclays Europe Risk Committee	CRR	Capital Requirements Regulation
BoE	Bank of England	CSA	Credit Support Annex
bps	Basis points	CSDR	Central Securities Depositories Regulation
BRC	Board Risk Committee	CVA	Credit Valuation Adjustment
Brexit	UK's withdrawal from the EU	D&I	Diversity and Inclusion
BRRD	Bank Recovery and Resolution Directive	DBO	Defined benefit obligation
CA	Comprehensive Assessment	DC	Defined contribution

## Abbreviations

DCF	Discounted Cash Flow	FCA	Financial Conduct Authority
DDoS	Distribute denial of service	FFVA	Funding Fair Value Adjustment
DGS	Deposit Guarantee Scheme	FLI	Forward looking information
DIRT	Deposit Interest Retention Tax	FRB	Federal Reserve Board
DSVP	Deferred Share Value Plan	FSB	Financial Stability Board
DTA	Deferred tax asset	FTR	Funds Transfer Regulation
DVA	Debit Valuation Adjustment	FVAs	Fair Value Adjustment
EAD	Exposure at Default	FVTPL	Fair Value Through Profit or Loss
EBA	European Banking Authority	FX	Foreign Exchange
EC	European Commission	GDP	Gross domestic product
ECB	European Central Bank	GDPR	General Data Protection Regulation
ECL	Expected credit losses	GHG	Greenhouse Gases
EEA	European Economic Area	GMD	Group Models Database
EIR	Effective interest rate	G-SIB	Global systemically important banks
EMIR	European Market Infrastructure Regulation	HPI	House Price Index
EONIA	Euro Overnight Index Average	HQLA	High quality liquid assets
ERMF	Enterprise Risk Management Framework	IAS	International Accounting Standard
ESG	Environmental, social and governance	IASB	International Accounting Standards Board
EU	European Union	IBOR	Interbank Offered Rates
€STR	Euro short-term rate	ICA	Investor Compensation Act
EURIBOR	Euro Inter Bank Offered Rate	ICAAP	Internal Capital Adequacy Assessment Process
F&P	Fitness and Probity	ICS	Investor Compensation Scheme

## Abbreviations

KPIs	Key Performance Indicators	PMA	Post-model adjustments
LCR	Liquidity Coverage Ratio	PRA	Prudential Regulation Authority
LGD	Loss Given Default	PRB	Principles for Responsible Banking
LIBOR	London Inter Bank Offered Rate	PSD2	Payments Services Directive
LTV	Loan to Value	RW	Ramsar Wetlands
M&A	Mergers and acquisitions	RWAs	Risk weighted assets
MAR	Market Abuse Regulation	SARON	Swiss Average Rate Overnight
MG	Model Governance	SCA	Strong Customer Authentication
MiFID	Markets in Financial Instruments Directive in Europe	SOFR	Secured Overnight Funding Rate
MLD5	5th Anti-Money Laundering Directive	SONIA	Sterling Overnight Index Average
MREL	Minimum Requirement for own Funds and Eligible Liabilities	SPPI	Solely payments of principal and interest
MRM	Model Risk Management	SRB	Single Resolution Board
MRMQ	Model Risk Measurement and Quantification	SREP	Supervisory Review & Evaluation Process
NFRD	Non-Financial Reporting Directive	SRF	Single Resolution Fund
NSFR	Net Stable Funding Ratio	SRMR	Single Resolution Mechanism Regulations
O-SII	Other systemically important institution	TNFD	Taskforce Nature-related Financial Disclosures
OTC	Over the Counter	VCoE	Validation Centre of Excellence
PD	Probability of Default		
PEPs	Politically exposed persons		
Pillar 2G	Pillar 2 Guidance		
Pillar 2R	Pillar 2 Requirements		

# Notes

## Notes

The term 'Bank' or 'BBI' refers to Barclays Bank Ireland PLC. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2021 to the corresponding twelve months of 2020 and balance sheet analysis as at 31 December 2021 with comparatives relating to 31 December 2020. The abbreviations '€m' and '€bn' represent millions and thousands of millions of Euros respectively.

There are a number of key judgement areas, for example impairment calculations, which are based on models and which are subject to ongoing adjustment and modifications. Reported numbers reflect best estimates and judgements at the given point in time.

Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards ('IFRS') are explained in the results glossary that can be accessed at [home.barclays/investor-relations/reports-and-events/latest-financial-results](http://home.barclays/investor-relations/reports-and-events/latest-financial-results).

The information in this announcement, which was approved by the Board of Directors on XX March 2022, does not comprise statutory financial statements within the meaning of Section 274 of the Companies Act 2014. Statutory financial statements for the year ended 31 December 2021, which contain an unmodified statutory auditor report under Section 391 of the Companies Act 2014, will be delivered to the Registrar of Companies in accordance with Part 6 of the Companies Act 2014 and the European Communities (Credit Institutions: Financial Statements) Regulations, 2015 (S.I. 266 of 2015).

The Bank is an issuer in the debt capital markets and may from time to time over the coming half year it will meet with investors to discuss these results and other matters relating to the Bank.

## Forward-looking statements

This document contains certain forward-looking statements with respect to the Bank. The Bank cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Forward-looking statements can be made in writing but also may be made verbally by members of the management of the Bank (including, without limitation, during management presentations to financial analysts) in connection with this document. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Bank's future financial position, income growth, assets, impairment charges, provisions, business strategy, capital, leverage and other regulatory ratios, capital distributions (including dividend payout ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, any commitments and targets (including, without limitation, environmental, social and governance (ESG) commitments and targets), estimates of capital expenditures, plans and objectives for future operations, projected employee numbers, IFRS impacts and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. The forward-looking statements speak only as at the date on which they are made. Forward-looking statements may be affected by a number of factors, including, without limitation: changes in legislation; the development of standards and interpretations under IFRS, including evolving practices with regard to the interpretation and application of accounting and regulatory standards, emerging and developing ESG reporting standards; the outcome of current and future legal proceedings and regulatory investigations; future levels of conduct provisions; the policies and actions of governmental and regulatory authorities; the Bank's ability along with government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; environmental, social and geopolitical risks; and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules applicable to past, current and future periods; macroeconomic and business conditions in Ireland, the EU and any systemically important economy which impacts Ireland and the EU; the effects of any volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of the Bank or any securities issued by the Bank; direct and indirect impacts of the coronavirus (COVID-19) pandemic; instability as a result of the UK's exit from the European Union (EU), the effects of the EU-UK Trade and Cooperation Agreement and the disruption that may subsequently result in Ireland and the EU; the risk of cyber-attacks, information or security breaches or technology failures on the Bank's reputation, business or operations; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Bank's control. As a result, the Bank's actual financial position, future results, capital distributions, capital, leverage or other regulatory ratios or other financial and non-financial metrics or performance measures or ability to meet commitments and targets may differ materially from the statements or guidance set forth in the Bank's forward-looking statements.

Subject to our obligations under the applicable laws and regulations of any relevant jurisdiction, (including, without limitation, Ireland), in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.