Barclays Bank Ireland PLC
Annual Report

31 December 2020

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Key performance highlights

	2020	2019
Income Statement:		
Income (€m)	**847**	728
(Loss)/profit before tax (€m)	**(103)**	76
Cost: income ratio[a]	**79%**	81%
No. of employees at 31 Dec (full time equivalent)	**1,646**	1,563
Balance Sheet:		
Central bank balances (€bn)	**20.1**	12.8
Loans and advances to customers (€bn)	**12.1**	13.0
Derivative assets (€bn)	**56.8**	27.3
Total assets (€bn)	**134.9**	69.0
Credit quality:		
% of loans and advances to customers impaired[b] (%)	**5.1%**	3.8%
ECL coverage on loans and advances to customers[c] (%)	**4.7%**	3.2%
ECL coverage on impaired loans and advances to customers[d] (%)	**39%**	40%
Capital and liquidity[e]:		
Risk weighted assets[f] (€bn)	**23.7**	17.9
Common equity tier 1 (‘CET1’) (transitional)[g] (€bn)	**4.0**	2.6
CET1 (transitional)[h] (%)	**16.7%**	14.4%
Liquidity pool[i] (€bn)	**21.0**	14.9
Liquidity coverage ratio (‘LCR’)[j] (%)	**218%**	187%

Notes:

a operating expenses divided by total income (see page 96).
b stage 3 gross loans and advances to customers divided by total gross loans and advances to customers (see page 40).
c total ECL on loans and advances to customers divided by total gross loans and advances to customers (see page 40).
d stage 3 ECL on loans and advances to customers divided by stage 3 gross loans and advances to customers (see page 40).
e capital and liquidity requirements are part of the regulatory framework governing how banks and depository institutions are supervised.
f risk weighted assets (‘RWA’s) are measured in accordance with the provisions of the CRR, as amended by CRR II and the CRD IV.
g CET1 is a measure of capital that is predominantly common equity as defined by the CRR, as amended by CRR II.
h capital ratios express a bank’s capital as a percentage of its RWAs (see page 79).
i 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”
j 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.

Directors' report

The Directors present their report together with the financial statements for the financial year ended 31 December 2020.

OVERVIEW

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

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

PRINCIPAL ACTIVITIES

The Bank's activities and business have expanded over the last two years as part of the Barclays Group's preparations for the impact of the United Kingdom's ('UK') exit from the European Union ('EU') ('Brexit'). The Bank is the primary legal entity within the Barclays Group serving its EU clients. BB PLC's branches in Germany, France, Italy, Portugal, Spain, Sweden and the Netherlands were migrated to the Bank during the final quarter of 2018 and the first quarter of 2019. The Bank obtained additional licences to conduct regulated activities through its Luxembourg branch in November 2019 and through its Belgium branch in February 2020.

BB PLC and the Bank separately received approval from the High Court of England and Wales on 29 January 2019 to transfer certain Banking and Markets, Corporate and Private Banking business (including related contracts, assets, liabilities and other positions) to the Bank under Part VII of the UK Financial Services and Markets Act 2000 (the 'Part VII') during the period ended on 26 July 2019. Additional contracts, positions, assets and liabilities have also separately been transferred to the Bank from BB PLC by bilateral agreement with individual clients during the course of 2019 and 2020.

The Bank has two business segments:

Corporate and Investment Bank ('CIB')
The CIB is comprised primarily 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.

- Our Corporate Banking business provides working capital, transaction banking, including trade and payments, and lending services for multinational corporates and institutions, and for large corporate clients in the EU.
- Banking provides clients with equity and debt fundraising services, strategic advice on mergers and acquisitions ('M&A'), corporate finance and financial risk-management solutions.
- Our Markets business provides a broad range of clients with market insight, execution services and tailored risk management and financing solutions across rates, equities, credit and foreign exchange products.

Consumer, Cards and Payments ('CC&P')
CC&P is comprised of Barclaycard Germany and our Private Bank.

- Barclaycard Germany provides credit cards, online loans, instalment purchase-financing, electronic Point of Sale financing and deposits. This year, we established a new partnership with a leading e-commerce provider to offer their customers instalment lending at the point of purchase.
- Our Private Bank offers banking, credit and investment capabilities to meet the needs of our clients across the EU

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

BUSINESS REVIEW

Client and business migrations resulting from the expansion of the entity were substantially completed by the end of 2020, in advance of the end of the Brexit transition period, with migrations during the course of 2020 including derivative financial assets of €10.8bn, derivative financial liabilities of €13.8bn and customer loan facilities of €5.3bn, of which €0.4bn were drawn. We completed the build out of our human resources, operational and booking capabilities to support the full scope of future activities to service clients and customers across the EU. In 2020, the Bank's assets have grown to €135bn. Further migrations are expected.

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 customers to access the capital markets for liquidity and capital 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_2 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 pandemic. Our Corporate Banking business continued both to support our clients with multiple bespoke solutions, and to build our presence and capabilities across Europe in a post Brexit environment. The Markets business continued its client migrations and trading capability build, leading to a well-prepared platform being delivered ahead of the year-end Brexit deadline.

Within CC&P, in Barclaycard Germany, we launched an innovative partnership providing point-of-sale finance for an e-commerce business, with the aim of exploring further partnerships across the region. The Private Bank continued to prepare for its expansion plans, which involve entering new European private banking markets in France, Italy, Spain, and Germany.

We continued to support our customers and clients through the COVID-19 pandemic despite the challenging operational conditions. 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 the Barclays COVID-19 Community Aid Package, we distributed over €2m to support communities across Europe hardest hit by the pandemic and helped over 800 people to build skills and break down barriers to employment, through Barclays' Connect with Work programme. Consistent with our Group's 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 look to 2021, 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 to build a supportive working environment within BBI enabling us to operate for the benefit of all our stakeholders.

Income Statement Commentary

The Bank incurred a loss before tax in the year ended 31 December 2020 of €103m (2019: profit before tax of €76m). Both the CIB and CC&P segments were profitable, albeit higher impairment charges reduced the level of that profitability compared to 2019. The loss before tax is largely due to the 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 €119m to €847m (2019: €728m), principally reflecting the migration of CIB activities to the Bank from other Barclays Group entities and non-recurring losses on the disposal of loans in 2019, partly offset by the cost of holding a higher liquidity buffer in 2020.

Credit impairment charges increased by €215m to €280m (2019: €65m), due to the impact of the COVID-19 pandemic on the macro-economic environment leading to additional provisions for future customer and client stress, particularly on our unsecured consumer lending portfolio in Germany within CC&P and on lending in Corporate Banking in CIB.

Operating expenses increased by €83m to €670m (2019: €587m), also largely attributable to the migration of CIB activity to the Bank from other Barclays Group entities. The increase was primarily in staff costs, but also included increased administrative costs and regulatory levies.

The Bank's loss after tax for the year ended 31 December 2020 was €118 million (2019: €19 million profit after tax). The Bank incurred a tax charge of €15m, despite the losses incurred, due to some individual jurisdictions being profitable with taxes being paid, and deferred tax not being recognised on certain losses incurred, primarily in Italy.

Balance Sheet Commentary

Total assets at 31 December 2020 were €134.9bn, an increase of €65.9bn compared to 31 December 2019 (€69.0bn), driven by increases in derivative financial instruments, financial assets at fair value through the income statement, central bank placings and trading portfolio assets.

Derivative financial instrument assets increased by €29.5bn to €56.8bn, driven by migrations from BB PLC, increased derivative transactions and movements in fair value. Derivative financial instrument liabilities increased by €30.6bn to €57.7bn for the same reasons. Collateral and other settlement balance assets increased by €10.1bn to €19.1bn, while collateral and other settlement liabilities increased similarly by €10.1bn to €19.4bn, also principally due to migrations and increased activity in the Markets business in CIB.

Financial assets at fair value through the income statement increased by €13.0bn to €14.7bn, and financial liabilities at fair value through the income statement increased by €10.2bn to €14.9bn, due to increased reverse repurchase and repurchase activity in our equity and fixed income financing business.

The increase in central bank placings by €7.3bn to €20.1bn was primarily driven by an increase in customer deposits, an increase in capital and a reduction in loans and advances to customers.

Trading portfolio assets increased by €6.3bn to €7.4bn and trading portfolio liabilities increased by €7.5bn to €7.8bn due to increased bond trading activities.

Customer deposits increased by 7% in 2020 to €19.6bn as a result of continued growth in our Corporate Banking franchise. Customer loans and advances decreased by 7% to €12.1bn, resulting in the loan to deposit ratio[1] reducing from 71% as at 31 December 2019 to 62% as at 31 December 2020. The reduction in loan balances reflected lower demand for lending from customers and clients due to the COVID-19 pandemic, together with repayments in the Bank's Italian mortgage portfolio which is being run off. The loan to deposit ratio of 62% reflects a position where the Bank continues to be able to fund customer loans from customer deposits.

Expected Credit Loss ('ECL') provisions increased by €208m from €437m to €645m, with the impairment charge for the year being primarily driven by increases in provisions for expected future losses. ECL provisions include additional provisions of €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. Our coverage ratio on loans and advances to customers has increased from 3.2% to 4.7%.

[1] Loans and advances to customers divided by deposits from customers

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 €21.0bn as at 31 December 2020 (2019: €14.9bn). This comprised of balances with central banks €19.7bn (2019: €12.5bn) and reverse repurchase agreements entered into for liquidity purposes of €1.3bn (2019: €2.4bn), 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 low interest rate environment.

The Bank's Common equity tier 1 ('CET1') ratio (transitional basis) was 16.7% as at 31 December 2020 (2019: 14.4%). The movement in the year was due primarily to increased capital issuances to support business migrations and to further strengthen the balance sheet, partly offset by an increased level of risk weighted assets due primarily to the migration of facilities from BB PLC. The Bank's total capital ratio (transitional basis) was 22.1% as at 31 December 2020 (2019: 20.8%). The Bank's capital continues to be managed on an ongoing basis to ensure there are sufficient capital resources to support the expanding balance sheet.

RESULTS AND DIVIDENDS

The Bank's loss after tax for the financial year ended 31 December 2020 was €118 million (2019: profit after tax of €19 million). No dividends were paid on the Bank's ordinary shares in 2020 (2019: €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 2020 (2019: €nil).

POST BALANCE SHEET EVENTS

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

On 4 January 2021, a debt security issued by the Bank was admitted to trading on the regulated market of the Irish Stock Exchange (trading as Euronext Dublin). 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 now apply to the Bank.

FUTURE DEVELOPMENTS

Following the client and business migrations that progressed through 2018, 2019 and 2020, the build out of the Bank's operational capabilities, and the completion of the Brexit transition period, the Bank is now fully positioned to meet the needs of our EU customers and clients across our businesses from 2021. Some further client migrations, together with the transfer of some contracts, positions, assets and liabilities to the Bank, are continuing in 2021.

SHARE CAPITAL

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

PRINCIPAL RISKS AND UNCERTAINITIES

The Bank is exposed to internal and external risks as part of its ongoing activities. These risks include (among other things) credit risk, market risk, liquidity risk, operational risk and conduct risk. For a description of the Bank's Enterprise Risk Management Framework ('ERMF'), the risks faced by the Bank and the management of those risks, please see the Risk Review on pages 14 to 87.

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 14 to 87.

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 12 and 13.

Directors' report

ENVIRONMENT

As the global effort to tackle climate change grows, the Barclays Group is working to take a leading role in contributing to the transition to a low-carbon economy. As part of the Barclays Group, the Bank is committed to supporting the Barclays Group in this role.

In March 2020, the Barclays Group set out its ambition to be a net zero bank by 2050. In November 2020, as part of its work to achieve that ambition, the Barclays Group set out the methodology and targets that begin to align the emissions the Barclays Group finances with the Paris Climate Agreement. More information is set out in the Barclays Group ESG report, available at home.barclays.com/esg.

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

Disclosure of global greenhouse gas emissions is done at a Barclays Group level with information available in the B PLC 2020 Annual Report with fuller disclosure available at home.barclays.com/esg

POLITICAL DONATIONS

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

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 2020, in addition to its Irish Head Office, the Bank had branches in Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain, and Sweden.

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

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.

Directors' report

DISCLOSURE OF RELEVANT INFORMATION TO AUDITORS

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

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

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 BPLC 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 and values, Barclays' Remuneration Policy and Barclays' Charter of Expectations. Where appropriate, this corporate governance statement makes reference to those Group policies, which are relevant to the way in which the Bank is governed.

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 9.

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 2020, or who have been appointed since that date, are set out below.

Directors	Appointed/Resigned	Nationality	Position
Helen Keelan (2), (4), (5), (6)		Irish	Board Chair and Board Nominations Committee Chair
Etienne Boris (2), (3), (4), (5)		French	Board Audit Committee Chair
Thomas Huertas (2), (3), (4), (6)		American	Board Risk Committee Chair
Eoin O'Driscoll (2), (3), (5), (6)		Irish	Board Remuneration Committee Chair
Jennifer Allerton (2), (3), (5), (6)		British	
Francesco Ceccato (7)	Appointed 24 September 2020	Italian	Chief Executive Officer
Andrew Dickens (1), (4)		South African	
David Farrow (1), (3)		British	
Keith Smithson (7)		Irish	Chief Financial Officer
Kevin Wall (7)	Resigned 23 September 2020	British	Chief Executive Officer

(1): Group non-executive Director
(2): Independent non-executive Director
(3): Member of the Board Audit Committee
(4): Member of the Board Risk Committee
(5): Member of the Board Nominations Committee
(6): Member of the Board Remuneration Committee
(7): Executive Director

COMPANY SECRETARY

Paul McCullagh

COMPANY NUMBER

396330

DIRECTORS' AND COMPANY SECRETARY'S INTERESTS

During the year ended 31 December 2020, 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 2020 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 2020.

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 all Non-Executive Directors and ensures Directors receive accurate, clear and timely information. It is the Board's responsibility to ensure that management deliver on short-term objectives, whilst promoting the long-term success of the Bank. 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, approval of financial statements, 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.

The current Board comprises of a Chair, who was independent on appointment, two Executive Directors, two Group Non-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 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 of a majority 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;
- the effectiveness of the Bank's internal controls;
- the effectiveness of the internal audit function and processes; and
- the performance and independence of the external auditors.

Risk Committee

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

- 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, operational (including legal, human resources and IT risks) and reputational 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 a Committee of the Board and is comprised solely of independent non-executive Directors. It assists the Board in fulfilling its responsibilities relating to:

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

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 strategic objectives. The ERMF is designed to identify and set minimum requirements in respect of the main risks to achieving the Banks' strategic objectives and to provide reasonable assurance that internal controls are effective.

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 31 to 36.

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 its 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.

Directors' report

Throughout the year ended 31 December 2020 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'). 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 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.

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 2020, the Executive Committee membership included the Bank's CEO, Chief Financial Officer ('CFO'), 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. 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 five core pillars: Gender, LGBT, Disability, Multicultural and Multigenerational, 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 our opinion are appropriate to the Bank, respecting compliance by the Bank with its relevant obligations has been drawn up;
- appropriate arrangements or structures that are designed to secure material compliance with the Bank's relevant obligations have been put in place; and
- a review of these arrangements and structures has been conducted during the financial year ended 31 December 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the Bank’s assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Bank for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Bank and which enable them to ensure that the financial statements of the Bank comply with the provisions of the Companies Act 2014. They are responsible for such internal controls as they determine 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.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in respect of the Bank which is on the Barclays Group website.

Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors, whose names and functions are set out on page 7, confirm to the best of their knowledge that:

- they have complied with the above requirements in preparing the financial statements;
- the 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 business review, on pages 3 to 5 of the Directors Report, 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 shareholders to assess the Bank’s position and performance, business model and strategy.

On behalf of the Board

Helen Keelan	**Francesco Ceccato**	**Keith Smithson**
Chair	Chief Executive Officer	Chief Financial Officer

10 March 2021

Non-financial information statement

We use a variety of tools in the Bank to track and measure our strategic delivery, and collect both quantitative and qualitative information to get the full picture of our performance. The measures of success include:

	2020	2019
Females at Managing Director and Director level (%)	22%	19%
Colleague engagement (%)	79%	77%
"I would recommend Barclays as a good place to work" (%)	83%	79%

We have a range of policies and guidance (available at home.barclays.com/esg) that support our key outcomes for all of our stakeholders. Across 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's Position on Climate Change sets out our approach to energy sectors with higher carbon-related exposures from extraction or consumption, and/or those with an impact in certain sensitive environments, namely thermal coal, Arctic oil and gas, oil sands and hydraulic fracturing. The statement outlines the important role Barclays 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 have negative impacts on areas of high biodiversity value including UNESCO World Heritage Sites ('WHS') and Ramsar Wetlands ('RW'). Our WHS and RW statement outlines our 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's Board Risk Committee.

Forestry and Agricultural Commodities statement

The Barclays Group recognises that 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's Forestry and Agricultural Commodities Statement outlines our due diligence approach for clients involved in these activities, ensuring that we support clients that promote sustainable forestry and agri-business practices while respecting the rights of workers and local communities.

Colleagues

Board Diversity Policy

The Board Diversity Policy sets out the approach to diversity on the Boards of Barclays, including on the Bank's Board.

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, including the Bank's business. It constitutes a reference point covering all aspects of colleagues' working relationships, specifically (but not exclusively) with other Barclays employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community.

Social matters

Donations

Barclays Group and the Bank work in partnership with non-profit organisations, including charities and NGOs, to develop high-performing programmes and volunteering opportunities that harness the skills and passion of our employees. Barclays 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. Barclays does not accept unsolicited donation requests.

Tax

Barclays Group's 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 Barclays Group's 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 our 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 Barclays Group complies with applicable sanctions laws in every jurisdiction in which it operates.

The defence industry
Barclays Group provide 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 our support. The Barclays Statement on the Defence Sector outlines our appetite for defence-related transactions and relationships.

Human rights

Human rights
The Bank and Barclays Group operate in accordance with the Universal Declaration of Human Rights and take account of other internationally accepted human rights standards. We also promote human rights through our employment policies and practices, through our supply chain and through the responsible use of our products and services.

Modern slavery
The Bank and Barclays Group recognises its responsibility to comply with all relevant legislation. Barclays Group releases an annual Barclays Group Statement on Modern Slavery, which outlines the actions Barclays Group has taken to 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, SMEs, 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 Bank and the Barclays Group, the privacy and security of personal information is respected and protected. Our 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
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. Our 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 Bank's and 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 Bank being used to facilitate financial crime.

Contents

Risk Management strategy

RISK MANAGEMENT STRATEGY

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

Enterprise Risk Management Framework ('ERMF')

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

The ERMF sets out:

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

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

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

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

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

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

Principal risks

The ERMF identifies eight principal risks (see table on page 16 of this report) and sets out associated responsibilities and risk management standards. The principal risks are: credit risk, market risk, treasury and capital risk, operational risk, model risk, conduct risk, reputation risk and legal risk.

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

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

Risk Management strategy

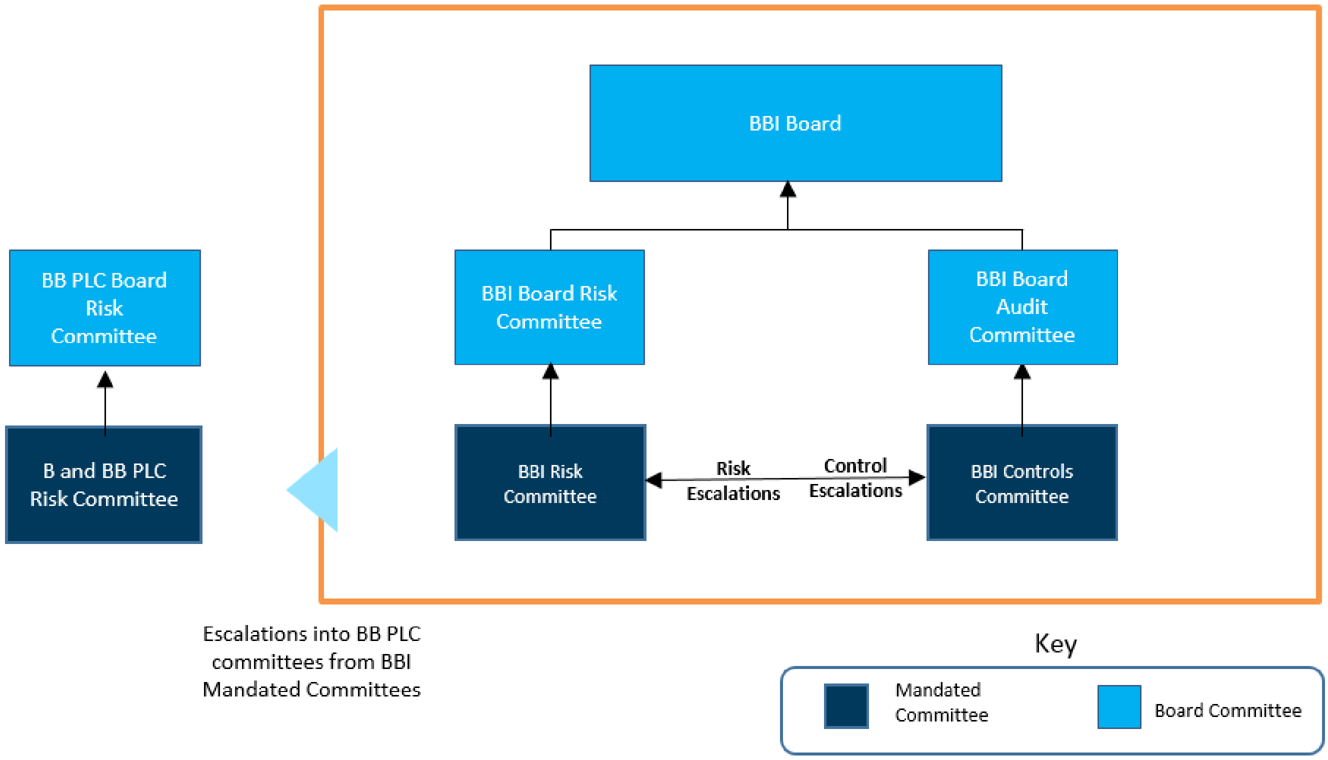
Principal Risks are overseen by a dedicated Second Line function			
Risks are classified into Principal Risks, as below			How risks are managed
Financial Principal Risks	Credit Risk	The risk of loss to the Bank from the failure of clients, customers or counterparties, including sovereigns, to fully honour 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.
	Market Risk	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.
	Treasury and Capital Risk	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 or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the Bank's pension plans. 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.	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.
Non-Financial Principal Risks	Operational Risk	The risk of loss to the Bank from inadequate or failed processes or systems, human factors or due to external events (e.g. fraud or cyber risk) where the root cause is not due to credit or market risks.	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.
	Model Risk	The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.	Models are evaluated for approval prior to implementation, and on an ongoing basis.
	Reputation Risk	The risk that an action, transaction, investment or event will reduce trust in the Bank's integrity and competence by clients, counterparties, investors, regulators, employees or the public.	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.
	Conduct Risk	The risk of detriment to customers, clients, market integrity, competition or the Bank from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.	The Compliance function sets the minimum standards required, and provides oversight to monitor that these risks are effectively managed and escalated where appropriate.
	Legal Risk	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 identifying and limiting legal risks.

Risk Management strategy

Risk appetite for the principal risks

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

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



Risk Committees

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

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

- **The Bank's Board:** One of the Board's responsibilities is the approval of risk appetite allocated to the Bank. Risk appetite is approved by the B PLC Board and disseminated across legal entities, including BBI. The BBI Board is also responsible for the adoption of the ERMF.

- **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.

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

- **BAC:** The BAC receives regular reports on the effectiveness of internal control systems, on material control issues of significance and on accounting judgements. All members are non-executive Directors. The Chairman of the BAC also sits on the BRC.

- **RemCo:** The RemCo receives a detailed report on risk management performance and risk profile, and proposals on ex-ante and ex-post risk adjustments to variable remuneration. These inputs are considered in the setting of performance incentives.

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

Role of Barclays Group Risk Management Processes and Forums in BBI

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

- Barclays Group Board allocates a portion of the overall risk appetite to BBI;
- Certain Barclays Group Committees and executives review, and take decisions on, matters, events or transactions originating in BBI that are relevant to the risk profile of the Barclays Group

Barclays Group-wide risk policies are owned by the Barclays Group Risk Function teams, and adopted by BBI. Entity-specific addenda are agreed with the Barclays Group where local regulations would otherwise preclude adoption, or to clarify or emphasise particular aspects.

Barclays' risk culture

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

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

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

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

Our Code of Conduct – the Barclays Way

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

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. There are a number of factors associated with the pandemic and its impact on global economies that could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as the Bank.

The COVID-19 pandemic has caused disruption to the Bank's customers, suppliers and staff. Most jurisdictions in which the Bank operates have implemented severe restrictions on the movement of their respective populations, with a resultant significant impact on economic activity in those jurisdictions. These restrictions are being determined by the governments of individual jurisdictions (including through the implementation of emergency powers) and impacts (including the timing of implementation and any subsequent lifting or extension of restrictions) may vary from jurisdiction to jurisdiction and/or within jurisdictions. It remains unclear how the COVID-19 pandemic will evolve through 2021 (including whether there will be further waves of the COVID-19 pandemic, whether COVID-19 vaccines approved for use by regulatory authorities will be deployed successfully with desired results, 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, 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 have been initiated by central banks, national governments and regulators to provide financial support to parts of the economy most impacted by the COVID-19 pandemic. These schemes have been designed and implemented at pace, meaning lenders (including Barclays) continue to address operational issues which have arisen in connection with the implementation of the schemes, including resolving the interaction between the schemes and existing law and regulation. In addition, the full extent of how these schemes will impact the Bank's customers and therefore the impact on the Bank remains uncertain at this stage. However, certain actions (such as the introduction of payment holidays for various consumer lending products or the cancellation or waiver of fees associated with certain products) may negatively impact the effective interest rate earned on the Bank's portfolios and may reduce fee income being earned on certain products and negatively impact the Bank's profitability. Furthermore, the introduction of, and participation in, central-bank supported loan and other financing schemes introduced as a result of the COVID-19 pandemic may negatively impact the Bank's risk weighted assets ('RWAs'), level of impairment and, in turn, capital position (particularly when any transitional relief applied to the calculation of RWAs and impairment expires). This 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 a result of the Bank's failure to comply with scheme requirements or otherwise.

As these schemes and other financial support schemes provided by national governments (such as job retention and furlough schemes) expire, are withdrawn or are no longer supported, economic growth may be negatively impacted which may 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 and may initiate collection and enforcement actions to recover defaulted debts. Where defaulting borrowers are harmed by the Bank's conduct, this may 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. For further details, refer to "viii) Legal risk and legal, competition and regulatory matters" below.

The actions taken by various governments and central banks may indicate a view on the potential severity of any economic downturn and post recovery environment, which from a commercial, regulatory and risk perspective could be significantly different to past crises and persist for a prolonged period. The COVID-19 pandemic has led to a weakening in gross domestic product ('GDP') in most jurisdictions in which the Bank operates and an expectation of higher unemployment in those same jurisdictions. These factors all have a significant impact on the modelling of expected credit losses ('ECLs') by the Bank. As a result, the Bank experienced higher ECLs in 2020 compared to prior periods and this trend may continue in 2021. 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 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 "(v) Model risk" below.

The disruption to economic activity globally caused by the COVID-19 pandemic could adversely impact the Bank's other assets such as intangibles. It could also impact the Bank's income due to lower lending and transaction volumes due to volatility or weakness in the capital markets. Other potential risks include credit rating migration which could negatively impact the Bank's RWAs and capital position, and potential liquidity stress due to (among other things) increased customer drawdowns, notwithstanding the significant initiatives that governments and central banks have put in place to support funding and liquidity. Furthermore, a significant increase in the utilisation of credit by customers could have a negative impact on the Bank's RWAs and capital position.

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, financial condition, results of operations, 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 (amongst other things): (i) deteriorating business, consumer or investor confidence and lower levels of fixed asset investment and productivity growth, which in turn may lead to lower client activity, including lower demand for borrowing from creditworthy customers; (ii) higher default rates, delinquencies, write-offs and impairment charges as borrowers struggle with the burden of additional debt; (iii) subdued asset prices and payment patterns, including the value of any collateral held by the Bank; (iv) mark-to-market losses in trading portfolios resulting from changes in factors such as credit ratings, share prices and solvency of counterparties; and (v) revisions to calculated 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 weakened sharply in the first half of 2020 as a result of the COVID-19 pandemic. Whilst a number of central banks and governments implemented financial stimulus packages to counter the economic impact of the pandemic, recovery has been slower than anticipated and concerns remain as to whether (a) there will be subsequent waves of the COVID-19 pandemic, (b) further financial stimulus will be required and/or (c) governments will be required to significantly increase taxation to fund these commitments. All of these factors could adversely affect economic growth, affect specific industries or countries or affect the Bank's employees and business operations in affected countries. See "i) Risks relating to the impact of COVID-19" above for further details.
- The decision of the UK to leave the EU may give rise to further economic and political consequences, including for investment and market confidence in the EU. See "(iii) The UK's withdrawal from the European Union" below for further details.
- An escalation in geopolitical tensions or increased use of protectionist measures may negatively impact the Bank's business.

iii) The UK's withdrawal from the European Union

There are a number of factors associated with the UK's withdrawal from the European Union which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The EU-UK Trade and Cooperation Agreement ('TCA'), which provides a new economic and social partnership between the EU and UK (including zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin) came into force provisionally on 1 January 2021.

The TCA is a new unprecedented arrangement between the EU and the UK, and there is some uncertainty as to its operation and the manner in which trading arrangements will be enforced by both the EU and the UK.

Furthermore, the EU and/or the UK can invoke trade remedies (such as tariffs and non-tariff barriers) against each other in certain circumstances under the TCA. Resultant trading disruption 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 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 (BB 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.

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

Interest rate rises could positively impact the Bank's profitability as corporate business income may increase due to margin de-compression. However, further increases in interest rates, if larger or more frequent than expected, could lead to generally weaker than expected growth, reduced business confidence and higher unemployment. This, in turn, 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.

v) 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 current 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 and prospects.

New competitors in the financial services industry continue to emerge. For example, 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. This has allowed regulated financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic securities trading, payments processing and online automated algorithmic-based investment advice. Furthermore, both regulated financial institutions and their non-banking competitors face the risk that payments processing and other services could be significantly disrupted by technologies, such as cryptocurrencies, that require no intermediation. The ECB has recently completed a consultation on the digital euro and is assessing responses and considering future plans. 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 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.

vi) Regulatory change agenda and impact on business model

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

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

- Changes in prudential requirements may impact minimum requirements for own funds and eligible liabilities ('MREL'), leverage, liquidity or funding requirements, applicable buffers and/or add-ons to such minimum requirements and risk weighted assets calculation methodologies all as may be set by international, EU or national authorities. Such or similar changes to prudential requirements or additional supervisory and prudential expectations, either individually or in aggregate, may result in, among other things, a need for further management actions to meet the changed requirements, such as:
  - increasing capital, MREL or liquidity resources, reducing leverage and risk weighted assets;
  - restricting distributions on capital instruments;
  - modifying legal entity structure (including with regard to issuance and deployment of capital, MREL and funding);
  - changing the Bank's business mix or exiting other businesses; and/or
  - undertaking other actions to strengthen the Bank's position.
- The derivatives market has been the subject of particular focus for regulators in recent years across the G20 countries and beyond, with regulations introduced which require the reporting and clearing of standardised over the counter ('OTC') derivatives and the mandatory margining of non-cleared OTC derivatives, These regulations may increase costs for market participants, as well as reduce liquidity in the derivatives markets, in particular if there are areas of overlapping or conflicting regulation. More broadly, changes to the regulatory framework (in particular, the review of the second Markets in Financial Instruments Directive and the implementation of the Benchmarks Regulation) could entail significant costs for market participants and may have a significant impact on certain markets in which the Bank operates.
- The Barclays Group and certain of its members, including the Bank, are subject to supervisory stress testing and other similar assessments exercises 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 Barclays Group, could result in the Barclays Group or certain of its members, including the Bank, being required to enhance their capital position, limit capital distributions or position additional capital in specific subsidiaries.

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

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

The risks associated with climate change are subject to rapidly increasing societal, regulatory and political focus, both in the EU and internationally. Embedding climate risk into the Bank's risk framework in line with regulatory expectations, and adapting the Bank's operations and business strategy to address 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.

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

As the region 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.

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

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

viii) Impact of benchmark interest rate reforms on the Bank

For several years, global regulators and central banks have been driving international efforts to reform key benchmark interest rates and indices, such as the London Interbank Offered Rate ('LIBOR') 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. This has resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative "risk-free" reference rates and the proposed discontinuation of certain reference rates (including LIBOR and EONIA), with further changes anticipated, including UK, EU and US legislative proposals to deal with 'tough legacy' contracts that cannot convert into or cannot add fall-back risk-free reference rates. The consequences of reform are unpredictable and may have an adverse impact on any financial instruments linked to, or referencing, any of these benchmark interest rates.

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

- **Conduct risk:** in undertaking actions to transition away from using certain reference rates (such as LIBOR and EONIA) to new alternative, risk-free rates, 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;
- **Financial risks:** the valuation of certain of the Bank's financial assets and liabilities may change. Moreover, transitioning to alternative "risk-free" reference rates may impact the Bank's ability to calculate and model amounts receivable by them on certain financial assets and determine the amounts payable on certain financial liabilities (such as debt securities issued by them) because currently alternative "risk-free" reference rates (such as the Swiss Average Rate Overnight ('SARON') and the euro short-term rate ('€STR')) 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 cashflows;
- **Pricing risk:** changes to existing reference rates and indices, discontinuation of any reference rate or indices and transition to alternative "risk-free" reference rates may impact the pricing mechanisms used by the Bank on certain transactions;
- **Operational risk:** changes to existing reference rates and indices, discontinuation of any reference rate or index and transition to alternative "risk-free" reference rates may require changes to the Bank's IT systems, trade reporting infrastructure, operational processes and controls. In addition, if any reference rate or index (such as LIBOR or EONIA) is no longer available to calculate amounts payable, the Bank may incur additional

expenses in amending documentation for new and existing transactions and/or effecting the transition from the original reference rate or index to a new reference rate or index; and

- **Accounting risk:** an inability to apply hedge accounting in accordance with IFRS could lead to increased volatility in the Bank's financial results and performance.

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

For further details on the impacts of benchmark interest rate reforms on the Bank, see Note 40.

Material existing and emerging risks impacting individual principal risks

i) Credit risk

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

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

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

In addition, the move from incurred losses to ECLs has the potential to impact the Bank's performance under stressed economic conditions or regulatory stress tests. For more information, refer to Significant accounting policies on pages 101 to 104.

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

- **Consumer affordability** has remained a key area of focus for regulators, particularly in unsecured lending. Macroeconomic factors, such as rising unemployment, that impact a customer's ability to service 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 the Bank's Barclaycard Germany 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 of operations including, but not limited to, increased credit losses and higher impairment charges.

- **Leverage finance underwriting**. On occasions, 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.

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

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

ii) Market risk

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

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, deployment of COVID-19 vaccines not being as successful as desired, 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 negatively affects the depth of marketplace liquidity. Such a scenario could impact the Bank's ability to execute client trades and may also result in lower client flow-driven income and/or market-based losses on its existing portfolio of market risks. These can include having to absorb higher hedging costs from rebalancing risks that need to be managed dynamically as market levels and their associated volatilities change.

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

For further details on the Bank's approach to market risk, see market risk management and market risk performance sections

iii) Treasury and capital risk

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

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

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

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

b) Capital risk
Capital risk is the risk that the Bank has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory stress testing purposes). This includes the risk from the Bank's 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 funding and/or accounting basis. This could lead to the Bank making additional contributions to its pension plans and/or a deterioration in its capital position. Under IAS 19, the liabilities discount rate is derived from the yields of high quality corporate bonds. Therefore, the valuation of the Bank's defined benefit schemes would be adversely affected by a prolonged fall in the discount rate due to a persistent low interest rate and/or credit spread environment. Inflation is another significant risk driver to the pension fund as the liabilities are adversely impacted by an increase in long-term inflation expectations.

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

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

iv) Operational risk

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

a) Operational resilience
The 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) Cyber-attacks
Cyber-attacks continue to be a global threat that is inherent across all industries, with a spike in both number and severity of attacks observed recently. The financial sector remains a primary target for cyber criminals, hostile nation states, opportunists and hacktivists. The Bank, like other financial institutions, experiences numerous attempts to compromise its cyber security.

The Bank dedicates significant resources to reducing cyber security risks, but it cannot provide absolute security against cyber-attacks. 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. Cyber-attacks 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 cyber security 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.

A failure in the Bank's adherence to its cyber security policies, procedures or controls, employee malfeasance, and human, governance or technological error could also compromise the Bank's ability to successfully defend against cyber-attacks. Furthermore, certain legacy technologies that are at or approaching end-of-life may not be able to be maintained to acceptable levels of security. The Bank has experienced cyber security incidents and near-misses in the past, and it is inevitable that additional incidents will occur in the future. Cyber security 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 sub-contractors in response to the COVID-19 pandemic. Bad actors have taken advantage of remote working practices and modified customer behaviours during the COVID-19 pandemic, exploiting the situation in novel ways that may elude defences.

Common types of cyber-attacks include deployment of malware, including destructive ransomware; denial of service and distributed denial of service ('DDoS') attacks; infiltration via business email compromise, including phishing, or via social engineering, including vishing and smishing; automated attacks using botnets; and credential validation or stuffing attacks using login and password pairs from unrelated breaches. A successful cyber-attack 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 action, loss of existing or potential customers, damage to the Bank's brand and reputation, and other financial loss. The impact of a successful cyber-attack also is 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 cyber security as an increasing systemic risk to the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience to cyber-attacks. A successful cyber-attack may, therefore, result in significant regulatory fines on the Bank.

For further details on the Bank's approach to cyber-attacks, see the operational risk performance 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 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 to 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 personally identifiable 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, including Regulation (EU) 2016/679 (General Data Protection Regulation ('GDPR')). 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, which could: (i) increase the Bank's compliance and operating costs; (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.

Material existing and emerging risks

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 its revenues. Furthermore, any failure or perceived failure by the Bank to comply with applicable privacy or data protection laws and regulations 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 and otherwise materially adversely affect its business, results of operations, financial condition and prospects.

f) Algorithmic trading

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

g) Processing error

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.

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 can introduce 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 capital 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 charges, taxes, fair value of financial instruments, pensions and post-retirement benefits, and provisions including conduct and legal, competition and regulatory matters (see 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 capital 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 reporting and disclosure requirements around the world and the digitisation of the administration of tax has potential to increase the Bank's tax compliance obligations further.

k) Ability to hire and retain appropriately qualified employees

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

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

(v) Model risk

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

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

(vi) Conduct risk

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

a) Employee misconduct

The Bank's businesses are exposed to risk from potential non-compliance with its policies and 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 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 engagement

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; and (iii) 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 lifecycle, 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, and this focus is set to continue in 2021.

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 CBI's Fitness and Probity Regime have reinforced additional accountabilities for individuals across the Bank with an increased focus on governance and rigour. Failure to meet these requirements and expectations may lead to regulatory sanctions, both for the individuals and the Bank.

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

Material existing and emerging risks

(vii) Reputation risk

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

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

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

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

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

(viii) 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 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 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 no legal, competition or regulatory matters to which the Bank is currently exposed that give rise to a contingent liability. However, the Bank is engaged in various other legal proceedings which arise in the ordinary course of business. The Bank is also subject to requests for information, investigations and other reviews by regulators, governmental and other public bodies in connection with business activities in which the Bank is, or has been, engaged.

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

Climate change risk management

Overview

As part of the Barclays Group, the Bank is committed to supporting the Barclays Group in taking a leading role in contributing to the transition to a low carbon economy.

A dedicated Sustainability team considers how the Barclays Group approaches wider sustainability and environmental, social and governance ('ESG') matters, working closely with the ERM function.

In 2020 the Barclays Group has implemented a Financial and Operational Risks of Climate Change Plan built around three main pillars:

1. Embedding climate risk into ERMF, via the Climate Change Financial and Operational Risk Policy;
2. Developing methodologies and including climate in stress testing (see page 159 of B PLC Annual Report); and
3. Developing a carbon methodology to assess risk within high emitting sectors (see page 159 of B PLC Annual Report).

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

Organisation and structure

The matters and risks associated with climate change are managed at a Barclays Group level, with the Bank's local risk teams providing input and context into local regulations.

On behalf of the B PLC Board, the B PLC BRC reviews and approves the Barclays Group's approach to managing the financial and operational risks associated with climate change. Reputation risk is the responsibility of the B 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 co-ordinated by the Sustainability team.

Two new roles were introduced in 2020: a Barclays Group Head of Public Policy and Corporate Responsibility, reporting to the Barclays Group CEO; and a Barclays Group Head of Climate Risk appointed to develop Barclays' climate risk methodologies and manage climate risk in the portfolio.

In November 2020, the ECB published a guide on climate-related and environmental risks which included supervisory expectations relating to risk management, governance, disclosure and other matters. A detailed gap analysis has been undertaken against the guide.

Risk management – Policy

Financial and Operational Risks:

The Barclays Group's *'Climate Change Financial Risk and Operational Risk Policy'* considers climate change as an overarching risk impacting certain principal risks: credit risk, market risk, treasury & capital risk and operational risk. The policy is jointly owned by the relevant Principal Risk Delegates with oversight by the B PLC BRC and applies across the Barclays Group, including within the Bank.

Each relevant Principal Risk Delegate has developed a methodology and implementation plan for quantifying climate change risk.

Climate change risk management

Risk	Measurement approach
Credit Risk	Credit Risk Materiality Matrix (Climate Lens): assesses the climate change risk of a wholesale counterparties to which the Group is exposed across elevated risk sectors. Scenario Analysis: a first-generation cashflow model has been developed to analyse how the entities' business performance varies according to climate change. It applies Physical and Transition Risk variables to corporate counterparty earning over a scenario horizon. Sovereigns: a risk factor matrix, incorporating Physical, Transition and Connected risk factors, has been developed to assess a sovereign's ability and capacity to respond to climate-related challenges. Carbon Emissions Model - BlueTrack™: has been developed to support Barclays' portfolio transition in line with the Paris Agreement.
Market Risk	Stress tests are used to assess and aggregate exposures arising from climate related risks. Stress test scenarios are applied to a range of assets, reflecting the impact of climate change across sectors, countries and regions.
Treasury and Capital Risk	Exposures within the oversight of the Treasury and Capital Risk function are assessed and informed by analysis and stress testing for understanding of how they are impacted by climate change
Operational Risk	The Risks associated with Climate Change are relevant to the following Operational Risk Categories/Themes which are managed through the Operational Risk Framework: Resilience Risk Theme, which includes Barclays supply chain requirements, and Premises Risk. Climate Change has been included in the Strategic Risk Assessment to understand exposure on a forward looking basis across the five-year business planning cycle

Linking with ESG and Reputation Risk:

The Barclays Group has developed an internal standard to reflect its net zero carbon ambition in more detail and together with other climate-related Standards (such as the Forestry & Palm Oil Standard), these now determine the approach to climate change and relevant sensitive sectors. These standards sit under the management of reputation risk within the ERMF and are enforced through an existing transaction origination, review and approval process.

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 health gives grounds for concern, it is placed into the appropriate category. All corporate customers, regardless of financial health, are subject to a full review of all facilities on, at least, an annual basis. More frequent interim reviews may be undertaken should circumstances dictate. Retail customers are greater in number and, therefore, are managed in aggregated segments.

Credit risk mitigation

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

Netting and set-off

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

Risk transfer

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

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

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 two years.

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 two years of past data to generate possible future market moves, but the past may not be a good indicator of the future;
- the one-day time horizon may not fully capture the market risk of positions that cannot be closed out or hedged within one day;
- 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 committee is chaired by the Barclays Group Market Risk Principal Risk Lead and attendees include business aligned market risk managers. Within the Bank, Barclays Europe Risk Committee ('BERC') oversees the principal risk areas of the Bank, and it has delegated authority to the Market Risk Sub-committee to oversee market risk appetite with escalations back to BERC as required.

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 or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the Bank's 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. The liquidity risk control framework is used to manage all liquidity risk exposures under both BAU and stressed conditions. The framework is designed to maintain liquidity resources that are sufficient in amount, quality and funding tenor profile to support the liquidity risk appetite as expressed by the Bank's Board. The liquidity risk appetite is monitored against both internal and regulatory liquidity metrics.

Organisation, roles and responsibilities

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

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

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

The Bank's Board approves the funding plan, internal stress tests and results of regulatory stress tests (as applicable). The Bank's 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 annually reviews risk appetite and the impact of stress scenarios on the Bank's funding plan/forecast in order to agree the Bank's projected funding abilities.

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.

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 annually reviews risk appetite 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. The Treasury and Capital Risk function provides oversight of capital risk and is an independent risk function that reports to the CRO. Production of the Bank's Internal Capital Adequacy Assessment Process ('ICAAP') is the responsibility of the Bank's Treasury function.

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 risks. However, the Bank remains susceptible to interest rate risk and other non-traded market risks from key sources:

- **Interest rate and repricing risk:** the risk that net interest income could be adversely impacted by a change in interest rates, differences in the timing of interest rate changes between assets and liabilities, and other constraints on interest rate changes as per product terms and conditions.
- **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 annual review of the risk appetite and the impact of stress scenarios on the interest rate risk of the Bank's banking books.

In addition, the Bank's IRRBB policy sets out the processes and key controls required to identify all IRRBB risks arising from banking book operations, to monitor the risk exposures via a set of metrics with a frequency in line with the risk management horizon, and to manage these risks within agreed risk appetite and limits.

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.

Principal risk management

Organisation, roles and responsibilities

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the legal entities, 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 Risk; Operational Resilience Planning Risk; Payments Process Risk; People Risk; Premises Risk; Physical Security Risk; Strategic Investment Change Management Risk; Supplier Risk; Tax Risk; Technology Risk; and Transaction Operations Risk.

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 risk of the potential adverse consequences from financial assessments or 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.

Since models are imperfect and incomplete representations of reality, they may be subject to errors affecting the accuracy of their output. Model errors and misuse are the primary sources of model risk.

Organisation, roles and responsibilities

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. The 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 Barclays Group Board is the most senior governance body responsible for reviewing and monitoring the effectiveness of Barclays Group's management of reputation risk. Within the Bank, the Model Management Committee, a committee designated by the Bank's Board, is dedicated to providing 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, implementation, 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 function reports to the Barclays Group CRO and operates a global framework. Implementation of best practice standards is a central objective of the Barclays Group.

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 implemented 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 detriment to customers, clients, market integrity, effective competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.

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 risks associated with the maintenance of market integrity, customer protection and product and services lifecycle governance and the prevention of financial crime.

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 a group-wide CRMF. This includes defining and owning the 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.

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 Group Board is the most senior governance body 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. The Conduct and Reputational Risk Committee escalates issues to BBI's Executive Committee. The committee oversees the provision of a quarterly report to the Executive Committee and the Board Risk Committee including insights from conduct risk data and metrics, to ensure sufficient visibility on the part of the Board and the Executive Committee into conduct and reputational risk matters.

The Bank is required to operate within established reputation risk tolerance, and its component businesses prepare reports for its respective Risk Committee and BRC 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 Barclays Group Risk Committee and the Barclays Group 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 willful 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 Group-wide legal risk management framework, including the implementation of 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 maintaining a Barclays Group-wide legal risk management framework. This includes defining the relevant legal risk policies 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 Board Risk Committee is the most senior 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 BB PLC Board Risk Committee.

Credit risk performance

All disclosures in this section (pages 37 to 70) 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 maximum exposure and net exposure to credit risk, reflecting the financial effects of risk mitigation reducing the Bank's exposure.

For financial assets recognised on the balance sheet, maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment. For off-balance sheet guarantees, the maximum exposure is the maximum amount that the Bank would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments, the maximum exposure is the full amount of the committed facilities.

This and subsequent analyses of credit risk exclude other financial assets not subject to credit risk.

Overview

As at 31 December 2020, the Bank's net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer was €77.8bn (2019: €51.7bn). Overall, the extent to which the Bank holds mitigation against its total exposure was 52% (2019: 42%). The increase in the net exposure is driven by increases in cash and balances at central banks, cash collateral and settlement balances, trading portfolio asset debt securities, and off-balance sheet loan commitments.

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

Collateral obtained

Where collateral has been obtained in the event of default, the Bank does not, as a rule, use such assets for its own operations and they are usually sold on a timely basis. The carrying value of assets held by the Bank as at 31 December 2020, as a result of the enforcement of collateral, was €nil (2019: €nil).

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
On-balance sheet:						
Cash and balances at central banks	20,066	-	-	-	-	20,066
Cash collateral and settlement balances	19,061	-	-	-	-	19,061
Loans and advances at amortised cost:						
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
Loans and advances to customers	12,143	-	(36)	(5,830)	(1,197)	5,080
Loans and advances to banks	906	-	-	-	-	906
Total loans and advances at amortised cost	13,049	-	(36)	(5,830)	(1,197)	5,986
Of which credit-impaired (Stage 3):						
Home loans	*179*	-	-	*(179)*	-	-
Credit cards, unsecured and other retail lending	*140*	-	-	*(74)*	-	*66*
Wholesale loans	*73*	-	-	-	-	*73*
Total credit impaired loans and advances at amortised cost	*392*	-	-	*(253)*	-	*139*
Reverse repurchase agreements and other similar secured lending	3,174	-	-	(3,174)	-	-
Trading portfolio assets:						
Debt securities	7,133	-	-	-	-	7,133
Traded loans	119	-	-	-	-	119
Total trading portfolio assets	7,252	-	-	-	-	7,252
Financial assets at fair value through the income statement:						
Loans and advances	744	-	-	(357)	-	387
Reverse repurchase agreements	14,005	-	-	(14,004)	-	1
Total financial assets at fair value through the income statement	14,749	-	-	(14,361)	-	388
Derivative financial instruments	56,842	(41,449)	(13,292)	(225)		1,876
Other assets	179	-	-	-	-	179
Total on-balance sheet	134,372	(41,449)	(13,328)	(23,590)	(1,197)	54,808
Off-balance sheet:						
Contingent liabilities	3,863	-	-	(5)	-	3,858
Loan commitments	22,823	-	(37)	(133)	(3,512)	19,141
Total off-balance sheet	26,686	-	(37)	(138)	(3,512)	22,999
Total	161,058	(41,449)	(13,365)	(23,728)	(4,709)	77,807

Off-balance sheet exposures are shown gross of provisions of €52m (2019: €10m). See Note 24 for further details.

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

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

Expected Credit Losses

Impairment allowance

As at 31 December	2020 €m	2019 €m
On loans and advances at amortised cost	593	427
On loan commitments and financial guarantees	52	10
Total impairment allowance	**645**	**437**

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 2020		Stage 2					
	Stage 1	Not past due	<=30 days past due	>30 days past due	Total	Stage 3	Total
Gross exposure	€'m	€'m	€'m	€'m	€'m	€'m	€'m
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
Loans and advances to customers	9,827	2,045	154	63	2,262	647	12,736
Loans and advances to banks	899	7	-	-	7	-	906
Total[a]	10,726	2,052	154	63	2,269	647	13,642
Impairment allowance							
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
Loans and advances to customers	47	228	35	28	291	255	593
Loans and advances to banks	-	-	-	-	-	-	-
Total[a]	47	228	35	28	291	255	593
Net exposure							
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
Loans and advances to customers	9,780	1,817	119	35	1,971	392	12,143
Loans and advances to banks	899	7	-	-	7	-	906
Total[a]	10,679	1,824	119	35	1,978	392	13,049
Coverage ratio	%	%	%	%	%	%	%
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
Loans and advances to customers	0.5	11.1	22.7	44.4	12.9	39.4	4.7
Loans and advances to banks	-	-	-	-	-	-	-
Total[a]	0.4	11.1	22.7	44.4	12.8	39.4	4.3

Italian home loans and advances at amortised cost reduced to €5.6bn (2019: €6.2bn) 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 58.6% (2019: 58.3 %). At 31 December 2020, the book value of the portfolio where payment holidays remain in place was €202m, representing 3.6% of the portfolio.

Germany consumer lending: A total of 9,000 payment holidays were provided to customers in the year. At 31 December 2020, the book value of the portfolio where payment holidays remain in place was €0.3m, representing 0.01% of the portfolio.

Loans and advances at amortised cost by product (audited)

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

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 €19,244m (December 2019: €9,085m) and impairment allowance of €4m (December 2019: €4m). This comprises €nil (December 2019: €nil) impairment allowance on €19,240m (December 2019: €9,081m) Stage 1 assets and €4m (December 2019: €4m) on €4m (December 2019: €4m) Stage 3 other assets.

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

The following table presents a reconciliation of the opening to the closing balance of the exposure and impairment allowance. Explanation of the terms '12-month ECL', 'lifetime ECL' and 'credit-impaired' are included in note 7.

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
Home loans								
As at 1 January 2020	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	-	-	-	-	-	-	-	-
Net drawdowns and repayments	(321)	1	(34)	(5)	(15)	(6)	(370)	(10)
Net remeasurement of ECL arising from transfer of stage	-	(8)	-	24	-	3	-	19
Changes to risk parameters[a]	-	-	-	10	-	13	-	23
Final repayments	(254)	-	(17)	(1)	(5)	(1)	(276)	(2)
Disposals[b]	-	-	-	-	-	-	-	-
Write-offs[c]	-	-	-	-	(2)	(2)	(2)	(2)
As at 31 December 2020[d]	4,673	5	768	55	217	38	5,658	98
Credit cards, unsecured loans and other retail lending								
As at 1 January 2020	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
Net drawdowns and repayments	(862)	1	(83)	(1)	(42)	6	(987)	6
Net remeasurement of ECL arising from transfer of stage	-	(27)	-	24	-	3	-	-
Changes to risk parameters[a]	-	(4)	-	67	-	52	-	115
Final repayments	(73)	(11)	(5)	-	(4)	(1)	(82)	(12)
Disposals[b]	-	-	-	-	(49)	(29)	(49)	(29)
Write-offs[c]	-	-	-	-	(48)	(48)	(48)	(48)
As at 31 December 2020[d]	2,753	28	983	199	303	163	4,039	390
Wholesale loans[e]								
As at 1 January 2020	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	-
Net drawdowns and repayments	48	(1)	39	34	39	69	126	102
Net remeasurement of ECL arising from transfer of stage	-	-	-	-	-	-	-	-
Changes to risk parameters[a]	-	-	-	-	-	-	-	-
Final repayments	(636)	-	(39)	(1)	(1)	(1)	(676)	(2)
Disposals[b]	-	-	-	-	-	-	-	-
Write-offs[c]	-	-	-	-	(34)	(34)	(34)	(34)
As at 31 December 2020[d]	3,300	14	518	37	127	54	3,945	105

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
Total								
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 2020 for which the loss allowance has changed to a 12 month ECL during the year amounts to €nil (2019: €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 €19,243m (December 2019: €9,085m) and impairment allowance of €4m (December 2019: €4m). This comprises €nil (December 2019: €nil) impairment allowance on €19,239m (December 2019: €9,081m) Stage 1 assets and €4m (December 2019: €4m) on €4m (December 2019: €4m) Stage 3 other assets.

e Includes Loans and advances to Banks of €899m in stage 1 (December 2019: €658m) and €7m in stage 2 (December 2019: €nil).

Reconciliation of ECL movement to impairment charge/(release) for the period (audited)	€m
Home loans	*30*
Credit cards, unsecured loans and other retail lending	*138*
Wholesale loans	*100*
ECL movement excluding assets derecognised due to disposals and write-offs	*268*
Recoveries and reimbursements[a]	(20)
Exchange and other adjustments[b]	(8)
Impairment charge on loan commitments and financial guarantees	40
Impairment release on other financial assets[c]	-
Income statement charge for the period	280

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 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 €19,243m (December 2019: €9,085m) and impairment allowance of €4m (December 2019: €4m). This comprises €nil (December 2019: €nil) impairment allowance on €19,239m (December 2019: €9,081m) Stage 1 assets and €4m (December 2019: €4m) on €4m (December 2019: €4m) Stage 3 other assets.

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
Credit cards, unsecured loans and other retail lending								
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	52	-	37	-	(58)	-	31	-
Net remeasurement of ECL arising from transfer of stage	-	-	-	-	-	-	-	-
Changes to risk parameters	-	-	-	-	-	-	-	-
Limit management and final repayments	(287)	-	(1)	-	-	-	(288)	-
As at 31 December 2020	4,685	-	261	-	4	-	4,950	-
Wholesale loans								
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	1,593	4	180	7	(6)	-	1,767	11
Net remeasurement of ECL arising from transfer of stage	-	-	-	2	-	-	-	2
Changes to risk parameters	-	1	-	-	-	-	-	1
Limit management and final repayments	(1,640)	-	(208)	(2)	-	-	(1,848)	(2)
As at 31 December 2020	18,423	14	2,614	38	126	-	21,163	52

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

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

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
Total								
Loans and advances to Banks	658	-	-	-	-	-	658	-
Loans and advances to Customers	11,107	37	1,839	189	505	201	13,451	427
	11,765	37	1,839	189	505	201	14,109	427

Notes

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

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

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

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

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

Reconciliation of ECL movement to impairment charge/(release) for the period (audited)	€m
Home loans	*76*
Credit cards, unsecured loans and other retail lending	*115*
Wholesale loans	*26*
ECL movement excluding assets derecognised due to disposals and write-offs	*217*
Recoveries and reimbursements	(2)
ECL on acquisitions	(146)
Exchange and other adjustments[a]	(5)
Impairment charge on loan commitments and financial guarantees	2
Impairment release on other financial assets[b]	(1)
Income statement charge for the period	65

Notes

a Includes interest and fees in suspense.

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

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
Credit cards, unsecured loans and other retail lending								
As at 1 January 2019	4,302	-	263	-	52	-	4,617	-
Acquisitions	21	-	-	-	-	-	21	-
Net transfers between stages	18	-	(30)	-	12	-	-	-
Business activity in the year	427	-	4	-	-	-	431	-
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	165	-	(53)	-	(2)	-	110	-
Limit management and final repayments	(274)	-	(13)	-	(12)	-	(299)	-
As at 31 December 2019	4,659	-	171	-	50	-	4,880	-
Wholesale loans								
As at 1 January 2019	1,345	-	63	-	-	-	1,408	-
Acquisitions	11,599	3	505	4	15	-	12,119	7
Net transfers between stages	57	-	(57)	-	-	-	-	-
Business activity in the year	3,672	-	119	-	-	-	3,791	-
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(1,791)	1	291	2	9	-	(1,491)	3
Limit management and final repayments	(693)	-	(84)	-	-	-	(777)	-
As at 31 December 2019	14,189	4	837	6	24	-	15,050	10

There were no loan commitments or financial guarantees for home loans during 2019.

Stage 2 decomposition

Loans and advances at amortised cost[a] (audited)	2020		2019	
	Gross exposure	Impairment allowance	Gross exposure	Impairment allowance
As at 31 December	€m	€m	€m	€m
Quantitative test	**1,914**	**251**	1,603	161
Qualitative test	**279**	**27**	144	13
30 days past due backstop	**76**	**13**	92	15
Total Stage 2	**2,269**	**291**	1,839	189

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 (€13m of impairment allowances and €76m of gross exposure) are included in stage 2. These accounts are not otherwise identified by the quantitative or qualitative tests but are more than 30 days past due. These balances mainly relate to Italy home loans.

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

Stage 3 decomposition

Loans and advances at amortised cost (audited)

As at 31 December	2020 Gross Exposure €m	2020 Impairment allowance €m	2019 Gross Exposure €m	2019 Impairment allowance €m
Exposures not charged-off including within cure period[a]	299	88	288	76
Exposures individually assessed or in recovery book[b]	348	167	217	125
Total Stage 3	647	255	505	201

Note
a Includes €225m (2019: €189m) of gross exposure in a cure period that must remain in Stage 3 for a minimum of 12 months before moving to Stage 2.
b Exposures individually assessed or in recovery book cannot cure out of Stage 3.

Management adjustments to models for impairment (audited)

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

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

Management adjustments to models for impairment (audited)[a]

As at 31 December	2020 Management adjustments to impairment allowances, including forbearance €m	2020 Proportion of total impairment allowances %	2019 Management adjustments to impairment allowances, including forbearance[b] €m	2019 Proportion of total impairment allowances %
Home loans	25	25.5	-	-
Credit cards, unsecured loans and other retail lending	61	15.6	4	1.2
Wholesale loans	16	10.2	-	-
Total	102	15.8	4	0.9

Notes

a Positive values relate to an increase in impairment allowance
b 2019 adjustments related to adjustments other than for economic uncertainty

Management adjustments to models for impairment charges (audited)[a]

As at 31 December 2020	Economic uncertainty adjustments €m	Other adjustments €m	Total management adjustments to impairment allowances, including forbearance €m	Impairment allowance pre management adjustments[b] €m	Total impairment allowance €m
Home loans	23	2	25	73	98
Credit cards, unsecured loans and other retail lending	85	(24)	61	329	390
Wholesale loans	16	-	16	141	157
Total	124	(22)	102	543	645

Notes

a Positive values relate to an increase in impairment allowance

b Includes €439m of modelled ECL and €104m of individually assessed impairments

Economic uncertainty adjustments:

The pandemic impacted the global economy throughout 2020 and macroeconomic forecasts indicate longer-term impacts will result in higher unemployment levels and customer and client stress. However, to date, little real credit deterioration has occurred, largely as a result of government and bank support. Observed 30 day arrears rates in consumer loans in particular have remained stable in Germany cards (2020: 1.9%; 2019: 2.0%). A similar phenomenon is observed in wholesale, where the average risk profile of the portfolio has broadly remained stable between Dec'20 and Dec'19 and has not deteriorated in line with the macro-economic crisis.

Given this backdrop, management has applied COVID-19 specific adjustments to modelled outputs to ensure the full potential impacts of stress are provided for. These adjustments address the temporary nature of ongoing government support, the uncertainty in relation to the timing of stress and the degree to which economic consensus has not yet captured the range of economic uncertainty.

The COVID-19 adjustments of €124m are broadly comprised as follows:

- Use of expert judgement to adjust the probability of default by €10m to pre-COVID levels to reflect the impact of temporary support measures on underlying customer behaviour.
- Adjusting macro-economic variables deemed temporarily influenced by support measures, enabling models to consume the expected stress, €103m.
- A €11m adjustment has been applied to selected sectors in Stage 1 to increase the ECL coverage on these names in line with the average Stage 2 coverage of the respective sector. This adjustment is materially in response to the increased stress in these sectors not captured through the ECL models.

Other adjustments: Primarily reflects a number of adjustments in our German credit card and unsecured loans portfolios incorporating:

- the impact of model upgrades of €34m. The Bank has made updates to its ECL models in the period to enhance the models' accuracy. As the models were approved in Q4 2020, but had not been fully implemented into the modelling environment, the impact of the enhancements has been recorded as a post-model adjustment;

offset by

- other model inaccuracies leading to an under prediction of ECL, informed by back testing, €10m.

Measurement uncertainty and sensitivity analysis

The measurement of 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 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.

Scenarios used to calculate the Bank's ECL charge were reviewed and updated regularly throughout 2020, following the outbreak of the COVID-19 pandemic in the first quarter. The current Baseline scenario reflects the latest consensus economic forecasts with unemployment continuing to decrease in the US and peaking in H121 in Germany, Italy and the UK, followed by a steady decline. Economic growth in the Germany, Italy, UK and US begins to recover in 2021 in the downside scenarios. In the upside scenarios, there is growth in Germany, Italy, UK and US GDP throughout 2021, and, subsequently, the projections stay above the year on year growth rates seen in the Baseline for a prolonged period of time before finally reverting to the long term run rate. This reflects the assumption of approved vaccines being successfully rolled out throughout 2021 and pent up savings being deployed into a more certain consumer environment to drive significant growth. Scenario weights have been updated to reflect the latest economics.

As a result of government and bank support measures, significant credit deterioration has not yet occurred. This delay increases uncertainty on the timing of the stress and the realisation of defaults. Management has applied COVID-19 specific adjustments to modelled outputs to reflect the temporary nature of ongoing government support, the uncertainty in relation to the timing of stress and the degree to which economic consensus has yet captured the range of economic uncertainty. As a result, ECL is higher than would be the case if it were based on the forecast economic scenarios alone.

Scenario weights (audited)

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. This is reflected in the table below where the probability weights of the scenarios are shown. 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 and base rates, credit cards and unsecured consumer loans are highly sensitive to unemployment.

The range of forecast paths generated in the calculation of the weights at 31 December 2020 is much wider than in previous periods due to the uncertainty caused by COVID-19, thus the Upside and Downside scenarios are further away from the tails of the distribution than previously, resulting in a more even spread of weights than at 31 December 2019.

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, as well as the longer term effectiveness of central bank, government and other support measures.

The tables below show the key consensus macroeconomic variables used in the five scenarios (3 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). Expected worst point is the most negative quarter in the relevant 3 year period, which is calculated relative to the start point for GDP and HPI.

The macroeconomic variables in the table below represent the Bank's forecast economic scenarios at year end, with a number of adjustments applied so that the variables used by the ECL models for certain portfolios reflect the Bank's expectations regarding the timing of stress in the portfolios.

Baseline average macroeconomic variables used in the calculation of ECL

As at 31.12.20	2021 %	2022 %	2023 %	Expected Worst Point %
Italy GDP[a]	**(2.2)**	**4.6**	**2.6**	**(0.1)**
Italy unemployment[b]	**11.5**	**10.4**	**10.4**	**11.9**
Italy HPI[c]	**(0.2)**	**0.1**	**0.7**	**(0.2)**
Germany GDP[a]	**(1.6)**	**3.7**	**2.5**	**(0.2)**
Germany unemployment[d]	**4.2**	**3.9**	**3.9**	**4.5**
Germany HPI[e]	**3.2**	**3.6**	**3.6**	**0.5**
ECB Refi	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**
UK GDP[a]	**6.3**	**3.3**	**2.6**	**1.2**
UK unemployment[f]	**6.7**	**6.4**	**5.8**	**7.4**
UK HPI[g]	**2.4**	**2.3**	**5.0**	**0.6**
UK bank rate	**0**	**(0.1)**	**-**	**(0.1)**
US GDP[a]	**3.9**	**3.1**	**2.9**	**1.0**
US unemployment[h]	**6.9**	**5.7**	**5.6**	**7.5**
US HPI[i]	**2.8**	**4.7**	**4.7**	**0.7**
US federal funds rate	**0.3**	**0.3**	**0.3**	**0.3**

As at 31.12.19	2020 %	2021 %	2022 %	Expected Worst Point %
Italy GDP[a]	0.6	0.7	0.7	0.2
Italy unemployment[b]	10.5	10.6	10.6	10.6
Italy HPI[c]	(0.4)	(0.4)	(0.4)	(1.4)
Germany GDP[a]	1.1	1.3	1.4	0.4
Germany unemployment[d]	3.0	2.9	2.9	3.1
Germany HPI[e]	3.5	3.5	3.5	0.9
ECB Refi	-	(0.1)	(0.1)	(0.1)
UK GDP[a]	1.3	1.5	1.6	0.3
UK unemployment[f]	4.1	4.2	4.2	4.2
UK HPI[g]	1.9	3.1	3.6	0.3
UK bank rate	0.6	0.5	0.8	0.5
US GDP[a]	2.1	1.9	1.9	0.5
US unemployment[h]	3.6	3.9	4.0	4.0
US HPI[i]	3.4	2.9	2.8	1.0
US federal funds rate	1.7	1.5	1.7	1.5

Downside 2 average macroeconomic variables used in the calculation of ECL

As at 31.12.20	2021 %	2022 %	2023 %	Expected Worst Point %
Italy GDP[a]	(9.6)	4.5	1.9	(7.0)
Italy unemployment[b]	13.7	12.9	12.4	14.1
Italy HPI[c]	(17.5)	(10.9)	(5.6)	(30.6)
Germany GDP[a]	(6.9)	3.8	2.1	(5.0)
Germany unemployment[d]	6.5	6.1	5.4	7.0
Germany HPI[e]	(14.3)	1.6	3.2	(15.1)
ECB Refi	(0.1)	(0.1)	(0.1)	(0.1)
UK GDP[a]	(3.9)	6.5	2.6	(11.0)
UK unemployment[f]	8.0	9.3	7.8	10.1
UK HPI[g]	(13.6)	(10.8)	0.5	(23.0)
UK bank rate	(0.2)	(0.2)	(0.1)	(0.2)
US GDP[a]	(2.4)	3.6	2.1	(6.0)
US unemployment[h]	13.4	11.9	10.1	13.7
US HPI[i]	(17.2)	(0.7)	0.6	(17.8)
US federal funds rate	0.3	0.3	0.3	0.3

As at 31.12.19	2020 %	2021 %	2022 %	Expected Worst Point %
Italy GDP[a]	(2.9)	(5.1)	(2.3)	(10.3)
Italy unemployment[b]	13.3	16.6	16.0	16.8
Italy HPI[c]	(2.9)	(10.2)	(2.0)	(14.5)
Germany GDP[a]	(2.8)	(3.7)	(0.8)	(7.6)
Germany unemployment[d]	4.6	6.3	6.8	7.0
Germany HPI[e]	(7.8)	(8.8)	(3.2)	(18.8)
ECB Refi	0.9	2.0	2.0	-
UK GDP[a]	(2.3)	(2.7)	(0.3)	(5.7)
UK unemployment[f]	5.7	8.2	8.7	8.8
UK HPI[g]	(7.8)	(22.2)	(5.8)	(32.4)
UK bank rate	2.7	4.0	4.0	1.5
US GDP[a]	(1.2)	(2.6)	(0.6)	(5.3)
US unemployment[h]	4.9	7.7	8.5	8.5
US HPI[i]	(4.4)	(13.6)	(2.9)	(19.8)
US federal funds rate	3.1	3.5	3.5	2.5

Downside 1 average macroeconomic variables used in the calculation of ECL

As at 31.12.20	2021 %	2022 %	2023 %	Expected Worst Point %
Italy GDP[a]	(6.7)	5.4	2.9	(4.0)
Italy unemployment[b]	12.4	11.4	11.0	12.7
Italy HPI[c]	(9.2)	(5.5)	(2.5)	(16.3)
Germany GDP[a]	(5.1)	4.1	2.6	(3.0)
Germany unemployment[d]	5.3	5.0	4.6	5.7
Germany HPI[e]	(5.8)	2.6	3.4	(5.9)
ECB Refi	(0.1)	(0.1)	(0.1)	(0.1)
UK GDP[a]	0.1	6.6	3.2	(7.0)
UK unemployment[f]	7.3	8.0	6.9	8.4
UK HPI[g]	(6.7)	(3.5)	1.7	(10.0)
UK bank rate	(0.1)	(0.1)	-	(0.1)
US GDP[a]	0.4	3.6	2.3	(3.0)
US unemployment[h]	11.0	8.9	6.9	11.5
US HPI[i]	(5.9)	1.8	2.6	(5.9)
US federal funds rate	0.3	0.3	0.3	0.3

As at 31.12.19	2020 %	2021 %	2022 %	Expected Worst Point %
Italy GDP[a]	(0.3)	(0.7)	(0.1)	(1.5)
Italy unemployment[b]	11.1	12.1	11.9	12.1
Italy HPI[c]	(1.0)	(2.5)	(0.7)	(4.2)
Germany GDP[a]	0	(0.3)	0.1	(0.7)
Germany unemployment[d]	3.6	4.2	4.5	4.5
Germany HPI[e]	(0.2)	(0.3)	1.6	(0.6)
ECB Refi	0.4	1.0	1.0	-
UK GDP[a]	0.6	0.3	0.6	0.1
UK unemployment[f]	4.7	5.7	5.7	5.8
UK HPI[g]	(2.6)	(4.1)	(1.7)	(8.2)
UK bank rate	1.7	2.8	2.8	0.8
US GDP[a]	1.2	0.4	0.8	0.2
US unemployment[h]	4.0	5.1	5.3	5.4
US HPI[i]	1.2	0.5	0.8	0.5
US federal funds rate	2.6	3.0	3.0	2.0

Upside 2 average macroeconomic variables used in the calculation of ECL

As at 31.12.20	2021 %	2022 %	2023 %	Expected Worst Point %
Italy GDP[a]	2.0	5.3	3.6	4.9
Italy unemployment[b]	9.4	9.0	8.8	9.5
Italy HPI[c]	3.5	2.0	2.0	1.1
Germany GDP[a]	3.0	4.7	3.3	4.4
Germany unemployment[d]	3.6	3.4	3.4	3.9
Germany HPI[e]	7.2	5.5	4.8	1.9
ECB Refi	-	0.1	0.3	-
UK GDP[a]	12.2	5.3	3.9	5.0
UK unemployment[f]	6.2	5.5	4.8	7.4
UK HPI[g]	6.6	10.4	10.8	1.1
UK bank rate	0.1	0.3	0.3	0.1
US GDP[a]	7.1	4.6	4.0	3.4
US unemployment[h]	5.5	4.3	4.1	6.1
US HPI[i]	8.8	9.1	8.9	1.7
US federal funds rate	0.3	0.4	0.6	0.3

As at 31.12.19	2020 %	2021 %	2022 %	Expected Worst Point %
Italy GDP[a]	1.9	3.6	2.5	0.4
Italy unemployment[b]	9.6	8.6	8.5	10.0
Italy HPI[c]	0.4	2.7	0	(0.5)
Germany GDP[a]	2.7	4.0	3.7	1.2
Germany unemployment[d]	2.9	2.9	2.9	2.9
Germany HPI[e]	5.8	5.7	4.5	1.3
ECB Refi	-	(0.1)	(0.1)	(0.1)
UK GDP[a]	3.0	4.0	3.4	0.9
UK unemployment[f]	3.7	3.4	3.5	3.9
UK HPI[g]	6.8	10.8	9.9	1.0
UK bank rate	0.6	0.5	0.5	0.5
US GDP[a]	3.4	4.2	3.6	1.0
US unemployment[h]	3.3	3.0	3.0	3.5
US HPI[i]	7.4	7.6	7.2	1.6
US federal funds rate	1.7	1.5	1.5	1.5

Upside 1 average macroeconomic variables used in the calculation of ECL

As at 31.12.20	2021 %	2022 %	2023 %	Expected Worst Point %
Italy GDP[a]	0.4	5.0	3.2	3.5
Italy unemployment[b]	10.3	9.4	9.3	11.0
Italy HPI[c]	1.6	1.1	1.4	0.5
Germany GDP[a]	0.9	4.2	3.1	3.0
Germany unemployment[d]	4.0	3.6	3.6	4.3
Germany HPI[e]	5.2	4.5	4.2	1.2
ECB Refi	-	-	0.1	-
UK GDP[a]	9.3	3.9	3.4	3.5
UK unemployment[f]	6.4	6.0	5.2	7.4
UK HPI[g]	4.6	6.1	6.1	0.8
UK bank rate	0.1	0.1	0.3	0.1
US GDP[a]	5.5	4.0	3.7	2.1
US unemployment[h]	6.0	4.8	4.6	6.7
US HPI[i]	6.8	6.7	6.3	1.4
US federal funds rate	0.3	0.3	0.5	0.3

As at 31.12.19	2020 %	2021 %	2022 %	Expected Worst Point %
Italy GDP[a]	1.4	2.3	2.0	0.4
Italy unemployment[b]	10.1	9.6	9.5	10.3
Italy HPI[c]	0	1.1	(0.2)	(0.6)
Germany GDP[a]	1.9	2.7	2.5	1.0
Germany unemployment[d]	2.9	2.9	2.9	3.0
Germany HPI[e]	4.7	4.6	4.0	1.1
ECB Refi	-	(0.1)	(0.1)	(0.1)
UK GDP[a]	2.2	2.8	2.5	0.6
UK unemployment[f]	3.9	3.8	3.9	4.0
UK HPI[g]	5.0	7.0	6.8	0.7
UK bank rate	0.6	0.5	0.5	0.5
US GDP[a]	2.8	3.3	2.9	0.8
US unemployment[h]	3.5	3.6	3.7	3.7
US HPI[i]	5.1	4.7	4.4	1.4
US federal funds rate	1.7	1.5	1.5	1.5

Notes:

a. Average Real GDP seasonally adjusted change in year; expected worst point is the minimum growth relative to Q420 (2019: Q419) based on a 12-quarter period.
b. Average Italy unemployment rate; expected worst point is the highest rate in the 12-quarter period starting Q121 (2019: Q120).
c. Change in year end Italy HPI, relative to prior year end; worst point is based on minimum growth relative to Q420 (2019: Q419) based on a 12-quarter period.
d. Average Germany unemployment rate; expected worst point is the highest rate in the 12-quarter period starting Q121 (2019: Q120).
e. Change in year end Germany HPI, relative to prior year end; worst point is based on minimum growth relative to Q420 (2019: Q419) based on a 12-quarter period.
f. Average UK unemployment rate 16-year+; expected worst point is the highest rate in the 12-quarter period starting Q121 (2019: Q120).
g. Change in year end UK HPI = Halifax All Houses, All Buyers index, relative to prior year end; worst point is based on minimum growth relative to Q420 (2019: Q419) based on a 12-quarter period.
h. Average US civilian unemployment rate 16-year+; expected worst point is the highest rate in the 12-quarter period starting Q121 (2019: Q120).
i. Change in year end US HPI = FHFA house price index, relative to prior year end; worst point is based on minimum growth relative to Q420 (2019: Q419) based on a 12-quarter period.

Scenario probability weighting (audited)

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
As at 31 December 2020					
Scenario probability weighting	**20.2**	**24.2**	**24.7**	**15.5**	**15.4**
As at 31 December 2019					
Scenario probability weighting	10.1	23.1	40.8	22.7	3.3

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)[a] (audited)

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
As at 31 December 2020	%	%	%	%	%
Italy GDP[b]	**(1.5)**	**(4.2)**	**(1.9)**	**(23.6)**	**(26.0)**
Italy unemployment[c]	**8.0**	**8.0**	**10.5**	**12.7**	**14.1**
Italy HPI[d]	**7.1**	**3.2**	**(0.1)**	**(19.0)**	**(34.3)**
Germany GDP[b]	**4.4**	**1.4**	**(0.7)**	**(16.3)**	**(18.0)**
Germany unemployment[c]	**3.4**	**3.6**	**4.0**	**5.7**	**7.0**
Germany HPI[d]	**26.2**	**21.2**	**3.1**	**(3.9)**	**(13.3)**
ECB Refi[c]	**-**	**-**	**(0.1)**	**-**	**-**
UK GDP[b]	**14.2**	**8.8**	**0.7**	**(22.1)**	**(22.1)**
UK unemployment[c]	**4.0**	**4.0**	**5.7**	**8.4**	**10.1**
UK HPI[d]	**48.2**	**30.8**	**3.6**	**(4.5)**	**(18.3)**
UK bank rate[c]	**0.1**	**0.1**	**0**	**0.6**	**0.6**
US GDP[b]	**15.7**	**12.8**	**1.6**	**(10.6)**	**(10.6)**
US unemployment[c]	**3.8**	**3.8**	**6.4**	**13.0**	**13.7**
US HPI[d]	**42.2**	**30.9**	**3.8**	**(3.7)**	**(15.9)**
US federal funds rate[c]	**0.1**	**0.1**	**0.3**	**1.3**	**1.3**
As at 31 December 2019					
Italy GDP[b]	10.6	7.7	0.5	(1.2)	(10.2)
Italy unemployment[c]	8.5	9.5	10.5	12.1	16.8
Italy HPI[d]	2.6	0.6	(0.4)	(5.1)	(15.5)
Germany GDP[b]	15.3	10.7	1.1	(0.3)	(7.2)
Germany unemployment[c]	2.9	2.9	3.0	4.5	7.0
Germany HPI[d]	24.5	21.3	3.4	1.2	(16.5)
ECB Refi[c]	(0.1)	(0.1)	0	1.0	2.0
UK GDP[b]	15.4	11.7	1.5	0.2	(4.6)
UK unemployment[c]	3.4	3.8	4.1	5.8	8.8
UK HPI[d]	41.1	28.8	2.8	(6.3)	(31.1)
UK bank rate[c]	0.5	0.5	0.7	2.8	4.0
US GDP[b]	17.9	14.9	2.1	0.5	(3.0)
US unemployment[c]	3.0	3.5	3.9	5.4	8.5
US HPI[d]	35.8	23.7	3.2	0.3	(16.7)
US federal funds rate[c]	1.5	1.5	1.8	3.0	3.5

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.

Macroeconomic variables used in the calculation of ECL (5-year averages)[a] (audited)

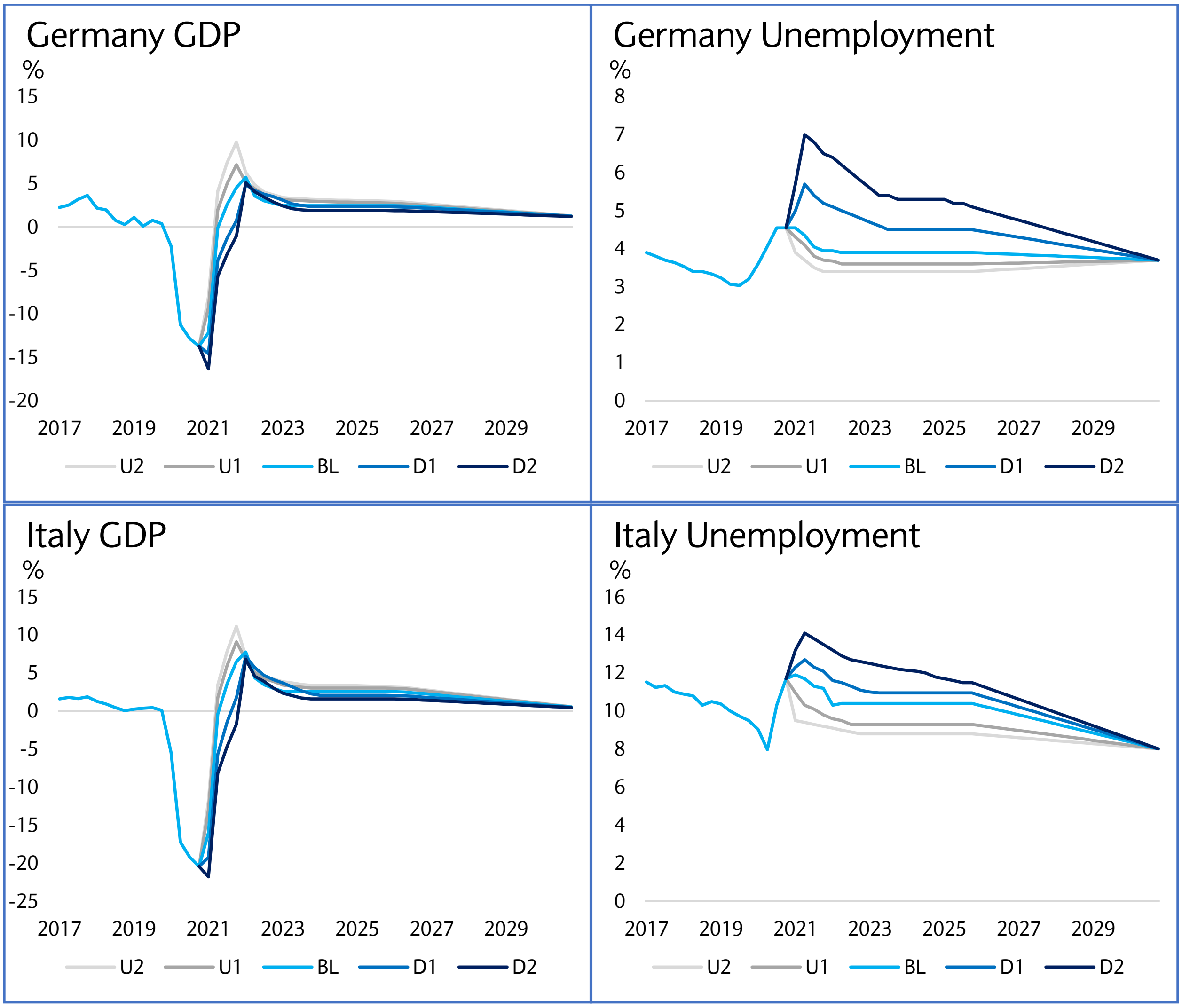
As at 31 December 2020	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
Italy GDP[e]	(0.6)	(1.1)	(1.9)	(2.7)	(3.8)
Italy unemployment[f]	9.1	9.6	10.5	11.1	12.1
Italy HPI[g]	1.4	0.6	(0.1)	(4.1)	(8.1)
Germany GDP[e]	0.7	0.1	(0.7)	(1.4)	(2.0)
Germany unemployment[f]	3.6	3.8	4.0	4.7	5.5
Germany HPI[g]	4.8	3.9	3.1	0.9	(1.2)
ECB Refi[f]	0.1	0	(0.1)	(0.1)	(0.1)
UK GDP[e]	2.5	1.6	0.7	0.1	(0.9)
UK unemployment[f]	5.0	5.3	5.7	6.5	7.2
UK HPI[g]	8.2	5.5	3.6	(0.2)	(3.6)
UK bank rate[f]	0.3	0.2	0	0	(0.1)
US GDP[e]	2.9	2.4	1.6	0.8	0.1
US unemployment[f]	5.3	5.7	6.4	8.3	10.4
US HPI[g]	7.3	5.5	3.8	0.8	(3.0)
US federal funds rate[f]	0.5	0.5	0.3	0.3	0.3

As at 31 December 2019					
Italy GDP[e]	1.9	1.4	0.5	(0.2)	(2.1)
Italy unemployment[f]	9.1	9.8	10.5	11.5	14.4
Italy HPI[g]	0.5	0	(0.4)	(1.0)	(3.3)
Germany GDP[e]	2.7	1.9	1.1	0.2	(1.3)
Germany unemployment[f]	2.9	2.9	3.0	4.0	5.3
Germany HPI[g]	4.5	3.9	3.4	1.5	(2.9)
ECB Refi[f]	0	0	0	0.7	1.4
UK GDP[e]	2.9	2.2	1.5	0.8	(0.6)
UK unemployment[f]	3.6	3.9	4.1	5.1	7.0
UK HPI[g]	7.1	5.2	2.8	(1.1)	(6.9)
UK bank rate[f]	0.6	0.6	0.7	2.1	3.1
US GDP[e]	3.4	2.9	2.1	1.3	(0.1)
US unemployment[f]	3.2	3.7	3.9	4.7	6.6
US HPI[g]	6.3	4.3	3.2	1.6	(3.4)
US federal funds rate[f]	1.7	1.7	1.8	2.8	3.2

Notes
a Italy GDP = Real GDP growth seasonally adjusted; Germany GDP = Real GDP growth seasonally adjusted UK GDP = Real GDP growth seasonally adjusted; UK unemployment = UK unemployment rate 16-year+; UK HPI = Halifax All Houses, All Buyers Index; US GDP = Real GDP growth seasonally adjusted; US unemployment = US civilian unemployment rate 16-year+; US HPI = FHFA house price index.
b Maximum growth relative to Q419 (2019: Q418), based on 20 quarter period in Upside scenarios; 5-year yearly average CAGR in Baseline; minimum growth relative to Q419 (2019: Q418), based on 20 quarter period in Downside scenarios.
c Lowest quarter in Upside scenarios; 5-year average in Baseline; highest quarter in Downside scenarios. Period based on 20 quarters from Q120 (2019: Q119).
d Maximum growth relative to Q419 (2019: Q418), based on 20 quarter period in Upside scenarios; 5-year quarter end CAGR in Baseline; minimum growth relative to Q419 (2019: Q418), based on 20 quarter period in Downside scenarios.
e 5-year yearly average CAGR, starting 2019 (2019:2018)
f 5-year average. Period based on 20 quarters from Q120 (2019: Q119)
g 5-year quarter end CAGR, starting Q419 (2019: Q418)

2019 data presented on a revised, simplified basis for ease of comparison.

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.



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

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

All ECL using a model is included, 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 2020 and not on macroeconomic scenarios.

The Downside 2 scenario represents a severe global recession with substantial falls in GDP, unemployment rises towards 14% in Italy and 7% in Germany, 10% in UK markets and 14% 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 €1.6bn 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.

ECL Sensitivity Analysis (audited)

As at 31 December 2020	Scenarios					
	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
Stage 1 Model Exposure (€m)						
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
Stage 1 Model ECL (€m)						
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
Stage 1 Coverage (%)						
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
Stage 2 Model Exposure (€m)						
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
Stage 2 Model ECL (€m)						
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
Stage 2 Coverage (%)						
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
Stage 3 Model Exposure (€m)						
Home loans	217	217	217	217	217	217
Credit cards, unsecured loans and other retail lending	153	153	153	153	153	153
Wholesale loans[a]	4	4	4	4	4	4
Stage 3 Model ECL (€m)						
Home loans	32	29	30	30	33	41
Credit cards, unsecured loans and other retail lending	102	101	101	102	103	105
Wholesale loans[a]	-	-	-	-	-	-
Stage 3 Coverage (%)						
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[a]	-	-	-	-	-	-
Total Model ECL (€m)						
Home loans	73	67	69	70	77	90
Credit cards, unsecured loans and other retail lending	279	198	235	262	396	407
Wholesale loans[a]	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[b]	104
ECL from management adjustments	102
Total ECL	**645**

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.

The total weighted ECL represents 8% uplift from the Baseline ECL, largely driven by credit cards and wholesale loans.
Home loans: Total weighted ECL of €73m represents a 4% increase over the Baseline ECL (€70m), reflecting falls in housing assets for Italy.

Credit cards, unsecured loans and other retail lending: Total weighted ECL of €279m represents a 6% increase over the Baseline ECL (€262m) reflecting the range of economic scenarios used, mainly impacted by Unemployment. Total ECL increases to €407m under Downside 2 scenario, mainly driven by Stage 2, where coverage rates increase to 19.2% from a weighted scenario approach of 14.4% and €354m 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 €87m represents a 14% increase over the Baseline ECL (€76m) 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 2019	Scenarios					
	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
Stage 1 Model Exposure (€m)						
Home loans	5,663	5,680	5,670	5,662	5,650	5,636
Credit cards, unsecured loans and other retail lending	4,843	5,005	4,999	4,897	4,548	5,077
Wholesale loans	7,754	7,811	7,804	7,793	7,486	6,794
Stage 1 Model ECL (€m)						
Home loans	5	5	5	5	6	6
Credit cards, unsecured loans and other retail lending	27	22	23	25	30	37
Wholesale loans	8	6	7	7	11	14
Stage 1 Coverage (%)						
Home loans	0.1	0.1	0.1	0.1	0.1	0.1
Credit cards, unsecured loans and other retail lending	0.6	0.4	0.5	0.5	0.7	0.7
Wholesale loans	0.1	0.1	0.1	0.1	0.1	0.2
Stage 2 Model Exposure (€m)						
Home loans	581	564	574	582	594	608
Credit cards, unsecured loans and other retail lending	1,012	634	642	844	1,705	1,811
Wholesale loans	757	700	707	718	1,025	1,717
Stage 2 Model ECL (€m)						
Home loans	41	37	38	40	46	54
Credit cards, unsecured loans and other retail lending	141	77	81	110	309	356
Wholesale loans	15	13	13	14	20	36
Stage 2 Coverage (%)						
Home loans	7.1	6.6	6.7	6.8	7.8	8.8
Credit cards, unsecured loans and other retail lending	13.9	12.2	12.6	13.1	18.1	19.6
Wholesale loans	2.0	1.8	1.9	2.0	1.9	2.1
Stage 3 Model Exposure (€m)						
Home loans	178	178	178	178	178	178
Credit cards, unsecured loans and other retail lending	164	164	164	164	164	164
Wholesale loans[a]	-	-	-	-	-	-
Stage 3 Model ECL (€m)						
Home loans	18	18	18	18	19	19
Credit cards, unsecured loans and other retail lending	111	109	110	110	113	116
Wholesale loans[a]	-	-	-	-	-	-
Stage 3 Coverage (%)						
Home loans	10.3	10.2	10.2	10.3	10.4	10.6
Credit cards, unsecured loans and other retail lending	67.4	66.6	66.8	66.9	68.7	70.7
Wholesale loans[a]	-	-	-	-	-	-
Total Model ECL (€m)						
Home loans	64	60	61	63	71	79
Credit cards, unsecured loans and other retail lending	279	208	214	245	452	509
Wholesale loans[a]	23	19	20	21	31	50
Total ECL (€m)	366	287	295	329	554	638

Reconciliation to total ECL	€m
Total model ECL	366
ECL from individually assessed impairments[b]	67
ECL from non-modelled and other management adjustments	4
Total ECL	437

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

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

Staging sensitivity (audited)

An increase of 1% (€136m) of total gross exposure into Stage 2 (from Stage 1), would result in an increase in ECL impairment allowance of €17m based on applying the difference in Stage 2 and Stage 1 average impairment coverage ratios to the movement in gross exposure (refer to Loans and advances at amortised cost by product on page 40).

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)

As at 31 December 2020	Europe €m	United Kingdom €m	Americas €m	Asia €m	Africa and Middle East €m	Total €m
On-balance sheet:						
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**
Total on-balance sheet	**94,886**	**38,783**	**457**	**177**	**69**	**134,372**
Off-balance sheet:						
Contingent liabilities	3,064	707	15	59	18	**3,863**
Loan commitments	21,859	713	248	3	-	**22,823**
Total off-balance sheet	**24,923**	**1,420**	**263**	**62**	**18**	**26,686**
Total	**119,809**	**40,203**	**720**	**239**	**87**	**161,058**

Exposure to the UK primarily represents transactions with the parent, BB PLC. See Note 37.

Credit risk concentrations by geography (audited)

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

Industry concentrations

As at 31 December 2020, the concentration of the Bank's assets by industry concentrated towards other banks is 33% (2019: 33%), government and central banks is 21% (2019: 17%) and other financial institutions 21% (2019: 13%).

Credit risk concentrations by industry (audited)

As at 31 December 2020	Banks €m	Other financial institutions €m	Manu-facturing €m	Construc-tion and property €m	Govern-ment and central banks €m	Energy and water €m	Wholesale and retail distribu-tion and leisure €m	Business and other services €m	Home loans €m	Cards, unsecured loans and other personal lending €m	Other €m	Total €m
On-balance sheet:												
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**
Total on-balance sheet	**52,952**	**32,656**	**934**	**522**	**33,125**	**2,349**	**456**	**615**	**5,917**	**3,809**	**1,037**	**134,372**
Off-balance sheet:												
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**
Total off-balance sheet	**975**	**1,710**	**5,936**	**1,472**	**-**	**5,409**	**1,519**	**1,119**	**-**	**4,979**	**3,567**	**26,686**
Total	**53,927**	**34,366**	**6,870**	**1,994**	**33,125**	**7,758**	**1,975**	**1,734**	**5,917**	**8,788**	**4,604**	**161,058**

Credit risk concentrations by industry (audited)

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

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 40 to 48.

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.

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 2020, the ratio of the Bank's on-balance sheet assets classified as strong (0.0 < 0.60%) was at 92% (2019: 85%) of total assets exposed to credit risk.

Balance sheet credit quality (audited)

As at 31 December 2020 PD range	0.0 to <0.60% €m	0.60 to <11.35% €m	11.35% to 100% €m	Total €m	0.0 to <0.60% %	0.60 to <11.35% %	11.35% to 100% %	Total %
Cash and balances at central banks	20,066	-	-	20,066	100	-	-	100
Cash collateral and settlement balances	17,523	1,533	5	19,061	92	8	-	100
Loans and advances at amortised cost								
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
Loans and advances to customers	5,153	6,247	743	12,143	42	52	6	100
Loans and advances to banks	853	53	-	906	94	6	-	100
Total loans and advances at amortised cost	6,006	6,300	743	13,049	46	48	6	100
Reverse repurchase agreements and other similar secured lending	3,174	-	-	3,174	100	-	-	100
Trading portfolio assets:								
Debt securities	7,017	116	-	7,133	98	2	-	100
Traded loans	119	-	-	119	100	-	-	100
Total trading portfolio assets	7,136	116	-	7,252	98	2	-	100
Financial assets at fair value through the income statement:								
Loans and advances	522	187	35	744	70	25	5	100
Debt securities	-	-	-	-	-	-	-	-
Reverse repurchase agreements	13,070	884	51	14,005	94	6	0	100
Other financial assets	-	-	-	-	-	-	-	-
Total financial assets at fair value through the income statement	13,592	1,071	86	14,749	92	7	1	100
Derivative financial instruments	55,604	1,238	-	56,842	98	2	-	100
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Other assets	170	5	4	179	95	3	2	100
Total on-balance sheet	123,271	10,263	838	134,372	92	7	1	100

Balance sheet credit quality (audited)

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

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 111), 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 2020			Gross carrying amount				Allowance for ECL					
	PD range		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	%	Credit quality description	€m	€m	€m	€m	€m	€m	€m	€m	€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	-		-	-	-	-	-	-	-	-
Total			**899**	**7**	**-**	**906**	**-**	**-**	**-**	**-**	**906**	**-**

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

As at 31 December 2020			Gross carrying amount				Allowance for ECL					
	PD range		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	%	Credit quality description	€m	€m	€m	€m	€m	€m	€m	€m	€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
Total			**9,827**	**2,262**	**647**	**12,736**	**47**	**291**	**255**	**593**	**12,143**	**4.7**

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

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

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

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

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

As at 31 December 2020			Gross carrying amount				Allowance for ECL					
	PD range	Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	%	description	€m	€m	€m	€m	€m	€m	€m	€m	€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**	**-**
Total			**3,399**	**417**	**47**	**3,863**	**6**	**13**	**-**	**19**	**3,844**	**0.5**

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

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

Credit risk profile by internal PD grade for loan commitments[a] (audited)

As at 31 December 2020			Gross carrying amount				Allowance for ECL					
	PD range	Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	%	description	€m	€m	€m	€m	€m	€m	€m	€m	€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 Credit	9	177	-	186	1	4	-	5	181	2.7
22	100%	Impaired	-	-	83	83	-	-	-	-	83	-
Total			19,709	2,458	83	22,250	8	25	-	33	22,217	0.2

Credit risk profile by internal PD grade for loan commitments[a] (audited)

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

Note

a Excludes loan commitments of €573m (2019: €749m) carried at fair value.

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')[a] (audited)

As at 31 December 2020	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	0	3	4	7	0.1%	8.3%	28.6%	3.0%
>100%	244	50	32	326	0	4	10	14	0.1%	8.0%	31.3%	4.3%
Total	4,673	768	217	5,658	5	55	38	98	0.1%	7.2%	17.5%	1.7%

Home loans principal portfolios - distribution of balances by Loan To Value ('LTV')[a] (audited)

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

Home loans principal portfolios - distribution of balances by LTV[a] (audited)

As at 31 December 2020	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

Home loans principal portfolios - distribution of balances by LTV[a] (audited)

As at 31 December 2019	Distribution of balances				Distribution of impairment allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	%	%	%	%	%	%	%	%
<=75%	67.9	6.6	2.1	76.6	5.5	40.0	20.2	65.7
>75% and <=90%	10.2	1.3	0.4	11.9	1.1	9.9	4.3	15.3
>90% and <=100%	3.9	0.4	0.1	4.4	0.4	3.5	1.6	5.5
>100%	6.1	0.7	0.3	7.1	0.6	5.2	7.7	13.5

Note
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 2020.

The balance weighted average LTV% on the portfolio as at 31 December 2020 58.6% (2019: 58.3%)

Market risk performance

All disclosures in this section (pages 71 to 72) are unaudited unless otherwise stated.

Traded market risk review

Review of management measures

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

The table below shows the total Management VaR on a diversified basis by risk factor. Total management VaR includes all the trading 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

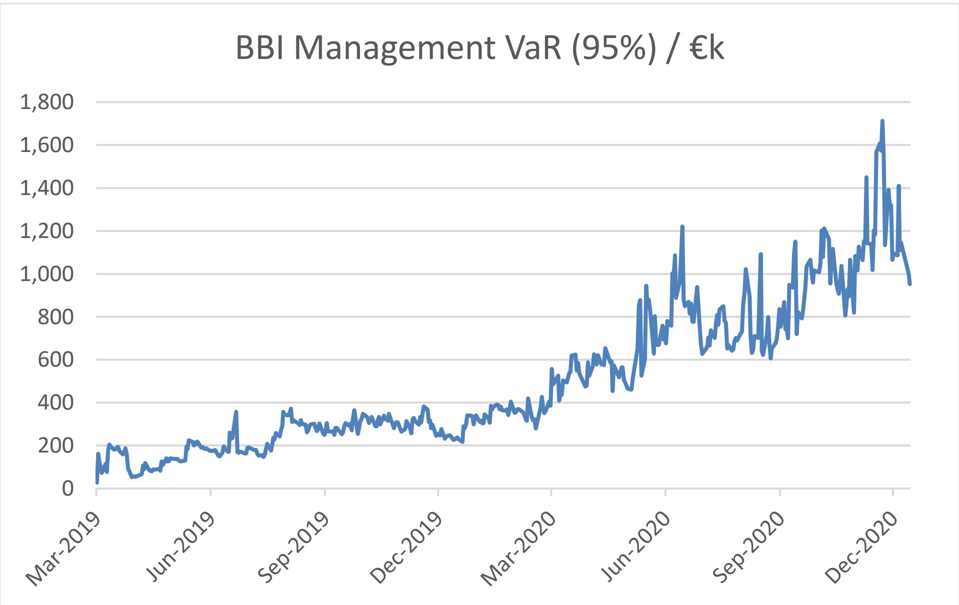
Management VaR (95%, one day) (audited)	2020			2019		
	Average[b]	High[b]	Low[b]	Average[a]	High[b]	Low[b]
For the year ended 31 December	€m	€m	€m	€m	€m	€m
Credit risk	0.49	1.02	0.17	0.11	0.22	-
Interest rate risk	0.29	1.36	0.04	0.10	0.19	0.03
Equity risk	0.14	0.32	0	0.01	0.11	-
Basis risk	0.20	0.37	0.08	0.12	0.24	0.01
Spread risk	0.32	1.55	0.01	0.01	0.08	-
Foreign exchange risk	0.07	0.50	0.01	0.04	0.23	-
Commodity risk	-	-	-	-	-	-
Inflation risk	0.01	0.03	0	-	0.03	-
Diversification effect	(0.79)	-	-	(0.18)	n/a	n/a
Total management VaR	0.72	1.71	0.22	0.23	0.38	0.03

Notes

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

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

Average Management VaR increased to €0.72m, initially from increased market volatility in late Q1 and Q2 during the initial phase of the Covid-19 pandemic. Subsequently, in the latter part of H1 and in H2, a number of trading desks migrated to BBI in preparation for Brexit and trading activity increased.



Market risk performance

Business scenario stresses

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

As at 31 December 2020, the scenario that showed the largest market risk related impacts was the severe deterioration in the Liquidity Crisis scenario, showing a loss of €23m.

Treasury and Capital risk performance

All disclosures in this section (pages 73 to 79) 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 2020	Standard & Poor's	Fitch
Long-term	A /Negative	A+ / Negative
Short-term	A-1	F1

In April 2020, Fitch revised the outlook of the Bank to Rating Watch Negative ('RWN') from stable, to reflect the downside risks to the Bank's credit profile resulting from the economic and financial market implications of the COVID-19 outbreak. In October 2020, Fitch removed the RWN on the ratings of the Bank and revised the outlook to Negative, whilst affirming the rating of Barclays Bank UK PLC. These actions were taken concurrently with B PLC and BB PLC.

In April 2020, S&P affirmed all ratings for B PLC, BB PLC and the Bank, whilst revising the outlooks for Barclays and its subsidiaries to negative from stable, alongside many European peers, to reflect economic and market stress triggered by the COVID-19 pandemic. In February 2021, S&P revised the outlook to stable on Barclays's relative resilience to pandemic-related stress. These actions were taken concurrently with B PLC and its other rated entities.

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 2020. 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 Capital Requirements Regulation ('CRR') (as amended by CRR II) Liquidity Coverage ratio ('LCR') requirement takes into account the relative stability of different sources of funding and potential incremental funding requirements in a stress. The LCR is designed to promote short-term resilience of a bank's liquidity risk profile by holding sufficient HQLA to survive an acute stress scenario lasting for 30 days.

As at 31 December 2020, 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 2020	31 December 2019
	€m	€m
Liquidity pool[a]	21,007	14,873
	%	%
Liquidity coverage ratio	218	187

Note

a Comprises of €19.7bn (2019: €12.5bn) of balances with central banks and €1.3bn (2019: €2.4bn) 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.

Treasury and Capital risk performance

Contractual maturity of financial assets and liabilities

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

Contractual maturity of financial assets and liabilities (audited)

As at 31 December 2020	On demand €m	Not more than three months €m	Over three months but not more than six months €m	Over six months but not more than nine months €m	Over nine months but not more than one year €m	Over one year but not more than two years €m	Over two years but not more than three years €m	Over three years but not more than five years €m	Over five years but not more than ten years €m	Over ten years €m	Total €m
Assets											
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
Total financial assets	84,756	35,262	2,173	362	859	1,731	1,261	2,676	2,498	2,921	134,499
Other assets											438
Total assets											134,937
Liabilities											
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
Total financial liabilities	75,421	42,194	1,727	500	903	626	2,646	1,043	3,652	1,379	130,091
Other liabilities											288
Total liabilities											130,379
Cumulative liquidity gap	9,335	2,403	2,849	2,711	2,667	3,772	2,387	4,020	2,866	4,408	4,558

Contractual maturity of financial assets and liabilities (audited)

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

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.

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 €'000	Not more than three months €'000	Over three months but not more than six months €'000	Over six months but not more than one year €'000	Over one year but not more than three years €'000	Over three years but not more than five years €'000	Over five years but not more than ten years €'000	Over ten years €'000	Total €'000
As at 31 December 2020									
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
Total financial liabilities	**75,421**	**42,182**	**1,728**	**1,392**	**3,282**	**1,031**	**3,692**	**1,889**	**130,617**
As at 31 December 2019									
Deposits at amortised cost	7,223	9,779	697	478	122	13	2,008	387	20,707
Cash collateral and settlement balances	–	9,374	–	–	–	–	–	–	9,374
Repurchase agreements and other similar secured borrowing	–	532	723	–	–	–	–	–	1,255
Debt securities in issue	–	113	95	639	–	–	–	–	847
Subordinated liabilities	–	–	–	–	208	133	610	47	998
Trading portfolio liabilities	283	–	–	–	–	–	–	–	283
Financial liabilities designated at fair value	–	1,925	48	68	377	161	543	1,775	4,897
Derivative financial instruments	27,140	–	–	–	–	–	4	9	27,153
Other financial liabilities	65	70	4	7	30	16	25	21	238
Total financial liabilities	34,711	21,793	1,567	1,192	737	323	3,190	2,239	65,752

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
As at 31 December 2020									
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**
Total off-balance sheet	**26,685**	–	–	**1**	–	–	–	–	**26,686**
As at 31 December 2019									
Guarantees and letters of credit	1,861	37	15	75	121	24	2	44	2,179
Other contingent liabilities	1,461	–	–	–	–	–	–	2	1,463
Documentary credits	87	–	–	–	–	–	–	–	87
Commitments	16,749	100	–	–	–	–	101	–	16,950
Total off-balance sheet	20,158	137	15	75	121	24	103	46	20,679

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 take effect and are phased in from 28 June 2021 with a number of exceptions which were implemented with immediate effect.

On 22 April 2020, the regulatory technical standards on prudent valuation were amended to include an increase to diversification factors applied to certain additional valuation adjustments. The amendments temporarily reduced the additional value adjustment deduction ('PVA') and were applied until 31 December 2020 inclusive.

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 relate 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 2020, the Bank complied with its externally imposed minimal capital requirements (audited).

Treasury and Capital risk performance

Capital ratios[a,b]	
As at 31 December	2020
CET1	16.7%
Tier 1 ('T1')	19.1%
Total regulatory capital	22.1%

Capital resources	
As at 31 December	2020 €m
CET1 capital	3,955
T1 capital	4,520
Total regulatory capital	5,236
Total risk weighted assets ('RWAs')[a]	23,717

Capital Requirements Regulation ('CRR') leverage ratio[a]	
As at 31 December	2020 €m
CRR leverage ratio	6.3%
T1 capital[c]	4,373
CRR leverage exposure	69,562

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 16.1%, with €3.8bn of CET1 capital and €23.6bn of RWAs calculated without applying the transitional arrangements of CRR as amended by CRR II applicable as at the reporting date.
c 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 71).

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

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; 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 2020. BBI's operational risk profile is informed by bottom-up risk assessments undertaken by each business unit and top-down qualitative review by the Operational Risk specialists 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 2020, total operational risk losses[a] increased to €3.26m[b] (2019: €1.23m) and the number of recorded events for 2020 (24) increased slightly from the level for 2019 (20). The total operational risk losses for the year were mainly driven by events falling within the Execution, Delivery & Process Management category, which tend to be high volume but low impact events.

Key metrics

58%

of the Bank's net reportable operational risk events had a loss of €55,655 (£50,000[b]) or less

63%

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

91%

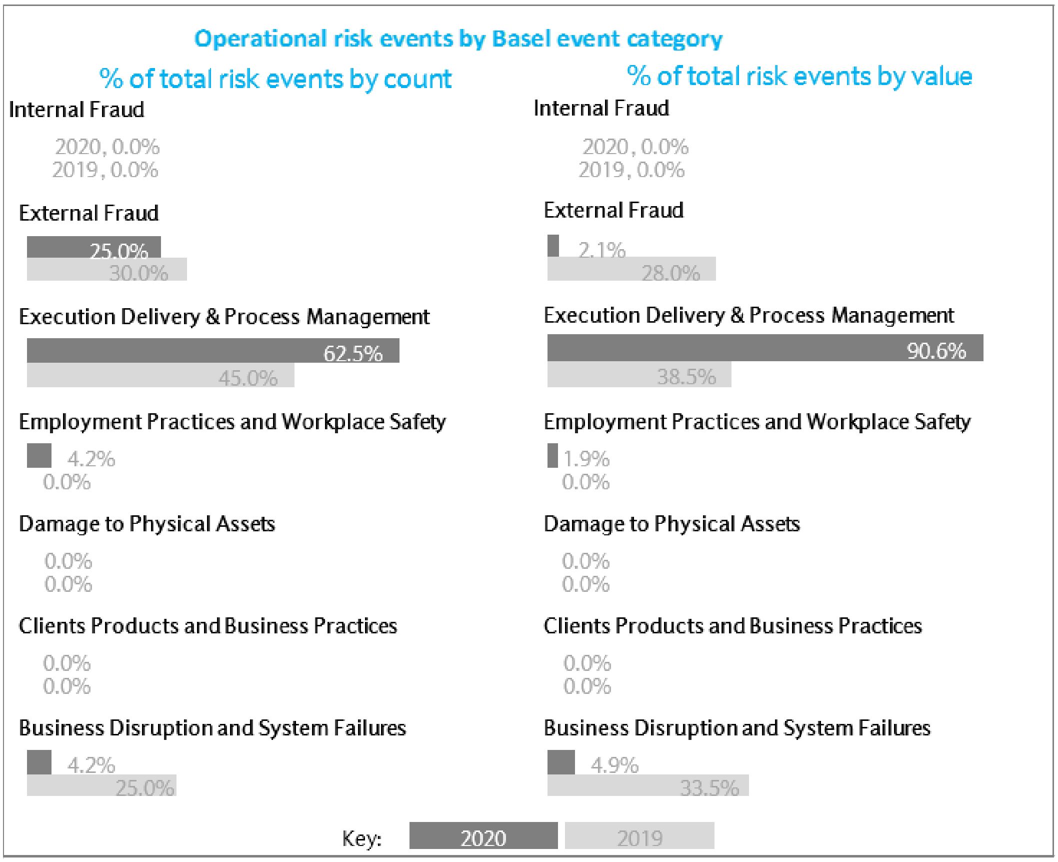
of losses are from events aligned to Execution, Delivery & Process Management

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 2020, 58% (2019: 70%) of the Bank's reportable operational risk events by volume had a value of less than €55,655 (£50,000[b]), although this type of event accounted for only 7% (2019: 38%) of the Bank's total net operational risk losses.

Operational Risk performance

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



Notes

a The data disclosed includes operational risk losses for reportable events having impact of > €11,131 (£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 1.1131.

- Execution, Delivery and Process Management impacts for 2020 amounted to €2.95m (2019: €0.47m) and accounted for 91% (2019: 39%) of overall operational risk losses. Volume of events increased slightly to account for 63% of total events (2019: 45%). 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 accounted for 25% of risk event volume in 2020 (2019: 30%) but only 2% of overall losses (2019: 28%). In this category, high volume, low value events are driven by transactional fraud often related to debit and credit card usage.
- Business Disruption and System Failures impacts in 2020 reduced to €0.16m (2019: €0.41m) and accounted for a reduced share of 5% (2019: 34%) of total operational risk losses.

BBI's operational risk profile is informed by bottom-up risk assessments undertaken by each area within the firm and top-down qualitative review by the Operational Risk specialists for each risk type. Fraud, Transaction Operations and Technology continue to be highlighted as key operational risk exposures. The operational risk profile is also informed by a number of risk themes: Cyber, Data, Execution and Resilience. These represent threats to BBI but have scope that extend across multiple risk types, and therefore require an integrated risk management approach.

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 and to minimise any disruption to genuine transactions. Fraud remains an industry wide threat and BBI continues to work closely with external partners on various prevention initiatives. Technology, resilience and cyber security risks evolve rapidly so BBI maintains continued focus and investment in it's control environment to manage these risks, and actively partners with peers and relevant organisations to understand and disrupt threats originating outside BBI.

Operational Resilience is and has been 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. While overall BBI proved to be resilient, the COVID-19 pandemic has caused disruption to the Bank's customers, suppliers, and staff globally. The COVID-19 pandemic has reinforced our continued focus on resilience risk.

Due to the COVID-19 pandemic, BBI experienced operational disruptions primarily during BBI's and its suppliers' transition to a work-from-home environment and in response to high market volatility. Further, the prolonged nature of the event identified the need to enhance our resilience planning program to improve our response to similar events with an extreme and prolonged impact. Despite these issues, the early activation of the Bank's Crisis Leadership Team facilitated swift and decisive actions to limit and manage the impacts which resulted in normal risk exposures as reported above. For additional information on the risk exposure due to the COVID-19 pandemic, see the operational risk management section.

Operational Risk performance

Likewise, operational risk associated with cyber-security remains a top focus for BBI. The sophistication of threat actors continues to grow as noted by multiple external risk events observed throughout the year. Multiple 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 cyber-security events were managed within its risk tolerances and there were limited to no loss events associated with cyber-security recorded within the event categories above.

Risk performance

Model risk, Conduct risk, Reputation risk and Legal risk

Model Risk

Since the inception of model risk as a principal risk, key achievements to date include creating a Group wide model inventory, design and roll out of a robust Model Risk Management ('MRM') framework and the validation of high material models. In 2020 the framework and governance of model risk was further improved by:

- strengthening the model inventory by moving onto a strategic technology platform, which will enable future enhancements;
- continuing to validate low material models to achieve 95% model risk coverage for the Barclays Group;
- enhancing model risk oversight with the design of new dedicated model risk management forums.

In 2021 MRM will continue to focus on the validation of low material models, further embedding of validation and governance activities and expanding coverage of the MRM framework to new models.

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.

During 2020, the coronavirus pandemic created new conduct risks and heightened existing ones. To date, the Bank has focused on managing these risks and monitoring them as the pandemic continues.

Businesses have continued to assess the potential customer, client and market impacts of strategic change. Material conduct risks associated with strategic and financial plans were assessed as part of the 2020 Medium-Term Planning Process and associated Strategic Risk Assessment.

Throughout 2020, 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.

The BBI Board Risk Committee and senior management received the conduct risk dashboard each quarter setting out key indicators in relation to conduct risk and enabling continuous monitoring of the overall conduct risk profile.

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 2020, 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 top live and emerging reputation risks and issues within the Bank are included within a report to the Barclays Group Board.

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 to manage legal risk effectively. A number of enhancements have been implemented during 2020, including a refresh of the Barclays Group-wide legal risk management framework and a review and update of the supporting legal risk policies, legal risk tolerances and risk appetite. Legal risk reporting has been enhanced both in terms of format and content. There has also been a re-write of the Group-wide legal risk mandatory training, reinforced by ongoing engagement with and education of the Barclays Group's businesses and functions by Legal Function colleagues.

Throughout 2020, the Bank has operated within set tolerances for legal risk. Tolerance 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.

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.

The potential impact of UK withdrawal from the EU is addressed in the section "Brexit" below, while more information on the risks related to the supervision and regulation of the Bank is set out in the section entitled "Legal risk and legal, competition and regulatory matters" on page 28.

Supervision in the EU

The Bank is licensed as a credit institution by the CBI and is designated as a significant institution falling under the direct supervision on a solo basis by the ECB. 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.

As a significant institution falling under direct supervision by the ECB, the Bank must undergo an ECB Comprehensive Assessment in 2021, which is a financial health check undertaken by the ECB to ensure that newly designated significant institutions are adequately capitalised and can withstand possible financial shocks. The Comprehensive Assessment comprises a detailed Asset Quality Review and Stress Test, the outcomes of which are assessed to determine if the significant institution has adequate capital in normal and stress scenarios. The ECB factors the outcome of the Comprehensive Assessment into the ongoing assessment of banks' risks, their governance arrangements and their capital and liquidity situation as part of the Supervisory Review and Evaluation Process ('SREP').

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

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

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

The ECB's and CBI's continuing supervision of the Bank is conducted through a variety of 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 86.

Brexit

The EU-UK Trade and Cooperation Agreement ('TCA'), which provides a new economic and social partnership between the EU and UK, came into force provisionally on 1 January 2021. The TCA does not cover the provision of financial services into the EU and there is no agreement on passporting, equivalence or regulatory cooperation. Therefore, UK-based entities within the Barclays Group (such as BB PLC and Barclays Bank UK PLC) are no longer able to rely on the EU passporting framework for the provision of financial services to EU clients. EEA clients can receive services from the Bank, which is the Barclays Group's EEA hub.

The EU and the UK have agreed to establish structured regulatory cooperation on financial services, with the aim of establishing a durable and stable relationship, based on a shared commitment to preserve financial stability, market integrity, and the protection of investors and consumers. The EU and the UK have committed to agreeing a Memorandum of Understanding setting out a "framework" for regulatory cooperation in financial services by March 2021. We anticipate that consideration will be given to equivalence determinations as part of the discussions. To date, the EU and UK have only agreed a temporary position on mutual equivalence in relation to clearing and settlement of central counterparty clearing ('CCPs'), which is due to expire in June 2022.

Supervision and regulation

Financial regulatory framework

a) Prudential regulation

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

O-SIIs, such as the Bank, are subject to a number of additional prudential requirements, including the requirement to hold additional capital buffers above the level required by Basel III standards. The level of the O-SII buffer is set by the CBI according to a bank's systemic importance and can range from 1% to 3.5% of risk-weighted assets ('RWAs'). The O-SII buffer must be met with CET1. In December 2020, the CBI published an update to its list of O-SIIs, setting a 0.5% O-SII buffer that applied from the 1 July 2020, increasing to 0.75% from 1 July 2021 and further 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. For the years 2020 and 2021, the Pillar 2R must be met with 56.25% CET1 capital and 75% Tier 1. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2R) cannot be counted towards meeting the combined buffer requirement.

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

Final Basel Committee of Banking Supervisors ('BCBS') standards on counterparty credit risk, leverage, large exposures and a Net Stable Funding Ratio ('NSFR') are being implemented under EU law via the Risk Reduction Measures package, which was published in the Official Journal in June 2019 and includes the CRR II regulation, the CRD V directive and the BRRD II directive. Some aspects of CRR II have already been implemented, alongside other measures, 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 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'). The majority of the final Basel III changes are due to be implemented commencing 1 January 2023, the 1 year delay being due to COVID-19, with a five-year phase-in period for the output floor, although the precise timing as it applies to the Barclays Group and the Bank depends on national and EU legislative processes. In addition, the application of the output floor for the Bank on a standalone basis as a subsidiary of an international banking group is yet to be clarified. The new market risk framework, including rules made as a result of the 'fundamental review of the trading book', is expected to be implemented in the EU first as a reporting requirement, with further legislation needed to replace the existing, binding market risk requirements.

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

b) Recovery and Resolution

Stabilisation and resolution framework
The 2014 Bank Recovery and Resolution Directive ('BRRD') established a framework for the recovery and resolution of EU credit institutions and investment firms. The European Union (Bank Recovery and Resolution) Regulations 2015 (S.I. No 289 of 2015) came into effect on 15 July 2015 (with the exception of the bail-in tool which came into effect on 1 January 2016) and transposed the BRRD into Irish law. Amendments to BRRD by Directive (EU) 2019/879 (referred to as 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 banks ('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 subsidiary's MREL requirement.

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

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

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

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

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

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.

d) EU Benchmarks Regulation

The EU Benchmarks Regulation applies to the administration, contribution and use of benchmarks within the EU. Financial institutions within the EU are prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU, subject to transitional provisions expiring on 1 January 2022 (or 31 December 2022 under the UK onshored Benchmarks Regulation). Amendments to extend these provisions are underway for both the EU and UK Benchmarks Regulations. The FCA has stated that it does not intend to support LIBOR after the end of 2021. International initiatives in conjunction with global regulators are therefore underway to develop alternative benchmarks and risk free rate fallback arrangements, including updates to existing, as well as new, applicable legislation.

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. Two years after its introduction the GDPR has become the global touchstone 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 referred to as the 'UK GDPR'.

The revised PSD2 introduced additional security requirements when customers and clients are accessing accounts or making payments online. The Bank is engaging with the CBI and the German Federal Financial Supervisory Authority ('BaFin') to agree an appropriate plan to achieve compliance with the requirements of the associated EBA guidelines regarding Strong Customer Authentication ('SCA') for electronic commerce card-based payment transactions while simultaneously minimizing any potential customer detriment.

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. Such measures are likely to result in increased technology and compliance costs for the Bank. This is evidenced by the publication of a number of proposed laws and changes to regulatory frameworks.

The European Commission has proposed a Digital Operational Resilience Act for the financial services sector, including oversight of third party ICT service providers. The existing and anticipated requirements for increased controls will serve to improve industry standardisation and resilience capabilities enhancing our ability to deliver services during periods of potential disruption.

Sanctions and financial crime
In July 2018, the EU 5th 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 branches (including Ireland) have completed the transposition of MLD5 into national law.

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 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 wherever they are in the world; they also apply to overseas branches of UK companies.

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Opinion

We have audited the financial statements of Barclays Bank Ireland PLC ('the Bank') for the year ended 31 December 2020 set out on pages 96 to 158, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and related notes, including the summary of significant accounting policies set out on pages 101 to 104. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Certain required disclosures have been presented in the Risk review, instead of in the notes to the financial statements. These 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 Bank as at 31 December 2020 and of its loss 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.

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 four financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Bank in accordance with ethical requirements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA") as applied to public interest entities. No non-audit services prohibited by that standard were provided.

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 Bank's ability to continue to adopt the going concern basis of accounting included using our knowledge of the Bank, 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 Bank's financial resources or ability to continue operations over the twelve months from the date of when the financial statements are authorised for issue (the 'going concern period').

The risks that we considered most likely to adversely affect the Bank's available financial resources over this period were:

- the availability of funding and liquidity in the event of a market wide stress scenario including the impact in which the global COVID-19 pandemic continues to unfold and the manner in which the UK, in which the Bank's parent is located, has withdrawn from the European Union; and
- the impact on regulatory capital requirements in the event of an economic slowdown or recession.

We considered whether these risks could plausibly affect the availability of financial resources in the going concern period by comparing the Bank's downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Bank's financial forecasts.

Our procedures also included:

- critically assessing significant assumptions in the directors' downside scenarios relevant to liquidity and capital metrics. In particular, we considered sensitivities over the level of available financial resources indicated by the Bank's financial forecasts taking account of the impact of severe but plausible scenarios on these and assessing whether the downside scenarios applied take into account reasonably possible outcomes.

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

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.

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

In the prior year, we identified a key audit matter in respect of the error risk over the business combination executed between entities under common control. As the risk related to a transaction concluded in the prior year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, this has not been separately identified in our report this year.

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

Key audit matter		*How our audit addressed the key audit matter*
IFRS 9 – Expected Credit Losses 31 December 2020: €593 million 31 December 2019: €427 million Refer to note 7 (accounting policy) and Risk review pages 37 to 70 (financial disclosures)	**Subjective estimate** 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 Bank's estimation of ECLs are: • Model estimations; • Appropriateness of economic scenarios; • Qualitative adjustments; and • Identification and quantification of impairment on individually assessed stage 3 loans. *Model estimations* Inherently judgemental modelling is used to estimate ECL which involves determining Probabilities of Default ('PD'), Probabilities of Survival ('PS'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). PD and revolving PS models are the key drivers of complexity in the ECL and also impact the staging of assets. As a result the significant PD and PS models are considered the most significant judgemental aspect of the Bank's ECL modelling approach. ECLs may be inappropriate if these models do not accurately predict defaults over time, become out of line with wider industry experience, or fail to reflect the credit risk of financial assets. *Appropriateness of economic scenarios* Economic scenarios have a direct impact on the proportion of loans in stage 2 and the resultant ECL. IFRS 9 requires the Bank to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in the determination of the economic scenarios and the weightings applied to them especially when considering the current uncertain economic environment as a result of COVID-19. *Qualitative adjustments* 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 16% of the Bank's total ECL at 31 December 2020 (including stage 3 individually assessed ECL). Such adjustments are inherently uncertain and significant management judgement is involved in	Our procedures included: **Controls testing:** 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 the following: - For significant portfolios, testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions into the IFRS 9 impairment models; - Testing the design, implementation and operating effectiveness of the key controls over the staging of assets; - Evaluating controls over validation, implementation and model monitoring; - Evaluating controls over authorisation and calculation of post-model adjustments and management overlays; - Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and probabilities; and - Testing the design, implementation and operating effectiveness of key controls over the calculation, review and approval of individually assessed impairments. **Our testing of financial risk models:** We involved our own financial risk modelling specialists in the following: - Evaluating the appropriateness of the Bank's IFRS 9 impairment methodologies (including the staging criteria used); - Reperforming, and inspecting model code for, the calculation of certain components of the ECL model (including the staging criteria); - For a sample of significant models which were changed or updated during the year, evaluating whether the changes (including the updated model code) were appropriate by assessing the updated model methodology; - For a sample of significant models, evaluating the model output by inspecting the corresponding model functionality and independently implementing the model by rebuilding the model code; and - For a sample of significant models, assessing the reasonableness of the model predictions by comparing them against actual results and evaluating the resulting differences. **Economic scenarios:** We involved our own economic specialists to assist us in assessing: - The appropriateness of the Bank's methodology for determining the economic scenarios used and the probability weightings applied to them, including the sensitivity to alternative approaches to weightings; - The economic variables which included agreeing key economic variables to external sources; - The overall reasonableness of the economic forecasts by comparing the Bank's forecasts to our own modelled forecasts; and

<table>
<tr><th colspan="2">Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td></td><td>estimating those adjustments relating to economic uncertainty as a result of COVID-19.

Individually assessed stage 3 loans
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.

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 37 to 70) disclose the sensitivities estimated by the Bank.

Disclosure quality
The disclosures regarding the Bank's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results.</td><td>- The reasonableness of the Bank's considerations of the ECL impact of the current economic environment due to COVID-19.

Tests of detail: Key other aspects of our substantive testing in addition to those set out above involved:
- Sample testing over significant inputs, data and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and model assumptions applied;
- Selecting a risk-based population of qualitative adjustments to the ECL, considering the nature, 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 data; and
- 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.

Assessing transparency: We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the expected credit losses. As a part of this, we assessed the sensitivity analysis that is disclosed. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.

Our results:
We found the significant judgements used by management in determining the ECL charge, provision recognised and the related disclosures, including the accuracy of PD and PS models, application of PMAs, use of economic scenarios and identification and quantification of impairment on stage 3 wholesale loans, to be reasonable.</td></tr>
<tr><td>Valuation of financial instruments held at fair value – unobservable and complex pricing inputs

Level 2 instruments*:
31 December 2020:
€76,427 million assets
€78,566 million liabilities

31 December 2019:
€29,574 million assets
€31,960 million liabilities

Level 3 instruments:
31 December 2020:
€662 million assets
€229 million liabilities

31 December 2019:
€591 million assets
€178 million liabilities</td><td>Subjective valuation
The fair value of the Bank's financial instruments is determined through the application of valuation techniques which often involve the exercise of significant judgement by management in relation to the choice of the valuation 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).

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.

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</td><td>Our procedures included:

Risk assessment: We performed risk assessment procedures over the Level 1, Level 2 and Level 3 balances within the Bank's financial statements (i.e. all fair value financial instruments held by the Bank). As part of these risk assessment procedures we identified which portfolios have a risk of material misstatement including those arising from significant judgements over valuation either due to unobservable inputs or complex models.

Control testing: 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:
- 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;
- FVAs, including exit adjustments (to mark the portfolio to bid or offer prices), model shortcoming reserves to address model limitations and XVAs; and
- the validation, completeness, implementation and usage of significant valuation models. This included controls over assessment of model limitations and assumptions.

Independent re-performance: With the assistance of our own valuation specialists we:</td></tr>
</table>

Key audit matter		*How our audit addressed the key audit matter*
** The key audit matter identified relates to one derivative portfolio within this balance which we considered to be harder to value.* Refer to note 15 (accounting policy and financial disclosures)	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). 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. **Disclosure quality** The IFRS 13 fair value measurement disclosures are key to explaining the valuation techniques, key judgements, assumptions and material inputs.	– independently re-priced a selection of trades and challenged management on the valuations where they were outside our tolerance; and – challenged the appropriateness of significant models and methodologies used in calculating fair values, risk exposures and in calculating FVAs, including comparison to industry practice. **Comparing valuations:** For a selection of collateral differences identified through management's control we challenged management on the basis of their valuation where significant fair value differences were observable between the Bank's fair value and that of the counterparty to the trade. **Methodology choice:** For a subset of portfolios that are subject to collateralisation, we assessed the valuation methodology, and in certain instances independently re-priced, a sample of trades that are subject to collateral disputes where significant fair value differences were identified with the market counterparty through independent, external datasets. **Assessing transparency:** We assessed the adequacy of the Bank's financial statements disclosures in the context of the relevant accounting standards. **Our results:** 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.
Fee income and expense - affiliates 31 December 2020: €385 million revenue €42 million expense Refer to note 4 (accounting policy and financial disclosures)	**Volume and complexity** The Bank recorded €385m of fee income for 2020 from affiliates which was earned from transfer pricing models. A number of transfer pricing models are used to determine amounts to be paid and received for services received from and provided to, other entities across Barclays Group and within the Bank. The allocation of costs to transfer pricing models and the methodologies used are complex, including adjustments made for timing differences which creates a significant risk of misstatement of fee income and expense.	Our procedures included: **Control testing**: We performed end to end process walkthroughs to identify the key systems, applications and controls used in the transfer pricing process. We tested the design and operating effectiveness of key controls relating to: – the review and approval of the transfer pricing models and methodologies adopted by the Bank; – the allocation of costs and inputs into transfer pricing models; and – the management review of transfer pricing income and expense produced by the models and recorded in the financial statements. **Use of transfer pricing specialists:** We involved our own transfer pricing specialists to assist us in assessing the appropriateness of the Bank's methodologies for calculating transfer pricing income and expense for a sample of models. **Tests of detail:** Key aspects of our testing involved: – challenging management's basis to obtain evidence for allocating relevant activities to specific cost centres and transfer pricing models for a selection of models; – assessing the mathematical accuracy of the cost allocation apportionment for those same models as well as reperforming calculations made by a selection of models; and – evaluating the completeness and accuracy of adjustments made to the modelled output. **Our results:** We found the transfer pricing models and methodologies, the completeness, existence and accuracy of inputs into those models, and the resulting transfer pricing income and expense recorded in the financial statements to be reasonable.

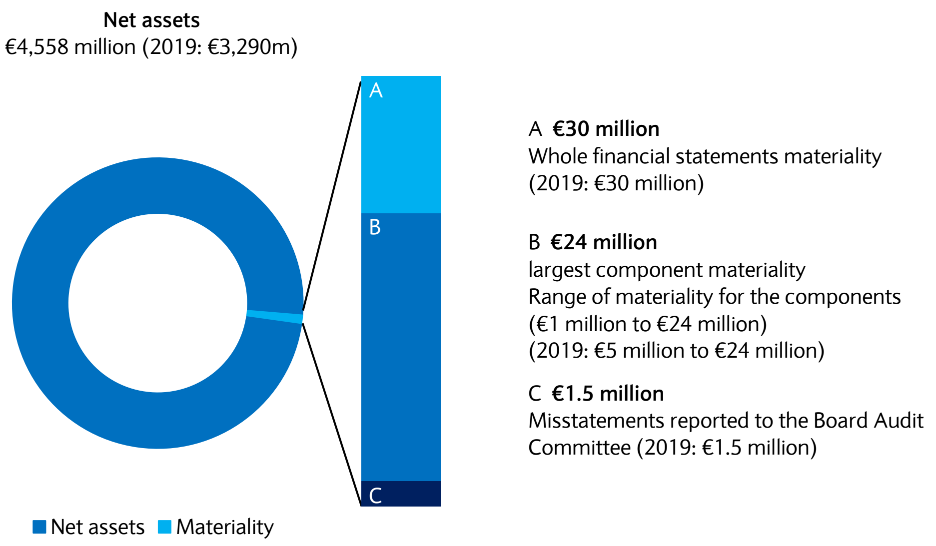
Our application of materiality and an overview of the scope of our audit

Materiality

Materiality for the financial statements as whole was set at €30 million (2019: €30 million) determined with reference to a benchmark of net assets. This produced a benchmark of €4,558 million, to which we applied a percentage of 0.7% in determining materiality (2019: 0.9%).

Materiality for the current year was determined in the aforementioned manner consistently with the prior year due to the continued expansion of the Bank's European operations in the year which continue to have had a transformative effect on the statement of financial position and equity of the Bank and led to significant volatility and uncertainty in the income statement. The statement of financial position provides a fairer representation of the progress of the Bank's expansion and 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 Bank'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 warranted reporting on qualitative grounds.

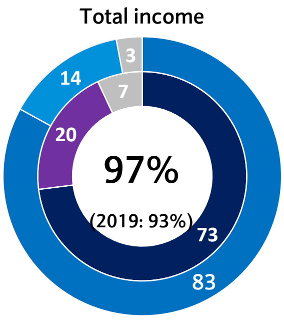


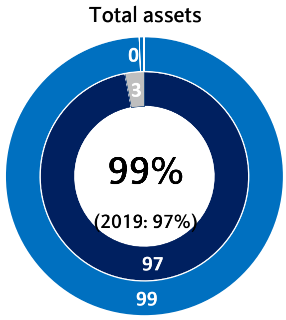
Scope - general

The Bank 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 five (2019: five) components to full scope audits and four components (2019: two) to audits of account balances. The remaining 3% (2019: 7%) of total income and 1% (2019: 3%) 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 (2019: six of the seven 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 overleaf.

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 materialities, ranging from €1 million to €24 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 Bank has centralised certain Barclays Group-wide processes primarily in the UK and India, the outputs of which are included in the financial information of the reporting components they service and therefore are not considered separate reporting components. These Group-wide processes are subject to specified audit procedures, predominantly the testing of general IT and IT automated controls, IFRS 9 expected credit loss modelling, IFRS 13 fair value measurement (UK) and transaction processing, reconciliations and review controls (India). 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 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 7 to 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 Bank and its environment obtained in the course of our audit, we have not identified any material misstatements in that information.

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 Bank 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 Bank financial statements are in agreement with the accounting records.

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

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. 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 page 11, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 Bank'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 Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's member, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Lew
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin
D01 F6F5

10 March 2021

Financial statements
Income statement

For the year ended 31 December	Notes	2020 €m	2019 €m
Interest income	3	**565**	494
Interest expense	3	**(272)**	(190)
Net interest income		**293**	304
Fee and commission income	4	**623**	581
Fee and commission expense	4	**(77)**	(141)
Net fee and commission income		**546**	440
Net trading income	5	**41**	11
Net investment expense	6	**(33)**	(27)
Total income		**847**	728
Impairment losses on financial instruments	7	**(280)**	(65)
Operating income after impairment losses		**567**	663
Staff costs	30	**(326)**	(281)
Infrastructure costs	8	**(77)**	(64)
Administration and general expenses	8	**(267)**	(242)
Operating expenses		**(670)**	(587)
(Loss)/profit before tax		**(103)**	76
Taxation	9	**(15)**	(57)
(Loss)/profit after tax		**(118)**	19
Attributable to:			
Ordinary shareholders		**(155)**	(11)
Other equity instrument holders		**37**	30
(Loss)/profit after tax		**(118)**	**19**

Financial statements
Statement of comprehensive income

For the year ended 31 December	2020 €m	2019 €m
(Loss)/profit after tax	**(118)**	19
Other comprehensive income/(loss) that may be recycled to profit or loss from continuing operations:		
Cash flow hedging reserve		
Net gains/(losses) from changes in fair value	**9**	(6)
Net (losses)/gains transferred to profit and loss	**(3)**	-
Tax	**(1)**	1
Other comprehensive income/(loss) that may be recycled to profit or loss from continuing operations	**5**	(5)
Other comprehensive income/(loss) not recycled to profit or loss from continuing operations:		
Retirement benefit remeasurements	**5**	(15)
Own credit	**(33)**	(46)
Tax	**8**	2
Other comprehensive loss not recycled to profit or loss	**(20)**	(59)
Total comprehensive loss for the year	**(133)**	(45)
Attributable to:		
Ordinary shareholders	**(170)**	(75)
Other equity instrument holders	**37**	30
Total comprehensive loss for the year	**(133)**	(45)

Balance sheet

As at 31 December	Notes	2020 €m	2019 €m
Assets			
Cash and balances at central banks		**20,066**	12,788
Cash collateral and settlement balances	21	**19,061**	8,935
Loans and advances to banks	17	**906**	658
Loans and advances to customers	17	**12,143**	13,024
Reverse repurchase agreements and other similar secured lending		**3,174**	2,946
Trading portfolio assets	11	**7,379**	1,042
Financial assets at fair value through the income statement	12	**14,749**	1,794
Derivative financial instruments	13	**56,842**	27,329
Intangible assets	20	**50**	38
Property, plant and equipment	18	**106**	116
Current tax assets		**6**	2
Deferred tax assets	9	**188**	148
Other assets	22	**267**	225
Total assets		**134,937**	69,045
Liabilities			
Deposits from banks	17	**3,488**	2,358
Deposits from customers	17	**19,620**	18,272
Cash collateral and settlement balances	21	**19,432**	9,374
Repurchase agreements and other similar secured borrowing	36	**3,583**	1,255
Debt securities in issue		**2,297**	849
Subordinated liabilities	27	**1,061**	891
Trading portfolio liabilities	11	**7,771**	283
Financial liabilities designated at fair value	14	**14,871**	4,702
Derivative financial instruments	13	**57,733**	27,153
Current tax liabilities		**7**	19
Retirement benefit obligation	32	**28**	52
Other liabilities	23	**416**	515
Provisions	24	**72**	32
Total liabilities		**130,379**	65,755
Equity			
Called up share capital and share premium	28	**2,282**	974
Other equity instruments	28	**565**	565
Other reserves	29	**(132)**	(116)
Retained earnings		**1,843**	1,867
Total equity		**4,558**	3,290
Total liabilities and equity		**134,937**	69,045

The Board of Directors approved the financial statements on pages 96 to 158 on 10 March 2021.

Helen A. Keelan

Helen Keelan
Chair

Francesco Ceccato
Chief Executive Officer

Keith Smithson
Chief Financial Officer

Paul McCullagh

Paul McCullagh
Company Secretary

Statement of changes in equity

	Called up share capital and share premium[a]	Other equity instruments[a]	Other reserves[b]	Retained earnings	Total equity
	€m	€m	€m	€m	€m
Balance as at 1 January 2020	**974**	**565**	**(116)**	**1,867**	**3,290**
Profit after tax	**-**	**37**	**-**	**(155)**	**(118)**
Cash flow hedges	**-**	**-**	**5**	**-**	**5**
Retirement benefit remeasurement	**-**	**-**	**-**	**1**	**1**
Own credit reserve	**-**	**-**	**(21)**	**-**	**(21)**
Total comprehensive income for the year	**-**	**37**	**(16)**	**(154)**	**(133)**
Issue of new ordinary shares	**1,308**	**-**	**-**	**-**	**1,308**
Other equity instruments coupons paid	**-**	**(37)**	**-**	**-**	**(37)**
Capital contribution from Barclays Bank PLC	**-**	**-**	**-**	**130**	**130**
Balance as at 31 December 2020	**2,282**	**565**	**(132)**	**1,843**	**4,558**
Balance as at 1 January 2019	849	300	(111)	210	1,248
Profit after tax	-	30	-	(11)	19
Cash flow hedges	-	-	(5)	-	(5)
Retirement benefit remeasurement	-	-	-	(13)	(13)
Own credit reserve	-	-	(46)	-	(46)
Total comprehensive income for the year	-	30	(51)	(24)	(45)
Issue of new ordinary shares	125	-	-	-	125
Issue and exchange of other equity instruments	-	265	-	-	265
Other equity instruments coupons paid	-	(30)	-	-	(30)
Capital contribution from Barclays Bank PLC	-			1,641	1,641
Net equity impact of intra-group transfers[c]	-	-	67	20	87
Other reserve movements[d]	-	-	(21)	20	(1)
Balance as at 31 December 2019	974	565	(116)	1,867	3,290

Notes
a For further details refer to Note 28.
b For further details refer to Note 29.
c Amounts included within other reserves for the net equity impact of intra-group transfers reflects excess of book value of inter-group transfers over their fair value.
d Other reserve movements primarily reflects the recycling of other reserves for intra-group transfers to retained earnings, following the disposal of certain loans during the year.

Cash flow statement

For the year ended 31 December	Notes	2020 €m	2019[a] €m
Reconciliation of (loss)/profit before tax to net cash flows from operating activities:			
(Loss)/Profit before tax		**(103)**	76
Adjustment for non-cash items:			
Allowance for impairment losses on financial instruments		**280**	65
Depreciation and amortisation of property, plant and equipment and intangibles		**39**	32
Other provisions		**48**	-
Other non-cash movements		**(47)**	(58)
Changes in operating assets and liabilities			
Net (increase)/decrease in cash collateral and settlement balances		**(68)**	83
Net decrease in loans and advances to banks and customers		**535**	2,805
Net increase in reverse repurchase agreements and other similar secured lending		**(228)**	(2,946)
Net decrease/(increase) in trading assets and liabilities		**1,151**	(759)
Net (increase)/decrease in financial assets and liabilities designated at fair value		**(2,786)**	3,344
Net decrease/(increase) in derivative financial instruments		**1,067**	(420)
Net increase in deposits and customer accounts		**2,478**	3,003
Net increase in debt securities in issue		**1,448**	849
Net increase/(decrease) in repurchase agreements and other similar secured borrowing		**2,328**	(2,890)
Net (increase)/decrease in other assets and liabilities		**(146)**	110
Corporate income tax paid		**(63)**	(42)
Net cash from operating activities		**5,933**	3,252
Net cash acquired from the acquisition of the European business		**-**	3
Purchase of property, plant and equipment and intangibles		**(28)**	(32)
Net cash from investing activities		**(28)**	(29)
Capital contribution from Barclays Bank PLC		**130**	1,641
Dividends paid and coupon payments on other equity instruments		**(37)**	(30)
Issuance of subordinated debt	27	**170**	690
Redemption of subordinated debt	27	**-**	(50)
Issue of shares and other equity instruments		**1,308**	265
Lease liability payments		**(16)**	(13)
Net cash from financing activities		**1,555**	2,503
Net increase in cash and cash equivalents		**7,460**	5,726
Cash and cash equivalents at beginning of year		**12,875**	7,149
Cash and cash equivalents at end of year		**20,335**	12,875
Cash and cash equivalents comprise:			
Cash and balances at central banks		**20,066**	12,788
Loans and advances to banks with original maturity less than three months		**269**	87
		20,335	12,875

Note

a 2019 comparative figures have been restated following a review of the disclosure and the accounting policies applied, in order to align our accounting policy with emerging market practice, to make the cash flow statement more relevant. Amendments have been made to the classification of cash collateral reported within cash and cash equivalents. The effect of this change decreased cash and cash equivalents by €2,043m as at 31 December 2019. As a result, net cash from operating activities increased by €2,032m in 2019 representing the net increase in the cash collateral and settlement balances line item in that period.

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

Interest received by the Bank was €565m (2019: €572m) and interest paid by the Bank was €272m (2019: €244m).

Accounting policies

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

Significant accounting policies

1. Reporting entity

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 financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations ('IFRICs') issued by the Interpretations Committee, as published by the International Accounting Standards Board ('IASB') and endorsed by the EU. The principal accounting policies applied in the preparation of the financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied, with the exception of the change in policy in respect of the classification of cash and cash equivalents disclosed on page 100 and of the early adoption of *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) which was applied from 1 January 2020.

3. Basis of preparation

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

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2014 as applicable to companies using IFRS. 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 Directors have evaluated these risks in the preparation of the financial statements and consider it appropriate to prepare the financial statements on a going concern basis.

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

4. Accounting policies

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

(i) Foreign currency translation

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

(ii) Financial assets and liabilities

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

Recognition

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

Classification and measurement

Financial assets are classified on the basis of two criteria:
i) the business model within which financial assets are managed; and
ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' ('SPPI')).

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

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

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

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

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

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

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

Accounting for reverse repurchase and repurchase agreements including other similar lending and borrowing
Reverse repurchase agreements (and stock borrowing or similar 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.

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

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

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

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

5. New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, with the exception of the early adoption of *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) which was applied from 1 January 2020.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Amendments relating to Interest Rate Benchmark Reform (Phase 2 amendments)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were amended in August 2020, which are effective for periods beginning on or after 1 January 2021 with earlier adoption permitted. The Bank elected to early adopt the amendments with effect from 1 January 2020. The amendments have been endorsed by the EU.

IFRS 9 allows companies when they first apply IFRS 9, to make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39. The Bank made the election to continue to apply the IAS 39 hedge accounting requirements, and consequently, the amendments to IAS 39 in respect of hedge accounting have been adopted by the Bank.

The objective of the amendments are to provide certain reliefs to companies when changes are made to the contractual cash flows or hedging relationships resulting from interest rate benchmark reform. The reliefs adopted by the Bank have been described below.

Changes in the basis for determining contractual cash flows

A change in the basis of determining the contractual cash flows of a financial instrument that are required by the 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 reform, the practical expedient is applied first, after which the normal IFRS 9 requirements for modifications of financial instruments is applied.

Hedge accounting

The IAS 39 requirements in respect of hedge accounting have been amended in two phases. The Phase 1 amendments, which were adopted by the Bank in 2019, provide relief to the hedge accounting requirements prior to changing a hedge relationship due to the interest rate benchmark reform (refer to Note 13). The Phase 2 amendments provide relief when changes are made to hedge relationships as a result of the interest rate benchmark reform. The Phase 2 amendments adopted by the Bank are described below.

- Under a temporary exception, 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.
- Amounts accumulated in the cash flow hedge reserve would be deemed 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 entities upon designation of the hedge to assume that the separately identifiable requirement is met if the entity reasonably expects the RFR risk will become separately identifiable within the next 24 months. This relief applies to each RFR on a rate-by-rate basis and starts when the entity first designates the RFR as a non-contractually specified risk component.

The amendments to IFRS 7 require certain disclosures to be made to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. Refer note 40 where these disclosures have been included.

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 amendments to IFRS 17, has not yet been endorsed by the EU. The Bank is currently assessing the expected impact of adopting this standard.

6. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity or areas where assumptions are significant to the 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 111
- Fair value of financial instruments on page 124
- Pension and post-retirements benefits on page 145
- Provisions on page 138

Accounting judgements

- Tax on page 115
- Accounting for acquisitions on page 105

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 37 to 70
- Market risk on pages 71 to 72
- Treasury and capital risk on pages 73 to 79

These disclosures are covered by the Audit opinion (included on pages 89 to 95) where referenced as audited.

1 Acquisitions

Accounting for acquisition of business under common control

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

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

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

2020

During the course of 2020 the Bank acquired from BB PLC derivatives financial assets of €10.8bn, derivative financial liabilities of €13.8bn, trading portfolio assets of €0.07bn, customer loans of €0.4bn and undrawn loan facilities of €4.9bn. Each of these transactions were not a business transfer but related to client migrations to the Bank and were recognised and settled at fair value.

There were no branch migrations in 2020.

2019

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

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

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

Assets	As at 31 December 2018 €m	Acquisition of business €m	Other movements for the period €m	As at 31 December 2019 €m
Cash and balances at central banks	6,220	3	6,565	12,788
Cash collateral and settlement balances	11	-	8,924	8,935
Loans and advances to banks	1,248	9,107	(9,697)	658
Loans and advances to customers[a]	4,903	9,472	(1,351)	13,024
Reverse repurchase agreements and other similar secured lending	-	-	2,946	2,946
Trading portfolio assets	-	754	288	1,042
Financial assets at fair value through the income statement	-	436	1,358	1,794
Derivative financial instruments	-	29,197	(1,868)	27,329
Intangible assets	42	1	(5)	38
Property, plant and equipment	12	32	72	116
Current tax assets	-	-	2	2
Deferred tax assets	70	75	3	148
Other assets	103	97	25	225
Total assets	12,609	49,174	7,262	69,045

Liabilities				
Deposits from banks	4,161	1,662	(3,465)	2,358
Deposits from customers	6,396	10,100	1,776	18,272
Cash and collateral and settlement balances	366	-	9,008	9,374
Repurchase agreements and other similar secured lending	-	4,145	(2,890)	1,255
Debt securities in issue	-	-	849	849
Subordinated liabilities	250	-	641	891
Trading portfolio liabilities	-	281	2	283
Financial liabilities designated at fair value	-	3,126	1,576	4,702
Derivative financial instruments	3	29,450	(2,300)	27,153
Current tax liabilities	3	-	16	19
Retirement benefit obligation	35	2	15	52
Other liabilities	142	175	198	515
Provisions	5	42	(15)	32
Total liabilities	11,361	48,983	5,411	65,755

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

Note

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

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 Directors Report on page 3.

2. Segmental reporting

Presentation of segmental reporting

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

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

- **Corporate and Investment Bank ('CIB')** includes the Barclays Group's EU Corporate business and the Investment Bank.
- **Consumer, Cards and Payments ('CC&P')** includes Barclaycard Germany 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 €6m.

Analysis of results by business

	CIB €m	CC&P €m	Head Office €m	Total €m
For the year ended 31 December 2020				
Net interest income	**99**	**344**	**(150)**	**293**
Other income	**485**	**35**	**34**	**554**
Total income	**584**	**379**	**(116)**	**847**
Impairment losses on financial instruments	**(114)**	**(129)**	**(37)**	**(280)**
Net operating income/(expenses)	**470**	**250**	**(153)**	**567**
Operating costs	**(447)**	**(188)**	**(35)**	**(670)**
Profit/(loss) before tax	**23**	**62**	**(188)**	**(103)**
Total assets (€bn)	**101**	**4**	**30**	**135**
Total liabilities (€bn)	**117**	**3**	**10**	**130**
Number of employees (full time equivalent)	**575**	**600**	**471**	**1,646**

	CIB €m	CC&P €m	Head Office €m	Total €m
For the year ended 31 December 2019				
Net interest income	33	342	(71)	304
Other income	379	39	6	424
Total income	412	381	(65)	728
Impairment gains/(losses) on financial instruments	2	(58)	(9)	(65)
Net operating income/(expenses)	414	323	(74)	663
Operating costs	(363)	(191)	(33)	(587)
Profit/(loss) before tax	51	132	(107)	76
Total assets (€bn)	42	4	23	69
Total liabilities (€bn)	54	3	9	66
Number of employees (full time equivalent)	504	597	462	1,563

Income by geographic region[a]

For the year ended 31 December	2020 €m	2019 €m
Ireland	**91**	16
Germany	**451**	480
Italy	**29**	26
France	**197**	135
Spain	**62**	52
Other	**17**	19
Total	**847**	728

Note

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

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.

	2020 €m	2019 €m
Interest and similar income		
Loans and advances at amortised cost	**467**	468
Negative interest on liabilities	**28**	16
Other	**70**	10
	565	494
Interest and similar expense		
Deposits at amortised cost	**(75)**	(86)
Debt securities in issue	**(22)**	-
Subordinated liabilities	**(25)**	(22)
Negative interest on assets	**(98)**	(58)
Other	**(52)**	(24)
	(272)	(190)
Net interest income	**293**	304

Interest income presented above represents interest revenue calculated using the effective interest method. Costs to originate credit card and personal loan balances of €22m (2019: €20m) have been amortised to interest income during the period. Other interest expense includes €2m (2019: €3m) relating to IFRS 16 lease interest expenses and €1m (2019: €3m) which is the net interest cost on the defined benefit pension obligation, refer to Note 32 for the breakdown.

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.

2020	Corporate and Investment Bank €m	Consumer, Cards and Payments €m	Head Office €m	Total €m
Fee type				
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
Total revenue from contracts with customers	340	48	19	407
Other non-contract fee income	216	-	-	216
Fee and commission income	556	48	19	623
Fee and commission expense-non affiliates	(21)	(13)	(1)	(35)
Fee and commission expense-affiliates	(42)	-	-	(42)
Fee and commission expense	(63)	(13)	(1)	(77)
Net fee and commission income	493	35	18	546

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

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 2020 (2019: €nil).

Impairment of fee receivables and contract assets
During 2020, there have been no material impairments recognised in relation to fees receivable and contract assets (2019: €nil). Fees in relation to transactional business can be added to outstanding customer balances. These amounts may be subsequently impaired as part of the overall loans and advances balances.

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

Costs incurred in obtaining or fulfilling a contract
The Bank had no material capitalised contract costs as at 31 December 2020 (2019: €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 customer business and from changes in fair value caused by movements in interest and exchange rates.

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

	2020 €m	2019 €m
Net trading income		
Net gains from assets and liabilities held for trading	**41**	11
	41	11

6 Net investment expense

	2020 €m	2019 €m
Net losses on other investments[a]	**(25)**	(9)
Net losses from disposal of financial assets and liabilities measured at amortised cost	**-**	(19)
Net (losses)/gains from financial assets mandatorily at fair value	**(8)**	1
Net investment expense	**(33)**	(27)

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

7 Impairment losses on financial instruments

Accounting for the impairment of financial assets

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.

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.

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.

Significant accounting policies section on pages 101 to 103 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 revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. For revolving facilities, expected life is analytically derived to reflect behavioural life of the asset, i.e. the full period over which the business expects to be exposed to credit risk. Behavioural life is typically based upon historical analysis of the average time to default, closure or withdrawal of facility. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or EAD until they occur.

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

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

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

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 37 in credit risk performance.

	2020			2019		
	Impairment Charges	Recoveries and reimburse-ments[a]	Total	Impairment Charges	Recoveries and reimburse-ments[a]	Total
	€m	€m	€m	€m	€m	€
Impairment losses on financial instruments						
Loans and advances	**260**	**(20)**	**240**	66	(2)	64
Provision for undrawn contractually committed facilities and guarantees provided	**40**	**-**	**40**	2	-	2
Loan impairment	**300**	**(20)**	**280**	68	(2)	66
Cash collateral and settlement balances	**-**	**-**	**-**	(1)	-	(1)
	300	**(20)**	**280**	67	(2)	65

Note
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. This also includes cash recoveries of previously written off amounts €2m.

Write-off subject to enforcement activity

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2020 and that are still subject to enforcement activity is €68m (2019: €46m). This is lower than the write-off presented in the movement in gross exposures and impairment allowance table due to post write-off recoveries.

Modification of financial assets

Financial assets with a loss allowance measured at an amount equal to life time ECL of €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 2020 for which the loss allowance has changed to a 12 month ECL during the year amounts to €nil (2019: €27m).

8 Operating expenses

	2020	2019
	€m	€m
Infrastructure costs		
Property and equipment	**35**	30
Depreciation and amortisation	**38**	32
Lease payments	**3**	2
Impairment of intangible assets	**1**	-
Total infrastructure costs	**77**	64
Administration and general expenses		
Consultancy, legal and professional fees	**18**	29
Marketing and advertising	**19**	17
Other administration and general expenses[a]	**230**	196
Total administration and general expenses	**267**	242
Staff costs (See note 30)	**326**	281
Operating expenses	**670**	587

Note
a Other administration and general expenses of €230m (2019: €196m) includes expenses payable to fellow subsidiaries of €162m (2019: €138m) which primarily reflects the cost of services provided by Barclays Execution Services Limited, the B PLC Group-wide service company.

9 Tax

Accounting for income taxes

The Bank applies IAS 12 Income Taxes in accounting for taxes on income. Income tax payable on taxable profits (current tax) is recognised as an expense in the periods in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior periods. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. An exception to this is that in certain circumstances, the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

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

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

Critical accounting estimates and judgements

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

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

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

	2020 €m	2019 €m
Current tax charge/(credit)		
Current year	51	52
Adjustment in respect of prior years	(3)	3
	48	55
Deferred tax charge/(credit)		
Current year	(27)	2
Adjustment in respect of prior years	(6)	-
	(33)	2
Tax charge	15	57

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.

	2020 €m	2020 %	2019 €m	2019 %
(Loss)/profit before tax	(103)		76	
Tax (credit)/charge based on the standard Ireland corporation tax rate of 12.5% (2019: 12.5%)	(13)	12.5%	10	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 17.4% (2019: 52.0%))	(5)	4.9%	30	39.5%
Effect of unrecognised deferred tax	39	(37.9%)	10	13.2%
Other non-allowable expenses	3	(2.8%)	4	5.9%
Adjustments in respect of prior years	(9)	8.7%	3	3.9%
Total tax charge	15	(14.6%)	57	75.0%

Factors driving the effective tax rate

The tax charge of €15m gives rise to a negative effective tax rate of 14.6%. The corporation tax rate of 12.5% in Ireland would give an expected tax credit of €13m when applied to the loss before tax. The difference is due to some individual jurisdictions being profitable with taxes being paid and deferred tax not being recognised on certain losses incurred, primarily in Italy.

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.

Tax in the statement of comprehensive income

The tax relating to each component of other comprehensive income can be found on page 97 in the statement of comprehensive income.

Deferred tax assets and liabilities

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

	2020	2019
	€m	€m
Spain	73	75
Germany	101	70
Ireland	14	3
Deferred tax asset	**188**	**148**

Of the deferred tax asset of €188m (2019: €148m), an amount of €73m (2019: €75m) relates to tax losses in Spain which do not expire and €115m (2019: €73m) 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 €73m (31 December 2019: €75m), 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 €188m (2019: €148m), an amount of €14m (2019: €3m) relates to jurisdictions which have suffered 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 and liabilities	Loan impairment allowance	Retirement benefit obligations	Other temporary differences	Tax losses carried forward	Total
	€m	€m	€m	€m	€m
Assets	56	16	3	73	148
Liabilities	-	-	-	-	-
As at 1 January 2020	**56**	**16**	**3**	**73**	**148**
Income Statement	30	4	(1)	-	33
Other comprehensive income	-	(5)	12	-	7
Other movements	-	-	-	-	-
As at 31 December 2020	**86**	**15**	**14**	**73**	**188**
Assets	56	12	2	-	70
Liabilities	-	-	-	-	-
As at 1 January 2019	**56**	**12**	**2**	**-**	**70**
Income Statement	-	-	(2)	-	(2)
Other comprehensive income and reserves	-	2	1	-	3
Acquisition of business	-	2	-	73	75
Other movements	-	-	2	-	2
As at 31 December 2019	**56**	**16**	**3**	**73**	**148**

The amount of deferred tax assets expected to be recovered after more than 12 months is €187m (2019: €142m).

Unrecognised deferred tax

Tax losses and temporary differences

Deferred tax assets have not been recognised in respect of gross deductible temporary differences of €51m (2019: €19m), unused tax credits of €34m (2019: €44m), and gross tax losses of €1,977m (2019: €1,803m). The tax losses include capital losses of €nil (2019: €nil). Of these tax losses, €7m (2019: €nil) expire within five years, €247m (2019: €250m) expire within six to ten years and €1,723m (2019: €1,553m) 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 assets and liabilities relating to temporary differences on investments in branches is €nil (2019: €nil).

10 Dividends on ordinary shares

No ordinary dividend was paid in 2020 (2019: €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 32.

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).

	2020 €m	2019 €m
Debt securities and other eligible bills	7,133	806
Equity securities	127	-
Traded loans	119	236
Trading portfolio assets	**7,379**	1,042
Debt securities and other eligible bills	7,771	283
Trading portfolio liabilities	**7,771**	283

12 Financial assets at fair value through the income statement

Accounting for financial assets mandatorily at fair value

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

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

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

	2020 €m	2019 €m
Loans and advances	744	433
Reverse repurchase agreements and other similar secured lending	14,005	1,361
Financial assets mandatorily at fair value	**14,749**	1,794

13 Derivative financial instruments

Accounting for derivatives

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

All derivative instruments are held at fair value through profit or loss, except for derivatives that are in a designated cash flow 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 has applied the 'Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR ('Interbank Offered Rates') reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

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

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

The Bank has elected to early adopt 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.

The Phase 2 amendments adopted by the Bank 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.

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	2020			2019		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€'m	€'m	€'m	€'m	€'m	€'m
Total derivative assets/(liabilities) held for trading	**2,193,667**	**56,632**	**(57,722)**	1,264,748	27,114	(27,140)
Total derivative assets/(liabilities) held for risk management	**923**	**210**	**(11)**	1,546	215	(13)
Derivative assets/(liabilities)	**2,194,590**	**56,842**	**(57,733)**	1,266,294	27,329	(27,153)

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

Trading derivatives are managed within the Bank's market risk management policies, which are outlined on page 32.

Assets and liabilities held at fair value

The Bank's exposure to credit risk arising from derivative contracts are outlined in the Credit Risk section on pages 37 to 70.
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	2020			2019		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€'m	€'m	€'m	€'m	€'m	€'m
Foreign exchange derivatives						
OTC derivatives	600,090	8,587	(8,750)	354,135	3,873	(3,897)
Exchange traded futures and options – bought and sold	1,711	-	-	1,014	-	-
Foreign exchange derivatives	**601,801**	**8,587**	**(8,750)**	355,149	3,873	(3,897)
Interest Rate derivatives						
OTC derivatives	1,140,737	45,909	(46,973)	558,599	20,808	(20,733)
Interest rate derivatives cleared by central counterparty	339,753	245	(67)	179,905	457	(539)
Exchange traded futures and options – bought and sold	22,533	3	(3)	39,444	-	-
Interest rate derivatives	**1,503,023**	**46,157**	**(47,043)**	777,948	21,265	(21,272)
Credit derivatives						
OTC swaps	30,559	397	(393)	37,093	443	(544)
Credit derivatives cleared by central counterparty	1,430	13	(34)	20,483	396	(302)
Credit derivatives	**31,989**	**410**	**(427)**	57,576	839	(846)
Equity and stock index derivatives						
OTC derivatives	37,674	1,157	(1,181)	37,421	907	(895)
Exchange traded futures and options – bought and sold	18,162	293	(293)	33,095	211	(211)
Equity and stock index derivatives	**55,836**	**1,450**	**(1,474)**	70,516	1,118	(1,106)
Commodity derivatives						
OTC derivatives	879	28	(28)	3,330	19	(19)
Exchange traded futures and options – bought and sold	140	-	-	229	-	-
Commodity derivatives	**1,019**	**28**	**(28)**	3,559	19	(19)
Derivative assets/(liabilities) held for trading	**2,193,667**	**56,632**	**(57,722)**	1,264,748	27,114	(27,140)
Total OTC derivatives	**1,809,939**	**56,078**	**(57,325)**	990,578	26,050	(26,088)
Total derivatives cleared by central counterparty	**341,183**	**258**	**(101)**	200,388	853	(841)
Total exchange traded derivatives	**42,545**	**296**	**(296)**	73,782	211	(211)
Derivative assets/(liabilities) held for trading	**2,193,667**	**56,632**	**(57,722)**	1,264,748	27,114	(27,140)

Assets and liabilities held at fair value

Derivatives held for risk management	2020			2019		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€'m	€'m	€'m	€'m	€'m	€'m
Derivatives designated as cash flow hedges						
Interest rate swaps	109	-	-	117	4	-
Interest rate derivatives cleared by central counterparty	91	-	-	612	2	(2)
Derivatives designated as cash flow hedges	200	-	-	729	6	(2)
Derivatives designated as fair value hedges						
Interest rate swaps	723	210	(11)	817	209	(11)
Derivatives designated as fair value hedges	723	210	(11)	817	209	(11)
Derivative assets/(liabilities) held for risk management	923	210	(11)	1,546	215	(13)
Total OTC derivatives	832	210	(11)	934	213	(11)
Total derivatives cleared by central counterparty	91	-	-	612	2	(2)
Derivative assets/(liabilities) held for risk management	923	210	(11)	1,546	215	(13)

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 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. LIBOR is considered the predominant interest rate risk and therefore the hedged items change in fair value on a fully proportionate basis with reference to this risk.

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

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

Sources of ineffectiveness include the following:

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

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

There are no hedged items and hedging derivatives as at 31 December 2020 which are impacted by IBOR reform.

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 €m	Accumulated fair value adjustment included in carrying amount: Total €m	Accumulated fair value adjustment included in carrying amount: Of which: Accumulated fair value adjustment on items no longer in a hedge relationship €m	Change in fair value used as a basis to determine ineffectiveness €m	Hedge ineffectiveness recognised in the income statement €m
2020					
Asset					
Loans and advances at amortised cost					
- Interest rate risk	**8**	**8**	**8**	**-**	**-**
Liabilities					
Debt securities in issue					
- Interest rate risk	**(904)**	**(179)**	**(3)**	**1**	**-**
Total	**(896)**	**(171)**	**5**	**1**	**-**
2019					
Asset					
Loans and advances at amortised cost					
- Interest rate risk	28	28	28	-	-
Liabilities					
Debt securities in issue					
- Interest rate risk	(996)	(180)	(1)	(2)	6
Total	(968)	(152)	27	(2)	6

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

Hedge Type	Risk Category	Carrying value: Derivative assets €m	Carrying value: Derivative liabilities €m	Notional amount €m	Change in fair value used as a basis to determine ineffectiveness €m
As at 31 December 2020					
Fair Value	Interest rate risk	**210**	**(11)**	**723**	**(1)**
Total		**210**	**(11)**	**723**	**(1)**
As at 31 December 2019					
Fair Value	Interest rate risk	209	(11)	817	8
Total		209	(11)	817	8

Assets and liabilities held at fair value

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

	2020 €m	2021 €m	2022 €m	2023 €m	2024 €m	2025 €m	2026 and later €m
2020							
Fair value hedges of interest rate risk							
interest rate risk (outstanding notional amount)	**723**	**723**	**723**	**704**	**699**	**694**	**541**

The Bank has 39 (2019: 48) fair value hedges of interest rate risk with an average fixed rate of 4.72% (2019: 4.70%) 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[a] €m
2020					
Cash flow hedge of interest rate risk					
Loans and advances at amortised cost	**(3)**	**-**	**-**	**(3)**	**(1)**
2019					
Cash flow hedge of interest rate risk					
Loans and advances at amortised cost	5	4	2	5	(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: Derivative assets €m	Carrying value: Derivative liabilities €m	Notional amount €m	Change in fair value used as a basis to determine ineffectiveness €m
As at 31 December 2020					
Cash Flow	Interest rate risk	**-**	**-**	**200**	**2**
Total		**-**	**-**	**200**	**2**
As at 31 December 2019					
Cash Flow	Interest rate risk	6	(2)	729	(6)
Total		6	(2)	729	(6)

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:

	2020		2019	
Description of hedge relationship and hedged risk	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
Cash flow hedge of interest rate risk				
Recycled to net interest income	-	3	-	-

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

	2020		2019	
	Fair value €m	Contractual amount due on maturity €m	Fair value €m	Contractual amount due on maturity €m
Debt securities	297	295	-	-
Deposits	3,266	3,673	2,845	2,947
Repurchase agreements and other similar secured borrowing	11,308	11,300	1,857	1,857
Financial liabilities designated at fair value	**14,871**	**15,268**	4,702	4,804

The cumulative own credit net loss recognised is €87m (2019: €66m)

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

Assets and liabilities held at fair value

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 129.

Critical accounting estimates and judgements

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

Valuation

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

Valuation technique using significant unobservable inputs – Level 3

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

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

As at 31 December 2020	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
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
Total assets	**1,881**	**76,427**	**662**	**78,970**
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)
Total liabilities	**(1,580)**	**(78,566)**	**(229)**	**(80,375)**

Assets and liabilities held at fair value

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

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

	2020		2019	
	Assets €m	Liabilities €m	Assets €m	Liabilities €m
Interest rate derivatives	**178**	**(178)**	170	(170)
Foreign exchange derivatives	**43**	**(43)**	8	(8)
Credit derivatives	**8**	**(8)**	-	-
Asset backed loans	**357**	**-**	413	-
Non asset backed loans	**76**	**-**	-	-
Total	**662**	**(229)**	591	(178)

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

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

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

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

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

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

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

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

Observability: FX correlations, forwards and volatilities are generally observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method. Deal Contingent FX Forwards are generally classified as level 3 as the probability of deal completion is unobservable.

Credit derivatives
Description: Derivatives linked to the credit spread of a referenced entity, index or basket of referenced entities or a pool of referenced assets (e.g. a securitised product). The category includes single name and index credit default swaps ('CDS') and asset backed CDS.

Valuation: CDS are valued on industry standard models using curves of credit spreads as the principal input. Credit spreads are observed directly from broker data, third party vendors or priced to proxies.

Observability: CDS contracts referencing entities that are actively traded are generally considered observable. Other valuation inputs are considered observable if products with significant sensitivity to the inputs are actively traded in a liquid market. Unobservable valuation inputs are generally determined with reference to recent transactions or inferred from observable trades of the same issuer or similar entities.

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 Solely Payment of Principal and Interest ('SPPI') criteria.

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

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

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 (2019: there were no material transfers between Level 1 and Level 2).

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

Analysis of movements in Level 3 assets and liabilities[a]

	As at 1 January 2020	Purchases	Sales	Issues	Settlements	Total gains and losses in the period recognised in the income statement: Trading income	Total gains and losses in the period recognised in the income statement: Other income	Total gains or losses recognised in OCI	Transfers: In	Transfers: Out	As at 31 December 2020
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Asset backed loans	413	-	-	-	(48)	-	(8)	-	-	-	357
Non asset backed loans	-	76	-	-	-	-	-	-	-	-	76
Financial assets at fair value through the income statement	413	76	-	-	(48)	-	(8)	-	-	-	433

Analysis of movements in Level 3 assets and liabilities[a]

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

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

Unrealised gains and losses on Level 3 financial assets and liabilities

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

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at year end	2020	2019
	Income statement Net investment income	Income statement Net investment income
As at 31 December	€m	€m
Asset backed loans	(8)	1

Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for assets and liabilities recognised at fair value and classified as Level 3 along with the range of values used for those significant unobservable inputs:

			2020 Range		2019 Range		
	Valuation technique(s)	Significant unobservable inputs	Min	Max	Min	Max	Units[a]
Derivative financial instruments[a]							
Interest rate derivatives	Discounted cash flows	Inflation forwards	1	3	1	2	%
	Option Model	Interest rate volatility	6	489	-	-	bps vol
Non-derivative financial instruments							
Asset backed loans	Discounted cash flows	Credit spread	200	300	180	270	bps
Non asset backed loans	Discounted cash flows	Yield	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.

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

	2020		2019	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	€m	€m	€m	€m
Interest rate derivatives	1	(1)	-	-
Asset backed loans	21	(21)	12	(12)
Non asset backed loans	1	(1)	-	-
Total	23	(23)	12	(12)

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 €23m (2019: €12m) or to decrease fair values by up to €23m (2019: €12m) with all the potential effect impacting profit or loss.

Fair value adjustments
Key balance sheet valuation adjustments are quantified below:

	2020	2019
	€m	€m
Exit price adjustments derived from market bid-offer spreads	(7)	(2)
Uncollateralised derivative funding	(4)	(2)
Derivative credit valuation adjustments	(27)	(10)
Derivative debit valuation adjustments	5	4

Exit price adjustments derived from market bid-offer spreads
The Bank uses mid-market pricing where it is a market maker and has the ability to transact at, or better than, mid price (which is the case for certain equity, bond and vanilla derivative markets). For other financial assets and liabilities, bid-offer adjustments are recorded to reflect the exit level for the expected close out strategy. The methodology for determining the bid-offer adjustment for a derivative portfolio involves calculating the net risk exposure by offsetting long and short positions by strike and term in accordance with the risk management and hedging strategy.

Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

Exit price adjustments derived from market bid-offer have increased by €5m to €7m 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 has increased by €2m to €4m as a result of increase in underlying derivative exposures.

FFVA is determined by calculating the net expected exposure at a counterparty level and applying a funding rate to the exposure that reflects the market cost of funding. The Bank’s internal Treasury rates are used as an input to the calculation. The approach takes into account the probability of default of each counterparty, as well as any mandatory break clauses.

FFVA incorporates a scaling factor which is an estimate of the extent to which the cost of funding is incorporated into observed traded levels. On calibrating the scaling factor, it is with the assumption that Credit Valuation Adjustments (‘CVA’) and Debit Valuation Adjustments (‘DVA’) are retained as valuation components incorporated into such levels. The effect of incorporating this scaling factor at 31 December 2020 was to reduce FFVA by €4m (2019: €5m).

The Bank continues to monitor market practices and activity to ensure the approach to uncollateralised derivative valuation remains appropriate.

Derivative credit and debit valuation adjustments
CVA and DVA are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and the Bank’s own credit quality respectively. These adjustments are calculated for uncollateralised and partially collateralised derivatives across all asset classes. CVA and DVA are calculated using estimates of exposure at default, probability of default and recovery rates, at a counterparty level. Counterparties include (but are not limited to) corporates, sovereigns and sovereign agencies and supranationals.

Assets and liabilities held at fair value

Exposure at default is generally estimated through the simulation of underlying risk factors through approximating with a more vanilla structure, or by using current or scenario-based mark to market as an estimate of future exposure.

Probability of default and recovery rate information is generally sourced from the CDS markets. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping internal counterparty ratings onto historical or market-based default and recovery information. Probability of default and recovery rate information is generally sourced from the CDS markets. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping internal counterparty ratings onto historical or market-based default and recovery information.

CVA increased by €17m to €27m as a result of an increased uncollateralised and partially collateralised derivative asset mainly due to derivative migrations in 2020 and widening input counterparty credit spreads. DVA increased by €1m to €5m driven by derivative migrations in 2020 which more than offset any impact due to a methodology change in 2020.

Portfolio exemptions
The Bank uses the portfolio exemption in IFRS 13 *Fair Value Measurement* to measure the fair value of groups of financial assets and liabilities. Instruments are measured using the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the balance sheet date under current market conditions. Accordingly, the Bank measures the fair value of the group of financial assets and liabilities consistently with how market participants would price the net risk exposure at the measurement date.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

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

	2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December	€m	€m	€m	€m	€m
Financial assets					
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**	**-**
Financial liabilities					
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)**	**-**

	2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December	€m	€m	€m	€m	€m
Financial assets					
Loans and advances to banks	658	658	-	658	-
Loans and advances to customers	13,024	12,455	-	1,251	11,204
Reverse repurchase agreements and other similar secured lending	2,946	2,946	-	2,946	-
Financial liabilities					
Deposits from banks	(2,358)	(2,358)	(730)	(1,628)	-
Deposits from customers	(18,272)	(18,272)	(10,356)	(7,916)	-
Repurchase agreements and other similar secured borrowing	(1,255)	(1,255)	-	(1,255)	-
Debt securities in issue	(849)	(849)	-	(849)	-
Subordinated liabilities	(891)	(1,008)	-	(1,008)	-

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.

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							
	Effects of offsetting on-balance sheet			Related amounts not offset				
	Gross amounts	Amounts offset[a]	Net amounts reported on the balance sheet	Financial instruments	Financial collateral[b]	Net amount	Amounts not subject to enforceable netting arrangements[c]	Balance sheet total[d]
As at 31 December 2020	€m	€m	€m	€m	€m	€m	€m	€m
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[e]	**36,013**	**(18,847)**	**17,166**	**-**	**(17,166)**	**-**	**13**	**17,179**
Total assets	**102,537**	**(28,671)**	**73,866**	**(41,449)**	**(30,683)**	**1,734**	**155**	**74,021**
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[e]	**(31,320)**	**18,847**	**(12,473)**	**-**	**12,473**	**-**	**(2,418)**	**(14,891)**
Total liabilities	**(97,629)**	**27,590**	**(70,039)**	**41,449**	**27,222**	**(1,368)**	**(2,585)**	**(72,624)**
As at 31 December 2019								
Derivative financial assets	30,872	(3,625)	27,247	(21,183)	(5,021)	1,043	82	27,329
Reverse repurchase agreements and other similar secured lending[e]	5,829	(1,522)	4,307	-	(4,307)	-	-	4,307
Total assets	36,701	(5,147)	31,554	(21,183)	(9,328)	1,043	82	31,636
Derivative financial liabilities	(30,693)	3,656	(27,037)	21,183	5,133	(721)	(116)	(27,153)
Repurchase agreements and other similar secured borrowing[e]	(4,630)	1,522	(3,108)	-	3,026	(82)	(4)	(3,112)
Total liabilities	(35,323)	5,178	(30,145)	21,183	8,159	(803)	(120)	(30,265)

Notes
a Amounts offset for Derivative financial assets additionally includes cash collateral netted of €1,109m (2019: €628m). Amounts offset for Derivative financial liabilities additionally includes cash collateral netted of €2,190m (2019: €597m). Settlements assets and liabilities have been offset amounting to €549m (2019: €49m).
b Financial collateral of €13,517m (2019: €5,021m) was received in respect of derivative assets, including €13,292m (2019: €4,799m) of cash collateral and €225m (2019: €222m) of non-cash collateral. Financial collateral of €14,749m (2019: €5,133m) was placed in respect of derivative liabilities, including €13,297m (2019: €4,436m) of cash collateral and €1,452m (2019: €697m) 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 €17,179m (2019: €4,307m) is split by fair value €14,005m (2019: €1,361m) and amortised cost €3,174m (2019: €2,946m). Repurchase agreements and other similar secured borrowing of €14,891m (2019: €3,112m) is split by fair value €11,308m (2019: €1,857m) and amortised cost €3,583m (2019: €1,255m).

Derivative assets and liabilities
The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing
The 'Amounts offset' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as Global Master Repurchase Agreements and Global Master Securities Lending Agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and other credit risk mitigation strategies used by the Bank are further explained in the Credit risk mitigation section on page 31.

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 133 to 137.

17 Loans and advances and deposits at amortised cost

Accounting for financial instruments held at amortised cost

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the Bank is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the Bank will consider past sales and expectations about future sales.

Loans and advances at amortised cost

	2020			2019		
	Loans and advances to banks	Loans and advances to customers	Total	Loans and advances to banks	Loans and advances to customers	Total
As at 31 December	€m	€m	€m	€m	€m	€m
Gross loans and advances at amortised cost	906	12,736	13,642	658	13,451	14,109
Less: allowance for impairment	-	(593)	(593)	-	(427)	(427)
Loans and advances at amortised cost	906	12,143	13,049	658	13,024	13,682

Deposits at amortised cost

	2020			2019		
	Deposits from banks	Deposits from customers	Total	Deposits from banks	Deposits from customers	Total
As at 31 December	€m	€m	€m	€m	€m	€m
Deposits at amortised cost	3,488	19,620	23,108	2,358	18,272	20,630

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	Equipment	Right of use assets[a]	Total
	€m	€m	€m	€m
Cost				
As at 1 January 2020	35	54	94	183
Additions	1	3	-	4
Disposals	-	(3)	-	(3)
Other movements	13	(11)	5	7
As at 31 December 2020	49	43	99	191
Accumulated depreciation and impairment				
As at 1 January 2020	(24)	(28)	(15)	(67)
Disposals	-	3	-	3
Depreciation charge	(4)	(4)	(13)	(21)
As at 31 December 2020	(28)	(29)	(28)	(85)
Net book value	21	14	71	106
Cost				
As at 1 January 2019	9	15	58	82
Acquisition of business	21	13	32	66
Additions	-	22	3	25
Other movements	5	4	1	10
As at 31 December 2019	35	54	94	183
Accumulated depreciation and impairment				
As at 1 January 2019	(3)	(9)	-	(12)
Acquisition of business	(18)	(13)	(3)	(34)
Depreciation charge	(3)	(4)	(11)	(18)
Other movements	-	(2)	(1)	(3)
As at 31 December 2019	(24)	(28)	(15)	(67)
Net book value	11	26	79	116

Note
a Right of use ('ROU') asset balances relate to property leases under IFRS 16. Refer to Note 19 for further details.

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

	2020 €m	2019 €m
As at 1 January	**83**	58
Interest	**2**	3
Acquisition	**-**	30
New leases	**-**	3
Cash payments	**(16)**	(13)
Exchange and other movements	**6**	2
As at 31 December (see Note 23)	**75**	83

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

	2020 €m	2019 €m
Not more than one year	**14**	15
One to two years	**13**	14
Two to three years	**8**	13
Three to four years	**8**	8
Four to five years	**8**	7
Five to ten years	**21**	25
Greater than ten years	**17**	21
Total undiscounted lease liabilities as at 31 December	**89**	103

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 13 leases (2019: 13) out of the total 17 leases (2019: 17) which have variable lease payment terms based on market based pricing adjustments. Of the gross cash flows identified above, €89m (2019: €101m) is attributable to leases with some degree of variability predominately linked to market based pricing adjustments.

- Extension and termination options: The table above represents 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[a]	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.

	Internally generated software €m	Other software €m	Licenses and Other contracts €m	Total €m
Cost				
As at 1 January 2020	**118**	**8**	**-**	**126**
Additions	**21**	**-**	**2**	**23**
Disposals	**(25)**	**-**	**-**	**(25)**
Other movements	**6**	**-**	**1**	**7**
As at 31 December 2020	**120**	**8**	**3**	**131**
Accumulated amortisation and impairment				
As at 1 January 2020	**(81)**	**(7)**	**-**	**(88)**
Disposals	**25**	**-**	**-**	**25**
Impairment charge	**(1)**	**-**	**-**	**(1)**
Amortisation charge	**(16)**	**-**	**(1)**	**(17)**
As at 31 December 2020	**(73)**	**(7)**	**(1)**	**(81)**
Net book value	**47**	**1**	**2**	**50**
Cost				
As at 1 January 2019	110	5	-	115
Acquisition of business	-	2	-	2
Additions	7	-	-	7
Other movements	1	1	-	2
As at 31 December 2019	118	8	-	126
Accumulated amortisation and impairment				
As at 1 January 2019	(69)	(4)	-	(73)
Acquisition of business	-	(1)	-	(1)
Amortisation charge	(13)	(1)	-	(14)
Other movements	1	(1)	-	-
As at 31 December 2019	(81)	(7)	-	(88)
Net book value	37	1	-	38

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

	2020 €m	2019 €m
Assets		
Cash collateral	**15,478**	5,900
Settlement balances	**3,583**	3,035
Cash collateral and settlement balances	**19,061**	8,935
Liabilities		
Cash collateral	**15,691**	6,447
Settlement balances	**3,741**	2,927
Cash collateral and settlement balances	**19,432**	9,374

22 Other assets

	2020 €m	2019 €m
Credit related fees receivable	**17**	12
Amounts receivable from Barclays Group companies	**138**	131
Other debtors and prepaid expenses	**112**	82
Other assets	**267**	225

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 138 to 139.

23 Other liabilities

	2020	2019
	€'m	€'m
Accruals and deferred income	**149**	151
Payable to Barclays Group companies	**31**	145
Other creditors	**89**	71
Items in the course of collection due to banks	**72**	65
Lease liabilities (See Note 19)	**75**	83
Other liabilities	**416**	515

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[a]	Sundry provisions	Total
	€m	€m	€m	€m
As at 1 January 2020	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
As at 31 December 2020	9	52	11	72

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 2020 were €67m (2019: €18m).

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 44.

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:

	2020	2019
	€m	€m
Guarantees and letters of credit pledged as collateral security	**2,447**	2,179
Performance guarantees, acceptances and endorsements	**1,416**	1,463
Total contingent liabilities	**3,863**	3,642
Of which: Financial guarantees carried at fair value	**-**	-
Documentary credits and other short-term trade related transactions	**63**	87
Standby facilities, credit lines and other commitments	**22,760**	16,950
Total commitments	**22,823**	17,037
Of which: Loan commitments carried at fair value	**573**	749

Expected credit losses held against commitments at 31 December 2020 amounted to €52m (2019: €10m) 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 as described in Note 24, Provisions. At the present time, the Bank is not subject to any legal, competition or regulatory matters which give rise to a 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.

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 33.

27 Subordinated liabilities

Accounting for subordinated liabilities

Subordinated debt is measured at amortised cost using the effective interest method under IFRS 9.

	2020 €m	2019 €m
As at 1 January	**891**	250
Issuance	**170**	690
Redemption	**-**	(50)
Other	**-**	1
As at 31 December	**1,061**	891

Issuances in 2020 comprise a €170m Euribor T2 subordinated loan from BB PLC.

Subordinated liabilities include accrued interest and none of the capital is secured.

	Rate	Maturity date	2020 €m	2019 €m
Tier 3 Floating Rate Subordinated Loan (€200m)	1m Euribor plus 2.293%	2022	**200**	200
Tier 3 Floating Rate Subordinated Loan (€125m)	1m Euribor plus 1.79%	2024	**125**	125
Tier 2 Floating Rate Subordinated Loan (€375m)	1m Euribor plus 4.04%	2029	**376**	376
Tier 2 Floating Rate Subordinated Loan (€56m)	1m Euribor plus 3.851%	2029	**56**	56
Tier 2 Floating Rate Subordinated Loan (€95m)	1m Euribor plus 3.855%	2029	**95**	95
Tier 2 Floating Rate Subordinated Loan (€170m)	1m Euribor plus 1.81%	2030	**170**	-
Tier 2 Floating Rate Subordinated Loan (€39m)	1m Euribor plus 3.32%	2031	**39**	39
Total subordinated liabilities[a]			**1,061**	891

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.

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

Authorised ordinary share capital

	2020		2019	
	Number of shares	Ordinary share capital	Number of shares	Ordinary share capital
	m	€m	m	€m
At 31 December	**5,000**	**5,000**	5,000	5,000

Called up share capital, allotted and fully paid

	Number of shares	Ordinary share capital	Ordinary share premium	Total share capital and share premium	Other equity instruments
	m	€m	€m	€m	€m
As at 1 January 2020	**899**	**899**	**75**	**974**	**565**
Issue of ordinary shares	**-**	**-**	**1,308**	**1,308**	**-**
AT1 securities issuance	**-**	**-**	**-**	**-**	**-**
As at 31 December 2020	**899**	**899**	**1,383**	**2,282**	**565**
As at 1 January 2019	800	800	49	849	300
Issue of ordinary shares	99	99	26	125	-
AT1 securities issuance	-	-	-	-	265
As at 31 December 2019	899	899	75	974	565

Ordinary shares

The issued ordinary share capital of the Bank, as at 31 December 2020, comprised 899m (2019: 899m) ordinary shares of €1 each. During the year 2020 the Bank issued 100 ordinary shares of €1 each at a premium of €1,308m.

Other equity instruments

Other equity instruments of €565m (2019: €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 in directly in equity upon payment.

In 2020, there were no issuances of AT1 instruments (2019: four issuances, totalling €265m).

		2020	2019
	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
Total Additional Tier 1 securities		**565**	565

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, and represents the excess of the book value at transfer over the fair value.

	2020 €m	2019 €m
Cash flow hedging reserve	-	(5)
Own credit reserve	**(87)**	(66)
Other reserves and other shareholders' equity	**(45)**	(45)
Total	**(132)**	(116)

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, related party transactions and directors' remuneration, auditor's remuneration, post balance sheet events and interest rate benchmark reform can be found on pages 143 to 158.

30 Staff costs

Accounting for staff costs

The Bank applies IAS 19 *Employee benefits* in its accounting for most of the components of staff costs.

Short-term employee benefits – salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate.

Performance costs – Recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the payments.

Deferred cash and share awards are made to employees to incentivise performance over the period employees provide services. To receive payment under an award, employees must provide service over the vesting period. The period over which the expense for deferred cash and share awards is recognised is based upon the period employees consider their services contribute to the awards. For past awards, the Bank considers that it is appropriate to recognise the awards over the period from the date of grant to the date that the awards vest.

The accounting policies for share-based payments, and pensions and other post-retirement benefits are included in note 31 and 32 respectively.

	2020 €m	2019 €m
Salaries	**168**	138
Social security costs	**49**	39
Post-retirement benefits[a]	**9**	8
Performance costs	**56**	45
Other compensation costs[b]	**18**	21
Total compensation costs	**300**	251
Other resourcing costs		
Outsourcing	**14**	17
Redundancy and restructuring	**5**	2
Temporary staff costs	**3**	6
Others	**4**	5
Total other resourcing costs	**26**	30
Total staff costs	**326**	281

Notes

a Post-retirement benefits charge includes €6m (2019: €6m) in respect of defined contribution schemes and €3m (2019: €2m) 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 2020, the number of staff (full time equivalents) was 1,646 (31 December 2019: 1,563). The average number of employees for the year was 1,606 (31 December 2019: 1,315).

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 2020 was €16m (2019: €10m). 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, save that Executive Directors are not eligible to participate in the DSVP and the DSVP operates over market purchase shares only.

Other schemes

In addition to the SVP and DSVP, the Barclays Group operates a number of other schemes settled in 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:

	2020				2019			
	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[a,b]	**1.04**	**1.26**	**1.17**	**13,227,450**	1.48	1.61	1.13	9,474,884
Sharesave[a]	**0.52**	**1.77**	**4.17**	**1,705,327**	0.42	1.70	3.64	1,027,068
Others[a]	**1.18-1.24**	**1.22-1.24**	**-**	**114,245**	1.57-1.60	1.57-1.66	-	94,710

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 32.17% for 3 years and 30.32% for 5 years. The risk free interest rates used for valuations are 0.02% and 0.08% for 3 and 5 years respectively.

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[a,b]		Sharesave[a]				Others[a]	
	Number		Number		Weighted average ex. price (£)		Number	
	2020	2019	2020	2019	2020	2019	2020	2019
Outstanding at beginning of year/acquisition date[c]	**9,474,884**	1,441,199	**1,027,068**	203,174	**1.23**	1.39	**94,710**	40,902
Transfers in the year[d]	**630,632**	5,913,584	**51,295**	428,571		-	**9,607**	59,006
Granted in the year	**7,683,095**	7,381,092	**1,400,216**	701,512	**0.82**	1.16	**4,049,690**	2,629,077
Exercised/released in the year	**(4,287,372)**	(4,457,653)	**(22,500)**	(151,191)	**1.20**	1.29	**(4,035,904)**	(2,628,005)
Less: forfeited in the year	**(273,789)**	-	**(696,830)**	(136,281)	**1.22**	1.47	**(3,858)**	(6,270)
Less: expired in the year	**-**	(803,338)	**(53,922)**	(18,717)	**1.41**	1.86	**-**	-
Outstanding at end of year	**13,227,450**	9,474,884	**1,705,327**	1,027,068	**0.90**	1.23	**114,245**	94,710
Of which exercisable:	**-**	-	**29,787**	52,032	**1.41**	1.41	**48,540**	36,746

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 2020.

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 2020 and 2019.

32 Pensions and post-retirement benefits

Accounting for pensions and post-retirement benefits

The Bank operates a number of pension schemes and post-employment benefit schemes.

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

Defined benefit schemes – the Bank recognises its obligations to members of each scheme at the period end, less the fair value of the scheme assets after applying the asset ceiling test.

Each scheme's obligations are calculated using the projected unit credit method. Scheme assets are stated at fair value as at the period end.

Changes in pension scheme liabilities or assets (re-measurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Re-measurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

Critical accounting estimates

There are four key estimates that impact the net defined benefit liability. These are the discount rate, the inflation rate, the rate of increase for pensions and mortality. These are set out in detail below.

The Bank operates a funded defined benefit pension scheme in Ireland under which pension entitlements of certain employees arise. The Barclays Bank Irish Retirement and Life Assurance scheme are 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. A full actuarial valuation was carried out as at 31 December 2017, on which the amounts recognised in the financial statements are based.

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 P&L 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 2019 the multi-employer plan-had 800 member companies and 475,000 insured individuals. The multi-employer plan showed a small surplus in its published results as at 31 December 2019 with both assets and liabilities of some €30bn. 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 €3m to the multi-employer plan in 2021.

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

	2020				
	Ireland	Germany	France[a]	Portugal[a]	Total
	€m	€m	€m	€m	€m
Interest cost on Defined Benefit Obligation ('DBO')	1	1	-	-	2
Interest income on assets	(1)	-	-	-	(1)
Net interest cost on net defined benefit liability	-	1	-	-	1
Other finance income					
Current service cost	-	3	-	-	3
Total service cost	-	3	-	-	3
Pension expense	-	4	-	-	4

Income statement charge

	2019				
	Ireland	Germany	France[a]	Portugal[a]	Total
	€m	€m	€m	€m	€m
Interest cost on Defined Benefit Obligation ('DBO')	1	3	-	-	4
Interest income on assets	(1)	-	-	-	(1)
Net interest cost on net defined benefit liability	-	3	-	-	3
Other finance income	-	-	-	-	-
Current service cost	-	2	-	-	2
Total service cost	-	2	-	-	2
Pension expense	-	5	-	-	5

Note

a Income statement charge is immaterial, due to which the charge appears to be nil but is rounded off to nearest million.

The amounts recognised in other comprehensive income are as follows:

Statement of other comprehensive income

	2020				
	Ireland	Germany	France[a]	Portugal	Total
	€m	€m	€m	€m	€m
Actuarial (gain)/loss - experience	(1)	-	-	-	(1)
Actuarial (gain)/loss - financial	(1)	(1)	-	-	(2)
Actuarial (gain)/loss arising during period	(2)	(1)	-	-	(3)
Return on plan assets (greater)/less than discount rate	(2)	-	-	-	(2)
Remeasurement effects recognised in OCI	(4)	(1)	-	-	(5)

Statement of other comprehensive income

	2019				
	Ireland	Germany	France[a]	Portugal	Total
	€m	€m	€m	€m	€m
Actuarial (gain)/loss - experience	-	(1)	-	-	(1)
Actuarial (gain)/loss - financial	13	5	-	1	19
Actuarial (gain)/loss arising during period	13	4	-	1	18
Return on plan assets (greater)/less than discount rate	(3)	-	-	-	(3)
Remeasurement effects recognised in OCI	10	4	-	1	15

Note

a Other comprehensive movement is immaterial, due to which the movement appears to be nil but is rounded off to nearest million.

The following tables outline the balance sheet position as at 31 December 2020 and 31 December 2019.

Balance sheet

	2020				
	Ireland €m	Germany €m	France €m	Portugal €m	Total €m
Present value of funded liabilities	(64)	-	-	(3)	(67)
Present value of the unfunded liabilities	-	(14)	(3)	-	(17)
Present value of total liabilities	(64)	(14)	(3)	(3)	(84)
Fair value of scheme assets	54	-	-	2	56
Retirement benefit liability	(10)	(14)	(3)	(1)	(28)

Balance sheet

	2019				
	Ireland €m	Germany €m	France €m	Portugal €m	Total €m
Present value of funded liabilities	(68)	-	-	(3)	(71)
Present value of the unfunded liabilities	-	(33)	(2)	-	(35)
Present value of total liabilities	(68)	(33)	(2)	(3)	(106)
Fair value of scheme assets	52	-	-	2	54
Retirement benefit liability	(16)	(33)	(2)	(1)	(52)

Reconciliation of defined benefit asset/liability

	Ireland €m	Germany €m	France €m	Portugal €m	Total €m
Defined benefit asset/(liability) at 1 January 2020	(16)	(33)	(2)	(1)	(52)
Current service cost	-	(3)	-	-	(3)
Interest cost on DBO	(1)	(1)	-	-	(2)
Interest income on assets	1	-	-	-	1
Remeasurement gain recognised in OCI	4	1	-	-	5
Employer contributions	1	1	-	-	2
Settlement[a]	-	20	-	-	20
Other movements	1	1	(1)	-	1
Defined benefit asset/(liability) at 31 December 2020	(10)	(14)	(3)	(1)	(28)

Note

a Settlement in the above table represents payment of a lump sum contribution to transfer accrued obligations relating to Hamburg pension scheme which was moved to a multi-employer plan with effect from 31 December 2020.

Movement in Scheme Assets

	2020				
	Ireland €m	Germany[a] €m	France[a] €m	Portugal €m	Total €m
At 1 January 2020	52	-	-	2	54
Interest income on plan assets	1	-	-	-	1
Return on plan assets (greater)/less than discount rate	2	-	-	-	2
Benefits paid – from plan assets	(2)	-	-	-	(2)
Employer contributions paid	1	-	-	-	1
At 31 December 2020	54	-	-	2	56

Movement in Scheme Liabilities	2020				
	Ireland	Germany[a]	France[a]	Portugal	Total
	€m	€m	€m	€m	€m
At 1 January 2020	68	33	2	3	106
Current service cost	-	3	-	-	3
Interest cost on DBO	1	1	-	-	2
Actuarial (gain)/loss- experience	(1)	-	-	-	(1)
Actuarial (gain)/loss - financial	(1)	(1)	-	-	(2)
Benefits paid – from plan assets	(2)	-	-	-	(2)
Benefits paid – directly by the Bank	-	(1)	-	-	(1)
Settlement[b]	-	(20)	-	-	(20)
Other movements	(1)	(1)	1	-	(1)
At 31 December 2020	64	14	3	3	84

Notes
a Pension schemes in Germany and France are unfunded and hence do not have any assets against them.
b Settlement in the above table represents payment of a lump sum contribution to transfer accrued obligations relating to Hamburg Pension scheme which was moved to a multi-employer plan with effect from 31 December 2020.

The weighted average duration of the benefit payments reflected in the defined benefit obligation for Ireland is 25 years.

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.

The value of the asset classes and their percentages in relation to the total assets are set out below:

Analysis of scheme assets	2020		2019	
	Value[a]	% of total fair value of scheme assets	Value[a]	% of total fair value of scheme assets
	€m	%	€m	%
Equities	22	39.3%	20	37.0%
Bonds	22	39.3%	20	37.0%
Property	2	3.6%	2	3.7%
Mixed Investment Funds[b]	10	17.8%	9	16.7%
Other	-	0.0%	3	5.6%
Fair value of scheme assets	56	100.0%	54	100.0%

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 2019 and 2020 in the above table. In the Bank's 2019 Annual Report the Diversified Growth Fund was allocated to its constituent parts.

Assumptions

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

Ireland

Key financial assumptions	2020	2019
	% p.a.	% p.a.
Discount rate	0.90%	1.10%
Inflation rate ('RPI')	1.50%	1.75%
Rate of increase for pension	1.50%	1.75%

Assumptions regarding future mortality are set based on advice from published statistics and experience. The mortality assumptions are based on standard mortality tables and life expectancies are set out below:

Assumed life expectancy	2020	2019
Life expectancy at 60 for current pensioners (years)		
– Males	**26.4**	26.3
– Females	**29.0**	28.9
Life expectancy at 60 for future pensioners currently aged 40 (years)		
– Males	**28.9**	28.8
– Females	**31.1**	31.0

Germany
The principal actuarial assumptions at the balance sheet date are as follows:

Key financial assumptions[a]	2020 % p.a.	2019 % p.a.
Discount rate	**0.50%/1.0%**	0.60%/1.20%
Inflation rate ('RPI')	**1.50%/1.50%**	1.75%/1.75%
Rate of increase for pension	**1.50%/1.50%**	1.75%/1.75%

Note
a Two percentages are provided as there is more than one scheme in Germany. For 2020, the 1.0% discount rate was used to calculate the settlement impact for the Hamburg pension scheme only. The 0.5% discount rate was used for the remaining plans in Germany included in the liabilities at 31 December 2020.

During 2020 the Bank's actuary, Willis Towers Watson, refined its methodology used in selecting bonds in its Global RATE:Link models, which are used to set the discount rates in Germany and Ireland. These changes were effective from 30 June 2020 at which time the approximate impact of the change on the main plans in Ireland and Germany was to reduce the discount rates by c.10 basis points (31 December 2020: increase the discount rate by up to 50bps).

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	2020	2019
Life expectancy at 60 for current pensioners (years)		
– Males	**24.9**	25.3
– Females	**28.7**	29.1
Life expectancy at 60 for future pensioners currently aged 40 (years)		
– Males	**27.9**	28.3
– Females	**31.0**	31.4

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	2020 (Decrease)/Increase in defined benefit obligation €m	2019 (Decrease)/Increase in defined benefit obligation €m
Discount rate		
0.50% p.a. increase	**(8)**	(11)
Assumed RPI		
0.50% p.a. increase	**8**	10

Expected employer contributions

The Bank's expected contributions to the Barclays Bank Irish Retirement and Life Assurance Plan in respect of defined benefits in 2021 is €1.06m (2020: €1.06m). In addition, the expected contributions to the Irish defined contribution scheme in 2021 is €3m (2020: €3m). A triennial valuation is due to be carried out as at 31 December 2020 which will assess the long-term funding position and may lead to a requirement for additional contributions beyond 2022.

Direct benefit payments of €2m are expected to be paid to the unfunded plans in Germany in 2021.

33 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

Depending on the Bank's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

Unconsolidated structured entities in which the Bank has an interest

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Bank. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to the Bank, lending, loan commitments, financial guarantees and investment management agreements.

Interest rate swaps, foreign exchange derivatives that are not complex and which expose the Bank to insignificant credit risk by being senior in the payment waterfall of a securitisation and derivatives that are determined to introduce risk or variability to a structured entity are not considered to be an interest in an entity and have been excluded from the disclosures below.

The nature and extent of the Bank's interests in structured entities is summarised below:

Summary of interests in unconsolidated structured entities

	Secured financing	Short-term traded interests	Traded derivatives	Other interests	Total
	€m	€m	€m	€m	€m
As at 31 December 2020					
Assets					
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
Total assets	**538**	**1**	**174**	**134**	**847**
Liabilities					
Derivative financial instruments	-	-	332	-	332
As at 31 December 2019					
Assets					
Trading portfolio assets	-	109	-	-	109
Financial assets at fair value through the income statement	-	-	-		-
Derivative financial instruments	-	-	29	-	29
Loans and advances at amortised cost	-	-	-	241	241
Total assets	-	109	29	241	379
Liabilities					
Derivative financial instruments	-	-	100	-	100

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.

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 has minimal exposure to the performance of the structured entity counterparty.

Short-term traded interests

The Bank buys and sells interests in structured entities as part of its trading activities, for example, retail mortgage-backed securities, collateralised debt obligations and similar interests. Such interests are typically held individually or as part of a larger portfolio for no more than 90 days. In such cases, the Bank typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

As at 31 December 2020, €nil (2019: €67m) of the Bank's €1m (2019: €109m) short-term traded interests were comprised of debt securities issued by asset securitisation vehicles.

Traded derivatives
The Bank enters into a variety of derivative contracts with structured entities which reference market risk variables such as interest rates, foreign exchange rates and credit indices among other things. The main derivative types which are considered interests in structured entities include index-based and entity specific credit default swaps, balance guaranteed swaps, total return swaps, commodities swaps, and equity swaps. A description of the types of derivatives and the risk management practices are detailed in Note 13. The risk of loss may be mitigated through ongoing margining requirements as well as a right to cash flows from the structured entity which are senior in the payment waterfall. Such margining requirements are consistent with market practice for many derivative arrangements and in line with the Bank's normal credit policies.

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 €3,358m (2019: €3,378m).

Except for credit default swaps where the maximum exposure to loss is the swap notional amount, it is not possible to estimate the maximum exposure to loss in respect of derivative positions as the fair value of derivatives is subject to changes in market rates of interest, exchange rates and credit indices which by their nature are uncertain. In addition, the Bank's losses would be subject to mitigating action under its traded market risk and credit risk policies that require the counterparty to provide collateral in cash or other assets in most cases.

Other interests in unconsolidated structured entities
The Bank's interests in structured entities not held for the purposes of short-term trading activities are set out below, summarised by the purpose of the entities and limited to significant categories, based on maximum exposure to loss.

Nature of interest

	Lending €m	Total €m
As at 31 December 2020		
Loans and advances at amortised cost	**134**	**134**
Total on-balance sheet exposures	**134**	**134**
Total off-balance sheet notional amounts	**205**	**205**
Maximum exposure to loss	**339**	**339**
Total assets of the entity	**9,561**	**9,561**
As at 31 December 2019		
Loans and advances at amortised cost	241	241
Total on-balance sheet exposures	241	241
Total off-balance sheet notional amounts	266	266
Maximum exposure to loss	507	507
Total assets of the entity	28,374	28,374

Maximum exposure to loss
Unless specified otherwise below, the Banks's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments and financial guarantees. Exposure to loss is mitigated through collateral, financial guarantees, the availability of netting and credit protection held.

Lending
The portfolio includes lending provided by the Bank to unconsolidated structured entities in the normal course of its lending business to earn income in the form of interest and lending fees and includes loans to structured entities that are generally collateralised by property, equipment or other assets. All loans are subject to the Bank's credit sanctioning process. Collateral arrangements are specific to the circumstances of each loan with additional guarantees and collateral sought from the sponsor of the structured entity for certain arrangements. During the period the Bank incurred an immaterial impairment against such facilities.

Assets transferred to sponsored unconsolidated structured entities
No assets transferred to sponsored unconsolidated structured entities.

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[a]	Called up share capital	Share premium	Other equity	Other reserve	Retained earnings	
	€m	€m	€m	€m	€m	€m	€m	€m
Balance as at 1 January 2020	**891**	**83**	**898**	**76**	**565**	**(116)**	**1,867**	**4,264**
Proceeds from the issuance of subordinated debt	**170**	**-**	**-**	**-**	**-**	**-**	**-**	**170**
Lease liability paid	**-**	**(16)**	**-**	**-**	**-**	**-**	**-**	**(16)**
Dividend paid	**-**	**-**	**-**	**-**	**(37)**	**-**	**-**	**(37)**
Capital contribution	**-**	**-**	**-**	**-**	**-**	**-**	**130**	**130**
Additional Tier 1 issuance	**-**	**-**	**-**	**1,308**	**-**	**-**	**-**	**1,308**
Total changes from financing cash flows	**170**	**(16)**	**-**	**1,308**	**(37)**	**-**	**130**	**1,555**
Other changes								
Interest expense	**25**	**2**	**-**	**-**	**-**	**-**	**-**	**27**
Interest paid	**(25)**	**-**	**-**	**-**	**-**	**-**	**-**	**(25)**
Other		**6**						**6**
Total liability related other changes	**-**	**8**	**-**	**-**	**-**	**-**	**-**	**8**
Total equity related other changes	**-**	**-**	**-**	**-**	**37**	**(16)**	**(154)**	**(133)**
Balance as at 31 December 2020	**1,061**	**75**	**898**	**1,384**	**565**	**(132)**	**1,843**	**5,694**
Balance as at 1 January 2019	250	58	799	50	300	(111)	210	1,556
Proceeds from the issuance of subordinated debt	640	-	-	-	-	-	-	640
Lease liability paid	-	(13)	-	-	-	-	-	(13)
Dividend paid	-	-	-	-	(30)	-	-	(30)
Capital contribution	-	-	-	-	-	-	1,641	1,641
Additional Tier 1 issuance	-	-	-	-	265	-	-	265
Total changes from financing cash flows	640	(13)	-	-	235	-	1,641	2,503
Other changes								
Interest expense	22	3	-	-	-	-	-	25
Interest paid	(21)	-	-	-	-	-	-	(21)
Other	-	35	-	-	-	-	-	35
Total liability related other changes	1	38	-	-	-	-	-	39
Total equity related other changes	-	-	99	26	30	(5)	16	166
Balance as at 31 December 2019	891	83	898	76	565	(116)	1,867	4,264

Note

a see note 19 (Leases) for further details

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:

	2020 €m	2019 €m
Cash collateral and settlement balances	**15,788**	5,900
Trading portfolio assets	**5,984**	737
Loans and advances at amortised cost	**1,957**	728
Assets pledged	**23,729**	7,365

The following table summarises the transferred financial assets and the associated liabilities.

	Transferred assets 2020 €m	Associated liabilities 2020 €m	Transferred assets 2019 €m	Associated liabilities 2019 €m
Derivative financial instruments	**16,565**	**16,565**	5,900	5,900
Repurchase agreements	**7,092**	**3,691**	1,465	1,433
Other	**72**	**55**	-	-
	23,729	**20,311**	7,365	7,333

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:

	2020 €m	2019 €m
Fair value of securities accepted as collateral	**40,271**	7,859
Of which fair value of securities re-pledged/transferred to others	**37,623**	5,008

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 €3,583m at 31 December 2020 (31 December 2019: €1,255m) includes €2,415m (31 December 2019: €nil) 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. If the predefined lending performance thresholds are not met, the Bank has the option of repaying their TLTRO III borrowings at quarterly intervals from September 2021.

The Bank is not yet sufficiently confident that it will achieve the predefined lending performance threshold and, as a result, in accordance with IFRS 9, is accruing interest on its TLTRO III borrowings at 0.5%, the average interest rate that it will incur over the period that it expects to have its TLTRO III borrowings in place. This interest rate is not materially different to the rate at which the Bank was in the position to secure euro funding of a similar duration elsewhere when the Bank drew down its TLTRO III borrowings, as a result, the Bank does not consider TLTRO III funding to represent a grant.

Interest income on the TLTRO III borrowings during 2020 amounted to €5m (2019: €nil).

37 Related party transactions and Directors' remuneration

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both.

The migration of loans and derivatives from BB PLC during 2020 and the acquisitions of the European operations from BB PLC in 2019 has materially affected the financial position and the performance of the Bank with regards to its related party transactions. Refer to Note 1 for details of these acquisitions.

Parent company

The parent company is BB PLC, which holds 100% (31 December 2019: 100%) of the issued ordinary shares of the Bank and 100% (31 December 2019: 100%) of the AT1 securities issued by the Bank. The ultimate controlling parent of the Bank is B PLC.

Fellow subsidiaries

Transactions between the Bank and other subsidiaries of the parent company also meet the definition of related party transactions.

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

	Parent	Fellow subsidiaries	Pension funds
	€m	€m	€m
For the year ended and as at 31 December 2020			
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**
For the year ended and as at 31 December 2019			
Total income	267	17	-
Credit impairment charges	-	-	-
Operating expenses	(5)	(138)	-
Total assets	17,304	1,390	4
Total liabilities	19,647	2,940	1

Total income from parent and fellow subsidiaries above of €353m (2019: €284m) includes net fee and commission income of €347m (2019: €312m).

Operating expenses payable to fellow subsidiaries above of €162m (2019: €138m) primarily reflects the cost of services provided by Barclays Execution Services Limited, the B PLC Group-wide service company.

During the year 2020 the Bank issued 100 ordinary shares of €1 each to its parent, at a premium of €1,308m.

The Bank received capital contributions totalling €130m (2019: €1,641) from its parent, BB PLC during the year.

The Bank made coupon payments of €37m (2019: €30m) to its parent during the year on AT1 securities.

As at 31 December 2020, the Bank has collateralised financial guarantees from its parent totalling €4,490m (2019: €2,338m).

Total assets and liabilities with parent and fellow subsidiaries comprise:

As at 31 December	2020 €m	2019 €m
Cash collateral and settlement balances	**1,664**	1,243
Loans and advances at amortised cost	**563**	532
Reverse repurchase agreements and other similar secured lending	**3,174**	2,946
Financial assets at fair value through the income statement	**3,153**	214
Derivative financial instruments	**27,960**	13,654
Other assets	**136**	105
Total assets with parents and fellow subsidiaries	**36,650**	18,694
Deposits at amortised cost	**2,609**	3,727
Cash collateral and settlements balances	**5,031**	2,731
Repurchase agreements and other similar secured borrowing	**1,167**	725
Debt securities in issue	**1,498**	0
Subordinated liabilities	**1,061**	891
Financial liabilities designated at fair value	**9,982**	1,853
Derivative financial instruments	**24,019**	12,517
Other liabilities	**31**	143
Total liabilities with parents and fellow subsidiaries	**45,398**	22,587

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.

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	2020 €m	2019 €m
Loans	**0.4**	0.5
Undrawn amount on credit cards and/or overdraft facilities	**0.6**	0.4
Deposits	**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.

	2020 €m	2019 €m
Short-term employee benefits	**10.7**	12.6
Post-employment benefits	**0.5**	0.7
Share-based payments	**1.8**	1.7
Other long term benefits	**0.9**	1.3
Total Key Management Personnel remuneration	**13.9**	16.3

Directors' remuneration

	2020 €m	2019 €m
Emoluments in respect of qualifying services	**2.7**	2.1
Benefits under long term incentive schemes	**1.1**	0.2
Total Directors' remuneration	**3.8**	2.3

As at 31 December 2020, there were no Directors accruing benefits under a defined benefit scheme or defined contribution scheme (2019: €nil).

38 Auditor's remuneration

Auditor's remuneration is included within administration and general expenses and comprises:

	2020 €m	2019 €m
Audit of the Bank's financial statements	**2.6**	2.2
Other services:		
Other assurance services	**0.4**	0.4
Tax advisory services	**-**	-
Other non-audit services	**-**	-
Total Auditor's remuneration[a]	**3.0**	2.6

Note
a of the 2020 audit fees, €1.3m of the statutory audit fees (2019: €1.1m) and €0.1m (2019: €0.3m) of the non-audit services fees relates to fees paid to other KPMG network firms.

39 Post balance sheet events

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

On 4 January 2021, a debt security issued by the Bank was admitted to trading on the regulated market of the Irish Stock Exchange (trading as Euronext Dublin). 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 now apply to the Bank.

40 Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as LIBOR has become a priority for global regulators. Regulators have instructed market participants to prepare for the cessation of LIBOR after the end of 2021, and to adopt "near Risk-Free Rates" ('RFRs'). 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, Conduct Risk, Client Engagement and Communications, Risk, and Finance. The programme also spans all entities, including BBI. While it is expected that most reforms affecting the Bank will be completed by the end of 2021, consultations and possible regulatory changes are in progress. This may mean that some LIBORs continue to be published beyond that date.

The Bank's risk exposure is predominately to GBP, USD, JPY, CHF and EUR LIBOR and Euro Overnight Index Average ('EONIA') with the vast majority concentrated in derivatives related to market making activities.

The Bank does not consider there to be risk in respect of the Euro Interbank Offered Rate ('EURIBOR') arising from IBOR reform as at 31 December 2020. This is because the calculation methodology of EURIBOR changed during 2019 and the reform of EURIBOR is complete. In July 2019, the Belgian Financial Services and Markets Authority (as the administrator of EURIBOR) granted authorisation with respect to EURIBOR under the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR after 1 January 2021 for both existing and new contracts. The EUR Risk Free Rate Working Group has not contemplated the cessation of EURIBOR. The Bank expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

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 determining these adjustments are undergoing in-depth consultations by industry working groups, on behalf of the respective global regulators and related market participants.

How the Group is managing the transition to alternative benchmark rates

The Transition Programme aims to drive strategic execution, and identify, manage and resolve key risks and issues as they arise. Accountable Executives are in place within key working groups across businesses and workstreams. 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, to drive strategic execution, and identify, manage and resolve key risks and issues as they arise. Accountable Executives are in place within key working groups, with overall Board oversight delegated to the BRC. 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 Barclays Group Finance Director is Chair of the UK's 'Working Group on Sterling Risk-Free Reference Rates', 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 Bank is actively engaging 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 most IBORs are expected to cease to be published. For the derivative population, adherence to the ISDA IBOR Fallbacks Protocol now provides the Bank with an efficient mechanism to amend outstanding trades to incorporate fallbacks. Beyond the

ISDA IBOR Fallbacks Protocol, there will be options to terminate or bilaterally agree new terms with counterparties. The Group expects derivative contracts facing central clearing counterparties to follow a market-wide, standardised approach to reform.

Market participants are currently awaiting publication of the results of ICE Benchmark Administration's consultation on plans to cease publication of most LIBORs at end 2021, with certain, actively used USD LIBOR tenors continuing to be provided until end June 2023. The FCA expects to enable publication of a synthetic LIBOR rate for at least certain actively used GBP LIBOR tenors to facilitate roll-off of relevant contracts that cannot be actively transitioned by end 2021.

Progress made during 2020

During 2020, the Bank has successfully delivered Alternative RFR product capabilities and alternatives to LIBOR across loans, bonds and derivatives. Good progress has been made in relation to client outreach and we have been actively engaging with customers and counterparties to transition or include the appropriate fallback provisions. The Bank has in place detailed plans, processes and procedures to support the transition of the remainder during 2021. Barclays has adhered to the ISDA IBOR Fallbacks Protocol for its major derivative dealing entities and we continue to track progress and engage with clients on their own adherence. Following the progress made during 2020, the Bank continues to deliver technology and business process changes to ensure operational readiness in preparation for LIBOR cessation and transitions to RFRs that will be necessary during 2021 in line with official sector expectations and milestones.

Risks to which the Bank is exposed as a result of the transition

IBOR reform exposes the Bank to various risks, which are being managed through the LIBOR Transition Programme. The material risks identified include those set out below:

- **Conduct and Litigation Risk:** This is the risk that poor customer outcomes are brought about as a direct result of inappropriate or negligent conduct on the part of the Bank, in connection with IBOR transition.
- **Operational Risk:** The LIBOR Transition Programme cuts across all businesses and functions. There are a number of implementation challenges arising from transition, including technology, operations, client communication and the measurement of valuation, giving rise to additional operational risks.
- **Market Risk:** Changes to the Bank Market Risk profile are expected due to IBOR transition. These changes are expected to be managed within risk appetite. IBOR transition will also impact the basis risk profile both at the cessation event (when broadly all LIBOR contracts fall back to alternatives) as well as in the interim period when alternative rates are referenced in contracts.
- **Counterparty Credit Risk:** LIBOR replacement presents an increased risk of clients wishing to renegotiate the terms of existing transactions. This is dependent on client behaviour and the outcome of resulting negotiations and could change the credit risk profile of client exposure.
- **Financial Risk:** There is a risk to the Bank and its clients that markets are disrupted due to IBOR reform. This could give rise to financial losses should the Bank be unable to operate effectively in financial markets.
- **Accounting Risk:** This would occur if the hedged items and hedging instruments of the Bank hedging relationships were to transition away from IBORs: at different times; to different benchmarks; or using divergent methodologies resulting in significant volatility to the income statement either through hedge accounting ineffectiveness or failure of the hedge accounting relationships.

A disorderly cessation of LIBOR would carry substantial economic, legal, regulatory, reputational and operational risks for the Bank and the industry in general. The Bank's expectation is that the transition away from LIBOR will be carefully managed and that measures including the broad adoption of ISDA IBOR Fallbacks Protocol, the approach the Central Clearing Counterparties are expected to follow, proactive client engagement, regulatory action and/or terminating or bilaterally amending contracts where clients do not wish to adopt new conventions (e.g. ISDA IBOR Fallbacks Protocol), can mitigate the risks associated with a disorderly cessation.

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 as at 31 December 2020:

	GBP LIBOR	USD LIBOR	CHF LIBOR	EUR LIBOR	Total
	€m	€m	€m	€m	€m
Non-derivative financial assets					
Loans and advances at amortised cost	415	558	-	315	1,288
Financial assets at fair value through the income statement	-	-	315		315
Non-derivative financial assets	**415**	**558**	**315**	**315**	**1,603**
Standby facilities, credit lines and other commitments	**21**	**1,309**	**-**	**9,954**	**11,284**

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. 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 Bank also has exposure to interest rate benchmark reform in respect of its cash collateral balances across some of its Credit Support Annex agreements, predominately in EONIA. This exposure is not included within the table above due to their short dated nature.

	GBP LIBOR	USD LIBOR	EONIA	JPY LIBOR	CHF LIBOR	Others	Total
	€m	€m	€m	€m	€m	€m	€m
Derivative notional contract amount							
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
Derivative notional contract amount	39,548	67,725	37,749	4,969	6,701	282	156,974

The table above represents the derivative exposures to interest rate benchmark reform, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2021. 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 2020, there were €4.1bn of cross currency swaps where both the pay and receive legs are impacted by interest rate benchmark reform.

The table below provides detail on the contractual maturity of the above exposures:

	Over one year but not more than two years	Over two years but not more than five years	Over five years but not more than ten years	Over ten years	Total
Current benchmark rate	€m	€m	€m	€m	€m
Non-derivative financial assets					
GBP LIBOR	167	248	-	-	415
USD LIBOR	71	456	31	-	558
EUR LIBOR	160	123	12	20	315
CHF LIBOR	25	69	98	123	315
Non-derivative financial assets	423	896	141	143	1,603
Derivative notional contract amount					
GBP LIBOR	9,245	12,952	8,640	8,711	39,548
USD LIBOR	20,818	21,097	13,484	12,326	67,725
EONIA	11,807	15,528	6,307	4,107	37,749
JPY LIBOR	669	2,205	1,878	217	4,969
CHF LIBOR	1,813	1,593	3,047	248	6,701
All Other IBORs	-	66	216	-	282
Derivative notional contract amount	44,352	53,441	33,572	25,609	156,974
Standby facilities, credit lines and other commitments					
GBP LIBOR	-	21	-	-	21
USD LIBOR	828	439	6	36	1,309
EUR LIBOR	1,574	8,079	301	-	9,954
Standby facilities, credit lines and other commitments	2,402	8,539	307	36	11,284

41 Approval of financial statements

The Board of Directors approved the financial statements on 10 March 2021.

Abbreviations

ALCO	Asset & Liability Committee
AQR	Asset Quality Review
AT1	Additional tier 1
BAC	Board Audit Committee
BaFin	German Federal Financial Supervisory Authority
BAU	Business as Usual
BBA	British Banking Association
BB PLC	Barclays Bank PLC
B PLC	Barclays PLC
BBI	Barclays Bank Ireland PLC
BCBS	Basel Committee on Banking Supervision
BCI	Barclays Capital International
BCSL	Barclays Capital Securities Limited
BERC	Barclays Europe Risk Committee
BoE	Bank of England
bps	Basis points
BRC	Board Risk Committee
Brexit	UK's withdrawal from the EU
BRRD	Bank Recovery and Resolution Directive
CBI	Central Bank of Ireland
CCP	Central counterparty clearing
CC&P	Consumer, Cards and Payments
CCyB	Countercyclical capital buffer
CDD	Customer Due Diligence
CDO	Collateralised Debt Obligation
CDS	Credit default swap
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CIB	Corporate and Investment Bank
CPI	Consumer Price Index
CRD	Capital Requirements Directive
CRMF	Conduct Risk Management Framework
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CSDR	Central Securities Depositories Regulation
CVA	Credit Valuation Adjustment
DBO	Defined benefit obligation
DC	Defined contribution
DCF	Discounted Cash Flow
DDoS	Distribute denial of service
DGS	Deposit Guarantee Scheme
DIRT	Deposit Interest Retention Tax
DSVP	Deferred Share Value Plan
DTA	Deferred tax asset
DVA	Debit Valuation Adjustment
D&I	Diversity and Inclusion
EAD	Exposure at Default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected credit losses
EEA	European Economic Area
EIR	Effective interest rate
EMIR	European Market Infrastructure Regulation
EONIA	Euro Overnight Index Average
ERM	Environmental Risk Management
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
EU	European Union
EURIBOR	Euro Inter Bank Offered Rate
€STR	Euro short-term rate
FCA	Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
FFVA	Funding Fair Value Adjustment

Abbreviations

FLI	Forward looking information
FRB	Federal Reserve Board
FSB	Financial Stability Board
FTR	Funds Transfer Regulation
FVTPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
F&P	Fitness and Probity
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GHG	Global greenhouse gas emissions
GMD	Group Models Database
G-SIB	Global systemically important banks
HPI	House Price Index
HQLA	High quality liquid assets
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rates
ICA	Investor Compensation Act
ICAAP	Internal Capital Adequacy Assessment Process
ICS	Investor Compensation Scheme
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
IOSCO	International Organisation of Securities Commissions
IRRBB	Interest Rate Risk in the Banking Book
ISA	International Standards on Auditing
ISDA	International Swaps and Derivative Association
IVU	Independent Validation Unit
KMP	Key management personnel
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIBOR	London Inter Bank Offered Rate
LTV	Loan to Value
MAR	Market Abuse Regulation
MGC	Model Governance and Controls
MiFID	Markets in Financial Instruments Directive in Europe
MLD4	4th Anti-Money Laundering Directive
MLD5	5th Anti-Money Laundering Directive
MRM	Model Risk Management
MREL	Minimum Requirement for own Funds and Eligible Liabilities
MRMQ	Model Risk Measurement and Quantification
M&A	Mergers and acquisitions
NSFR	Net Stable Funding Ratio
O-SII	Other systemically important institution
OTC	Over the Counter
PD	Probability of Default
PEPs	Politically exposed persons
Pillar 2G	Pillar 2 Guidance
Pillar 2R	Pillar 2 Requirements
POCI	Purchased or originated credit-impaired financial asset
PRA	Prudential Regulation Authority
PS	Probabilities of Survival
PSD2	Payments Services Directive
QCCP	Qualifying central counterparty
RFR	Risk free rate
RNIME	Risks not in model engine
RoI	Republic of Ireland
RoU	Right of Use
RoW	Rest of World
RPI	Retail Price Index
RRMF	Reputation Risk Management Framework
RW	Ramsar Wetlands
RWAs	Risk weighted assets
RWN	Rating Watch Negative

Abbreviations

SARON	Swiss Average Rate Overnight
SCA	Strong Customer Authentication
SOFR	Secured Overnight Funding Rate
SONIA	Sterling Overnight Index Average
SPPI	Solely payments of principal and interest
SRB	Single Resolution Board
SREP	Supervisory Review & Evaluation Process
SRF	Single Resolution Fund
SRMR	Single Resolution Mechanism Regulations
SSM	Single Supervisory Mechanism
SVP	Share Value Plan
S&P	Standard and Poor’s
TCA	Trade and Cooperation Agreement
TLAC	Total Loss Absorbing Capacity
TLTRO	Targeted longer-term refinancing operations
T1	Tier 1
UK	United Kingdom
UN	United Nations
US	United States
VaR	Value at Risk
WHO	World Health Organization
WHS	World Heritage Sites

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 2020 to the corresponding twelve months of 2019 and balance sheet analysis as at 31 December 2020 with comparatives relating to 31 December 2019. 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.

The information in this announcement, which was approved by the Board of Directors on 10 March 2021, 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 2020, 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, 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: 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; 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 manage and mitigate the impacts of climate change effectively; 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 cyberattacks, information or security breaches or technology failures on the Bank's 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 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.