Barclays Bank Ireland PLC
Annual Report

31 December 2018

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DIRECTORS' REPORT

The Directors present the annual report and audited financial statements for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITY

Barclays Bank Ireland PLC ("the Bank") is licensed by the Central Bank of Ireland and received its banking licence on 7 March 2005. To help the Barclays Group manage its risks related to the departure of the United Kingdom from the European Union ("Brexit"), the Bank sought approval from the Central Bank of Ireland to expand its activities to include certain activities of Barclays Bank PLC ("BB PLC"). On the 8 October 2018 the Central Bank of Ireland notified the Bank that it had completed its assessment of the material changes to its business model and noted the expansion of activities in the Bank.

For the period until 1 December 2018 the principal activity of the Bank continued to be the provision of wholesale banking services to corporate entities and private bank management advisory services. On 1 December 2018, as the first stage of the expansion, certain business activities of the German Branch of BB PLC were transferred to the Bank. In addition to the existing activities the principal activity of the German branch is the provision of wholesale banking services to corporate entities and retail banking services.

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

Since 31 December 2018, the expansion of the activities has continued with the transfer to the Bank of further European businesses activities from BB PLC. Further information is provided below under the post balance sheet events section.

BUSINESS REVIEW

The Bank's profit after tax for the year ended 31 December 2018 was €20.0 million (2017: €22.5 million) resulting in a decrease of 11% year on year. The increase in income generated in the year was offset by the additional cost to support the continued expansion of the Bank.

The Bank's Common Equity Tier 1 ratio remains strong at 15.7% as at 31 December 2018 (2017: 16.7%). The movement in the year is due primarily to an increase in the level of credit risk weighted assets attributed to the transfer of the German business, partly offset by Tier 1 capital issuance. The Bank's total capital ratio was 21.1% as at 31 December 2018 (2017: 19.4%). 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.

Profit before tax for the financial year ended 31 December 2018 was 2.8% down on prior year. Profit growth from business activities including the addition of the German business in December, was more than offset by an increase in costs related to expansion in activities. The impact of the transfer of the German business on 1 December 2018 is disclosed in note 2 to the financial statements.

Customer deposits increased by 132% in 2018 to €6,396 million and customer loans and advances increased by 281% to €4,902 million resulting in the loan to deposit ratio increasing from 47% in 2017 to 77% as at the end of 2018. The ratio of 77% reflects a position where the Bank was fully able to fund customer loans from customer deposits.

IFRS 9 was implemented prospectively with effect from 1 January 2018. The effect of the change in accounting policy was an increase in impairment provision on loans of €1.9 million, on undrawn commitments and guarantees of €0.4m and a deferred tax asset of €0.3 million, which in accordance with IFRS, were taken to retained earnings. The Bank posted an impairment charge of €4.9 million in the financial year ended 31 December 2018 (2017: release of €0.046 million, under IAS 39). The total balance sheet impairment provision at the end of 2018 was €291.7 million, of which €286.0 million related to the German business.

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

The Bank holds high quality liquid assets in the form of €6,220 million placed with central banks as at 31 December 2018 (2017: €528 million).

The Bank is the principal employer in a defined benefit pension plan in Ireland that was closed to future accrual in May 2013. At the end of 2018, the Bank's retirement benefit obligations on the plan was a net liability of €7.2 million being the present value of the plan liabilities less the fair value of the plan assets, versus a prior year net liability of €7.5 million. During the reporting period, the Bank assumed responsibility for additional pension liabilities relating to Barclays' operations in Germany. With an effective date of 1 December 2018, pension liabilities of €28.0 million were transferred from the German Branch of BB PLC to the Bank and were immediately recognised.

RESULTS AND DIVIDENDS

The Bank's profit after tax for the financial year ended 31 December 2018 was €20.0 million (financial year ended 31 December 2017: €22.5 million). No interim dividend was paid in 2018 (2017: € 46.3 million). The Directors do not propose to make a final dividend payment for the financial year ended 31 December 2018 (financial year ended 31 December 2017: € nil).

POST BALANCE SHEET EVENTS

The Bank became classified as a significant supervised entity, directly supervised by the European Central Bank ("ECB"), as of 1 January 2019.

Barclays received approval from the High Court (UK) on 29 January 2019 to transfer certain Banking and Markets, Corporate and Private Bank and Overseas Services business to the Bank under Part VII of the Financial Services and Markets Act 2000. This enables the Bank to duplicate or transfer contracts currently in place with BB PLC and Barclays Capital Securities Limited ("BCSL") to the Bank rather than requiring new documentation to be signed and minimises disruption to European customers in respect of the UK's intention to depart from the EU. In addition, business activities are being transferred in some situations through the execution of new contracts.

In line with the Bank's expansion plan to serve Barclays' European customers, further business activities have been transferred to the Bank from BB PLC, since 1 January 2019. These further transfers relate primarily to activities in BB PLC branches in Spain, Sweden on 1 February 2019 and Portugal, France, Italy and the Netherlands on 1 March 2019. In addition, certain corporate and investment banking activities previously in the BB PLC, its branches and BCSL have been moved and these transfers are ongoing.

The primary impact to the Bank of the above transactions was an increase in loans to customers of €8 billion, together with the associated funding, resulting in an increase in net assets of €0.2 billion.

Since 31 December 2018 the Bank has issued 100 million ordinary shares of €1 each and share premium of €26 million. A merger reserve of €86 million has been recognised. The Bank has also received cash capital contributions of €771 million since 31 December 2018. In addition, the Bank issued T2 subordinated debt in the amount €431 million and non-capital subordinated debt of €125 million. The Bank has also repaid a €50 million Tier 2 subordinated debt, initially drawn on 16 December 2013. All of the transactions have been with its parent BB PLC.

The Bank continues to monitor ongoing developments on Brexit and related impacts on the future plans and risk profile of the Bank.

FUTURE DEVELOPMENTS

The expansion of business will continue in the coming period with the ongoing transfer of Corporate and Investment Banking and Private Bank activities with European clients.

DIRECTORS

The names of persons who were Directors at any time during the financial year ended 31 December 2018, or who have been appointed since that date, are set out below.

Current Directors

Name	Appointment	Nationality	Role
Helen Keelan (2), (4), (5)		Irish	Chair and Board Nominations Committee Chair
Etienne Boris (2), (3), (4), (5)	(appointed 19 Jul 2018)	French	Board Audit Committee Chair
Thomas Huertas (2), (3), (4)	(appointed 19 Jul 2018)	American	Board Risk Committee Chair
Andrew Dickens (1), (3), (4)	(appointed 9 Jan 2019)	South African	
David Farrow (1), (3), (4)		British	
Eoin O'Driscoll (2), (3), (5)		Irish	
Keith Smithson	(appointed 20 Jul 2018)	Irish	Chief Financial Officer
Kevin Wall		British	Chief Executive Officer

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

Former Directors

Name	Resignation
James Kelly	(resigned 10 Dec 2018)
Sinead Mahon	(resigned 18 Jun 2018)
David Martin	(resigned 26 Jul 2018)

SECRETARY

Paul McCullagh

COMPANY NUMBER

396330

Directors' report

AUDIT COMMITTEE

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

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

RISK COMMITTEE

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

- advising the Board on risk appetite and risk tolerance for present and future strategy, taking account of the Board's overall risk appetite and the current financial situation of the Bank; and
- overseeing and ensuring the development and ongoing maintenance of effective risk management policies and procedures within the Bank, including those relating to capital and liquidity, that are effective and proportionate to the nature, scale and complexity of risks inherent in the business.

NOMINATIONS COMMITTEE

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

- supporting the Board in ensuring that it is comprised of individuals who are best able to discharge the duties and responsibilities of Directors;
- making recommendations to the Board on all new appointments of both Executive and Non-Executive Directors; and
- ensuring appropriate succession plans are in place for the Board, the Bank's Executive Committee and certain other roles.

REMUNERATION COMMITTEE

Since the balance sheet date, the Directors have approved the establishment of a Remuneration Committee.

DIRECTORS' AND SECRETARY'S INTERESTS

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

PRINCIPAL RISKS AND UNCERTAINITIES

The principal risks faced by the Bank are credit risk, market risk, liquidity risk and operational risk. The financial risk management objectives and policies of the Bank and the exposure of the Bank to these key risks are set out in the financial risk management section and in note 21.

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

FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Bank manages a variety of risks with credit, operational, conduct, liquidity, interest and foreign currency risks being the most significant. These risks are identified, measured and monitored through various control mechanisms across the Bank in order to price facilities and products on a risk adjusted basis and to highlight risk concentrations which require management attention. Independent checks on risk issues and key processes are undertaken by the Bank's internal audit function. Refer to note 21 for detailed note on financial risk management.

Credit risk

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

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

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

Operational risk

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

Conduct risk

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

Funding and liquidity risk

The objective of liquidity management is to ensure the availability, at all times, of sufficient funds to meet the Bank's obligations. The Bank holds clients deposits and cash reserves in excess of client advances and maintains a balance of high quality liquid assets with central banks in order to ensure availability of funds and to support the liquidity position.

Interest rate risk

A bank is always exposed to some extent to a financial loss arising from adverse interest rate movements. The risk arises in the natural course of its business, where assets and liabilities initiated by client demand exhibit different maturity profiles, while the bank is actively managing the residual exposure under strict limits.

Foreign exchange risk

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

CODE OF CORPORATE GOVERNANCE

The Bank is subject to the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings.

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 applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (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 provision of the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsible 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 on the Bank's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

DIRECTORS' COMPLIANCE STATEMENT

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

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.
- A review of the arrangements and structures referred to in the second point above has been conducted during the financial year ended 31 December 2018.

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, the provision of adequate resources to the finance function and the use of appropriate systems. The accounting records are kept at the Banks' registered office at 1 Molesworth Street, Dublin 2.

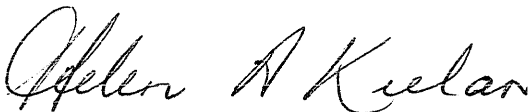
GOING CONCERN

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

AUDITORS

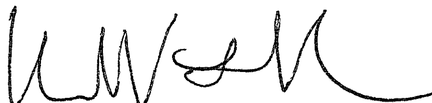
KPMG have expressed their willingness to continue in office in accordance with section 383(2) of the Companies Act 2014.

On behalf of the Board



Helen Keelan
Chair

Kevin Wall
Chief Executive



Keith Smithson
Chief Financial Officer

13 March 2019

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Barclays Bank Ireland PLC ('the Bank') for the year ended 31 December 2018 set out on pages 12 to 65, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and the related notes, including the accounting policies. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

• the financial statements give a true and fair view of the assets, liabilities and financial position of the Bank as at 31 December 2018 and of its profit for the year then ended;

• the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; 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 audit committee.

We were appointed as auditor by the directors on 24 April 2017. The period of total uninterrupted engagement is the 2 years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remained independent of the Bank in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Key audit matters: our assessment of risks of material misstatement

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

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

IFRS 9 – Expected credit losses

Refer to note 1 (accounting policy) and note 7 (financial disclosures)

The key audit matter

On 1 January 2018 the Bank adopted IFRS 9. This new and complex standard requires the Bank to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates and resulted in an increase in impairment losses on initial application of approximately €2.0 million. During the year, impairment loss provisions moved from €1.4 million as at 31 December 2017 to €291.7 million as at 31 December 2018, with a charge to the income statement of €4.9m.
Due to the complexity of the models there is a risk of incorrect valuation of loans and advances to customers through inaccurate calculations of the expected credit loss.

The key areas where we identified greater levels of judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are:

- *Stage 2 transfer criteria and accuracy of key data inputs* – Both the criterion selected to identify an increase in credit

How the matter was addressed in our audit

Stage 2 transfer criteria and accuracy of key data inputs
We performed an end to end process walkthrough to identify key applications and controls. We tested the design and operating effectiveness of key controls relating to authorisation of the stage 2 transfer criteria, validation metrics and the application of the stage 2 criteria in the models.
We tested the design and operating effectiveness of the key controls over the accuracy of the establishment of the key data elements to which the significant risk applies in the relevant systems including the manual default grades assigned to loans in the annual review process. We also tested the accuracy of the transfer of these key data elements from the source systems into the IFRS 9 impairment models.
We tested General IT controls over the key systems used in the process to provide data and calculate ECLs and the IT access and change controls over model storage applications.
We challenged the Bank's selection of stage 2 criteria comparing this to our knowledge of industry practice.
We engaged credit specialists to recalculate material validation metrics used to calibrate the stage 2 transfer criteria.

risk is a key area of judgement as is data inputs to the ECL model.

- *Accuracy of PD models* – Inherently judgemental modelling is used to estimate ECLs which involves determining Probabilities of Default (PD), Loss Given Default and Exposures at Default. The PD models used are the key drivers of the Bank's ECL results and are therefore the most significant judgemental aspect of the Bank's ECL modelling approach.
- *Economic scenarios* – IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant judgement is applied to determining the economic scenarios used and the probability weightings applied to them.

The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers 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.

We inspected the stage 2 transfer criteria application in the PD models and tested the completeness and accuracy of the stage 2 population.

We performed reconciliations of key data elements to which the significant risk applies between the source systems and the impairment models at the year end to test the impact of any breaks in the reconciliations on the ECL calculation and the appropriateness of their resolution.

Accuracy of PD models

We performed an end to end process walkthrough to identify the key applications and controls, and tested design, implementation and operating effectiveness of key controls in the model monitoring process performed by the Bank (i.e. retrospective reviews), including controls applied locally to refine the precision of the models to a level appropriate for the Bank.

We tested the General IT controls over the key systems used in the PD modelling process to provide data and calculate the provision, and the IT access and change controls over the model storage applications.

We engaged credit specialists to inspect the accuracy of the material PD models used to derive expected credit losses on the retail and corporate portfolios and benchmarked outputs against industry practice.

We performed independent back testing of the accuracy of the PDs determined by the models.

Appropriateness of economic scenarios

We performed an end to end walkthrough to identify the key applications and controls. We tested the design, implementation and operating effectiveness of key controls relating to selection and implementation of material economic variables and the manual controls over the scenario selection and probabilities.

We re-performed certain aspects of the model validation performed by the Bank's independent valuation unit with support from economic specialists.

We tested the General IT controls over the key systems used in the process to provide data and calculate the economic scenarios and associated probabilities, and the IT access and change controls over the model storage application.

We challenged the identification of the key macroeconomic variables and compared these to external information.

We tested the appropriateness of the key macroeconomic variables for example by comparing them to alternative data sources.

We challenged the selection of economic scenarios and the probability weightings applied. We performed sensitivity analysis to understand the main drivers for movements in scenarios.

Based on the evidence obtained, we found the expected credit loss charge and impairment loss provision recognised to be reasonable.

Valuation of defined benefit pension liability

Refer to note 1 (accounting policy) and note 26 (financial disclosures)

The key audit matter

The Bank operates a number of defined benefit pension schemes in both Ireland and its German branch and has a net defined benefit pension liability at 31 December 2018 of €35.0 million, of which €27.7 million was recognised on 1 December 2018 with the acquisition of the German branch.

The valuations of the pension obligations are calculated with reference to a number of actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. It is required to be re-measured every year under IAS 19.

We regard the determination of the Bank's defined benefit pension liability as a key audit matter because its valuation is complex and requires judgement in the determination of appropriate actuarial assumptions. Small changes in these assumptions can have a material impact on the liability.

How the matter was addressed in our audit

We obtained an understanding of the process of valuing the defined benefit pension liability and tested the design, implementation and operating effectiveness of key controls relating to the defined benefit pension liability within the entity and its service organisations.

We engaged actuarial specialists and held discussions with management and the Bank's actuaries to understand, assess and challenge the key judgements made in determining the economic assumptions used in the calculation of the liability. We challenged the reasonableness of those assumptions by comparing them to our own independently determined benchmarks.

We also considered the adequacy of the Bank's disclosures.

Based on the evidence obtained, we found that the data and assumptions used in the actuarial valuations for the defined benefit liability to be reasonable.

Migration of German balances

Refer to note 1 (accounting policy) and note 2 (financial disclosures)

The key audit matter

On 1 December 2018, following a decision by the Bank's parent to move all European operation assets to Barclays Bank Ireland PLC, the Bank acquired the assets and liabilities of the German branch of Barclays Bank PLC, comprising a credit cards and retail loan portfolio and corporate banking facilities as well as the associated income streams.

The financial statement impact of this migration is significant. Assets have increased from €3.2 billion to €12.2 billion; liabilities have increased from €2.8 billion to €10.9 billion year on year.

Accounting for the migration is complex and involves judgement.

Due to the significance of the transaction and its transformative impact on the financial statements, and the complexities involved with significant audit time spent analysing the transaction, this is considered a key audit matter.

How the matter was addressed in our audit

We obtained an understanding and tested the design and implementation of key controls in place in respect of the migration.

We assessed the Bank's accounting policy for transactions between entities under common control and discussed the accounting treatment afforded to this transaction with representatives of the Bank and the Bank's Technical Accounting Group.

We read the Business Transfer Agreement to understand the key terms and conditions underpinning the transaction.

We inspected the calculations underpinning the transaction within equity including the recognition of share capital and the establishment of the merger reserve and considered the appropriateness of the Bank's application of group reorganisation relief in the context of Irish company law.

We assessed the adequacy of the Bank's disclosures in respect of the acquisition of the German branch.

Based on evidence obtained, we found that the accounting for the acquisition of the German branch is reasonable.

Fraud and error risk over revenue recognition – EIR

Refer to note 1 (accounting policy) and note 3 (financial disclosures)

The key audit matter

The Bank has several revenue streams with high volumes of low margin transactions.

Interest income earned on loans is recognised using the effective interest rate method. The key assumption in this calculation is the expected life of the loans and the profile of the cash flows. There is a risk that this judgement may not appropriately reflect all the facts available which would misstate interest income.

We have isolated the fraud risk relating to revenue recognition to effective interest rate (EIR) adjustment to interest income, where we have also identified a risk of error due to the judgements and manual intervention involved.

There is a risk that the timing of revenue could be manipulated to meet specific targets or expectations as the determination of the timing of recognition of certain fee and commission income streams can require judgement.

The calculation of the adjustment requires judgement to be exercised over both the time period and quantum by which fees charged by the Bank through the normal course of lending are recognised in the income statement in accordance with either IFRS 9 on an EIR basis or as fee income under IFRS 15. There is a risk that revenue could be fraudulently recognised by way of this adjustment in order to manipulate results.

How the matter was addressed in our audit

We obtained an understanding and tested the design implementation and operating effectiveness of key controls relating to the revenue process from initiation to recording in the financial statements including controls around the determination of the EIR amortisation period and key IT application controls governing the automated calculation of interest and fee income.

We assessed the revenue recognition policies in place at the Bank for compliance with IFRS 9 and IFRS 15.

We recalculated interest income for a sample of instruments and assessed whether these entries were appropriately calculated under the relevant revenue recognition policy, that the expected life assumption was reasonable and that interest is appropriately recorded in the income statement.

We performed specific items testing for revenue entries made in respect of the EIR adjustment near the financial year end to assess whether revenue has been recognised in the correct period.

We inspected a sample of relevant lending agreements to determine that appropriate rates were used in the calculations of the EIR adjustment.

Based on evidence obtained, we found that the application of the Bank's revenue recognition accounting policy is reasonable.

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

Materiality for the financial statements as a whole was set at €11.8 million (2017: €1.25 million) determined with reference to a benchmark of profit before tax from continuing operations, normalised by grossing up the profit before tax earned by the German branch (using actual results earned by the German branch prior to its acquisition by the Bank) to a full year, to reflect the normalised returns of the continuing business. This produced a benchmark of €236 million, to which we applied a percentage of 5% in determining materiality (2017: 5% of profit before tax).

Materiality was determined in the aforementioned manner as a material transaction was undertaken on 1 December 2018 to migrate the German business to the Bank. This transaction significantly enlarged the Bank's balance sheet. Given the profitability of the German branch and the proximity of the transaction to the financial year end, we considered it necessary to normalise profit before tax ("PBT") in order to determine an appropriate materiality level. Materiality considers the scale of operations on a continuing basis, as this is considered to most influence the decisions of users of the financial statements. The PBT measure remains the most relevant metric applicable to the Bank when determining materiality. It is the metric that was used for the audit for the year ended 31 December 2018.

We reported to the Audit Committee all corrected and uncorrected misstatements we identified during our audit with a value in excess of €0.59 million in addition to other audit misstatements below that amount that, in our view, warranted reporting on qualitative grounds.

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

The Bank operates both in Ireland and Germany, with branch locations in Frankfurt and Hamburg. Each branch was subject to audit procedures performed by component auditors who performed full scope audits of the complete financial information of the Irish and German branch.
We instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. We approved the materiality for components which ranged from €6 million to €10 million, having regard to the mix of size and risk profile.

For the following income statement and statement of comprehensive income accounts, we applied lower materiality levels in order to ensure we obtained sufficient appropriate audit evidence:

- Interest income
- Fee and commission income
- Credit impairment charges and other provisions
- Retirement benefit re-measurements

We visited both component locations in Frankfurt and Hamburg, and undertook an assessment of the audit risk assessment and strategy. Telephone conference meetings were also held regularly with these component auditors. At these visits and meetings, the findings reported to us were discussed in more detail, and further work required by the Group team was then performed by the component auditor as necessary.
Our audit of the Bank was undertaken to the materiality level specified above and was all performed at the Bank's offices in Dublin, Frankfurt and Hamburg.

We have nothing to report on going concern

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

Other information

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

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

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Bank were sufficient to permit the financial statements to be readily and properly audited and the Bank's financial statements are in agreement with the accounting records.

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

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

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

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

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 https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf

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

Our report is made solely to the Bank's 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 our report, or for the opinions we have formed.

Date 13 March 2019

Signature:

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

Financial statements

Income statement

For the year ended 31 December	Notes	2018 €'000	2017 €'000
Interest income	3	**87,047**	56,297
Interest expense	3	**(29,297)**	(24,695)
Net interest income		**57,750**	31,602
Fee and commission income	4	**31,347**	14,476
Fee and commission expense	4	**(5,777)**	-
Net fee and commission income		**25,570**	14,476
Net trading income	5	**4,400**	2,682
Net investment expense	6	**(2,876)**	(4,504)
Total income		**84,844**	44,256
Impairment (losses) and gains on financial instruments	7	**(4,867)**	46
Net operating income		**79,977**	44,302
Staff costs	24	**(27,627)**	(13,568)
Infrastructure costs	8	**(8,076)**	(1,328)
Administration and general expenses	8	**(19,498)**	(3,911)
Operating expenses		**(55,201)**	(18,807)
Profit before tax		**24,776**	25,495
Taxation	9	**(4,812)**	(3,014)
Profit after tax		**19,964**	22,481

Note
The presentation of certain prior year comparative items has been amended. Please refer to note 28 for further details.

Financial statements

Statement of comprehensive income

For the year ended 31 December	2018 €'000	2017 €'000
Profit after tax	**19,964**	22,481
Other comprehensive (loss)/income that will not be reclassified to profit or loss:		
Retirement benefit re-measurements	**(466)**	3,478
Tax	**142**	(569)
Other comprehensive (loss)/income that will not be reclassified to profit or loss	**(324)**	2,909
Total comprehensive income for the year	**19,640**	25,390

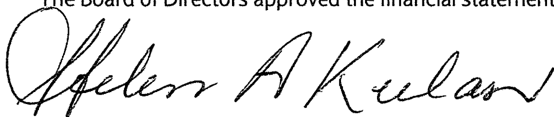
Financial statements

Balance sheet

As at 31 December	Notes	2018 €'000	2017 €'000
Assets			
Cash and balances at central banks		**6,220,070**	528,265
Cash collateral and settlement balances		**11,267**	-
Loans and advances to banks	12	**1,247,845**	1,392,480
Loans and advances to customers	12	**4,902,471**	1,287,346
Derivative financial instruments	11	**377**	2,570
Intangible assets	14	**41,982**	118
Property, plant and equipment	13	**11,506**	15
Current tax assets	9	**191**	-
Deferred tax assets	9	**70,387**	940
Other assets	15	**102,808**	5,945
Total assets		**12,608,904**	3,217,679
Liabilities			
Deposits at amortised cost	12	**10,556,555**	2,819,989
Cash collateral and settlement balances	16	**366,318**	-
Subordinated liabilities	22	**250,256**	50,049
Derivative financial instruments	11	**3,243**	2,519
Current tax liabilities	9	**2,623**	16
Retirement benefit liabilities	26	**35,009**	7,521
Other liabilities	18	**141,710**	5,451
Provisions	19	**4,890**	-
Total liabilities		**11,360,604**	2,885,545
Equity			
Called up share capital and share premium	23	**849,222**	138,446
Other equity instruments	23	**300,000**	-
Other reserves		**(110,776)**	-
Retained earnings		**209,854**	193,688
Total equity		**1,248,300**	332,134
Total liabilities and equity		**12,608,904**	3,217,679

Note
The presentation of certain prior year comparative items has been amended. Please refer to note 28 for further details.

The Board of Directors approved the financial statements on pages 12 to 65 on 13 March 2019.



Helen Keelan
Chair

Kevin Wall
Chief Executive

Keith Smithson
Chief Financial Officer

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[c]	Total equity
	€'000	€'000	€'000	€'000	€'000
Balance as at 31 December 2017	**138,446**	**-**	**-**	**193,688**	**332,134**
Effects of changes in accounting policies[d]	-	-	-	(2,036)	(2,036)
Balance as at 1 January 2018	**138,446**	**-**	**-**	**191,652**	**330,098**
Profit after tax	-	-	-	19,964	19,964
Retirement benefit remeasurement	-	-	-	(324)	(324)
Total comprehensive income for the year	**-**	**-**	**-**	**19,640**	**19,640**
Issue of new ordinary shares	710,776	-	-	-	710,776
Issue and exchange of other equity instruments	-	300,000	-	-	300,000
Net equity impact of intra-group transfers	-	-	(110,776)	-	(110,776)
Other reserve movements[e]	-	-	-	(1,438)	(1,438)
Balance as at 31 December 2018	**849,222**	**300,000**	**(110,776)**	**209,854**	**1,248,300**

	Called up share capital and share premium[a]	Other equity instruments[a]	Other reserves[b]	Retained earnings[c]	Total equity
Balance as at 31 December 2016	138,446	-	-	214,598	353,044
Effects of changes in accounting policies	-	-	-	-	-
Balance as at 1 January 2017	138,446	-	-	214,598	353,044
Profit after tax	-	-	-	22,481	22,481
Retirement benefit remeasurement	-	-	-	2,909	2,909
Total comprehensive income for the year	-	-	-	25,390	25,390
Dividends on ordinary shares	-	-	-	(46,300)	(46,300)
Balance as at 31 December 2017	138,446	-	-	193,688	332,134

Notes

a For further details refer to note 23.

b Other reserves relate to a merger reserve in respect of the transfer of the German business, and reduce the amount of distributable reserves in the Bank.

c Included within retained earnings is a capital contribution made on 24 June 2005 of €121m. The Bank received this from its parent, BB PLC, for ongoing use in its operations. The Bank has no repayment obligation in respect of this contribution. In 2017 this capital contribution was recorded as a separate line item on the balance sheet and on the statement of changes in equity.

d Relates to the day 1 impact of IFRS 9. Further details in note 28.

e Other reserve movements in retained earnings represents the take on of retirement benefit obligations from the German branch which are non-distributable.

Cash flow statement

For the year ended 31 December	Notes	2018 €'000	2017 €'000
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax		**24,776**	25,495
Adjustment for non-cash items:			
Allowance for impairment on financial instruments		**4,867**	(46)
Depreciation, amortisation and impairment of property, plant, equipment and intangibles		**1,819**	282
Other provisions, including pensions		**1,015**	(458)
Other non-cash movements		**(119)**	-
Changes in operating assets and liabilities			
Net (increase)/decrease in loans and advances		**(168,242)**	209,086
Net decrease in cash collateral and settlement balances		**366,318**	-
Net increase in deposits and debt securities in issue		**1,521,537**	380,512
Net decrease in derivative financial instruments		**2,917**	30
Net (increase)/decrease in other assets		**(45,803)**	627,854
Net increase/(decrease) in other liabilities and provisions		**29,339**	(635,446)
Corporate income tax paid	9	**(2,632)**	(2,800)
Net cash from operating activities		**1,735,792**	604,509
Net cash acquired from the acquisition of the German branch		**2,851,278**	-
Purchase of property, plant and equipment and intangibles		**(3,371)**	-
Net cash from investing activities		**2,847,907**	-
Dividends paid		**-**	(46,300)
Issuance of subordinated debt	22	**200,000**	-
Net issue of shares and other equity instruments		**550,000**	-
Net cash from financing activities		**750,000**	(46,300)
Net increase in cash and cash equivalents		**5,333,699**	558,209
Cash and cash equivalents at beginning of year		**1,826,300**	1,268,091
Cash and cash equivalents at end of year		**7,159,999**	1,826,300
Cash and cash equivalents comprise:			
Cash and balances at central banks		**6,220,070**	528,265
Loans and advances to banks with original maturity less than three months		**928,662**	1,298,035
Cash collateral and settlement balances with banks with original maturity less than three months		**11,267**	-
		7,159,999	1,826,300

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 €87,047k (2017: €56,297k) and interest paid by the Bank was €27,081k (2017: €29,047k).

Notes to the financial statements

For the year ended 31 December 2018

1 Significant accounting policies

1. Reporting entity

These financial statements are prepared for the Bank under the Companies Act 2014. For the period until 1 December 2018 the principal activity of the Bank continued to be the provision of wholesale banking services to corporate entities and private bank management advisory services. On 1 December 2018 as the first stage of the expansion to include activities of BB PLC, certain business activities of the German Branch of BB PLC were transferred to the Bank. The principal activity of the German branch is the provision of wholesale banking services to corporate entities and retail banking services.

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 as adopted by the European Union. The principal accounting policies applied in the preparation of the financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

3. Basis of preparation

The 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 thousands of Euro (€), the functional currency of the Bank.

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

Foreign Exchange rates used during the year are as follow:

	31 December 2018		31 December 2017	
	Average	Closing	Average	Closing
€ / STG £	0.8846	0.8960	0.8761	0.8882

4. Accounting policies

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

(i) Foreign currency translation

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

(ii) Financial assets and liabilities

The Bank applies IFRS 9 *Financial Instruments* to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

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. The accounting policy for each type of financial asset or liability is included within the relevant note for the item.

1 Significant accounting policies continued

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 cash collateral

Cash collateral provided is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit and loss.
Cash collateral received is accounted for as a financial liability at amortised cost, unless it is designated at fair value through profit and 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. Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

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

5. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the adoption of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and the amendments to IFRS 2 *Share-based Payment* on 1 January 2018.

IFRS 9 – Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces key changes in the following areas:

- Classification and measurement – requiring asset classification and measurement based upon both business model and product characteristics
- Impairment – introducing an expected credit loss model using forward looking information which replaces an incurred loss model. The expected credit loss model introduces a three-stage approach to impairment as follows:

Stage 1 – the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired.

As required by IFRS 9, the Bank applied IFRS 9 retrospectively by adjusting the opening balance sheet at the date of initial application (1 January 2018), and comparative periods have not been restated. See transition note 28 for further details.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*. IFRS 15 establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model includes: 1) identifying the contract with the customer, 2) identifying each of the performance obligations included in the contract, 3) determining the amount of consideration in the contract, 4) allocating the consideration to each of the identified performance obligations and 5) recognising revenue as each performance obligation is satisfied. The Bank elected the cumulative effect transition method with a transition adjustment calculated as of 1 January 2018, and recognised in retained earnings without restating comparative periods. There were no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Bank recognises revenues or when revenue should be recognised gross as a principal or net as an agent.

IFRS 2 – Share-based Payment – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. Adoption of the amendments did not have an significant impact on the Bank.

1 Significant accounting policies continued

Future accounting developments

There have been and are expected to be a number of significant changes to the Bank's financial reporting after 2018 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRS 16 – Leases

In January 2016 the IASB issued IFRS 16 *Leases*, which was subsequently endorsed by the EU in November 2017, and will replace IAS 17 *Leases* for period beginning on or after 1 January 2019. IFRS 16 will apply 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. A lessee may elect not to apply IFRS 16 to remaining assets within the scope of IAS 38 *Intangible Assets.*

There is a recognition exception for leases with a term not exceeding 12 months which allows the lessee to apply similar accounting as an operating lease under IAS 17.

Subsequently the lease liability will increase for the accrual of interest, resulting on 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 Bank's IFRS 16 implementation and governance programme has been led by the Bank's finance team, with representation from all impacted departments. The project has identified the contracts impacted by IFRS 16, which are predominantly existing property leases. Other lease types are not material. The project has also established appropriate accounting policies, determined the appropriate transition options to apply, and updated finance systems and processes to reflect the new accounting and disclosure requirements

As permitted by the standard, the Bank intends to apply IFRS 16 on a retrospective basis but to take advantage of the option not to restate comparative periods by applying the modified retrospective approach. The Bank intends to take advantage of the following transition options available under the modified retrospective approach:

- to calculate the right of use ("ROU") asset equal to the lease liability, adjusted for prepaid or accrued payments;
- to rely on the previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Bank will adjust the carrying amount of the ROU asset at the date of initial application by the previous carrying amount of its onerous lease provision;
- apply the recognition exception for leases with a term not exceeding 12 months; and
- use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The expected impact of adopting IFRS 16 is an increase in assets of €50,193k, an increase in liabilities of €50,024k with no material impact on retained earnings. This impact assessment has been estimated under an interim control environment. The implementation of the comprehensive end state control environment will continue as the Bank introduces business as usual controls through 2019.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The effective date is 1 January 2019. The Bank has considered the guidance included within the interpretation and concluded that the prescribed approach under IFRIC 23 will not have a material impact on the Bank's financial position.

IAS 12 – Income Taxes – Amendments to IAS 12

In December 2017, as part of the Annual Improvements to IFRS Standards 2015-2017 Cycle, the IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. Effective from 1 January 2019 the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in, and will reduce, the income statement tax charge. The impact on the Bank's effective tax rate of this change will be dependent on the size of the applicable payments made in each future period.

IAS 19 – Employee Benefits – Amendments to IAS 19

In February 2018 the IASB issued amendments to the guidance in IAS 19 *Employee Benefits*, in connection with accounting for plan amendments, curtailments and settlements. The amendments must be applied to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. The amendments have not yet been endorsed by the EU. Adoption of the amendments is not expected to have significant impact on the Bank.

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.

Critical accounting estimates are disclosed in note 26 (Pensions and post-retirement benefits – obligations).

The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements are disclosed in note 7 (Impairment (losses) and gains on financial instruments) and note 9 (Taxation).

2 Acquisition of business

Accounting for acquisition of business under common control

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

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

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

Following a decision to move European operations to the Bank, certain German business activities, largely comprising of Barclaycard and Corporate Banking customers, were acquired from BB PLC on 1 December 2018.

The assets and liabilities were recognised by the Bank at their predecessor book values in the consolidated financial statements of Barclays PLC on the date of transfer. The total net assets transferred to the Bank were €350,307k. The net assets were transferred in exchange for 460,776k ordinary shares issued by the Bank less a merger reserve of €110,776k.

The acquisition from BB PLC has resulted in a material change to the financial position and results of the Bank in comparison to the prior period. The individual assets acquired and liabilities assumed as part of the acquisition are detailed below:

	As at 31.12.17	Acquisition of German Business	Movement for the period	As at 31.12.18
Assets	€'000	€'000	€'000	€'000
Cash and balances at central banks	528,265	2,822,485	2,869,320	6,220,070
Cash collateral and settlement balances	-	-	11,267	11,267
Loans and advances at amortised cost	2,679,826	3,707,915	(237,425)	6,150,316
Derivative financial instruments	2,570	-	(2,193)	377
Intangible assets	118	40,406	1,458	41,982
Property, plant and equipment	15	11,397	94	11,506
Current tax assets	-	-	191	191
Deferred tax assets	940	69,878	(431)	70,387
Other assets	5,945	51,060	45,803	102,808
Total assets	3,217,679	6,703,141	2,688,084	12,608,904
Liabilities				
Deposits at amortised cost	2,819,989	6,215,029	1,521,537	10,556,555
Cash and collateral and settlement balances	-	-	366,318	366,318
Subordinated liabilities	50,049	-	200,207	250,256
Derivative financial instruments	2,519	-	724	3,243
Current tax liabilities	16	-	2,607	2,623
Retirement benefit liabilities	7,521	28,028	(540)	35,009
Other liabilities	5,451	104,553	31,706	141,710
Provisions	-	5,224	(334)	4,890
Total liabilities	2,885,545	6,352,834	2,122,225	11,360,604

The narrative below provides further granularity of the items transferred as part of the acquisition of the certain activities of the German Branch from BB PLC to the Bank. The items transferred included (but were not limited to):

- Cash and balances with central banks of €2,822,485k
- Loans and advances at amortised cost relating to German consumer and corporate business were transferred, including credit cards and retail loans of €3,663,000k and corporate loans of €44,000k
- Property, plant and equipment were transferred with a net book value of €11,397k
- Intangible assets with a net book value of €39,000k and licences and other intangible assets with a net book value of €1,406k
- Other assets of €51,060k included receivables of €39,025k, predominantly relating to balances held with BB PLC and prepayments of €12,035k
- Deposits at amortised cost of €6,215,029k consists of current, saving and deposit accounts of German corporate and business banking customers and deposits from banks
- Other liabilities predominantly consisted of creditors of €60,218k and accruals and deferred income of €40,000k

Contingent liabilities of €4,576,166k were transferred to the Bank relating to standby facilities, credit lines and other commitments

The share capital, share premium and reserves of the Bank have been impacted as follows as a result of the acquisition of the German business: share capital and share premium have increased by €460,776k and other reserves have decreased by €110,776k.

3 Net interest income

Accounting for interest income and expenses

Interest income on loans and advances 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 with the most significant being co-brand partner fees. To the extent these costs are attributed to revolving customer 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 life of the card.

	2018 €'000	2017 €'000
Interest income		
Loans and advances at amortised cost	**85,560**	56,178
Other	**1,487**	119
Interest income	**87,047**	56,297
Interest expense		
Deposits at amortised cost	**(21,452)**	(19,079)
Subordinated liabilities	**(1,274)**	(1,272)
Other	**(6,571)**	(4,344)
Interest expense	**(29,297)**	(24,695)
Net interest income	**57,750**	31,602

The presentation of certain prior year comparative items has been amended.

Interest income presented above represents interest revenue calculated using the effective interest method.

Costs to originate credit card balances of €1,468k (2017: €nil) have been amortised to interest income during the period.

Other interest income comprised of €1,487k (2017: €119k) relating to income earned on borrowings from BB PLC due to negative interest rates.

Other interest expense includes:

- €3,417k (2017: €1,774k) incurred due to the negative interest rate being charged by central banks for funds placed. It also includes €2,410k (2017: €2,265k) relating to interest expense on funds placed with BB PLC due to negative interest rates.
- €181k (2017: €305k) which is the net interest cost on the defined benefit pension obligation. Refer to note 26 for the breakdown. In the 2017 financial statements the net interest cost was included in fees and other expenses.

4 Net fee and commission income

Accounting for net fee and commission income under IFRS 15 effective from 1 January 2018
The Bank applies IFRS 15 Revenue from Contracts with Customers. The standard establishes a five-step model governing revenue recognition. The five-step model requires the Bank to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

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

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

Accounting for net fee and commission income under IAS 18 for 2017
The Bank applies IAS 18 Revenue. Fees and commissions charged for services provided or received by the Bank are recognised as the services are provided, for example on completion of the underlying transaction.

Fee and commission income is disaggregated below by fee types that reflect the nature of the services offered across the Bank, in accordance with IFRS 15. It includes a total for fees in scope of IFRS 15.

	2018 €'000	2017 €'000
Fee type		
Transactional	**4,875**	1,273
Advisory	**4,158**	5,068
Brokerage and execution	**11,792**	631
Underwriting and syndication	**7,441**	5,092
Other	**149**	2,412
Total revenue from contracts with customers	**28,415**	14,476
Other non-contract fee income	**2,932**	-
Fee and commission income	**31,347**	14,476
Fee and commission expense	**(5,777)**	-
Net fee and commission income	**25,570**	14,476

Contract assets and contract liabilities
The Bank had no material contract assets or contract liabilities as at 31 December 2018.

Impairment on fee receivables and contract assets
During 2018, there have been no material impairments recognised in relation to fees receivable and contract assets. Fees in relation to transactional business can be added to outstanding customer 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.

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.

	2018 €'000	2017 €'000
Net gains from assets and liabilities held for trading [a]	**4,506**	2,711
Foreign Exchange on Balance Sheet re-translation	**(106)**	(29)
Net trading income	**4,400**	2,682

a Trading income represents the net margin earned on spot and forward exchange contracts and interest rate swaps.

6 Net investment expense

	2018 €'000	2017 €'000
Other investment expense [a]	(2,876)	(4,504)
Net investment expense	**(2,876)**	(4,504)

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

7 Impairment losses on financial instruments

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

Impairment

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

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

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

The 12 month ECL is calculated by multiplying the 12 month 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 portfolios' risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate.

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 Barclays Group policy including absolute PD floor maximum of 0.3% and maximum relative PD increase of 400% (applied to strongest credit quality customers only).

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
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
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.

The Bank does not rely on the low credit risk exemption which would assume facilities of investment grade are not significantly deteriorated.

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. When there is a non-linear relationship between forward-looking economic scenarios and their associated credit losses, five forward-looking economic scenarios are considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss. Stress testing methodologies are leveraged within forecasting economic scenarios.

The Bank utilises an external consensus forecast as the baseline scenario. In addition, two adverse and two favourable scenarios are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also incorporating IFRS 9 specific sensitivities and non-linearity. The most adverse scenarios are benchmarked to the Bank of England's relevant annual cyclical scenarios and to the most severe scenarios from Moody's inventory, which are relevant to the Bank but are not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include variables such as GD and unemployment using statistical models based on historical correlations. These variables revert back to the mean in all five scenarios after a set time period. The probability weights of the scenarios are estimated 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 impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables. For example, mortgages are highly sensitive to house prices and base rates, and credit cards and unsecured consumer loans are highly sensitive to unemployment.

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

Credit impaired is when the exposure has defaulted which is also anticipated to align to when an exposure is identified as individually impaired.

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

Loan modifications and renegotiations that are not credit-impaired
When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to the credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile.

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

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

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

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

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

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

Accounting for the impairment of financial assets under IAS 39 for 2017
Loans and other assets held at amortised cost
In accordance with IAS 39, the Bank assesses at each balance sheet date whether there is objective evidence that loan assets will not be recovered in full and, wherever necessary, recognises an impairment loss in the income statement.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets. These events include:
- becoming aware of significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments
- for economic or legal reasons relating to the borrower's financial difficulty, grants a concession that it would not otherwise consider
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment assessments are conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans, and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

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

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans. Uncollectable loans are written off against the related allowance for loan impairment on completion of the Bank's internal processes when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

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 therefore considered to be reasonable and supportable.

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows in a range of economic scenarios are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Bank's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process). The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

	2018			2017[a]		
	Impairment losses	Recoveries[b]	Total	Impairment gains	Recoveries[b]	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances	**6,579**	**(1,891)**	**4,688**	(46)	-	(46)
Provision for undrawn contractually committed facilities and guarantees provided	**179**	**-**	**179**	-	-	-
Impairment losses and (gains) on financial instruments	**6,758**	**(1,891)**	**4,867**	(46)	-	(46)

Notes
a 2017 numbers are presented on an IAS 39 basis
b Cash recoveries of previously written off amounts

Write-off subject to enforcement activity

The contractual amount outstanding on financial assets that were written off at 31 December 2018 and that are still subject to enforcement activity is €3,957k.

8 Operating expenses

	2018	2017
	€'000	€'000
Infrastructure costs		
Property and equipment	**1,774**	612
Depreciation of property, plant and equipment	**204**	4
Operating lease rentals	**4,483**	434
Amortisation of intangible assets	**1,615**	278
Total infrastructure costs	**8,076**	1,328
Administration and general costs		
Consultancy, legal and professional fees	**3,800**	990
Subscriptions, publications, stationery and communications	**1,544**	356
Marketing, advertising and sponsorship	**4,013**	68
Travel and accommodation	**336**	137
Other administration and general expenses	**9,805**	2,360
Total administration and general costs	**19,498**	3,911
Staff costs	**27,627**	13,568
Operating expenses	**55,201**	18,807

For further details on staff costs, including accounting policies, refer to Note 24.

9 Taxation

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. The Bank accounts for provisions in respect of uncertain tax positions in two different ways:

- 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.

- Deferred tax provisions are adjustments made to the carrying value of deferred tax assets in respect of uncertain tax positions. A deferred 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 result in a reduction in the carrying value of the deferred tax asset. From recognition of a provision, measurement of the underlying deferred tax asset is adjusted to take into account the expected impact of resolving the uncertain tax position on the loss or temporary difference giving rise to the deferred tax asset.

The approach taken to measurement takes account of whether the uncertain tax position is a discrete position that will be reviewed by the tax authority in isolation from any other position, or one of a number of issues which are expected to be reviewed together concurrently and resolved simultaneously with a tax authority. The Bank measurement of provisions is based upon its best estimate of the additional profit that will become subject to tax. For a discrete position, consideration is given only to the merits of that position. Where a number of issues are expected to be reviewed and resolved together, the Bank will take into account not only the merits of its position in respect of each particular issue but also the overall level of provision relative to the aggregate of the uncertain tax positions across all the issues that are expected to be resolved at the same time. In addition, in assessing provision levels, it is assumed that tax authorities will review uncertain tax positions and that all facts will be fully and transparently disclosed.

Critical accounting estimates and judgements
There are two key areas of judgement that impact the reported tax position. Firstly, the level of provisioning for uncertain tax positions; and secondly, 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 current and deferred tax balances, including provisions for uncertain tax positions in the next financial year. The provisions for uncertain tax positions cover a diverse range of issues and reflect advice from external counsel where relevant. It should be noted that only a proportion of the total uncertain tax positions will be under audit at any point in time, and could therefore be subject to challenge by a tax authority over the next year.

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

The table below shows the current tax charge and the deferred tax charge to the income statement.

	2018 €'000	2017 €'000
Current tax charge/(credit)		
Current year	**3,990**	2,762
Adjustment in respect of prior years	**59**	(171)
	4,049	2,591
Deferred tax charge/(credit)		
Current year	**763**	423
	763	423
Tax charge	**4,812**	3,014

The effective tax rate on a statutory profit basis for the financial year ended 31 December 2018 is 19.4% (31 December 2017 11.8%).

The effective tax rate is higher than the corporation tax rate of 12.5% in Ireland primarily due to profits earned outside Ireland being taxed at local statutory tax rates that are higher than the tax rate in Ireland.

The table below shows the reconciliation of the tax on the profit before taxation at the standard Irish corporation tax rate to the Bank's actual tax charge for the financial years ended 31 December 2018 and 31 December 2017.

	2018	2017
	€'000	€'000
Profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2017: 12.5%)	**3,097**	3,187
Impact of profits earned in overseas branch with different tax rate to Ireland	**1,599**	-
Adjustments in respect of prior years	**59**	(171)
Other adjustments for tax purposes	**57**	(2)
Tax charge	**4,812**	3,014

The presentation of certain prior year comparative items has been amended.

Tax in other comprehensive income

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

	2018			2017		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
	€'000	€'000	€'000	€'000	€'000	€'000
Re-measurement of retirement benefit obligation	**(466)**	**142**	**(324)**	3,478	(569)	2,909
Other comprehensive income / (loss) for the financial year	**(466)**	**142**	**(324)**	3,478	(569)	2,909

Tax assets and liabilities

Movements on tax assets and liabilities were as follows:

Current tax assets and liabilities

	2018	2017
	€'000	€'000
As at 1 January	**(16)**	390
Income statement	**(4,049)**	(2,591)
Corporate income tax paid	**2,632**	2,800
Other movements	**(999)**	(615)
	(2,432)	(16)
Assets	**191**	-
Liabilities	**(2,623)**	(16)
As at 31 December	**(2,432)**	(16)

Deferred tax assets and liabilities

	2018	2017
	€'000	€'000
As at 1 January	**940**	1,932
Income statement	**(763)**	(423)
Pension and other retirement benefits	**142**	(569)
Deferred tax asset on IFRS 9 transitional adjustment	**291**	-
Acquisition of business	**69,878**	-
Other movements	**(101)**	-
As at 31 December	**70,387**	940

10 Dividends on ordinary shares

No dividend was paid in 2018 (2017: €46.3m). In 2017 Ordinary dividends were paid to enable BB PLC to fund its dividend to shareholders.

11 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. Swaps affect the Bank's 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. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

Total derivatives	2018			2017		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€'000	€'000	€'000	€'000	€'000	€'000
Total derivative assets/(liabilities) held for trading	1,638,753	377	(3,243)	160,128	2,570	(2,519)
Derivative assets/(liabilities)	**1,638,753**	**377**	**(3,243)**	160,128	2,570	(2,519)

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

Derivatives held for trading	2018			2017		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€'000	€'000	€'000	€'000	€'000	€'000
As at 31 December 2018						
Foreign exchange derivatives						
Forward foreign exchange	438,753	373	(2,637)	160,128	2,570	(2,519)
Interest Rate derivatives						
Interest rate swaps	1,200,000	4	(606)	-	-	-
Derivative assets/(liabilities) held for trading	**1,638,753**	**377**	**(3,243)**	160,128	2,570	(2,519)

12 Loans and advances and deposits at amortised cost

Accounting for loans and advances and deposits held at amortised cost under IFRS 9 effective from 1 January 2018

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.

Accounting for loans and advances and deposits held at amortised cost under IAS 39 for 2017

Loans and advances to customers and banks, customer accounts and 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.

Loans and advances at amortised cost

	2018			2017		
	Loans and advances to banks	Loans to customers	Total	Loans and advances to banks	Loans to customers	Total
As at 31 December	€'000	€'000	€'000	€'000	€'000	€'000
Gross loans and advances at amortised cost	**1,247,941**	**5,194,034**	**6,441,975**	1,392,480	1,288,781	2,681,261
Less: allowance for impairment	**(96)**	**(291,563)**	**(291,659)**	-	(1,435)	(1,435)
Loans and advances at amortised cost	**1,247,845**	**4,902,471**	**6,150,316**	1,392,480	1,287,346	2,679,826

Deposits at amortised cost

	2018			2017		
	Deposits from banks	Deposits from customer	Total	Deposits from banks	Deposits from customer	Total
As at 31 December	€'000	€'000	€'000	€'000	€'000	€'000
Deposits at amortised cost	**4,160,899**	**6,395,656**	**10,556,555**	67,298	2,752,691	2,819,989

13 Property, plant and equipment

Accounting for property, plant and equipment

The Bank applies IAS 16 *Property Plant and Equipment.*

Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in enhancement of the asset.

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

Annual rates in calculating depreciation	Depreciation rate
Costs of adaptation of leasehold property	6-10%
Equipment installed in leasehold property	6-10%
Computers and similar equipment	17-33%
Fixtures and fittings and other equipment	9-20%

Costs of adaptation and installed equipment are depreciated over the shorter of the life of the lease or the depreciation rates noted in the table above.

	Property €'000	Equipment €'000	Total €'000
Cost			
As at 1 January 2018	-	595	595
Acquisition of business	9,311	14,280	23,591
Additions	-	298	298
As at 31 December 2018	9,311	15,173	24,484
Accumulated depreciation and impairment			
As at 1 January 2018	-	(580)	(580)
Acquisition of business	(3,721)	(8,473)	(12,194)
Depreciation charge	(61)	(143)	(204)
As at 31 December 2018	(3,782)	(9,196)	(12,978)
Net book value	5,529	5,977	11,506

Cost			
As at 1 January 2017	-	595	595
Additions	-	-	-
As at 31 December 2017	-	595	595
Accumulated depreciation and impairment			
As at 1 January 2017	-	(576)	(576)
Additions	-	-	-
Depreciation charge	-	(4)	(4)
As at 31 December 2017	-	(580)	(580)
Net book value	-	15	15

2017 closing balance of €15k in equipment was fully depreciated during the 2018 financial year.

All balances under the property category related to fixtures and fittings for rented premises.

14 Intangible assets

Accounting for intangible assets

Intangible assets are accounted for in accordance with IAS 38 *Intangible Assets.*

Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

Annual rates in calculating amortisation	Amortisation period
Internally generated software[a]	12 months to 6 years
Other software	12 months to 6 years
Licences and other	12 months to 25 years

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

Note

a Exceptions to the above rate relate to useful lives of certain core banking platforms that are assessed individually and, if appropriate, amortised over longer periods ranging from 10 to 15 years.

	Internally generated software €'000	Other software €'000	Total €'000
Cost			
As at 1 January 2018	**1,739**	**-**	**1,739**
Acquisition of business	**105,074**	**5,380**	**110,454**
Additions	**3,051**	**22**	**3,073**
As at 31 December 2018	**109,864**	**5,402**	**115,266**
Accumulated amortisation and impairment			
As at 1 January 2018	(1,621)	-	(1,621)
Acquisition of business	(65,632)	(4,416)	(70,048)
Amortisation charge	(1,562)	(53)	(1,615)
As at 31 December 2018	(68,815)	(4,469)	(73,284)
Net book value	**41,049**	**933**	**41,982**

	Internally generated software €'000	Other software €'000	Total €'000
Cost			
As at 1 January 2017	1,739	-	1,739
As at 31 December 2017	1,739	-	1,739
Accumulated amortisation and impairment			
As at 1 January 2017	(1,343)	-	(1,343)
Amortisation charge	(278)	-	(278)
As at 31 December 2017	(1,621)	-	(1,621)
Net book value	118	-	118

Intangible assets

Intangible assets predominantly comprise internally generated software developed by the German Barclaycard business acquired from BB PLC on 1 December 2018.

Impairment-Intangible assets

Intangible assets have been reviewed for any indication that impairment has occurred. Where any such indication exists, impairment has been measured by comparing the carrying value of the intangible asset to its recoverable amount. There was no impairment identified in the financial year ended 31 December 2018 and 31 December 2017.

15 Other assets

	2018	2017
	€'000	€'000
Credit related fees receivable	**3,259**	791
Amounts receivable from group companies	**71,566**	1,483
Other debtors and prepaid expenses	**27,983**	3,671
Other assets	**102,808**	5,945

Note
The increase in other assets is primarily attributable to the acquisition of the German business.

16 Cash collateral and settlement balances

	2018	2017
Liabilities	€'000	€'000
Balances awaiting settlement	**366,318**	-
Cash collateral and settlement balances	**366,318**	-

The above balance represents a payment due for next day settlement with the parent company.

17 Operating leases

Accounting for operating leases

The Bank applies IAS 17 *Leases*, for operating leases. An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor.

Where the Bank is the lessee, rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

Operating lease commitments

The Bank leases various offices under non-cancellable operating lease arrangements. With such operating lease arrangements, the asset is kept on the lessor's balance sheet and the Bank reports the future minimum lease payments as an expense over the lease term. The leases have various terms, escalation and renewal rights. There are no contingent rents payable.

Operating lease rentals of €4,483k (2017: €434k) have been included in administration and general expenses.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	Property	Property
	€'000	€'000
Not more than one year	**6,137**	593
Over one year but not more than five years	**22,972**	2,373
Over five years	**26,020**	-
Total	**55,129**	2,966

18 Other liabilities

	2018	2017
	€'000	€'000
Accruals and deferred income	**52,842**	3,410
Payable to group companies	**77,647**	803
Other creditors	**11,221**	1,238
Other liabilities	**141,710**	5,451

Note
The increase in other liabilities is primarily attributable to the acquisition of the German business.

19 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.

	Redundancy and restructuring	Undrawn contractually committed facilities and guarantees provided	Other provisions	Total
	€'000	€'000	€'000	€'000
As at 31 December 2017	-	-	-	-
Effects of changes to accounting policies	-	382	-	382
As at 1 January 2018	-	382	-	382
Additions	1	2,125	80	2,206
Acquisition of business	5,224	-	-	5,224
Amounts utilised	(1,282)	-	-	(1,282)
Unused amounts reversed	-	(1,640)	-	(1,640)
As at 31 December 2018[a]	3,943	867	80	4,890

[a] The balance as at 31 December 2018 includes IFRS 9 expected credit losses on committed facilities and guarantees.

20 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:

	2018	2017
	€'000	€'000
Guarantees and letters of credit pledged as collateral security	293,742	302,847
Performance guarantees, acceptances and endorsements	108,953	89,399
Total contingent liabilities	402,695	392,246
Standby facilities, credit lines and other commitments	5,622,000	1,045,127
Total commitments	5,622,000	1,045,127

Provisions held against contingent liabilities and commitments at 31 December 2018 amounted to €867k.

21 Financial risk management

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

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

a) Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk exists as a result of the Bank providing 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).

The subsequent control of exposures is performed by the Bank's Lending Middle Office which reports to the Bank's Operations Team which in turn reports to the Bank's Chief Operating Officer.

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 Chief Risk Officer.

The Bank's Credit Risk Management Forum exercises oversight through regular review of the Bank's credit portfolio examining, inter alia the constitution of the portfolio in terms of sectorial and individual exposures against the Bank's overall Risk Appetite. The Chief Risk Officer, who is a Co-Chair of the Bank's Credit Risk Management Forum, reports the views of this Forum to the Board Risk Committee as part of the CRO Risk Report, which is a standing agenda item.

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

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

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

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, mainly equity securities.

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

Overview

As at 31 December 2018, the Bank's net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer was €17.8bn. Overall, the extent to which the Bank holds mitigation against its total exposure was 3.6% (2017: 16.7%). The decrease is primarily due to the additional cash and balances at central banks and the acquisition of the German branch.

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

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 2018, as a result of the enforcement of collateral, was €nil.

Maximum exposure and effects of netting, collateral and risk transfer

As at 31 December 2018	Maximum exposure €'000	Netting and set-off €'000	Cash collateral €'000	Non-cash collateral €'000	Risk transfer €'000	Net exposure €'000
On-balance sheet:						
Cash and balances at central banks	**6,220,070**	**-**	**-**	**-**	**-**	**6,220,070**
Cash collateral and settlement balances	**11,267**	**-**	**-**	**-**	**-**	**11,267**
Loans and advances at amortised cost:						
Credit cards+, unsecured and other retail lending	**3,671,256**	**-**	**-**	**-**	**-**	**3,671,256**
Corporate loans	**1,231,215**	**-**	**(8,773)**	**(375,944)**	**(40,805)**	**805,693**
Loans and advances to customers	**4,902,471**	**-**	**(8,773)**	**(375,944)**	**(40,805)**	**4,476,949**
Loans and advances to banks	**1,247,845**	**-**	**-**	**-**	**-**	**1,247,845**
Total loans and advances at amortised cost	**6,150,316**	**-**	**(8,773)**	**(375,944)**	**(40,805)**	**5,724,794**
Of which credit-impaired (Stage 3):						
Credit cards, unsecured and other retail lending	***70,261***	-	-	-	-	***70,261***
Corporate loans	-	-	-	-	-	-
Total credit impaired loans and advances at amortised cost	***70,261***	-	-	-	-	***70,261***
Derivative financial instruments	**377**	**-**	**-**	**-**	**-**	**377**
Other assets	**71,566**	**-**	**-**	**-**	**-**	**71,566**
Total on-balance sheet	**12,453,596**	**-**	**(8,773)**	**(375,944)**	**(40,805)**	**12,028,074**
Off-balance sheet:						
Contingent liabilities	**402,695**	**-**	**(6,032)**	**(57,866)**	**-**	**338,797**
Loan commitments	**5,622,000**	**-**	**-**	**(183,248)**	**-**	**5,438,752**
Total off-balance sheet	**6,024,695**	**-**	**(6,032)**	**(241,114)**	**-**	**5,777,549**
Total	**18,478,291**	**-**	**(14,805)**	**(617,058)**	**(40,805)**	**17,805,623**

As at 31 December 2017	Maximum exposure €'000	Netting and set-off €'000	Cash collateral €'000	Non-cash collateral €'000	Risk transfer €'000	Net exposure €'000
On-balance sheet:						
Cash and balances at central banks	528,265	-	-	-	-	528,265
Loans and advances to banks	1,392,480	-	-	-	-	1,392,480
Loans and advances to customers	1,287,346	-	(10,621)	(478,093)	-	798,632
Derivative financial instruments	2,570	-	-	-	-	2,570
Other assets	3,199	-	-	-	-	3,199
Total on-balance sheet	3,213,860	-	(10,621)	(478,093)	-	2,725,146
Off-balance sheet:						
Contingent liabilities	392,246	-	(6,556)	(94,888)	-	290,802
Loan commitments	1,045,127	-	-	(188,041)	-	857,086
Total off-balance sheet	1,437,373	-	(6,556)	(282,929)	-	1,147,888
Total	4,651,233	-	(17,177)	(761,022)	-	3,873,034

Loans and advances by 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.

As at 31 December 2018		Stage 2					
	Stage 1	Not past due	<=30 days past due	>30 days past due	Total	Stage 3	Total
Gross exposure	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Credit cards, unsecured loans and other retail lending	2,388,403	1,266,452	78,187	33,146	1,377,785	191,385	3,957,573
Corporate loans	1,120,947	114,610	-	-	114,610	1,000	1,236,557
Loans and advances to customers	3,509,350	1,381,062	78,187	33,146	1,492,395	192,385	5,194,130
Loans and advances to banks	1,247,845	-	-	-	-	-	1,247,845
Total	4,757,195	1,381,062	78,187	33,146	1,492,395	192,385	6,441,975
Impairment allowance							
Credit cards, unsecured loans and other retail lending	19,570	116,941	15,199	13,483	145,623	121,124	286,317
Corporate loans	1,282	2,964	-	-	2,964	1,000	5,246
Loans and advances to customers	20,852	119,905	15,199	13,483	148,587	122,124	291,563
Loans and advances to banks	96	-	-	-	-	-	96
Total	20,948	119,905	15,199	13,483	148,587	122,124	291,659
Net exposure							
Credit cards, unsecured loans and other retail lending	2,368,833	1,149,511	62,988	19,663	1,232,162	70,261	3,671,256
Corporate loans	1,119,665	111,646	-	-	111,646	-	1,231,311
Loans and advances to customers	3,488,498	1,261,157	62,988	19,663	1,343,808	70,261	4,902,567
Loans and advances to banks	1,247,749	-	-	-	-	-	1,247,749
Total	4,736,247	1,261,157	62,988	19,663	1,343,808	70,261	6,150,316
Coverage ratio	%	%	%	%	%	%	%
Credit cards, unsecured loans and other retail lending	0.8	9.2	19.4	40.7	10.6	63.3	7.2
Corporate loans	0.1	2.6	-	-	2.6	100.0	0.2
Loans and advances to customers	0.6	8.6	19.4	40.7	10.0	63.5	5.6
Loans and advances to banks	0.0	-	-	-	-	-	0.0
Total	0.4	8.7	19.4	40.7	10.0	63.5	4.5

As at 31 December 2017	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Total	Impairment allowance	Total carrying value
Gross exposure and impairment allowance	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances to customers	1,287,781	-	1,000	1,288,781	(1,435)	1,287,346
Loans and advances to banks	1,392,480	-	-	1,392,480	-	1,392,480
Total	2,680,261	-	1,000	2,681,261	(1,435)	2,679,826

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

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

Gross exposure for loans and advances at amortised cost

	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000
As at 1 January 2018	**2,583,725**	**96,536**	**1,000**	**2,681,261**
Acquisition of business	2,394,661	1,409,024	193,420	3,997,105
Net transfers between stages	(27,562)	27,496	66	-
Net changes in exposure	(303,102)	79,750	(5,885)	(229,237)
Asset derecognised due to disposals	-	-	(3,199)	(3,199)
Asset derecognised due to write-offs	-	-	(3,955)	(3,955)
As at 31 December 2018	4,647,722	1,612,806	181,447	6,441,975

Impairment allowance on loans and advances at amortised cost

	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000
As at 1 January 2018	**1,897**	**483**	**1,000**	**3,380**
Acquisition of business	20,192	147,984	121,014	289,190
Net transfers between stages	5,267	(7,634)	2,367	-
Net changes in exposure	(6,354)	7,756	4,897	6,299
Asset derecognised due to disposals	-	-	(3,199)	(3,199)
Asset derecognised due to write-offs	-	-	(3,955)	(3,955)
Other movements	(55)	-	-	(55)
As at 31 December 2018	20,947	148,589	122,124	291,660

Reconciliation of ECL movement to impairment charge for the period

	€'000
ECL movement excluding assets derecognised due to write-offs	6,299
Net recoveries post write-offs	(1,862)
Exchange and other adjustments	251
Impairment charge on loan commitments and financial guarantees[a]	179
Income statement charge for the period	4,867

Gross exposure for loan commitments and financial guarantees

	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000
As at 1 January 2018	**1,302,042**	**135,331**	-	**1,437,373**
Acquisition of business	4,263,520	261,134	51,512	4,576,166
Net transfers between stages	(3,005)	3,005	-	-
Net changes in exposure	48,391	(36,019)	(1,216)	11,156
Asset derecognised due to disposals	-	-	-	-
Asset derecognised due to write-offs	-	-	-	-
As at 31 December 2018	5,610,948	363,451	50,296	6,024,695

Impairment allowance on loan commitments and financial guarantees

	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000
As at 1 January 2018	381	1	-	382
Acquisition of business[b]	-	-	-	-
Net transfers between stages	(10)	10	-	-
Net changes in exposure	267	(88)	-	179
Asset derecognised due to disposals	-	-	-	-
Asset derecognised due to write-offs	-	-	-	-
Other movements	-	306	-	306
As at 31 December 2018	638	229	-	867

[a] Impairment charge of €179k on loan commitments and financial guarantees represents increase in impairment allowance of €484k partially offset by exchange and other adjustments of €305k.

[b] Stage 3 loan commitments of €51,512k primarily represent unutilised credit card limits. The impairment allowance on both the utilised and unutilised limits are reflected on the impairment allowance on loans and advances above

Industry concentrations

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

Credit risk concentrations by industry

As at 31 December 2018	Banks	Other financial institutions	Manu-facturing	Const-ruction and property	Government and central bank	Energy and water	Wholesale and retail distribution and leisure	Business and other services	Cards, unsecured loans and other personal lending	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
On-balance sheet:											
Cash and balances at central banks	-	-	-	-	6,220,070	-	-	-	-	-	6,220,070
Cash collateral and settlement balances	11,267	-	-	-	-	-	-	-	-	-	11,267
Loans and advances at amortised cost	1,247,845	26,614	215,795	356,805	-	168,567	253,554	155,756	3,671,256	54,124	6,150,316
Derivative financial instruments	233	-	144	-	-	-	-	-	-	-	377
Other assets	59,518	-	-	-	-	-	-	14	12,034	-	71,566
Total on-balance sheet	1,318,863	26,614	215,939	356,805	6,220,070	168,567	253,554	155,770	3,683,290	54,124	12,453,596
Off-balance sheet:											
Contingent liabilities	177,599	112	15,814	13,856	-	52,651	82,938	52,386	-	7,339	402,695
Loan commitments	7,105	5,581	294,073	169,267	-	55,036	347,222	57,070	4,616,831	69,815	5,622,000
Total off-balance sheet	184,704	5,693	309,887	183,123	-	107,687	430,160	109,456	4,616,831	77,154	6,024,695
Total	1,503,567	32,307	525,826	539,928	6,220,070	276,254	683,714	265,226	8,300,121	131,278	18,478,291

Credit risk concentrations by industry

As at 31 December 2017	Banks	Other financial institutions	Manu-facturing	Construc-tion and property	Govern-ment and central bank	Energy and water	Wholesale and retail distribu-tion and leisure	Business and other services	Cards, unsecured loans and other personal lending	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
On-balance sheet:											
Cash and balances at central banks	-	-	-	-	528,265	-	-	-	-	-	528,265
Cash collateral and settlement balances	-	-	-	-	-	-	-	-	-	-	-
Loans and advances at amortised cost	1,392,480	7,514	440,625	450,142	-	180,860	-	208,205	-	-	2,679,826
Derivative financial instruments	-	1,940	630	-	-	-	-	-	-	-	2,570
Other assets	-	578	514	242	-	-	-	149	-	-	1,483
Total on-balance sheet	1,392,480	10,032	441,769	450,384	528,265	180,860	-	208,354	-	-	3,212,144
Off-balance sheet:											
Contingent liabilities	149,780	-	79,833	13,738	-	52,844	-	96,041	-	-	392,246
Loan commitments	-	9,480	541,465	148,666	25,000	28,357	-	292,159	-	-	1,045,127
Total off-balance sheet	149,780	9,480	621,298	162,404	25,000	81,201	-	388,200	-	-	1,437,373
Total	1,542,270	19,512	1,063,067	612,788	553,265	262,061	-	596,554	-	-	4,649,517

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. Comparatives are based on the regulatory capital point in time probability of default (PD).

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

Default Grade	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 < 11.35%	
20-21	11.35 to < 100%	Higher Risk
22	100%	Credit Impaired

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

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

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

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

Balance sheet credit quality

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

Overview

As at 31 December 2018, the ratio of the Bank's on-balance sheet assets classified as strong (0.0 < 0.60%) was 75% (2017: 95%) of total assets exposed to credit risk.

Balance sheet credit quality

As at 31 December 2018	Strong	Satisfactory	Higher risk		Strong	Satisfactory	Higher risk	
PD range	0.0 to <0.60%	0.60 to <11.35%	11.35% to 100%	Total	0.0 to <0.60%	0.60 to <11.35%	11.35% to 100%	Total
	€'000	€'000	€'000	€'000	%	%	%	%
Cash and balances at central banks	6,220,070	-	-	6,220,070	100	-	-	100
Cash collateral and settlement balances	11,267	-	-	11,267	100	-	-	100
Loans and advances at amortised cost								
Credit cards, unsecured and other retail lending	707,986	2,754,555	208,715	3,671,256	19	75	6	100
Loans and advances to banks	1,247,845	-	-	1,247,845	100	-	-	100
Loans and advances to customers	1,122,430	108,785	-	1,231,215	91	9	-	100
Total loans and advances at amortised cost	3,078,261	2,863,340	208,715	6,150,316	50	47	3	100
Derivative financial instruments	377	-	-	377	100	-	-	100
Other assets	71,566	-	-	71,566	100	-	-	100
Total on-balance sheet	9,381,541	2,863,340	208,715	12,453,596	75	23	2	100

Balance sheet credit quality

As at 31 December 2017	Strong	Satisfactory	Higher risk		Strong	Satisfactory	Higher risk	
PD range	0.0 to <0.60%	0.60 to <11.35%	11.35% to 100%	Total	0.0 to <0.60%	0.60 to <11.35%	11.35% to 100%	Total
	€'000	€'000	€'000	€'000	%	%	%	%
Cash and balances at central banks	528,265	-	-	528,265	100	-	-	100
Loans and advances at amortised cost				-				
Loans and advances to banks	1,392,480	-	-	1,392,480	100	-	-	100
Loans and advances to customers	1,124,886	162,460	-	1,287,346	87	13	-	100
Total loans and advances at amortised cost	2,517,366	162,460	-	2,679,826	94	6	-	100
Derivative financial instruments	2,570	-	-	2,570	100	-	-	100
Other assets	1,483	-	-	1,483	100	-	-	100
Total on-balance sheet	3,049,684	162,460	-	3,212,144	95	5	-	100

Credit exposures by internal PD grade

Credit risk profile by internal PD grade for loans and advances at amortised cost

31 December 2018		Gross carrying amount				Allowance for ECL					
Credit quality description	PD range %	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000	Net exposure €'000	ECL coverage %
Strong	0.0 to < 0.60%	3,011,776	69,798	-	3,081,574	3,028	285	-	3,313	3,078,261	0.1
Satisfactory	0.60 to < 11.35%	1,741,024	1,242,983	-	2,984,007	17,408	103,259	-	120,667	2,863,340	4.0
Higher Risk	11.35% to < 100%	4,395	179,614	-	184,009	512	45,043	-	45,555	138,454	24.8
Credit Impaired	100%	-	-	192,385	192,385	-	-	122,124	122,124	70,261	63.5
Total		4,757,195	1,492,395	192,385	6,441,975	20,948	148,587	122,124	291,659	6,150,316	4.8

Credit risk profile by internal PD grade for loans and advances at amortised cost

31 December 2017		Gross carrying amount					
Credit quality description	PD range %	Neither Past due nor individually impaired €'000	Past due but not individually impaired €'000	Individually impaired €'000	Total €'000	Impairment allowance €'000	Net exposure €'000
Strong	0.0 to < 0.60%	2,517,775	-	-	2,517,775	(327)	2,517,448
Satisfactory	0.60 to < 11.35%	162,486	-	-	162,486	(108)	162,378
Higher Risk	11.35% to < 100%	-	-	1,000	1,000	(1,000)	-
Total		2,680,261	-	1,000	2,681,261	(1,435)	2,679,826

Credit risk profile by internal PD grade for contingent liabilities

31 December 2018		Gross carrying amount				Allowance for ECL					
Credit quality description	PD range %	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000	Net exposure	ECL coverage %
Strong	0.0 to < 0.60%	359,147	36,288	-	395,435	391	12	-	403	395,032	0.1
Satisfactory	0.60 to < 11.35%	5,501	1,759	-	7,260	12	6	-	18	7,242	0.2
Higher Risk	11.35% to < 100%	-	-	-	-	-	-	-	-	-	-
Credit Impaired	100%	-	-	-	-	-	-	-	-	-	-
Total		364,648	38,047	-	402,695	403	18	-	421	402,274	0.1

Credit risk profile by internal PD grade for loan commitments

31 December 2018		Gross carrying amount				Allowance for ECL					
Credit quality description	PD range %	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000	Net exposure €'000	ECL coverage %
Strong	0.0 to < 0.60%	4,524,312	36,682	-	4,560,994	199	16	-	215	4,560,779	-
Satisfactory	0.60 to < 11.35%	757,096	235,070	-	992,166	36	194	-	230	991,936	-
Higher Risk	11.35% to < 100%	936	16,273	-	17,209	-	-	-	-	17,209	-
Credit Impaired	100%	-	-	51,631	51,631	-	-	-	-	51,631	-
Total		5,282,344	288,025	51,631	5,622,000	235	210	-	445	5,621,555	-

Stage 1 higher risk assets, presented gross of associated collateral held, are of weaker credit quality but have not significantly deteriorated since origination. Examples would include leveraged corporate loans or non-prime credit cards.

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), including relative movement in probability of default since initial recognition.

Included in the Stage 1 (strong) loans and advances at amortised cost is €1,247,845k of loans and advances to banks with an ECL of €96k.

Measurement uncertainty and sensitivity analysis

The measurement of ECL involves increased complexity and judgement, including estimation of probabilities of default (PD), loss given default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default (EAD) and assessing significant increases in credit risk. Impairment charges will tend to be more volatile than under IAS 39 and will be recognised earlier. Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted.

The Bank uses a scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury, Bloomberg and the Urban Land Institute, which forms the baseline scenario. In addition, two adverse scenarios (Downside 1 and Downside 2) and two favourable scenarios (Upside 1 and Upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. Downside 2 is benchmarked to the Bank of England's relevant annual cyclical scenarios and to the most severe scenario from Moody's inventory, but is not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include economic core variables, (GDP and unemployment), and expanded variables using statistical models based on historical correlations. All scenarios converge to a steady state after eight years.

Scenario weights

The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historic macroeconomic variables against the forecast paths of the 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. The probability weights of the scenarios as of 31 December 2018 are shown below. A single set of scenarios is used across all portfolios and all 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 Banks' 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, credit cards and unsecured consumer loans are highly sensitive to unemployment.

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

Scenario probability weighting

As at 31 December 2018	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
Scenario probability weighting	9	24	41	23	3

Macroeconomic variables

As at 31 December 2018	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
GDP[a]	5	3	2	0	(4)
Unemployment[b]	3	4	4	6	9

Notes
a Highest annual growth in Upside scenarios; 5-year average in Baseline; lowest annual growth in Downside scenarios.
b Lowest point in Upside scenarios; 5-year average in Baseline; highest point in Downside scenarios.

b) Market Risk

Market risk is the risk of loss arising from potential adverse changes in the value of the Bank's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices and commodity prices. The Bank does not hold market positions and is not subject to market risk with the exception of open foreign exchange positions for operational purposes and similar interest rate risk in the banking book which are managed within agreed limits set in line with risk appetite.

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

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

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

The 31 December 2018 FX VaR was nil and the IR VaR was €1.4k. The average daily FX DVaR on open FX positions for 2018 was less than €20k and the average daily Interest Rate risk DVaR was less than €200k.

The 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 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.
- 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.
- VaR does not indicate the potential loss beyond the VaR confidence level.

Interest rate repricing

As at 31 December 2018	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 five years €'000	Over five years €'000	Non-interest bearing €'000	Total €'000
Assets							
Cash and balances at central banks	6,219,954	-	-	-	-	116	6,220,070
Cash collateral and settlement balances	11,267	-	-	-	-	-	11,267
Loans and advances at amortised cost	5,985,378	59,654	56,372	48,392	151	369	6,150,316
Derivative financial instruments	-	-	4	-	-	373	377
Intangible assets	-	-	-	-	-	41,982	41,982
Property, plant and equipment	-	-	-	-	-	11,506	11,506
Deferred income tax assets	-	-	-	-	-	70,387	70,387
Other assets	-	-	-	-	-	102,999	102,999
Total assets	12,216,599	59,654	56,376	48,392	151	227,732	12,608,904
Liabilities							
Deposits at amortised cost	9,832,557	438,456	265,125	3,874	-	16,543	10,556,555
Cash collateral and settlement balances	366,318	-	-	-	-	-	366,318
Subordinated liabilities	250,256	-	-	-	-	-	250,256
Derivative financial instruments	2,212	-	-	653	50	328	3,243
Retirement benefit obligations	-	-	-	14,989	-	20,020	35,009
Current income tax liabilities	-	-	-	-	-	2,623	2,623
Other liabilities	35,740	-	-	12,144	-	98,716	146,600
Total liabilities	10,487,083	438,456	265,125	31,660	50	138,230	11,360,604
Equity	-	-	-	-	-	1,248,300	1,248,300
Total equity and liabilities	10,487,083	438,456	265,125	31,660	50	1,386,530	12,608,904
Interest rate repricing gap	1,729,516	(378,802)	(208,749)	16,732	101	(1,158,798)	-
Cumulative liquidity gap	1,729,516	1,350,714	1,141,965	1,158,697	1,158,798	-	-

Interest rate repricing

As at 31 December 2017	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 five years €'000	Over five years €'000	Non-interest bearing €'000	Total €'000
Assets							
Cash and balances at central banks	528,265	-	-	-	-	-	528,265
Cash collateral and settlement balances	-	-	-	-	-	-	-
Loans and advances at amortised cost	2,532,022	147,804	-	-	-	-	2,679,826
Derivative financial instruments	-	-	-	-	-	2,570	2,570
Property, plant and equipment	-	-	-	-	-	15	15
Intangible assets	-	-	-	-	-	118	118
Deferred income tax assets	-	-	-	-	-	940	940
Other assets	-	-	-	-	-	5,945	5,945
Total assets	3,060,287	147,804	-	-	-	9,588	3,217,679
Liabilities							
Deposits at amortised cost	1,125,962	275,469	91,698	-	-	1,326,860	2,819,989
Cash collateral and settlement balances	-	-	-	-	-	-	-
Subordinated liabilities	50,049	-	-	-	-	-	50,049
Derivative financial instruments	-	-	-	-	-	2,519	2,519
Retirement benefit obligations	-	-	-	-	-	7,521	7,521
Current income tax liabilities	-	-	-	-	-	16	16
Other liabilities						5,451	5,451
Total liabilities	1,176,011	275,469	91,698	-	-	1,342,367	2,885,545
Equity	-	-	-	-	-	332,134	332,134
Total equity and liabilities	1,176,011	275,469	91,698	-	-	1,674,501	3,217,679
Interest rate repricing gap	1,884,276	(127,665)	(91,698)	-	-	(1,664,913)	-
Cumulative liquidity gap	1,884,276	1,756,611	1,664,913	1,664,913	1,664,913	-	-

c) Foreign currency risk

The Bank is exposed to foreign exchange risk represented by exposures on assets and liabilities, denominated in currencies other than the functional currency of the Bank. The Bank's risk management policies prevent the holding of significant open positions in foreign currencies. The below tables summarise the Bank's exposure to foreign currencies at 31 December 2018 and 31 December 2017:

Foreign currency risk

As at 31 December 2018	Euro €'000	British pounds €'000	US dollars €'000	Other €'000	Total €'000
Assets					
Cash and balances at central banks	6,220,070	-	-	-	6,220,070
Cash collateral and settlement balances	-	11,267	-	-	11,267
Loans and advances at amortised cost	4,854,616	266,153	988,651	40,896	6,150,316
Derivative financial instruments	377	-	-	-	377
Other assets	226,831	43	-	-	226,874
Total assets	11,301,894	277,463	988,651	40,896	12,608,904
Liabilities					
Deposits at amortised cost	9,249,830	299,807	966,134	40,784	10,556,555
Cash collateral and settlement balances	309	-	366,009	-	366,318
Subordinated liabilities	250,256	-	-	-	250,256
Derivative financial instruments	374,930	(22,322)	(349,365)	-	3,243
Retirement benefit obligations	35,009	-	-	-	35,009
Current income tax liabilities	2,623	-	-	-	2,623
Other liabilities	149,336	(2,825)	(225)	314	146,600
Total liabilities	10,062,293	274,660	982,553	41,098	11,360,604
Equity	1,248,300	-	-	-	1,248,300
Total equity and liabilities	11,310,593	274,660	982,553	41,098	12,608,904

Foreign currency risk

As at 31 December 2017	Euro €'000	British pounds €'000	US dollars €'000	Other €'000	Total €'000
Assets					
Cash and balances at central banks	528,265	-	-	-	528,265
Cash collateral and settlement balances	-	-	-	-	-
Loans and advances at amortised cost	1,980,212	219,389	463,242	16,983	2,679,826
Derivative financial instruments	2,567	3	-	-	2,570
Other assets	6,966	52	-	-	7,018
Total assets	2,518,010	219,444	463,242	16,983	3,217,679
Liabilities					
Deposits at amortised cost	2,121,129	219,087	463,003	16,770	2,819,989
Cash collateral and settlement balances	-	-	-	-	–
Subordinated liabilities	50,049	-	-	-	50,049
Derivative financial instruments	2,516	3	-	-	2,519
Retirement benefit obligations	7,521	-	-	-	7,521
Current income tax liabilities	16	-	-	-	16
Other liabilities	5,321	108	22	-	5,451
Total liabilities	2,186,552	219,198	463,025	16,770	2,885,545
Equity	332,134	-	-	-	332,134
Total equity and liabilities	2,518,686	219,198	463,025	16,770	3,217,679

d) Liquidity risk

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

The liquidity risk management process ensures that the Bank is able to honour all of its financial commitments as they fall due. The need to monitor, manage and control intraday liquidity is recognised by the Bank as a mission critical process; any failure to meet specific intraday commitments would have significant consequences.

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

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

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

The table below provides detail on the contractual maturity of all financial instruments and other assets and liabilities. Derivatives 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.

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

Contractual maturity of financial assets and liabilities

As at 31 December 2018	On demand €'000	Not more than three months €'000	Over three 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
Assets								
Cash and balances at central banks	6,220,070	-	-	-	-	-	-	6,220,070
Cash collateral and settlement balances	-	11,267	-	-	-	-	-	11,267
Loans and advances at amortised cost	508,382	854,138	745,511	1,518,202	1,038,198	608,276	877,609	6,150,316
Derivative financial instruments	377	-	-	-	-	-	-	377
Other assets	-	71,566	-	-	-	-	-	71,566
Total financial assets	6,728,829	936,971	745,511	1,518,202	1,038,198	608,276	877,609	12,453,596
Other assets								155,308
Total assets								12,608,904
Liabilities								
Deposits at amortised cost	4,725,720	5,123,084	703,581	3,941	229	-	-	10,556,555
Cash collateral and settlement balances	-	366,318	-	-	-	-	-	366,318
Subordinated liabilities	-	-	-	-	250,256	-	-	250,256
Derivative financial instruments	3,243	-	-	-	-	-	-	3,243
Other financial liabilities	-	11,221	-	-	-	-	-	11,221
Total financial liabilities	4,728,963	5,500,623	703,581	3,941	250,485	-	-	11,187,593
Other liabilities								173,011
Total liabilities								11,360,604
Cumulative liquidity gap	1,999,866	(2,563,786)	(2,521,856)	(1,007,595)	(219,882)	388,394	1,266,003	1,248,300

Contractual maturity of financial assets and liabilities

As at 31 December 2017	On demand €'000	Not more than three months €'000	Over three 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
Assets								
Cash and balances at central banks	528,265	-	-	-	-	-	-	528,265
Cash collateral and settlement balances	-	-	-	-	-	-	-	-
Loans and advances at amortised cost	1,323,998	187	329,727	499,628	390,047	79,286	56,953	2,679,826
Derivative financial instruments	2,570	-	-	-	-	-	-	2,570
Other assets	-	1,483	-	-	-	-	-	1,483
Total financial assets	1,854,833	1,670	329,727	499,628	390,047	79,286	56,953	3,212,144
Other assets								5,535
Total assets								3,217,679
Liabilities								
Deposits at amortised cost	1,620,190	832,632	367,167	-	-	-	-	2,819,989
Cash collateral and settlement balances	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	50,049	-	50,049
Derivative financial instruments	2,519	-	-	-	-	-	-	2,519
Other financial liabilities	-	1,238	-	-	-	-	-	1,238
Total financial liabilities	1,622,709	833,870	367,167	-	-	50,049	-	2,873,795
Other liabilities								11,750
Total liabilities								2,885,545
Cumulative liquidity gap	232,124	(600,076)	(637,516)	(137,888)	252,159	281,396	338,349	332,134

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 consolidated 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

	On demand €'000	Not more than three months €'000	Over three 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 2018								
Deposits at amortised cost	**4,725,720**	**5,122,166**	**705,997**	**4,016**	**229**	-	-	**10,558,128**
Cash collateral and settlement balances	-	**366,318**	-	-	-	-	-	**366,318**
Subordinated liabilities	-	**313**	**957**	**2,543**	**251,891**	-	-	**255,704**
Derivative financial instruments	**3,243**	-	-	-	-	-	-	**3,243**
Other financial liabilities	-	**11,221**	-	-	-	-	-	**11,221**
Total financial liabilities	**4,728,963**	**5,500,018**	**706,954**	**6,559**	**252,120**	-	-	**11,194,614**
As at 31 December 2017								
Deposits at amortised cost	1,615,203	836,244	369,445	-	-	-	-	2,820,892
Cash collateral and settlement balances	-	-	-	-	-	-	-	-
Subordinated liabilities	-	313	957	2,543	2,540	51,218	-	57,571
Derivative financial instruments	2,519	-	-	-	-	-	-	2,519
Other financial liabilities	-	1,238	-	-	-	-	-	1,238
Total financial liabilities	1,617,722	837,795	370,402	2,543	2,540	51,218	-	2,882,220

Maturity analysis of off-balance sheet commitments given

	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 2018									
Guarantees and letters of credit	**145,143**	**517**	**80**	**148,002**	-	-	-	-	**293,742**
Other contingent liabilities	**108,953**	-	-	-	-	-	-	-	**108,953**
Commitments	**5,614,895**	**7,105**	-	-	-	-	-	-	**5,622,000**
Total off balance sheet	**5,868,991**	**7,622**	**80**	**148,002**	-	-	-	-	**6,024,695**
As at 31 December 2017									
Guarantees and letters of credit	302,847	-	-	-	-	-	-	-	302,847
Other contingent liabilities	89,399	-	-	-	-	-	-	-	89,399
Commitments	985,027	-	5,000	-	-	55,100	-	-	1,045,127
Total off balance sheet	1,377,273	-	5,000	-	-	55,100	-	-	1,437,373

e) Fair value

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

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

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

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

Valuation technique using significant unobservable inputs – Level 3
Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.
The following tables show the Bank's assets and liabilities that are measured at fair value disaggregated by valuation technique (fair value hierarchy) and balance sheet classification.

Derivative financial instruments

As at 31 December 2018	Quoted market prices (Level 1) €'000	Observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000	Total €'000
Assets				
Derivative financial instruments	–	377	–	377
Total assets	–	377	–	377
Liabilities				
Derivative financial instruments	–	3,243	–	3,243
Total liabilities	–	3,243	–	3,243

As at 31 December 2017				
Assets				
Derivative financial instruments	–	2,570	–	2,570
Total assets	–	2,570	–	2,570
Liabilities				
Derivative financial instruments	–	2,519	–	2,519
Total liabilities	–	2,519	–	2,519

Derivative financial instruments contain both FX forward contracts linked to the foreign exchange (FX) market and interest rate swaps. All are traded as OTC derivatives and observable inputs to valuation are FX forward rates and interest rates.

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

For cash and balances at central banks, cash collateral and settlement balances, loans and advances to banks and deposits at amortised cost, the carrying amount has been assessed by the Bank as a reasonable approximation of fair value and therefore fair value disclosures have not been made.

Financial assets and liabilities

As at 31 December 2018	Carrying value €'000	Fair value €'000	Quoted market prices (Level 1) €'000	Observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000
Financial Assets					
Loans and advances to customers	**4,902,471**	**4,787,636**	-	**17,521**	**4,770,115**
Financial Liabilities					
Subordinated liabilities	**250,256**	**250,256**	-	**250,256**	-

Financial assets and liabilities

As at 31 December 2017	Carrying value €'000	Fair value €'000	Quoted market prices (Level 1) €'000	Observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000
Financial Assets					
Loans and advances to customers	1,287,346	1,271,125	-	-	1,271,125
Financial Liabilities					
Subordinated liabilities	50,049	50,049	-	-	50,049

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

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

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

Subordinated liabilities
Fair values for dated non-convertible loan capital are based on significant inputs that are based on observable market data, being determined via reference to quoted market rates for instruments issued with similar terms, being determined via reference to quoted market rates for instruments being issued with similar terms.

f) Analysis of change in financing during the year

The below table represents a reconciliation of movements of liabilities to cash flow arising from financing activities.

	Liabilities	Equity					Total
	Subordinated debt	Called up share capital	Share premium	Other equity	Other reserve	Retained earnings	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 31 December 2017	**50,049**	**138,446**	-	-	-	**193,688**	**382,183**
Effects of changes in accounting policies	-	-	-	-	-	**(2,036)**	**(2,036)**
Balance as at 1 January 2018	**50,049**	**138,446**	-	-	-	**191,652**	**380,147**
Proceeds from the issuance of subordinated debt	**200,000**	-	-	-	-	-	**200,000**
Proceeds from the issuance of shares	-	**200,000**	-	-	-	-	**200,000**
Share premium	-	-	**50,000**	-	-	-	**50,000**
Additional Tier 1 issuance	-	-	-	**300,000**	-	-	**300,000**
Total changes from financing cash flows	**200,000**	**200,000**	**50,000**	**300,000**	-	-	**750,000**
Other changes							
Interest expense	**1,477**	-	-	-	-	-	**1,477**
Interest paid	**(1,270)**	-	-	-	-	-	**(1,270)**
Total liability related other changes	**207**	-	-	-	-	-	**207**
Total equity related other changes	-	**460,776**	-	-	**(110,776)**	**18,202**	**368,202**
Balance as at 31 December 2018	**250,256**	**799,222**	**50,000**	**300,000**	**(110,776)**	**209,854**	**1,498,556**

	Subordinated debt	Called up share capital	Share premium	Other equity	Other reserve	Retained earnings	Total
Balance as at 31 December 2016	50,056	138,446	-	-	-	214,598	403,100
Effects of changes in accounting policies	-	-	-	-	-	-	-
Balance as at 1 January 2017	50,056	138,446	-	-	-	214,598	403,100
Dividends paid	-	-	-	-	-	(46,300)	(46,300)
Total changes from financing cash flows	-	-	-	-	-	(46,300)	(46,300)
Other changes							
Interest expense	1,272	-	-	-	-	-	1,272
Interest paid	(1,279)	-	-	-	-	-	(1,279)
Total liability related other changes	(7)	-	-	-	-	-	(7)
Total equity related other changes	-	-	-	-	-	25,390	25,390
Balance as at 31 December 2017	50,049	138,446	-	-	-	193,688	382,183

g) Capital Management

The Bank's capital consists of the sum of the following elements:

- Common Equity Tier 1 capital (CET1), which includes ordinary share capital, retained earnings and a capital contribution;
- Additional Tier 1 capital;
- Tier 2 capital in the form of subordinated debt; and
- Tier 3 capital

Tier 1	2018 €'000	2017 €'000
Ordinary share capital	**849,222**	138,446
Other reserves	**(110,776)**	-
Capital contribution	**121,000**	121,000
Retained earnings	**88,854**	72,688
Total CET1	**948,300**	332,134

Additional Tier 1	2018 €'000	2017 €'000
AT1	**300,000**	-
Total AT1	**300,000**	-

Tier 2	2018 €'000	2017 €'000
Subordinated debt	**50,053**	50,049
Total Tier 2 Capital	**50,053**	50,049

The above balance sheet capital positions are not equal to the regulatory capital positions for the same end periods due to regulatory capital adjustments, such as the exclusion of current year profits until audited. Regulatory approval to redeem the Tier 2 securities was received on 12 December 2018 and, consequently, they ceased to qualify as regulatory Tier 2 capital from that date, including at 31 December 2018.

Tier 3	2018 €'000	2017 €'000
Subordinated Debt	**200,203**	-
Total Tier 3 Capital	**200,203**	-

22 Subordinated liabilities

Accounting for subordinated liabilities

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

	2018 €'000	2017 €'000
Opening balance as at 1 January	**50,049**	50,056
Issuance	**200,000**	-
Other	**207**	(7)
Total subordinated liabilities	**250,256**	50,049

On 16 December 2013, the Bank issued of €50,000k Tier 2 Subordinated debt from its parent BB PLC, as part of managing its Tier 1 and Tier 2 capital mix. This debt re-prices on a three monthly basis, based on the 3 month Euribor rate plus 2.84%. On 13 December 2018, there was an issuance of €200,000k Tier 3 Subordinated debt to the parent BB PLC. This debt is based on a 1-month EURIBOR plus a margin of 2.293% per annum. The maturity dates for these loans are outlined per the table below.

Since 31 December 2018, the Bank has repaid the €50,000k Tier 2 Subordinated debt, initially drawn on 16 December 2013.

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

	Maturity date	2018 €'000	2017 €'000
Floating Rate Subordinated Loan (€200,000k)	2022	**200,203**	-
Floating Rate Subordinated Loan (€50,000k)	2023	**50,053**	50,049
Total subordinated liabilities		**250,256**	50,049

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

Floating rate subordinated loan (€200,000k) ranks behind the claims of depositors and other unsecured unsubordinated creditors but above the claims of the holders of the Tier 2 Capital and Additional Tier 1 Capital.

Floating rate subordinated loan(€50,000k) ranks behind the claims of depositors and other unsubordinated creditors and subordinated creditors other than those whose claims rank pari passu; and rank senior to the holders of ordinary shares, preference shares and the claims of any junior subordinated creditors.

Interest

Interest on the Floating Rate Loans are fixed periodically in advance, based on the related interbank or local central bank rates.

Repayment

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.

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.

23 Ordinary shares, share premium, and other equity

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
	'000	€'000	€'000	€'000	€'000
As at 1 January 2018	**138,446**	**138,446**	**-**	**138,446**	**-**
Issue of ordinary shares	**660,776**	**660,776**	**50,000**	**710,776**	**-**
AT1 securities issuance	**-**	**-**	**-**	**-**	**300,000**
As at 31 December 2018	**799,222**	**799,222**	**50,000**	**849,222**	**300,000**
As at 1 January 2017	138,446	138,446	-	138,446	-
Issue of ordinary shares	-	-	-	-	-
AT1 securities issuance	-	-	-	-	-
As at 31 December 2017	138,446	138,446	-	138,446	-

Ordinary shares
The issued ordinary share capital of the Bank, as at 31 December 2018, comprised 799,222k (2017: 138,446k) ordinary shares of €1 each. During the year the Bank issued 660,776k (2017: €0k) ordinary shares of €1 each.

Other equity instruments
Other equity instruments of €300,000k (2017: €0k) include AT1 securities issued by the Bank. In 2018, there was one issuance (2017: none) of Floating Rate Perpetual Subordinated Contingent Convertible Securities, with a principal amount of €300,000k.

The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under CRD IV.

24 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 services.

The accounting policies for share-based payments, and pensions and other post-retirement benefits are included in note 25 and note 26 respectively.

	2018	2017
	€'000	€'000
Salaries	**15,662**	8,133
Social security costs	**2,271**	1,028
Post-retirement benefits	**1,509**	984
Performance costs	**3,682**	2,447
Other compensation costs	**3,112**	874
Total compensation costs	**26,236**	13,466
Other resourcing costs	**1,391**	102
Total staff costs	**27,627**	13,568

Note
a Post-retirement benefits charge includes €1,242k (2017: €899k) in respect of defined contribution schemes and €268k (2017: €85k) in respect of defined benefit schemes.

At 31 December 2018, the number of staff was 912 (31 December 2017: 119). The average number of employees for the year was 201 (31 December 2017: 106)

25 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.

The Bank, as part of Barclays PLC, engages in equity settled share-based payment transactions in respect of services received from certain of its employees.

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 non-market 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 cost to the Bank of all share based payments for the financial year ended 31 December 2018 was €564k (financial year ended 31 December 2017: €19k).

The terms of the main current plans are as follows:

Share Value Plan (SVP)

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

Deferred Share Value Plan (DSVP)

The DSVP was introduced 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 Bank operates a number of other schemes. Included within other schemes are Sharesave, Sharepurchase (both UK and overseas) and the Share Incentive Award.

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 are as follows:

	2018				2017			
	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
	€'000	€'000			€'000	€'000		
SVP[a,b]	**1.99**	**2.10**	**0.66**	**1,441,199**	2.30	2.29	-	46,432
Sharesave[a]	**0.39**	**2.27**	**3.11**	**203,174**	0.41-2.30	1.99-2.30	2.88	237,890
Others[a,c]	**1.95-1.98**	**1.83-2.06**	**-**	**40,902**	-	-	-	-

SVP is a 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.

Movements in options and awards

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

	SVP[a,b]		Sharesave[a,c]				Others	
	Number		Number		Weighted average ex. price (€)		Number	
	2018	2017	2018	2017	2018	2017	2018	2017
Outstanding at beginning of year/acquisition date	**46,432**	51,071	**237,890**	232,604	**1.46**	1.53	**-**	-
Transfers in the year[d]	**2,024,061**	-	**(68,625)**	31,769	**-**	-	**38,386**	-
Granted in the year	**719,019**	35,520	**78,039**	67,809	**1.49**	1.53	**10,457**	-
Exercised/released in the year	**(1,166,081)**	(23,647)	**-**	(36,196)	**-**	1.49	**(7,909)**	-
Less: forfeited in the year	**-**	-	**(37,169)**	(45,821)	**1.04**	1.53	**(32)**	-
Less: expired in the year	**(182,232)**	(16,512)	**(6,961)**	(12,275)	**1.79**	-	**-**	-
Outstanding at end of year	**1,441,199**	46,432	**203,174**	237,890	**1.56**	1.50	**40,902**	-

There were no significant modifications to the share based payments arrangements in 2018 and 2017.

Notes
a Options/award granted over Barclays PLC shares.
b Nil cost award and therefore the weighted average exercise price was nil.
c The awards within Others at the end of the year relates to Sharepurchase (UK and overseas).
d Awards of employees transferred between BB PLC and BBI PLC in 2018.

26 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 defined benefit pension scheme in Ireland under which pension entitlements of certain employees arise. Contributions are made annually by the Bank to a separately administered pension fund.

During the reporting period, and as part of the acquisition as outlined in note 2, 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 of BB PLC to the Bank and were immediately recognised. As these liabilities were unfunded, no corresponding assets were transferred.

The benefits provided, the approach to funding and the legal basis of the plans reflect local environments.

- The Barclays Bank Irish Retirement and Life Assurance Plan is a funded defined benefit pension plan that was closed to accrual on 31 May 2013. The contributions are determined by a qualified actuary on the basis of triennial valuations. A full actuarial valuation was carried out as at 31 December 2018, on which the amounts recognised in the financial statements are based.

- The transferred liabilities are unfunded, consistent with German legal requirements.

The following table includes amounts recognised in the income statement.

Income statement charge

	2018			2017
	Ireland	Germany	Total	
	€'000	€'000	€'000	€'000
Interest cost/Interest cost on Defined Benefit Obligation (DBO)	1,129	35	1,164	1,170
Interest income on assets	(983)	-	(983)	(865)
Net interest cost on net defined benefit liability	146	35	181	305
Other finance income				
Current service cost	81	187	268	85
Past service cost	-	-	-	3,323
Total service cost	81	187	268	3,408
Pension expense	227	222	449	3,713

The amounts recognised in other comprehensive income are as follows:

Statement of other comprehensive income

	2018			2017
	Ireland	Germany	Total	
	€'000	€'000	€'000	€'000
Actuarial (gain)/loss due to liability experience	(815)	24	(791)	(1,817)
Actuarial (gain)/loss due to liability assumption	-	(140)	(140)	1,320
Actuarial (gain)/loss arising during period	(815)	(116)	(931)	(497)
Return on plan assets (greater)/less than discount rate	1,397	-	1,397	(2,981)
Remeasurement effects recognised in OCI	582	(116)	466	(3,478)

The following tables outline the balance sheet position as at 31 December 2018.

Balance sheet

	2018			2017
	Ireland	Germany	Total	
	€'000	€'000	€'000	€'000
Present value of funded liabilities	(56,484)	-	(56,484)	(56,860)
Present value of the unfunded liabilities	-	(27,764)	(27,764)	-
Present Value of total liabilities	(56,484)	(27,764)	(84,248)	(56,860)
Fair value of scheme assets	49,239	-	49,239	49,339
Retirement benefit liability	(7,245)	(27,764)	(35,009)	(7,521)

Reconciliation of defined benefit asset/(liability)

	Ireland	Germany	Total
	€'000	€'000	€'000
Defined Benefit Asset/(Liability) at 31 December 2017	(7,521)	-	(7,521)
(Cost) Recognised in P&L	(227)	(222)	(449)
Remeasurement Gain/(Loss) recognised in OCI	(582)	116	(466)
Employer Contributions	1,085	-	1,085
Benefits Paid Directly by Company	-	370	370
Transfers between BB PLC and the Bank	-	(28,028)	(28,028)
Defined Benefit Asset/(Liability) at 31 December 2018	(7,245)	(27,764)	(35,009)

Movement in scheme assets

	Ireland	Germany	Total
	€'000	€'000	€'000
At 31 December 2017	**49,339**	**-**	**49,339**
Interest income on Plan Assets	**983**	**-**	**983**
Asset gain/(loss)	**(1,397)**	**-**	**(1,397)**
Benefits paid – from Plan assets	**(771)**	**-**	**(771)**
Employer contributions paid	**1,085**	**-**	**1,085**
At 31 December 2018	**49,239**	**-**	**49,239**

Movement in scheme liabilities

	Ireland	Germany	Total
	€'000	€'000	€'000
At 31 December 2017	**56,860**	**-**	**56,860**
Current Service Cost	**81**	**187**	**268**
Interest Cost on DBO	**1,129**	**35**	**1,164**
Liability (gain)/loss	**(815)**	**(116)**	**(931)**
Benefits paid – from Plan assets	**(771)**	**-**	**(771)**
Benefits paid – directly by the Company	**-**	**(370)**	**(370)**
Transfer of Liabilities	**-**	**28,028**	**28,028**
At 31 December 2018	**56,484**	**27,764**	**84,248**

Assets: The Barclays Bank Irish Retirement and Life Assurance Plan

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

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

Analysis of scheme assets

	2018		2017	
	Value	% of total fair value of scheme assets	Value	% of total fair value of scheme assets
	€'000	%	€'000	%
Equities	**22,404**	**45.5%**	22,987	46.6%
Bonds	**22,438**	**45.6%**	22,057	44.7%
Property	**1,803**	**3.7%**	1,717	3.5%
Other	**2,594**	**5.2%**	2,578	5.2%
Fair value of scheme assets	**49,239**	**100%**	49,339	100%

Assumptions

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

Ireland

Key financial assumptions	2018	2017
	% p.a.	% p.a.
Discount rate	**2.00%**	2.00%
Inflation rate (RPI)	**1.75%**	1.75%
Rate of increase for pension	**1.75%**	1.75%

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

Assumed life expectancy	2018	2017
Life expectancy at 60 for current pensioners (years)		
– Males	**25.8**	25.9
– Females	**28.5**	28.6
Life expectancy at 60 for future pensioners currently aged 40 (years)		
– Males	**28.2**	28.9
– Females	**30.0**	30.8

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

Key financial assumptions	2018	2017
	% p.a.	% p.a.
Discount rate	**1.35%/2.10%**	-
Inflation rate (RPI)	**2.50%**	-
Rate of increase for pension	**1.90%/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	2018	2017
Life expectancy at 60 for current pensioners (years)		
– Males	**24.6**	-
– Females	**28.5**	-
Life expectancy at 60 for future pensioners currently aged 40 (years)		
– Males	**27.6**	-
– Females	**30.0**	-

Sensitivity analysis on actuarial assumptions
In order to illustrate the sensitivity of the results to changes in the key financial assumptions, the following table highlights the impact of a change in each of the main financial assumptions.

Change in key assumptions	2018	2017
	(Decrease)/Increase in defined benefit obligation	(Decrease)/Increase in defined benefit obligation
	€'000	€'000
Discount rate		
0.50% p.a. increase	**(8,362)**	(6,206)
Assumed RPI		
0.50% p.a. increase	**10,514**	7,094

27 Related party transactions and Directors' remuneration

Related party transactions

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

The acquisition of the European operations from BB PLC has materially affected the financial position and the performance of the Bank during this period with regards to its related party transactions. Refer to note 2 for details of the business acquisition.

Parent company

The parent company is BB PLC, which holds 100% of the issued ordinary shares of the Bank. The ultimate controlling parent of the Bank is Barclays 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
	€'000	€'000	€'000
For the year ended and as at 31 December 2018			
Total income	**27,817**	**518**	-
Credit impairment and other provisions	**(82)**	-	-
Operating expenses	**(7,753)**	**(1,134)**	-
As at 31 December 2018			
Total assets	**1,253,404**	**23,747**	**3,000**
Total liabilities	**4,723,725**	**103,020**	**959**
For the year ended and as at 31 December 2017			
Total income	7,560	-	(305)
Credit impairment and other provisions	-	-	-
Operating expenses	(2,543)	-	(21)
As at 31 December 2017			
Total assets	1,392,872	-	2,500
Total liabilities	53,083	-	8,129

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.

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.

	2018	2017
	€'000	€'000
Short-term employee benefits	**3,934**	1,958
Post-employment benefits	**72**	117
Other long-term benefits	**71**	-
Termination benefits	**68**	-
Share-based payment	-	-
	4,145	2,075

There were no loans, deposits or commitments with Key Management Personnel during the financial year ended or as at 31 December 2018 (financial year ended or as at 31 December 2017: none).

Directors' remuneration

	2018	2017
	€'000	€'000
Directors' remuneration		
Emoluments in respect of qualifying services	**2,156**	1,576
Gain on exercise of share options during the financial year	-	-
Benefits under long term incentive schemes	**70**	-
Contributions to retirement benefit schemes		
- Defined contribution	**25**	63
Compensation for loss of office paid by the Bank and other termination payments	**67**	-
Total Directors' remuneration	**2,318**	1,639

As at 31 December 2018, there were no Directors accruing benefits under a defined benefit scheme (2017: €nil).

28 Transition note

Income statement and presentational changes

The table below presents the impact of the changes to income statement presentation in 2018. The table below outlines the voluntary changes made to the presentation of the Income Statement. These presentational changes had no impact on retained earnings or profit for any period.

Income Statement	Year ended 31 December 2017	Income statement presentation changes	Year ended 31 December 2017
	€'000	€'000	€'000
Interest and similar income[a]	56,297	-	56,297
Interest and similar expenses[b]	(24,390)	(305)	(24,695)
Fee and commission income	14,476	-	14,476
Net investment expense[c]	-	(4,504)	(4,504)
Trading and foreign exchange income	2,682	(2,682)	-
Net trading income[c]	-	2,682	2,682
Fee and other expenses	(4,809)	4,809	-
General and administrative expenses[d]	(18,525)	14,614	(3,911)
Staff costs	-	(13,568)	(13,568)
Infrastructure costs	-	(1,328)	(1,328)
Depreciation and amortisation expense	(282)	282	-
Loan impairment release[e]	46	(46)	-
Impairment (losses) and gains on financial instruments	-	46	46
Income tax expense[f]	(3,014)	-	(3,014)
Profit after tax	22,481	-	22,481

Notes

a The financial statement caption has been amended to 'Interest income' in 2018

b The financial statement caption has been amended to 'Interest expense' in 2018

c New line disclosure in 2018 to align naming convention with Barclays Group

d General and administrative expenses and depreciation and amortised expense have been disaggregated into staff costs, infrastructure costs and general and administrative expenses in 2018

e The financial statement caption has been amended to 'Impairment (losses) and gains on financial instruments' in 2018 in line with IFRS 9

f The financial statement caption has been amended to 'Taxation' in 2018

Balance sheet presentation changes

The table below outlines the voluntary changes made to the presentation of the balance sheet. These presentational changes have no effect on the measurement of these items and therefore had no impact on retained earnings or profit for any period. Deposits from banks' and 'customer accounts' have been combined and are now reported in 'deposits at amortised cost'. The capital contribution has also been included in retained earnings

	As at 31 December 2017	Balance sheet presentation changes	As at 31 December 2017
Assets	€'000	€'000	€'000
Cash and balances at central banks	528,265	-	528,265
Loans and advances to banks	1,392,480	-	1,392,480
Loans and advances to customers	1,287,346	-	1,287,346
Derivative financial instruments	2,570	-	2,570
Property, plant and equipment	15	-	15
Intangible assets	118	-	118
Deferred income tax assets	940	-	940
Other assets	5,945	-	5,945
Total assets	3,217,679	-	3,217,679
Liabilities			
Deposits from banks	67,298	(67,298)	-
Deposits from customers	2,752,691	(2,752,691)	-
Deposits at amortised cost	-	2,819,989	2,819,989
Derivative financial instruments	2,519	-	2,519
Retirement benefit obligations	7,521	-	7,521
Current income tax liabilities	16	-	16
Other liabilities	5,451	-	5,451
Subordinated debt	50,049	-	50,049
Total liabilities	2,885,545	-	2,885,545
Equity			
Share capital	138,446	-	138,446
Capital contribution	121,000	(121,000)	-
Retained earnings	72,688	121,000	193,688
Total equity	332,134	-	332,134

Impact of transition to IFRS 9

The table below presents the impact of the transition to IFRS 9 on the Bank's balance sheet. Additional impairment from the adoption of IFRS 9 is shown in the impairment change column.

			As at 31 December 2017		As at 1 January 2018
	IAS 39 measurement category	IFRS 9 measurement category	Revised IAS 39 carrying amount	IFRS 9 impairment change	IFRS 9 carrying amount
Assets			€'000	€'000	€'000
Cash and balances at central banks	Amortised cost	Amortised cost	528,265	-	528,265
Loans and advances to banks	Amortised cost	Amortised cost	1,392,480	-	1,392,480
Loans and advances to customers	Amortised cost	Amortised cost	1,287,346	(1,945)	1,285,401
Derivative financial instruments	FVTPL	FVTPL	2,570	-	2,570
Current tax assets	N/A	N/A	-	-	-
Property, plant and equipment	N/A	N/A	15	-	15
Intangible assets	N/A	N/A	118	-	118
Deferred tax assets	N/A	N/A	940	291	1,231
Other assets	Amortised cost	Amortised cost	5,945		5,945
Total assets			3,217,679	(1,654)	3,216,025
Liabilities					
Deposits at amortised cost	Amortised cost	Amortised cost	2,819,989	-	2,819,989
Derivative financial instruments	FVTPL	FVTPL	2,519	-	2,519
Retirement benefit liabilities	N/A	N/A	7,521	-	7,521
Provisions	N/A	N/A	-	382	382
Current tax liabilities	N/A	N/A	16	-	16
Other liabilities	Amortised cost	Amortised cost	5,451	-	5,451
Subordinated liabilities	Amortised cost	Amortised cost	50,049	-	50,049
Total liabilities			2,885,545	382	2,885,927
Equity					
Called up share capital and share premium	N/A	N/A	138,446	-	138,446
Retained earnings	N/A	N/A	193,688	(2,036)	191,652
Total equity			332,134	(2,036)	330,098

Loans and advances to customers

Expected credit losses have decreased the balance by €1,945k.

Deferred tax assets

The increase in expected credit losses has resulted in an increase in the deferred tax asset of €291k.

Provisions

Expected credit losses on off balance sheet positions have resulted in the recognition of a provision of €382k.

Equity

The cumulative impact of the above movements has resulted in €2,036k reduction in retained earnings.

29 Auditors' remuneration

Auditors' remuneration is included within consultancy, legal and professional fees in administration and general expenses and comprises:

	2018 €'000	2017 €'000
Audit of the Bank's financial statements	**385**	110
Other services:		
Other assurance services	-	-
Tax advisory services	-	-
Other non-audit services	**35**	-
Total Auditors' remuneration[a]	**420**	110

[a] Of the 2018 fee €205k relates to other KPMG network firms.

30 Post balance sheet events

The Bank became classified as a significant supervised entity, directly supervised by the European Central Bank ("ECB"), as of 1 January 2019.

Barclays received approval from the High Court (UK) on 29 January 2019 to transfer certain Banking and Markets, Corporate and Private Bank and Overseas Services business to the Bank under Part VII of the Financial Services and Markets Act 2000. This enables the Bank to duplicate or transfer contracts currently in place with BB PLC and Barclays Capital Securities Limited ("BCSL") to the Bank, rather than requiring new documentation to be signed, and minimises disruption to European customers in respect of the UK's intention to depart from the EU. In addition, business activities are being transferred in some situations through the execution of new contracts.

In line with the Bank's expansion plan to serve Barclays' European customers, further business activities have been transferred to the Bank from BB PLC, since 1 January 2019. These further transfers relate primarily to activities in BB PLC branches in Spain and Sweden on 1 February 2019 and Portugal, France, Italy and The Netherlands on 1 March 2019. In addition, certain corporate and investment banking activities previously in BB PLC, its branches and BCSL have been moved and these transfers are ongoing.

The primary impact to the Bank of the above transactions was an increase in loans to customers of €8 billion, together with the associated funding, resulting in an increase in net assets of €0.2 billion.

Since 31 December 2018 the Bank has issued 100 million ordinary shares of €1 each and share premium of €26 million. A merger reserve of €86 million has been recognised. The Bank has received capital contributions of €771 million since 31 December 2018. In addition, the Bank issued T2 subordinate debt in the amount €431 million and non-capital subordinated debt of €125 million. The Bank has also repaid a €50 million Tier 2 Subordinated debt, initially drawn on 16 December 2013. All of the transactions have been with the Bank's parent BB PLC.

The Bank continues to monitor ongoing developments on Brexit and related impacts on the future plans and risk profile of the Bank.

31 Approval of financial statements

The Board of Directors approved the financial statements on 13 March 2019.