# Barclays Bank Ireland PLC
# Annual Report

31 December 2022

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# Performance review

The Strategic Report was approved by the Board of Directors on 15 March 2023.

## OVERVIEW

Barclays Bank Ireland PLC (the 'Bank', 'BBI' or the 'Company') is a wholly owned subsidiary of Barclays Bank PLC ('BB PLC'). BB PLC is a wholly owned subsidiary of Barclays PLC ('B PLC'). The consolidation of B PLC and its subsidiaries is referred to as the Barclays Group. The term Barclays refers to either B PLC or, depending on the context, the Barclays Group as a whole.

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

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

The Bank is the primary legal entity within the Barclays Group serving Barclays European Economic Area ('EEA') clients, with branches in Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden, in addition to its Irish Head Office.

In July 2022, the Bank completed an ECB Comprehensive Assessment ('CA') comprising an asset quality review and stress test. The CA represents the entrance exam to supervision by the ECB's SSM, which the Bank entered in 2019. The ECB determined on the basis of the CA that the Bank did not need any additional capital. The ECB also factors the outcome and any findings of the CA into the ongoing assessment of banks' risks, their governance arrangements and their capital and liquidity situation as part of the Supervisory Review and Evaluation Process ('SREP').

## OUR STRUCTURE

The Bank has two business segments, the Corporate and Investment Bank ('CIB') and Consumer, Cards and Payments ('CC&P').

The CIB is comprised of the Corporate Banking, Investment Banking and Markets businesses, providing products and services to money managers, financial institutions, governments, supranational organisations and corporate clients to manage their funding, financing, strategic and risk management needs.

CC&P is comprised of Barclays Consumer Bank Europe ('CBE') and the Private Bank. Barclays Consumer Bank Europe provides credit cards, online loans, instalment purchase financing, electronic point-of-sale financing and deposits. The Private Bank offers investment, banking and credit capabilities to meet the needs of our clients across the EEA.

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

## MARKET AND OPERATING ENVIRONMENT

The initial recovery following the COVID-19 pandemic was abated by the difficult economic conditions experienced in 2022, driven largely by the Russian invasion of Ukraine, soaring energy prices and supply chain difficulties from rapidly increasing demand as lockdowns ended. Global inflationary pressures, and the monetary policy action in the form of interest rate increases by central banks across the globe, had a profound effect on the macroeconomic environment in Europe.

In our CIB segment, market volatility, inflation and geopolitical uncertainty created headwinds for deal-making across all products. However, market volatility provided the conditions for a strong year for our Global Markets franchise, particularly the Rates and Fixed Income Financing businesses, whilst our Corporate Banking franchise has benefited from increasing interest rates and payment flows.

We continued to assist our clients, ranging from supranational and sovereign to corporate, to access the capital markets for liquidity, capital and investment purposes. Our Investment Banking business continued to capitalise on the opportunities presented by the transition to a low-carbon economy. This included offerings that were linked to our environmental, social and governance('ESG') targets. Our Corporate Banking business supported our clients with multiple bespoke solutions and an expanded ESG product offering.

Within CC&P, CBE operates a leading German credit card and personal lending franchise and an innovative partnership providing point-of-sale finance for a global e-commerce business. Recovery in consumer activity and spending during 2022 was tempered by the rise in inflation and interest rates, driving changes in consumer behaviour and demand for credit in the latter part of 2022. As a result of the macroeconomic conditions, solid underlying performance was impacted by impairment provisioning. Alongside strong growth in its domestic market in Ireland, the Private Bank continued to execute its expansion plans in France, Italy and Spain. Market uncertainty has moderated Private Bank clients' appetite to invest in regular equity-related strategies, whilst higher market volatility is supporting strong investment in transactional activity.

Consistent with Barclays' strategic priority to capture opportunities as we transition to a low-carbon economy, we continued to innovate our product offering and support our clients' issuance of green and other sustainability-linked securities.

Our ability to adapt to alternative working arrangements and still deliver for our customers and clients is evidence of the resilience and dedication of our colleagues. As we begin 2023, we will work hard to protect and strengthen our culture, find ways to attract and progress talent that suitably reflects the diversity of our communities, and build a supportive working environment within the Bank which can enable us to operate for the benefit of all our stakeholders.

# Performance review

## GROWING WITH SOCIETY

The following sub-sections include a summary of the BBI's specific items from the Barclays PLC 2022 Annual Report. For full details, refer to the 'Society' section of the Barclays PLC 2022 Annual Report.

Our success is judged not only by commercial performance, but also by our contribution to society and in the way we deploy finance responsibly to support people and businesses, acting with empathy and integrity, championing innovation and sustainability for the common good and the long term.

We believe that we can, and should, make a positive difference for society – globally and locally. We do that through the choices we make about how we run our business in light of all relevant risks and other factors, and through the commitments we make to support our clients and communities and to champion sustainability for the long term. We recognise that we are at our best when our clients, customers, communities and colleagues all progress.

Our focus on society falls broadly into three categories: Climate, Communities and Suppliers.

### Climate

Addressing climate change is an urgent and complex challenge, but also an opportunity. It requires a fundamental transformation of the global economy. The financial sector has an important role to play in supporting the transition to a low-carbon economy and at Barclays, we are determined to play our part consistent with our Purpose and relevant business and risk considerations.

In 2020, the Barclays Group announced an ambition to be a net zero bank by 2050, across all of its direct and indirect emissions, and committed to align all of its financing activities with the goals and timelines of the Paris Agreement. The Barclays Group made it clear at the time that it would approach the climate challenge thoughtfully and transparently, engaging with shareholders and other stakeholders and reporting our progress.

In doing so, the Barclays Group also recognises the importance of supporting a just transition considering the social risks and opportunities of the transition and seeking to ensure effective dialogue with affected stakeholders.

The Bank applies the policies of the Barclays Group in response to climate change.

For more details on the Bank's response to climate change and the environment, please see climate and sustainability section on pages 21 to 30.

### Communities

In the communities in which it operates, the Barclays Group is supporting people to develop the skills and confidence they need to succeed now and in the future. It collaborates with experienced partners, employability experts and businesses to develop meaningful and innovative programmes that aim to deliver a significant positive impact over the long-term.

We remain committed to our purpose of deploying finance responsibly to support people and businesses, acting with empathy and integrity, championing innovation and sustainability, for the common good and the long term. After a thorough evaluation, in 2022, we launched a joint work programme with INCO across five countries (France, Germany, Ireland, Italy and Spain) to deliver programmes that seek to provide equitable access to the knowledge, skills and habits necessary to secure employment in digital industries. INCO provides free technology skills training for people facing barriers to employment, including: young people not in education, employment or training; women who are underrepresented in science, technology, engineering and mathematics jobs; people experiencing intergenerational poverty; and migrants, refugees and asylum seekers and people with disabilities. The programmes aim to secure IT jobs for at least 80% of its graduates within six months of completing the programme.

More information on how the Barclays Group is supporting communities can be found in the Barclays PLC 2022 Annual Report.

### Suppliers

As a global institution, the Barclays Group has responsibility for a large supply chain. The Barclays Group engages directly with suppliers seeking to promote diversity, equity and inclusion and are committed to identifying and addressing modern slavery risks across our operations, supply chain, and customer and client relationships.

# Managing risk

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

**Enterprise Risk Management Framework**

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

The ERMF governs the way in which the Bank identifies and manages its risks. The ERMF is approved by the Barclays PLC Board on the recommendation of the Barclays Group Chief Risk Officer; it is then adopted by the Bank with modifications where needed. Given the increasing risks associated with climate change, and to support the Group's ambition to be a net zero bank by 2050, Climate risk became a Principal Risk at the start of 2022.

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

**Risk appetite**

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

The Bank may choose to adopt a lower risk appetite than allocated to it by the Barclays Group.

**Three lines of defence**

The first line of defence is comprised of the revenue-generating and client-facing areas, along with all associated support functions, including Finance, Treasury, Human Resources, Operations and Technology. The first line identifies the risks, sets the controls and escalates risk events to the second line of defence. Employees in the first line have primary responsibility for their risks and their activities are subject to oversight from the relevant parts of the second and third lines.

The second line of defence is made up of Risk and Compliance and oversees the first line by setting limits, rules and constraints on their operations, consistent with the risk appetite.

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

The Legal function provides support to all areas of the Bank and is not formally part of any of the three lines of defence. The Legal function is responsible for the identification of all legal and regulatory risks. Except in relation to the legal advice it provides or procures, it is subject to second line oversight with respect to its own operational and conduct risks, as well as with respect to the legal and regulatory risks to which the Bank is exposed.

For further detailed analysis of our approach to risk management and risk performance see the full Risk review on pages 32 to 111.

# Managing risk

*The Enterprise Risk Management Framework defines nine Principal Risks*

| | Principal Risks | Risks are classified into Principal Risks, as below | How risks are managed |
|---|---|---|---|
| Principal Risk | Climate Risk | *The impact on Financial and Operational Risks arising from climate change through physical risks, risks associated with transitioning to a lower carbon economy and connected risks arising as a result of second order impacts on portfolios of these two drivers.* | *The Barclays Group and the Bank assess and manage climate risk across businesses and functions in line with the Barclays Group's net zero ambition by monitoring exposure to elevated risk sectors, conducting scenario analysis and risk assessments for key portfolios. Climate Risk became a Principal Risk in 2022. Climate risk controls are embedded across the Financial and Operational Principal Risk types through the Barclays Group's Frameworks, Policies and Standards (which apply to the Bank).* |
| | Credit Risk | *The risk of loss to the Bank from the failure of clients, customers or counterparties (including sovereigns), to fully honour their obligations to the Bank, including the whole and timely payment of principal, interest, collateral and other receivables.* | *Credit risk teams identify, evaluate, sanction, limit and monitor various forms of credit exposure, individually and in aggregate.* |
| | Market Risk | *The risk of loss arising from potential adverse changes in the value of the Bank's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.* | *A range of complementary approaches to identify and evaluate market risk are used to capture exposure to market risk. These are measured, limited and monitored by market risk specialists.* |
| | Treasury and Capital Risk | *Liquidity Risk:*<br>*The risk that the Bank is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.* | *Treasury and capital risk is identified and managed by specialists in Capital Planning, Liquidity, Asset and Liability Management and Market Risk. A range of approaches are used appropriate to the risk, such as limits, plan monitoring and stress testing based on real time/timely information from our operations.* |
| | | *Capital Risk:*<br>*The risk that the Bank has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments and stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the Bank's defined benefit pension plans.* | |
| | | *Interest Rate Risk in the banking book:*<br>*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.* | |
| | Operational Risk | *The risk of loss to the Bank from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.* | *The Bank assesses and manages its operational risk and control environment across its businesses and functions with a view to maintaining an acceptable level of residual risk.* |
| | Model Risk | *The potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.* | *Models are evaluated for approval prior to implementation, and on an ongoing basis.* |
| | Conduct Risk | *The risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the Bank's products and services.* | *The Conduct Risk Management Framework ('CRMF') sets out the control objectives and minimum control requirements which must be implemented to manage Conduct Risk. A selection of tools is mandated in the CRMF and Barclays Control Framework to support with the assessment of Conduct Risks, whilst the governance of Conduct Risk is fulfilled through management committees and forums with clear escalation and reporting lines to Board-level committees.* |
| | Reputation Risk | *The risk that an action, transaction, investment, event, decision, or business relationship will reduce trust in the Bank's integrity and/or competence.* | *Reputation risk is managed by embedding our purpose and values, and maintaining a controlled culture within the Bank, with the objective of acting with integrity, enabling strong and trusted relationships to be built with customers and clients, colleagues and broader society. Each business assesses reputation risk using standardised tools and the governance is fulfilled through management committees and forums, clear escalation and reporting lines to the BBI Board.* |
| | Legal Risk | *The risk of loss or imposition of penalties, damages or fines from the failure of the Bank to meet its legal obligations, including regulatory or contractual requirements.* | *Legal risk is managed by the identification of legal risks by the Legal Function, the engagement of the Legal Function in situations that have the potential for legal risk, and the escalation of legal risk as necessary.* |

Note
The ERMF defines nine Principal Risks. For further information on how these Principal Risks apply specifically to the Bank, please see pages 46 to 56.

# Performance measures

## Key performance highlights

| Income statement: | 2022 €m | 2021 €m |
|---|---|---|
| Total income | **1,430** | 1,196 |
| Operating expenses | **(1,106)** | (968) |
| Profit before impairment | **324** | 228 |
| Credit impairment (charges)/releases | **(167)** | 97 |
| Profit before tax | **157** | 325 |
| Tax charge | **(57)** | (90) |
| Profit after tax | **100** | 235 |
| Attributable to other equity instrument holders | **(48)** | (40) |
| **Profit attributable to ordinary shareholders** | **52** | **195** |
| Cost: income ratio[a] | **77%** | 81% |
| No. of employees at 31 December (full time equivalent) | **1,776** | 1,708 |
| **Balance Sheet information:** | **€bn** | €bn |
| **Assets** | | |
| Cash and balances at central banks | **30.5** | 24.1 |
| Cash collateral and settlement balances | **18.5** | 17.7 |
| Loans and advances to customers | **13.9** | 13.1 |
| Trading portfolio assets | **7.7** | 8.2 |
| Financial assets at fair value through the income statement | **17.2** | 15.4 |
| Derivative financial instruments | **40.4** | 33.9 |
| Total assets | **132.5** | 117.1 |
| **Liabilities** | | |
| Deposits from customers | **25.8** | 21.4 |
| Cash collateral and settlement balances | **24.7** | 17.1 |
| Trading portfolio liabilities | **12.9** | 10.3 |
| Subordinated liabilities | **4.7** | 3.2 |
| Financial liabilities designated at fair value | **14.9** | 13.8 |
| Derivative financial instrument | **32.5** | 33.5 |
| **Total equity** | **6.5** | 5.9 |
| **Credit quality:** | | |
| % of loans and advances to customers impaired[b] (%) | **4.2%** | 4.6% |
| Expected Credit Loss ('ECL') coverage on loans and advances to customers[c] (%) | **3.7%** | 3.3% |
| ECL coverage on impaired loans and advances to customers[d] (%) | **43%** | 40% |
| **Capital and liquidity[e]:** | | |
| Risk weighted assets[f] (€bn) | **35.2** | 32.1 |
| Common equity tier 1 ('CET1') (transitional)[g,h] (€bn) | **5.9** | 5.2 |
| CET1 (transitional)[h,i] (%) | **16.7%** | 16.1% |
| Total regulatory capital (transitional)[h,i] (%) | **22.4%** | 21.4% |
| Liquidity pool[j] (€bn) | **30.7** | 25.4 |
| Liquidity coverage ratio ('LCR')[k] (%) | **194%** | 171% |
| Net stable funding ratio ('NSFR') (%) | **149%** | 148% |
| Loan to Deposit ratio[l] | **54%** | 61% |

Notes:

a Operating expenses (excluding impairment) divided by total income (see page 129).
b Stage 3 gross loans and advances to customers divided by total gross loans and advances to customers (see page 63).
c Total ECL on loans and advances to customers divided by total gross loans and advances to customers (see page 63).
d Stage 3 ECL on loans and advances to customers divided by stage 3 gross loans and advances to customers (see page 63).
e Capital and liquidity requirements are part of the regulatory framework governing how banks and depository institutions are supervised.
f Risk weighted assets ('RWAs') are measured in accordance with the provisions of the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive IV ('CRD IV') as amended by the Capital Requirements Regulation II ('CRR II') and the Capital Requirements Directive V ('CRD V').
g CET1 is a measure of capital that is predominantly common equity as defined by the CRR, as amended by CRR II.
h The Bank is now reporting its CET1 and associated ratios inclusive of certain reserves, which amount to €189.5m, as eligible core equity under CRR II. The 31 December 2021 CET1, CET1 ratio and total capital ratio above have been restated accordingly. Excluding these reserves, the 31 December 2021 CET1, CET1 ratio and total regulatory capital ratio were €5.0bn, 15.5% and 20.8% respectively.
i Capital ratios express a bank's capital as a percentage of its RWAs (see page 105).
j The Bank's liquidity pool represents its stock of high quality liquid assets ('HQLA's), which are high or extremely high liquidity and credit quality assets as defined by Commission Delegated Regulation (EU) 2015/61, commonly referred to as the 'Delegated Act'.
k The liquidity coverage ratio expresses a bank's HQLA's as a percentage of its stressed net outflows over a 30 day period as defined by the Delegated Act.
l Loans and advances to customers, net of ECL, divided by deposits from customers (see page 131).

# Performance measures

**Income statement commentary**
The Bank earned a profit before impairment in the year ended 31 December 2022 of €324m (2021: profit before impairment €228m), an improvement of €96m, due to an increase in total income of €234m, partially offset by an increase in costs of €138m.

The Bank earned a profit before tax in the year ended 31 December 2022 of €157m (2021: profit before tax of €325m). This represented a decrease of €168m, reflecting an increase in impairment charges of €264m offset by an increase in profit before impairment of €96m. The CIB segment had a profit before tax of €270m, an increase of €16m on 2021. CC&P incurred a loss before tax of €(8)m, a decrease of €135m from its profit before tax of €127m in 2021, driven by €134m of impairment charges, compared to a release of €24m in 2021. The loss in Head Office was €(105)m, an increase of €49m from the loss before tax of €(56)m in 2021. This loss in Head Office is primarily driven by Treasury activities and Italian mortgage portfolio.

Total income increased by €234m to €1,430m (2021: €1,196m), largely reflecting:

- an increase in CIB income to €1,117m; an increase of €254m or 29% (2021: €863m), primarily due to increased trading income in our Markets business as a result of increased client activity and significant market volatility, together with an increase in fee income from our parent BB PLC, whilst in our Corporate business, income growth was driven by increased client activity from the roll out of enhanced transaction banking capabilities and the rising interest rate environment.

- an increase in CC&P income to €368m, €29m or 9% higher (2021: €339m), primarily reflecting ongoing recovery from the COVID-19 pandemic for our Consumer Bank Europe business.

Partly offset by:

- losses in Head Office of €(55)m, an increase of €49m (2021: €6m loss). This increase is primarily driven by Treasury activities, which included the result of the re-estimation in 2021 and 2022 of cash flows on drawings under the ECB's Targeted Longer Term Refinancing Operations ('TLTRO III') as a result of changes in the terms of TLTRO III announced by ECB.

During the year, the Bank reviewed some of the transfer pricing arrangements it has in place with other Barclays Group companies. This review resulted in an amendment in arrangements between the Bank and its Parent, to reflect the benefits derived by the Parent from managing market risk in respect of Markets-based transactions between the Bank and EEA domiciled customers. The impact of this revised arrangement was to recognise an additional €43m income within Fee Income and Commission for the year (representing 4% of total Fee Income).

Operating expenses increased by €138m to €1,106m (2021: €968m), primarily due to investment spend on the growth initiatives underway in CIB and higher bank levies, including the Single Resolution Fund levy.

Credit impairment charges (net) increased by €(264)m to a charge of €(167)m (2021: net release of €97m), driven by a net increase in modelled impairment in response to the macroeconomic deterioration, partially offset by the release of COVID-19 uncertainty adjustments.

The Bank's profit after tax for the year ended 31 December 2022 was €100m (2021: €235m). The Bank incurred a tax charge of €(57)m (2021: €(90)m). The effective tax rate of 36.3% is higher than the corporation tax rate in Ireland of 12.5%, primarily due to the profits earned outside of Ireland being taxed at local statutory tax rates that are higher than the Irish tax rate and prior year adjustments.

**Balance sheet commentary**
As at 31 December 2022, total assets were €132.5bn, an increase of €15.4bn compared to 31 December 2021 (€117.1bn), primarily driven by increases in derivative financial assets and cash at central banks.

Derivative financial assets increased by €6.6bn to €40.4bn, primarily driven by the impact of the increase in major interest rates on derivative values, market volatility and increased activity during the period, partially offset by an amendment to the Clearing Terms of Business ('CToBs') between the Bank and BB PLC which results in the mark to market of cleared derivatives being settled daily by cash payments rather than being collateralised.

The increase in central bank placings by €6.4bn to €30.5bn was primarily driven by an increase in customer deposits and capital issuances.

Customer deposits increased by €4.4bn or 20% in 2022 to €25.8bn primarily due to an increase in short-term deposits. Customer loans and advances increased by €0.9bn or 7% to €13.9bn. As a result, the loan to deposit ratio reduced from 61% as at 31 December 2021 to 54% as at 31 December 2022. The increase in loan balances is primarily due to increased lending within CIB and CC&P, which was partially offset by repayments in the Bank's Italian mortgage portfolio which is being run off. The loan to deposit ratio of 54% reflects a position where the Bank continues to be able to fund customer loans from customer deposits.

ECL provisions increased by €110m from €477m to €587m, of which €46m is ECL on loan commitments and financial guarantees, with the impairment charge for the year being primarily driven by macroeconomic deterioration. Our coverage ratio on loans and advances to customers increased from 3.3% to 3.7%. ECL provisions include post model adjustments of €38m (2021: €101m), with the decrease in post model adjustment primarily driven by the release of COVID-19 uncertainty adjustments and macroeconomic deterioration captured within the model output.

**Other Metrics and Capital**

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

The Bank held a liquidity pool of €30.7bn as at 31 December 2022 (2021: €25.4bn). This comprised balances with central banks of €29.9bn[a] (2021: €23.4bn[a]) and reverse repurchase agreements entered into for liquidity purposes of €0.8bn (2021: €2.0bn), both of which met the requirements for classification as High Quality Liquidity Assets ('HQLA').

The LCR increased from 171% to 194% primarily due to increased corporate and money market deposits, structured funding issuances and incremental Tier 3 and equity issuances.

# Performance measures

The Bank's Net Stable Funding Ratio ('NSFR') at 31 December 2022 was 149% (2021: 148%), which is above the regulatory minimum requirement of 100% under CRR II for the Bank.

The Bank's CET1 ratio (transitional basis) was 16.7% as at 31 December 2022 (2021: 16.1%). The movement in the year was due primarily to issuances of CET1, partially offset by increased RWAs in the year. The Bank's total regulatory capital ratio (transitional basis) was 22.4% as at 31 December 2022 (2021: 21.4%). The Bank's capital continues to be managed on an ongoing basis to ensure there are sufficient capital resources.

Note

a. Residual central bank balances related to minimum reserves.

## POST BALANCE SHEET EVENTS

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

## FUTURE DEVELOPMENTS

The Bank is reviewing its business model in line with the ECB's ongoing cross industry desk mapping review exercise. In addition, the Bank continues to review opportunities to optimise its business portfolio and operational approach, which could lead to further changes in 2023.

## NON-FINANCIAL INFORMATION

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

## OTHER INFORMATION

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

# Directors' Report

The Directors present their report together with the financial statements for the financial year ended 31 December 2022.

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

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


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## REVIEW OF THE BUSINESS AND LIKELY FUTURE DEVELOPMENTS

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

## PROFITS AND DIVIDENDS

The Bank's profit after tax for the financial year ended 31 December 2022 was €100m (2021: €235m). No dividends were paid on the Bank's ordinary shares in 2022 (2021: €nil) and the Directors do not propose to make a dividend payment on the Bank's ordinary shares for the financial year ended 31 December 2022 (2021: €nil).

## SHARE CAPITAL

At 31 December 2022, the Bank had 898,669,034 ordinary shares of €1.00 each in issue (2021: 898,668,934). Further details on the Bank's capital is set out in Note 28 to the financial statements.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Bank is exposed to internal and external risks as part of its ongoing activities. These risks include (among other things) credit risk, market risk, liquidity risk, climate risk, operational risk and conduct risk. For a description of the Bank's ERMF, the risks faced by the Bank and the management of those risks, please see the Risk review on pages 32 to 111.

The Bank continues to monitor the impact on its risk profile of the macroeconomic headwinds of sustained inflationary pressure, including on energy prices and the cost of living, higher interest rates, the Russian invasion of Ukraine and increased market volatility.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Information regarding the Bank's financial risk management objectives and policies in relation to the use of financial instruments is set out in the Risk review on pages 32 to 111.

## POLITICAL DONATIONS

The Directors have satisfied themselves that there were no political donations that require disclosure under the Electoral Acts, 1997 (as amended).

## ENVIRONMENT

Information regarding the Bank's approach to environmental matters can be found on pages 21 to 30.

## RESEARCH AND DEVELOPMENT

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

## BRANCHES OUTSIDE THE STATE

At 31 December 2022, in addition to its Irish Head Office, the Bank had branches in Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden.

# Directors' Report

## GOING CONCERN

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

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

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

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

The Bank's business activities, financial position, capital, factors likely to affect its future development and performance, and its objectives and policies in managing the financial risks to which it is exposed are discussed in the Strategic Report and Risk Management sections of this report.

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

## ACCOUNTING RECORDS

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

## STATUTORY AUDITORS

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

## DISCLOSURE OF RELEVANT INFORMATION TO AUDITORS

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

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

## CORPORATE GOVERNANCE

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

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

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

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

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

# Directors' Report

A description of the main features of the Bank's internal control and risk management systems in relation to its financial reporting process is set out in the section titled 'Controls over Financial Reporting' on page 13.

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

### DIRECTORS

The names of persons who were Directors at any time during the financial year ended 31 December 2022, or who have been appointed since that date, are set out below.

| Directors | Appointed/Resigned | Nationality | Position |
|---|---|---|---|
| Tim Breedon CBE (1),(4) | | British | Board Chair and Chair of Board Nominations Committee |
| Etienne Boris (1), (2), (3), (4) | | French | Board Audit Committee Chair |
| Thomas Huertas (1), (2), (3), (4), (5) | | American | Board Risk Committee Chair |
| Eoin O'Driscoll (1), (2), (3), (4), (5) | | Irish | Board Remuneration Committee Chair |
| Jennifer Allerton (1), (2), (3), (4), (5) | | British | |
| Francesco Ceccato (6) | | Italian | Chief Executive Officer |
| Jasper Hanebuth (6) | | German | Chief Financial Officer |
| Joanna Nader (1), (3), (4) | Appointed 22 August 2022 | British/ Canadian | |

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

### COMPANY SECRETARY

Francesca Carbonaro

### COMPANY NUMBER

396330

### DIRECTORS' AND COMPANY SECRETARY'S INTERESTS

During the year ended 31 December 2022, certain of the Directors and the Company Secretary had interests in the ordinary shares of the Bank's ultimate parent company, B PLC. At no point during the year ended 31 December 2022 did this interest exceed 1% of B PLC's ordinary share capital.

Save as provided above, none of the Directors or Company Secretary had any interests in ordinary shares, debentures or other debt securities of any member of the Barclays Group during the year ended 31 December 2022.

### THE BOARD

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

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

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

## BOARD COMMITTEES

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

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

### Audit Committee

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

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

### Risk Committee

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

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

### Nominations Committee

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

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

### Remuneration Committee

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

- the over-arching principles and parameters of the remuneration policy for the Bank;
- the incentive pool for the Bank and the remuneration of key BBI executives and other specified individuals as determined by the Committee; and
- oversight of remuneration issues.

## ACCOUNTABILITY

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

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

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

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

### CONTROLS OVER FINANCIAL REPORTING

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

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

### AUDIT, RISK AND INTERNAL CONTROL

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

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

Processes are in place for identifying, evaluating and managing the principal risks facing the Bank. A key component of the framework is the ERMF which supports the business in its aim to embed effective risk management and a strong risk management culture. The ERMF is designed to identify and set minimum requirements, in respect of the main risks, to achieve the Bank's strategic objectives and to provide reasonable assurance that internal controls are effective. Further detail on the Principal Risks and management of them can be found in the Risk review on pages 46 to 56.

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

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

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

Throughout the year ended 31 December 2022 and to the date of this report, the Bank has operated an effective system of internal control that provides reasonable assurance of financial and operational controls and compliance with laws and regulations.

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

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

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

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

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

## EXECUTIVE COMMITTEE

During 2022, the Executive Committee membership included the Bank's CEO, Chief Financial Officer ('CFO'), Chief Operating Officer ('COO'), Chief Risk Officer ('CRO'), and leaders of each business unit, Human Resources, Legal and Compliance. The Executive Committee meets regularly (albeit virtually for the majority of the year) and is chaired by the CEO. The Executive Committee is also attended by the Bank's Chief Internal Auditor to ensure full transparency of all matters discussed at the Committee and to inform the audit plan. In addition to the day-to-day management of the Bank, the Executive Committee supports the CEO in ensuring that the values, strategy and culture align, are implemented and are communicated consistently to colleagues – for example, through regular leadership team conferences and communications that are available to all colleagues.

## DIVERSITY, EQUITY AND INCLUSION

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

## DIRECTORS' COMPLIANCE STATEMENT

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

The Directors confirm that:

- a compliance policy statement setting out the Bank's policies, that in the Directors' opinion are appropriate to the Bank, regarding compliance by the Bank with its relevant obligations has been drawn up;
- appropriate arrangements or structures that are designed to secure material compliance with the Bank's relevant obligations have been put in place; and
- a review of these arrangements and structures has been conducted during the financial year ended 31 December 2022.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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

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

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

The Directors are 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 responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

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

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

## Directors' Report

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

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

On behalf of the Board

| **Tim Breedon CBE** | **Francesco Ceccato** | **Jasper Hanebuth** |
|---|---|---|
| Chair | Chief Executive Officer | Chief Financial Officer |

15 March 2023

# Non-financial information statement

The Non-Financial Reporting requirements of the European Union (Disclosure of Non-Financial and Diversity information by certain large undertakings and groups) Regulations 2017 are addressed within this section by means of cross reference. We have used cross referencing as appropriate to deliver clear, concise and transparent reporting.

The Barclays Group has a range of policies and guidance (available at home.barclays/sustainability/esg-resource-hub/) that support key outcomes in respect of non-financial performance for all of its stakeholders. Across the Barclays Group, policies and statements of intent are in place to ensure consistent governance on a range of issues. For the purposes of the Non-Financial Reporting requirements, these include, but are not limited to:

## Environmental statements[a]

| Statement or policy position | Description | Information to help understand the Bank, and its impact, policies, due diligence and outcomes |
|---|---|---|
| Climate Change statement | The Barclays Position on Climate Change sets out our approach, based on a consideration of all risk and market factors, to certain energy sectors with higher carbon-related exposures or emissions from extraction or consumption, or those which may have an impact in certain sensitive environments or on communities, namely thermal coal mining, coal-fired power generation, mountain top coal removal, oil sands, Arctic oil and gas, and hydraulic fracturing ('fracking'). The statement outlines the Barclays Group's focus on supporting its clients to transition to a low-carbon economy, while helping to limit the threat that climate change poses to people and to the natural environment. | See our 'Climate and Sustainability' section from page 21 to 30 |
| Forestry and Agricultural Commodities statement | The Barclays Group recognises that the forestry and agribusiness industries are responsible for producing a range of commodities such as timber, palm oil and soy that are often associated with significant environmental and social impacts, particularly in relation to biodiversity loss, tropical deforestation and climate change. The Barclays Group Forestry and Agricultural Commodities Statement outlines its due diligence approach for clients involved in these activities, ensuring that the Barclays Group supports clients that promote sustainable forestry and agribusiness practices while respecting the rights of workers and local communities. | See the 'Managing impacts in lending and financing' section on pages 21 to 22 within 'Climate and Sustainability' section |
| World Heritage Site and Ramsar Wetlands statement | The Barclays Group understands that certain industries can impact areas of high biodiversity value including United Nations Educational, Scientific and Cultural Organisation ('UNESCO') World Heritage Sites ('WHS') and Ramsar Wetlands ('RW'). The Barclays Group's WHS and RW statement outlines the Barclays Group's client due diligence approach to preserving and safeguarding these sites. | See our 'Nature and biodiversity' section on pages 22 to 23 within our 'Climate and Sustainability' section |
| Environmental risk in lending | The Barclays Group is committed to managing the direct and indirect environmental risks associated with commercial lending. Environmental risk is regarded as a credit risk driver, and is considered in the Barclays credit risk assessment process through the Barclays Group Environmental Risk Standard. A dedicated Environmental and Climate Risk team at Barclays Group level is responsible for advising on environmental and climate-related credit risks to Barclays associated with particular transactions and industries. Environmental risks in credit are governed under the Client Assessment and Aggregation Policy and Standard which are embedded within the Wholesale Credit Risk Control Framework, which is part of the Enterprise Risk Management Framework. | See our Climate risk section on page 46 |
| Climate Change, Financial Risk and Operational Risk Policy | The Climate Change Financial Risk and Operational Risk Policy outlines the requirements and policy objectives for assessing and managing the impact on Financial and Operational Risks arising from the physical, transition and connected risks associated with climate change. This incorporates identification, measurement, management and reporting. Financial and Operational Risks / Themes associated with Climate Change are being managed in accordance with the requirements set out in this policy. | See our Climate risk section on page 46 |

Note
a The Bank applies the policies of Barclays Group in response to climate change and the environment and applicable laws and/or regulations in the EU and UK.

# Non-financial information statement

## Colleagues

| Statement or policy position | Description | Information to help understand the Bank, and its impact, policies, due diligence and outcomes |
|---|---|---|
| Board Diversity Policy | The Barclays Group Board Diversity Policy confirms that the Board Nominations Committee will consider candidates on merit against objective criteria and with due regard to the benefits of diversity in identifying suitable candidates for appointment to the Board. | See detail on 'Our people and culture' on page 19 |
| Code of Conduct | The Barclays Way is our code of conduct and outlines the Purpose, Values and Mindset which govern our way of working across our business globally. It constitutes a reference point covering all aspects of colleagues' working relationships, and provides guidance on working with colleagues, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community | N/A |
| Measures of Success | The Bank uses a variety of tools to track and measure its strategic delivery, and collects both quantitative and qualitative information to develop the full picture of its performance. | See detail on 'Our people and culture' on page 19 |

## Social matters

| Statement or policy position | Description | Information to help understand the Bank, and its impact, policies, due diligence and outcomes |
|---|---|---|
| Donations | The Barclays Group works in partnership with non-profit organisations, including charities and non-governmental organisations, to develop high-performing programmes and volunteering opportunities that harness the skills and passion of our employees. The Barclays Group has chosen to partner with a small number of organisations, allowing us to have deeper relationships and ultimately enabling us to have the greatest impact on our communities in which we operate. The Barclays Group does not accept unsolicited donation requests. | • home.barclays/content/dam/homebarclays/documents/citizenship/ourreporting-and-policypositions/Barclaysdonationguidelines.pdf |
| Tax | The Barclays Group's Tax Principles are central to the Bank's approach to tax planning, for ourselves or on behalf of our clients. Since their introduction in 2013, we believe the Barclays Group's Tax Principles have been a strong addition to the way we manage tax, ensuring that we take into account all of our stakeholders when making decisions related to our tax affairs. The same applies to the Barclays Group's Tax Code of Conduct. | N/A |
| Sanctions | Sanctions are restrictions on activity with targeted countries, governments, entities, individuals and industries that are imposed by bodies such as the United Nations ('UN'), the EU, individual countries or groups of countries. The Barclays Group Sanctions Policy is designed to ensure that the Bank and the Barclays Group comply with applicable sanctions laws in every jurisdiction in which they operate. | N/A |
| Defence sector | The Barclays Group Statement on the Defence Sector outlines the Barclays Group's appetite for defence-related transactions and relationships. The Barclays Group provides financial services to the defence sector within a specific policy framework. Transactions and relationships are assessed on a case-by-case basis and legal compliance alone does not automatically guarantee our support. | N/A |

# Non-financial information statement

## Human rights

| Statement or policy position | Description | Information to help understand the Bank, and its impact, policies, due diligence and outcomes |
|---|---|---|
| Human rights | The Barclays Group is committed to operating in accordance with the International Bill of Human Rights and takes account of other internationally accepted human rights standards, including the UN Guiding Principles on Business and Human Rights. We take steps to ensure we are respecting human rights in our operations through our employment policies and practices, in our supply chain through screening and engagement, and through the responsible provision of our products and services. | See the 'Managing impacts in lending and financing' section on pages 21 to 22 within the 'Climate and Sustainability' section |
| Modern slavery | The Barclays Group recognises its responsibility to comply with all relevant legislation including the UK Modern Slavery Act 2015. In accordance with the requirements of this Act, the Barclays Group releases an annual Statement on Modern Slavery, which outlines the actions the Barclays Group has taken in seeking to identify and address the risks of modern slavery and human trafficking in our operations, supply chain, and customer and client relationships. | Further details on our Barclays Group Statement on Modern Slavery can be found at: home.barclays/sustainability/ esg-resource-hub/ reporting-and-disclosures/ |
| Third-party code of conduct | Our approach to the way we do business needs to be adopted by our suppliers when acting on behalf of the Barclays Group. To ensure a common understanding of our approach which will help us collectively drive the highest standards of conduct, we have created our Third Party Code of Conduct, which details our expectations for Environmental Management, Human Rights, Diversity and Inclusion; and living the Barclays Values. | N/A |
| Data protection | Across the Barclays Group, the privacy and security of personal information is respected and protected. The Barclays Group Privacy website page governs how we collect, handle, store, share, use and dispose of information about people. We regard sound privacy practices as a key element of corporate governance and accountability. | N/A |

## Anti-bribery and anti-corruption

| Statement or policy position | Description | Information to help understand our Group and its impact, policies, due diligence and outcomes |
|---|---|---|
| Bribery and corruption | The Barclays Group recognises that corruption can undermine the rule of law, democratic processes and basic human freedoms, impoverishing states and distorting free trade and competition. The Barclays Group policy statement reflects the statutory requirements applicable to the Barclays Group as derived from the EU-level legislation on combating public and private sector corruption as well as the UN and Organisation for Economic Co-operation and Development conventions on corruption. | N/A |
| Anti-money laundering and counter-terrorist financing | The Barclays Group's Financial Crime Policy is designed to ensure that we comply with UK, EU, and other applicable laws and regulations concerning anti-money laundering and counter-terrorist financing, and it takes into account guidance issued by bodies such as the Wolfsberg Group and the European Banking Authority. The Financial Crime Policy is also designed to ensure that all our businesses and legal entities have adequate systems and controls in place to mitigate the risk of the Barclays Group being used to facilitate money laundering and other forms of financial crime. | N/A |

# Our people and culture

The following sub-sections include a summary of the BBI's specific items from the Barclays PLC Annual Report 2022. For full details, refer to Our people and culture section of the Barclays PLC Annual Report 2022.

## Colleagues

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

| | 2022 | 2021 |
|---|---|---|
| Females at Managing Director and Director level (%) | 26% | 25% |
| Colleague engagement (%)[a] | 76% | 73% |
| "it's safe to speak up" (%) | 78% | 74% |
| "I would recommend Barclays to people I know as a great place to work" (%)[a] | 77% | 74% |

Note:

a As part of our efforts to improve our measurement frameworks, we have transitioned to a new three question engagement model after collecting 4 years of concurrent data and running analysis to affirm the new model's validity.

## Helping Barclays to achieve strategic priorities

Our people and our culture are our greatest assets. We are committed to making Barclays a great place to work, enabling colleagues to deliver strong results for our customers, clients, communities and each other.

During 2022, we continued to embed the Barclays Mindset, helped colleagues to adapt to hybrid working, supported colleague wellbeing and made further progress against our diversity, equity and inclusion ('DEI') ambitions. Through our colleague listening survey, Your View, we saw improved scores across all our indices.

In response to increases in living costs experienced by our colleagues we brought forward part of the 2023 pay increase for our most junior colleagues in Belgium, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain, awarding them €1,500 effective from 1 November 2022. In November, we also awarded junior colleagues in Germany a one-off payment of €2,000 as that approach, whilst having the same effect, was more appropriate under local rules.

## Our approach to diversity, equity and inclusion

We launched our refreshed DEI vision and strategy to incorporate 'equity' into how we talk about, and take action to progress, our DEI activities, including the launch of Employee Resource Groups.

Our vision is to strengthen our diverse, equitable and inclusive culture, with a view to attracting and retaining the best talent, building high-performing teams which generate better outcomes for our customers and clients, whilst also meeting the expectations of our regulators, shareholders and other stakeholders.

We have five strategic priorities: workforce diversity; inclusive and equitable culture; leadership accountability; data transparency and accountability and optimisation of external relationships. These priorities are underpinned by our guiding principles of accountability, transparency and engagement. These principles and priorities help us to deliver against our six core agendas - disability, gender, LGBT+, multicultural, multigenerational and socio-economic.

## Board diversity

The Bank recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in reflecting its European footprint and maintaining a competitive advantage. The Board Diversity Policy sets out the approach to diversity on the Board of the Bank, and provides that the Nominations Committee will review and assess Board composition on behalf of the Board and will recommend the appointment of new Directors. In considering the composition, suitability of appointments and effectiveness of the Board, the Nominations Committee considers differences in the skills, regional and industry experience, social and ethnic background, nationality, race, gender, age and other distinctions between Directors, such as cognitive and personal strengths. In terms of gender, the Board's current target is to ensure that the proportion of women on the Board is 33% by 2024.

## Talent now and for the future

### Talent Attraction – now and for the future

Across 2022, demand for talent has remained high, alongside a greater focus from candidates seeking flexible working options and on wellness and wellbeing. In response, we have pursued opportunities to attract and recruit talent as quickly and efficiently as possible, by developing a specific Entity Employee Value Proposition increasing the number of recruiters to support our businesses and the launch of the Onboarding app across a number of countries to support a modern digital onboarding experience.

### Developing our colleagues

We remain committed to our culture of lifelong learning, through a development proposition that supports colleagues at every stage of their career.

The Barclays Learning Lab is our learning ecosystem. Consisting of Barclays-designed knowledge and skills modules, as well as modules from external specialists, it provides our colleagues with the development tools needed to support them in their current and future roles. Colleagues can access a wide range of workshops, split between colleague and people leader development. This is complemented by our digital content providers, whose content has been mapped against role-specific learning pathways, making it easy for colleagues to navigate development resources suitable for their needs. The Learning Lab also offers a selection of self-assessment tools, empowering colleagues to understand their strengths and development areas. These are supported by business-led solutions that encompass professional and technical resources encouraging colleagues to drive their own development.

# Our people and culture

People leadership at Barclays is about helping others to achieve their potential. To equip our people leaders with the critical skills and behaviours to inspire, develop and support their teams today and into the future, we have refreshed our Management Unlocked programme. The programme provides participants with extensive digital content, as well as our Evolution programme, which supports new people leaders as they transition into leadership roles.

### Listening to our colleagues

Listening to colleagues allows us to obtain insights into what we are doing well and areas where we need to focus our attention.

Our bi-annual all-colleague Your View surveys measure colleague considerations across a breadth of topics including colleague engagement, organisational culture, including the Mindset and Values, wellbeing, inclusion and working practices and tools. The Your View survey is the primary mechanism for how we track engagement and monitor our culture, with the 2022 survey results indicating good progress for both engagement and cultural measures. Senior leaders continue to receive and review the results from these surveys to inform decisions.

We maintain a strong and effective partnership with the Barclays Group European Forum, whom we brief on our strategy and progress to obtain feedback on how we can improve the colleague experience.

### Our policies

Our people policies are designed to recruit the best people, provide equal opportunities and create an inclusive culture, in line with our Purpose, Values and Mindset, and in support of our long-term success. They also reflect relevant employment law, including the provisions of the Universal Declaration of Human Rights and the International Labour Organisation ('ILO') Declaration on Fundamental Principles and Rights at Work.

We are committed to paying our people fairly and appropriately relative to their role, skills, experience and performance. This means our remuneration policies reward performance that is in line with our Purpose, Values and Mindset, as well as our risk expectations. We also encourage our people to benefit from Barclays' performance by enrolling in our share ownership plans.

# Climate and sustainability

### Barclays' Climate Strategy

In March 2020, the Barclays Group announced its ambition to be a net zero bank by 2050, becoming one of the first banks to do so. The Barclays Group has a three-part strategy to turn its net zero ambition into action. All entities in the Barclays Group, including BBI, are aligned to this three-part strategy.

1. Achieving net zero operations - the Barclays Group is working to reduce its Scope 1, Scope 2 and Scope 3 operational[a] emissions consistent with a 1.5°C aligned pathway and counterbalance any residual emissions. The Barclays Group has made progress, having sourced 100% renewable electricity for its global real estate portfolio[b] operations, and created a pathway to address its supply chain emissions.

2. Reducing financed emissions - the Barclays Group is committed to aligning its financing with the goals and timelines of the Paris Agreement, consistent with limiting the increase in global temperatures to 1.5°C. The Barclays Group has now set 2030 reduction targets across five of the highest-emitting sectors in the Barclays Group portfolio: Energy, Power, Cement, Steel and Automotive manufacturing. All of the Barclays Group target-setting includes the integration of 1.5°C aligned scenarios, such as the International Energy Agency Net Zero 2050 scenario in our financed emission targets, and including the upper end of ranges for certain sectors.

3. Financing the transition - the Barclays Group is helping to provide the green and sustainable finance required to transform the economies, customers and clients it serves.

   The Barclays Group's surpassed its 2018 target to deliver £150bn of social and environmental financing by 2025, and is on track to meet its goal to deliver £100bn of green finance well ahead of 2030. After a strategic review of the Barclays Group's capabilities, market demand and growth opportunities, the Barclays Group announced in December 2022 new targets to facilitate $1trn of Sustainable and Transition Financing between 2023 and the end of 2030, and to increase investment into global climate tech start-ups to £500m through Barclays' Sustainable Impact Capital portfolio by the end of 2027.

Notes
a Barclays Group defines Scope 3 operational emissions to include supply chain, waste, business travel and leased assets.
b Global real estate portfolio includes offices, branches, campuses and data centres. See page 81 of the Barclays PLC Annual Report 2022 for full details.

The Barclays' Group climate strategy is underpinned by the way it assesses and manages exposure to climate-related risk. Climate risk became a Principal risk at Barclays Group in 2022.

The Barclays' Group strategy will continue to evolve and adapt to reflect external factors affecting the shape and timing of the transition to a low-carbon economy, similar to those impacting clients' transitions.

Barclays' Group keeps its policies, targets and progress under review in light of the rapidly changing external environment and the need to support governments and clients in delivering an orderly energy transition and providing energy security. The trajectory for clients' transition to a low-carbon economy is influenced by a number of external factors, including market developments, technological advancement, the public policy environment, geopolitical developments and regional variations, behavioural change in society and the scale of change needed to adapt their business models. Client transition pathways will vary, even within the same sectors and geographies.

In developing its climate strategy, the Barclays Group recognises the importance of supporting a just transition, considering the social risks and opportunities of the transition and seeking to ensure effective dialogue with affected stakeholders. Barclays Group is working to build an approach to a transition cognisant of the important dynamic between climate actions and social justice, while being mindful of the potential interconnectedness with biodiversity.

Many highly carbon-intensive sectors require finance to transition. Restricting the flow of capital to these sectors could be harmful to the pace of the transition, limiting the real terms impact on global warming. However, the Barclays Group anticipates that companies which are unwilling to reduce or eliminate their emissions consistent with internationally accepted pathways may find it increasingly difficult to access financing, including through Barclays.

More information on Barclays' Group Climate Strategy can be found in the Barclays PLC 2022 Annual Report.

## Managing impacts in lending and financing

At Barclays we recognise the importance of risk identification and management in the provision of financial services to our customers and clients.

Our assessment of environmental and social risks informs our wholesale credit risk management and helps safeguard our reputation. This supports the longevity of the business and also enhances our ability to serve our clients and support them in improving their own sustainability practices and disclosures.

### Managing environmental and social risks

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

# Climate and sustainability

Our Climate Change Statement sets out our approach in relation to our climate change ambition and to managing the impact of our climate-related activities, including setting restrictive policies in respect of certain sensitive energy sub-sectors (thermal coal mining, coal-fired power generation, mountain-top coal removal, oil sands, Arctic oil and gas and hydraulic fracturing ('fracking').

Barclays Group has also established positions on Forestry and Agricultural Commodities, World Heritage and Ramsar Wetlands and in the Defence and Security sector. In addition, we have developed internal standards for each of these which reflects these positions in more detail. These standards, which sit under the management of Reputation risk in the ERMF, determine our approach to climate change and relevant sensitive sectors and are considered as part of our existing transaction origination, review and approval process.

### Enhanced due diligence

Our standards include an enhanced due diligence approach for certain clients operating in energy sub-sectors covered by our Climate Change Statement (thermal coal mining, coal-fired power generation, mountain-top coal removal, oil sands, Arctic oil and gas projects and hydraulic fracturing ('fracking') and clients in-scope of our Forestry and Agricultural Commodities, World Heritage and Ramsar Wetlands and Defence and Security standards where a similar approach is taken.

All in-scope clients in these sub-sectors must be assessed annually via a detailed due diligence questionnaire, which is used to evaluate their performance on a range of environmental and social issues, and may be supplemented by a review of client policies/procedures, further client engagement and adverse media checks as appropriate. This annual review either generates an Environmental and Social Impact ('ESI') risk rating (low, medium, high) or, in the case of Defence and Security, an assessment against risk appetite, which in turn determines whether further review and client engagement may be required throughout the year.

Typically, high and certain medium ESI rated clients require further risk assessment prior to execution of transactions with those clients.

### Escalation and decision

Where client relationships or transactions are assessed as higher-risk (high or medium ESI risk rating) or outside appetite (in the case of Defence and Security) following an enhanced due diligence review, they are then considered for escalation to the appropriate BBI business unit review committee (e.g. Transaction Review Committee) or for BBI clients in scope of our Climate Change standard, the Barclays Group Climate Transaction Review Committee ('CTRC') for consideration and a decision on whether to proceed if transaction related. Business unit review committees comprise Business management and representatives from the control functions, including Reputation risk, whereas the CTRC includes representation from the Barclays Group Executive Committee. Should the front office business team, the Sustainability and ESG team and / or Climate risk team believe the issues are sufficiently material, these clients/ relationships would be escalated to the Barclays Group Reputation Risk Committee and BBI Conduct and Reputation Committee for more senior consideration and decision.

### Monitoring

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

### Environmental credit risks

Environmental risk is regarded as a credit risk driver, and is considered within our credit risk assessment process. The Environmental Risk team is responsible for advising on the environmental and climate-related credit risks to Barclays Group associated with particular transactions. Environmental risks in credit are governed under the Client Assessment and Aggregation, Environmental Risk and Nuclear Industry Risk standards. These standards are part of the overall ERMF.

### Training

To support Climate Risk becoming a Principal Risk from January 2022, mandatory training was completed by colleagues in selected teams across Risk, Compliance, Internal Audit and Markets Post Trade. The training provided an overview of physical and transition risks to enable colleagues to identify, assess and manage Climate risk. Sustainability and ESG training (with detail on Barclays' policies and approach to certain sensitive sub-sectors) was delivered to colleagues in selected teams across the Corporate and Investment Bank, Trade & Working Capital, Wholesale Onboarding, Finance, Public Policy and Corporate Responsibility, with 96% of those colleagues assigned the training in Barclays Europe having completed it.

## Our approach to nature and biodiversity

Nature and biodiversity is a growing ESG focus for Barclays and the wider industry, given that nature and its ecosystem services fundamentally underpin economies and societies. Nature and biodiversity are also important to the sector due to their interlinkages with climate change. During 2022, nature and biodiversity loss continued to be recognised at a global scale. The Convention on Biological Diversity ('CBD') COP15 in December 2022 saw the agreement of the new Global Biodiversity Framework, which will be the framework for national and international action. For companies and financial institutions, the Taskforce on Nature-related Financial Disclosures ('TNFD') released its third draft iteration of the framework for organisations to assess and disclose on nature-related risk and opportunity.

The Barclays Group and the Bank recognise the important role of the finance sector in stewarding responsible finance towards a nature-positive future. We continue to work to build an understanding of the ways in which our financing activities impact on nature, as well as the ways in which Barclays and its clients depend on nature. This includes engaging with industry groups and Barclays' membership of the TNFD Forum. We also continue to review the ways in which our financing activities can help to facilitate a nature-positive future.

We recognise interlinkages across environmental and social themes, in particular key crossovers with our approaches to climate change and human rights. Given these interdependencies it is important for banks to consider nature-related considerations alongside other ESG factors such as climate change and social considerations.

**Case study: Barclays nature-linked financing - Cairn Homes plc Biodiversity Linked SLL**

Barclays Corporate Banking Sustainable Product Group provided support to Cairn Homes plc (Cairn) in the selection of meaningful targets and indicators linked to certain sustainability performance targets.

In July 2022, Cairn completed a refinancing of its €277.5m syndicate facility into a sustainability linked term loan ('SLL') and revolving credit facility ('RCF'), one of the largest of its type arranged in the Irish homebuilding sector, with AIB, Bank of Ireland and BBI. The term loan and RCF interest rates are linked to Cairn meeting certain sustainability performance targets on biodiversity, decarbonisation and its people strategy.

From a biodiversity perspective, the annual targets include a commitment to increase biodiversity net gain ('BNG') across Cairn's new developments measured as a percentage of overall new homes commenced. BNG delivers measurable improvements for ecology by protecting, enhancing and creating habitats in association with development and Cairn's approach includes a development-specific biodiversity programme that replaces or improves the local biodiversity of each new Cairn development or otherwise contributes to the improvement of Ireland's biodiversity.

## Nature-related risk in financing

The Barclays Group and the Bank include financing restrictions that seek to address nature-related risk within its position statements on Forestry and Agricultural Commodities, World Heritage Sites and Ramsar Wetlands, and Climate Change. We continue to review and monitor the ways in which it can strengthen our approach.

We have continued to develop our understanding and ability to evaluate nature-related risk in financing, building on the work started in 2021. This included working with an external expert on a materiality exercise to produce an initial portfolio heatmap to analyse nature-related risk by sector and exposure across the Barclays Group's lending portfolio. This involved a qualitative review of sector impacts and dependencies across a number of key risk drivers representing both physical and transition risks, to determine where in the portfolio were the likely areas of highest risk. The Barclays Group have been part of a TNFD pilot group led by the United Nations Environment Programme Finance Initiative ('UNEP-FI') to test the draft TNFD Framework. As part of the pilot, we looked specifically at agriculture and food in Europe and the UK.

We recognise the need for continuous improvement with regards to available data and technologies, in particular noting the complexity and challenge given the number of nature attributes and their associated metrics. We will therefore continue to support the develop of methodologies which seek to better evaluate risk impacts and dependencies at a portfolio level. For example, the Barclays Group have trialled an emerging modelling methodology in order to support participation with the UNEP-FI work, which draws upon a wide range of available data and also adopts assumptions where there are gaps.

**TNFD pilot with UNEP-FI - European Agriculture and Food**

In 2022, the TNFD published a draft version of its risk management and disclosure framework for organisations to report and act on evolving nature-related risks. UNEP-FI is piloting this framework with approximately 40 financial institutions - Barclays is participating in their pilot group focused on European agriculture and fisheries, which in the Barclays context means agriculture and food sectors.

As part of the pilot programme, we worked with an external expert to test the draft TNFD framework, including the proposed risk assessment process ('LEAP FI'), on our agriculture and food portfolio in Europe and the UK. This activity was led by the Barclays Group, but included the Bank's clients.

This involved assessing our clients' locations in terms of production and sales and applying a number of biodiversity metrics to each location to determine where key impacts and risks may arise. A number of different 2030 scenarios were also used to stress the portfolio and individual counterparties, to see whether material financial impact could arise as a result of nature-related transition and physical risks. The results are currently being reviewed internally to assess how they could be used alongside existing climate risk procedures.

For further details, see Barclays' position statements on the Barclays ESG Resource Hub at: home.barclays/sustainability/esg-resource-hub/

# Climate and sustainability
## EU Taxonomy

### Overview

In 2020, the EU Taxonomy Regulation[a] ('the Regulation') was published with the objective of establishing a classification system for environmentally sustainable economic activities that is expected to play an important role in helping the EU scale up sustainable investment and implement the European Green Deal[b].

The EU Taxonomy has six environmental objectives namely:
• climate change mitigation;
• climate change adaptation;
• sustainable use and protection of water and marine resources;
• transition to a circular economy;
• pollution prevention and control; and
• protection and restoration of biodiversity and ecosystems.

The Regulation defines what can be considered as an environmentally sustainable economic activity. Article 8 of the Regulation requires entities subject to the obligation to publish non-financial information pursuant to Article 19a or Article 29a of the Non-Financial Reporting Directive ('NFRD')[c] , such as the Bank, to disclose to the public how and to what extent their activities are associated with environmentally sustainable economic activities as defined under the Regulation.

Pursuant to Article 8 of the Regulation[d], the Bank will need to disclose Key Performance Indicators ('KPIs') on the share of the balance sheet associated with sustainable activities. For the financial year ended 31 December 2022, the Bank is however only required by the Regulation to identify economic activities that are "taxonomy eligible" in the context of the environmental objectives of climate change mitigation and climate change adaptation. Practically, "taxonomy eligible activities" means economic activities within those sectors identified as most relevant to the climate objectives as set out in specific technical screening criteria. Technical screening criteria for the remaining four environmental objectives have not been published yet. Eligible activities will qualify for further screening in the future to determine whether they are taxonomy aligned, and thus considered environmentally sustainable.

From the financial year ending 31 December 2023 onwards, the Bank will be required to report on its "taxonomy aligned activities" using the Green Asset Ratio ('GAR'). Taxonomy alignment will show the proportion of taxonomy eligible activities that comply with the requirements set out in the Regulation i.e. that contribute substantially to one or more of the environmental objectives, that do not significantly harm any of the environmental objectives, that are carried out in compliance with certain minimum safeguards and that comply with specified technical screening criteria.

The EU Taxonomy disclosures presented in this section are unaudited and have been prepared on a 'best efforts' basis using corporate disclosures, published financial reports and third party data providers. The EU Taxonomy related disclosures presented in this section have been made on the basis of the Bank's understanding of the terms and concepts used under the Regulation and its implementing acts (as the case may be, as clarified by the European Commission). As the EU Taxonomy requirements and guidance develop and evolve over the coming years, and as the Bank continues to develop our industry data sourcing and methodologies, we will continue to review our disclosures in future periods.

The table overleaf sets out the disclosure required to be made by the Bank in relation to the taxonomy eligibility of its economic activities in the context of the environmental objectives of climate change mitigation and climate change adaptation.

| As at 31 December 2022 | KPIs | Description |
|---|---|---|
| Taxonomy eligible activities as a proportion of total covered assets[e] | 5.3% | Economic activities with undertakings subject to NFRD, households and local governments that have been assessed as eligible in line with the Regulation, as a percentage of total covered assets. |
| Taxonomy non-eligible activities as a proportion of total covered assets | 27.2% | Economic activities with undertakings subject to NFRD, households and local governments that have been assessed as non-eligible in line with the Regulation, as a percentage of total covered assets. |
| Exposures to undertakings in scope of NFRD as a proportion of total covered assets | 32.5% | Covered assets that are exposures to entities subject to NFRD, as a percentage of total covered assets. |
| Exposures to undertakings out of scope of NFRD as a proportion of total covered assets[f] | 67.5% | Covered assets that are exposures to entities not subject to NFRD, as a percentage of total covered assets. Exposures that are not in scope of total covered assets are not included in this KPI. |
| | 100% | |
| Derivatives as a proportion of total covered assets | 45.1% | Derivative financial instrument assets as a percentage of total covered assets. Derivative financial instrument assets are part of total covered assets, but out of scope for eligibility in line with the Regulation. |
| Exposures to central banks, central governments and supranationals issuers as a proportion of total covered assets | 39.1% | Exposures to central banks, central governments and supranationals issuers, as a percentage of total covered assets. Selected regional and state governments are treated as central governments in line with the European Banking Authority ('EBA') list[g] of regional governments, local authorities and public sector entities that may be treated as central governments. |
| Trading book as a proportion of total covered assets | 8.6% | Trading book exposures as a percentage of total covered assets. Trading book assets comprises debt and equity securities and traded loans reported on the balance sheet as trading portfolio assets, and excludes reverse repurchase agreements at fair value separately reported on the balance sheet. |
| On demand interbank loans as a proportion of total covered assets | 1.5% | Exposures to on-demand interbank loans, as a percentage of total covered assets. |
| Total covered assets[h] | €89,712m | Total covered assets are defined by the EU Taxonomy FAQs as total on-balance sheet assets minus those assets excluded from the calculation of the GAR. Therefore, total assets as defined under IFRS as adopted by the EU, minus trading portfolio assets and exposures to central banks, central governments and supranationals issuers. Total covered assets of €89,712m represents 67.7% of total assets. |

Notes

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

b https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

c Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, as amended from time to time, including by Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014.

d As further specified in the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

e Taxonomy eligible activities as a proportion of total covered assets is 5.3%, of which: 5.3% relates to the environmental objective of climate change mitigation and 0% relates to the environmental objective of climate change adaptation.

f The non-NFRD reported figure of 67.5% comprises 58.0% balances with non-NFRD entities and 9.5% balances with entities for which we have not yet been able to determine based on available information if the entity is in scope of NFRD.

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

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

The Bank's taxonomy eligible activities as detailed above amounted to 5.3% of total covered assets as at 31 December 2022. Eligible activities comprise wholesale lending, of which 3.3% of the portfolio is assessed as taxonomy eligible, financial assets at fair value through profit and loss, of which 1.2% of the portfolio is assessed as taxonomy eligible and home loans, of which 100% is assessed as taxonomy eligible. Home loans refers to the Italy mortgage portfolio held on the balance sheet which is in the process of being run off. The remainder of loans and advances to customers relates to credit cards, unsecured loans and other retail lending which are not taxonomy eligible.

### Nuclear energy and fossil gas related disclosures

Pursuant to the Complementary Climate Delegated Act,[i] the Bank is required to provide information on the share of its balance sheet associated with certain energy nuclear and fossil gas economic activities[j]. For the financial year ended 31 December 2022, the Bank is required to (i) indicate whether it carries out, funds or has exposures to certain general nuclear energy and/or fossil gas related activities and (ii) report on the taxonomy eligibility and non-eligibility of specific nuclear energy and fossil gas economic activities relevant to the environmental objectives of climate change mitigation and climate change adaptation.

| Nuclear energy and fossil gas related disclosures | | |
|---|---|---|
| | **Nuclear energy related activities** | |
| 1 | The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle. | YES |
| 2 | The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies. | YES |
| 3 | The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades. | YES |
| | **Fossil gas related activities** | |
| 4 | The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. | YES |
| 5 | The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels. | YES |
| 6 | The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels. | YES |

In light of the EU Commission's guidance on the Disclosures Delegated Act regarding the primary use of derivative financial instruments as mitigating risk rather than financing economic activities, the Bank has included counterparties with whom the Bank has exposures to derivative financial instruments in the table above but excluded those exposures in a) the 'Taxonomy-eligible but not taxonomy-aligned economic activities' table below; and b) rows 1 to 6 of the 'Taxonomy non-eligible economic activities' table below. The Bank will continue to review its approach as the EU Taxonomy regime develops and in the event further guidance is provided by the EU Commission.

Notes

i Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities

j Such activities are defined in the Complementary Climate Delegated Act by reference to specific sections of the annexes of the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

| Taxonomy-eligible but not taxonomy-aligned economic activities[g] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Economic activities | | Amount and proportion of total covered assets | | | | | |
| Amount and proportion of taxonomy-eligible economic activity identified in the denominator of the applicable KPI: | | CCM+CCA | | Climate change mitigation (CCM)[h] | | Climate change adaptation (CCA)[h] | |
| | | €m | % | €m | % | €m | % |
| 1 | Research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle (a) | — | — | — | — | — | — |
| 2 | Construction and safe operation of new nuclear installations to produce electricity or process heat using best-available technologies (b) | — | — | — | — | — | — |
| 3 | Modification of existing nuclear installations (c) | — | — | — | — | — | — |
| 4 | Construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels (d) | — | — | — | — | — | — |
| 5 | Construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels (e) | — | — | — | — | — | — |
| 6 | Construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels connected to efficient district heating and cooling (f) | — | — | — | — | — | — |
| 7 | Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI | 4,763 | 5.3 | 4,763 | 5.3 | — | — |
| 8 | Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI | 4,763 | 5.3 | 4,763 | 5.3 | — | — |

a. Research, development, demonstration and deployment of innovative electricity generation facilities, licenced by Member States' competent authorities in accordance with applicable national law, that produce energy from nuclear processes with minimal waste from the fuel cycle in the denominator of the applicable KPI. See Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

b. Amount and proportion of taxonomy-eligible economic activity identified in construction and safe operation of new nuclear installations for which the construction permit has been issued by 2045 by Member States' competent authorities, in accordance with applicable national law, to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production (new nuclear installations or NNIs), as well as their safety upgrades in the denominator of the applicable KPI. See Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

c. Modification of existing nuclear installations for the purposes of extension, authorised by Member States' competent authorities by 2040 in accordance with applicable national law, of the service time of safe operation of nuclear installations that produce electricity or heat from nuclear energy ('nuclear power plants' or 'NPPs') in the denominator of the applicable KPI. See Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

d. Amount and proportion of taxonomy-eligible economic activity identified in construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. This activity does not include electricity generation from the exclusive use of renewable non-fossil gaseous and liquid fuels and biogas and bio-liquid fuels in the denominator of the applicable KPI. See Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

e. Amount and proportion of taxonomy-eligible economic activity identified in construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels. This activity does not include high-efficiency co-generation of heat/cool and power from the exclusive use of renewable non-fossil gaseous and liquid fuels and biogas and bio-liquid fuels in the denominator of the applicable KPI. See Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

f. Amount and proportion of taxonomy-eligible economic activity identified in Construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels connected to efficient district heating and cooling. This activity does not include production of heat/cool in an efficient district heating from the exclusive use of renewable non-fossil gaseous and liquid fuels and biogas and bio-liquid fuels in the denominator of the applicable KPI. See Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

g. Reporting on Taxonomy alignment is not required until FY2023. As a result, we have assumed taxonomy-aligned amounts to be zero above.

h. In the absence of published data, taxonomy eligible lending above is assumed to be for CCM and not CCA.

| Taxonomy non-eligible economic activities | | | |
|---|---|---|---|
| | Economic activities | Amount and proportion of total covered assets | |
| | **Amount and proportion of economic activity identified in the denominator of the applicable KPI:** | **€m** | **%** |
| 1 | Research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle (a) | — | — |
| 2 | Construction and safe operation of new nuclear installations to produce electricity or process heat using best-available technologies (b) | — | — |
| 3 | Modification of existing nuclear installations (c) | — | — |
| 4 | Construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels (d) | — | — |
| 5 | Construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels (e) | — | — |
| 6 | Construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels connected to efficient district heating and cooling (f) | — | — |
| 7 | Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI | 24,425 | 27.2 |
| 8 | Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI | 24,425 | 27.2 |

a. Research, development, demonstration and deployment of innovative electricity generation facilities, licenced by Member States' competent authorities in accordance with applicable national law, that produce energy from nuclear processes with minimal waste from the fuel cycle in the denominator of the applicable KPI. See Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

b. Amount and proportion of taxonomy-eligible economic activity identified in construction and safe operation of new nuclear installations for which the construction permit has been issued by 2045 by Member States' competent authorities, in accordance with applicable national law, to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production (new nuclear installations or NNIs), as well as their safety upgrades in the denominator of the applicable KPI. See Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

c. Modification of existing nuclear installations for the purposes of extension, authorised by Member States' competent authorities by 2040 in accordance with applicable national law, of the service time of safe operation of nuclear installations that produce electricity or heat from nuclear energy ('nuclear power plants' or 'NPPs') in the denominator of the applicable KPI. See Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

d. Amount and proportion of taxonomy-eligible economic activity identified in construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. This activity does not include electricity generation from the exclusive use of renewable non-fossil gaseous and liquid fuels and biogas and bio-liquid fuels in the denominator of the applicable KPI. See Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

e. Amount and proportion of taxonomy-eligible economic activity identified in construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels. This activity does not include high-efficiency co-generation of heat/cool and power from the exclusive use of renewable non-fossil gaseous and liquid fuels and biogas and bio-liquid fuels in the denominator of the applicable KPI. See Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

f. Amount and proportion of taxonomy-eligible economic activity identified in Construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels connected to efficient district heating and cooling. This activity does not include production of heat/cool in an efficient district heating from the exclusive use of renewable non-fossil gaseous and liquid fuels and biogas and bio-liquid fuels in the denominator of the applicable KPI. See Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 for full activity description.

### Business strategies

The Bank supports the objectives of the Regulation. Addressing climate change is an urgent and complex challenge but also an opportunity. It requires a fundamental transformation of the global economy. The financial sector has a critical role to play in supporting the transition to a low-carbon economy.

In March 2020, the Barclays Group was one of the first banks to announce its ambition to be a net zero bank by 2050, across all of our direct and indirect emissions, and committed to aligning all financing activities with the goals and timelines of the Paris Agreement. Barclays Group has a three-part strategy to turn the net-zero ambition into action which is underpinned by the way it assesses and manages its exposure to climate-related risk.

As the requirements of the EU Taxonomy are still being phased in and because data from non-financial corporates on taxonomy-aligned activities is very limited at the moment, the Bank is not in a position to fully utilise taxonomy alignment in product design and processes, or engagement with counterparties. However, the Bank is considering how to incorporate it into its ESG frameworks.

Within Global Markets, we have developed an ESG framework for the governance, product construction and suitability assessment of our current and future ESG product suite. In line with the Sustainable Financing Disclosure Regulation[a] and MiFID ESG regulations[b] directive, we have defined a set of principles for an ESG Index utilised on our structured products, derivative and investment solutions businesses which broadly aligns with principles of the EU Taxonomy. We are also working with clients and partners to create products and services that align to the principles of the EU Taxonomy to address their sustainability preferences in structured products investments where applicable to the client.

An overview of the Barclays Group approach and climate strategy can be found on page 21, and more information, including progress against targets, is set out in the Climate and Sustainability section of the Barclays PLC Annual Report 2022.

Notes

a. Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

b. Commission Delegated Regulation (EU) 2021/1253 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms and Commission Delegated Directive (EU) 2021/1269 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations

# Climate and sustainability

### Important information / Disclaimers

In preparing the climate and sustainability content within the BBI Annual Report, wherever it appears, we have:

- Made a number of key judgements, estimations and assumptions where the processes and issues involved are complex. For example, in relation to disclosures relating to financed emissions, portfolio alignment, classification of environmental and social financing, operational emissions, and measurement of climate risk.
- Used ESG and climate data, models and methodologies that we consider to be appropriate and suitable for these purposes as at the date on which they were deployed. However, these data, models and methodologies are subject to future risks and uncertainties and may change over time. They are not of the same standard as those available in the context of other financial information, nor subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. There is an inability to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies will also be affected by underlying data quality which can be hard to assess or challenges in accessing data on a timely basis.
- Continued (and will continue) to review and develop our approach to data, models and methodologies in line with market principles and standards as this subject area matures. The data, models and methodologies used and the judgements estimates or assumptions made are rapidly evolving and this may directly or indirectly affect the metrics, data points and targets contained in the climate and sustainability content within the Annual Report. Further development of accounting and/or reporting standards could impact (potentially materially) the performance metrics, data points and targets contained in this report. In future reports we may present some or all of the information for this reporting period using updated or more granular data or improved models, methodologies, market practices or standards or recalibrated performance against targets on the basis of updated data. Such re-presented, updated or recalibrated information may result in different outcomes than those included in this section of the Annual Report.

It is important for readers and users of this report to be aware that direct like-for-like comparisons of each piece of information disclosed may not always be possible from one reporting period to another.

**Information provided in climate and sustainability disclosures**

What is important to our investors and stakeholders evolves over time and we aim to anticipate and respond to these changes. Disclosure expectations in relation to climate change and sustainability matters are particularly fast moving and differ in some ways from more traditional areas of reporting in the level of detail and forward-looking nature of the information involved and the consideration of impacts on the environment and other persons. We have adapted our approach in relation to disclosure of such matters. Our disclosures take into account the wider context relevant to these topics, including evolving stakeholder views, and longer time-frames for assessing potential risks and impacts having regard to international long term climate and nature-based policy goals. Our climate and sustainability-related disclosures are subject to more uncertainty than disclosures relating to other subjects given market challenges in relation to data reliability, consistency and timeliness, and in relation to the use of estimates and assumptions and the application and development of methodologies. These factors mean disclosures may be amended, updated, and recalculated in future as market practice and data quality and availability develops.

# Risk review

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# Risk Management strategy

## RISK MANAGEMENT STRATEGY

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

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

The ERMF outlines the highest level principles for risk management by setting out standards, objectives and key responsibilities of different groups of employees of the Bank. The Bank's ERMF is adapted from and consistent with the Barclays Group ERMF as approved by the Barclays PLC Board on the recommendation of the Group Board Risk Committee and the Barclays Group Chief Risk Officer. This is then reviewed and formally adopted by the Bank's Board at local legal entity level.

The ERMF sets out:

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

The ERMF is complemented by frameworks, policies and standards, which are mainly aligned to individual principal risks:

- frameworks cover high level principles guiding the management of principal risks, and set out details of which policies are needed, and high level governance arrangements;
- policies set out the control objectives and high level requirements to address the key principles articulated in their associated frameworks. Policies state 'what' those within scope are required to do; and
- standards set out the detail of the control requirements to ensure the control objectives set by the policies are met.

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

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

- The First line comprises of all employees engaged in the revenue generating and client facing areas of the Bank and all associated support functions, including Finance, Operations, Treasury, and Human Resources etc. The first line is responsible for identifying and managing the risks in which they are engaged in, operating within applicable limits and developing a control framework, and escalating risk events or issuers as appropriate. Employees in the first line have primary responsibility for their risks and their activities are subject to oversight from the relevant parts of the second and third lines.
- The Second line is comprised of the Risk and Compliance functions. The role of the second line is to establish the limits, rules and constraints, and the frameworks, policies and standards under which all activities shall be performed, consistent with the risk appetite of the Bank, and to oversee the performance of the firm against these limits, rules and constraints. Controls for first line activities will ordinarily be established by the control officers operating within the control framework of the firm. These will remain subject to oversight by the second line.
- The Third line of defence is Internal Audit, who are responsible for providing independent assurance over the effectiveness of governance, risk management and controls over current, systemic and evolving risks.
- The Legal function provides support to all areas of the Bank and is not formally part of any of the three lines of defence. The Legal function is responsible for the identification of all Legal and Regulatory Risks. Except in relation to the legal advice it provides or procures, it is subject to second line oversight with respect to its own operational and conduct risks, as well as with respect to the Legal and Regulatory Risks to which the bank is exposed.

### Principal risks

The ERMF identifies nine principal risks namely: climate risk, credit risk, market risk, treasury and capital risk, operational risk, model risk, conduct risk, reputation risk and legal risk. Note that climate risk was added in quarter one 2022; see pages 46 to 56 for more information.

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

### Risk appetite

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

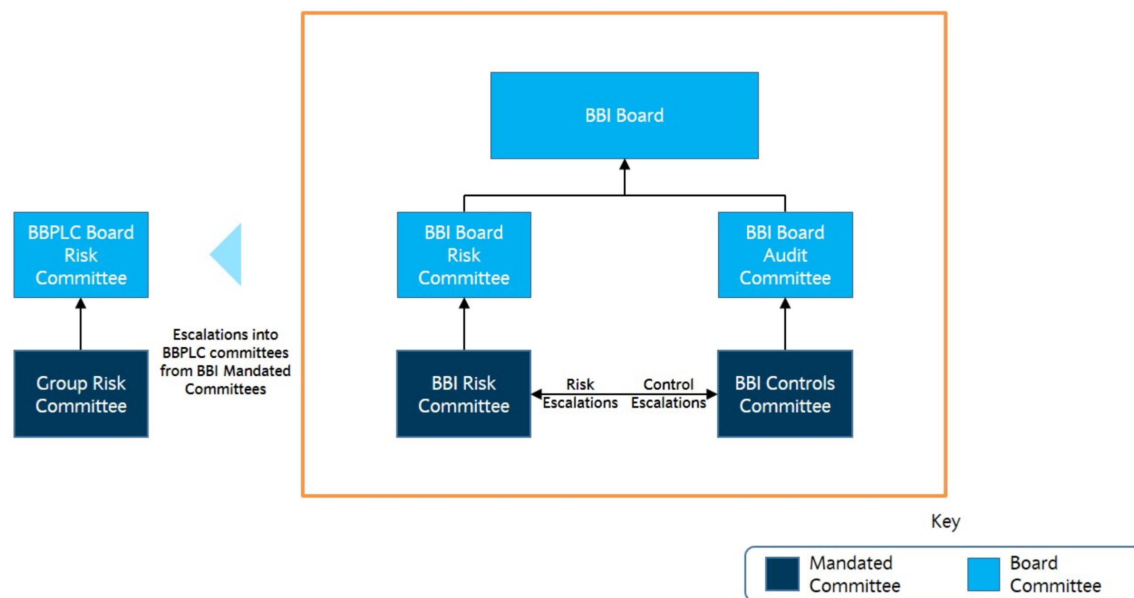
Risk appetite is approved by the Barclays PLC Board in aggregate and disseminated across legal entities and businesses, including the Bank. The Bank Board cannot approve a higher risk appetite than that determined by the Group Board without the approval of the Group Board but may choose to operate at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

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

# Risk Management strategy

## Risk Committees

The Bank's various risk committees consider risk matters relevant to their business, and escalate as required to the Bank's Board Committees and the Bank's Board.




The Barclays Bank Ireland PLC Board receives regular information on the Bank's risk profile, and has ultimate responsibility for risk appetite and capital plans, within the parameters set by the Barclays PLC Board. One of the responsibilities of the Bank's Board is the approval of risk appetite allocated to the Bank. The Bank's Board is also responsible for the adoption of the ERMF.

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

- **The Barclays Bank Ireland PLC Board Risk Committee ('BRC'):** The BRC monitors the Bank's risk profile against the agreed appetite. Where actual performance differs from expectations, the actions taken by management are reviewed to ascertain that the BRC is comfortable with them. The Bank's CRO regularly presents a report to the BRC summarising developments in the risk environment and performance trends in the key portfolios. The BRC receives regular reports on risk methodologies, the effectiveness of the risk management framework, and the Bank's risk profile, including the material issues affecting each business portfolio and forward risk trends. The committee also commissions in-depth analyses of significant risk topics, which are presented by the Bank's CRO or senior risk managers in the businesses.
- **The Barclays Bank Ireland PLC Board Audit Committee ('BAC'):** The BAC receives regular reports on the effectiveness of internal control systems, on material control issues of significance and on accounting judgements (including impairment), and a semi-annual review of the adequacy of impairment allowances relative to the risk inherent in the portfolios, the business environment, and Barclays policies and methodologies.
- **The Barclays Bank Ireland PLC Board Remuneration Committee ('RemCo'):** The RemCo receives proposals on ex-ante and ex-post risk adjustments to variable remuneration based on risk management performance including events, issues and the wider risk profile. These inputs are considered in the setting of performance incentives.

## Barclays' risk culture

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

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

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

The CEO works with the Executive Management to embed a strong risk culture within the Bank, with particular regard to the identification, escalation and management of risk matters, in accordance with the ERMF. Specifically, all employees regardless of their positions, functions or locations must play their part in the Bank's risk management. Employees are required to be familiar with risk management policies which are relevant to their responsibilities, know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the risk management process as defined by the ERMF.

### Our Code of Conduct – the Barclays Way

Globally, all Barclays colleagues must attest to a familiarity with the "Barclays Way", our Code of Conduct, and all frameworks, policies and standards applicable to their roles. The Code of Conduct outlines the Purpose, Values and Mindset which govern our 'Barclays Way' of working across our business globally. It constitutes a reference point covering all aspects of colleagues' working relationships, and provides guidance on working with other Barclays employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community. See home.barclays/sustainability/esg-resource-hub/statements-and-policy-positions/ for more details.

# Material existing and emerging risks

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

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

## Material existing and emerging risks potentially impacting more than one principal risk

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

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

A deterioration in global or local economic and market conditions may result in (among other things): (i) deteriorating business, consumer or investor confidence and lower levels of investment and productivity growth, which in turn may lead to lower customer and client activity, including lower demand for borrowing; (ii) higher default rates, delinquencies, write-offs and impairment charges as borrowers struggle with their debt commitments; (iii) subdued asset prices, which may impact the value of any collateral held by the Bank and require the Bank and its customers to post additional collateral in order to satisfy margin calls; (iv) mark-to-market losses in trading portfolios resulting from changes in factors such as credit ratings, share prices and solvency of counterparties; and (v) revisions to calculated ECLs leading to increases in impairment allowances. In addition, the Bank's ability to borrow from other financial institutions or raise funding from external investors may be affected by deteriorating economic conditions and market disruption. Geopolitical events can also cause financial instability and affect economic growth.

In particular:

- Global gross domestic product ('GDP') growth in 2022 was severely hampered by inflationary pressures resulting from; (a) the disruptive legacy of the COVID-19 pandemic on supply chains; (b) restricted labour markets and upward pressure on employment costs; and (c) escalating energy and food prices intensified by the Russian invasion of Ukraine. These pressures have led to on-going 'cost of living' pressures in much of the world, but particularly in Europe and the UK.

- In response to persistent inflationary pressures, throughout 2022, central banks pursued policies of raising interest rates while also curtailing quantitative easing and in some cases commencing quantitative tightening.

- Both the elevated inflationary environment and higher interest rates are likely to adversely affect economic growth globally in 2023, particularly in developed markets, with the possibility of elevated unemployment as a result, with potentially negative implications for the Bank's performance, including through increased impairment allowances. It remains possible that a resurgence in COVID-19 and/ or restrictions on movement imposed locally to combat outbreaks or new strains, could exacerbate the expected slowdown in global economic performance.

- In Europe and the UK, governments responded to escalating energy prices via short term subsidies for consumers and industry, in part funded by windfall taxes on targeted sectors. Revisions to these schemes during 2023 may cause upward pressure on household and corporate finances, which could result in higher impairment charges.

- An escalation in geopolitical tensions or increased use of protectionist measures, such as in the Russian invasion of Ukraine, may have a material adverse effect on the Bank's business.

- Trading arrangements between the UK and EU, following the UK's exit from the EU, may also raise costs for customers trading with the EU, and possibly impact the Bank's operations.

- Further, any trading disruption between the EU and the UK may have a significant impact on economic activity in the EU and the UK which, in turn, could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. Unstable economic conditions could result in (among other things):
  - a recession in one or more member states of the EEA in which it operates, with lower growth, higher unemployment and falling property prices, which could lead to increased impairments in relation to a number of the Bank's portfolios (including, but not limited to, its mortgage portfolio, unsecured lending portfolio (including credit cards) and commercial real estate exposures);
  - increased market volatility (in particular in currencies and interest rates), which could impact the Bank's trading book positions and affect the underlying value of assets in the banking book and securities held by the Bank for liquidity purposes;
  - a credit rating downgrade for the Bank (either directly or indirectly as a result of a downgrade in the Irish sovereign credit ratings) or its parent (Barclays Bank PLC), which could significantly increase the Bank's cost of funding and/or reduce its access to funding, widen credit spreads and materially adversely affect the Bank's interest margins and liquidity position; and/or
  - a widening of credit spreads more generally or reduced investor appetite for the Bank's debt securities, which could negatively impact the Bank's cost of and/or access to funding.

# Material existing and emerging risks

### ii) Risks relating to the impact of COVID-19

The COVID-19 pandemic has had a material adverse impact on businesses around the world and the economic and social environments in which they operate. Consequently, there are a number of factors associated with the COVID-19 pandemic and its impact on global economies that have had and could continue to have a material adverse effect on the profitability, capital and liquidity of the Bank.

The COVID-19 pandemic caused disruption to the Bank's customers, suppliers and staff. Most jurisdictions in which the Bank operates implemented severe restrictions on the movement of their respective populations, with a resultant significant impact on economic activity. It remains unclear how the COVID-19 pandemic will evolve through 2023 and the risks from further waves, new strains and/or vaccines proving ineffective cannot be ruled out and could result in the re-introduction of, or additional, restrictions placed on local populations. The Bank continues to monitor the situation.

Macroeconomic expectations are that the effects of the COVID-19 pandemic will be long lasting with the level and speed of economic recovery still uncertain. To the extent that the residual impacts of the COVID-19 pandemic continue to adversely affect the global economy and/or the Bank, it may also have the effect of increasing the likelihood and/or magnitude of other risks described herein or may pose other risks which are not presently known to the Bank or not currently expected to be significant to the Bank's profitability, capital and liquidity.

Further waves or new strains of COVID-19 could impact the Bank's ability to conduct business in the jurisdictions in which it operates through disruptions to infrastructure and supply chains, business processes and technology services provided by third parties, and unavailability of staff due to illness. These interruptions to business may be detrimental to customers (who may seek reimbursement from the Bank for costs and losses incurred as a result of such interruptions), and result in potential litigation costs (including regulatory fines, penalties and other sanctions), as well as reputational damage.

Changes in macroeconomic variables such as GDP and unemployment have a significant impact on the modelling of ECLs by the Bank. The economic environment remains uncertain and future impairment charges may be subject to additional volatility (including from changes to macroeconomic variable forecasts) caused by further waves or new strains of the COVID-19 pandemic and related containment measures and the continued efficacy of vaccines and/or boosters, as well as the longer term effectiveness of central bank, government and other support measures. For further details on macroeconomic variables used in the calculation of ECLs, refer to the credit risk performance section.

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

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

Changes to interest rates are significant for the Bank, especially given the uncertainty as to the size and frequency of such changes. Interest rate rises result in higher funding costs but could positively impact the Bank's profitability as corporate business net interest income increases due to margin decompression, as observed for the interest rate rises in 2022. However, increases in interest rates, if larger or more frequent than expected, could lead to generally weaker than expected growth, reduced business confidence, investment and higher unemployment. This, combined with the impact interest rate rises may have on the affordability of loan arrangements for borrowers (especially when combined with inflationary pressures), could cause stress in the Bank's lending portfolio and underwriting activity with resultant higher credit losses driving an increased impairment charge which could have a material effect on the Bank's business, results of operations, financial condition and prospects.

Interest rate cuts may affect, and put pressure on, the Bank's net interest margins (the difference between its lending income and borrowing costs) and could adversely affect the profitability and prospects of the Bank.

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

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

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

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

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

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

The Bank's businesses are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Ireland, the EU and the other markets in which it operates. Many regulatory changes relevant to the Bank's business may have an effect beyond the country in which they are enacted, either because the Bank's regulators deliberately enact regulation with extra-territorial impact or its global operations mean that the Bank is obliged to give effect to local laws and regulations on a wider basis.

In recent years, regulators and governments have focused on reforming both the prudential regulation of the financial services industry and the ways in which the business of financial services is conducted. Measures taken include enhanced capital, liquidity and funding requirements, the separation or prohibition of certain activities by banks, changes in the operation of capital markets activities, the introduction of tax levies and transaction taxes, changes in compensation practices and more detailed requirements on how business is conducted. The governments and regulators in Ireland, the EU or elsewhere may intervene further in relation to areas of industry risk already identified, or in new areas, which could adversely affect the Bank.

Current and anticipated areas of particular focus for the Bank's regulators, where regulatory changes could have a material effect on the Bank's business, financial condition, results of operations, prospects, capital position, and reputation, include, but are not limited to:

- the increasing focus by regulators, international bodies, organisations and unions on how institutions conduct business, particularly with regard to ensuring the orderly and transparent operation of global financial markets;
- the implementation of any conduct measures as a result of regulators' focus on organisational culture, employee behaviour and whistleblowing;
- the demise of certain benchmark interest rates and the transition to new risk-free reference rates (as discussed further under 'vi) Impact of benchmark interest rate reforms on the Bank' below);
- reviews of regulatory frameworks applicable to the wholesale financial markets, including reforms and other changes to conduct of business, listing, securitisation and derivatives related requirements;
- the focus globally on technology adoption and digital delivery, underpinned by customer protection, including the use of artificial intelligence and digital assets (data, identity and disclosures), financial technology risks, payments and related infrastructure, operational resilience, virtual currencies (including central bank digital currencies and global stable coins) and cybersecurity. This also includes the introduction of new and/or enhanced regulatory standards in these areas;
- increasing regulatory expectations of firms around governance and risk management frameworks, particularly for management of climate change, diversity and inclusion and other ESG risks and enhanced ESG disclosure and reporting obligations;
- the continued evolution of the UK's regulatory framework following the UK's withdrawal from the EU, as if the regulatory regimes for EU and UK financial services diverge further, the provision of cross-border banking and investment services across the Bank may become more complex;
- the implementation of the reforms to the Basel III package, which includes changes to the RWA approaches to credit risk, market risk, counterparty risk, operational risk, and credit valuation adjustments and the application of RWA floors and the leverage ratio;
- the implementation of more stringent capital, liquidity and funding requirements;
- the ongoing regulatory response to the COVID-19 pandemic and its implications for banks' credit risk management and provisioning processes, capital adequacy and liquidity;
- the incorporation of climate change within the global prudential framework, including the transition risks resulting from a shift to a low carbon economy and its financial effects;
- increasing requirements to detail management accountability within the Bank (for example, the expected requirements of the Individual Accountability Framework in Ireland (including the Senior Executive Accountability Regime) and similar regimes elsewhere that are either in effect or under consideration/implementation), as well as requirements relating to executive remuneration;
- changes in national or supra-national requirements regarding the ability to offshore or outsource the provision of services and resources or transfer material risk to financial services companies located in other countries, which impact the Bank's ability to implement globally consistent and efficient operating models in line with the Barclays Group;
- financial crime, fraud and market abuse standards and increasing expectations for related control frameworks, to ensure firms are adapting to new threats such as those arising from the COVID-19 pandemic, and are protecting customers from cyber-enabled crime;

- the application and enforcement of economic sanctions including those with extra-territorial effect and those arising from geopolitical tensions;

- requirements flowing from arrangements for the resolution strategy of the Barclays Group and its individual operating entities (including the Bank) that may have different effects in different countries;

- the increasing regulatory expectations and requirements relating to various aspects of operational resilience, including an increasing focus on the response of institutions to operational disruptions;

- continuing regulatory focus on data privacy, including the collection and use of personal data, and protection against loss and unauthorised or improper access;

- the regulatory focus on policies and procedures for identifying and managing cybersecurity risks, cybersecurity governance and the corresponding disclosure and reporting obligations; and

- continuing regulatory focus on the effectiveness of internal controls and risk management frameworks, as evidenced in regulatory fines and other measures imposed against the Barclays Group and other financial institutions.

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

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

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

Uncertainty associated with such potential changes, including the availability and/or suitability of alternative RFRs, the participation of customers and third-party market participants in the transition process, challenges with respect to required documentation changes, and impact of legislation to deal with certain legacy contracts that cannot convert into or add fall-back RFRs before cessation of the benchmark they reference, may adversely affect a broad range of transactions (including any securities, loans and derivatives which use LIBOR or EONIA or any other affected benchmark to determine the interest payable which are included in the Bank's financial assets and liabilities) that use these reference rates and indices, and present a number of risks for the Bank, including, but not limited to:

- Conduct risk: in undertaking actions to transition away from using certain reference rates (such as LIBOR and EONIA) to new alternative RFRs, the Bank faces conduct risks. These may lead to customer complaints, regulatory sanctions or reputational impact if the Bank is considered to be (among other things): (i) undertaking market activities that are manipulative or create a false or misleading impression; (ii) misusing sensitive information or not identifying or appropriately managing or mitigating conflicts of interest; (iii) providing customers with inadequate advice, misleading information, unsuitable products or unacceptable service; (iv) not taking a consistent approach to remediation for customers in similar circumstances; (v) unduly delaying the communication and migration activities in relation to client exposure, leaving them insufficient time to prepare; or (vi) colluding or inappropriately sharing information with competitors.

- Litigation risk: the Bank may face legal proceedings, regulatory investigations and/or other actions or proceedings regarding (among other things): (i) the conduct risks identified above, (ii) the interpretation and enforceability of provisions in LIBOR-based contracts and securities, and (iii) the Bank's preparation and readiness for the replacement of LIBOR with alternative RFRs.

- Financial risk: the valuation of certain of the Bank's financial assets and liabilities may change. Moreover, transitioning to alternative RFRs may impact the Bank's ability to calculate and model amounts receivable by them on certain financial assets and determine the amounts payable on certain financial liabilities (such as debt securities issued by them) because certain alternative RFRs (such as the Swiss Average Rate Overnight and the euro short-term rate) are look-back rates whereas term rates (such as LIBOR and EONIA) allow borrowers to calculate at the start of any interest period exactly how much is payable at the end of such interest period. This may have a material adverse effect on the Bank's cash flows.

- Pricing risk: changes to existing reference rates and indices, discontinuation of any reference rate or indices and transition to alternative RFRs may impact the pricing mechanisms used by the Bank on certain transactions.

- Operational risk: changes to existing reference rates and indices, discontinuation of any reference rate or index and transition to alternative RFRs may require changes to the Bank's IT systems, trade reporting infrastructure, operational processes and controls. In addition, if any reference rate or index (such as LIBOR or EONIA) is no longer available to calculate amounts payable, the Bank may incur expenses in amending documentation for new and existing transactions and/or effecting the transition from the original reference rate or index to a new reference rate or index.

- Accounting risk: an inability to apply hedge accounting in accordance with IAS 39 could lead to increased volatility in the Bank's financial results and performance.

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

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

#### vii) Change delivery and execution risks

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

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

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

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

#### i) Climate risk

The risks associated with climate change are subject to rapidly increasing societal, regulatory and political focus, both in the EU and internationally. In line with regulatory expectations and requirements, the Barclays Group has embedded climate risk within the ERMF, to address the financial and operational risks resulting from both: (i) the physical risk of climate change; and (ii) the risk from the transition to a low-carbon economy. Climate risk is considered to be a driver of financial and operational risks.

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

As the economy transitions to a low-carbon economy, financial institutions such as the Bank may face significant and rapid developments in stakeholder expectations, policy, law and regulation which could impact the lending activities the Bank undertakes, as well as the risks associated with its lending portfolios, and the value of the Bank's assets. As new policies and regulations are enforced, market sentiment and societal preferences change and new technologies emerge, this may result in increased costs and reduced demand of product and services of a company, early retirement and impairment of assets, decreased revenue and profitability for the Bank's customers. This in turn may impact creditworthiness of customers and their ability to repay loans. Additionally, the Bank may face greater scrutiny of the type of business it conducts, adverse media coverage and reputational damage, which may in turn impact customer demand for the Bank's products, returns on certain business activities and the value of certain assets and trading positions resulting in impairment charges.

In addition, the impacts of physical and transition climate risks can lead to second order connected risks, which have the potential to affect the Bank's retail and wholesale portfolios. The impacts of climate change may increase losses for those sectors sensitive to the effects of physical and transition risks. Any subsequent increase in defaults and rising unemployment could create recessionary pressures, which may lead to wider deterioration in the creditworthiness of the Bank's clients, higher ECLs, and increased charge-offs and defaults among retail customers. Please refer to pages 47 and 48 for a summary of the nature, drivers and potential impacts of physical and transition risks.

In quarter one 2022, climate risk became one of the principal risks within the Bank's ERMF. Failure to adequately embed the financial and operational risks associated with climate change into the risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change or failure to adapt the Bank's strategy and business model to the changing regulatory requirements and market expectations on a timely basis, may have a material and adverse impact on the Bank's level of business growth, competitiveness, profitability, capital requirements, cost of funding, and financial condition.

In March 2020, the Barclays Group announced its ambition to become a net zero bank by 2050 and its commitment to align all of its financing activities with the goals and timelines of the Paris Agreement. In order to reach these ambitions and targets or any other climate-related ambitions or targets the Barclays Group may commit to in future, the Bank will need to continue to incorporate climate

considerations into its strategy, business model, the products and services it provides to customers and its financial and non-financial risk management processes (including processes to measure and manage the various financial and non-financial risks the Bank faces as a result of climate change).The Bank also needs to ensure that its strategy and business model adapt to changing, and sometimes conflicting national and international standards, industry and scientific practices, regulatory requirements and market expectations regarding climate change, which remain under continuous development and vary between regions, sometimes to a significant extent. There can be no assurance that these standards, practices, requirements and expectations will not change in a manner that substantially increases the cost or effort for the Bank to achieve such ambitions and targets. In addition, the Barclays Group's ambitions and targets may prove more challenging to achieve due to changing circumstances and potentially volatile external factors which are beyond our control, including geopolitical issues, energy security, energy poverty and other considerations such as just transition to a low carbon economy. This may be exacerbated if the Barclays Group or the Bank chooses or is required to accelerate its climate-related ambitions or targets as a result of regulatory developments or stakeholder expectations.

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

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

### ii) Credit risk

Credit risk is the risk of loss to the Bank from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the Bank, including the whole and timely payment of principal, interest, collateral and other receivables. Credit risk is impacted by a number of factors outside the Bank's control, including wider economic conditions.

**a) Impairment**
Impairment is calculated in line with the requirements of IFRS 9 which results in recognition of loss allowances, based on ECLs, on a forward-looking basis using a broad scope of financial metrics. Measurement involves complex judgement and impairment charges are potentially volatile and may not successfully predict actual credit losses, particularly under stressed conditions. Any failure by the Bank to accurately estimate credit losses through ECLs could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. For further details, refer to Note 8.

**b) Specific portfolios, sectors and concentrations**

The Bank is subject to risks arising from changes in credit quality and recovery rates for loans and advances due from borrowers and counterparties across all portfolios. Any deterioration in the credit quality could lead to lower recoverability from loans and advances and higher impairment charges. Accordingly, any of the following areas of uncertainty could have a material adverse impact on the Bank's portfolio which could have a material impact on the Bank's performance:

- **Consumer affordability:** remains a key area of focus, particularly in unsecured lending as the 'cost of living' pressures grow. Macroeconomic factors, such as unemployment, higher interest rates or broader inflationary pressures, that impact a customer's ability to service debt payments could lead to increased arrears in both unsecured and secured products. The Bank is exposed to the adverse credit performance of unsecured products, particularly in Germany, through the Barclays Consumer Bank Europe business.

- **Italian mortgage and wholesale exposure: t**he Bank is exposed to a decline in the Italian economic environment through a mortgage portfolio in run-off and positions to wholesale customers. During 2022, Italian economic growth has been severely impacted by high energy costs, inflation and rising interest rates, making it more difficult for the new administration to manage the high level of public debt. Failure by the government to meet the EU's requirements could put at risk further payments from the EU's €750bn post-pandemic recovery fund, potentially delaying economic recovery which, in turn, could materially adversely affect the Bank's results of operations including, but not limited to, increased credit losses and higher impairment charges.

- **Leveraged finance underwriting:** the Bank takes on non-investment grade underwriting exposure, including single name risk. The Bank is exposed to credit events and market volatility during the underwriting period which may result in losses for the Bank, or increased capital requirements should there be a need to hold the exposure for an extended period.

- **Air travel:** the sector struggled to resource for the recovery in lower margin (tourist) demand for air travel evidenced in 2022 (after the drop in demand during the pandemic), and to adjust to the structural decline in higher margin business travel. While this transition plays out, there remains a heightened risk to the revenue streams of the Bank's clients and, consequentially, their ability to service debt obligations. Increasing concerns about the impact of air travel on climate change will also influence consumer behaviour, representing additional risks for the sector.

The Bank also has large individual exposures to single name counterparties (such as brokers, central clearing houses, dealers, banks, mutual funds and other institutional clients) both in its lending and trading activities, including derivative trades. The default of one such counterparty could cause contagion across clients involved in similar activities and/or adversely impact asset values should margin calls necessitate rapid asset disposals by that counterparty to raise liquidity. In addition, where such counterparty risk has been mitigated by taking collateral, credit risk may remain high if the collateral held cannot be monetised, or has to be liquidated at prices which are insufficient to recover the full amount of the loan or derivative exposure. Any such defaults could have a material adverse effect on the Bank's results due to, for example, increased credit losses and higher impairment charges.

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

### iii) Market risk

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

Economic and financial market uncertainties remain elevated, driven by elevated inflation and tightening monetary policy - both of which are exacerbated by the Russian invasion of Ukraine and supply-chain disruptions caused by the COVID-19 pandemic. A disruptive adjustment to higher interest rate levels and deteriorating trade and geopolitical tensions are some of the factors that could heighten market risks for the Bank's portfolios.

In addition, the Bank's trading business is generally exposed to a prolonged period of elevated asset price volatility, particularly if it adversely affects market liquidity. Such a scenario could impact the Bank's ability to execute client trades and may also result in lower client flow-driven income and/or market-based losses on its existing portfolio of market risks. These can include higher hedging costs from rebalancing risks that need to be managed dynamically as market levels and their associated volatilities change.

Changes in market conditions could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

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

### iv) Treasury and capital risk

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

**a) Liquidity risk**
Liquidity risk is the risk that the Bank is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. This could cause the Bank to fail to meet regulatory and/or internal liquidity requirements, make repayments of principal or interest as they fall due or support day-to-day business activities. Key liquidity risks that the Bank faces include:

- Stability of the Bank's deposit funding profile: deposits which are payable on demand or at short notice could be adversely affected by the Bank failing to preserve the current level of customer and investor confidence or as a result of competition in the banking industry.
- Ongoing access to wholesale funding: the Bank regularly accesses the money and capital markets to provide short-term and long-term unsecured and secured funding to support its operations. A loss of counterparty confidence, or adverse market conditions (such as the recent rises in interest rates), could lead to a reduction in the tenor, or an increase in the costs of the Bank's unsecured and secured wholesale funding or affect the Bank's access to such funding.
- Impacts of market volatility: adverse market conditions, with increased volatility in asset prices, could: (i) negatively impact the Bank's liquidity position through increased derivative margin requirements and/or wider haircuts when monetising liquidity pool securities; and (ii) make it more difficult for the Bank to execute secured financing transactions.
- Intraday liquidity usage: increased collateral requirements for payments and securities settlement systems could negatively impact the Bank's liquidity position, as cash and liquid assets required for intraday purposes are unavailable to meet other outflows.
- Off-balance sheet commitments: deterioration in economic and market conditions could cause customers to draw on off-balance sheet commitments provided to them, for example, revolving credit facilities, negatively affecting the Bank's liquidity position.
- Credit rating changes and impact on funding costs: any reductions in a credit rating (in particular, any downgrade below investment grade) may affect the Bank's access to the money or capital markets and/or terms on which the Bank is able to obtain market funding (for example, this could lead to increased costs of funding and wider credit spreads, the triggering of additional collateral or other requirements in derivative contracts and other secured funding arrangements, or limits on the range of counterparties who are willing to enter into transactions with the Bank).

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

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

- Failure to meet prudential capital requirements: this could lead to the Bank being unable to support some or all of its business activities, a failure to pass regulatory stress tests, increased cost of funding due to deterioration in investor appetite or credit ratings, restrictions on distributions and/or the need to take additional measures to strengthen the Bank's capital or leverage position.
- Adverse changes in FX rates impacting capital ratios: the Bank has risk weighted assets and leverage exposures denominated in foreign currencies. Changes in foreign currency exchange rates may adversely impact the Euro equivalent value of these items. As a result, the

Bank's regulatory capital ratios are sensitive to foreign currency movements. Failure to appropriately manage the Bank's balance sheet to take account of foreign currency movements could result in an adverse impact on the Bank's regulatory capital and leverage ratios.

- Adverse movements in the pension fund: adverse movements in pension assets and liabilities for defined benefit pension schemes could result in deficits on a technical provision and/or IAS 19 accounting basis. This could lead to the Bank making additional contributions to its defined benefit pension plans and/or a deterioration in its capital position. The market value of pension fund assets might decline; or investment returns might reduce. Under IAS 19, the liabilities discount rate is derived from the yields of high quality corporate bonds. Therefore, the valuation of the Bank's defined benefit pension schemes would be adversely affected by a prolonged fall in the discount rate due to a persistent low interest rate and/or credit spread environment. Inflation is another significant risk driver to the pension fund as the liabilities are adversely impacted by an increase in long-term inflation expectations.

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

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

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

### v) Operational risk

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

**a) Operational resilience**

The Bank functions in a highly competitive market, with customers and clients that expect consistent and smooth business processes. The loss of or disruption to business processing is a material inherent risk within the Bank and across the financial services industry, whether arising through failures in the Bank's technology systems or availability of personnel or services supplied by the Bank's outsourcing partners within the Barclays Group and by third parties. Failure to build resilience and recovery capabilities into business processes or into the services on which the Bank's business processes depend, may result in significant customer detriment, costs to reimburse losses incurred by the Bank's customers, and reputational damage.

**b) Cyberattacks**

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

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

A failure in the Bank's adherence to its cybersecurity policies, procedures or controls, employee malfeasance, and human, governance or technological error could also compromise the Bank's ability to successfully prevent and defend against cyberattacks. Furthermore, certain legacy technologies that are at or approaching end-of-life may not be able to maintain acceptable levels of security. The Bank has experienced cybersecurity incidents and near-misses in the past, and it is inevitable that additional incidents will occur in the future. Cybersecurity risks are expected to increase, due to factors such as the increasing demand across the industry and customer expectations for continued expansion of services delivered over the Internet; increasing reliance on Internet-based products, applications and data storage; and changes in ways of working by the Bank's employees, contractors, and third party service providers and suppliers and their subcontractors as a long-term consequence of the COVID-19 pandemic. Bad actors have taken advantage of remote working practices and modified customer behaviours, exploiting the situation in novel ways that may elude defences. Additionally, geopolitical turmoil may serve to increase the risk of a cyberattack that could impact Barclays directly, or indirectly through its critical suppliers or national infrastructure. In 2022, the Bank faced a heightened risk of cyberattack as a result of the Russian invasion of Ukraine.

Common types of cyberattacks include deployment of malware to obtain covert access to systems and data; ransomware attacks that render systems and data unavailable through encryption and attempts to leverage business interruption or stolen data for extortion; novel or zero-day exploits; denial of service and distributed denial of service ('DDoS') attacks; infiltration via business email compromise; social engineering, including phishing, vishing and smishing; automated attacks using botnets; third-party customer, vendor, service provider and supplier account take-over; malicious activity facilitated by an insider; and credential validation or stuffing attacks using login and password pairs from unrelated breaches. A successful cyberattack of any type has the potential to cause serious harm to the Bank or its clients and customers, including exposure to potential contractual liability, claims, litigation, regulatory or other government investigation or action, loss of existing or potential customers, damage to the Bank's brand and reputation, and other financial loss. The impact of a successful cyberattack also is likely to include operational consequences (such as unavailability of services, networks, systems, devices or data) remediation of which could come at significant cost.

Regulators worldwide continue to recognise cybersecurity as an increasing systemic risk to the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience to, cyberattacks. A successful cyberattack may, therefore, result in significant regulatory fines on the Bank. In addition, any new regulatory measures introduced to mitigate these risks are likely to result in increased technology and compliance costs for the Bank.

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

**c) New and emergent technology**

Technology is fundamental to the Bank's business and the financial services industry. Technological advancements present opportunities to develop new and innovative ways of doing business across the Bank, with new solutions being developed both in-house and in association with third-party companies. For example, payment services and securities, futures and options trading are increasingly occurring electronically, both on the Bank's own systems and through other alternative systems, and becoming automated. Whilst increased use of electronic payment and trading systems and direct electronic access to trading markets could significantly reduce the Bank's cost base, it may, conversely, reduce the commissions, fees and margins made by the Bank on these transactions which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Introducing new forms of technology, however, has the potential to increase inherent risk. Failure to evaluate, actively manage and closely monitor risk during all phases of business development and implementation could introduce new vulnerabilities and security flaws and have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

**d) External fraud**

The nature of fraud is wide-ranging and continues to evolve, as criminals seek opportunities to target the Bank's business activities and exploit changes in customer behaviour and product and channel use (such as the increased use of digital products and enhanced online services) or exploit new products. Fraud attacks can be very sophisticated and are often orchestrated by organised crime groups who use various techniques to target customers and clients directly to obtain confidential or personal information that can be used to commit fraud. The impact from fraud can lead to customer detriment, financial losses (including the reimbursement of losses incurred by customers), loss of business, missed business opportunities and reputational damage, all of which could have a material adverse impact on the Bank's business, results of operations, financial condition and prospects.

**e) Data management and information protection**

The Bank holds and processes large volumes of data, including personal information, financial data and other confidential information, and the Bank's businesses are subject to complex and evolving laws and regulations governing the privacy and protection of data, including Regulation (EU) 2016/679 (General Data Protection Regulation as it applies in the EU and the UK). This data could relate to: (i) the Bank's clients, customers, prospective clients and customers and their employees; (ii) clients and customers of the Bank's clients and customers and their employees; (iii) the Bank's suppliers, counterparties and other external parties, and their employees; and (iv) the Bank's employees and prospective employees.

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

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

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

**f) Algorithmic trading**

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

**g) Processing errors**

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

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

**h) Supplier exposure**

The Bank depends on suppliers for the provision of many of its services and the development of technology. Whilst the Bank depends on suppliers, it remains fully accountable to its customers and clients for risks arising from the actions of suppliers and may not be able to recover from its suppliers any amounts paid to customers and clients for losses suffered by them. The dependency on suppliers and sub-contracting of outsourced services introduces concentration risk where the failure of specific suppliers could have an impact on the Bank's ability to continue to provide material services to its customers. Failure to adequately manage supplier risk could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

**i) Estimates and judgements relating to critical accounting policies and regulatory disclosures**

The preparation of financial statements requires the application of accounting policies and judgements to be made in accordance with IFRS. Regulatory returns and capital disclosures are prepared in accordance with the relevant capital reporting requirements and also require assumptions and estimates to be made. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements, include credit impairment provisions, fair value of financial instruments and taxes (refer to the notes to the audited financial statements for further details). There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in material losses to the Bank, beyond what was anticipated or provided for. Further development of accounting standards and regulatory interpretations could also materially impact the Bank's results of operations, financial condition and prospects.

**j) Tax risk**

The Bank is required to comply with the domestic and international tax laws and practice of all countries in which it has business operations. There is a risk that the Bank could suffer losses due to additional tax charges, other financial costs or reputational damage as a result of failing to comply with such laws and practice (including where the Bank's interpretation of such laws differs from the interpretation of tax authorities), or by failing to manage its tax affairs in an appropriate manner, with much of this risk attributable to the pan-European structure of the Bank. In addition, the introduction of new international tax regimes as well as increasing tax authority focus on reporting and disclosure requirements and the digitisation of the administration of tax in Europe have the potential to increase the Bank's tax compliance obligations further. For example, the OECD and G20 Inclusive Framework on Base Erosion and Profit Shifting has announced plans to introduce a global minimum tax from 2023 which, if following implementation by the European Commission, is likely to increase the Bank's tax compliance obligations. Any systems and process changes associated with complying with these obligations introduce additional operational risk.

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

As a regulated financial institution, the Bank requires diversified and specialist skilled colleagues. The Bank's ability to attract, develop and retain a diverse mix of talent is key to the delivery of its core business activity and strategy. This is impacted by a range of external and internal factors, such as macroeconomic factors, labour and immigration policy in the jurisdictions in which the Bank operates, industry-wide headcount reductions in particular sectors, regulatory limits on compensation for senior executives and the potential effects on employee engagement and wellbeing from long-term periods of working remotely. Failure to attract or prevent the departure of appropriately qualified and skilled employees could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. Additionally, this may result in disruption to service which could in turn lead to customer detriment and reputational damage.

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

### vi) Model risk

Model risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. The Bank relies on models to support a broad range of business and risk management activities, including informing business decisions and

strategies, measuring and limiting risk, valuing exposures (including the calculation of impairment), conducting stress testing, calculating RWAs and assessing capital adequacy, supporting new business acceptance, risk and reward evaluation, managing client assets, and meeting reporting requirements.

Models are, by their nature, imperfect representations of reality and have some degree of uncertainty because they rely on assumptions and inputs, and so are subject to intrinsic uncertainty, errors and inappropriate use affecting the accuracy of their outputs. This may be exacerbated when dealing with unprecedented scenarios, as was the case during the COVID-19 pandemic, due to the lack of reliable historical reference points and data. For instance, the quality of the data used in models across the Bank has a material impact on the accuracy and completeness of its risk and financial metrics. Model uncertainty, errors and inappropriate use may result in (among other things) the Bank making inappropriate business decisions and/or inaccuracies or errors in the Bank's risk management and regulatory reporting processes. This could result in significant financial loss, imposition of additional capital requirements, enhanced regulatory supervision and reputational damage, all of which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

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

### vii) Conduct risk

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

**a) Market conduct**
The Bank's businesses are exposed to risk from potential non-compliance with its policies and standards and instances of wilful and negligent misconduct by employees, all of which could result in potential customer and client detriment, enforcement action (including regulatory fines and/or sanctions), increased operation and compliance costs, redress or remediation or reputational damage which in turn could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. Examples of employee misconduct which could have a material adverse effect on the Bank's business include: (i) improperly selling or marketing the Bank's products and services; (ii) engaging in insider trading, market manipulation or unauthorised trading; or (iii) misappropriating confidential or proprietary information belonging to the Bank, its customers or third parties. These risks may be exacerbated in circumstances where the Bank is unable to rely on physical oversight and supervision of employees, noting the move to a hybrid working model for many colleagues.

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

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

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

**e) Conflicts of Interest**
Identifying and managing Conflicts of Interest is fundamental to the conduct of the Bank's business, relationships with customers, and the markets in which the Bank operates. Understanding the Conflicts of Interest that impact or potentially impact the Bank enables them to be handled appropriately. Even if there is no evidence of improper actions, a Conflict of Interest can create an appearance of impropriety that undermines confidence in the Bank and its employees. If the Bank does not identify and manage Conflicts of Interest (business or personal) appropriately, it could have an adverse effect on the Bank's business, customers and the markets within which it operates.

**f) Regulatory focus on culture and accountability**
Regulators around the world continue to emphasise the importance of culture and personal accountability and enforce the adoption of adequate internal reporting and whistleblowing procedures to help to promote appropriate conduct and drive positive outcomes for customers, colleagues, clients and markets. The requirements and expectations of the ECB and CBI's Fitness and Probity Regime have reinforced additional accountabilities for individuals across the Bank with an increased focus on governance and rigour, with similar requirements also introduced in other jurisdictions globally. The introduction of the CBI's Individual Accountability Framework is expected to further increase individual accountability. Failure to meet these requirements and expectations may lead to regulatory sanctions, both for the individuals and the Bank.

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

## Material existing and emerging risks

### viii) Reputation risk

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

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

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

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

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

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

The Bank conducts activities in a highly regulated market which exposes it and its employees to legal risk arising from: (i) the multitude of laws and regulations that apply to the businesses it operates, which are highly dynamic, and may be unclear in their application to particular circumstances especially in new and emerging areas; and (ii) the diversified and evolving nature of the Bank's businesses and business practices. In each case, this exposes the Bank and its employees to the risk of loss or the imposition of penalties, damages or fines from the failure of the Bank to meet its obligations, including legal, regulatory or contractual requirements. Legal risk may arise in relation to any number of the material existing and emerging risks identified above.

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

There are no legal, competition or regulatory matters to which the Bank is currently exposed that give rise to a material contingent liability. Nonetheless, the Bank is engaged in various legal proceedings which arise in the ordinary course of business. The Bank is also subject to requests for information, investigations and other reviews by regulators, governmental and other public bodies in connection with business activities in which the Bank is, or has been, engaged and may (from time to time) be subject to legal proceedings and other investigations relating to financial and non-financial disclosures made by members of the Bank (including, but not limited to, in relation to ESG disclosures). Additionally, due to the increasing number of new climate and sustainability-related laws and regulations (or laws and regulatory processes seeking to protect the energy sector from any risks of divestment or challenges in accessing finance), growing demand from investors and customers for environmentally sustainable products and services, and regulatory scrutiny, financial institutions, including the Bank, may through their business activities face increasing litigation, conduct, enforcement and contract liability risks related to climate change, environmental degradation and other social, governance and sustainability-related issues. Furthermore, there is a risk that shareholders, campaign groups, customers and other interest groups could seek to take legal action against the Bank for financing or contributing to climate change and environmental degradation.

The outcome of legal, competition and regulatory matters, both those to which the Bank is currently exposed and any others which may arise in the future, is difficult to predict (and any provision made in the Bank's financial statements relating to those matters may not be sufficient to cover actual losses). In connection with such matters, the Bank may incur significant expense, regardless of the ultimate outcome, and any such matters could expose the Bank to any of the following outcomes: substantial monetary damages, settlements and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution; the loss of any existing agreed protection from prosecution; regulatory restrictions on the Bank's business operations including the withdrawal of authorisations; increased regulatory compliance requirements or changes to laws or regulations; suspension of operations; public reprimands or censure; loss of significant assets or business; a negative effect on the Bank's reputation; loss of confidence by investors, counterparties, clients and/or customers; risk of credit rating agency downgrades; potential negative impact on the availability and/or cost of funding and liquidity; and/or dismissal or resignation of key individuals. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters (including formerly active matters or those arising after the date of this Annual Report) will not have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

## Principal risk management

### Climate risk management

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

#### Overview

Given the risks associated with climate change, and to support the Barclays Group ambition to be a net zero bank by 2050, climate risk became a Principal Risk in January 2022. To support the embedment of the Principal Risk, in 2022 the Barclays Group delivered a Climate Risk Plan with three overarching objectives:

1. Governance Framework: Establish a Climate Risk Committee, a Climate Risk Controls Forum, and refresh the Board Risk Committee reporting

2. Scenario Analysis: Build out the vision and plan for undertaking scenario analysis exercises. This involved developing a climate scenario analysis framework

3. Carbon Modelling: Expand the BlueTrack™ for measuring and tracking financed emissions to cover our automobiles and residential real estate portfolios, in addition to energy, power, cement and steel

#### Organisation and structure

On behalf of the BBI Board, the BBI BRC reviews and approves the Bank's approach to managing the financial and operational risks associated with climate change. Broader sustainability matters and other reputation risk issues associated with climate change are coordinated by the Sustainability Team.

BBI has appointed Head of Climate Risk responsible for management of Climate Risk, reporting into the Deputy CRO. The Head of Climate Risk is the Climate Principal Risk owner, accountable for the management and oversight of the Climate risk profile. To support the oversight of Barclays's Climate risk profile, regular monitoring is provided by the BBI Risk Committee ('BBI RC'). BBI RC is the delegated committee of BBI BRC where climate risk is reviewed. BBI has a representative on the Barclays Group Climate Risk Committee ('CRC'). To support the oversight of Barclays Group climate risk profile, a CRC has been established, as a sub-committee of GRC. The authority of the CRC is delegated by the Group Risk Committee ('GRC').

The GRC is the most senior executive body responsible for review and challenge of risk practices and risk profile, for climate risk and other principal risk types. CRC has reviewed and approved a range of updates including refreshed Climate Risk Vision, updates from each of the financial and operational risks and from the material legal entities of the firm, along with key regulatory, policy and legal themes, the risk register, appetite statement & constraint and reviewed the control environment.

BBI has a representative on the Climate Risk Control Forum ('CRCF'), which was established in July 2022 and escalates to GRC via the Group Controls Committee. The purpose of the CRCF is to oversee the consistent and effective implementation and operation of the Barclays Controls Framework relating to Climate Risk. It reviews the control environment relating to Climate Risk, including risk events, policy and issues management. Climate Risk assurance groups have been established and are responsible for performing Climate Risk specific reviews to ensure we are continually improving and addressing identified issues in our risk practices.

The elevation of climate risk to Principal Risk included establishment of governance elements, including:

- A Climate Risk Framework that defines climate risk and summarises the approach to identification, measurement, monitoring and reporting of climate risk.

- Climate Risk Appetite and constraint at the Group level established in line with the Group's risk appetite approach and informed by scenario analysis. BBI has embedded the qualitative risk appetite statement into its own documents, reflecting alignment with the Barclays Group in achieving its ambition of reducing emissions to net zero by 2050.

- Climate Risk Stress Testing, such as the ECB Climate Risk Stress Test exercise BBI participated in during 2022. This was an exploratory exercise designed to test climate stress testing capabilities and assess the financial resilience of participating banks. The exercise was split across four defined scenarios, including paths for Physical and Transition risk events, spanning between 1 and 30 year time horizons. The exercise was limited in scope to only cover a proportion of BBI portfolios. Overall, all climate risk stress impacts were considered manageable on an absolute basis, with the largest loss observed in the Drought and Heat scenario from Wholesale Credit Risk positions. ECB have since provided general feedback with respect to banks' stress testing capabilities and an expectation that further developments will be made in the coming years. More information on the ECB exercise has been detailed on page 69 of Barclays Group 2022 Annual Report.

- Climate Risk Register is used to inform risk appetite. This includes a breakdown of key risk drivers for physical and transition risks, and materiality ratings which are inferred from the results of the 2022 EBA Stress test, 2020 climate Internal Stress Test and 2021 Bank of England's Climate Biennial Exploratory Scenario ('CBES'). The Climate Risk Register continues to align with the Group's Risk Register Taxonomy.

- Barclays will be performing a Group-wide climate scenario analysis exercise in 2023, to test the impact to Barclays' portfolios from a severe but plausible climate scenario. This exercise is split across four phases over a five-year time horizon, including paths for Physical, Connected and Transition risk events. The exercise will be used as part of Barclays' ongoing climate risk management, to better quantify the impacts of climate change on the Bank's portfolios and balance sheet. This will enable Barclays including the Bank, to improve its understanding of how climate risks interact with macroeconomic stresses and to support Barclays' resilience to climate risk.

Climate risk across Financial and Operational Risks is managed via a Climate Change Financial Risk and Operational Risk Policy ('CCFOR'), which is embedded in each of the Financial and Operational Principal Risk Frameworks.

Climate risk across Model, Conduct, Reputation and Legal Principal Risks are out of the scope of the CRF and continue to be managed under their respective Principal Risk Frameworks.

The table below sets out how climate risk is integrated across Barclays using the ERMF aligned Climate Risk Framework, CCFOR and the Climate Change Standard.

### Climate-related risks identified over the short, medium and long term

The Bank broadly categorises climate risks into three categories – physical risk, transition risk and connected risk. For further details on how the Bank defines these risks, refer to the material existing and emerging risks (climate) section on pages 38 and 39. Within these, the Bank identifies risk drivers from climate change which we monitor over the short, medium and long term:

• Short term (S) – 0-1 year
• Medium term (M) – 1-5 years
• Long term (L) – 5-30 years

**Climate change as a driver of risk**

Climate change may lead to economic and operational impacts and may increase the likelihood or severity of other risks, for example:

• cyclical: amplifying economic cycles, including deeper troughs;
• event-driven: a singular event or series of events, for example severe weather events leading to physical risk impacts; and
• structural: macroeconomic shifts as economies transition to a low-carbon economy, driven by regulatory tightening such as introduction of carbon pricing mechanisms, emission trading schemes and technology evolution.

There is potential for tail risks and tipping points, including from chronic physical risks that are not currently clearly understood. This might include impacts from a lack of access to clean water, mass human migration due to inhospitable conditions, biodiversity and ecosystem services loss, second order impacts on food chain, or conflict resulting from competition for environmental resources.

The tables overleaf summarise the nature, drivers and potential impacts of physical and transition risks. Analysis of these drivers is undertaken as part of the Barclays Group's annual review of elevated sectors, clients operating in these sectors and monthly horizon scanning of new developments leading to climate-related risks. These risk drivers have been assessed through qualitative analysis, external research and expert views. Quantitative analysis is also undertaken through the Barclays Group's programme of scenario analysis. The feedback effects of climate risk drivers through macro and micro transmissions channels are observed in Barclays' portfolio through traditional risk categories such as credit risk, market risk, operational risk etc. The approach to identify, measure and manage climate-related risks is consistent with other key risks, however the climate-related financial risks with significant impact are most likely to materialise in the longer term.

## Principal risk management

| Physical risks | Acute | Chronic |
|---|---|---|
| Example drivers | • Damage to fixed assets and infrastructure (property, power supplies) by climate events such as wildfires<br><br>• Adverse impact on agriculture and production of soft commodities due to drought<br><br>• Transport difficulties and damage to infrastructure due to severe storm and flooding | • Change in weather and precipitation patterns, resulting in reduced agricultural yields and land no longer suitable for farming<br><br>• Potential population migration due to inhabitable land<br><br>• Increase in sea levels and consequent coastal erosion, requiring building of new seawall and flood defences<br><br>• Rising temperatures resulting in diminished productivity and health issues |
| Potential impacts – examples | • Increased costs due to damage to facilities<br><br>• Reduced revenue from decreased production capacity<br><br>• Increased operating costs and decrease in sales due to unavailability of raw materials and supply chain disruptions | • Reduced revenue from decreased production capacity and early retirement of assets<br><br>• Decrease in property values<br><br>• Increased costs and insurance for assets in high risk locations<br><br>• Reduced revenue from lower sales and output |
| Expected time horizon | S[a], M, L | M, L |
| Classification | Event-driven | Structural |
| Primary risks impacted | Credit Risk, Market Risk, Treasury and Capital Risk, Operational Risk, Reputational Risk | |
| Secondary risks impacted | Conduct Risk, Legal Risk | |

| Transition risk | Policy and Regulatory | Legal | Technology | Market |
|---|---|---|---|---|
| Example drivers | • Carbon tax impacting sectors and clients<br><br>• Tightening of emissions and energy efficiency standards<br><br>• Imposing an absolute cap on GHG emissions at manufacturing sites<br><br>• Enhanced GHG reporting obligations | • Government and non-governmental organisations taking litigation actions<br><br>• Imposing legal liabilities on firms for their contribution to physical impacts of climate change | • Disruptive substitute technologies being favoured because of lower carbon footprint<br><br>• Development of emissions capture and recycling facilities<br><br>• Investments in new technologies<br><br>• Alternatives to fossil fuel | • Shift in consumer preferences<br><br>• Changes in supply and demand of raw materials<br><br>• Shareholder perceptions and consumer pressures<br><br>• Changing market sentiment |
| Potential impacts – examples | • Increased operating cost for compliance<br><br>• Increased capital expenditure to meet regulatory standards<br><br>• Operating constraints<br><br>• Write-offs and early retirement of assets | • Increased costs due to fines and penalties from class action damages<br><br>• Changes in the valuation of assets<br><br>• Decreased demand for products and services | • Impairment of assets and early retirement of assets<br><br>• Research and development expenditure in new technologies<br><br>• Costs for adoption of new practices and processes | • Increased costs and reduced demand for products and services<br><br>• Increased production costs due to changing input prices and output requirements<br><br>• Decreased revenue and repricing of assets |
| Expected time horizon | S[a], M, L | S[a], M, L | S[a], M, L | S[a], M, L |
| Classification | Event-driven, Structural | Event-driven, Structural | Structural | Structural |
| Primary risks impacted | Credit Risk, Market Risk, Treasury and Capital Risk, Operational Risk, Reputational Risk | | | |
| Secondary risks impacted | Conduct Risk, Legal Risk | | | |

Note

a. Whilst these risks will start to manifest over these time horizons, we expect financial impact in the short term to be immaterial based on current information/ circumstances, with no specifically identified charges related to climate risks in the 2022 reported expected credit losses.

# Principal risk management

### Risk appetite

In 2022, as part of establishing a principal risk, Barclays Group defined a risk appetite statement and constraint for climate risk. The statement outlines that Barclays Group views climate change as a driver of financial and operational risk. Barclays Group has appetite to manage climate risk in line with its climate ambition and to reduce financed emissions in line with disclosed targets. BBI established a qualitative risk appetite statement in 2022 for climate risk. Targets to 2025 are set for energy and power. Targets to 2030 are set for energy, power, cement, steel and automotive manufacturing for Barclays Group.

An assessment of progress to reduce financed emissions against the disclosed targets was made by Barclays Group. It noted that reaching even the lower emissions reduction in the disclosed ranges may prove challenging and that a clearer forward plan be defined to set out the range of management actions that could be taken to meet the disclosed target ranges, including a more detailed understanding of client transition expectations and the external dependencies and variables beyond Barclays Group control that may determine the pace of transition.

| Enterprise Risk Management Framework ('ERMF') | | | | | | |
|---|---|---|---|---|---|---|
| Climate Risk Framework | | | | | | |
| | | Climate Change Financial Risk and Operational Risk Policy | | | | Climate Change Standard |
| | **Climate Risk** | **Credit Risk** | **Market Risk** | **Treasury and Capital Risk** | **Operational Risk** | **Reputation Risk** |
| **Responsibilities** | Provide climate horizon scanning information and emerging trends to BRC and Principal Risk Leads<br>Recommend risk appetite statement, constraints and exclusions to BRC<br>Define areas of concern and recommend scenario analysis priorities<br>Lead the development of climate-specific risk methodologies<br>Interpret stress test results for relevance as drivers of risk<br>Review and challenge risk type approaches and support consistency across risk types<br>Aggregate and monitor a central climate risk view across in scope risk types | Monitor portfolio level exposure to the physical and transition risks of climate change<br>Review individual obligors' exposure to climate risk via the Climate Lens questionnaire<br>Assess climate risk within Sovereign Credit Risk reviews<br>Include material exposures to climate risk within the Internal Capital Adequacy Assessment Process ('ICAAP')<br>Oversight by Legal Entity Climate Risk Forums and relevant Risk Management Committees as appropriate, including regular climate risk reporting up to Board Risk Committee level | Identify and Assess climate-related risk factors<br>Apply stress scenarios, assess stress losses and set risk limits<br>Oversight by Market Risk Committee and Board Risk Committee | Identify exposure to climate risk<br>Consider key risk indicators and limits to support risk management<br>Include in ICAAP and Internal Liquidity Adequacy Assessment Process ('ILAAP')<br>Oversight by Treasury & Capital Risk Committee and Board Risk Committee | Integrate climate change across different risk categories, e.g. Operational Recovery Planning and Premises<br>Include climate change within risk assessment processes including Strategic Risk Assessment | Outline minimum requirements and controls for Reputation Risk management relating to client relationships or transactions<br>Outline the expected business behaviours in relation to these issues<br>Outline the approach to enhanced due diligence. |
| **Ownership** | Climate Risk Accountable Officer | Credit Risk Accountable Officer | Market Risk Accountable Officer | Treasury & Capital Risk Accountable Officer | Operational Risk Accountable Officer | Group Head of Sustainability |

## Principal risk management

| Climate-related Risk Management Processes | | | | |
|---|---|---|---|---|
| | **Credit Risk** | **Market Risk** | **Treasury and Capital Risk** | **Operational Risk** |
| **Frequency of assessment** | Various | Quarterly | Various (quarterly for IRRBB and liquidity risk; annually for capital risk) | Annually |
| **Risk identification** | Wholesale exposure identified as part of sovereign, portfolio and obligor credit annual reviews. | Identified by assessing climate-related risk factors across asset classes, sectors and geographies, and aggregating market risk exposures from climate-related risks. | Identified through risk assessment activity across certain industries and asset classes to analyse and assess exposures which may be impacted by climate-related risks. | Confirmed operational risks associated with climate change are included in the Bank's Operational Risk Taxonomy. Climate risks are included within the Strategic Risk Assessment process. |
| **Risk assessment** | Portfolios are monitored through regular reporting of climate metrics and are assessed against mandates and limits where appropriate<br>Clients in elevated risk sectors above a threshold exposure will have their credit risk exposure to Climate Risk qualitatively assessed through the Credit Climate Lens questionnaire. Future exposure to Climate Risk as a driver to Credit Risk is quantified through scenario analysis and stress testing exercises.<br>In addition to the Credit Climate Lens questionnaire, Sovereign Credit Reviews are also carried out for Sovereigns above a threshold exposure to assess their susceptibility to Climate risks. | Measured by using adverse multi-asset stress scenarios applied to individual risk factors reflecting climate change risks across sectors, countries and regions. | Measured as part of stress testing and key risk indicator monitoring | Establishing reporting on internal and external climate-related risk events at Group's Climate Risk Control Forum. Risk tolerances for premises and resilience risks are reviewed so these adequately capture climate-related risk drivers. |

### Credit risk management (audited)

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

#### Overview

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

The granting of credit is one of the Bank's major sources of income and the Bank dedicates considerable resources to its control. The sanctioning of individual exposures is performed by the Bank's Credit Sanctioning Team (in accordance with sanctioning discretions).

#### Organisation, roles and responsibilities

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

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

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

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

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

#### Credit risk mitigation

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

**Netting and set-off**

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

**Collateral**

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

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

**Risk transfer**

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

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

## Market risk management

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

### Overview

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

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

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

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

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

### Organisation, roles and responsibilities

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

## Treasury and capital risk management

This comprises:

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

**Capital risk:** The risk that the Bank has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments and stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the Bank's defined benefit pension plans.

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

### Liquidity risk management (audited)

#### Overview

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

#### Organisation, roles and responsibilities

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

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

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

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

## Capital risk management (audited)

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

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

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

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

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

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

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

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

## Interest rate risk in the banking book

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

- **Interest rate and repricing risk:** the risk that net interest income could be adversely impacted by a change in interest rates, differences in the timing of interest rate changes between assets and liabilities, and other constraints on interest rate changes as per product terms and conditions.
- **Customer behavioural risk:** the risk that net interest income could be adversely impacted by the discretion that customers and counterparties may have in respect of being able to vary from their contractual obligations with the Bank. This risk is often referred to by industry regulators as 'embedded option risk'.

**Organisation, roles and responsibilities**

The Bank's ALCO, is responsible for monitoring and managing IRRBB risk in line with the Bank's management objectives and risk frameworks. The Risk Committee monitors and reviews the IRRBB risk profile and control environment, providing second line oversight of the management of IRRBB. The BRC reviews the interest rate risk profile, including review of the risk appetite at least annually and the impact of stress scenarios on the interest rate risk of the Bank's banking books.

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

## Operational risk management

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

### Overview

The management of operational risk has three key objectives:

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

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

### Organisation, roles and responsibilities

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

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

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

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

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

### Operational risk categories

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

In addition to the above, operational risk encompasses the risk associated with compliance with Group Resolution Planning Prudential regulatory requirements.

### Connected risks

Barclays also recognises that there are certain threats/risk drivers which are interconnected and have the potential to impact the Bank's strategic objectives. These are referred to as Connected Risks and require an overarching and integrated risk management and / or reporting approach. The Bank's Connected Risks include Cyber, Data, Resilience and Third-Party Service Providers.

For definitions of the Bank's Operational Risk Categories and Connected Risks, refer to the Bank's Pillar 3 Report.

## Model risk management

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

### Overview

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

### Organisation, roles and responsibilities

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

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

The Bank's Board has designated the Model Management Committee to provide executive oversight of model issues and model risk within the Bank. The Model Management Committee escalates issues to the Bank's Executive Risk or Control Committees as appropriate, and regular updates are provided to the Bank's Board. The Model Management Committee is supported by the Bank's Model Risk Governance & Review ('MRGR') function. The Head of MRGR reports (i) to the Head of the Bank's Model Risk Management, a role within the Group Model Risk Governance team; and (ii) locally to the Bank's CRO. The head of MRGR is accountable to ensure the suitability of models to the Bank through review and challenge of model validations and approvals by the Group Model Risk Management function; and through review and challenge of the model risk frameworks, policies, standards and procedures.

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

The key model risk management activities include:

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

## Conduct risk management

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

### Overview

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

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

### Organisation, roles and responsibilities

The Conduct Risk Management Framework ('CRMF') outlines how the Bank manages and measures its conduct risk profile. The Barclays Group Chief Compliance Officer is accountable for developing, maintaining and overseeing the CRMF. This includes defining and owning the relevant conduct risk policies which detail the control objectives, principles and other core requirements for the activities of the Bank. The Bank's Chief Compliance Officer oversees the performance of these responsibilities for the Bank. This includes monitoring and reporting on the consistent application and effectiveness of the implementation of controls to manage conduct risk. It is the responsibility of the first line of defence to establish controls to manage its performance and assess conformance to the CRMF.

Senior managers are accountable within their areas of responsibility for owning and managing conduct risk in accordance with the CRMF.

Compliance as an independent second line function oversees that conduct risks are effectively identified, managed, monitored and escalated, and has a key role in helping the Bank achieve the right conduct outcomes and evolve a conduct-focused culture.

The governance of conduct risk within the Bank is fulfilled through management committees and forums operated by the first and second lines of defence with clear escalation and reporting lines to the BBI Board. The BBI Risk Committee is the primary second line governance committee for the oversight of the conduct risk profile. The Risk Committee's responsibilities include the identification and discussion of

any emerging conduct risk exposures in the Bank. The BBI Conduct and Reputational Risk Committee, a subcommittee of the Bank's Executive Committee, is dedicated to providing executive oversight of conduct risk within BBI.

## Reputation risk management

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

### Overview

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

### Organisation, roles and responsibilities

The BBI Board is the most senior body responsible for reviewing and monitoring the effectiveness of the Bank's management of reputation risk. The Conduct and Reputational Risk Committee, a subcommittee of the BBI Executive Committee, is dedicated to providing executive oversight of conduct and reputation risk and escalating to the Board as appropriate.

The Group Chief Compliance Officer is accountable for developing a Reputation Risk Management Framework ('RRMF'), and the Head of Public Policy and Corporate Responsibility is responsible for developing a reputation risk policy and associated standards, including tolerances against which data is monitored, reported on and escalated, as required. Reputation risk is by nature pervasive and can be difficult to quantify, requiring more subjective judgement than many other risks. RRMF sets out what is required to manage reputation risk across the Bank.

The primary responsibility for identifying and managing reputation risk and adherence to the control requirements sits with the business and support functions where the risk arises. The Bank's Chief Compliance Officer is responsible for providing independent second line oversight of the Business' adherence to the RRMF.

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

## Legal risk management

The risk of loss or imposition of penalties, damages or fines from the failure of the Bank to meet its legal obligations, including regulatory or contractual requirements.

### Overview

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

### Organisation, roles and responsibilities

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

The Legal function organisation and coverage model aligns legal expertise to businesses, functions, products, activities and geographic locations so that the Bank receives legal advice and support from appropriate legal professionals, working in partnership proactively to identify, manage and escalate legal risks as necessary. The Bank is supported specifically by the BBI General Counsel, who draws on the support of the wider Barclays Legal Function as appropriate.

The senior management of the wider Barclays Legal Function oversees, challenges and monitors the legal risk profile and effectiveness of the legal risk control environment across the Barclays Group. The Legal Function does not sit in any of the three lines of defence but supports them all. Except in relation to the legal advice it provides or procures, the Legal Function is subject to oversight from the second line of defence.

The Barclays Group General Counsel is responsible for developing and maintaining a Barclays Group-wide legal risk management framework. This includes defining the relevant legal risk policies, developing Barclays Group-wide risk appetite for legal risk, and oversight of the implementation of controls to manage and escalate legal risk.

The legal risk profile and control environment is reviewed by management through business risk committees and control committees. The BBI Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of risk management across the Bank. Escalation paths from this committee exist to the Barclays Group Risk Committee and BBI Board Risk Committee.

# Climate risk performance

All disclosures in this section pages 57 to 58, are unaudited unless otherwise stated.

### Climate risk performance

The impact on Financial and Operational Risks arising from climate change through, physical risks, risks associated with transitioning to a lower carbon economy and connected risks arising as a result of second order impacts of these two drivers on portfolios. As part of climate risk performance, we monitor carbon-related assets and elevated risk sectors, which are identified as portfolios with 'elevated' exposure to the physical and transition risks of climate change.

### Carbon-related assets

We disclose concentrations of credit exposure to carbon-related assets. The Task Force on Climate-related Financial Disclosures ('TFCD') recommends that carbon-related assets are those assets tied to the energy, transportation, materials and buildings and agriculture, food and forest products sectors. All of the sectors that the TCFD now considers to be carbon-related assets include the sectors that Barclays considers at elevated risk from the impacts of climate change. These can be found in the table on the following page.

### Elevated risk sectors

Barclays is working to understand the risks associated with sectors sensitive to the impacts from climate change. Disclosing risk management metrics and quantitative credit exposures supports this approach and our ongoing alignment with the TCFD recommendations. The sectors highlighted blue in the table overleaf represent those that the Barclays Group (including BBI) considers at an elevated risk from the impacts of climate change. However, in each sector there will exist a range of vulnerabilities and as such these figures do not represent elevated carbon emission exposures and should not be interpreted as an indicator of relative carbon intensity. These sectors have been identified through an analysis of Barclays Industrial Classifications by portfolio and benchmarked against external sources, with additional input from subject matter experts.

| Elevated risk sector | Drivers of risk |
|---|---|
| Aviation | More stringent air emission and carbon regulations, requiring high levels of capital investment and Research & Development (R&D) expenditure. |
| Automotive | Policy pressure to cut emissions to meet emission requirements, requiring high levels of capital investment and R&D expenditure. Phase out of fossil fuel vehicles and introduction of low emission zones in city centres. |
| Cement | Being one of the hard to abate sectors, policy pressure to cut emissions requires high levels of capital investment and R&D expenditure. |
| Coal Mining and Coal Terminals | Reduction in demand of thermal coal, as utilities transition away from fossil fuel. More stringent air emissions regulation, resulting in higher levels of capital investment. |
| Chemicals | Increasing environmental regulation, including carbon regulations. The increasing efforts to eliminate single-use plastics and improve recycling to prevent marine pollution could also impact demand for products used in plastic manufacture. |
| Mining (including diversified miners) | Rising costs as a result of tighter environmental regulations and increasing water stress. |
| Oil and Gas | Policy pressure to cut emissions, exposure to carbon taxes and overall increasing environmental regulation of operations and restrictions on access to new resources. Over time, falling demand for fossil fuels |
| Power Utilities | Policy pressure to cut emissions, leading to increased capital expenditure costs, plus potential exposure to carbon taxes. |
| Agriculture | Evolving taxation on emissions may impact production methods, supply chain and farm viability. Reduced demand for meat and dairy as a consequence of shifts in consumer behaviour. Volatile weather conditions and extreme weather events may impact farm credit quality. |
| Shipping | Policy pressure to cut emissions, requiring higher levels of capital investment. |
| Steel | Being an energy-intensive sector, the sector is exposed to the policy pressure to cut emissions and evolving air pollution regulation |
| Road Haulage | Policy pressure to cut emissions, requiring high levels of capital investment. |

# Climate risk performance

The following table shows the Bank's exposures to elevated sectors. These sectors have been identified through an analysis of Barclays' Industrial classifications by portfolio and benchmarked against Moody's and other external sources, with additional input from subject matter experts.

During 2022, total loans and advances and loan commitments to carbon-related counterparties increased by €3.4bn, from €14.2bn to €17.7bn. This was largely driven by an increase in loan commitments of €3.8bn. The key driver for the increased loan commitments was the significant increase in gas and power prices in Europe as a result of the war in the Ukraine. Power utilities and Oil & Gas companies were faced with higher margining requirements to support hedges and, in turn, required banks to provide back-up facilities to ensure such margining requirements could always be met. In addition, industrial market players in Chemicals and Automotives were particularly affected by the increase in energy costs and requested new loan commitments to bolster liquidity in the wake of higher energy input costs. Some of these facilities were never utilized in 2022.

The retreat of energy prices in late 2022 on the back of a warmer-than-expected winter, as well as government action, is reflected in the lower loans and advances to carbon related counterparties, which reduced by €0.4bn.

## Carbon-related assets (Incl. sub-sector breakdown)

| | 2022 €m | | | 2021 €m | | | |
|---|---|---|---|---|---|---|---|
| | Loans & advances | Loan commitments | Total | Loans & advances | Loan commitments | Total | % Change |
| **Agriculture, Food and Forest Products** | **210** | **1,006** | **1,216** | 226 | 1,064 | 1,290 | (6%) |
| Agriculture | **—** | **75** | **75** | — | 77 | 77 | |
| Food, Bev and Tobacco | **202** | **827** | **1,029** | 222 | 841 | 1,063 | |
| Paper and Forest Products | **8** | **104** | **112** | 4 | 146 | 150 | |
| **Energy** | **331** | **7,081** | **7,412** | 1,024 | 3,966 | 4,990 | 49% |
| Coal Mining and Coal Terminals | **—** | **—** | **—** | — | — | — | |
| Oil and Gas | **157** | **2,544** | **2,701** | 605 | 1,409 | 2,014 | |
| Power Utilities | **174** | **4,537** | **4,711** | 419 | 2,557 | 2,976 | |
| **Materials and Building** | **786** | **5,256** | **6,042** | 510 | 4,747 | 5,256 | 15% |
| Cement | **—** | **2** | **2** | 1 | 152 | 153 | |
| Chemicals | **100** | **1,283** | **1,383** | 74 | 1,126 | 1,200 | |
| Construction and Materials | **118** | **643** | **761** | 102 | 772 | 874 | |
| Homebuilding and Property Development | **27** | **68** | **95** | 46 | 101 | 147 | |
| Manufacturing | **205** | **2,495** | **2,700** | 141 | 1,868 | 2,009 | |
| Metals | **48** | **30** | **78** | 14 | — | 14 | |
| Mining (Incl. diversified miners) | **22** | **64** | **86** | 1 | 19 | 20 | |
| Packaging Manufacturers: Metal, Glass and Plastics | **5** | **39** | **44** | — | 45 | 45 | |
| Real Estate Management and Development | **261** | **632** | **893** | 131 | 663 | 794 | |
| Steel | **—** | **—** | **—** | — | — | — | |
| **Transport** | **295** | **2,704** | **2,999** | 235 | 2,459 | 2,694 | 11% |
| Automotive | **106** | **1,959** | **2,065** | 14 | 1,808 | 1,822 | |
| Aviation | **107** | **284** | **391** | 111 | 223 | 334 | |
| Other Transport Services | **81** | **377** | **458** | 110 | 343 | 453 | |
| Ports | **—** | **—** | **—** | — | — | — | |
| Road Haulage | **1** | **84** | **85** | — | 85 | 85 | |
| Shipping | **—** | **—** | **—** | — | — | — | |
| Subtotal (Elevated risk sectors) | **667** | **10,832** | **11,499** | 1,225 | 7,456 | 8,681 | 32% |
| **Carbon-related Assets Grand Total** | **1,622** | **16,047** | **17,669** | 1,995 | 12,235 | 14,230 | 24% |
| Total Loans & Advances & Loan Commitments | **15,360** | **32,460** | **47,820** | 13,986 | 27,425 | 41,411 | 15% |
| **Carbon-related assets / Total Loans & Advances & Loan Commitments** | **11 %** | **49 %** | **37 %** | 14 % | 45 % | 34 % | |

# Credit risk performance

All disclosures in this section pages 59 to 96, are unaudited unless otherwise stated.

## Overview

Credit risk represents a significant risk to the Bank and mainly arises from exposure to wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered with clients.

Credit risk disclosures include many of the recommendations of the Taskforce on Disclosures about Expected Credit Losses ('DECL') and it is expected that relevant disclosures will continue to be developed in future periods.

### Summary of performance in the period

**Gross exposure**: Gross loans and advances at amortised cost to customers and banks have increased by €1.5bn compared to €14.4bn in 2021. This includes €1.4bn increase in wholesale lending and Treasury investments. Further, an increase of €0.6bn in Consumer Bank Europe offset by €0.6bn run-down in Italy Mortgages. Off balance sheet exposure have increased by €5.5bn compared to €29.9bn in 2021 primarily driven by growth in wholesale lending.

**Maximum exposure**: During 2022, the Bank's net exposure to credit risk increased by 16.5% to €95.9bn (2021: €82.4bn) which is mainly driven by increase in cash held at central banks (€6bn), off-balance sheet loan commitments (€5bn) and cash collateral and settlement balances (€1bn), all of which considered to be lower risk. Overall, the extent to which the Bank held mitigation against its total exposure remained broadly stable at 43% (2021: 44%).

**Credit quality:** A gradual increase in delinquencies has been observed driven by resumption of more regular spend activity and deteriorating macroeconomic outlook. In wholesale, loans to high-risk sectors as well as the broader portfolio benefited from high-quality exposure and credit protection. Further analysis on the credit quality of assets is presented in the approach to management and representation of credit quality section.

**Stage decomposition:** A net increase of €0.3bn is observed in Stage 2 gross exposures largely driven by increased PDs due to higher spend and a weaker macroeconomic forecast in credit cards and unsecured lending. Stage 3 balances are stable as compared to 2021. *Refer to page 70 to 71 for further details.*

**Scenario**: During the year, the economic risk from the COVID-19 pandemic has receded; however, economic uncertainty linked to high inflation and heightened geopolitical tensions persists. For Q422, macroeconomic scenarios have been refreshed and are designed around a broad range of economic outcomes.

**ECL:** ECL provisions increased by €110m from €477m to €587m, driven by higher impairment charge for the year primarily due to macroeconomic deterioration. On balance sheet coverage ratio for loans and advances to customers and banks increased from 3.1% in 2021 to 3.4% in 2022.

**Charge:** Credit impairment charges (net) increased by €264m to a charge of €167m (2021: net release of €97m), driven by net increase in modelled impairment in response to the macroeconomic deterioration, partially offset by release of COVID related post-model adjustments.

**Management adjustments:** Macroeconomic uncertainty PMAs at 31 December 2022 amount to €13m (2021: €80m). The reduction is informed by the release of COVID related uncertainty adjustments and macroeconomic deterioration captured within the model output. *Refer to the Management adjustment to models for impairment section on page 72 to 73 for further details.*

**Climate:** Whilst there have been no separately identifiable charges relating to climate risk in the 2022 reported ECL, it is acknowledged that impairment could increase over time as climate risks become more tangible and impact consumers and clients through physical risk or via impacts from the transition to a low carbon economy.

Further detail can be found in the Financial statements section in Note 8 Credit impairment charges/(releases). Description of terminology can be found in the glossary, available at home.barclays/annualreport. *Refer to the credit risk management section for details of governance, policies and procedures.*

# Credit risk performance

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

**Basis of preparation**

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

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

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

**Collateral obtained**

Where collateral has been obtained in the event of default, the Bank does not, ordinarily, use such assets for its own operations and they are usually sold on a timely basis. The carrying value of assets held by the Bank as at 31 December 2022, as a result of the enforcement of collateral, was €nil (2021: €nil).

| Maximum exposure and effects of netting, collateral and risk transfer (audited) | | | | | | |
|---|---|---|---|---|---|---|
| As at 31 December 2022 | Maximum exposure €'m | Netting and set-off €'m | Cash collateral €'m | Non-cash collateral €'m | Risk transfer €'m | Net exposure €'m |
| **On-balance sheet:** | | | | | | |
| **Cash and balances at central banks** | 30,540 | — | — | — | — | 30,540 |
| **Cash collateral and settlement balances** | 18,540 | — | — | — | — | 18,540 |
| **Loans and advances at amortised cost:** | | | | | | |
| Home loans | 4,405 | — | — | (4,402) | — | 3 |
| Credit cards, unsecured and other retail lending | 4,700 | — | (83) | (134) | (9) | 4,474 |
| Wholesale loans | 4,843 | — | — | (662) | (2,141) | 2,040 |
| **Loans and advances to customers** | 13,948 | — | (83) | (5,198) | (2,150) | 6,517 |
| Loans and advances to banks | 1,412 | — | — | — | — | 1,412 |
| **Total loans and advances at amortised cost** | 15,360 | — | (83) | (5,198) | (2,150) | 7,929 |
| *Of which credit-impaired (Stage 3):* | | | | | | |
| *Home loans* | *144* | — | — | *(144)* | — | — |
| *Credit cards, unsecured and other retail lending* | *82* | — | — | *(43)* | — | *39* |
| *Wholesale loans* | *120* | — | — | *(1)* | *(79)* | *40* |
| ***Total credit impaired loans and advances at amortised cost*** | *346* | — | — | *(188)* | *(79)* | *79* |
| **Reverse repurchase agreements and other similar secured lending** | 1,764 | — | — | (1,764) | — | — |
| **Trading portfolio assets:** | | | | | | |
| Debt securities | 7,307 | — | — | — | — | 7,307 |
| Traded loans | 255 | — | — | — | (54) | 201 |
| **Total trading portfolio assets** | 7,562 | — | — | — | (54) | 7,508 |
| **Financial assets at fair value through the income statement:** | | | | | | |
| Loans and advances | 1,767 | — | — | (323) | — | 1,444 |
| Debt securities | 24 | — | — | — | — | 24 |
| Reverse repurchase agreements | 15,423 | — | (887) | (14,536) | — | — |
| **Total financial assets at fair value through the income statement** | 17,214 | — | (887) | (14,859) | — | 1,468 |
| **Derivative financial instruments** | 40,439 | (23,787) | (12,797) | (1,651) | (1,496) | 708 |
| **Other assets** | 377 | — | — | — | — | 377 |
| **Total on-balance sheet** | 131,796 | (23,787) | (13,767) | (23,472) | (3,700) | 67,070 |
| | | | | | | |
| **Off-balance sheet:** | | | | | | |
| Contingent liabilities and Financial Guarantees | 4,771 | — | (113) | (7) | (610) | 4,041 |
| Loan commitments | 32,460 | — | (19) | (288) | (7,332) | 24,821 |
| **Total off-balance sheet** | 37,231 | — | (132) | (295) | (7,942) | 28,862 |
| | | | | | | |
| **Total** | 169,027 | (23,787) | (13,899) | (23,767) | (11,642) | 95,932 |

Off-balance sheet exposures are shown gross of provisions of €46m (2021: €27m). See Note 25 for further details. In addition to the above, the Bank holds forward starting reverse repos amounting to €9.4bn (2021: €7.2bn). For further information on credit risk mitigation techniques, refer to the credit risk management section.

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

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

## Expected Credit Losses

Impairment allowance (audited)

| As at 31 December | 2022 €m | 2021 €m |
|---|---|---|
| On loans and advances at amortised cost | **541** | 450 |
| On loan commitments and financial guarantees | **46** | 27 |
| **Total impairment allowance** | **587** | 477 |

## Loans and advances at amortised cost by product

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

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

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

| As at 31 December 2022 | | Stage 2 | | | | | |
|---|---|---|---|---|---|---|---|
| | Stage 1 | Not past due | <=30 days past due | >30 days past due | Total | Stage 3 | Total |
| **Gross exposure** | €'m | €'m | €'m | €'m | €'m | €'m | €'m |
| Home loans | 4,025 | 247 | 11 | 7 | 265 | 190 | 4,480 |
| Credit cards, unsecured loans and other retail lending | 3,644 | 1,095 | 42 | 37 | 1,174 | 261 | 5,079 |
| Wholesale loans | 4,032 | 711 | 27 | — | 738 | 158 | 4,928 |
| **Loans and advances to customers** | 11,701 | 2,053 | 80 | 44 | 2,177 | 609 | 14,487 |
| Loans and advances to banks | 1,394 | 18 | — | — | 18 | 2 | 1,414 |
| **Total**[a] | 13,095 | 2,071 | 80 | 44 | 2,195 | 611 | 15,901 |
| | | | | | | | |
| **Impairment allowance** | | | | | | | |
| Home loans | 3 | 23 | 2 | 1 | 26 | 46 | 75 |
| Credit cards, unsecured loans and other retail lending | 41 | 139 | 8 | 12 | 159 | 179 | 379 |
| Wholesale loans | 22 | 25 | — | — | 25 | 38 | 85 |
| **Loans and advances to customers** | 66 | 187 | 10 | 13 | 210 | 263 | 539 |
| Loans and advances to banks | — | — | — | — | — | 2 | 2 |
| **Total**[a] | 66 | 187 | 10 | 13 | 210 | 265 | 541 |
| | | | | | | | |
| **Net exposure** | | | | | | | |
| Home loans | 4,022 | 224 | 9 | 6 | 239 | 144 | 4,405 |
| Credit cards, unsecured loans and other retail lending | 3,603 | 956 | 34 | 25 | 1,015 | 82 | 4,700 |
| Wholesale loans | 4,010 | 686 | 27 | — | 713 | 120 | 4,843 |
| **Loans and advances to customers** | 11,635 | 1,866 | 70 | 31 | 1,967 | 346 | 13,948 |
| Loans and advances to banks | 1,394 | 18 | — | — | 18 | — | 1,412 |
| **Total**[a] | 13,029 | 1,884 | 70 | 31 | 1,985 | 346 | 15,360 |
| | | | | | | | |
| **Coverage ratio** | % | % | % | % | % | % | % |
| Home loans | 0.1 | 9.3 | 18.2 | 14.3 | 9.8 | 24.2 | 1.7 |
| Credit cards, unsecured loans and other retail lending | 1.1 | 12.7 | 19.0 | 32.4 | 13.5 | 68.6 | 7.5 |
| Wholesale loans | 0.5 | 3.5 | — | — | 3.4 | 24.1 | 1.7 |
| **Loans and advances to customers** | 0.6 | 9.1 | 12.5 | 29.5 | 9.6 | 43.2 | 3.7 |
| Loans and advances to banks | — | — | — | — | — | 100 | 0.1 |
| **Total**[a] | 0.5 | 9.0 | 12.5 | 29.5 | 9.6 | 43.4 | 3.4 |

Italian home loans and advances at amortised cost reduced to €4.5bn (2021: €5.0bn) and continue to run-off since new bookings ceased in 2016. The portfolio is secured on residential property with an average balance weighted mark to market LTV of 57.4% (2021: 55.3%). At 31 December 2022, the book value of the portfolio where payment holidays remain in place was €19m (2021: €33m), representing 0.4% (2021: 0.7%) of the portfolio.

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

| As at 31 December 2021 | Stage 1 | Stage 2 | | | | Stage 3 | Total |
|---|---|---|---|---|---|---|---|
| | | Not past due | <=30 days past due | >30 days past due | Total | | |
| **Gross exposure** | €'m | €'m | €'m | €'m | €'m | €'m | €'m |
| Home loans | 4,355 | 473 | 7 | 5 | 485 | 196 | 5,036 |
| Credit cards, unsecured loans and other retail lending | 3,440 | 682 | 25 | 28 | 735 | 288 | 4,463 |
| Wholesale loans | 3,214 | 383 | 10 | 293 | 686 | 134 | 4,034 |
| **Loans and advances to customers** | 11,009 | 1,538 | 42 | 326 | 1,906 | 618 | 13,533 |
| Loans and advances to banks | 895 | 8 | — | — | 8 | — | 903 |
| **Total[a]** | 11,904 | 1,546 | 42 | 326 | 1,914 | 618 | 14,436 |
| | | | | | | | |
| **Impairment allowance** | | | | | | | |
| Home loans | 3 | 38 | 2 | 1 | 41 | 41 | 85 |
| Credit cards, unsecured loans and other retail lending | 27 | 100 | 5 | 9 | 114 | 168 | 309 |
| Wholesale loans | 4 | 14 | — | 1 | 15 | 37 | 56 |
| **Loans and advances to customers** | 34 | 152 | 7 | 11 | 170 | 246 | 450 |
| Loans and advances to banks | — | — | — | — | — | — | — |
| **Total[a]** | 34 | 152 | 7 | 11 | 170 | 246 | 450 |
| | | | | | | | |
| **Net exposure** | | | | | | | |
| Home loans | 4,352 | 435 | 5 | 4 | 444 | 155 | 4,951 |
| Credit cards, unsecured loans and other retail lending | 3,413 | 582 | 20 | 19 | 621 | 120 | 4,154 |
| Wholesale loans | 3,210 | 369 | 10 | 292 | 671 | 97 | 3,978 |
| **Loans and advances to customers** | 10,975 | 1,386 | 35 | 315 | 1,736 | 372 | 13,083 |
| Loans and advances to banks | 895 | 8 | — | — | 8 | — | 903 |
| **Total[a]** | 11,870 | 1,394 | 35 | 315 | 1,744 | 372 | 13,986 |
| | | | | | | | |
| **Coverage ratio** | % | % | % | % | % | % | % |
| Home loans | 0.1 | 8.0 | 28.6 | 20.0 | 8.5 | 20.9 | 1.7 |
| Credit cards, unsecured loans and other retail lending | 0.8 | 14.7 | 20.0 | 32.1 | 15.5 | 58.3 | 6.9 |
| Wholesale loans | 0.1 | 3.7 | — | 0.3 | 2.2 | 27.6 | 1.4 |
| **Loans and advances to customers** | 0.3 | 9.9 | 16.7 | 3.4 | 8.9 | 39.8 | 3.3 |
| Loans and advances to banks | — | — | — | — | — | — | — |
| **Total[a]** | 0.3 | 9.8 | 16.7 | 3.4 | 8.9 | 39.8 | 3.1 |

Note
a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and other assets. These have a total gross exposure of €18,972m (2021: €17,837m) and impairment allowance of €4m (2021: €4m). This comprises €nil (2021: €nil) impairment allowance on €18,968m (2021: €17,833m) Stage 1 assets and €4m (2021: €4m) on €4m (2021: €4m) Stage 3 other assets.

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

The following tables present a reconciliation of the opening to the closing balance of the exposure and impairment allowance. An explanation of the methodology used to determine credit impairment provisions is included in Note 8. Transfers between stages in the tables have been reflected as if they had taken place at the beginning of the year. The movements are measured over a 12-month period.

| Loans and advances at amortised cost (audited) | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross | ECL | Gross | ECL | Gross | ECL | Gross | ECL |
| | €m | €m | €m | €m | €m | €m | €m | €m |
| **Home Loans** | | | | | | | | |
| As at 1 January 2022 | 4,355 | 3 | 485 | 41 | 196 | 41 | 5,036 | 85 |
| Transfers from Stage 1 to Stage 2 | (136) | — | 136 | — | — | — | — | — |
| Transfers from Stage 2 to Stage 1[a] | 323 | 17 | (323) | (17) | — | — | — | — |
| Transfers to Stage 3 | (13) | — | (27) | (4) | 40 | 4 | — | — |
| Transfers from Stage 3 | — | — | 28 | 2 | (28) | (2) | — | — |
| Business activity in the year[b] | — | — | — | — | — | — | — | — |
| Refinements to models used for calculations | — | — | — | — | — | — | — | — |
| Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes | (298) | (17) | (17) | 6 | (7) | 7 | (322) | (4) |
| Final repayments[c] | (206) | — | (17) | (2) | (7) | — | (230) | (2) |
| Disposals[d] | — | — | — | — | — | — | — | — |
| Write-offs[e] | — | — | — | — | (4) | (4) | (4) | (4) |
| As at 31 December 2022[f] | 4,025 | 3 | 265 | 26 | 190 | 46 | 4,480 | 75 |
| **Credit cards, unsecured loans and other retail lending** | | | | | | | | |
| As at 1 January 2022 | 3,440 | 27 | 735 | 114 | 288 | 168 | 4,463 | 309 |
| Transfers from Stage 1 to Stage 2 | (453) | (6) | 453 | 6 | — | — | — | — |
| Transfers from Stage 2 to Stage 1[a] | 165 | 30 | (165) | (30) | — | — | — | — |
| Transfers to Stage 3 | (48) | (2) | (45) | (12) | 93 | 14 | — | — |
| Transfers from Stage 3 | 3 | 3 | 2 | 1 | (5) | (4) | — | — |
| Business activity in the year[b] | 1,358 | 15 | 78 | 12 | 11 | 8 | 1,447 | 35 |
| Refinements to models used for calculations | — | — | — | — | — | — | — | — |
| Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes | (324) | (20) | 125 | 69 | (15) | 66 | (214) | 115 |
| Final repayments[c] | (497) | (6) | (9) | (1) | (24) | (9) | (530) | (16) |
| Disposals[d] | — | — | — | — | (49) | (26) | (49) | (26) |
| Write-offs[e] | — | — | — | — | (38) | (38) | (38) | (38) |
| As at 31 December 2022[f] | 3,644 | 41 | 1,174 | 159 | 261 | 179 | 5,079 | 379 |
| **Wholesale loans[g]** | | | | | | | | |
| As at 1 January 2022 | 4,109 | 4 | 694 | 15 | 134 | 37 | 4,937 | 56 |
| Transfers from Stage 1 to Stage 2 | (261) | (1) | 261 | 1 | — | — | — | — |
| Transfers from Stage 2 to Stage 1[a] | 383 | 6 | (383) | (6) | — | — | — | — |
| Transfers to Stage 3 | — | — | (37) | (2) | 37 | 2 | — | — |
| Transfers from Stage 3 | — | — | 18 | — | (18) | — | — | — |
| Business activity in the year[b] | 1,923 | 5 | 162 | 3 | 3 | 2 | 2,088 | 10 |
| Refinements to models used for calculations | — | — | — | — | — | — | — | — |
| Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes | 487 | 8 | 137 | 17 | 16 | 7 | 640 | 32 |
| Final repayments[c] | (1,215) | — | (59) | (3) | (4) | — | (1,278) | (3) |
| Disposals[d] | — | — | (37) | — | — | — | (37) | — |
| Write-offs[e] | — | — | — | — | (8) | (8) | (8) | (8) |
| As at 31 December 2022[f] | 5,426 | 22 | 756 | 25 | 160 | 40 | 6,342 | 87 |

| Loans and advances at amortised cost (audited) | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross | ECL | Gross | ECL | Gross | ECL | Gross | ECL |
| | €m | €m | €m | €m | €m | €m | €m | €m |
| Loans and advance to banks | 1,394 | — | 18 | — | 2 | 2 | 1,414 | 2 |
| Loans and advance to customers | 11,701 | 66 | 2,177 | 210 | 609 | 263 | 14,487 | 539 |
| **Total** | 13,095 | 66 | 2,195 | 210 | 611 | 265 | 15,901 | 541 |

Notes
a 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.
b Business activity in the year does not include additional drawdowns on the existing facility which are reported under 'Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes'.
c Final repayments include repayment from the facility closed during the year whereas partial repayments from existing facility are reported under 'Net drawdowns, repayments, net remeasurement and movements due to exposure and risk parameter changes'.
d The €49m (2021: €43m) disposal reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year. The €37m (2021: €32) disposals reported within Wholesale loans relates to debt sales.
e In 2022, gross write-offs amounted to €50m (2021: €39m) and post write-off recoveries of €1m (2021: €1m). Net write-offs after applying recoveries amounted to €49m (2021: €38m).
f Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and other assets. These have a total gross exposure of €18,972m (2021: €17,837m) and impairment allowance of €4m (2021: €4m). This comprises €nil (2021: €nil) impairment allowance on €18,968m (2021: €17,833m) Stage 1 assets and €4m (2021: €4m) on €4m (2021: €4m) Stage 3 other assets.
g Includes Loans and advances to Banks of €1,394m in stage 1 (2021: €895m), €18m in stage 2 (2021: €8m) and €2m in stage 3 (2021: €nil).

| Reconciliation of ECL movement to credit impairment charge/(release) for the period (audited) | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| *Home loans* | — | (15) | 9 | (6) |
| *Credit cards, unsecured loans and other retail lending* | 14 | 45 | 75 | 134 |
| *Wholesale loans* | 18 | 10 | 11 | 39 |
| **ECL movement excluding assets derecognised due to disposals and write-offs** | 32 | 40 | 95 | 167 |
| ECL movement on loan commitments and financial guarantees | 3 | 16 | — | 19 |
| ECL movement on other financial assets[a] | — | — | — | — |
| Recoveries and reimbursements[b] | (10) | (18) | 1 | (27) |
| Total exchange and other adjustments[c] | | | | 8 |
| **Total credit impairment charge for the year** | | | | 167 |

Notes
a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and other assets. These have a total gross exposure of €18,972m (2021: €17,837m) and impairment allowance of €4m (2021: €4m). This comprises €nil (2021: €nil) impairment allowance on €18,968m (2021: €17,833m) Stage 1 assets and €4m (2021: €4m) on €4m (2021: €4m) Stage 3 other assets.
b Recoveries and reimbursements includes €26m (2021: €16m reduction) for reimbursements from financial guarantee contracts held with third parties through Barclays Bank PLC and cash recoveries of previously written off amounts of €1m (2021: €1m).
c Includes foreign exchange and interest and fees in suspense.

| Loan commitments and financial guarantees (audited) | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross €m | ECL €m | Gross €m | ECL €m | Gross €m | ECL €m | Gross €m | ECL €m |
| **Credit cards, unsecured loans and other retail lending** | | | | | | | | |
| **As at 1 January 2022** | 5,393 | — | 291 | — | 14 | — | 5,698 | — |
| Net transfers between stages | (191) | — | 183 | — | 8 | — | — | — |
| Business activity in the year | 732 | — | 8 | — | — | — | 740 | — |
| Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes | 99 | — | (62) | — | (11) | — | 26 | — |
| Limit management and final repayments | (77) | — | — | — | — | — | (77) | — |
| **As at 31 December 2022** | 5,956 | — | 420 | — | 11 | — | 6,387 | — |
| **Wholesale loans** | | | | | | | | |
| **As at 1 January 2022** | 21,572 | 18 | 2,621 | 9 | 70 | — | 24,263 | 27 |
| Net transfers between stages | (664) | 3 | 669 | (3) | (5) | — | — | — |
| Business activity in the year | 2,945 | 3 | 865 | 4 | 1 | — | 3,811 | 7 |
| Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes | 3,389 | (3) | 563 | 17 | (1) | — | 3,951 | 14 |
| Limit management and final repayments | (2,683) | — | (211) | (2) | (16) | — | (2,910) | (2) |
| **As at 31 December 2022** | 24,559 | 21 | 4,507 | 25 | 49 | — | 29,115 | 46 |

There were no loan commitments or financial guarantees for home loans during 2022.

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

| Loans and advances at amortised cost (audited) | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross €m | ECL €m | Gross €m | ECL €m | Gross €m | ECL €m | Gross €m | ECL €m |
| Loans and advances to Banks | 895 | — | 8 | — | — | — | 903 | — |
| Loans and advances to Customers | 11,009 | 34 | 1,906 | 170 | 618 | 246 | 13,533 | 450 |
| **Total** | 11,904 | 34 | 1,914 | 170 | 618 | 246 | 14,436 | 450 |

Notes
a 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.
b Business activity in the year does not include additional drawdowns on the existing facility which are reported under 'Net drawdowns, repayments, net remeasurement and movements due to exposure and risk parameter changes'.
c Refinements to models used for calculation include a €9m increase in Home Loans, €30m release in Credit cards, unsecured loans and other retail lending portfolio and €1m increase in Wholesale loans. These reflect methodology changes made during the year. Barclays continually review the output of models to determine accuracy of the ECL calculation including review of model monitoring, external benchmarking and experience of model operation over an extended period of time. This ensures that the models used continue to reflect the risks inherent across the businesses.
d Final repayments include repayment from the facility closed during the year whereas partial repayments from existing facility are reported under 'Net drawdowns, repayments, net remeasurement and movements due to exposure and risk parameter changes'.
e The €43m (2020: €49m) of disposal reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year. The €32m (2020: €nil) disposal reported within Wholesale loans relates to debt sales.
f In 2021, gross write-offs amounted to €39m (2020: €84m) and post write-off recoveries of €1m (2020: €2m). Net write-offs after applying recoveries amounted to €38m (2020: €82m).
g Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and other assets. These have a total gross exposure of €17,837m (2020: €19,244m) and impairment allowance of €4m (2020: €4m). This comprises €nil (2020: €nil) impairment allowance on €17,833m (2020: €19,240m) Stage 1 assets and €4m (2020: €4m) on €4m (2020: €4m) Stage 3 other assets.
h Includes Loans and advances to Banks of €895m in stage 1 (2020: €899m) and €8m in stage 2 (2020: €7m).

| Reconciliation of ECL movement to credit impairment charge/(release) for the period (audited) | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| *Home loans* | (2) | (14) | 6 | (10) |
| *Credit cards, unsecured loans and other retail lending* | (1) | (85) | 67 | (19) |
| *Wholesale loans* | (10) | (22) | (16) | (48) |
| **ECL movement excluding assets derecognised due to disposals and write-offs** | (13) | (121) | 57 | (77) |
| ECL movement on loan commitments and financial guarantees | 4 | (29) | — | (25) |
| ECL movement on other financial assets[a] | — | — | — | — |
| Recoveries and reimbursements[b] | 14 | 4 | (3) | 15 |
| Total exchange and other adjustments[c] | | | | (10) |
| **Total credit impairment release for the year** | | | | (97) |

Notes
a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and other assets. These have a total gross exposure of €17,837m (2020: €19,244m) and impairment allowance of €4m (2020: €4m). This comprises €nil (2020: €nil) impairment allowance on €17,833m (2020: €19,240m) Stage 1 assets and €4m (2020: €4m) on €4m (2020: €4m) Stage 3 other assets.
b Recoveries and reimbursements includes a net reduction in amounts recoverable from financial guarantee contracts held with third parties through Barclays Bank PLC of €16m (2020 gain: €18m) and cash recoveries of previously written off amounts of €1m (2020: €2m).
c Includes foreign exchange and interest and fees in suspense.

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

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

## Stage 2 decomposition

| Loans and advances at amortised cost[a] (audited) | Gross Exposure | | | | Impairment Allowance | | | |
|---|---|---|---|---|---|---|---|---|
| | Quantitative test | Qualitative test | 30 days past due backstop | Total Stage 2 | Quantitative test | Qualitative test | 30 days past due backstop | Total Stage 2 |
| **As at 31 December 2022** | €m | €m | €m | €m | €m | €m | €m | €m |
| Home Loans | **217** | **27** | **21** | **265** | **20** | **2** | **4** | **26** |
| Credit cards, unsecured loans and other retail lending | **1,117** | **50** | **7** | **1,174** | **146** | **11** | **2** | **159** |
| Wholesale loans | **637** | **119** | **—** | **756** | **24** | **1** | **—** | **25** |
| **Total Stage 2** | **1,971** | **196** | **28** | **2,195** | **190** | **14** | **6** | **210** |

**Loans and advances at amortised cost[a] (audited)**

| As at 31 December 2021 | Gross Exposure | | | | Impairment Allowance | | | |
|---|---|---|---|---|---|---|---|---|
| | Quantitative test | Qualitative test | 30 days past due backstop | Total Stage 2 | Quantitative test | Qualitative test | 30 days past due backstop | Total Stage 2 |
| | €m | €m | €m | €m | €m | €m | €m | €m |
| Home Loans | 381 | 59 | 45 | 485 | 27 | 4 | 10 | 41 |
| Credit cards, unsecured loans and other retail lending | 635 | 90 | 10 | 735 | 103 | 9 | 2 | 114 |
| Wholesale loans | 341 | 107 | 246 | 694 | 10 | 5 | — | 15 |
| **Total Stage 2** | 1,357 | 256 | 301 | 1,914 | 140 | 18 | 12 | 170 |

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

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

A small number of other accounts (€6m of impairment allowances and €28m of gross exposure) are included in stage 2. These accounts are not otherwise identified by the quantitative or qualitative tests but are more than 30 days past due. These balances mainly relate to Italy home loans and Consumer Bank Europe.

For further detail on the three criteria for determining a significant increase in credit risk required for Stage 2 classification, refer to Note 8.

## Stage 3 decomposition

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

| As at 31 December 2022 | Gross Exposure | | | Impairment Allowance | | |
|---|---|---|---|---|---|---|
| | Exposures not charged-off including within cure period[a] | Exposures individually assessed or in recovery book | Total Stage 3 | Exposures not charged-off including within cure period[a] | Exposures individually assessed or in recovery book | Total Stage 3 |
| | €m | €m | €m | €m | €m | €m |
| Home Loans | **122** | **68** | **190** | **16** | **30** | **46** |
| Credit cards, unsecured loans and other retail lending | **139** | **122** | **261** | **101** | **78** | **179** |
| Wholesale loans | **—** | **160** | **160** | **—** | **40** | **40** |
| **Total Stage 3** | **261** | **350** | **611** | **117** | **148** | **265** |

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

| As at 31 December 2021 | Gross Exposure | | | Impairment Allowance | | |
|---|---|---|---|---|---|---|
| | Exposures not charged-off including within cure period[a] | Exposures individually assessed or in recovery book | Total Stage 3 | Exposures not charged-off including within cure period[a] | Exposures individually assessed or in recovery book | Total Stage 3 |
| | €m | €m | €m | €m | €m | €m |
| Home Loans | 133 | 63 | 196 | 17 | 24 | 41 |
| Credit cards, unsecured loans and other retail lending | 143 | 145 | 288 | 89 | 79 | 168 |
| Wholesale loans | 21 | 113 | 134 | — | 37 | 37 |
| **Total Stage 3** | 297 | 321 | 618 | 106 | 140 | 246 |

Note
a Includes €180m (2021: €240m) of gross exposure in a cure period that must remain in Stage 3 for a minimum of 12 months before moving to Stage 2.

Stage 3 is comprised of exposures that are considered to be credit impaired. An asset is considered credit impaired when one or more events occur that have a detrimental impact on the estimated future cash flows of the financial asset. This comprises assets defined as defaulted and other individually assessed exposures where imminent default or actual loss is identified.

### Management adjustments to models for impairment (audited)

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

Management adjustments are captured through “Economic uncertainty” and “Other” adjustments presented by product below:

**Management adjustments to models for impairment allowance presented by product: (audited)[a]**

| As at 31 December 2022 | Impairment allowance pre management adjustments[b] €m | Economic uncertainty adjustments (a) €m | Other adjustments (b) €m | Management adjustments (a)+(b) €m | Total impairment allowance[c] €m | Proportion of Management adjustments to total impairment allowance % |
|---|---|---|---|---|---|---|
| Home loans | 75 | — | — | — | 75 | — |
| Credit cards, unsecured loans and other retail lending | 358 | 2 | 19 | 21 | 379 | 5.5 |
| Wholesale loans | 116 | 11 | 6 | 17 | 133 | 12.8 |
| **Total** | **549** | **13** | **25** | **38** | **587** | **6.5** |

| As at 31 December 2021 | €m | €m | €m | €m | €m | % |
|---|---|---|---|---|---|---|
| Home loans | 53 | 32 | — | 32 | 85 | 37.6 |
| Credit cards, unsecured loans and other retail lending | 255 | 35 | 19 | 54 | 309 | 17.5 |
| Wholesale loans | 68 | 13 | 2 | 15 | 83 | 18.1 |
| **Total** | **376** | **80** | **21** | **101** | **477** | **21.2** |

**Economic uncertainty adjustments presented by stage: (audited)**

| As at 31 December 2022 | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m |
|---|---|---|---|---|
| Home loans | — | — | — | — |
| Credit cards, unsecured loans and other retail lending | — | 2 | — | 2 |
| Wholesale loans | 11 | — | — | 11 |
| **Total** | **11** | **2** | **—** | **13** |

| As at 31 December 2021 | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m |
|---|---|---|---|---|
| Home loans | — | 28 | 4 | 32 |
| Credit cards, unsecured loans and other retail lending | (1) | 34 | 2 | 35 |
| Wholesale loans | 11 | 2 | — | 13 |
| **Total** | **10** | **64** | **6** | **80** |

Notes
a. Positive values reflect an increase in impairment allowance and negative values reflect a reduction in the impairment allowance.
b. Includes €460m (2021: €295m) of modelled ECL, €79m (2021: €84m) of individually assessed impairments and €10m (2021: €(3)m) ECL from non-modelled exposures.
c. Total impairment allowance consists of ECL stock on drawn and undrawn exposures.

### Economic uncertainty adjustments

Models have been developed with data from non-inflationary periods establishing a relationship between input variables and customer delinquency based on past behaviour. Additionally, models are trying to interpret significant rates of change in macroeconomic variables and applying these to stable probability of default (PD) levels. As such there is a risk that the modelled output fails to capture the appropriate response to changes in macroeconomic variables and rising costs with modelled impairment provisions impacted by uncertainty.

This uncertainty continues to be captured in two ways. Firstly, customer uncertainty: the identification of customers and clients who may be more vulnerable to economic instability; and secondly, model uncertainty: to capture the impact from model limitations and sensitivities to specific macroeconomic parameters which are applied at a portfolio level.

In 2022, previously established economic uncertainty adjustments have been partially released, informed by some normalisation of customer behaviour and refreshed macroeconomic scenarios.

The balance as at 31 December 2022 is €13m (2021: €80m) and includes:

- **Customer and client uncertainty provisions of €16m (2021: €46m) includes:**
  - **Credit cards, unsecured loans and other retail lending:** €2m (2021: €35m)
    The decrease in the adjustment of €(33)m is attributable to the macroeconomic deterioration captured within the modelled output, and the release of COVID-19 uncertainty adjustments.
  - **Wholesale loans:** €14m (2021: €11m) includes an adjustment for exposures considered most at risk from inflationary concerns, supply chain constraints and consumer demand headwinds. The adjustment involves applying stage 2 coverage rates to stage 1 exposures assessed as most vulnerable.
- **Model uncertainty provisions:** €(3)m (2021: €34m) includes an adjustment of €(3)m (2021: €nil) in wholesale to correct for the deterioration in PDs impacted by model over-sensitivity to certain macroeconomic variables. Overall decrease is driven by release of adjustments in retail informed by modelled provisions capturing evolving macroeconomic scenarios.

### Other adjustments

Other adjustments are operational in nature and are expected to remain in place until they can be corrected in the underlying models. These adjustments result from data limitations and model performance related issues identified through model monitoring and other established governance processes.

**Other adjustments of €25m (2021: €21m) includes:**

- **Credit cards, unsecured loans and other retail lending:** €19m (2021: €19m) includes LGD recalibration adjustment of €31m informed by unintuitive improved recovery rates despite economic stress, an adjustment of €22m for the new definition of default under the Capital Requirements Regulation and €12m adjustment informed by data inaccuracies in the model, partially offset by an adjustment of €(44)m to remediate over-prediction of probability of default (PD) in Consumer Bank Europe portfolio.
- **Wholesale Loans:** €6m (2021: €2m) primarily includes adjustments for model performance informed by model monitoring.

### Measurement uncertainty and sensitivity analysis

The measurement of modelled ECL involves complexity and judgement, including estimation of probabilities of default (PD), loss given default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default (EAD) and assessing significant increases in credit risk. The Bank uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including Bloomberg (based on median of economic forecasts) which forms the Baseline scenario. In addition, two adverse scenarios (Downside 1 and Downside 2) and two favourable scenarios (Upside 1 and Upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a broadly similar severity to Barclays' internal stress tests and stress scenarios provided by regulators whilst also considering IFRS 9 specific sensitivities and non-linearity. The favourable scenarios are designed to reflect plausible upside risks to the Baseline scenario which are broadly consistent with the economic narrative approved by the Senior Scenario Review Committee. All scenarios are regenerated at a minimum semi-annually. The scenarios include key economic variables, (including GDP, unemployment, House Price Index (HPI) and base rates), and expanded variables using statistical models based on historical correlations. The upside and downside shocks are designed to evolve over a five-year stress horizon, with all five scenarios converging to a steady state after approximately seven years.

Scenarios used to calculate the Bank's ECL charge were refreshed in Q422 with the Baseline scenario reflecting the latest consensus macroeconomic forecasts available at the time of the scenario refresh. In the Baseline scenario, further deterioration in major economies, as inflation pressures continue to squeeze household income, along with significant monetary policy tightening, contribute to lower growth prospects. GDP in the Eurozone (and in particular Germany and Italy), the UK and the US is expected to continue falling into 2023. Slight increases in Germany and Italy unemployment rates are expected, peaking at 3.6% and 8.6% respectively in 2023. Central banks continue raising interest rates and consumer price inflation eases over 2023.

In the Downside 2 scenario, inflation continues to accelerate amid increasing gas and oil prices and persistent supply-chain pressures as a result of the Russian invasion of Ukraine. Central banks are forced to raise interest rates sharply with the ECB refi rate reaching 6.0%, the UK bank rate reaching 8.0% and the US federal funds rate peaking at 7.0%. Unemployment peaks at 5.7% in Germany and 13.0% in Italy. Given already stretched valuations, the sharp increase in borrowing costs sees house prices decrease significantly. In the Upside 2 scenario, lower energy prices add downward pressure on prices globally, while recovering labour force participation limits wage growth. As a result of easing inflation, central banks lower interest rates to support the economic recovery.

The methodology for estimating scenario probability weights involves simulating a range of future paths for GDP using historical data with the five scenarios mapped against the distribution of these future paths. The median is centred around the Baseline with scenarios further from the Baseline attracting a lower weighting before the five weights are normalised to total 100%. The same scenarios used in the estimation of expected credit losses are also used to inform the Bank's internal planning. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices, credit cards and unsecured consumer loans are highly sensitive to unemployment. The increase in the Downside weightings and the decrease in the Upside weightings reflected the deteriorating economic outlook which moved the Baseline GDP paths closer to the Downside scenarios. For further details see page 73.

The economic uncertainty adjustments of €13m (2021: €80m) includes customer and client uncertainty provisions of €16m (2021: €46m), which has been applied to customers and clients considered most vulnerable to affordability pressures, and model uncertainty provisions of €(3)m (2021: €34m). For further details see page 72.

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

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

| As at 31 December 2022 | 2022 % | 2023 % | 2024 % | 2025 % | 2026 % |
|---|---|---|---|---|---|
| Italy GDP[a] | 3.6 | 0.3 | 1.3 | 1.4 | 1.4 |
| Italy unemployment[b] | 8.2 | 8.5 | 8.5 | 8.5 | 8.5 |
| Italy HPI[c] | 0.4 | (3.0) | (1.4) | (0.7) | (0.3) |
| Germany GDP[a] | 1.8 | (0.3) | 1.5 | 1.6 | 1.6 |
| Germany unemployment[d] | 3.0 | 3.5 | 3.5 | 3.5 | 3.5 |
| Germany HPI[e] | 2.1 | 2.0 | 3.0 | 3.5 | 3.8 |
| EA GDP[a,i] | 2.9 | — | 1.8 | 2.0 | 2.0 |
| EU unemployment[f] | 6.2 | 6.5 | 6.4 | 6.3 | 6.3 |
| ECB Refi | 0.9 | 3.4 | 3.1 | 2.8 | 2.8 |
| UK GDP[a] | 3.3 | (0.8) | 0.9 | 1.8 | 1.9 |
| UK unemployment[g] | 3.7 | 4.5 | 4.4 | 4.1 | 4.2 |
| UK bank rate | 1.8 | 4.4 | 4.1 | 3.8 | 3.4 |
| US GDP[a] | 1.8 | 0.5 | 1.2 | 1.5 | 1.5 |
| US unemployment[h] | 3.7 | 4.3 | 4.7 | 4.7 | 4.7 |
| US federal funds rate | 2.1 | 4.8 | 3.6 | 3.1 | 3.0 |

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

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

| As at 31 December 2022 | 2022 % | 2023 % | 2024 % | 2025 % | 2026 % |
|---|---|---|---|---|---|
| Italy GDP[a] | 3.6 | (3.8) | (3.3) | (0.1) | — |
| Italy unemployment[b] | 8.2 | 10.4 | 12.9 | 12.5 | 11.4 |
| Italy HPI[c] | 0.4 | (12.0) | (13.0) | (7.9) | 2.3 |
| Germany GDP[a] | 1.8 | (2.8) | (1.6) | 0.9 | 0.9 |
| Germany unemployment[d] | 3.0 | 4.1 | 5.2 | 5.6 | 5.1 |
| Germany HPI[e] | 2.1 | (19.0) | (21.1) | (13.3) | 5.7 |
| EA GDP[a,i] | 2.9 | (3.4) | (3.9) | 1.9 | 3.0 |
| EU unemployment[f] | 6.2 | 8.3 | 10.7 | 10.2 | 9.1 |
| ECB Refi | 0.9 | 5.2 | 5.9 | 5.1 | 4.2 |
| UK GDP[a] | 3.3 | (3.4) | (3.8) | 2.0 | 2.3 |
| UK unemployment[g] | 3.7 | 6.0 | 8.4 | 8.0 | 7.4 |
| UK bank rate | 1.8 | 7.3 | 7.9 | 6.6 | 5.5 |
| US GDP[a] | 1.8 | (2.7) | (3.4) | 2.0 | 2.6 |
| US unemployment[h] | 3.7 | 6.0 | 8.5 | 8.1 | 7.1 |
| US federal funds rate | 2.1 | 6.6 | 6.9 | 5.8 | 4.6 |

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

Downside 1 average macroeconomic variables used in the calculation of ECL

| As at 31 December 2022 | 2022 % | 2023 % | 2024 % | 2025 % | 2026 % |
|---|---|---|---|---|---|
| Italy GDP[a] | 3.6 | (1.7) | (1.0) | 0.7 | 0.7 |
| Italy unemployment[b] | 8.2 | 9.5 | 10.7 | 10.5 | 10.0 |
| Italy HPI[c] | 0.4 | (7.6) | (7.4) | (4.3) | 1.0 |
| Germany GDP[a] | 1.8 | (1.6) | — | 1.2 | 1.3 |
| Germany unemployment[d] | 3.0 | 3.8 | 4.4 | 4.5 | 4.3 |
| Germany HPI[e] | 2.1 | (8.5) | (7.7) | (2.8) | 4.5 |
| EA GDP[a,i] | 2.9 | (1.7) | (1.1) | 2.0 | 2.5 |
| EU unemployment[f] | 6.2 | 7.4 | 8.5 | 8.3 | 7.7 |
| ECB Refi | 0.9 | 4.4 | 4.6 | 3.9 | 3.6 |
| UK GDP[a] | 3.3 | (2.1) | (1.5) | 1.9 | 2.1 |
| UK unemployment[g] | 3.7 | 5.2 | 6.4 | 6.0 | 5.8 |
| UK bank rate | 1.8 | 5.9 | 6.1 | 5.3 | 4.6 |
| US GDP[a] | 1.8 | (1.1) | (1.1) | 1.7 | 2.1 |
| US unemployment[h] | 3.7 | 5.1 | 6.6 | 6.4 | 5.9 |
| US federal funds rate | 2.1 | 5.8 | 5.4 | 4.4 | 3.9 |

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

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

| As at 31 December 2022 | 2022 % | 2023 % | 2024 % | 2025 % | 2026 % |
|---|---|---|---|---|---|
| Italy GDP[a] | 3.6 | 3.7 | 5.0 | 3.1 | 2.2 |
| Italy unemployment[b] | 8.2 | 8.0 | 7.8 | 7.4 | 7.4 |
| Italy HPI[c] | 0.4 | 4.2 | 2.5 | 0.5 | 0.7 |
| Germany GDP[a] | 1.8 | 3.3 | 4.8 | 2.7 | 2.4 |
| Germany unemployment[d] | 3.0 | 3.0 | 2.9 | 2.9 | 2.9 |
| Germany HPI[e] | 2.1 | 9.5 | 5.9 | 4.4 | 4.5 |
| EA GDP[a,i] | 2.9 | 3.6 | 5.0 | 2.7 | 2.2 |
| EU unemployment[f] | 6.2 | 6.1 | 6.1 | 6.0 | 5.9 |
| ECB Refi | 0.9 | 2.1 | 1.6 | 1.5 | 1.5 |
| UK GDP[a] | 3.3 | 2.8 | 3.7 | 2.9 | 2.4 |
| UK unemployment[g] | 3.7 | 3.5 | 3.4 | 3.4 | 3.4 |
| UK bank rate | 1.8 | 3.1 | 2.6 | 2.5 | 2.5 |
| US GDP[a] | 1.8 | 3.3 | 3.5 | 2.8 | 2.8 |
| US unemployment[h] | 3.7 | 3.3 | 3.3 | 3.3 | 3.3 |
| US federal funds rate | 2.1 | 3.6 | 2.9 | 2.8 | 2.8 |

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

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

| As at 31 December 2022 | 2022 % | 2023 % | 2024 % | 2025 % | 2026 % |
|---|---|---|---|---|---|
| Italy GDP[a] | 3.6 | 2.0 | 3.1 | 2.3 | 1.8 |
| Italy unemployment[b] | 8.2 | 8.3 | 8.1 | 8.0 | 8.0 |
| Italy HPI[c] | 0.4 | 0.6 | 0.5 | (0.1) | 0.2 |
| Germany GDP[a] | 1.8 | 1.5 | 3.1 | 2.2 | 2.0 |
| Germany unemployment[d] | 3.0 | 3.3 | 3.2 | 3.2 | 3.2 |
| Germany HPI[e] | 2.1 | 5.7 | 4.5 | 4.0 | 4.2 |
| EA GDP[a,i] | 2.9 | 1.8 | 3.4 | 2.3 | 2.1 |
| EU unemployment[f] | 6.2 | 6.3 | 6.2 | 6.2 | 6.1 |
| ECB Refi | 0.9 | 2.5 | 2.3 | 2.1 | 1.9 |
| UK GDP[a] | 3.3 | 1.0 | 2.3 | 2.4 | 2.1 |
| UK unemployment[g] | 3.7 | 4.0 | 3.9 | 3.8 | 3.8 |
| UK bank rate | 1.8 | 3.5 | 3.3 | 3.0 | 2.8 |
| US GDP[a] | 1.8 | 1.9 | 2.3 | 2.2 | 2.2 |
| US unemployment[h] | 3.7 | 3.8 | 4.0 | 4.0 | 4.0 |
| US federal funds rate | 2.1 | 3.9 | 3.4 | 3.0 | 3.0 |

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

Notes:
a Average real GDP seasonally adjusted change in year.
b Average Italy unemployment rate.
c Change in year end Italy HPI, relative to prior year end.
d Average Germany unemployment rate.
e Change in year end Germany HPI, relative to prior year end.
f Average EU unemployment rate.
g Average UK unemployment rate 16-year+.
h Average US civilian unemployment rate 16-year+.
i EA GDP refers to Euro Area GDP.

## Scenario probability weighting (audited)[a]

| | Upside 2 % | Upside 1 % | Baseline % | Downside 1 % | Downside 2 % |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| Scenario probability weighting | **10.9** | **23.1** | **39.4** | **17.6** | **9.0** |
| **As at 31 December 2021** | | | | | |
| Scenario probability weighting | 20.9 | 27.2 | 30.1 | 14.8 | 7.0 |

Note:
a. For further details on changes to scenario weights see page 74.

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

**Macroeconomic variables used in the calculation of ECL (specific bases)[a] (audited)**

| As at 31 December 2022 | Upside 2 % | Upside 1 % | Baseline % | Downside 1 % | Downside 2 % |
|---|---|---|---|---|---|
| Italy GDP[b] | 16.9 | 11.5 | 1.6 | (2.0) | (6.0) |
| Italy unemployment[c] | 7.4 | 7.9 | 8.4 | 10.8 | 13.0 |
| Italy HPI[d] | 9.4 | 2.9 | (1.0) | (17.7) | (29.2) |
| Germany GDP[b] | 16.0 | 10.9 | 1.2 | (1.5) | (3.9) |
| Germany unemployment[c] | 2.9 | 2.9 | 3.4 | 4.6 | 5.7 |
| Germany HPI[d] | 29.1 | 22.2 | 2.9 | (16.3) | (43.4) |
| EA GDP[b,h] | 16.1 | 11.9 | 1.7 | (2.1) | (6.7) |
| EU unemployment[c] | 5.9 | 6.1 | 6.3 | 8.6 | 10.8 |
| ECB Refi[c] | — | — | 2.6 | 4.8 | 6.0 |
| UK GDP[b] | 13.9 | 9.4 | 1.4 | (3.2) | (6.8) |
| UK unemployment[c] | 3.4 | 3.6 | 4.2 | 6.6 | 8.5 |
| UK bank rate[c] | 0.5 | 0.5 | 3.5 | 6.3 | 8.0 |
| US GDP[b] | 14.1 | 9.6 | 1.3 | (2.5) | (6.3) |
| US unemployment[c] | 3.3 | 3.6 | 4.4 | 6.7 | 8.6 |
| US federal funds rate[c] | 0.1 | 0.1 | 3.3 | 6.0 | 7.0 |

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

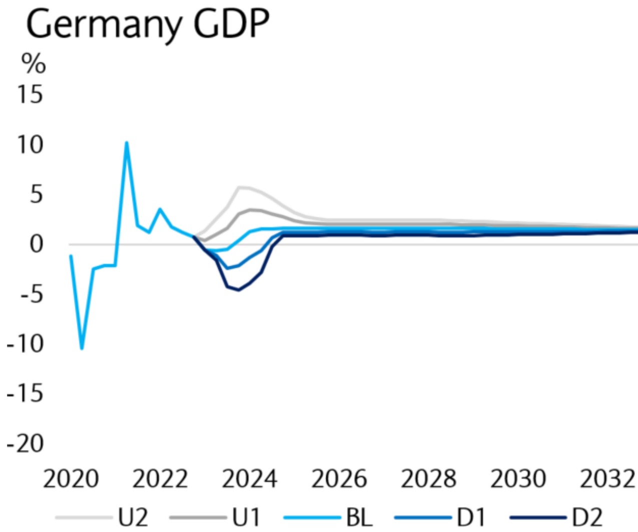
Average basis represents the average quarterly value of variables in the 20 quarter period with GDP and HPI based on yearly average and quarterly CAGRs respectively.

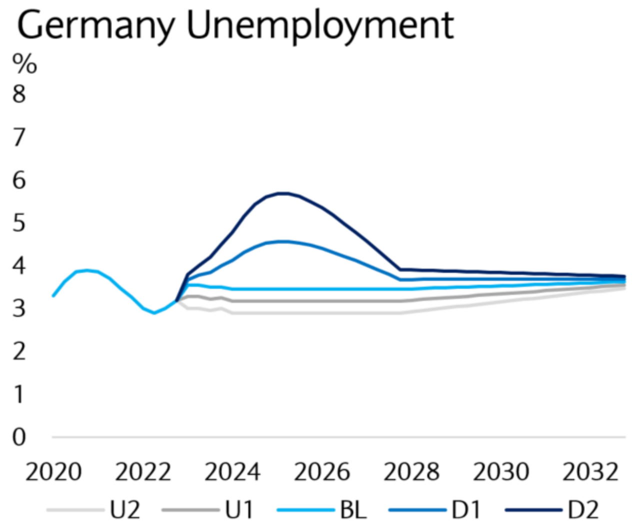
**Macroeconomic variables used in the calculation of ECL (5-year averages)[a] (audited)**

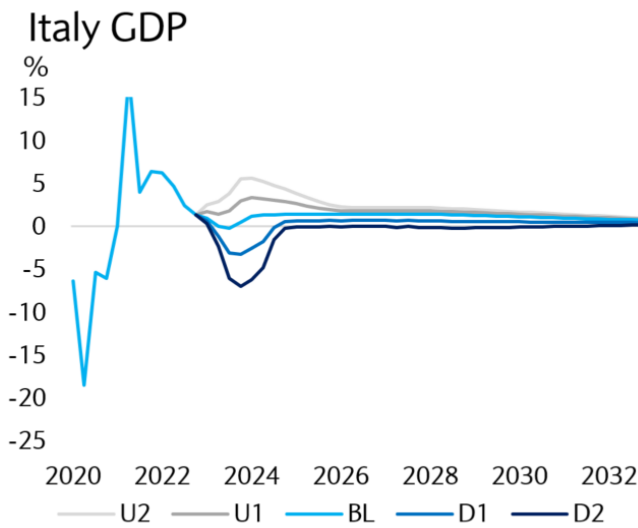
| As at 31 December 2022 | Upside 2 % | Upside 1 % | Baseline % | Downside 1 % | Downside 2 % |
|---|---|---|---|---|---|
| Italy GDP[e] | **3.5** | **2.6** | **1.6** | **0.4** | **(0.7)** |
| Italy unemployment[f] | **7.8** | **8.1** | **8.4** | **9.8** | **11.1** |
| Italy HPI[g] | **1.6** | **0.3** | **(1.0)** | **(3.6)** | **(6.3)** |
| Germany GDP[e] | **3.0** | **2.1** | **1.2** | **0.5** | **(0.2)** |
| Germany unemployment[f] | **2.9** | **3.2** | **3.4** | **4.0** | **4.6** |
| Germany HPI[g] | **5.2** | **4.1** | **2.9** | **(2.6)** | **(9.8)** |
| EA GDP[e,h] | **3.3** | **2.5** | **1.7** | **0.9** | **0.1** |
| EU unemployment[f] | **6.1** | **6.2** | **6.3** | **7.6** | **8.9** |
| ECB Refi[f] | **1.5** | **1.9** | **2.6** | **3.5** | **4.3** |
| UK GDP[e] | **3.0** | **2.2** | **1.4** | **0.7** | **—** |
| UK unemployment[f] | **3.5** | **3.8** | **4.2** | **5.4** | **6.7** |
| UK bank rate[f] | **2.5** | **2.9** | **3.5** | **4.7** | **5.8** |
| US GDP[e] | **2.9** | **2.1** | **1.3** | **0.7** | **—** |
| US unemployment[f] | **3.4** | **3.9** | **4.4** | **5.5** | **6.7** |
| US federal funds rate[f] | **2.8** | **3.1** | **3.3** | **4.3** | **5.2** |
| **As at 31 December 2021** | | | | | |
| Italy GDP[e] | 5.0 | 4.2 | 3.4 | 2.9 | 2.4 |
| Italy unemployment[f] | 9.1 | 9.2 | 9.3 | 10.8 | 11.9 |
| Italy HPI[g] | 3.2 | 1.9 | 0.6 | (0.6) | (1.9) |
| Germany GDP[e] | 4.1 | 3.3 | 2.5 | 2.0 | 1.4 |
| Germany unemployment[f] | 3.3 | 3.3 | 3.4 | 4.5 | 5.7 |
| Germany HPI[g] | 5.0 | 4.3 | 3.7 | 2.8 | 1.8 |
| EA GDP[e,h] | 4.7 | 4.0 | 3.2 | 2.6 | 2.1 |
| EU unemployment[f] | 6.4 | 6.4 | 6.5 | 7.7 | 8.8 |
| ECB Refi[f] | 0.1 | 0.1 | 0.2 | 0.8 | 1.4 |
| UK GDP[e] | 4.4 | 3.9 | 3.4 | 2.7 | 1.8 |
| UK unemployment[f] | 4.3 | 4.4 | 4.5 | 5.8 | 7.0 |
| UK bank rate[f] | 0.3 | 0.5 | 0.7 | 1.7 | 2.3 |
| US GDP[e] | 4.4 | 3.9 | 3.4 | 2.4 | 1.3 |
| US unemployment[f] | 3.9 | 4.0 | 4.1 | 5.7 | 7.1 |
| US federal funds rate[f] | 0.5 | 0.6 | 0.8 | 1.5 | 2.1 |

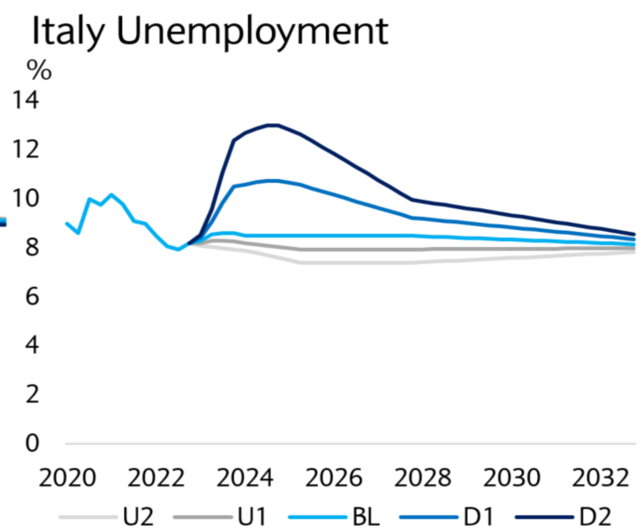
Notes
a GDP = Real GDP growth seasonally adjusted; UK unemployment = UK unemployment rate 16-year+; UK HPI = Halifax All Houses, All Buyers Index; US unemployment = US civilian unemployment rate 16-year+; US HPI = FHFA House Price Index. 20 quarter period starts from Q122 (2021: Q121).
b Maximum growth relative to Q421 (2021: Q420), based on 20 quarter period in Upside scenarios; 5-year yearly average Compound Annual Growth Rate ('CAGR') in Baseline; minimum growth relative to Q421 (2021: Q420), based on 20 quarter period in Downside scenarios.
c Lowest quarter in 20 quarter period in Upside scenarios; 5-year average in Baseline; highest quarter in 20 quarter period in Downside scenarios.
d Maximum growth relative to Q421 (2021: Q420), based on 20 quarter period in Upside scenarios; 5-year quarter end CAGR in Baseline; minimum growth relative to Q421 (2021: Q420), based on 20 quarter period in Downside scenarios.
e 5-year yearly average CAGR, starting 2021 (2021: 2020).
f 5-year average. Period based on 20 quarters from Q122 (2021: Q121).
g 5-year quarter end CAGR, starting Q421 (2021: Q420).
h EA GDP refers to Euro Area GDP.

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




Notes:
Y axis = GDP growth rate/unemployment rate
X axis = Year
U2 = Upside 2
U1 = Upside 1
BL = Baseline
D1 = Downside 1
D2 = Downside 2

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

The table below shows the modelled ECL assuming each of the five modelled scenarios have been 100% weighted with the dispersion of results around the Baseline, highlighting the impact on exposure and ECL across the scenarios.

Model exposure uses exposure at default (EAD) values and is not directly comparable to gross exposure used in prior disclosures in this report.

## ECL Sensitivity Analysis (audited)

| | Scenarios | | | | | |
|---|---|---|---|---|---|---|
| **As at 31 December 2022** | Weighted[a] | Upside 2 | Upside 1 | Baseline | Downside 1 | Downside 2 |
| **Stage 1 Model exposure (€m)** | | | | | | |
| Home loans | 4,018 | 4,050 | 4,040 | 4,023 | 3,987 | 3,947 |
| Credit cards, unsecured loans and other retail lending[b] | 5,730 | 5,644 | 5,588 | 5,554 | 5,668 | 5,768 |
| Wholesale loans | 11,078 | 11,171 | 11,168 | 11,141 | 10,771 | 10,307 |
| **Stage 1 Model ECL (€m)** | | | | | | |
| Home loans | 3 | 3 | 3 | 3 | 4 | 4 |
| Credit cards, unsecured loans and other retail lending | 25 | 19 | 23 | 24 | 27 | 31 |
| Wholesale loans | 25 | 23 | 24 | 26 | 25 | 26 |
| **Stage 1 Coverage (%)** | | | | | | |
| Home loans | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Credit cards, unsecured loans and other retail lending | 0.4 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 |
| Wholesale loans | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 |
| **Stage 2 Model exposure (€m)** | | | | | | |
| Home loans | 265 | 233 | 244 | 260 | 297 | 336 |
| Credit cards, unsecured loans and other retail lending[b] | 1,383 | 1,167 | 1,362 | 1,527 | 1,589 | 1,678 |
| Wholesale loans | 2,172 | 2,080 | 2,082 | 2,109 | 2,479 | 2,943 |
| **Stage 2 Model ECL (€m)** | | | | | | |
| Home loans | 25 | 15 | 19 | 23 | 36 | 47 |
| Credit cards, unsecured loans and other retail lending | 195 | 140 | 169 | 197 | 232 | 271 |
| Wholesale loans | 49 | 41 | 41 | 44 | 62 | 82 |
| **Stage 2 Coverage (%)** | | | | | | |
| Home loans | 9.4 | 6.4 | 7.8 | 8.8 | 12.1 | 14.0 |
| Credit cards, unsecured loans and other retail lending | 14.1 | 12.0 | 12.4 | 12.9 | 14.6 | 16.2 |
| Wholesale loans | 2.3 | 2.0 | 2.0 | 2.1 | 2.5 | 2.8 |
| **Stage 3 Model exposure (€m)[c]** | | | | | | |
| Home loans | 190 | 190 | 190 | 190 | 190 | 190 |
| Credit cards, unsecured loans and other retail lending | 130 | 130 | 130 | 130 | 130 | 130 |
| Wholesale loans | — | — | — | — | — | — |
| **Stage 3 Model ECL (€m)** | | | | | | |
| Home loans | 46 | 41 | 43 | 45 | 49 | 53 |
| Credit cards, unsecured loans and other retail lending | 92 | 91 | 92 | 92 | 94 | 94 |
| Wholesale loans[d] | — | — | — | — | — | — |
| **Stage 3 Coverage (%)** | | | | | | |
| Home loans | 24.2 | 21.6 | 22.6 | 23.7 | 25.8 | 27.9 |
| Credit cards, unsecured loans and other retail lending | 70.8 | 70.0 | 70.8 | 70.8 | 72.3 | 72.3 |
| Wholesale loans[d] | — | — | — | — | — | — |
| **Total Model ECL (€m)** | | | | | | |
| Home loans | 74 | 59 | 65 | 71 | 89 | 104 |
| Credit cards, unsecured loans and other retail lending | 312 | 250 | 284 | 313 | 353 | 396 |
| Wholesale loans[d] | 74 | 64 | 65 | 70 | 87 | 108 |
| **Total ECL (€m)** | 460 | 373 | 414 | 454 | 529 | 608 |

| **Reconciliation to total ECL** | €m |
|---|---|
| Total weighted model ECL | 460 |
| ECL from individually assessed impairments[d] | 79 |
| ECL from non-modelled exposures and others | 10 |
| ECL from post model management adjustments | 38 |
| *Of which: ECL from economic uncertainty adjustments* | *13* |
| **Total ECL** | 587 |

Notes:

a Model exposures are allocated to a stage based on an individual scenario rather than a probability-weighted approach, as required for Barclays reported impairment allowances. As a result, it is not possible to back solve the final reported weighted ECL from individual scenarios given balances may be assigned to a different stage dependent on the scenario.

b For Credit cards, unsecured loans and other retail lending, the model exposure movement between stages 1 and 2 across scenarios differs due to additional impacts from the undrawn exposure.

c Model exposures allocated to Stage 3 does not change in any of the scenarios as the transition criteria relies only on an observable evidence of default as at 31 December 2022 and not on macroeconomic scenario.

d Material wholesale loan defaults are individually assessed across different recovery strategies. As a result, ECL of €79m is reported as an individually assessed impairment in the reconciliation table.

The use of five scenarios with associated weighting results in a total weighted ECL uplift of 1.3% over the Baseline ECL.

**Home loans:** Total weighted ECL of €74m represents a 4.2% increase over the Baseline ECL (€71m), reflecting the nature of the Italy portfolio.

**Credit cards, unsecured loans and other retail lending:** Total weighted ECL of €312m is aligned to the Baseline ECL (€313m). The impact of the deteriorated Baseline scenario relative to the severity of the downside scenarios is greater than the impact of the higher weights applied to the Downside scenarios when compared to 2021. This results in a convergence between Baseline and Weighted ECL in 2022. Total ECL increases to €396m under Downside 2 scenario, mainly driven by increase in Germany unemployment rate to 4.1% and reduction in Germany GDP to (2.8)% in 2023.

**Wholesale loans:** Total weighted ECL of €74m represents a 5.7% increase over the Baseline ECL (€70m) reflecting the range of economic scenarios used, with exposures in the Corporate and Investment Bank particularly sensitive to Downside 2 scenario.

## ECL Sensitivity Analysis (audited)

| | Scenarios | | | | | |
|---|---|---|---|---|---|---|
| As at 31 December 2021 | Weighted[a] | Upside 2 | Upside 1 | Baseline | Downside 1 | Downside 2 |
| **Stage 1 Model exposure (€m)** | | | | | | |
| Home loans | 4,575 | 4,587 | 4,582 | 4,577 | 4,553 | 4,533 |
| Credit cards, unsecured loans and other retail lending[b, c] | 5,271 | 5,195 | 5,191 | 5,191 | 5,453 | 5,670 |
| Wholesale loans | 10,185 | 10,225 | 10,193 | 10,224 | 10,090 | 9,999 |
| **Stage 1 Model ECL (€m)** | | | | | | |
| Home loans | 3 | 2 | 2 | 2 | 3 | 4 |
| Credit cards, unsecured loans and other retail lending | 22 | 20 | 20 | 21 | 26 | 31 |
| Wholesale loans | 9 | 8 | 9 | 9 | 10 | 11 |
| **Stage 1 Coverage (%)** | | | | | | |
| Home loans | 0.1 | — | — | — | 0.1 | 0.1 |
| Credit cards, unsecured loans and other retail lending | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 |
| Wholesale loans | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Stage 2 Model exposure (€m)** | | | | | | |
| Home loans | 250 | 239 | 243 | 248 | 273 | 293 |
| Credit cards, unsecured loans and other retail lending[b, c] | 619 | 536 | 579 | 617 | 745 | 898 |
| Wholesale loans | 2,441 | 2,402 | 2,433 | 2,403 | 2,537 | 2,627 |
| **Stage 2 Model ECL (€m)** | | | | | | |
| Home loans | 13 | 11 | 12 | 12 | 21 | 26 |
| Credit cards, unsecured loans and other retail lending | 93 | 75 | 83 | 90 | 123 | 162 |
| Wholesale loans | 26 | 24 | 25 | 25 | 31 | 40 |
| **Stage 2 Coverage (%)** | | | | | | |
| Home loans | 5.2 | 4.6 | 4.9 | 4.8 | 7.7 | 8.9 |
| Credit cards, unsecured loans and other retail lending | 15.0 | 14.0 | 14.3 | 14.6 | 16.5 | 18.0 |
| Wholesale loans | 1.1 | 1.0 | 1.0 | 1.0 | 1.2 | 1.5 |
| **Stage 3 Model exposure (€m)[d]** | | | | | | |
| Home loans | 196 | 196 | 196 | 196 | 196 | 196 |
| Credit cards, unsecured loans and other retail lending | 136 | 136 | 136 | 136 | 136 | 136 |
| Wholesale loans | — | — | — | — | — | — |
| **Stage 3 Model ECL (€m)** | | | | | | |
| Home loans | 37 | 34 | 35 | 36 | 41 | 45 |
| Credit cards, unsecured loans and other retail lending | 92 | 92 | 92 | 92 | 94 | 96 |
| Wholesale loans[e] | — | — | — | — | — | — |
| **Stage 3 Coverage (%)** | | | | | | |
| Home loans | 18.9 | 17.3 | 17.9 | 18.4 | 20.9 | 23.0 |
| Credit cards, unsecured loans and other retail lending | 67.6 | 67.6 | 67.6 | 67.6 | 69.1 | 70.6 |
| Wholesale loans[e] | — | — | — | — | — | — |
| **Total Model ECL (€m)** | | | | | | |
| Home loans | 53 | 47 | 49 | 50 | 65 | 75 |
| Credit cards, unsecured loans and other retail lending | 207 | 187 | 195 | 203 | 243 | 289 |
| Wholesale loans[e] | 35 | 32 | 34 | 34 | 41 | 51 |
| Total ECL (€m) | 295 | 266 | 278 | 287 | 349 | 415 |

| Reconciliation to total ECL | €m |
|---|---|
| Total weighted model ECL | 295 |
| ECL from individually assessed impairments[e] | 84 |
| ECL from non-modelled exposures and others | (3) |
| ECL from post model management adjustments | 101 |
| *Of which: ECL from economic uncertainty adjustments* | *80* |
| Total ECL | 477 |

Notes:
a Model exposures are allocated to a stage based on an individual scenario rather than a probability-weighted approach, as required for Barclays reported impairment allowances. As a result, it is not possible to back solve the final reported weighted ECL from individual scenarios given balances may be assigned to a different stage dependent on the scenario.
b For Credit cards, unsecured loans and other retail lending, the model exposure movement between stages 1 and 2 across scenarios differs due to additional impacts from the undrawn exposure.
c In 2021, Loans & Advances at amortised cost were used as modelled exposure for the CBE within this disclosure. The process was revised in 2022 to incorporate Exposure at Default (EAD) with no impact to ECL. This has been represented in prior year comparatives.
d Model exposures allocated to Stage 3 does not change in any of the scenarios as the transition criteria relies only on an observable evidence of default as at 31 December 2021 and not on macroeconomic scenario.
e Material wholesale loan defaults are individually assessed across different recovery strategies. As a result, ECL of €84m is reported as an individually assessed impairment in the reconciliation table.

## Analysis of the concentration of credit risk

A concentration of credit risk exists when a number of counterparties are located in a common geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank implements limits on concentrations in order to mitigate the risk. The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged.

### Geographic concentrations

| Credit risk concentrations by geography (audited) | | | | | | | | | United Kingdom | Rest of World | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Europe | | | | | | | | | | |
| | France | Germany | Ireland | Italy | Nether-lands | Spain | Rest of Europe | Europe total | | | |
| **As at 31 December 2022** | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| **On-balance sheet:** | | | | | | | | | | | |
| Cash and balances at central banks | 14 | 30,036 | 445 | 22 | 4 | 8 | 11 | **30,540** | — | — | **30,540** |
| Cash collateral and settlement balances | 1,836 | 4,208 | 315 | 1,107 | 1,079 | 513 | 1,925 | **10,983** | 7,073 | 484 | **18,540** |
| Loans and advances at amortised cost | 685 | 4,805 | 1,058 | 4,957 | 81 | 337 | 1,901 | **13,824** | 1,075 | 461 | **15,360** |
| Reverse repurchase agreements and other similar secured lending | — | — | — | — | — | — | — | — | 1,764 | — | **1,764** |
| Trading portfolio assets | 1,943 | 1,257 | 6 | 1,827 | 191 | 694 | 1,057 | **6,975** | 153 | 434 | **7,562** |
| Financial assets at fair value through the income statement | 6,947 | 970 | 90 | 768 | 102 | 423 | 2,967 | **12,267** | 4,811 | 136 | **17,214** |
| Derivative financial instruments | 4,870 | 5,991 | 2,526 | 619 | 15,578 | 2,712 | 6,508 | **38,804** | 1,512 | 123 | **40,439** |
| Other assets | — | 4 | 18 | 26 | 1 | 1 | 6 | **56** | 320 | 1 | **377** |
| **Total on-balance sheet** | **16,295** | **47,271** | **4,458** | **9,326** | **17,036** | **4,688** | **14,375** | **113,449** | **16,708** | **1,639** | **131,796** |
| | | | | | | | | | | | |
| **Off-balance sheet:** | | | | | | | | | | | |
| Contingent liabilities | 233 | 422 | 549 | 1,342 | 33 | 977 | 309 | **3,865** | 652 | 254 | **4,771** |
| Loan commitments | 8,012 | 11,745 | 1,002 | 2,307 | 993 | 1,437 | 4,577 | **30,073** | 985 | 1,402 | **32,460** |
| **Total off-balance sheet** | **8,245** | **12,167** | **1,551** | **3,649** | **1,026** | **2,414** | **4,886** | **33,938** | **1,637** | **1,656** | **37,231** |
| | | | | | | | | | | | |
| **Total** | **24,540** | **59,438** | **6,009** | **12,975** | **18,062** | **7,102** | **19,261** | **147,387** | **18,345** | **3,295** | **169,027** |

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

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

| | Europe | | | | | | | | United Kingdom | Rest of World | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | France | Germany | Ireland | Italy | Nether-lands | Spain | Rest of Europe | Europe total | | | |
| **As at 31 December 2021** | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| **On-balance sheet:** | | | | | | | | | | | |
| Cash and balances at central banks | 79 | 21,047 | 2,690 | 157 | 21 | 91 | 40 | **24,125** | — | — | **24,125** |
| Cash collateral and settlement balances | 1,689 | 3,899 | 341 | 398 | 5,320 | 281 | 1,583 | **13,511** | 3,583 | 557 | **17,651** |
| Loans and advances at amortised cost | 472 | 4,370 | 899 | 5,700 | 199 | 243 | 1,246 | **13,129** | 623 | 234 | **13,986** |
| Reverse repurchase agreements and other similar secured lending | — | — | — | — | — | — | — | — | 3,228 | — | **3,228** |
| Trading portfolio assets | 1,374 | 1,585 | 74 | 2,548 | 631 | 582 | 630 | **7,424** | 118 | 519 | **8,061** |
| Financial assets at fair value through the income statement | 5,277 | 502 | 24 | 799 | 11 | 901 | 1,901 | **9,415** | 5,936 | — | **15,351** |
| Derivative financial instruments | 2,995 | 8,251 | 500 | 822 | 8,719 | 2,903 | 3,702 | **27,892** | 5,648 | 335 | **33,875** |
| Other assets | 1 | 8 | 10 | 30 | 1 | 5 | 10 | **65** | 116 | — | **181** |
| **Total on-balance sheet** | **11,887** | **39,662** | **4,538** | **10,454** | **14,902** | **5,006** | **9,112** | **95,561** | **19,252** | **1,645** | **116,458** |
| **Off-balance sheet:** | | | | | | | | | | | |
| Contingent liabilities | 135 | 285 | 1,048 | 1,002 | 31 | 652 | 158 | **3,311** | 663 | 85 | **4,059** |
| Loan commitments | 7,508 | 9,616 | 891 | 1,452 | 1,228 | 1,113 | 3,350 | **25,158** | 805 | 1,462 | **27,425** |
| **Total off-balance sheet** | **7,643** | **9,901** | **1,939** | **2,454** | **1,259** | **1,765** | **3,508** | **28,469** | **1,468** | **1,547** | **31,484** |
| **Total** | **19,530** | **49,563** | **6,477** | **12,908** | **16,161** | **6,771** | **12,620** | **124,030** | **20,720** | **3,192** | **147,942** |

### Industry concentrations

As at 31 December 2022, the concentration of the Bank's assets by industry concentrated towards other banks is 20% (2021: 23%), government and central banks is 24% (2021: 24%) and other financial institutions 27% (2021: 23%).

### Credit risk concentrations by industry (audited)

| As at 31 December 2022 | Banks €m | Other financial institutions €m | Manu-facturing €m | Construc-tion and property €m | Govern-ment and central banks €m | Energy and water €m | Wholesale and retail distribu-tion and leisure €m | Business and other services €m | Home loans €m | Cards, unsecured loans and other personal lending €m | Other €m | Total €m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **On-balance sheet:** | | | | | | | | | | | | |
| Cash and balances at central banks | 29 | — | — | — | 30,511 | — | — | — | — | — | — | **30,540** |
| Cash collateral and settlement balances | 5,546 | 11,093 | 7 | 11 | 1,375 | 113 | 2 | 28 | — | — | 365 | **18,540** |
| Loans and advances at amortised cost | 1,412 | 1,765 | 639 | 298 | 18 | 331 | 650 | 489 | 4,407 | 4,851 | 500 | **15,360** |
| Reverse repurchase agreements and other similar secured lending | 1,764 | — | — | — | — | — | — | — | — | — | — | **1,764** |
| Trading portfolio assets | 977 | 893 | 100 | 91 | 5,107 | 204 | 5 | 100 | — | — | 85 | **7,562** |
| Financial assets at fair value through the income statement | 8,167 | 6,113 | — | — | 2,614 | — | — | 7 | 313 | — | — | **17,214** |
| Derivative financial instruments | 14,342 | 21,300 | 1,016 | 56 | 1,147 | 1,738 | 39 | 145 | — | — | 656 | **40,439** |
| Other assets | 313 | 63 | — | — | — | — | — | 1 | — | — | — | **377** |
| **Total on-balance sheet** | **32,550** | **41,227** | **1,762** | **456** | **40,772** | **2,386** | **696** | **770** | **4,720** | **4,851** | **1,606** | **131,796** |
| **Off-balance sheet:** | | | | | | | | | | | | |
| Contingent liabilities | 522 | 609 | 1,745 | 295 | — | 696 | 110 | 500 | — | 1 | 293 | **4,771** |
| Loan commitments | 587 | 3,069 | 8,150 | 1,125 | — | 7,375 | 1,296 | 1,266 | — | 6,320 | 3,272 | **32,460** |
| **Total off-balance sheet** | **1,109** | **3,678** | **9,895** | **1,420** | — | **8,071** | **1,406** | **1,766** | — | **6,321** | **3,565** | **37,231** |
| **Total** | **33,659** | **44,905** | **11,657** | **1,876** | **40,772** | **10,457** | **2,102** | **2,536** | **4,720** | **11,172** | **5,171** | **169,027** |

# Credit risk performance

## Credit risk concentrations by industry (audited)

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

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

### Asset credit quality

The credit quality distribution is based on the IFRS 9 12 month probability of default ('PD') at the reporting date to ensure comparability with other ECL disclosures on pages 63 to 72.

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

| PD Range % | Internal DG Band | Default Probability | | | Credit Quality description | Moody's | Standard and Poor's |
|---|---|---|---|---|---|---|---|
| | | >Min | Mid | <=Max | | | |
| 0.00 to < 0.15 | 1 | 0.00% | 0.01% | 0.02% | Strong | Aaa, Aa1, Aa2 | AAA, AA+, AA |
| | 2 | 0.02% | 0.03% | 0.03% | | Aa3 | AA- |
| | 3 | 0.03% | 0.04% | 0.05% | | A1, A2, A3 | A+ |
| | 4 | 0.05% | 0.08% | 0.10% | | A1, A2, A3 | A, A- |
| | 5 | 0.10% | 0.13% | 0.15% | | Baa1 | BBB+ |
| 0.15 to < 0.25 | 6 | 0.15% | 0.18% | 0.20% | Strong | Baa2 | BBB |
| | 7 | 0.20% | 0.23% | 0.25% | | Baa3 | BBB |
| 0.25 to < 0.50 | 8 | 0.25% | 0.28% | 0.30% | Strong | Baa3 | BBB- |
| | 9 | 0.30% | 0.35% | 0.40% | | Baa3 | BBB- |
| | 10 | 0.40% | 0.45% | 0.50% | | Ba1 | BB+ |
| 0.50 to < 0.75 | 11 | 0.50% | 0.55% | 0.60% | Strong | Ba1 | BB+ |
| | 12 | 0.60% | 0.68% | 0.75% | Satisfactory | Ba2, Ba3 | BB, BB- |
| 0.75 to < 2.50 | 12 | 0.75% | 0.98% | 1.20% | Satisfactory | Ba2, Ba3 | BB, BB- |
| | 13 | 1.20% | 1.38% | 1.55% | | Ba3 | BB- |
| | 14 | 1.55% | 1.85% | 2.15% | | Ba3 | B+ |
| | 15 | 2.15% | 2.33% | 2.50% | | B1 | B+ |
| 2.50 to < 10.00 | 15 | 2.50% | 2.78% | 3.05% | Satisfactory | B1 | B+ |
| | 16 | 3.05% | 3.75% | 4.45% | | B2 | B+ |
| | 17 | 4.45% | 5.40% | 6.35% | | B3, Caa1 | B |
| | 18 | 6.35% | 7.50% | 8.65% | | B3, Caa1 | B- |
| | 19 | 8.65% | 9.35% | 10.00% | | B3, Caa1 | CCC+ |
| 10.00 to < 100.00 | 19 | 10.00% | 10.68% | 11.35% | Higher risk | B3, Caa1 | CCC+ |
| | 20 | 11.35% | 15.00% | 18.65% | | Caa2 | CCC |
| | 21 | 18.65% | 30.00% | 99.99% | | Caa3, Ca, C | CCC-, CC+ ,CC, C |
| 100.00 (Default) | **22** | **100%** | | | Credit Impaired | D | D |

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

For loans that are not past due, these descriptions can be summarised as follows:

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

**Satisfactory**: while there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Bank, the asset may not be collateralised, or may relate to unsecured retail facilities. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of deterioration, mortgages with a high loan to value, and unsecured retail loans operating outside normal product guidelines.

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

### Debt securities

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

### Balance sheet credit quality

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

### Overview

As at 31 December 2022, the ratio of the Bank's on-balance sheet assets classified as strong (0.0 < 0.60%) is at 93% (2021: 94%) of total assets exposed to credit risk.

**Balance sheet credit quality (audited)**

| PD range | 0.0 to <0.60% | 0.60 to <11.35% | 11.35% to 100% | Total | 0.0 to <0.60% | 0.60 to <11.35% | 11.35% to 100% | Total |
|---|---|---|---|---|---|---|---|---|
| As at 31 December 2022 | €m | €m | €m | €m | % | % | % | % |
| **Cash and balances at central banks** | 30,540 | — | — | 30,540 | 100 | — | — | 100 |
| **Cash collateral and settlement balances** | 17,510 | 1,024 | 6 | 18,540 | 94 | 6 | — | 100 |
| **Loans and advances at amortised cost** | | | | | | | | |
| Home loans | 3,636 | 572 | 197 | 4,405 | 83 | 13 | 4 | 100 |
| Credit cards, unsecured and other retail lending | 1,923 | 2,613 | 164 | 4,700 | 41 | 56 | 3 | 100 |
| Wholesale loans | 3,245 | 1,376 | 222 | 4,843 | 67 | 28 | 5 | 100 |
| **Loans and advances to customers** | 8,804 | 4,561 | 583 | 13,948 | 63 | 33 | 4 | 100 |
| Loans and advances to banks | 1,390 | 22 | — | 1,412 | 98 | 2 | — | 100 |
| **Total loans and advances at amortised cost** | 10,194 | 4,583 | 583 | 15,360 | 66 | 30 | 4 | 100 |
| **Reverse repurchase agreements and other similar secured lending** | 1,764 | — | — | 1,764 | 100 | — | — | 100 |
| **Trading portfolio assets:** | | | | | | | | |
| Debt securities | 7,221 | 86 | — | 7,307 | 99 | 1 | — | 100 |
| Traded loans | 183 | 10 | 62 | 255 | 72 | 4 | 24 | 100 |
| **Total trading portfolio assets** | 7,404 | 96 | 62 | 7,562 | 98 | 1 | 1 | 100 |
| **Financial assets at fair value through the income statement:** | | | | | | | | |
| Loans and advances | 1,484 | 252 | 31 | 1,767 | 84 | 14 | 2 | 100 |
| Debt securities | 3 | — | 21 | 24 | 13 | — | 87 | 100 |
| Reverse repurchase agreements | 14,292 | 988 | 143 | 15,423 | 93 | 6 | 1 | 100 |
| Other financial assets | — | — | — | — | — | — | — | — |
| **Total financial assets at fair value through the income statement** | 15,779 | 1,240 | 195 | 17,214 | 92 | 7 | 1 | 100 |
| **Derivative financial instruments** | 39,307 | 1,103 | 29 | 40,439 | 97 | 3 | — | 100 |
| **Financial assets at fair value through other comprehensive income** | — | — | — | — | — | — | — | — |
| **Other assets** | 371 | 6 | — | 377 | 98 | 2 | — | 100 |
| **Total on-balance sheet** | 122,869 | 8,052 | 875 | 131,796 | 93 | 6 | 1 | 100 |

| Balance sheet credit quality (audited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| PD range | 0.0 to <0.60% | 0.60 to <11.35% | 11.35% to 100% | Total | 0.0 to <0.60% | 0.60 to <11.35% | 11.35% to 100% | Total |
| As at 31 December 2021 | €m | €m | €m | €m | % | % | % | % |
| **Cash and balances at central banks** | 24,125 | — | — | 24,125 | 100 | — | — | 100 |
| **Cash collateral and settlement balances** | 17,196 | 455 | — | 17,651 | 97 | 3 | — | 100 |
| **Loans and advances at amortised cost** | | | | | | | | |
| Home loans | 4,078 | 675 | 198 | 4,951 | 82 | 14 | 4 | 100 |
| Credit cards, unsecured and other retail lending | 1,982 | 2,001 | 171 | 4,154 | 48 | 48 | 4 | 100 |
| Wholesale loans | 3,099 | 672 | 207 | 3,978 | 78 | 17 | 5 | 100 |
| **Loans and advances to customers** | 9,159 | 3,348 | 576 | 13,083 | 70 | 26 | 4 | 100 |
| Loans and advances to banks | 858 | 45 | — | 903 | 95 | 5 | — | 100 |
| **Total loans and advances at amortised cost** | 10,017 | 3,393 | 576 | 13,986 | 72 | 24 | 4 | 100 |
| **Reverse repurchase agreements and other similar secured lending** | 3,228 | — | — | 3,228 | 100 | — | — | 100 |
| **Trading portfolio assets:** | | | | | | | | |
| Debt securities | 7,004 | 419 | — | 7,423 | 94 | 6 | — | 100 |
| Traded loans | 137 | 494 | 7 | 638 | 21 | 78 | 1 | 100 |
| **Total trading portfolio assets** | 7,141 | 913 | 7 | 8,061 | 89 | 11 | — | 100 |
| **Financial assets at fair value through the income statement:** | | | | | | | | |
| Loans and advances | 517 | 178 | 31 | 726 | 71 | 25 | 4 | 100 |
| Debt securities | 4 | 1 | 19 | 24 | 17 | 4 | 79 | 100 |
| Reverse repurchase agreements | 13,647 | 943 | 11 | 14,601 | 94 | 6 | — | 100 |
| Other financial assets | — | — | — | — | — | — | — | — |
| **Total financial assets at fair value through the income statement** | 14,168 | 1,122 | 61 | 15,351 | 93 | 7 | — | 100 |
| **Derivative financial instruments** | 33,428 | 447 | — | 33,875 | 99 | 1 | — | 100 |
| **Financial assets at fair value through other comprehensive income** | — | — | — | — | — | — | — | — |
| **Other assets** | 175 | 6 | — | 181 | 97 | 3 | — | 100 |
| **Total on-balance sheet** | 109,478 | 6,336 | 644 | 116,458 | 94 | 5 | 1 | 100 |

### Credit exposures by internal PD grade

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

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

IFRS 9 Stage 1 and Stage 2 classification is not dependent solely on the absolute probability of default but on elements that determine a Significant Increase in Credit Risk (see Note 8 on page 144), including relative movement in probability of default since initial recognition. There is therefore no direct relationship between credit quality and IFRS 9 stage classification.

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

| As at 31 December 2022 | | | Gross carrying amount | | | | Allowance for ECL | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grading | PD range % | Credit quality description | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Net exposure €m | Coverage ratio % |
| 1-3 | 0.0 to < 0.05% | Strong | 1,106 | — | — | 1,106 | — | — | — | — | 1,106 | — |
| 4-5 | 0.05 to < 0.15% | Strong | 249 | — | — | 249 | — | — | — | — | 249 | — |
| 6-8 | 0.15 to < 0.30% | Strong | 17 | — | — | 17 | — | — | — | — | 17 | — |
| 9-11 | 0.30 to < 0.60% | Strong | 10 | 8 | — | 18 | — | — | — | — | 18 | — |
| 12-14 | 0.60 to < 2.15% | Satisfactory | 6 | — | — | 6 | — | — | — | — | 6 | — |
| 15-19 | 2.15 to < 10% | Satisfactory | 2 | 10 | — | 12 | — | — | — | — | 12 | — |
| 19 | 10 to < 11.35% | Satisfactory | 4 | — | — | 4 | — | — | — | — | 4 | — |
| 20-21 | 11.35 to < 100% | Higher Risk | — | — | — | — | — | — | — | — | — | — |
| 22 | 100% | Credit Impaired | — | — | 2 | 2 | — | — | 2 | 2 | — | 100 |
| **Total** | | | 1,394 | 18 | 2 | 1,414 | — | — | 2 | 2 | 1,412 | 0.1 |

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

| As at 31 December 2022 | | | Gross carrying amount | | | | Allowance for ECL | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grading | PD range % | Credit quality description | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Net exposure €m | Coverage ratio % |
| 1-3 | 0.0 to < 0.05% | Strong | 465 | — | — | 465 | — | — | — | — | 465 | — |
| 4-5 | 0.05 to < 0.15% | Strong | 1,557 | — | — | 1,557 | 2 | — | — | 2 | 1,555 | 0.1 |
| 6-8 | 0.15 to < 0.30% | Strong | 1,762 | 123 | — | 1,885 | 1 | 1 | — | 2 | 1,883 | 0.1 |
| 9-11 | 0.30 to < 0.60% | Strong | 4,775 | 145 | — | 4,920 | 17 | 2 | — | 19 | 4,901 | 0.4 |
| 12-14 | 0.60 to < 2.15% | Satisfactory | 2,458 | 822 | — | 3,280 | 23 | 61 | — | 84 | 3,196 | 2.6 |
| 15-19 | 2.15 to < 10% | Satisfactory | 653 | 823 | — | 1,476 | 22 | 100 | — | 122 | 1,354 | 8.3 |
| 19 | 10 to < 11.35% | Satisfactory | 10 | 2 | — | 12 | 1 | — | — | 1 | 11 | 8.3 |
| 20-21 | 11.35 to < 100% | Higher Risk | 21 | 262 | — | 283 | — | 46 | — | 46 | 237 | 16.3 |
| 22 | 100% | Credit Impaired | — | — | 609 | 609 | — | — | 263 | 263 | 346 | 43.2 |
| **Total** | | | 11,701 | 2,177 | 609 | 14,487 | 66 | 210 | 263 | 539 | 13,948 | 3.7 |

# Credit risk performance

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

| As at 31 December 2021 | | | Gross carrying amount | | | | Allowance for ECL | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grading | PD range % | Credit quality description | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Net exposure €m | Coverage ratio % |
| 1-3 | 0.0 to < 0.05% | Strong | 814 | — | — | 814 | — | — | — | — | 814 | — |
| 4-5 | 0.05 to < 0.15% | Strong | 10 | — | — | 10 | — | — | — | — | 10 | — |
| 6-8 | 0.15 to < 0.30% | Strong | 34 | — | — | 34 | — | — | — | — | 34 | — |
| 9-11 | 0.30 to < 0.60% | Strong | — | — | — | — | — | — | — | — | — | — |
| 12-14 | 0.60 to < 2.15% | Satisfactory | 37 | — | — | 37 | — | — | — | — | 37 | — |
| 15-19 | 2.15 to < 10% | Satisfactory | — | 8 | — | 8 | — | — | — | — | 8 | — |
| 19 | 10 to < 11.35% | Satisfactory | — | — | — | — | — | — | — | — | — | — |
| 20-21 | 11.35 to < 100% | Higher Risk | — | — | — | — | — | — | — | — | — | — |
| 22 | 100% | Credit Impaired | — | — | — | — | — | — | — | — | — | — |
| **Total** | | | 895 | 8 | — | 903 | — | — | — | — | 903 | — |

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

| As at 31 December 2021 | | | Gross carrying amount | | | | Allowance for ECL | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grading | PD range % | Credit quality description | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Net exposure €m | Coverage ratio % |
| 1-3 | 0.0 to < 0.05% | Strong | 442 | 114 | — | 556 | — | — | — | — | 556 | — |
| 4-5 | 0.05 to < 0.15% | Strong | 1,506 | 40 | — | 1,546 | — | — | — | — | 1,546 | — |
| 6-8 | 0.15 to < 0.30% | Strong | 2,072 | 173 | — | 2,245 | 1 | — | — | 1 | 2,244 | — |
| 9-11 | 0.30 to < 0.60% | Strong | 4,641 | 186 | — | 4,827 | 14 | — | — | 14 | 4,813 | 0.3 |
| 12-14 | 0.60 to < 2.15% | Satisfactory | 1,988 | 493 | — | 2,481 | 10 | 47 | — | 57 | 2,424 | 2.3 |
| 15-19 | 2.15 to < 10% | Satisfactory | 342 | 649 | — | 991 | 8 | 78 | — | 86 | 905 | 9.0 |
| 19 | 10 to < 11.35% | Satisfactory | 11 | 11 | — | 22 | — | 3 | — | 3 | 19 | 13.6 |
| 20-21 | 11.35 to < 100% | Higher Risk | 7 | 240 | — | 247 | 1 | 42 | — | 43 | 204 | 17.4 |
| 22 | 100 % | Credit Impaired | — | — | 618 | 618 | — | — | 246 | 246 | 372 | 39.8 |
| **Total** | | | **11,009** | **1,906** | **618** | **13,533** | **34** | **170** | **246** | **450** | **13,083** | **3.3** |

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

| As at 31 December 2022 | | | Gross carrying amount | | | | Allowance for ECL | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grading | PD range % | Credit quality description | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Stage 1 €m | Stage 2 €m | Stage 3 €m | Total €m | Net exposure €m | Coverage ratio % |
| 1-3 | 0.0 to < 0.05% | Strong | 550 | 2 | — | 552 | — | — | — | — | 552 | — |
| 4-5 | 0.05 to < 0.15% | Strong | 1,142 | 4 | — | 1,146 | 1 | — | — | 1 | 1,145 | 10.0 |
| 6-8 | 0.15 to < 0.30% | Strong | 798 | 52 | — | 850 | — | — | — | — | 850 | — |
| 9-11 | 0.30 to < 0.60% | Strong | 589 | 185 | — | 774 | 3 | 1 | — | 4 | 770 | 50.0 |
| 12-14 | 0.60 to < 2.15% | Satisfactory | 479 | 483 | — | 962 | 5 | 2 | — | 7 | 955 | 70.0 |
| 15-19 | 2.15 to < 10% | Satisfactory | 186 | 218 | — | 404 | 3 | 9 | — | 12 | 392 | 300.0 |
| 19 | 10 to < 11.35% | Satisfactory | 11 | 12 | — | 23 | — | 1 | — | 1 | 22 | 430.0 |
| 20-21 | 11.35 to < 100% | Higher Risk | 4 | 10 | — | 14 | — | 1 | — | 1 | 13 | 710.0 |
| 22 | 100% | Credit Impaired | — | — | 46 | 46 | — | — | — | — | 46 | — |
| **Total** | | | 3,759 | 966 | 46 | 4,771 | 12 | 14 | — | 26 | 4,745 | 50.0 |

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

| As at 31 December 2021 | | | Gross carrying amount | | | | Allowance for ECL | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | PD range | Credit quality | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Net exposure | Coverage ratio |
| Grading | % | description | €m | €m | €m | €m | €m | €m | €m | €m | €m | % |
| 1-3 | 0.0 to < 0.05% | Strong | 1,182 | 11 | — | 1,193 | — | — | — | — | 1,193 | — |
| 4-5 | 0.05 to < 0.15% | Strong | 696 | 44 | — | 740 | — | — | — | — | 740 | — |
| 6-8 | 0.15 to < 0.30% | Strong | 716 | 25 | — | 741 | — | — | — | — | 741 | — |
| 9-11 | 0.30 to < 0.60% | Strong | 610 | 4 | — | 614 | 1 | — | — | 1 | 613 | 0.2 |
| 12-14 | 0.60 to < 2.15% | Satisfactory | 388 | 53 | — | 441 | — | — | — | — | 441 | — |
| 15-19 | 2.15 to < 10% | Satisfactory | 96 | 152 | — | 248 | 1 | 2 | — | 3 | 245 | 1.2 |
| 19 | 10 to < 11.35% | Satisfactory | — | 1 | — | 1 | — | — | — | — | 1 | — |
| 20-21 | 11.35 to < 100% | Higher Risk | 12 | 11 | — | 23 | — | — | — | — | 23 | — |
| 22 | 100% | Credit Impaired | — | — | 58 | 58 | — | — | — | — | 58 | — |
| **Total** | | | 3,700 | 301 | 58 | 4,059 | 2 | 2 | — | 4 | 4,055 | 0.1 |

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

| As at 31 December 2022 | | | Gross carrying amount | | | | Allowance for ECL | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | PD range | Credit quality | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Net exposure | Coverage ratio |
| Grading | % | description | €m | €m | €m | €m | €m | €m | €m | €m | €m | % |
| 1-3 | 0.0 to < 0.05% | Strong | 7,576 | — | — | 7,576 | — | — | — | — | 7,576 | — |
| 4-5 | 0.05 to < 0.15% | Strong | 8,482 | 1,357 | — | 9,839 | — | — | — | — | 9,839 | — |
| 6-8 | 0.15 to < 0.30% | Strong | 5,987 | 531 | — | 6,518 | 1 | — | — | 1 | 6,517 | — |
| 9-11 | 0.30 to < 0.60% | Strong | 2,502 | 489 | — | 2,991 | — | 1 | — | 1 | 2,990 | — |
| 12-14 | 0.60 to < 2.15% | Satisfactory | 1,391 | 540 | — | 1,931 | 5 | 1 | — | 6 | 1,925 | 0.3 |
| 15-19 | 2.15 to < 10% | Satisfactory | 804 | 962 | — | 1,766 | 3 | 8 | — | 11 | 1,755 | 0.6 |
| 19 | 10 to < 11.35% | Satisfactory | 9 | — | — | 9 | — | — | — | — | 9 | — |
| 20-21 | 11.35 to < 100% | Higher Risk | 5 | 82 | — | 87 | — | 1 | — | 1 | 86 | 1.1 |
| 22 | 100% | Credit Impaired | — | — | 14 | 14 | — | — | — | — | 14 | — |
| **Total** | | | 26,756 | 3,961 | 14 | 30,731 | 9 | 11 | — | 20 | 30,711 | 0.1 |

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

| As at 31 December 2021 | | | Gross carrying amount | | | | Allowance for ECL | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | PD range | Credit quality | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Net exposure | Coverage ratio |
| Grading | % | description | €m | €m | €m | €m | €m | €m | €m | €m | €m | % |
| 1-3 | 0.0 to < 0.05% | Strong | 6,372 | 438 | — | 6,810 | 4 | — | — | 4 | 6,806 | 0.1 |
| 4-5 | 0.05 to < 0.15% | Strong | 7,907 | 873 | — | 8,780 | 1 | 1 | — | 2 | 8,778 | — |
| 6-8 | 0.15 to < 0.30% | Strong | 4,547 | 117 | — | 4,664 | 1 | 1 | — | 2 | 4,662 | — |
| 9-11 | 0.30 to < 0.60% | Strong | 1,662 | 313 | — | 1,975 | — | 1 | — | 1 | 1,974 | 0.1 |
| 12-14 | 0.60 to < 2.15% | Satisfactory | 1,937 | 182 | — | 2,119 | 8 | — | — | 8 | 2,111 | 0.4 |
| 15-19 | 2.15 to < 10% | Satisfactory | 610 | 565 | — | 1,175 | 2 | 2 | — | 4 | 1,171 | 0.3 |
| 19 | 10 to < 11.35% | Satisfactory | — | 5 | — | 5 | — | 1 | — | 1 | 4 | 20.0 |
| 20-21 | 11.35 to < 100% | Higher Risk | 230 | 118 | — | 348 | — | 1 | — | 1 | 347 | 0.3 |
| 22 | 100% | Credit Impaired | — | — | 26 | 26 | — | — | — | — | 26 | — |
| **Total** | | | 23,265 | 2,611 | 26 | 25,902 | 16 | 7 | — | 23 | 25,879 | 0.1 |

Note
a Excludes loan commitments of €1,729bn (2021: €1,523m) carried at fair value.

## Analysis of specific portfolios and asset types

### Secured home loans

The Italian home loan portfolio primarily comprises first lien mortgages.

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

| As at 31 December 2022 | Distribution of balances | | | | Distribution of impairment allowance | | | | Coverage ratio | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | €m | €m | €m | €m | €m | €m | €m | €m | % | % | % | % |
| <=75% | 3,301 | 201 | 110 | 3,612 | 2 | 17 | 17 | 36 | 0.1% | 8.5% | 15.5% | 1.0% |
| >75% and <=90% | 421 | 35 | 22 | 478 | 1 | 4 | 6 | 11 | 0.2% | 11.4% | 27.3% | 2.3% |
| >90% and <=100% | 150 | 13 | 15 | 178 | — | 2 | 4 | 6 | —% | 15.4% | 26.7% | 3.4% |
| >100% | 153 | 16 | 43 | 212 | — | 3 | 19 | 22 | —% | 18.8% | 44.2% | 10.4% |
| **Total** | 4,025 | 265 | 190 | 4,480 | 3 | 26 | 46 | 75 | 0.1% | 9.8% | 24.2% | 1.7% |

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

| As at 31 December 2021 | Distribution of balances | | | | Distribution of impairment allowance | | | | Coverage ratio | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | €m | €m | €m | €m | €m | €m | €m | €m | % | % | % | % |
| <=75% | 3,511 | 361 | 118 | 3,990 | 2 | 30 | 17 | 49 | 0.1% | 8.3% | 14.4% | 1.2% |
| >75% and <=90% | 476 | 69 | 25 | 570 | 1 | 6 | 5 | 12 | 0.2% | 8.7% | 20.0% | 2.1% |
| >90% and <=100% | 175 | 24 | 14 | 213 | — | 2 | 3 | 5 | —% | 8.3% | 21.4% | 2.3% |
| >100% | 193 | 31 | 39 | 263 | — | 3 | 16 | 19 | —% | 9.7% | 41.0% | 7.2% |
| **Total** | 4,355 | 485 | 196 | 5,036 | 3 | 41 | 41 | 85 | 0.1% | 8.5% | 20.9% | 1.7% |

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

| As at 31 December 2022 | Distribution of balances | | | | Distribution of impairment allowance | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | % | % | % | % | % | % | % | % |
| <=75% | 73.7 | 4.5 | 2.5 | 80.6 | 2.7 | 22.7 | 22.7 | 48.0 |
| >75% and <=90% | 9.4 | 0.8 | 0.5 | 10.7 | 1.3 | 5.3 | 8.0 | 14.7 |
| >90% and <=100% | 3.3 | 0.3 | 0.3 | 4.0 | — | 2.7 | 5.3 | 8.0 |
| >100% | 3.4 | 0.4 | 1.0 | 4.7 | — | 4.0 | 25.3 | 29.3 |

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

| As at 31 December 2021 | Distribution of balances | | | | Distribution of impairment allowance | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | % | % | % | % | % | % | % | % |
| <=75% | 69.7 | 7.2 | 2.3 | 79.2 | 2.4 | 35.3 | 20.0 | 57.6 |
| >75% and <=90% | 9.5 | 1.4 | 0.5 | 11.3 | 1.2 | 7.1 | 5.9 | 14.1 |
| >90% and <=100% | 3.5 | 0.5 | 0.3 | 4.2 | — | 2.4 | 3.5 | 5.9 |
| >100% | 3.8 | 0.6 | 0.8 | 5.2 | — | 3.5 | 18.8 | 22.4 |

Note
a Portfolio marked to market based on the most updated valuation including recovery book balances. Updated valuations reflect the application of the latest HPI available as at 31 December 2022.

The balance weighted average LTV% on the portfolio as at 31 December 2022 of 57.4% (2021: 58.6%).

# Market risk performance

All disclosures in this section, (pages 97 to 98), are unaudited unless otherwise stated.

### Traded market risk overview:

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

### Measures of market risk

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

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

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

### Review of management measures

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

The table below shows the total Management VaR on a diversified basis by risk factor. Total management VaR includes all the trading and certain banking books (those where the accounting treatment is fair value through profit or loss). In addition, it captures risk add-ons in the form of risks not in model engine ('RNIME') where a small population of risk factors are not well captured in VaR.

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

The daily average, high and low values of management VaR

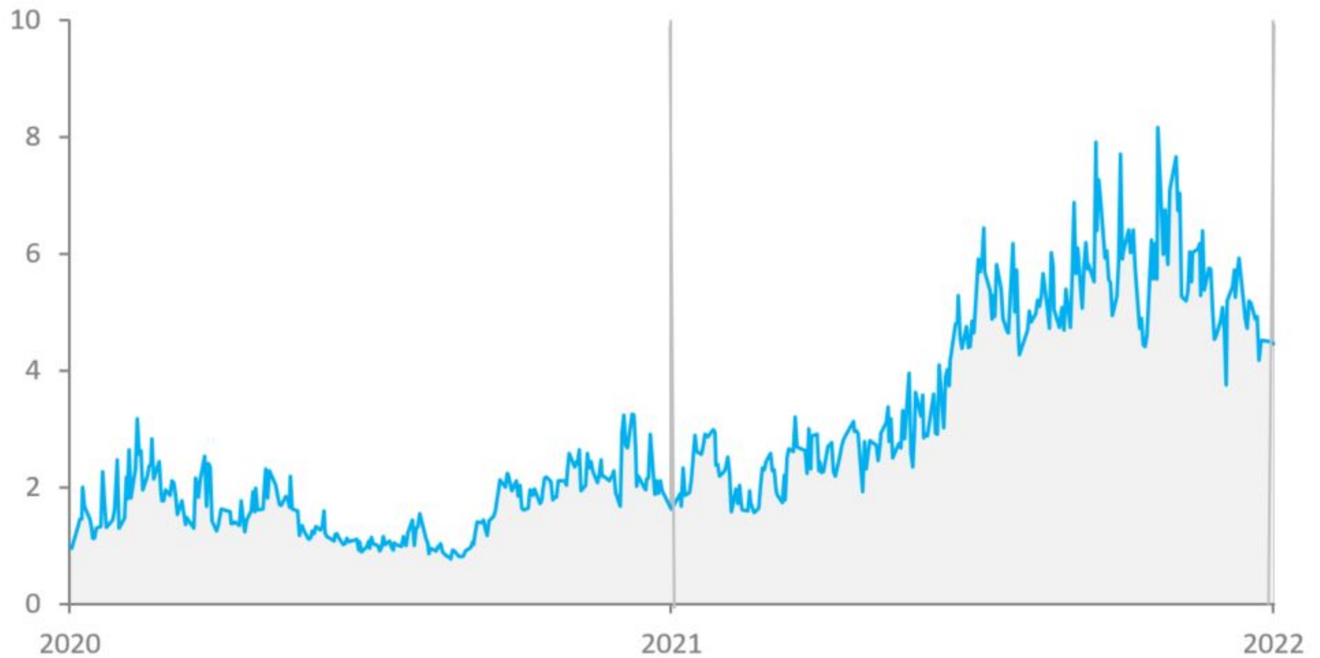
| Management VaR (95%, one day) (audited) | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Average | High | Low | Average | High | Low |
| | €m | €m | €m | €m | €m | €m |
| Credit risk | **1.49** | **3.53** | **0.63** | 0.95 | 1.82 | 0.44 |
| Interest rate risk | **1.73** | **4.20** | **0.48** | 0.76 | 2.58 | 0.21 |
| Equity risk | **0.06** | **0.20** | **0.03** | 0.07 | 0.13 | 0.02 |
| Basis risk | **0.60** | **1.55** | **0.21** | 0.36 | 0.63 | 0.18 |
| Spread risk | **3.00** | **6.70** | **0.78** | 1.23 | 2.79 | 0.42 |
| Foreign exchange risk | **0.32** | **0.84** | **0.03** | 0.18 | 0.41 | 0.03 |
| Commodity risk | **0.05** | **0.37** | **—** | — | — | — |
| Inflation risk | **0.95** | **2.54** | **0.16** | 0.05 | 0.25 | 0.01 |
| Diversification effect[a] | **(4.06)** | **n/a** | **n/a** | (1.93) | n/a | n/a |
| Total management VaR | **4.15** | **8.16** | **1.57** | 1.67 | 3.25 | 0.77 |

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

Average Management VaR increased to €4.15m (2021: €1.67m). This increase was primarily driven by increased risk taking notably in the Rates business, and to a lesser extent, in Cross Markets, Banking and Treasury, with the Credit business running slightly lower levels of risk than in December 2021. The Russian invasion of Ukraine and elevated inflation increased volatility across all asset classes as central banks increased base rates, equity markets declined and credit spreads widened during this period. Risk taking remained within agreed risk appetite limits at all times in 2022.

# Market risk performance

Management VaR
(€m)




### Business scenario stresses

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

In 2022, the scenario analyses showed that the largest market risk related impacts would be due to global growth concerns easing, resulting in tighter fiscal discipline with policy makers able to reassure markets, resulting in a rally.

# Treasury and Capital risk performance

All disclosures in this section, (pages 99 to 106), are unaudited unless otherwise stated.

## Treasury and Capital risk

### Credit ratings

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

| Credit ratings | | |
|---|---|---|
| As at 31 December 2022 | Standard & Poor's | Fitch |
| Long-term | A /Positive | A+ / Stable |
| Short-term | A-1 | F1 |

In June 2022, S&P affirmed all ratings for of Barclays PLC and its related entities, including the Bank. In June 2021, S&P revised the outlooks of Barclays PLC and its related entities, including the Bank, to Positive from Stable, whilst affirming all ratings. The revisions reflect the view that Barclays is delivering a stronger, more consistent business profile and financial performance.

In September 2022, Fitch affirmed all ratings for of Barclays PLC and its related entities, including the Bank. In July 2021, Fitch revised the outlooks of Barclays PLC and its related entities, including the Bank, to Stable from Negative, whilst affirming all ratings. The revisions reflected improved expectations for economic recovery in Barclays' key markets and the Group's resilient performance through the pandemic.

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

# Treasury and Capital risk performance

## Liquidity risk stress testing

The liquidity risk stress assessment measures the potential contractual and contingent stress outflows under a range of scenarios, which are then used to determine the size of the liquidity pool that is immediately available to meet anticipated outflows if a stress occurs. The scenarios include a 30 day Barclays-specific stress event, a 90 day market-wide stress event, a 30 day combined scenario consisting of both a Barclays specific and a market-wide stress event, and a 1 year macroeconomic stress scenario.

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

As at 31 December 2022, the Bank held eligible liquid assets in excess of the net stress outflows to its internal and external regulatory requirements. The Bank maintains an appropriate proportion of the liquidity pool between cash and deposits with central banks and other HQLA eligible securities.

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | €m | €m |
| Liquidity pool[a] | 30,709 | 25,445 |
| | % | % |
| Liquidity coverage ratio | 194 | 171 |

Note

a Comprises of €29.9bn (2021: €23.4bn) of balances with central banks and €0.8bn (2021: €2.0bn) of reverse repurchase agreements entered into for liquidity purposes, both of which met the requirements of the Commission Delegated Regulation (EU) 2015/61 as amended by the Commission Delegated Regulation (EU) 2018/1620 for inclusion as HQLA in the liquidity pool. The increase in the liquidity pool is primarily driven by increased customer deposits and capital issuances partially offset by increased lending.

As at the 31 December 2022, the Bank's NSFR stood at 149% (December 2021: 148%), which was above the regulatory minimum requirement under CRR II for the Bank. The NSFR is intended to build on banks' improved funding profiles and establishes a harmonised standard for how much stable, long-term sources of funding a bank needs to weather periods of stress. It is defined as the amount of available stable funding relative to the amount of required stable funding with a minimum ratio of 100% required on an ongoing basis.

# Treasury and Capital risk performance

## Contractual maturity of financial assets and liabilities

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

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

| As at 31 December 2022 | On demand €m | Not more than three months €m | Over three months but not more than six months €m | Over six months but not more than nine months €m | Over nine months but not more than one year €m | Over one year but not more than two years €m | Over two years but not more than three years €m | Over three years but not more than five years €m | Over five years but not more than ten years €m | Over ten years €m | Total €m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Cash and balances at central banks | 30,540 | — | — | — | — | — | — | — | — | — | 30,540 |
| Cash collateral and settlement balances | — | 18,540 | — | — | — | — | — | — | — | — | 18,540 |
| Loans and advances at amortised cost | 1,896 | 784 | 474 | 526 | 641 | 1,841 | 1,927 | 2,586 | 2,173 | 2,512 | 15,360 |
| Reverse repurchase agreements and other similar secured lending | — | 204 | — | — | — | — | — | 1,560 | — | — | 1,764 |
| Trading portfolio assets | 7,700 | — | — | — | — | — | — | — | — | — | 7,700 |
| Financial assets at fair value through the income statement | 13 | 15,322 | 6 | 635 | 105 | 525 | 38 | 113 | 90 | 369 | 17,216 |
| Derivative financial instruments | 40,435 | — | — | — | — | — | — | — | 4 | — | 40,439 |
| Other financial assets | 14 | — | 342 | — | — | 21 | — | — | — | — | 377 |
| **Total financial assets** | **80,598** | **34,850** | **822** | **1,161** | **746** | **2,387** | **1,965** | **4,259** | **2,267** | **2,881** | **131,936** |
| **Other assets** | | | | | | | | | | | **598** |
| **Total assets** | | | | | | | | | | | **132,534** |
| | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | |
| Deposits at amortised cost | 10,167 | 14,344 | 2,849 | 747 | 576 | 106 | 157 | 74 | 383 | 18 | 29,421 |
| Cash collateral and settlement balances | — | 24,684 | — | — | — | — | — | — | — | — | 24,684 |
| Repurchase agreements and other similar secured borrowing | — | 937 | — | — | 1,000 | 1,027 | — | — | — | — | 2,964 |
| Debt securities in issue | — | 398 | 756 | 377 | 108 | — | 800 | — | 700 | — | 3,139 |
| Subordinated liabilities | — | — | — | — | — | 653 | 772 | 1,752 | 1,502 | — | 4,679 |
| Trading portfolio liabilities | 12,872 | — | — | — | — | — | — | — | — | — | 12,872 |
| Financial liabilities designated at fair value | — | 9,227 | 171 | 654 | 294 | 1,497 | 865 | 624 | 776 | 750 | 14,858 |
| Derivative financial instruments | 32,493 | — | — | — | — | — | 1 | — | — | — | 32,494 |
| Other financial liabilities | 29 | 388 | 3 | 3 | 3 | 19 | 12 | 20 | 13 | 13 | 503 |
| **Total financial liabilities** | **55,561** | **49,978** | **3,779** | **1,781** | **1,981** | **3,302** | **2,607** | **2,470** | **3,374** | **781** | **125,614** |
| **Other liabilities** | | | | | | | | | | | **405** |
| **Total liabilities** | | | | | | | | | | | **126,019** |
| | | | | | | | | | | | |
| **Cumulative liquidity gap** | **25,037** | **9,909** | **6,952** | **6,332** | **5,097** | **4,182** | **3,540** | **5,329** | **4,222** | **6,322** | **6,515** |

## Treasury and Capital risk performance

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

| As at 31 December 2021 | On demand €m | Not more than three months €m | Over three months but not more than six months €m | Over six months but not more than nine months €m | Over nine months but not more than one year €m | Over one year but not more than two years €m | Over two years but not more than three years €m | Over three years but not more than five years €m | Over five years but not more than ten years €m | Over ten years €m | Total €m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Cash and balances at central banks | 24,125 | — | — | — | — | — | — | — | — | — | 24,125 |
| Cash collateral and settlement balances | — | 17,651 | — | — | — | — | — | — | — | — | 17,651 |
| Loans and advances at amortised cost | 1,317 | 587 | 619 | 382 | 668 | 1,740 | 1,457 | 2,504 | 2,169 | 2,543 | 13,986 |
| Reverse repurchase agreements and other similar secured lending | — | 51 | — | — | 1,427 | — | — | 1,750 | — | — | 3,228 |
| Trading portfolio assets | 8,204 | — | — | — | — | — | — | — | — | — | 8,204 |
| Financial assets at fair value through the income statement | 14 | 12,038 | 646 | 1,087 | 254 | 669 | 23 | 62 | 92 | 467 | 15,352 |
| Derivative financial instruments | 33,875 | — | — | — | — | — | — | — | — | — | 33,875 |
| Other financial assets | 21 | — | 131 | — | — | 23 | — | — | — | — | 175 |
| **Total financial assets** | 67,556 | 30,327 | 1,396 | 1,469 | 2,349 | 2,432 | 1,480 | 4,316 | 2,261 | 3,010 | 116,596 |
| **Other assets** | | | | | | | | | | | 516 |
| **Total assets** | | | | | | | | | | | 117,112 |
| | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | |
| Deposits at amortised cost | 12,801 | 9,922 | 1,283 | 237 | 596 | 22 | 5 | 251 | 481 | 36 | 25,634 |
| Cash collateral and settlement balances | — | 17,125 | — | — | — | — | — | — | — | — | 17,125 |
| Repurchase agreements and other similar secured borrowing | — | 679 | — | — | — | 2,372 | 545 | — | — | — | 3,596 |
| Debt securities in issue | — | 224 | 681 | 766 | 226 | — | — | 800 | 700 | — | 3,397 |
| Subordinated liabilities | — | — | — | — | — | — | 125 | — | 2,346 | 700 | 3,171 |
| Trading portfolio liabilities | 10,286 | — | — | — | — | — | — | — | — | — | 10,286 |
| Financial liabilities designated at fair value | 2 | 7,827 | 751 | 597 | 304 | 1,121 | 461 | 733 | 969 | 1,078 | 13,843 |
| Derivative financial instruments | 33,517 | — | — | — | — | — | — | — | — | — | 33,517 |
| Other financial liabilities | 49 | 208 | 3 | 3 | 1 | 34 | 5 | 14 | 12 | 12 | 341 |
| **Total financial liabilities** | 56,655 | 35,985 | 2,718 | 1,603 | 1,127 | 3,549 | 1,141 | 1,798 | 4,508 | 1,826 | 110,910 |
| **Other liabilities** | | | | | | | | | | | 303 |
| **Total liabilities** | | | | | | | | | | | 111,213 |
| | | | | | | | | | | | |
| **Cumulative liquidity gap** | 10,901 | 5,243 | 3,921 | 3,787 | 5,009 | 3,892 | 4,231 | 6,749 | 4,502 | 5,686 | 5,899 |

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

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

# Treasury and Capital risk performance

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

The table below presents the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values).

The balances in the below table do not agree directly to the balances in the balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments.

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

| Contractual maturity of financial liabilities - undiscounted (audited) | On demand | Not more than three months | Over three months but not more than six months | Over six months but not more than one year | Over one year but not more than three years | Over three years but not more than five years | Over five years but not more than ten years | Over ten years | Total |
|---|---|---|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| **As at 31 December 2022** | | | | | | | | | |
| Deposits at amortised cost | 10,167 | 14,344 | 2,872 | 1,337 | 281 | 84 | 484 | 25 | 29,594 |
| Cash collateral and settlement balances | — | 24,712 | — | — | — | — | — | — | 24,712 |
| Repurchase agreements and other similar secured borrowing | — | 941 | — | 1,000 | 1,061 | — | — | — | 3,002 |
| Debt securities in issue | — | 400 | 760 | 492 | 897 | — | 898 | — | 3,447 |
| Subordinated liabilities | — | — | — | — | 1,624 | 2,178 | 1,994 | — | 5,796 |
| Trading portfolio liabilities | 12,872 | — | — | — | — | — | — | — | 12,872 |
| Financial liabilities designated at fair value | — | 9,243 | 174 | 971 | 2,481 | 778 | 970 | 1,705 | 16,322 |
| Derivative financial instruments | 32,493 | — | — | — | 1 | — | — | — | 32,494 |
| Other financial liabilities | 29 | 388 | 3 | 7 | 34 | 22 | 16 | 14 | 513 |
| **Total financial liabilities** | **55,561** | **50,028** | **3,809** | **3,807** | **6,379** | **3,062** | **4,362** | **1,744** | **128,752** |
| | | | | | | | | | |
| **As at 31 December 2021** | | | | | | | | | |
| Deposits at amortised cost | 12,801 | 9,922 | 1,281 | 831 | 28 | 251 | 483 | 36 | 25,633 |
| Cash collateral and settlement balances | — | 17,122 | — | — | — | — | — | — | 17,122 |
| Repurchase agreements and other similar secured borrowing | — | 679 | — | — | 2,917 | — | — | — | 3,596 |
| Debt securities in issue | — | 224 | 679 | 989 | — | 821 | 737 | — | 3,450 |
| Subordinated liabilities | — | — | — | — | 129 | — | 2,675 | 803 | 3,607 |
| Trading portfolio liabilities | 10,286 | — | — | — | — | — | — | — | 10,286 |
| Financial liabilities designated at fair value | 2 | 7,821 | 750 | 897 | 1,576 | 741 | 959 | 1,673 | 14,419 |
| Derivative financial instruments | 33,517 | — | — | — | — | — | — | — | 33,517 |
| Other financial liabilities | 49 | 208 | 3 | 7 | 42 | 13 | 15 | 14 | 351 |
| **Total financial liabilities** | 56,655 | 35,976 | 2,713 | 2,724 | 4,692 | 1,826 | 4,869 | 2,526 | 111,981 |

## Treasury and Capital risk performance

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

| | On demand | Not more than three months | Over three months but not more than six months | Over six months but not more than one year | Over one year but not more than three years | Over three years but not more than five years | Over five years but not more than ten years | Over ten years | Total |
|---|---|---|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| **As at 31 December 2022** | | | | | | | | | |
| Guarantees and letters of credit | **2,815** | — | — | — | — | — | — | — | **2,815** |
| Other contingent liabilities | **1,956** | — | — | — | — | — | — | — | **1,956** |
| Documentary credits | **69** | — | — | — | — | — | — | — | **69** |
| Commitments | **32,391** | — | — | — | — | — | — | — | **32,391** |
| **Total off-balance sheet** | **37,231** | — | — | — | — | — | — | — | **37,231** |
| | | | | | | | | | |
| **As at 31 December 2021** | | | | | | | | | |
| Guarantees and letters of credit | 2,519 | — | — | — | — | — | — | — | 2,519 |
| Other contingent liabilities | 1,540 | — | — | — | — | — | — | — | 1,540 |
| Documentary credits | 145 | — | — | — | — | — | — | — | 145 |
| Commitments | 27,280 | — | — | — | — | — | — | — | 27,280 |
| **Total off-balance sheet** | 31,484 | — | — | — | — | — | — | — | 31,484 |

# Treasury and Capital risk performance

## Capital risk

### Overview

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

The disclosures below provide key capital metrics for the Bank.

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

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

The current IFRS 9 transitional arrangements consider, in 2022, a 75% relief applicable to increases in stage 1 and stage 2 provisions from 1 January 2020 throughout 2020 and 2021, which will be reduced to 50% in 2023 and 25% in 2024, with no relief applied from 2025. The phasing out of transitional relief on the "day 1" impact of IFRS 9 as well as increases in stage 1 and stage 2 provisions between 1 January 2018 and 31 December 2019 under the modified calculation includes 25% relief for 2022, with no relief applied from 2023.

On 28 June 2022, the ECB granted permission for the Bank to use the Internal Model Method ('IMM') for calculating own funds requirements for counterparty credit risk. Since 1 July 2022, the Bank reported all its Credit RWAs within the Standardised approach as required by the ECB.

As at 31 December 2022, the Bank's CET1 ratio is 16.7%, which is above its minimum regulatory requirements (audited).

| Capital ratios[a,b] | | |
|---|---|---|
| **As at 31 December** | 2022 | 2021 |
| CET1 | **16.7%** | 16.1% |
| Tier 1 ('T1') | **19.0%** | 18.6% |
| **Total regulatory capital** | **22.4%** | 21.4% |

| Capital resources[b] | | |
|---|---|---|
| | 2022 | 2021 |
| **As at 31 December** | €m | €m |
| CET1 capital | **5,887** | 5,182 |
| T1 capital | **6,692** | 5,987 |
| Total regulatory capital | **7,887** | 6,867 |
| | | |
| **Total risk weighted assets ('RWAs')[a]** | **35,216** | 32,120 |

| Capital Requirements Regulation ('CRR') leverage ratio[c] | | |
|---|---|---|
| | 2022 | 2021 |
| **As at 31 December** | €m | €m |
| CRR leverage ratio[b] | **5.8%** | 6.6% |
| T1 capital[b] | **6,605** | 5,935 |
| CRR leverage exposure | **114,321** | 89,957 |

Notes
a Capital, RWAs and leverage are calculated applying the IFRS 9 arrangements of CRR as amended by CRR II applicable as at the reporting date.
b The Bank is now reporting its CET1 and associated ratios inclusive of certain reserves, which amount to €189.5m, eligible as core equity under CRR2. The 31 December 2021 capital and leverage ratios above have been restated accordingly.
c The Bank has availed of the option, under the CRR, to measure its T1 capital for its leverage ratio on a fully phased basis.

# Treasury and Capital risk performance

## Foreign exchange risk (audited)

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

Bank risk management policies prevent the holding of significant open positions in foreign currencies outside the Bank's trading portfolio, which is monitored through VaR. (See Market risk review on page 97).

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

# Risk review

## Operational Risk performance

All disclosures in this section are unaudited unless otherwise stated.

### Overview

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

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

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

This section provides an analysis of BBI's operational risk profile, including events above BBI's reportable threshold, which have had a financial impact in 2022. BBI's operational risk profile is informed by bottom-up risk assessments undertaken by each business unit and top-down qualitative review for each risk type. Fraud, Transaction Operations, Information Security and Technology continue to be highlighted as key operational risk exposures.

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

### Summary of performance in the period

During 2022, total operational risk losses[a] increased to €3.30m (2021: €2.00m) and the number of recorded events for 2022 increased to 28 (2021: 13). The total operational risk losses for the year were mainly driven by events falling within the Execution, Delivery and Process Management Basel Event Type category, which tend to be high volume but low impact events.

### Key metrics

**61%**

of the Bank's net reportable operational risk events had a loss of €50,000 or less

**82%**

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

**98%**

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

Note

a The data disclosed includes operational risk losses for reportable events having impact of > €11,284 (€10,000 - the financial impact threshold defined in the Barclays Operational Risk Events Policy above which it is required for a risk event to be raised in the operational risk system of record) and excludes events that are conduct or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Due to the nature of risk events that keep evolving, prior year losses have been updated.

### Operational risk profile

Within operational risk, a high proportion of risk events have a low financial cost whilst a very small proportion of operational risk events will have a material impact on the financial results of the Bank. During 2022, 61% (2021: 46%) of the Bank's reportable operational risk events by volume had a value of less than €50,000, although this type of event accounted for only 12% (2021: 11%) of the Bank's total net operational risk losses.

# Operational Risk performance

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

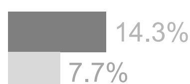
## Operational risk events by Basel event category[a,b]

### % of total risk events by count

**Internal Fraud**

2022 0.0%
2021 0.0%

**External Fraud**




**Execution, Delivery & Process Management**

**Employment Practices and Workplace Safety**

0.0%
0.0%

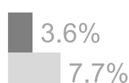
**Damage to Physical Assets**

0.0%
0.0%

**Clients Products and Business Practices**

0.0%
0.0%

**Business Disruption and System Failures**

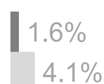



### % of total risk events by value

**Internal Fraud**

2022 0.0%
2021 0.0%

**External Fraud**




**Execution, Delivery & Process Management**

**Employment Practices and Workplace Safety**

0.0%
0.0%

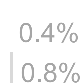
**Damage to Physical Assets**

0.0%
0.0%

**Clients Products and Business Practices**

0.0%
0.0%

**Business Disruption and System Failures**




**Key:** Latest Year | Prior Year

Notes

a The data disclosed includes operational risk losses for reportable events having impact of > €11,284 (£10,000 - the financial impact threshold defined in Barclays Operational Risk Events Policy above which it is required for a risk event to be raised in the operational risk system of record) and excludes events that are conduct or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Due to the nature of risk events that keep evolving, prior year losses have been updated.

b Losses are recorded in GBP and converted for reporting here in EUR at an FX rate 1.1284.

- Execution, Delivery and Process Management impacts for 2022 amounted to €3.23m (2021: €1.91m) and accounted for 98% (2021: 95%) of overall operational risk losses. Volume of events increased to 23 (2021: 11) accounting for 82% of total events (2021: 85%). The events in this category are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis.

## Operational Risk performance

- The volume of External Fraud events as a percentage of total volume of events has increased (1 of 13 events in 2021 vs 4 of 28 events in 2022), albeit remains low. Impacts from External Fraud events as a percentage of total impacts have fallen (€0.08m of €2.00m in 2021 vs €0.05m of €3.30m in 2022) and in absolute € terms continue to be very low.

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

Operational Resilience remains a key area of focus for BBI, having been reinforced in recent years due to potential operational disruption from the COVID-19 pandemic. BBI continues to strengthen its resilience approach across its most important business services to improve recoverability and assurance thereof by reviewing scenarios based on current global climates.

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

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

# Risk performance

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

### Model risk
Barclays is committed to continuously improving model risk management and made a number of enhancements in 2022, including:

- revised the operating model for model risk management within BBI. This strengthens both oversight of the first- and second-line supports provided to the Bank from Barclays and governance of model risk within BBI
- upgraded model risk standards to improve readability, consistency and framework cohesiveness
- refreshed the model risk controls suite, providing additional clarity on several controls and ensuring evidentiary requirements are aligned to MRM's business as usual ('BAU') processes
- enhanced the Group Model Risk Appetite Statement, incorporating model quality and uncertainty around a model's output
- strengthened validation practices through expansion of model-level validation procedures, implementation of an on-going validation training program and embedment of a validation quality assurance process
- executed on hiring strategy by expanding the Group's model risk team to support a wider range of model validation demand and newly emerging model risks

### Conduct risk
The Bank is committed to continuing to drive the right culture throughout all levels of the organisation. The Bank will continue to enhance effective management of conduct risk, and appropriately consider the relevant tools, governance and management information in decision-making processes. Focus on management of conduct risk is ongoing and alongside other relevant business and control management information, the Bank's conduct risk dashboard is a key component of this.

The Bank continues to review the role and impact of conduct risk events and issues in remuneration decisions at both the individual and business level.

Throughout 2022, the Bank maintained focus on new and heightened inherent conduct risks including those relating to the cost of living crisis and continues to monitor these on an ongoing basis.

Businesses have continued to assess the potential customer, client and market impacts of strategic change. As part of the 2022 medium-term planning process material conduct risks associated with strategic and financial plans were assessed.

Throughout 2022, conduct risks were raised for consideration by relevant Board level Committees. These Committees reviewed the risks raised and assessed whether management's proposed actions were appropriate to mitigate the risks effectively.

The Bank's Board Risk Committees and senior management received conduct risk dashboards setting out key indicators in relation to conduct risk. These continue to be evolved and enhanced to allow effective oversight and decision-making. Work is ongoing to enhance the Conduct Risk Control Environment in a timely and effective manner to ensure the Bank operates within Risk Appetite. The tolerance adherence is assessed by the business through key indicators and reported to the Bank's Board Risk Committee as part of the conduct risk dashboard governance process.

The Bank remains focused on the continuous improvements being made to manage risk effectively with an emphasis on enhancing governance and management information to identify risk at earlier stages.

### Reputation risk
The Bank is committed to identifying reputation risks and issues as early as possible and managing them appropriately. Throughout 2022, reputation risks and issues were overseen by the BBI Conduct and Reputational Risk Committee, a subcommittee of the BBI Executive Committee, which is dedicated to providing executive oversight of conduct and reputation risk within BBI. The top live and emerging reputation risks and issues within the Bank (and impacting BBI) are included within an overarching quarterly report which is prepared for the Bank's ExCo and reviewed by the BBI Board.

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

### Legal risk
The Bank remains committed to continuous improvements in managing legal risk effectively. At the end of 2022, enhancements were made to the Barclays Group-wide legal risk management framework primarily relating to the Legal Function's responsibility for the identification of legal risks and the escalation of legal risk as necessary.

Other improvements during 2022 included a review and update of the established supporting legal risk policies, standards and mandatory training, reinforced by ongoing engagement with and education of the Barclays Group's businesses and functions by Legal function colleagues. Legal risk tolerances and legal risk appetite have also been reviewed.

Tolerances adherence is assessed through key indicators, which are also used to evaluate the legal risk profile and are reviewed, at least annually, through the relevant risk and control committees. Mandatory controls to manage legal risks are set out in the legal risk standards and are subject to ongoing monitoring. The changes to the legal risk management framework referred to above are intended to provide continuing improvements to the effectiveness of the legal risk control environment as they are implemented through 2023.

# Supervision and regulation

**Supervision of the Bank**

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

The Bank is headquartered in Dublin, Ireland, and conducts business primarily across the EU and EEA. Although regulatory developments globally impact the Barclays Group, it is EU regulatory developments which impact the Bank directly as it is licensed within the EU.

**Supervision in the EU**

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

In July 2022, the Bank completed an ECB Comprehensive Assessment ('CA') comprising an asset quality review and stress test. The CA represents the entrance exam to supervision by the ECB's SSM, which the Bank entered in 2019. The ECB determined on the basis of the CA that the Bank did not need any additional capital. The ECB also factors the outcome and any findings of the CA into the ongoing assessment of banks' risks, their governance arrangements and their capital and liquidity situation as part of the Supervisory Review and Evaluation Process ('SREP').

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

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

The Bank has also been designated by the CBI as an 'Other Systemically Important Institution' ('O-SII') by the CBI since 2 December 2019 as it has been identified by the CBI, in its role as national macro prudential authority, as being systemically important to the domestic Irish economy or the European economy. As a result, the Bank is required by the CBI to hold an O-SII capital buffer.

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

The Barclays Group provides the majority of its cross-border banking and investment services to EEA clients via Barclays Bank Ireland PLC. Additionally, in certain EEA Member States, BB PLC and BCSL have cross-border licences to enable them to continue to conduct a limited range of activities, including accessing EEA trading venues and interdealer trading. BBPLC also has a Paris branch (to facilitate access to Target2 and any replacement systems thereof), which is regulated by the Autorité de contrôle prudentiel et de résolution ('ACPR').

**Financial regulatory framework**

**a) Prudential regulation**

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

O-SIIs, such as the Bank, are subject to a number of additional prudential requirements, including the requirement to hold additional capital buffers above the level required by Basel III standards. The level of the O-SII buffer is set by the CBI according to a bank's systemic importance and can range from 1% to 3.5% of RWAs. The O-SII buffer must be met with Common Equity Tier 1 ('CET1') capital. In November 2022, the CBI published an update to its list of O-SIIs, reconfirming a 0.5% O-SII buffer that applied from 1 July 2020, with an increase to 0.75% from 1 July 2021 and a further increase to 1.0% from 1 January 2022. The 2022 assessment of O-SIIs did not result in any change to O-SII buffer rates.

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

Firms are required to hold additional capital to cover risks which the SSM assesses are not fully captured by the Pillar 1 capital requirement. The SSM sets this additional capital requirement ('Pillar 2R') at least annually. Pillar 2R for BBI is 3.04% of RWAs.

# Supervision and regulation

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

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

The BCBS's finalisation of 'Basel III – post-crisis regulatory reforms' in December 2017, among other things, eliminated model-based approaches for certain categories of risk-weighted assets ('RWAs'), revised the standardised approach's risk weights for a variety of exposure categories, replaced the four current approaches for operational risk (including the advanced measurement approach) with a single standardised measurement approach and established 72.5% of standardised approach RWAs for exposure categories as a floor for RWAs calculated under advanced approaches (referred to as the 'output floor'). On 27 October 2021, the EU Commission published the Banking Package 2021 including a proposal for the CRR III regulation ('CRR III') whereby the final Basel III reforms will be implemented. The majority of the final Basel III changes are due to be implemented from 1 January 2025. The output floor will be applied only with a five-year phase-in period. CRR III has also introduced a number of amendments to Market Risk to align the calculation of own funds requirements in line with the revised FRTB (Fundamental Review of Trading Book) Standards.

*Stress testing*
The Bank is subject to supervisory stress testing exercises, designed to assess the resilience of banks to adverse economic or financial assumptions and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on such elements as data provision, stress testing capability including model risk management and Internal Management processes and controls. An emerging development is the introduction of climate and environmental risk related stress tests by supervisory authorities including the ECB.

**b) Recovery and Resolution**

*Stabilisation and resolution framework*
The 2014 Bank Recovery and Resolution Directive ('BRRD') established a framework for the recovery and resolution of EU credit institutions and investment firms. The European Union (Bank Recovery and Resolution) Regulations 2015 (S.I. No 289 of 2015) came into effect on 15 July 2015 (with the exception of the bail-in tool which came into effect on 1 January 2016) and transposed the BRRD into Irish law. Amendments to the BRRD by Directive (EU) 2019/879 ('BRRD II') were made via the finalisation of the EU Risk Reduction Measures. BRRD II was transposed into national law in Ireland by way of the European Union (Bank Recovery and Resolution) (Amendment) Regulations 2020 (S.I. No. 713/2020) and came into operation on 28 December 2020.

The BRRD laid the foundation for the one of the pillars of Banking Union, the Regulation (EU) No 806/2014, the Single Resolution Mechanism Regulation ('SRMR'). The SRMR established the single resolution mechanism, which is comprised of the Single Resolution Board ('SRB') and the National Resolution Authorities of participating countries (for the Bank, this is the CBI). The purpose of the SRMR is to ensure an orderly resolution of failing banks with minimal costs for taxpayers and to the real economy.

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

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

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

In addition, the Bank became subject to MREL requirements set by the Single Resolution Board ('SRB') from 1 January 2022. This has been initially introduced as an intermediate requirement in 2022 and phase in to an end state requirement by 1 January 2024. This MREL requirement will be set in line with the SRB's MREL policy. The SRB MREL policy does not currently envisage the application of any scalar to a subsidiary's MREL requirement.

*Single Resolution Fund*
In accordance with the SRMR, the SRB calculates the ex-ante contributions to the Single Resolution Fund ('SRF') on an annual basis. The SRB performs the calculation on the basis of the Council Implementing Regulation (EU) 2015/81 and Commission Delegated Regulation (EU) 2015/63. The Bank is subject to the SRF.

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

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

**c) Market infrastructure regulation**

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

In particular, the Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as 'MiFID II') have affected many of the markets in which the Bank and the Barclays Group operate, the instruments in which it trades and the way it transacts with market counterparties and other customers. MiFID II is currently undergoing a review process in both the EU and the UK including as part of the EU's ongoing focus on the development of a stronger Capital Markets Union and the UK's Wholesale Markets Review.

*Regulation on benchmarks*
The EU and UK Benchmarks Regulation apply to the administration, contribution and use of benchmarks within the EU and the UK, respectively. Financial institutions within the EU or the UK, as applicable, are prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU or the UK, respectively. The FCA has also been working to phase out use of LIBOR, with GBP LIBOR ceasing to be published in its original form from the end of 2021 and synthetic versions of GBP LIBOR being made available only for a limited period of time. Similarly, USD LIBOR will cease to be published in its current form in June 2023 and other LIBOR and IBOR rates are also being wound down. Global regulators in conjunction with the industry have developed and are continuing to develop alternative benchmarks and risk-free rate fallback arrangements, including updates to existing, as well as new, applicable legislation.

*Regulation of the derivatives market*
The European Market Infrastructure Regulation ('EMIR') has introduced requirements designed to improve transparency and reduce the risks associated with the derivatives market. EMIR has operational and financial impacts on the Bank and Barclays Group, including by imposing new collateral requirements on a broader range of market participants with effect from 2022. Access to the clearing services of certain Central Clearing Counterparties (CCPs) used by the Bank and Barclays Bank Group entities is currently permitted under temporary equivalence and recognition regimes and decisions in the UK and EU. If not extended or made permanent, the EU's equivalence decision for UK Central Clearing Counterparties (CCPs), and exemption for certain intragroup transactions from the EMIR derivatives clearing and margin obligations, both due to expire at the end of June 2025, could also have operational and financial impacts on the Barclays Bank Group, as could the removal of temporary recognition of non-UK CCPs by the UK. EMIR is currently undergoing a review process in the EU which may result in changes to the intragroup transactions exemption, potentially making it easier to rely on. However, the review is in its very early stages so it is not yet certain what changes may result from it.

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

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

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

the CFTC as a swap dealer and is subject to CFTC oversight. The Bank is now also subject to regulation by the Federal Reserve Board ('FRB') for swap dealer capital and margin requirements.

Accordingly, the Bank is subject to CFTC rules on business conduct, record-keeping and reporting and to FRB rules on capital and margin. The CFTC has approved certain comparability determinations that permit substituted compliance with non-US regulatory regimes for certain swap regulations. Substituted compliance is a recognition program whereby compliance with a comparable regulatory requirement of a foreign jurisdiction is deemed to serve as a substitute for compliance with comparable requirements of the U.S. Commodity Exchange Act and the CFTC's regulations. Substituted compliance has been granted only in respect of certain requirements promulgated by regulatory authorities in certain identified jurisdictions that the CFTC believes are sufficiently comparable to its own requirements. Substituted compliance was granted in respect of certain European Union requirements in December 2013. Barclays Bank Ireland PLC rely upon the CFTC's grant of substituted compliance as a means to comply with certain swap dealer requirements.

The rules of the CFTC are roughly divided into "transaction-level rules" and "entity-level rules". Transaction-level rules apply only in circumstances in which at least one of the parties to the swap transaction has sufficient nexus to the United States. Entity-level rules apply to swap dealers across all their swap without distinction as to the counterparty or location of the transaction.

*Regulation on securities financing transactions*
To the extent that the Bank transacts applicable securities financing transactions (including but not limited to securities lending and repurchase agreements (repos)), it is subject to the reporting and other obligations of Regulation (EU) 2015/2365, the Securities Financing Transactions Regulation ('SFTR'). The Bank is reviewing its business model in line with the ECB's ongoing cross industry desk mapping review exercise.

**d) EU Benchmarks Regulation**

The EU Benchmarks Regulation applies to the administration, contribution and use of benchmarks within the EU. Financial institutions within the EU are prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU, pursuant to the EU and UK Benchmarks Regulation.

Global regulators and central banks in the UK, US and EU have been driving international efforts to reform key benchmark interest rates and indices, such as the London Interbank Offered Rate ('LIBOR'), which are used to determine the amounts payable under a wide range of transactions and make them more reliable and robust. These benchmark reforms have resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative risk-free reference rates ('RFRs'), the discontinuation of certain reference rates (including LIBOR), and the introduction of implementing legislation and regulations. Specifically, certain non-US dollar LIBOR tenors either ceased or became permanently unrepresentative at the end of 2021. Furthermore, certain US dollar LIBOR tenors are to cease by the end of June 2023, and restrictions have been imposed on new use of US dollar LIBOR.

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

**e) Other regulation**

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

*Data protection and PSD2*
Most countries where the Bank operates have comprehensive laws governing the collection and use of personal information, and across Barclays, the privacy and security of personal information is respected. We recognise that privacy laws reflect internationally acknowledged human rights values and regard sound privacy practice as a key element of good corporate governance and accountability. Through our Data Privacy Statements we inform individuals about our collection and use of their personal information and all Barclays businesses and functions are required to comply with a Group–wide Data Privacy Standard.

The EU's General Data Protection Regulation ('GDPR') created a broadly harmonised privacy regime across EU member states, introducing breach notification obligations, enhanced individual rights, a need to provide information on processing activities and openly demonstrate compliance, and significant penalties for infringements. The GDPR has become the global benchmark as countries around the world either usher in or contemplate similar data privacy laws, or align their existing legislation. The extraterritorial effect of the GDPR means entities established outside the EU may fall within the Regulation's ambit when offering goods or services to European based customers or clients. Following the UK's withdrawal from the EU, the UK continues to apply the GDPR as transcribed into UK law. In 2021 the European Commission granted the UK an adequacy decision for four years and the UK government stated transfers of data from the UK to the EU are permitted, which allows data transfers between the UK and EU to continue without further compliance steps. Following the 'Schrems II' judgement by the Court of Justice of the EU in July 2020 Barclays, like all data controllers, must assess all data transfers to third countries to determine whether personal data in that country will receive an equivalent level of protection to that of the GDPR. If not, the data controller must implement appropriate supplemental measures, which can be based on the guidelines published by the European Data Protection Board, to achieve an equivalent level of protection. In 2022 Barclays implemented a new Data Transfer impact Assessment procedure, relevant safeguards and executed new Standard Contractual Clauses where required.

## Supervision and regulation

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

*Cyber security and operational resilience*
Regulators in the EU continue to focus on cyber security risk management, organisational operational resilience and overall soundness across all financial services firms, with customer and market expectations of continuous access to financial services at an all-time high. This is evidenced by the publication of a number of proposed laws and changes to regulatory frameworks. The European Union's Digital Operational Resilience Act ('DORA') was adopted in January 2023 and will apply in early 2025 (after a two-year implementation period), introducing comprehensive and sector specific regulation on Information Communication Technologies (ICT) risk management, ICT incident reporting, testing and third party risk management, and providing for direct oversight by the European Supervisory Authorities (the EBA, ESMA and EIOPA) of critical third party providers servicing the EU financial services sector. The existing and anticipated requirements for increased controls will serve to improve industry standardisation and resilience capabilities, enhancing our ability to deliver services during periods of potential disruption. Such measures are likely to result in increased technology and compliance costs for the Bank.

Additionally, the EU has adopted a new Directive on measures for a high common level of cybersecurity across the EU ('NIS 2'), which requires Member States to adopt transposing measures by 18 October 2024. NIS 2 will make new categories of entities subject to cybersecurity rules including entities in the banking sector and will require in scope entities to implement technical and organizational measure to manage risk in respect of network and information systems.

*Regulatory initiatives on ESG-related disclosures*
The EU Regulation on Sustainability-Related Disclosures introduces disclosure obligations requiring financial institutions to explain how they integrate environmental, social and governance factors in their investment decisions for certain financial products. In addition, the EU Taxonomy Regulation provides for a general framework for the development of an EU-wide classification system for environmentally sustainable economic activities. The EU Corporate Sustainability Reporting Directive will introduce sustainability related reporting obligations for various entities including EU banks and certain listed companies, with reporting to commence on a phased basis from the financial year 2024. Draft sustainability reporting standards are being developed by the European Financial Reporting Advisory Group. The EU has also proposed a Directive on Corporate Sustainability Due Diligence which, if adopted, would require EU firms, including financial institutions, to carry out due diligence on companies in their value chain and identify and prevent, bring to an end or mitigate the impact of their activities on human rights and the environment.

From June 2022, the CRR requires certain large financial institutions to disclose information on environmental, social and governance risks, including physical risks and transition risks.

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

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

As of the date of this report, Ireland has transposed all of the provisions of MLD5 (as MLD5 was fully transposed in Ireland when the European Union (Anti-Money Laundering: Central Mechanism for Information on Safe-Deposit Boxes and Bank and Payment Accounts) Regulations 2022 were signed into law).

6th EU AML Directive ('MLD6'):
MLD6, came into effect on 3 December 2020 and individual Member States were required to implement it by 3 June 2021. MLD6 aims to: (i) toughen criminal penalties; (ii) expand the scope of the existing legislation to better fight against money laundering and the financing of terrorism; and (iii) harmonise the criminal laws relating to predicate money laundering offences across the EU. Although it is essentially a piece of criminal legislation and is not specifically targeted at financial institutions, its transposition across the EU has been monitored for any potential impacts on BBI (Note: Ireland opted out of transposing MLD6 under a separate EU protocol).

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

The UK Bribery Act 2010 introduced a new form of corporate criminal liability focused broadly on a company's failure to prevent bribery on its behalf. The Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent the facilitation of UK and

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

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

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

**Opinion**

We have audited the financial statements of Barclays Bank Ireland PLC ('the Company') and its consolidated undertakings ('the Group') for the year ended 31 December 2022 set out on pages 129 to 197, contained within the reporting package bbi-2022-12-31-en.zip, which comprise the consolidated and company income statement, consolidated and company statement of comprehensive income, consolidated and company balance sheet, consolidated and company statement of changes in equity, consolidated and company cash flow statement and related notes, including the summary of significant accounting policies set out in note 1.

The financial reporting framework that has been applied in their preparation is Irish Law, including the Commission Delegated Regulation 2019/815 regarding the single electronic reporting format ('ESEF') and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2022 and of the Group's and Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Board Audit Committee.

We were appointed as auditor by the directors on 24 April 2017. The period of total uninterrupted engagement is for the six years ended December 31, 2022. We have fulfilled our ethical responsibilities under, and we remained independent of the Group 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.

***Conclusions relating to going concern***

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

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

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

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

**Detecting irregularities including fraud**

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included:

– Inquiring of the Board Audit Committee and senior management as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
– Inquiring of the Board Audit Committee, internal audit and senior management and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
– Inquiring of the Board Audit Committee regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
– Inspecting the Group's significant regulatory and legal correspondences.
– Reading Board, Board Audit Committee and other Board Committees meeting minutes.
– Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team. This included communication from the group to component audit teams of relevant laws and regulations and any fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: specific aspects of regulatory capital and liquidity, other banking laws and regulations, customer conduct rules, money laundering, sanctions list and financial crime, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the Board Audit Committee and senior management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected material non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. We identified fraud risks in relation to the Group's impairment allowances on loans and advances at amortised cost, including off-balance sheet elements (material qualitative adjustments and identification of stage 3 wholesale loans), valuation of financial instruments held at fair value (unobservable pricing inputs into Level 3, existence and accuracy of unconfirmed OTC bi-lateral derivatives and transfer pricing income arising from Platform Fee methodology recognised as Net fee and commission income (Service fees from affiliates).

Further details in respect of impairment allowances on loans and advances at amortised cost, including off-balance sheet elements, valuation of financial instruments held at fair value, existence and accuracy of unconfirmed OTC bi-lateral trades and completeness, existence and accuracy of transfer pricing income included under net fee and commission income are set out in the key audit matter disclosures in this report.

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation.
- Evaluating the business purpose of significant unusual transactions.
- Assessing significant accounting estimates for bias.
- Assessing the disclosures in the financial statements.

As the Company is regulated, our assessment of risks involved obtaining an understanding of the legal and regulatory framework that the Group operates and gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

**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.

During the year, a new Platform Fee transfer pricing methodology was implemented. Given the judgements involved in determining the arm's length pricing of this methodology and the material effects of this arrangement on profit or loss, we have identified transfer pricing as a new key audit matter for the year ended 31 December 2022.

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

| *Key audit matter* | | *How our audit addressed the key audit matter* |
|---|---|---|
| **Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements**<br><br>31 December 2022: €587m 31 December 2021: €477m<br><br>Refer to note 8 (accounting policy) and Risk review pages 59 to 96 (financial disclosures) | **Subjective estimate**<br>The estimation of expected credit losses ("ECL") on financial instruments, involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's estimation of ECLs are:<br>• Model estimations;<br>• Appropriateness of economic scenarios; and<br>• Material qualitative adjustments.<br><br>*Model estimations*<br>Inherently judgemental modelling and assumptions are used to estimate ECL which involves determining Probabilities of Default ("PD"), Probabilities of Survival ("PS"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). ECLs may be inappropriate if certain models or underlying assumptions do not accurately predict defaults or recoveries over time, become out of line with wider industry experience, or fail to reflect the credit risk of financial assets. As a result, certain IFRS 9 models and model assumptions are the key drivers of complexity and uncertainty in the Group's calculation of the ECL estimate.<br><br>*Economic scenarios*<br>Economic scenarios have a direct impact on the proportion of loans in stage 2 and the resultant ECL. Significant management judgement is applied to the determination of the economic scenarios and the weightings applied to them especially when considering the continued uncertain economic environment. | Our procedures included:<br><br>**Risk assessment:**<br>We performed granular and detailed risk assessment procedures over the entirety of the loan and advances at amortised cost including off-balance sheet elements within the Group's financial statements. As part of these risk assessment procedures, we identified which portfolios are associated with a risk of material misstatement including those arising from significant judgements over the estimation of ECL either due to inputs, methods or assumptions.<br><br>**Controls testing:**<br>We performed end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant manual, general IT and application controls over key systems used in the ECL process.<br><br>Key aspects of our controls testing involved evaluating the design and implementation and testing the operating effectiveness of the key controls over the:<br>– completeness and accuracy of the key inputs into the IFRS 9 impairment models;<br>– application of the staging criteria;<br>– model validation, implementation and monitoring;<br>– authorisation and calculation of post-model adjustments and management overlays;<br>– selection and implementation of economic variables and the controls over the economic scenario selection and probabilities; and<br>– calculation, review and approval of individually assessed impairments.<br><br>**Our testing of financial risk models:** We involved our own financial risk modelling specialists who assisted in the following:<br>– evaluating the Group's IFRS 9 impairment methodologies;<br>– inspecting model code for the calculation of certain components of the ECL model to assess its consistency with the Group's model methodology;<br>– evaluating for a selection of models which were changed or updated during the year as to whether the changes (including the updated model code) were appropriate by assessing the updated model methodology against the applicable accounting standard;<br>– reperforming the calculation of certain adjustments to assess consistency with the qualitative adjustment methodologies;<br>– assessing and reperforming for a selection of models, the reasonableness of the model predictions by comparing them against actual results and evaluating the resulting differences.<br>– evaluating the model output for a selection of models by inspecting the corresponding model functionality and independently implementing the model by rebuilding the model code and comparing our independent output with management's output; and<br>– independently recalculating a selection of model assumptions using more recent data for certain portfolios. This is used to develop a range for ECL which is compared to management's point estimate. |

<table>
<tr><th colspan="2">Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td></td><td>Material qualitative adjustments<br>Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends as well as risks not captured by models. Post-model adjustments (PMAs) represent approximately 6.5% net of the ECL, excluding model monitoring PMAs. These adjustments are inherently uncertain and significant management judgement is involved in estimating certain post model adjustments ("PMA's") and management overlays.<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers including off balance sheet elements has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The credit risk sections of the financial statements (pages 59 to 96) disclose the sensitivities estimated by the Group.<br><br>Disclosure quality<br><br>The disclosures regarding the Group's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results.</td><td>Economic scenarios: We involved our own economic specialists to assist us in assessing:<br>– assessing the reasonableness of the Group's methodology and models for determining the economic scenarios used and the probability weightings applied to them;<br>– reperforming the calculation of the probability weightings applied to economic scenarios and deriving an independent estimate of the scenario weightings using EU GDP and inflation variables;<br>– assessing key economic variables which included comparing key economic variables to external sources;<br>– assessing the overall reasonableness of the economic forecasts by comparing the Group's forecasts to market consensus, where available, or to our own modelled forecasts; and<br>– assessing the reasonableness of the Group's qualitative adjustments by challenging key economic assumptions applied in their calculation using external sources.<br><br>Tests of detail: Key other aspects of our substantive testing in addition to those set out above involved:<br>– Sample testing over key inputs into ECL calculations to supporting documentation and market data, where available; and<br>– Selecting a sample of post model adjustments, considering the size and complexity of management overlays, in order to assess the reasonableness of the adjustments by challenging judgements made in the adjustments to the model outputs, inspecting the calculation methodology and tracing a sample of the data used back to source documentation.<br>– Selecting a sample of credit reviews in order to assess the reasonableness of customer risk ratings by challenging key judgements and considering disconfirming contradictory evidence.<br><br>Assessing transparency: We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. As a part of this, we assessed the sensitivity analysis disclosures. In addition, we assessed whether the disclosure of the key judgements and assumptions was sufficiently clear.<br><br>Our results:<br>We found the significant judgements used by management in determining the ECL charge, provision recognised and the related disclosures, application of PMAs and use of economic scenarios to be reasonable.</td></tr>
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<table>
<tr><th colspan="2">Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of financial instruments held at fair value – unobservable and complex pricing inputs<br><br>Level 2 instruments*:<br>31 December 2022: €63,941 million assets €58,335 million liabilities<br><br>31 December 2021: €56,276 million assets €56,815, million liabilities<br><br>Level 3 instruments: 31 December 2022: €893 million assets €478 million liabilities<br><br>31 December 2021: €535 million assets €58 million liabilities<br><br>* The key audit matter identified relates to one derivative portfolio within this balance, and XVA adjustments made to derivative valuations, both of which we considered to be harder to value.<br><br>Refer to note 15 (accounting policy and financial disclosures)</td><td>Subjective valuation<br><br>The fair value of the Group's financial instruments is determined through the application of valuation techniques which can involve the exercise of significant judgement by management in relation to the choice of the valuation models, pricing inputs and post-model pricing adjustments, including fair value adjustments (FVAs) and credit and funding adjustments (together referred to as XVAs).<br><br>Where significant pricing inputs are unobservable, management has limited reliable, relevant market data available in determining the fair value and hence estimation uncertainty can be high. These financial instruments are classified as Level 3, with management having controls in place over the boundary between Level 2 and 3 positions. Our significant audit risk is therefore primarily over significant Level 3 portfolios.<br><br>In addition, there may also be valuation complexity associated with Level 2 portfolios, specifically where valuation modelling techniques result in significant limitations or where there is greater uncertainty around the choice of an appropriate pricing methodology, and consequently more than one valuation methodology could be used for that product across the market. In the current year, we identified one portfolio of Level 2 derivatives which fell into this category (harder-to-value).<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the subjective estimates in fair value measurement of certain portfolios, and harder-to-value Level 2 portfolios have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 15) disclose the sensitivity estimated by the Group.<br><br>Disclosure quality<br><br>For the Level 3 portfolios, the disclosures are key to explaining the valuation techniques, key judgements, assumptions and material inputs.</td><td>Our procedures included:<br>Risk assessment: We performed granular and detailed risk assessment procedures throughout the audit period over the entirety of the balances within the Group's financial statements (i.e. all of the fair value financial instruments held by the Group). As part of these risk assessment procedures, we identified which portfolios and the associated valuation inputs have a risk of material misstatement including those arising from significant judgements over valuation either due to unobservable inputs or complex models.<br><br>Control testing: We attended management's valuation committee throughout the year and observed discussion and challenge over valuation themes including items related to the valuation of certain harder-to-value financial instruments recorded at fair value. We obtained an understanding and tested the design, implementation and operating effectiveness of key controls used in the valuations processes. We tested the design and operating effectiveness of key controls relating specifically to these portfolios. These included controls over:<br>– independent price verification ('IPV'), performed by a control function, of key market pricing inputs, including completeness of positions and valuation inputs subject to IPV, as well as controls over unobservable inputs which are not subject to price verification;<br>– FVAs, including exit adjustments (to mark the portfolio to bid or offer prices), model shortcoming reserves to address model limitations and XVAs;<br>– the validation, completeness, implementation and usage of significant valuation models. This included controls over assessment of model limitations and assumptions; and<br>– the assessment of the observability of a product and their unobservable inputs.<br><br>Independent re-performance: With the assistance of our own valuation specialists we:<br>– independently re-priced a selection of trades and challenged management on the valuations where they were outside our tolerance; and<br>– challenged the appropriateness of significant models and methodologies used in calculating fair values, risk exposures and in calculating FVAs, including comparison to industry practice.<br><br>Seeking contradictory evidence: For a selection of collateral disputes identified through management's control we challenged management's valuation where significant fair value differences were observable with the market participant on the other side of the trade. We also utilised collateral dispute data to identify fair value financial instruments with significant fair value differences against market counter parties and selected these to independently reprice.<br><br>Inspection of movements: We inspected trading revenue arising on Level 3 positions to assess whether material gains or losses generated were in line with the accounting standards.<br><br>Historical comparison: We performed a retrospective review by inspecting significant gains and losses on a selection of new fair value financial instruments, position exits, novations and restructurings throughout the audit period and evaluated whether these data points indicated elements of fair value not incorporated in the current valuation methodologies. We also inspected movements in unobservable inputs throughout the period to challenge whether any gain or loss generated was appropriate.<br><br>Assessing transparency: We assessed the adequacy of the Group's financial statements disclosures in the context of the relevant accounting standards.<br><br>Our results: We found the subjective assumptions made in respect of the fair value of Level 3 financial instruments and the modelling techniques associated with harder-to value Level 2 financial instruments to be reasonable.</td></tr>
</table>

| *Key audit matter* | | *How our audit addressed the key audit matter* |
|---|---|---|
| Transfer pricing income arising from Platform Fee methodology recognised as Net fee and commission income (Service fees from affiliates)<br><br>Refer to note 4 (accounting policy and financial disclosures) | The Group implemented a new Platform Fee transfer pricing arrangement ("Platform Fee") to compensate the Group for the benefits derived by other Barclays entities from managing market risk in respect of Markets-based transactions for EEA domiciled customers. Management judgement was applied in developing the model and methodology for the new arrangement. The impact of this revised arrangement was to recognise an additional €43m income within Fee and Commission Income.<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the Platform Fee has a high degree of judgement, both from an accounting perspective and also from a pricing perspective (with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole). Note 4 of the financial statements disclose the financial impact.<br><br>**Disclosure quality**<br><br>The disclosures regarding the Group's implementation of the platform fee are key to explaining the key judgement. | Our procedures included:<br><br>**Risk assessment:** We performed granular and detailed risk assessment procedures throughout the audit period over the platform fee. We performed end to end process walkthroughs to identify the key systems, applications and controls used in the platform fee process. We evaluated the design and implementation of key controls relating to:<br>- The review and approval of the model and methodology adopted by the Group;<br>- Management review and approval of the Platform Fee implementation and governance;<br>- The allocation of inputs into the Platform Fee transfer pricing model; and<br>- The review and approval of data hand-ins to ensure completeness and accuracy;<br><br>**Use of transfer pricing specialists**: We involved our own transfer pricing specialists to assist us in assessing the appropriateness of the Group's methodology relating to the Platform Fee by challenging the benchmarking applied by the Group.<br><br>**Tests of detail**: Key aspects of our testing in addition to those set out above involved:<br>- Assessing the appropriateness of the key inputs into the Platform Fee model including checks to validate there is no double counting of key inputs;<br>- Challenge of the appropriateness of the Platform Fee methodology in place to determine pricing including the judgements made and documentation prepared by Management with support from external experts, and considering the existence of alternative pricing approaches;<br>- Challenge of the appropriateness of the accounting treatment for the Platform Fee in accordance with IFRS 15 Revenue from Contracts with Customers including timing of initial recognition; and<br>- Independent recalculation of the Platform fee.<br><br>Assessing transparency: We challenged and assessed whether the disclosures appropriately disclose and were sufficiently clear in addressing the key judgement involved by Management when determining the platform fee.<br><br>**Our results:**<br><br>Using evidence obtained, we found the judgement used by management in determining the Platform Fee recognised during the year to be reasonable. |

<table>
<tr><th colspan="2">Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>User access management</td><td>User access management has a potential impact throughout the financial statements<br><br>Control Performance<br>Operations across several countries support a wide range of products and services resulting in a large and complex IT infrastructure. The financial reporting processes and related internal controls are highly dependent on this IT environment, both within Finance and the broader business and operations. User access management controls are an integral part of the IT environment to ensure both system access and changes made to systems and data are authorised and appropriate. Our audit approach relies on the effectiveness of IT access management controls.</td><td>Our procedures included:<br><br>Control testing: We tested the design, implementation and operating effectiveness of automated controls that support material balances in the financial statements. We also tested the design and operating effectiveness of the relevant preventative and detective general IT controls over user access management including:<br>– Authorising access rights for new joiners<br>– Timely removal of user access rights<br>– Logging and monitoring of user activities<br>– Privileged user access management and monitoring<br>– Developer access to transaction and balance information<br>– Segregation of duties; and<br>– Re-certification of user access rights.<br><br>Our audit procedures identified deficiencies in certain IT access controls for systems relevant to financial reporting. More specifically, control deficiencies were identified around monitoring of activities performed by privileged users on a small percentage of infrastructure components. Management has ongoing programmes to remediate the deficiencies. Since these deficiencies were open during the year, we performed additional procedures to respond to the risk of unauthorised changes to automated controls over financial reporting.<br><br>These procedures included conducting additional substantive procedures and where relevant, we determined whether compensating controls were effectively mitigating the identified deficiencies.<br><br>Our results:<br>Our testing did not identify unauthorised user activities relevant to financial reporting which would have required us to significantly expand the extent of our planned detailed testing.</td></tr>
</table>

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

***Materiality***

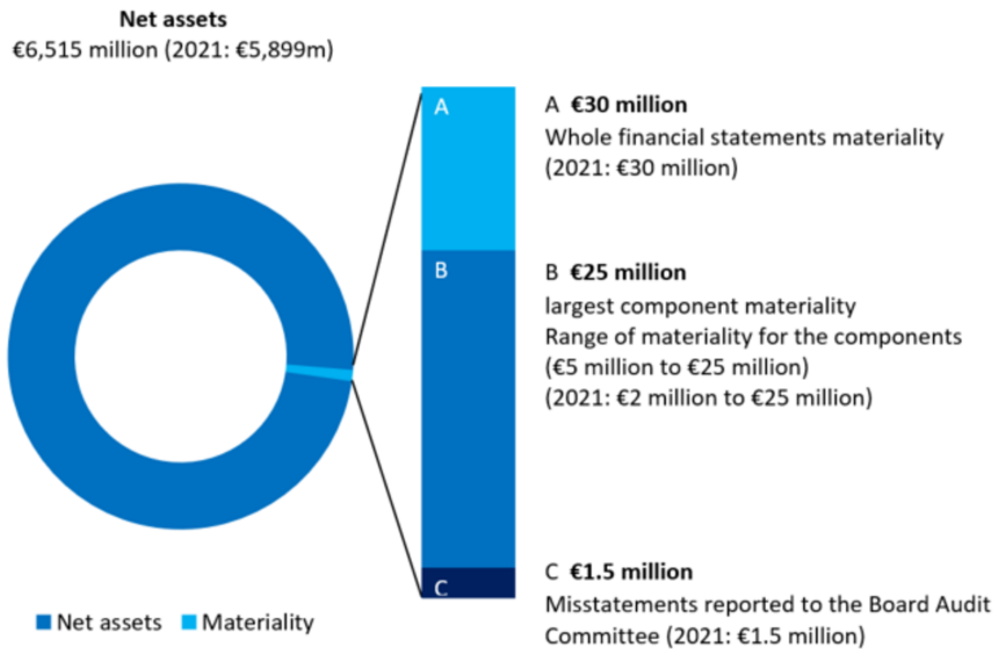
Materiality for the Group financial statements as a whole was set at €30m (2021: €30 million) determined with reference to a benchmark of net assets. This produced a benchmark of €6,515 million (2021: €5,899 million), to which we applied a percentage of 0.5% (2021: 0.7%) in determining materiality.

Materiality for the current year was determined in the aforementioned manner consistently with the prior year due to the continued volatility of the profit before tax of the Group in recent years until the current year. This is due to the expansion of the Group's European operations in the recent years and the effect of macroeconomic uncertainties. The balance sheet provides a fairer representation of the progress of the Group's expansion and we consider net assets to be the most appropriate benchmark as it provides a more stable measure year on year than profit before tax and is the metric we consider to most influence the decisions of users of the financial statements.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. In applying our judgement in determining performance materiality, we considered a number of factors including; the number and value of misstatements detected and the number and severity of deficiencies in control activities identified in the prior year financial statements audit.

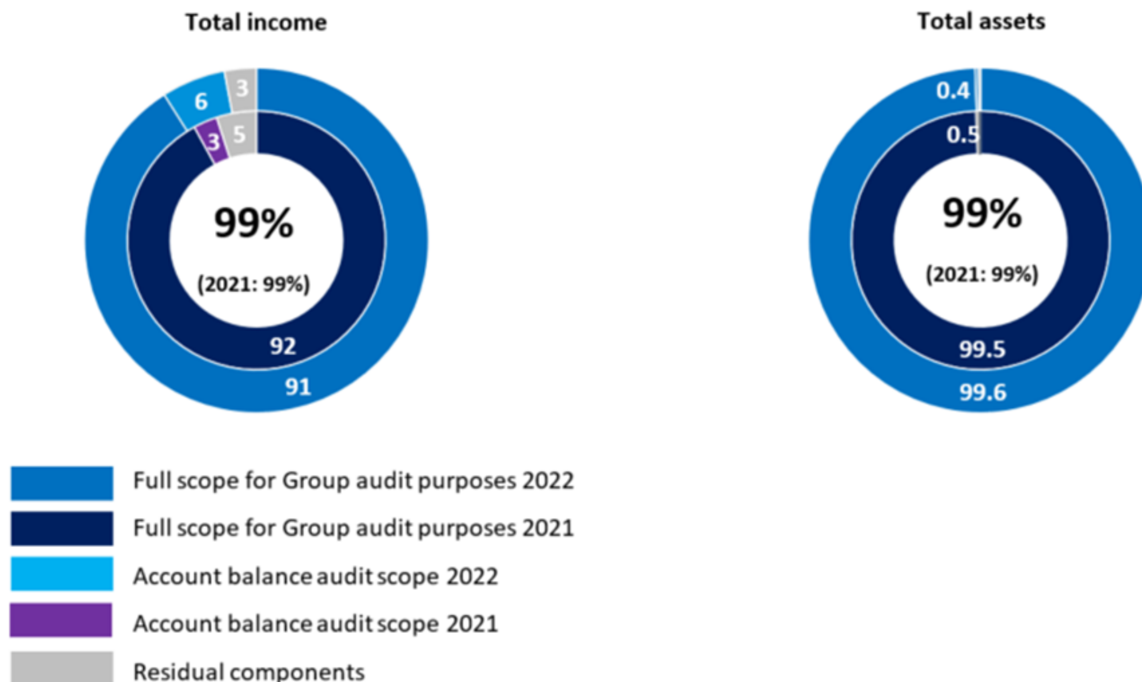
Performance materiality for the Group financial statements as a whole was set at €19.5m (2021: €22.5m) determined with reference to materiality (of which it represents 65% (2021: 75%).

We reported to the Board Audit Committee any corrected or uncorrected identified misstatements exceeding €1.5m (2021: €1.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.




*Scope - general*
The Group operates in various locations across Europe. Significant components were subject to audit procedures performed by component auditors. In planning the audit we used materiality to determine the scope of work of the components, that is six (2021: six) components as full scope audits and three components (2021: three) as audit of account balances. The remaining 7% (2021: 7%) of total income and 1% (2021: 1%) of total assets is represented by a number of other components, none of which were individually significant. For these residual components we performed analysis at an aggregated level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on six of the nine components (2021: six of the nine components) was performed by component auditors and the remaining work was performed by us (group audit team). The components within the scope of our work accounted for the percentages illustrated below.



***Team structure***
We applied materiality to assist us determine what risks were significant risk and the group audit team instructed component auditors as to the significant areas to be covered by them, including the relevant risks detailed above and the information to be reported back. The group audit team approved component materiality, ranging from €5 million to €25 million, having regard to the mix of size and risk profiles of the components.

Virtual planning meetings led by us to discuss key audit risks and obtain input from component auditors and other participating locations. Regular telephone and internet conference meetings and calls held regularly with all component auditors throughout the duration of the audit, including attending closing meetings with management of the components and review of risk assessment documentations. We have also visited all component locations that were subject to audit procedures. During these visits, we inspected the components' key working papers. We used materiality to assist us in determining the extent of the review to understand and challenge the audit approach and findings of each component auditor. In addition, the findings reported to us were discussed in detail, and further work required by the group audit team was then performed by the component auditors as necessary.

The Group has centralised certain Barclays Group-wide processes primarily in the UK and India, the outputs of which are included in the financial information of the reporting components they service and therefore are not considered separate reporting components. These Group-wide processes are subject to specified audit procedures, predominantly the testing of general IT and IT automated controls, IFRS 9 expected credit loss modelling (UK), IFRS 13 fair value measurement (UK) and transaction processing, reconciliations and review controls (India). We visited the centralised service teams in the UK while our interactions with India were performed virtually. We team executed the same level of interaction and oversight with KPMG teams where these group-wide processes reside and performed consistent procedures as described above for components.

**Other information**

The directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Strategic report, Directors' report, Non-financial information statement and Risk review (other than those sections identified as audited, which form part of the Group financial statements). The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Based solely on our work on the other information undertaken during the course of the audit we report that, in those parts of the Directors' report specified for our consideration:

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

**Corporate governance statement**

As required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 10 to 11, that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process is consistent with the financial statements and has been prepared in accordance with the Act; and

- based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement. The Company is not subject to the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and therefore not required to include information relating to voting rights and other matters required by those Regulations and specified by the Companies Act for our consideration in the Corporate Governance Statement.

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

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

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

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

The Companies Act 2014 requires us to report to you if, in our opinion:

- the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

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

We have nothing to report in this regard.

**Respective responsibilities and restrictions on use**

***Responsibilities of Directors for the financial statements***
As explained more fully in the Directors' responsibilities statement set out on pages 14 to 15, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's or Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

***Auditor's responsibilities***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/.

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

15 March 2023

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

## Consolidated and Company income statement

| For the year ended 31 December | Notes | 2022 €m | 2021[a] €m |
|---|---|---|---|
| Interest income | 3 | **781** | 621 |
| Interest expense | 3 | **(461)** | (309) |
| **Net interest income** | | **320** | 312 |
| Fee and commission income[a] | 4 | **1,012** | 842 |
| Fee and commission expense[a] | 4 | **(83)** | (71) |
| **Net fee and commission income** | | **929** | 771 |
| Net trading income | 5 | **218** | 152 |
| Net investment expense | 6 | **(37)** | (39) |
| **Total income** | | **1,430** | 1,196 |
| Staff costs | 30 | **(441)** | (399) |
| Infrastructure costs | 7 | **(82)** | (73) |
| Administration and general expenses | 7 | **(583)** | (487) |
| Litigation and conduct | | **—** | (9) |
| **Operating expenses** | | **(1,106)** | (968) |
| **Profit before impairment** | | **324** | 228 |
| Credit impairment (charges)/releases | 8 | **(167)** | 97 |
| **Profit before tax** | | **157** | 325 |
| Taxation | 9 | **(57)** | (90) |
| **Profit after tax** | | **100** | 235 |
| **Attributable to:** | | | |
| Ordinary shareholders | | **52** | 195 |
| Other equity instrument holders | | **48** | 40 |
| **Profit after tax** | | **100** | 235 |

Note:

a. From 2022, the Bank has changed its presentation of transfer pricing arrangements to align with the policies being used across rest of the Barclays Group. The Bank has restated its 2021 comparatives for consistency of presentation. Refer to note 4 on page 140 for further details. There is no impact on total income reported.

# Consolidated and Company statement of comprehensive income

| For the year ended 31 December | 2022<br>€m | 2021<br>€m |
|---|---|---|
| **Profit after tax** | 100 | 235 |
| | | |
| **Other comprehensive loss that may be recycled to profit or loss from continuing operations** | | |
| **Cash flow hedging reserve** | | |
| Net losses from changes in fair value | (234) | (16) |
| Net gains transferred to profit and loss | 9 | — |
| Tax | 28 | 2 |
| **Other comprehensive loss that may be recycled to profit or loss from continuing operations** | (197) | (14) |
| | | |
| **Other comprehensive income/(loss) not recycled to profit or loss from continuing operations:** | | |
| **Retirement benefit measures** | | |
| Retirement benefit remeasurements | 14 | 6 |
| Tax | (2) | — |
| **Own credit reserve** | | |
| Own credit | 140 | (57) |
| Tax | (18) | 7 |
| **Other comprehensive income/(loss) not recycled to profit or loss** | 134 | (44) |
| | | |
| **Total comprehensive income for the year** | 37 | 177 |
| | | |
| **Attributable to:** | | |
| Ordinary shareholders | (11) | 137 |
| Other equity instrument holders | 48 | 40 |
| **Total comprehensive income for the year** | 37 | 177 |

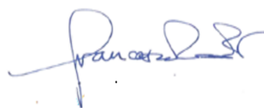
# Financial statements

## Consolidated and Company balance sheet

| As at 31 December | Notes | 2022<br>€m | 2021<br>€m |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | | **30,540** | 24,125 |
| Cash collateral and settlement balances | 21 | **18,540** | 17,651 |
| Loans and advances to banks | 17 | **1,412** | 903 |
| Loans and advances to customers | 17 | **13,948** | 13,083 |
| Reverse repurchase agreements and other similar secured lending | | **1,764** | 3,228 |
| Trading portfolio assets | 11 | **7,700** | 8,204 |
| Financial assets at fair value through the income statement | 12 | **17,216** | 15,352 |
| Derivative financial instruments | 13 | **40,439** | 33,875 |
| Intangible assets | 20 | **59** | 59 |
| Property, plant and equipment | 18 | **114** | 90 |
| Current tax assets | | **1** | 27 |
| Deferred tax assets | 9 | **206** | 178 |
| Retirement benefit assets | 32 | **4** | — |
| Other assets | 22 | **591** | 337 |
| **Total assets** | | **132,534** | 117,112 |
| | | | |
| **Liabilities** | | | |
| Deposits from banks | 17 | **3,628** | 4,252 |
| Deposits from customers | 17 | **25,793** | 21,382 |
| Cash collateral and settlement balances | 21 | **24,684** | 17,125 |
| Repurchase agreements and other similar secured borrowing | 36 | **2,964** | 3,596 |
| Debt securities in issue | | **3,139** | 3,397 |
| Subordinated liabilities | 27 | **4,679** | 3,171 |
| Trading portfolio liabilities | 11 | **12,872** | 10,286 |
| Financial liabilities designated at fair value | 14 | **14,858** | 13,843 |
| Derivative financial instruments | 13 | **32,494** | 33,517 |
| Current tax liabilities | | **53** | 32 |
| Deferred tax liabilities | 9 | **1** | — |
| Retirement benefit obligation | 32 | **12** | 21 |
| Other liabilities | 23 | **743** | 512 |
| Provisions | 24 | **99** | 79 |
| **Total liabilities** | | **126,019** | 111,213 |
| | | | |
| **Equity** | | | |
| Called up share capital and share premium | 28 | **3,872** | 3,247 |
| Other equity instruments | 28 | **805** | 805 |
| Other reserves | 29 | **(271)** | (196) |
| Retained earnings | | **2,109** | 2,043 |
| **Total equity** | | **6,515** | 5,899 |
| | | | |
| **Total liabilities and equity** | | **132,534** | 117,112 |

The Board of Directors approved the financial statements on pages 129 to 197 on 15 March 2023.

**Tim Breedon CBE**
Chair



**Francesco Ceccato**
Chief Executive Officer

**Jasper Hanebuth**
Chief Financial Officer

**Francesca Carbonaro**
Company Secretary

## Consolidated and Company statement of changes in equity

| | Called up share capital and share premium[a] | Other equity instruments[a] | Other reserves[b] | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m |
| **Balance as at 1 January 2022** | **3,247** | **805** | **(196)** | **2,043** | **5,899** |
| Profit after tax | — | 48 | — | 52 | 100 |
| Cash flow hedges | — | — | (197) | — | (197) |
| Retirement benefit remeasurement | — | — | — | 12 | 12 |
| Own credit reserve | — | — | 122 | — | 122 |
| **Total comprehensive income for the year** | — | 48 | (75) | 64 | 37 |
| Issue of new ordinary shares | 625 | — | — | — | 625 |
| Other equity instruments coupons paid | — | (48) | — | — | (48) |
| Other reserve movements | — | — | — | 2 | 2 |
| **Balance as at 31 December 2022** | **3,872** | **805** | **(271)** | **2,109** | **6,515** |

| | Called up share capital and share premium[a] | Other equity instruments[a] | Other reserves[b] | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | 2,282 | 565 | (132) | 1,843 | 4,558 |
| Profit after tax | — | 40 | — | 195 | 235 |
| Cash flow hedges | — | — | (14) | — | (14) |
| Retirement benefit remeasurement | — | — | — | 6 | 6 |
| Own credit reserve | — | — | (50) | — | (50) |
| **Total comprehensive income for the year** | — | 40 | (64) | 201 | 177 |
| Issue of new ordinary shares | 965 | — | — | — | 965 |
| Issue of other equity instruments | — | 240 | — | — | 240 |
| Other equity instruments coupons paid | — | (40) | — | — | (40) |
| Other reserve movements | — | — | — | (1) | (1) |
| **Balance as at 31 December 2021** | 3,247 | 805 | (196) | 2,043 | 5,899 |

Notes
a For further details refer to Note 28.
b For further details refer to Note 29.

## Consolidated and Company cash flow statement

| For the year ended 31 December | Notes | 2022 €m | 2021 €m |
|---|---|---|---|
| **Reconciliation of profit before tax to net cash flows from operating activities:** | | | |
| **Profit before tax** | | **157** | 325 |
| **Adjustment for non-cash items:** | | | |
| Credit impairment charges/(releases) on financial instruments | | **167** | (97) |
| Depreciation and amortisation of property, plant and equipment and intangibles | | **42** | 35 |
| Other provisions | | **39** | 20 |
| Other non-cash movements | | **(96)** | (72) |
| **Changes in operating assets and liabilities** | | | |
| Net decrease/(increase) in cash collateral and settlement balances | | **6,670** | (897) |
| Net increase in loans and advances to banks and customers | | **(1,313)** | (787) |
| Net decrease/(increase) in reverse repurchase agreements and other similar secured lending | | **1,464** | (54) |
| Net decrease in trading assets and liabilities | | **3,090** | 1,690 |
| Net increase in financial assets and liabilities designated at fair value | | **(849)** | (1,631) |
| Net increase in derivative financial instruments | | **(7,587)** | (1,249) |
| Net increase in deposits and customer accounts | | **3,787** | 2,528 |
| Net (decrease)/increase in debt securities in issue | | **(258)** | 1,100 |
| Net (decrease)/increase in repurchase agreements and other similar secured borrowing | | **(632)** | 13 |
| Net (increase)/decrease in other assets and liabilities | | **(39)** | 28 |
| Corporate income tax paid | | **(30)** | (69) |
| **Net cash from operating activities** | | **4,612** | 883 |
| | | | |
| Purchase of property, plant and equipment and intangibles | | **(30)** | (30) |
| **Net cash from investing activities** | | **(30)** | (30) |
| | | | |
| Coupon payments on other equity instruments | | **(48)** | (40) |
| Issuance of subordinated debt | 27 | **1,500** | 2,310 |
| Redemption of subordinated debt | 27 | **—** | (200) |
| Issue of shares and other equity instruments | | **625** | 1,205 |
| Lease liability payments | | **(16)** | (16) |
| **Net cash from financing activities** | | **2,061** | 3,259 |
| | | | |
| **Net increase in cash and cash equivalents** | | **6,643** | 4,112 |
| Cash and cash equivalents at beginning of year | | **24,447** | 20,335 |
| **Cash and cash equivalents at end of year** | | **31,090** | 24,447 |
| | | | |
| **Cash and cash equivalents comprise:** | | | |
| Cash and balances at central banks | | **30,540** | 24,125 |
| Loans and advances to banks with original maturity less than three months | | **550** | 322 |
| | | **31,090** | 24,447 |

Interest received by the Bank was €797m (2021: €622m) and interest paid by the Bank was €524m (2021: €344m). The Bank is required to maintain balances with central banks and other regulatory authorities. These amounted to €953m (2021: €588m) and are included within cash and cash equivalents.

## Accounting policies

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

### 1 Significant accounting policies

**1.Reporting entity**
The Bank is a public limited company, registered in Ireland under the company number 396330.

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

**2. Compliance with International Financial Reporting Standards**
The consolidated and company financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations ('IFRICs') issued by the Interpretations Committee, as published by the International Accounting Standards Board ('IASB') and endorsed by the EU. The principal accounting policies applied in the preparation of the financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

**3. Basis of preparation**
The consolidated and company financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments, to the extent required or permitted under IFRS as adopted by the EU, as set out in the relevant accounting policies. They are stated in millions of Euro (€m), the functional currency of the Bank. The Bank has not prepared separate parent company financial statements as the results and financial position of the Barclays Bank Ireland PLC consolidated group and the parent company, Barclays Bank Ireland PLC, are materially the same. There are no significant differences between the two to report, as the assets of the consolidated subsidiary entities were acquired from, and have not been derecognised by the parent, and the consolidated subsidiary entities' liabilities are to the parent in relation to the same assets.

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2014 as applicable to companies using IFRS, as adopted by the EU. The financial statements are prepared on a going concern basis, as the Board is satisfied that the Bank has the resources to continue in business for the foreseeable future.

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

This assessment showed that the Bank had sufficient capital in place to support its future business requirements and remained above its regulatory minimum requirements in the stress test scenarios. It also showed that the Bank has an expectation that it can continue to meet its funding requirements during the scenarios. The Board concluded that there was a reasonable expectation that the Bank has adequate resources to continue as a going concern for the foreseeable future. The Board have evaluated these risks in the preparation of the financial statements and consider it appropriate to prepare the financial statements on a going concern basis.

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

*(i) Consolidation*
The Bank applies IFRS 10 Consolidated Financial Statements.

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

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

The assessment of control is based on the consideration of all facts and circumstances. The Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.
Intra-group transactions and balances are eliminated on consolidation. Consistent accounting policies are used throughout the Bank for the purposes of the consolidation.

Details of the consolidated entities are given in Note 37.

*(ii) Foreign currency translation*

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

*(iii) Financial assets and liabilities*

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

*Recognition*

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

*Classification and measurement*

Financial assets are classified on the basis of two criteria:
i) the business model within which financial assets are managed; and
ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' ('SPPI')).
The Bank assesses the business model criteria at a portfolio level. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

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

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

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

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

*Derecognition*

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

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

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

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

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

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

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

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

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

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

Refer to Note 13 for further details regarding hedge accounting policies in respect of interest rate benchmark reform.
Refer to Note 41 for further disclosure related to interest rate benchmark reform.

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

**5. New and amended standards and interpretations**
The accounting policies adopted have been consistently applied.

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

**IFRS 17 – Insurance contracts**
In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. In June 2020, the IASB published amendments to IFRS 17, to include scope exclusion for certain credit card contracts and similar contracts that provide insurance coverage, the optional scope exclusion for loan contracts that transfer significant insurance risk, and the clarification that only financial guarantees issued are in scope of IFRS 9.

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

IFRS 17 is effective for accounting periods beginning on or after 1 January 2023. The Bank does not expect the impact of IFRS 17 to be material.

**Classification of liabilities as Current or non-current (Amendments to IAS 1)**
In January 2020 the IASB issued amendments to IAS 1 to clarify the presentation of liabilities in the balance sheet, with an effective date of 1 January 2024.

The amendments clarify that a liability should be classified as non-current only if the entity has the right to defer settlement of the liability for at least 12 months after the reporting period, and that (i) the right to defer settlement must exist at the end of the reporting period and (ii) management's intentions or expectations about whether it will exercise its right to defer settlement does not affect the classification. Further clarifications include how lending conditions affect classification and classification of liabilities the entity will or may settle by issuing its own equity instruments.

In October 2022, the IASB also issued further amendments to IAS 1 to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants, and to respond to stakeholders' concerns about the classification of such a liability as current or non-current.

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

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

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

**Definition of Accounting Estimate - Amendments to IAS 8**
In February 2021 the IASB issued amendments to IAS 8 that replace the definition of a change in accounting estimates with a definition of accounting estimates.

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

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

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

Critical accounting estimates and judgements are disclosed in:

- Credit impairment charges on page 144
- Tax on page 148
- Fair value of financial instruments on page 159

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

- Credit risk on pages 59 to 96
- Market risk on pages 97 to 98
- Treasury and capital risk on pages 99 to 106

These disclosures are covered by the Audit opinion (included on pages 119 to 128) where referenced as audited.

# Financial performance and return

The notes included in this section focus on the results and performance of the Bank. Information on the income generated, expenditure incurred, segmental performance, tax and dividends are included here. For further detail on performance, see Strategic Report on pages 6 to 7.

## 2 Segmental reporting

**Presentation of segmental reporting**

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

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

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

The below table also includes the Head Office segment, which comprises Head Office, central support functions and an Italian mortgage portfolio which is being run off. Head Office also includes net revenue from the CIB and CC&P segments of €61m (2021: €22m).

**Analysis of results by business**

| | CIB<br>€m | CC&P<br>€m | Head Office<br>€m | Total<br>€m |
|---|---|---|---|---|
| **For the year ended 31 December 2022** | | | | |
| Net interest income/(expense) | **102** | **323** | **(105)** | **320** |
| Other income | **1,015** | **45** | **50** | **1,110** |
| **Total income** | **1,117** | **368** | **(55)** | **1,430** |
| Operating costs | **(813)** | **(242)** | **(51)** | **(1,106)** |
| **Profit/(loss) before impairment** | **304** | **126** | **(106)** | **324** |
| Credit impairment (charges)/releases | **(34)** | **(134)** | **1** | **(167)** |
| **Profit/(loss) before tax** | **270** | **(8)** | **(105)** | **157** |
| | | | | |
| **Total assets (€bn)** | **89** | **5** | **39** | **133** |
| **Total liabilities (€bn)** | **106** | **6** | **14** | **126** |
| **Number of employees (full time equivalent)** | **593** | **710** | **473** | **1,776** |

| | CIB<br>€m | CC&P<br>€m | Head Office<br>€m | Total<br>€m |
|---|---|---|---|---|
| **For the year ended 31 December 2021** | | | | |
| Net interest income/(expense) | 60 | 305 | (53) | 312 |
| Other income | 803 | 34 | 47 | 884 |
| **Total income** | 863 | 339 | (6) | 1,196 |
| Operating costs | (673) | (236) | (59) | (968) |
| **Profit/(loss) before impairment** | 190 | 103 | (65) | 228 |
| Credit impairment releases | 64 | 24 | 9 | 97 |
| **Profit/(loss) before tax** | **254** | **127** | **(56)** | **325** |
| | | | | |
| **Total assets (€bn)** | 80 | 4 | 33 | 117 |
| **Total liabilities (€bn)** | 92 | 4 | 15 | 111 |
| **Number of employees (full time equivalent)** | 582 | 698 | 428 | 1,708 |

**Income by geographic region**[a]

| For the year ended 31 December | 2022 €m | 2021 €m |
|---|---|---|
| Ireland | 271 | 186 |
| Germany | 494 | 466 |
| Italy | 204 | 84 |
| France | 328 | 313 |
| Spain | 78 | 87 |
| Netherlands | 17 | 17 |
| Sweden | 17 | 35 |
| Rest of Europe[b] | 21 | 8 |
| **Total** | 1,430 | 1,196 |

Notes
a The geographical analysis is based on the location of the office where the transactions are recorded.
b Countries with total revenue over 1% are listed in the table above.

## 3 Net interest income

**Accounting for interest income and expenses**

Interest income on loans and advances at amortised cost, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

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

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

| | 2022 €m | 2021 €m |
|---|---|---|
| **Interest and similar income** | | |
| Cash and balances at central banks | 101 | — |
| Loans and advances at amortised cost | 522 | 426 |
| Negative interest on liabilities | 96 | 151 |
| Other | 62 | 44 |
| | 781 | 621 |
| **Interest and similar expense** | | |
| Deposits at amortised cost | (193) | (59) |
| Debt securities in issue | (14) | (18) |
| Subordinated liabilities | (65) | (33) |
| Negative interest on assets | (102) | (156) |
| Other | (87) | (43) |
| | (461) | (309) |
| **Net interest income** | 320 | 312 |

Interest income presented above represents interest revenue calculated using the effective interest method. Costs to originate credit card balances of €4m (2021: €3m) have been amortised to interest income during the period. Interest and similar income includes €6m (2021: €8m) accrued on impaired loans. Other interest expense includes €2m (2021: €2m) relating to IFRS 16 lease interest expenses (refer to Note 19).

### 4 Net fee and commission income

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

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

The Bank recognises fee and commission income charged for services provided by the Bank as and when performance obligations are satisfied, for example, on completion of the underlying transaction. Where the contractual arrangements also result in the Bank recognising financial instruments in scope of IFRS 9, such financial instruments are initially recognised at fair value in accordance with IFRS 9 before applying the provisions of IFRS 15.

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

| 2022 | Corporate and Investment Bank | Consumer, Cards and Payments | Head Office | Total |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| **Fee type** | | | | |
| Transactional | 55 | 44 | — | 99 |
| Advisory | 120 | 8 | — | 128 |
| Brokerage and execution | 39 | 1 | — | 40 |
| Underwriting and syndication | 182 | — | — | 182 |
| Service fees from affiliates | 173 | — | — | 173 |
| Other | 20 | 7 | 19 | 46 |
| **Total revenue from contracts with customers** | 589 | 60 | 19 | 668 |
| Other non-contract fee income | 344 | — | — | 344 |
| **Fee and commission income** | 933 | 60 | 19 | 1,012 |
| | | | | |
| Fee and commission expense-non affiliates | (38) | (21) | — | (59) |
| Fee and commission expense-affiliates | (24) | — | — | (24) |
| **Fee and commission expense** | (62) | (21) | — | (83) |
| | | | | |
| **Net fee and commission income** | 871 | 39 | 19 | 929 |

| 2021 | Corporate and Investment Bank | Consumer, Cards and Payments | Head Office | Total |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| **Fee type** | | | | |
| Transactional | 45 | 34 | — | 79 |
| Advisory | 92 | 7 | — | 99 |
| Brokerage and execution | 32 | 1 | — | 33 |
| Underwriting and syndication | 212 | — | — | 212 |
| Service fees from affiliates | 196 | — | — | 196 |
| Other | 13 | 7 | 17 | 37 |
| **Total revenue from contracts with customers** | 590 | 49 | 17 | 656 |
| Other non-contract fee income | 186 | — | — | 186 |
| **Fee and commission income**[a] | 776 | 49 | 17 | 842 |
| | | | | |
| Fee and commission expense-non affiliates | (34) | (17) | (1) | (52) |
| Fee and commission expense-affiliates | (19) | — | — | (19) |
| **Fee and commission expense**[a] | (53) | (17) | (1) | (71) |
| | | | | |
| **Net fee and commission income** | 723 | 32 | 16 | 771 |

Note

a From 2022, the Bank has changed its presentation of transfer pricing arrangements to align with the policies being used across rest of the Barclays Group. The change impacts transfer pricing and sales credits earned or paid when affiliate entities act as recipients or payers of such transactions. Transfer pricing and sales credits will be shown within net trading income or fees and commission income depending on the nature of the transaction. Transfer pricing and sales credits previously recognised in fees and commission income and expense have been restated, resulting in a reduction in fees and commission income (2021: €93m) and fees and commission expense (2021: €93m). There is no impact on total income reported.

**Fee types**

*Transactional*

Transactional fees are service charges on deposit accounts, cash management services fees and transactional processing fees. These include interchange and merchant fee income generated from credit and bank card usage. Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed. Interchange and merchant fees are recognised upon settlement of the card transaction payment.

The Bank incurs certain card related costs including those related to cardholder reward programmes and payments to co-brand partner schemes. Cardholder reward programme costs related to customers that settle their outstanding balance each period (transactors) are expensed when incurred and presented in fee and commission expense, while costs related to customers that continuously carry an outstanding balance (revolvers) are included in the effective interest rate of the receivable (refer to Note 3). Payments to partners for new cardholder account originations related to transactor accounts are deferred as costs to obtain a contract under IFRS 15, while costs related to revolver accounts are included in the effective interest rate of the receivable (refer to Note 3). Those costs deferred under IFRS 15 are capitalised and amortised over the estimated life of the customer relationship. Payments to co-brand partners based on revenue sharing to the extent the revenue share relates to "revolvers" are included in the effective interest rate of the receivable and to the extent revenue share relates to “transactors” it must be presented in fee and commission expense. Payments based on profitability are presented in fee and commission expense.

*Advisory*

Advisory fees are generated from wealth management services and investment banking advisory services related to mergers, acquisitions and financial restructurings. Wealth management advisory fees are earned over the period the services are provided and are generally recognised quarterly when the market value of client assets is determined. Investment banking advisory fees are recognised at the point in time when the services related to the transaction have been completed under the terms of the engagement. Investment banking advisory costs are recognised as incurred in fee and commission expense if direct and incremental to the advisory services or are otherwise recognised in operating expenses.

*Brokerage and execution*

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

*Underwriting and syndication*

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

Included in the underwriting and syndication fees are loan commitment fees, when the draw down is not probable, which are not presented as part of the carrying value of the loan in accordance with IFRS 9. Such commitment fees are recognised over time through to the contractual maturity of the commitment.

*Service fees from affiliates*

Service fee from affiliates are compensation for services provided by the Bank to an affiliate entity. This includes sales credits and cost recharge revenues. Sales credits from affiliates are compensation for sales services provided to that affiliate. Cost recharge revenues relate to the recharge of infrastructure or business support costs incurred by the Bank in support of the activities of an affiliate. Service fees are in scope of IFRS 15 and are recognised as the performance obligation is satisfied which is generally aligned with when the Bank is entitled to the compensation, which may be on completion of an individual performance obligation or over time as the performance obligation is performed. Service fees for the year include a revised fee arrangement governing the way in which the Bank is remunerated for enabling its Parent to benefit from the Bank’s access to European Economic Area (“EEA”) counterparties.

The prices applied to our intra-group transactions are representative of the prices that would be paid in respect of transactions between independent parties (also known as ‘arm’s-length pricing’). The ‘arm’s-length prices’ that we apply are derived from established and widely accepted international standards such as the Organisation for Economic Co-operation and Development (‘OECD’) Transfer Pricing Guidelines, which are applied on a globally consistent basis across all countries in which we operate. We seek to comply with the BEPS Action 13 report (Transfer Pricing Documentation and Country by Country reporting) documentation requirements to support the arm’s-length prices applied to our intra-group transactions including, for instance, the preparation of a master file and local files and undertaking external economic benchmarking studies of comparable transactions between third parties

*Other non-contract fee income*

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

*Fee and commission expenses - affiliates*

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

**Contract assets and contract liabilities**
The Bank had no material contract assets or contract liabilities as at 31 December 2022 (2021: €nil).

**Impairment of fee receivables and contract assets**
During 2022, there have been no material impairments recognised in relation to fees receivable and contract assets (2021: €nil). Fees in relation to transactional business can be added to outstanding customer balances. These amounts may be subsequently impaired as part of the overall loans and advances balances.

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

**Costs incurred in obtaining or fulfilling a contract**
The Bank had no material capitalised contract costs as at 31 December 2022 (2021: €nil).

## 5 Net trading income

**Accounting for net trading income**
In accordance with IFRS 9, trading positions are held at fair value, and the resulting gains and losses are included in net trading income, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

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

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

| | 2022<br>€m | 2021<br>€m |
|---|---|---|
| Net gains from assets and liabilities held for trading[a] | 189 | 139 |
| Net gains on financial instruments mandatorily at fair value | 29 | 13 |
| **Net trading income** | **218** | 152 |

Note
a. Net trading income for 2022 includes losses of €(74)m, due to the change in the Bank's presentation of transfer pricing and sales credits arrangements to align with the policies being used across rest of the Barclays Group, no material impact for 2021. Refer to note 4 on page 140 for further details. There is no impact on total income reported.

## 6 Net investment expense

| | 2022<br>€m | 2021<br>€m |
|---|---|---|
| Net losses on other investments | (53) | (44) |
| Net gains from disposal of financial assets and liabilities measured at amortised cost | — | 1 |
| Net gains from financial assets mandatorily at fair value | 16 | 4 |
| **Net investment expense** | **(37)** | (39) |

### 7 Operating expenses

| | 2022 €m | 2021 €m |
|---|---|---|
| **Infrastructure costs** | | |
| Property and equipment | **40** | 38 |
| Depreciation and amortisation | **42** | 35 |
| **Total infrastructure costs** | **82** | 73 |
| | | |
| **Administration and general expenses** | | |
| Consultancy, legal and professional fees | **29** | 29 |
| Marketing and advertising | **20** | 18 |
| Other administration and general expenses[a] | **534** | 440 |
| **Total administration and general expenses** | **583** | 487 |
| | | |
| **Staff costs (See Note 30)** | **441** | 399 |
| | | |
| **Provisions for litigation and conduct (See Note 24)** | **—** | 9 |
| | | |
| **Operating expenses** | **1,106** | 968 |

Note
a Other administration and general expenses of €534m (2021: €440m) includes expenses payable to fellow subsidiaries of €371m (2021: €290m) which primarily reflects the cost of services provided by Barclays Execution Services Limited, the B PLC Group-wide service company.

### 8 Credit impairment (charges)/releases

**Accounting for the impairment of financial assets**

*Impairment*

In accordance with IFRS 9, the Bank is required to recognise expected credit losses ('ECLs') based on unbiased forward-looking information for all financial assets at amortised cost, lease receivables, loan commitments and financial guarantee contracts.

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

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

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

Expected credit loss measurement is based on the ability of borrowers to make payments as they fall due. The Bank also considers sector specific risks and whether additional adjustments are required in the measurement of ECL. Credit risk may be impacted by climate considerations for certain sectors, such as oil and gas.

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

i) Quantitative test

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

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

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

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

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

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

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

ii) Qualitative test

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

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

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

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

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

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

a) the obligor will also have demonstrated consistently good payment behaviour over a 12-month period, by making all consecutive contractual payments due and, for forborne exposures, the relevant EBA defined probationary period has also been successfully completed; or

b) (for non-forborne exposures) the performance conditions are defined and approved within an appropriately sanctioned restructure plan, including 12 months' payment history have been met.

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

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

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

The Bank uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including Bloomberg (based on median of economic forecasts), which forms the Baseline scenario. In addition, two adverse scenarios (Downside 1 and Downside 2) and two favourable scenarios (Upside 1 and Upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a broadly similar severity to Barclays' internal stress tests and stress scenarios provided by regulators whilst also considering IFRS 9 specific sensitivities and non-linearity. The favourable scenarios are designed to reflect plausible upside risks to the Baseline scenario which are broadly consistent with the economic narrative approved by the Senior Scenario Review Committee. All scenarios are regenerated at a minimum semi-annually. The scenarios include both key economic variables, (including GDP, unemployment, House Price Index (HPI) and base rates), and expanded variables using statistical models based on historical correlations. The upside and downside shocks are designed to evolve over a five-year stress horizon, with all five scenarios converging to a steady state after approximately seven years.

The methodology for estimating scenario probability weights involves simulating a range of future paths for GDP using historical data with the five scenarios mapped against the distribution of these future paths. The median is centred around the Baseline with scenarios further from the Baseline attracting a lower weighting before the five weights are normalised to total 100%. The same scenarios used in the estimation of expected credit losses are also used to inform the Bank's internal planning. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices, credit cards and unsecured consumer loans are highly sensitive to unemployment. The increase in the Downside weightings and the decrease in the Upside weightings reflected the deteriorating economic outlook which moved the Baseline GDP paths closer to the Downside scenarios. For further details see page 74.

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

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

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

*Accounting for purchased financial guarantee contracts*

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

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

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to the credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile. In respect of payment holidays granted to borrowers which are not due to forbearance, if the revised cash flows on a present value basis (based on the original EIR) are not substantially different from the original cash flows, the loan is not considered to be substantially modified.

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

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

Note 1 sets out details for changes in the basis of determining the contractual cash flows of a financial instrument that are required by interest rate benchmark reform.

*Expected life*

Lifetime ECLs must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolving financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. For revolving facilities, expected life is analytically derived to reflect the 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*

The regulatory Basel Committee of Banking Supervisors ('BCBS') ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

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

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

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

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

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

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

The calculation of impairment involves the use of judgement, based on the Bank's experience of managing credit risk. Within the retail portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics, the impairment allowance is calculated using forward looking modelled parameters which are typically run at account and portfolio level. There are many models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. Management adjustments to impairment models, which contain an element of subjectivity, are applied in order to factor in certain conditions or changes in policy that are not fully incorporated into the impairment models, or to reflect additional facts and circumstances at the period end. Management adjustments are reviewed and incorporated into future model development where appropriate.

For individually significant assets in Stage 3, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows across a range of economic scenarios are taken into account. These considerations can be particularly subjective and can include the business prospects for the customer, the realisable value of collateral, the Bank's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

Temporary adjustments to calculated IFRS9 impairment allowances may be applied in limited circumstances to account for situations where known or expected risk factors or information have not been considered in the ECL assessment or modelling process. For further information please see page 59 in credit risk performance.

Information about the potential impact of the physical and transition risks of climate change on borrowers is considered, taking into account reasonable and supportable information to make accounting judgements and estimates. Climate change is inherently of a long-term nature, with significant levels of uncertainty, and consequently requires judgement in determining the possible impact in the next financial year, if any.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Impairment Charges/ (Releases) | Recoveries and reimburse-ments[a] | Total | Impairment Charges/ (Releases) | Recoveries and reimburse-ments | Total |
| | €m | €m | €m | €m | €m | €m |
| Loans and advances at amortised cost | **174** | **(27)** | **147** | (77) | 15 | (62) |
| Off-balance sheet loan commitments and financial guarantee contracts | **20** | **—** | **20** | (29) | — | (29) |
| **Total** | **194** | **(27)** | **167** | (106) | 15 | (91) |
| Other assets | — | — | — | (6) | — | (6) |
| **Credit impairment charges/(releases)** | **194** | **(27)** | **167** | (112) | 15 | (97) |

Note
a Recoveries and reimbursements includes a net Increase in amounts recoverable from financial guarantee contracts held with third parties of €26m (2021: €16m reduction) and cash recoveries of previously written off amounts of €1m (2021: €1m).

### Write-offs that can be subjected to enforcement activity
The contractual amount outstanding on financial assets that were written off during the year and that can still be subjected to enforcement activity is €39m (2021: €28m). This is lower than the write-off presented in the movement in gross exposures and impairment allowance table due to assets sold during the year post write-offs and post write-off recoveries.

### Modification of financial assets

Financial assets with a loss allowance measured at an amount equal to life time ECL of €53m (2021: €229m) were subject to non-substantial modification during the period, with a resulting loss of €0m (2021: €0m). The gross carrying amount of financial assets subject to non-substantial modification for which the loss allowance has changed to a 12 month ECL during the year amounts to €0m (2021: €55m).

### 9 Tax

**Accounting for income taxes**

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

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

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

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

*Critical accounting estimates and judgements*

The main areas of judgement that impacts the reported tax position is the recognition and measurement of deferred tax assets, and the level of provisioning for uncertain tax positions.

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 the provisions for uncertain tax positions in the next financial year. The provisions for uncertain tax positions cover a 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.

| | 2022<br>€m | 2021<br>€m |
|---|---|---|
| Current tax charge | | |
| Current year | **63** | 59 |
| Adjustment in respect of prior years | **8** | 12 |
| | **71** | 71 |
| Deferred tax charge/(credit) | | |
| Current year | **(34)** | 20 |
| Adjustment in respect of prior years | **20** | (1) |
| | **(14)** | 19 |
| Tax charge | **57** | 90 |

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

| | 2022 €m | 2022 % | 2021 €m | 2021 % |
|---|---|---|---|---|
| Profit before tax | 157 | | 325 | |
| Tax charge based on the standard Ireland corporation tax rate of 12.5% (2021: 12.5%) | 20 | 12.5% | 41 | 12.5% |
| Impact of profits/losses earned in territories with different statutory rates to Ireland (weighted average statutory tax rate including in respect of Ireland is 46.9% (2021: 25.8%)) | 54 | 34.4% | 43 | 13.3% |
| Adjustments in respect of prior years | 28 | 17.9% | 11 | 3.4% |
| Non-deductible expenses and other tax adjustments | 5 | 3.2% | 24 | 7.4% |
| Tax relief on payments made under AT1 instruments | (6) | (3.8%) | (5) | (1.5%) |
| Changes in recognition of deferred tax and unrecognised tax losses | (44) | (27.9%) | (24) | (7.4%) |
| Total tax charge | 57 | 36.3% | 90 | 27.7% |

### Factors driving the effective tax rate

The effective tax rate of 36.3% is higher than the Ireland corporation tax rate of 12.5% primarily due to the profits earned outside of Ireland being taxed at local statutory tax rates that are higher than the Irish tax rate and prior year adjustments. These factors, which have each increased the effective tax rate are partially offset by the use of tax losses for which deferred tax was not previously recognised and tax relief on payments made under Additional Tier 1 ('AT1') instruments.

The Bank's future tax charge will be sensitive to the geographic mix of profits earned, the tax rates in force and changes to the tax rules in the jurisdictions that the Bank operates in. The OECD and G20 Inclusive Framework on Base Erosion and Profit Shifting announced plans to introduce a global minimum tax rate of 15% and the OECD issued model rules in 2021. During 2022 further OECD guidance has been released and an EU directive has been formally adopted by the EU member states. The Bank has reviewed the published OECD model rules and further guidance and has been assessing the expected impact ahead of the implementation of the new regime. The Bank will review further guidance as well as new legislation expected to be released by governments implementing this new tax regime and continue to assess the potential impact.

### Tax in the statement of comprehensive income

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

### Deferred tax assets

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

| | 2022 €m | 2021 €m |
|---|---|---|
| Spain | 79 | 71 |
| Germany | 78 | 69 |
| Ireland | 32 | 22 |
| France | 17 | 16 |
| **Deferred tax asset** | 206 | 178 |
| **Deferred tax liability - Ireland** | (1) | — |

Of the deferred tax asset of €206m (2021: €178m), an amount of €76m (2021: €71m) relates to tax losses in Spain which do not expire and €130m (2021: €107m) relates to temporary differences. The recognition of these deferred tax assets is based on profit forecasts or local country laws which indicate that it is probable they will be fully recovered. In respect of recognised deferred tax assets of €70m (2021: €71m), to the extent these are not used to offset taxable profits before 2032, they may under local country laws be offset against other taxes or converted into government securities.

Of the deferred tax asset of €206m (2021: €178m), an amount of €32m (2021: €22m) relates to jurisdictions which have incurred a loss in either the current or prior year and for which the utilisation of the deferred tax asset is dependent on future taxable profits. This has been taken into account in reaching the above conclusion that these deferred tax assets will be fully recovered in the future.

Deferred tax assets and liabilities

| | Loan impairment allowance €m | Retirement benefit obligations €m | Other temporary differences[a] €m | Tax losses carried forward €m | Total €m |
|---|---|---|---|---|---|
| **As at 1 January 2022** | **62** | **13** | **32** | **71** | **178** |
| Income statement | **23** | **—** | **(14)** | **5** | **14** |
| Other comprehensive income and reserves | | **(2)** | **10** | **—** | **8** |
| Other movements | **—** | **—** | **5** | **—** | **5** |
| | **85** | **11** | **33** | **76** | **205** |
| Assets | **85** | **12** | **33** | **76** | **206** |
| Liabilities | **—** | **(1)** | **—** | **—** | **(1)** |
| **As at 31 December, 2022** | **85** | **11** | **33** | **76** | **205** |
| | | | | | |
| **As at 1 January 2021** | 86 | 15 | 14 | 73 | 188 |
| Income statement | (24) | (2) | 9 | (2) | (19) |
| Other comprehensive income and reserves | — | — | 9 | — | 9 |
| | 62 | 13 | 32 | 71 | 178 |
| Assets | 62 | 13 | 32 | 71 | 178 |
| Liabilities | — | — | — | — | — |
| **As at 31 December, 2021** | 62 | 13 | 32 | 71 | 178 |

Note
a Other temporary differences includes deferred tax assets relating to cash flow hedges and own credit

The amount of deferred tax assets expected to be recovered after more than 12 months is €156m (2021: €177m). The amount of deferred tax liabilities expected to be recovered after more than 12 months is €1m (2021: €nil).

**Unrecognised deferred tax**

*Tax losses and temporary differences*
Deferred tax assets have not been recognised in respect of gross deductible temporary differences of €nil (2021: €12m), unused tax credits of €130m (2021: €98m), and gross tax losses of €1,972m (2021: €2,015m). The tax losses include capital losses of €nil (2021: €nil). Of these tax losses, €nil (2021: €8m) expire within five years, €nil (2021: €423m) expire within six to ten years and €1,972m (2021: €1,584m) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which they can be utilised. The amount of unrecognised deferred tax relating to temporary differences on investments in branches is €nil (2021: €nil).

### 10 Dividends on ordinary shares

No ordinary dividend was paid in 2022 (2021: €nil).

# Assets and liabilities held at fair value

The notes included in this section focus on assets and liabilities the Bank holds and recognises at fair value. Fair value refers to the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, which may be an observable market price or, where there is no quoted price for the instrument, may be an estimate based on available market data. Detail regarding the Bank's approach to managing market risk can be found on page 52.

## 11 Trading portfolio

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

| | 2022 | 2021 |
|---|---|---|
| | €m | €m |
| Debt securities and other eligible bills | **7,307** | 7,423 |
| Equity securities | **138** | 143 |
| Traded loans | **255** | 638 |
| **Trading portfolio assets** | **7,700** | 8,204 |
| | | |
| Debt securities and other eligible bills | **(12,872)** | (10,286) |
| **Trading portfolio liabilities** | **(12,872)** | (10,286) |

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

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

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

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

| | 2022 | 2021 |
|---|---|---|
| | €m | €m |
| Loans and advances | **1,767** | 726 |
| Debt securities | **24** | 24 |
| Equity securities | **2** | 1 |
| Reverse repurchase agreements and other similar secured lending | **15,423** | 14,601 |
| **Financial assets mandatorily at fair value** | **17,216** | 15,352 |

# Assets and liabilities held at fair value

## 13 Derivative financial instruments

**Accounting for derivatives**

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

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

**Hedge Accounting**

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

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

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

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

In summary, the reliefs provided by the Phase 1 amendments are:

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

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

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

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

*Fair value hedge accounting*

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

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

*Cash flow hedge accounting*

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

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

| Total derivatives | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Notional contract amount | Fair value | | Notional contract amount | Fair value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| | €m | €m | €m | €m | €m | €m |
| Total derivative assets/(liabilities) held for trading | **6,821,204** | **40,435** | **(32,493)** | 3,756,183 | 33,875 | (33,515) |
| Total derivative assets/(liabilities) held for risk management | **5,469** | **4** | **(1)** | 2,514 | — | (2) |
| **Derivative assets/(liabilities)** | **6,826,673** | **40,439** | **(32,494)** | 3,758,697 | 33,875 | (33,517) |

The Bank and BB PLC executed an amendment to their existing ISDA Master Agreement governing OTC derivatives during December 2021 and further amendments to agreements governing certain other derivatives in 2022. The amendment results in the derivative positions mark to market being settled daily by cash payments and not collateralised by these payments (known as variation margin) on a daily basis. For subsequent reporting periods, the fair value of derivatives will reflect the settlement which will reduce the fair value of the recognised derivative assets and liabilities and there will be no separate cash collateral recognised for the daily 'variation margin'. As of 31 December 2022, the impact was a reduction of derivatives assets of €125.5bn (2021: €16.6bn), derivative liabilities €133.4bn (2021: €18.0bn) and collateral asset of €7.9bn (2021:€1.4bn).

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

Trading derivatives are managed within the Bank's market risk management policies, which are outlined on page 52.

The Bank's exposure to credit risk arising from derivative contracts are outlined in the Credit Risk section on pages 59 to 96.

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

| Derivatives held for trading | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Notional contract amount | Fair value | | Notional contract amount | Fair value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| | €m | €m | €m | €m | €m | €m |
| **Foreign exchange derivatives** | | | | | | |
| OTC derivatives | 806,891 | 6,833 | (6,067) | 785,832 | 4,857 | (4,536) |
| Exchange traded futures and options – bought and sold | 4,108 | — | — | 1,469 | — | — |
| **Foreign exchange derivatives** | **810,999** | **6,833** | **(6,067)** | 787,301 | 4,857 | (4,536) |
| **Interest rate derivatives** | | | | | | |
| OTC derivatives | 4,267,780 | 31,725 | (24,483) | 2,360,375 | 27,167 | (26,613) |
| Interest rate derivatives cleared by central counterparty | 1,556,677 | 344 | (202) | 445,293 | 201 | (45) |
| Exchange traded futures and options – bought and sold | 17,562 | 1 | (1) | 29,556 | 4 | (4) |
| **Interest rate derivatives** | **5,842,019** | **32,070** | **(24,686)** | 2,835,224 | 27,372 | (26,662) |
| **Credit derivatives** | | | | | | |
| OTC swaps | 71,858 | 230 | (346) | 59,798 | 277 | (607) |
| Credit derivatives cleared by central counterparty | 3,604 | 16 | (23) | 2,313 | 34 | (53) |
| **Credit derivatives** | **75,462** | **246** | **(369)** | 62,111 | 311 | (660) |
| **Equity and stock index derivatives** | | | | | | |
| OTC derivatives | 64,911 | 953 | (1,039) | 52,694 | 1,069 | (1,391) |
| Exchange traded futures and options – bought and sold | 26,253 | 332 | (332) | 17,290 | 261 | (261) |
| **Equity and stock index derivatives** | **91,164** | **1,285** | **(1,371)** | 69,984 | 1,330 | (1,652) |
| **Commodity derivatives** | | | | | | |
| OTC derivatives | 823 | 1 | — | 1,148 | 5 | (5) |
| Exchange traded futures and options – bought and sold | 737 | — | — | 415 | — | — |
| **Commodity derivatives** | **1,560** | **1** | — | 1,563 | 5 | (5) |
| **Derivative assets/(liabilities) held for trading** | **6,821,204** | **40,435** | **(32,493)** | 3,756,183 | 33,875 | (33,515) |
| | | | | | | |
| **Total OTC derivatives held for trading** | **5,212,263** | **39,742** | **(31,935)** | 3,259,847 | 33,375 | (33,152) |
| **Total derivatives cleared by central counterparty held for trading** | **1,560,281** | **360** | **(225)** | 447,606 | 235 | (98) |
| **Total exchange traded derivatives held for trading** | **48,660** | **333** | **(333)** | 48,730 | 265 | (265) |
| **Derivative assets/(liabilities) held for trading** | **6,821,204** | **40,435** | **(32,493)** | 3,756,183 | 33,875 | (33,515) |

| Derivatives held for risk management | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Notional contract amount | Fair value | | Notional contract amount | Fair value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| | €m | €m | €m | €m | €m | €m |
| **Derivatives designated as cash flow hedges** | | | | | | |
| Interest rate swaps | **531** | **4** | **(1)** | 578 | — | (2) |
| Interest rate derivatives cleared by central counterparty | **4,295** | — | — | 1,231 | — | — |
| **Derivatives designated as cash flow hedges** | **4,826** | **4** | **(1)** | 1,809 | — | (2) |
| **Derivatives designated as fair value hedges** | | | | | | |
| Interest rate swaps | **631** | — | — | 705 | — | — |
| **Interest rate derivatives cleared by central counterparty** | **12** | — | — | — | — | — |
| **Derivatives designated as fair value hedges** | **643** | — | — | 705 | — | — |
| Derivative assets/(liabilities) held for risk management | **5,469** | **4** | **(1)** | 2,514 | — | (2) |
| | | | | | | |
| **Total OTC derivatives held for risk management** | **1,162** | **4** | **(1)** | 1,283 | — | (2) |
| **Total derivatives cleared by central counterparty held for risk management** | **4,307** | — | — | 1,231 | — | — |
| **Derivative assets/(liabilities) held for risk management** | **5,469** | **4** | **(1)** | 2,514 | — | (2) |

### Hedge accounting

Hedge accounting is applied predominantly for the following risks:
- Interest rate risk – arises due to a mismatch between fixed interest rates and floating interest rates.

In order to hedge these risks, the Bank uses the following hedging instruments:
- Interest rate derivatives to swap interest rate exposures into either fixed or variable rates.

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

In some hedging relationships, the Bank designates risk components of hedged items as follows:
- Benchmark interest rate risk as a component of interest rate risk, such as the LIBOR or Risk Free Rate ('RFR') component.
- Components of cash flows of hedged items, for example certain interest payments for part of the life of an instrument.

Using the benchmark interest rate risk results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship. Following market-wide interest rate benchmark reform, sensitivity to risk-free rates is considered to be the predominant interest rate risk and therefore the hedged items (which often reference risk-free or similar 'overnight' rates) change in fair value on a proportionate basis with reference to this risk.

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

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

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

As part of the industry-wide programme, all contracts subject to benchmark rate reform included within hedge accounting designations have been converted to alternative benchmarks. As such, there are no hedged items or hedging derivatives as at 31 December 2022 that are impacted by IBOR reform.

# Assets and liabilities held at fair value

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

## Hedged items in fair value hedge accounting relationships

| | | Accumulated fair value adjustment included in carrying amount | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total | Of which: Accumulated fair value adjustment on items no longer in a hedge relationship | Change in fair value used as a basis to determine ineffectiveness | Hedge ineffectiveness recognised in the income statement |
| Hedged item statement of financial position classification and risk category | €m | €m | €m | €m | €m |
| **2022** | | | | | |
| **Asset** | | | | | |
| Loans and advances at amortised cost | | | | | |
| - Interest rate risk | **4** | **4** | **4** | **—** | **—** |
| **Liabilities** | | | | | |
| Debt securities in issue | | | | | |
| - Interest rate risk | **(639)** | **6** | **—** | **134** | **(3)** |
| Total | **(635)** | **10** | **4** | **134** | **(3)** |
| **2021** | | | | | |
| **Asset** | | | | | |
| Loans and advances at amortised cost | | | | | |
| - Interest rate risk | 6 | 6 | 6 | — | — |
| **Liabilities** | | | | | |
| Debt securities in issue | | | | | |
| - Interest rate risk | (799) | (129) | (3) | 47 | 2 |
| Total | (793) | (123) | 3 | 47 | 2 |

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

| | | Carrying value | | | |
|---|---|---|---|---|---|
| | | Derivative assets | Derivative liabilities | Notional amount | Change in fair value used as a basis to determine ineffectiveness |
| Hedge Type | Risk Category | €m | €m | €m | €m |
| **As at 31 December 2022** | | | | | |
| Fair Value | Interest rate risk | **—** | **—** | **643** | **(137)** |
| **Total** | | **—** | **—** | **643** | **(137)** |
| **As at 31 December 2021** | | | | | |
| Fair Value | Interest rate risk | — | — | 705 | (45) |
| Total | | — | — | 705 | (45) |

## Assets and liabilities held at fair value

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

| | 2022 €m | 2023 €m | 2024 €m | 2025 €m | 2026 €m | 2027 €m | 2028 and later €m |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| **Fair value hedges of interest rate risk** | | | | | | | |
| interest rate risk (outstanding notional amount) | **643** | **638** | **633** | **480** | **410** | **405** | **405** |

| | 2021 €m | 2022 €m | 2023 €m | 2024 €m | 2025 €m | 2026 €m | 2027 and later €m |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| **Fair value hedges of interest rate risk** | | | | | | | |
| interest rate risk (outstanding notional amount) | 705 | 704 | 699 | 694 | 541 | 471 | 471 |

The Bank has 37 (2021: 38) fair value hedges of Interest rate risk with an average fixed rate of 4.45% (2021: 4.73%) across the relationships.

| Description of hedge relationship and hedged risk | Change in value of hedged item used as the basis for recognising ineffectiveness €m | Balance in cash flow hedging reserve for continuing hedges €m | Balances remaining in cash flow hedging reserve for which hedge accounting is no longer applied €m | Hedging gains or losses recognised in other comprehensive income €m | Hedge ineffectiveness recognised in the income statement[a] €m |
|---|---|---|---|---|---|
| **2022** | | | | | |
| **Cash flow hedge of interest rate risk** | | | | | |
| Loans and advances at amortised cost | **234** | **111** | **130** | **234** | **(5)** |
| **2021** | | | | | |
| **Cash flow hedge of interest rate risk** | | | | | |
| Loans and advances at amortised cost | 16 | 7 | 8 | 16 | (1) |

Note
a Hedge ineffectiveness is recognised in net interest income.

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

| | | Carrying value | | | |
|---|---|---|---|---|---|
| Hedge Type | Risk Category | Derivative assets €m | Derivative liabilities €m | Notional amount €m | Change in fair value used as a basis to determine ineffectiveness €m |
| **As at 31 December 2022** | | | | | |
| Cash Flow | Interest rate risk | **4** | **(1)** | **4,826** | **(239)** |
| Total | | **4** | **(1)** | **4,826** | **(239)** |
| **As at 31 December 2021** | | | | | |
| Cash Flow | Interest rate risk | — | (2) | 1,809 | (17) |
| Total | | — | (2) | 1,809 | (17) |

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Amount recycled from other comprehensive income due to hedged item affecting income statement | Amount recycled from other comprehensive income due to sale of investment, or cash flows no longer expected to occur | Amount recycled from other comprehensive income due to hedged item affecting income statement | Amount recycled from other comprehensive income due to sale of investment, or cash flows no longer expected to occur |
| Description of hedge relationship and hedged risk | €m | €m | €m | €m |
| **Cash flow hedge of interest rate risk** | | | | |
| Recycled to net interest income | (9) | — | (1) | 1 |

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

| | 2022 | 2021 |
|---|---|---|
| | Cash flow hedging reserve | Cash flow hedging reserve |
| Description of hedge relationship and hedged risk | €m | €m |
| **Balance on 1 January** | (14) | — |
| Hedging losses for the year | (234) | (16) |
| Amounts reclassified in relation to cash flows affecting profit or loss | 9 | — |
| Tax | 28 | 2 |
| **Balance on 31 December** | (211) | (14) |

## 14 Financial liabilities designated at fair value

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

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

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Fair value | Contractual amount due on maturity | Fair value | Contractual amount due on maturity |
| | €m | €m | €m | €m |
| Debt securities | 2,469 | 2,724 | 900 | 934 |
| Deposits | 3,251 | 4,426 | 3,295 | 3,755 |
| Repurchase agreements and other similar secured borrowing | 9,138 | 9,171 | 9,648 | 9,638 |
| **Financial liabilities designated at fair value** | 14,858 | 16,321 | 13,843 | 14,327 |

The cumulative own credit net loss recognised is €17m (2021: €136m)

# Assets and liabilities held at fair value

## 15 Fair value of financial instruments

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

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

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

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

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

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

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

The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is shown on page 165.

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

Climate related risks are assumed to be included in the fair values of assets and liabilities traded in active markets.

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

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

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

# Assets and liabilities held at fair value

*Valuation technique using significant unobservable inputs – Level 3*

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

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

**Assets and liabilities held at fair value**

| As at 31 December 2022 | Level 1 €m | Level 2 €m | Level 3 €m | Total €m |
|---|---|---|---|---|
| Trading portfolio assets | 521 | 7,085 | 94 | 7,700 |
| Financial assets at fair value through the income statement | — | 16,806 | 410 | 17,216 |
| Derivative financial instruments | — | 40,050 | 389 | 40,439 |
| **Total assets** | **521** | **63,941** | **893** | **65,355** |
| | | | | |
| Trading portfolio liabilities | (1,411) | (11,452) | (9) | (12,872) |
| Financial liabilities designated at fair value | — | (14,766) | (92) | (14,858) |
| Derivative financial instruments | — | (32,117) | (377) | (32,494) |
| **Total liabilities** | **(1,411)** | **(58,335)** | **(478)** | **(60,224)** |

**Assets and liabilities held at fair value**

| As at 31 December 2021 | Level 1 €m | Level 2 €m | Level 3 €m | Total €m |
|---|---|---|---|---|
| Trading portfolio assets | 620 | 7,534 | 50 | 8,204 |
| Financial assets at fair value through the income statement | — | 15,002 | 350 | 15,352 |
| Derivative financial instruments | — | 33,740 | 135 | 33,875 |
| **Total assets** | 620 | 56,276 | 535 | 57,431 |
| | | | | |
| Trading portfolio liabilities | (773) | (9,509) | (4) | (10,286) |
| Financial liabilities designated at fair value | — | (13,843) | — | (13,843) |
| Derivative financial instruments | — | (33,463) | (54) | (33,517) |
| **Total liabilities** | (773) | (56,815) | (58) | (57,646) |

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

**Level 3 assets and liabilities held at fair value by product type**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Assets €m | Liabilities €m | Assets €m | Liabilities €m |
| Interest rate derivatives | 99 | (44) | 97 | (9) |
| Foreign exchange derivatives | 101 | (124) | 34 | (41) |
| Credit derivatives | 1 | (13) | 4 | (4) |
| Equity derivatives | 188 | (196) | — | — |
| Certificates of Deposit, Commercial Paper and other money market instruments | — | (92) | — | — |
| Asset backed loans | 318 | — | 326 | — |
| Non asset backed loans | 135 | — | 50 | — |
| Other | 51 | (9) | 24 | (4) |
| **Total** | **893** | **(478)** | 535 | (58) |

## Assets and liabilities held at fair value

**Valuation techniques and sensitivity analysis**

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

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

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

*Interest rate derivatives*

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

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

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

*Foreign exchange derivatives*

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

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

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

*Equity derivatives*

*Description*: Exchange traded or OTC derivatives linked to equity indices and single names. The category includes vanilla and exotic equity products.

*Valuation*: Equity derivatives are valued using industry standard models. Valuation inputs include stock prices, dividends, volatilities, interest rates, equity repurchase curves and, for multi-asset products, correlations.

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

*Asset backed loans*

*Description:* Portfolio of EUR-denominated mortgage loans secured on residential properties located in Italy. The mortgages are indexed to EUR/CHF FX rate and Swiss Average Rate Overnight ('SARON') 3 month compound rate. The portfolio is classified as fair value through the profit or loss ('FVTPL') on account of the features of the mortgages, meaning contractual cash flows would not meet IFRS 9 SPPI criteria.

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

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

*Level 3 sensitivity:* The sensitivity of the CHF-indexed EUR denominated mortgage portfolio is calculated by applying a shift to the discount spread, conditional prepayment rate ('CPR') and constant default rate ('CDR') model inputs aligned to the prudent valuation framework for additional valuation adjustments.

*Non-asset backed loans*

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

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

## Assets and liabilities held at fair value

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

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

During the period, there were no material transfers between Level 1 and Level 2 (2021: there were no material transfers between Level 1 and Level 2).

**Level 3 movement analysis**

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

Asset and liability transfers between Level 2 and Level 3 are primarily due to i) an increase or decrease in observable market activity related to an input or ii) a change in the significance of the unobservable input, with assets and liabilities classified as Level 3 if an unobservable input is deemed significant.

Analysis of movements in Level 3 assets and liabilities

| | | | | | | Total gains and (losses) in the period recognised in the income statement | | | Transfers | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 January 2022 | Purchases | Sales | Issues | Settlements | Trading income/ (losses) | Investment income | Total gains or (losses) recognised in OCI | In | Out | As at 31 December 2022 |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| Non asset backed loans | 50 | 121 | (104) | — | — | — | — | — | — | — | 67 |
| Other | — | 26 | — | — | — | — | — | — | 1 | — | 27 |
| **Trading portfolio assets** | 50 | 147 | (104) | — | — | — | — | — | 1 | — | 94 |
| Asset backed loans | 326 | 4 | — | — | (27) | — | 15 | — | — | — | 318 |
| Non asset backed loans | — | 72 | — | — | — | (4) | — | — | — | — | 68 |
| Other | 24 | 1 | — | — | — | (1) | — | — | — | — | 24 |
| **Financial assets at fair value through the income statement** | 350 | 77 | — | — | (27) | (5) | 15 | — | — | — | 410 |
| **Trading portfolio liabilities** | (4) | (4) | — | — | — | — | — | — | (5) | 4 | (9) |
| **Financial liabilities designated at Fair value** | — | — | — | — | — | — | — | — | (92) | — | (92) |
| Interest rate derivatives | 88 | — | — | — | (3) | 3 | — | — | (15) | (18) | 55 |
| Foreign exchange derivatives | (7) | — | — | — | (9) | (12) | — | — | 1 | 4 | (23) |
| Credit derivatives | — | (1) | 1 | — | — | (5) | — | — | (7) | — | (12) |
| Equity derivatives | — | — | — | — | — | — | — | — | (8) | — | (8) |
| **Net derivative financial instruments[a]** | 81 | (1) | 1 | — | (12) | (14) | — | — | (29) | (14) | 12 |
| **Total** | 477 | 219 | (103) | — | (39) | (19) | 15 | — | (125) | (10) | 415 |

# Assets and liabilities held at fair value

| Analysis of movements in Level 3 assets and liabilities | As at 1 January 2021 | Purchases | Sales | Issues | Settlements | Total gains and (losses) in the period recognised in the income statement: Trading income | Total gains and (losses) in the period recognised in the income statement: Investment income | Total gains or (losses) recognised in OCI | Transfers: In | Transfers: Out | As at 31 December 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| Non asset backed loans | 76 | 50 | (76) | — | — | — | — | — | — | — | 50 |
| **Trading portfolio assets** | 76 | 50 | (76) | — | — | — | — | — | — | — | 50 |
| Asset backed loans | 357 | — | — | — | (35) | — | 4 | — | — | — | 326 |
| Other | — | 24 | — | — | — | — | — | — | — | — | 24 |
| **Financial assets at fair value through the income statement** | 357 | 24 | — | — | (35) | — | 4 | — | — | — | 350 |
| **Trading portfolio liabilities** | — | — | — | — | — | — | — | — | (4) | — | (4) |
| Interest rate derivatives | — | — | — | — | (25) | 96 | — | — | (6) | 23 | 88 |
| Foreign exchange derivatives | — | — | — | — | (11) | (5) | — | — | 9 | — | (7) |
| Credit derivatives | — | (1) | 3 | — | (6) | 4 | — | — | — | — | — |
| **Net derivative financial instruments**[a] | — | (1) | 3 | — | (42) | 95 | — | — | 3 | 23 | 81 |
| **Total** | 433 | 73 | (73) | — | (77) | 95 | 4 | — | (1) | 23 | 477 |

Note
a The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are €397m (2021: €135m) and derivative financial liabilities are €349m (2021: €54m).

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

| Unrealised gains and (losses) recognised during the period on Level 3 assets and liabilities held at year end | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Income statement | | | Income statement | | |
| | Trading income | Investment income | Total | Trading income | Investment losses | Total |
| **As at 31 December** | €m | €m | €m | €m | €m | €m |
| Financial assets at fair value through the income statement | **(5)** | **15** | **10** | — | 4 | 4 |
| Net derivative financial instruments | **(16)** | **—** | **(16)** | 95 | — | 95 |
| **Total** | **(21)** | **15** | **(6)** | 95 | 4 | 99 |

**Significant unobservable inputs**

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

| | Valuation technique(s) | Significant unobservable inputs | 2022 Range | | 2021 Range | | |
|---|---|---|---|---|---|---|---|
| | | | Min | Max | Min | Max | Units[a] |
| **Derivative financial instruments** | | | | | | | |
| Interest rate derivatives | Discounted cash flows | Inflation forwards | 2 | 5 | 3 | 4 | % |
| | Option Model | Interest rate volatility | 42 | 261 | 19 | 465 | bps vol |
| Equity derivatives | Discounted cash flows | Discount margin | (205) | 26 | — | — | bps |
| Foreign exchange derivatives | Option Model | Option Volatility | 4 | 13 | 5 | 14 | points |
| | Discounted cash flows | Yield | (3) | 2 | — | — | % |
| **Non-derivative financial instruments** | | | | | | | |
| Asset backed loans | Discounted cash flows | Credit spread | 200 | 300 | 200 | 300 | bps |
| Non asset backed loans | Comparable Pricing | Yield | — | — | 5 | 6 | % |
| | Comparable Pricing | Price | 96 | 100 | — | — | points |
| Certificates of Deposit, Commercial paper and other money market instruments | Discounted cash flows | Credit spread | 128 | 128 | — | — | bps |

Note

a The units used to disclose ranges for significant unobservable inputs are percentages and basis points. A basis point equals 1/100th of 1%; for example, 150 basis points equals 1.5%.

The following section describes the significant unobservable inputs identified in the table above, and the sensitivity of fair value measurement of the instruments categorised as Level 3 assets or liabilities to increases in significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Where reliable inter-relationships can be identified between significant unobservable inputs used in fair value measurement, a description of those inter-relationships is included below.

*Inflation Forwards*

A price or rate that is applicable to a financial transaction that will take place in the future.

In general, a significant increase in a forward in isolation will result in a fair value increase for the contracted receiver of the underlying (for example currency, bond, commodity), but the sensitivity is dependent on the specific terms of the instrument.

*Volatility*

Volatility is a measure of the variability or uncertainty in return for a given derivative underlying. It is an estimate of how much a particular underlying instrument input or index will change in value over time. In general, volatilities are implied from observed option prices. For unobservable options the implied volatility may reflect additional assumptions about the nature of the underlying risk, and the strike/maturity profile of a specific contract.

In general a significant increase in volatility in isolation will result in a fair value increase for the holder of a simple option, but the sensitivity is dependent on the specific terms of the instrument.

*Comparable price*

Comparable instrument prices are used in valuation by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable observable instrument, then adjusting that yield (or spread) to account for relevant differences such as maturity or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable and unobservable instruments in order to establish a value.

In general, a significant increase in comparable price in isolation will result in an increase in the price of the unobservable instrument. For derivatives, a change in the comparable price in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

*Credit spread*

Credit spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Credit spreads reflect the additional yield that a market participant demands for taking on exposure to the credit risk of an instrument and form part of the yield used in a discounted cash flow calculation.

In general, a significant increase in credit spread in isolation will result in a fair value decrease for a cash asset.

For a derivative instrument, a significant increase in credit spread in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

**Sensitivity analysis of valuations using unobservable inputs**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Favourable changes | Unfavourable changes | Favourable changes | Unfavourable changes |
| | €m | €m | €m | €m |
| Interest rate derivatives | 2 | (3) | 1 | (1) |
| Credit derivatives | 1 | (1) | 1 | — |
| Asset backed loans | 24 | (33) | 18 | (18) |
| Non asset backed loans | 3 | (3) | 1 | (1) |
| **Total** | 30 | (40) | 21 | (20) |

The effect of stressing unobservable inputs to a range of reasonably possible alternatives, alongside considering the impact of using alternative models, would be to increase fair values by up to €30m (2021: €21m) or to decrease fair values by up to €40m (2021: €20m) with all the potential effect impacting profit or loss. Note there are Level 3 Equity and Foreign exchange derivatives where the impact of stressing unobservable inputs would be minimal due to these positions being typically back to back.

## Fair value adjustments

Key balance sheet valuation adjustments are quantified below:

| | 2022 | 2021 |
|---|---|---|
| | €m | €m |
| Exit price adjustments derived from market bid-offer spreads | (29) | (11) |
| Uncollateralised derivative funding | 11 | (5) |
| Derivative credit valuation adjustments | (28) | (21) |
| Derivative debit valuation adjustments | 23 | 6 |

*Exit price adjustments derived from market bid-offer spreads*

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

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

Exit price adjustments derived from market bid-offer have increased by €18m to €(29)m as a result of movements in market bid offer spreads and increased underlying exposures in 2022.

*Discounting approaches for derivative instruments*

*Collateralised*

In line with market practice, the methodology for discounting collateralised derivatives takes into account the nature and currency of the collateral that can be posted within the relevant credit support annex ('CSA'). The CSA aware discounting approach recognises the 'cheapest to deliver' option that reflects the ability of the party posting collateral to change the currency of the collateral.

*Uncollateralised*

A fair value adjustment of €11m is applied to account for the impact of incorporating the cost of funding into the valuation of uncollateralised and partially collateralised derivative portfolios and collateralised derivatives where the terms of the agreement do not allow the rehypothecation of collateral received. This adjustment is referred to as uncollateralised derivative funding. Uncollateralised derivative funding has moved year-over-year by €16m to €11m (to a benefit at 2022 year-end) as a result of underlying moves in the exposure profile of the derivative portfolio in scope.

*Derivative credit and debit valuation adjustments*

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

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

## Assets and liabilities held at fair value

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

Derivative credit valuation adjustments increased by €7m to €(28)m as a result of widening of input counterparty credit spreads. Derivative debit valuation adjustments increased by €17m to €23m as a result of widening of input own credit spreads.

*Portfolio exemptions*

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

### Unrecognised gains as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in income that relates to the difference between the transaction price (the fair value at initial recognition) and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is €11m (2021: €0m) for financial instruments measured at fair value. The increase in unrecognised gains of €11m (2021: €0m) was driven by additions of €11m (2021: €0m).

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

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

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| **As at 31 December** | €m | €m | €m | €m | €m |
| **Financial assets** | | | | | |
| Loans and advances to banks | 1,412 | 1,412 | 278 | 1,134 | — |
| Loans and advances to customers | 13,948 | 13,579 | — | 2,071 | 11,508 |
| Reverse repurchase agreements and other similar secured lending | 1,764 | 1,611 | — | 1,611 | — |
| **Financial liabilities** | | | | | |
| Deposits from banks | (3,628) | (3,628) | (940) | (2,687) | — |
| Deposits from customers | (25,793) | (25,793) | (13,068) | (12,726) | — |
| Repurchase agreements and other similar secured borrowing | (2,964) | (2,964) | — | (2,964) | — |
| Debt securities in issue | (3,139) | (3,139) | — | (3,139) | — |
| Subordinated liabilities | (4,679) | (4,313) | — | (4,313) | — |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| As at 31 December | €m | €m | €m | €m | €m |
| **Financial assets** | | | | | |
| Loans and advances to banks | 903 | 903 | 75 | 828 | — |
| Loans and advances to customers | 13,083 | 12,467 | — | 2,057 | 10,410 |
| Reverse repurchase agreements and other similar secured lending | 3,228 | 3,228 | — | 3,228 | — |
| **Financial liabilities** | | | | | |
| Deposits from banks | (4,252) | (4,252) | (803) | (3,449) | — |
| Deposits from customers | (21,382) | (21,382) | (13,841) | (7,541) | — |
| Repurchase agreements and other similar secured borrowing | (3,596) | (3,596) | — | (3,596) | — |
| Debt securities in issue | (3,397) | (3,397) | — | (3,397) | — |
| Subordinated liabilities | (3,171) | (3,278) | — | (3,278) | — |

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

## Assets and liabilities held at fair value

*Financial assets*

The carrying value of financial assets held at amortised cost (including loans and advances to banks and customers, and other lending such as reverse repurchase agreements) is determined in accordance with the accounting policy section.

*Loans and advances to banks and customers*

The fair value of loans and advances, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Where market data or credit information on the underlying borrowers is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rates.

*Reverse repurchase agreements and other similar secured lending*

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

*Financial liabilities*

The carrying value of financial liabilities held at amortised cost (including customer accounts, other deposits, repurchase agreements, debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy section.

*Deposits from banks and customers*

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently, such as customer accounts and other deposits and short-term debt securities.

The fair value for deposits with longer-term maturities, mainly time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently, the fair value discount is minimal.

*Repurchase agreements and other similar secured lending*

The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated.

*Debt securities in issue*

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, carrying amount approximates fair value.

*Subordinated liabilities*

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

### 16 Offsetting financial assets and financial liabilities

In accordance with IAS 32 *Financial Instruments*: Presentation, the Bank reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- all financial assets and liabilities that are reported net on the balance sheet
- all derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

## Assets and liabilities held at fair value

The 'Net amounts' presented below are not intended to represent the Bank's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

| | Amounts subject to enforceable netting arrangements | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Effects of offsetting on-balance sheet | | | Related amounts not offset | | | | |
| | Gross amounts | Amounts offset[a] | Net amounts reported on the balance sheet | Financial instruments | Financial collateral[b] | Net amount | Amounts not subject to enforceable netting arrangements[c] | Balance sheet total[d] |
| **As at 31 December 2022** | €m | €m | €m | €m | €m | €m | €m | €m |
| Derivative financial assets | **72,964** | **(32,666)** | **40,298** | **(23,787)** | **(14,448)** | **2,063** | **141** | **40,439** |
| Reverse repurchase agreements and other similar secured lending[e] | **44,156** | **(26,996)** | **17,160** | **—** | **(17,160)** | **—** | **27** | **17,187** |
| **Total assets** | **117,120** | **(59,662)** | **57,458** | **(23,787)** | **(31,608)** | **2,063** | **168** | **57,626** |
| Derivative financial liabilities | **(65,862)** | **33,712** | **(32,150)** | **23,787** | **6,363** | **(2,000)** | **(344)** | **(32,494)** |
| Repurchase agreements and other similar secured borrowing[e] | **(37,565)** | **26,996** | **(10,569)** | **—** | **10,569** | **—** | **(1,533)** | **(12,102)** |
| **Total liabilities** | **(103,427)** | **60,708** | **(42,719)** | **23,787** | **16,932** | **(2,000)** | **(1,877)** | **(44,596)** |
| **As at 31 December 2021** | | | | | | | | |
| Derivative financial assets | 41,756 | (8,003) | 33,753 | (21,928) | (10,365) | 1,460 | 122 | 33,875 |
| Reverse repurchase agreements and other similar secured lending[e] | 46,444 | (28,619) | 17,825 | — | (17,825) | — | 4 | 17,829 |
| **Total assets** | 88,200 | (36,622) | 51,578 | (21,928) | (28,190) | 1,460 | 126 | 51,704 |
| Derivative financial liabilities | (40,944) | 7,617 | (33,327) | 21,928 | 10,273 | (1,126) | (190) | (33,517) |
| Repurchase agreements and other similar secured borrowing[e] | (38,946) | 28,619 | (10,327) | — | 10,327 | — | (2,917) | (13,244) |
| **Total liabilities** | (79,890) | 36,236 | (43,654) | 21,928 | 20,600 | (1,126) | (3,107) | (46,761) |

Notes

a Amounts offset for Derivative financial assets additionally includes cash collateral netted of €7,253m (2021: €1,285m). Amounts offset for Derivative financial liabilities additionally includes cash collateral netted of €6,207m (2021: €1,671m). Settlements assets and liabilities have been offset amounting to €3,306m (2021: €2,338m).

b Financial collateral of €14,448m (2021: €10,365m) was received in respect of derivative assets, including €12,797m (2021: €9,666m) of cash collateral and €1,651m (2021: €699m) of non-cash collateral. Financial collateral of €6,363m (2021: €10,273m) was placed in respect of derivative liabilities, including €6,119m (2021: €9,450m) of cash collateral and €244m (2021: €823m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation.

c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

d The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

e Reverse Repurchase agreements and other similar secured lending of €17,187m (2021: €17,829m) is split by fair value €15,423m (2021: €14,601m) and amortised cost €1,764m (2021: €3,228m). Repurchase agreements and other similar secured borrowing of €12,102m (2021: €13,244m) is split by fair value €9,138m (2021: €9,648m) and amortised cost €2,964m (2021: €3,596m).

*Derivative assets and liabilities*

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

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

*Repurchase and reverse repurchase agreements and other similar secured lending and borrowing*

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

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

These offsetting and collateral arrangements and other credit risk mitigation strategies used by the Bank are further explained in the Credit risk mitigation section on page 51.

# Assets and liabilities held at amortised cost

The notes included in this section focus on the Bank's loans and advances and deposits at amortised cost, property, plant and equipment, leases, intangible assets, cash collateral and settlement balances and Other assets. Details regarding the Bank's assets and liabilities at amortised cost can be found on pages 169 to 173.

## 17 Loans and advances and deposits at amortised cost

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

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

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

### Loans and advances at amortised cost

| | 2022 | 2021 |
|---|---|---|
| **As at 31 December** | €m | €m |
| Loans and advances at amortised cost to banks | **1,412** | 903 |
| Loans and advances at amortised cost to customers | **13,861** | 13,004 |
| Debt securities at amortised cost | **87** | 79 |
| **Total loans and advances at amortised cost** | **15,360** | 13,986 |

### Deposits at amortised cost

| | 2022 | 2021 |
|---|---|---|
| **As at 31 December** | €m | €m |
| Deposits at amortised cost from banks | **3,628** | 4,252 |
| Deposits at amortised cost from customers | **25,793** | 21,382 |
| **Total deposits at amortised cost** | **29,421** | 25,634 |

### 18 Property, plant and equipment

**Accounting for property, plant and equipment**
*The Bank applies IAS 16 Property Plant and Equipment.*

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

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

| Annual rates in calculating depreciation | Depreciation rate |
|---|---|
| Freehold buildings and long-leasehold property (more than 50 years to run) | 2-3.3% |
| Leasehold property over the remaining life of the lease (less than 50 years to run) | Over the remaining life of the lease |
| Costs of adaptation of leasehold property | 6-10% |
| Equipment installed in leasehold property | 6-10% |
| Computers and similar equipment | 17-33% |
| Fixtures and fittings and other equipment | 9-20% |

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

| | Property €m | Equipment €m | Right of use assets[a] €m | Total €m |
|---|---|---|---|---|
| **Cost** | | | | |
| **As at 1 January 2022** | **50** | **51** | **97** | **198** |
| Additions | **6** | **8** | **10** | **24** |
| Disposals | **—** | **(2)** | **—** | **(2)** |
| Other movements | **—** | **—** | **24** | **24** |
| **As at 31 December 2022** | **56** | **57** | **131** | **244** |
| **Accumulated depreciation and impairment** | | | | |
| **As at 1 January 2022** | **(32)** | **(35)** | **(41)** | **(108)** |
| Disposals | **—** | **2** | **—** | **2** |
| Depreciation charge | **(3)** | **(8)** | **(15)** | **(26)** |
| Other movements | **—** | **—** | **2** | **2** |
| **As at 31 December 2022** | **(35)** | **(41)** | **(54)** | **(130)** |
| **Net book value** | **21** | **16** | **77** | **114** |
| **Cost** | | | | |
| **As at 1 January 2021** | 49 | 43 | 99 | 191 |
| Additions | 1 | 8 | — | 9 |
| Disposals | — | — | — | — |
| Other movements | — | — | (2) | (2) |
| **As at 31 December 2021** | 50 | 51 | 97 | 198 |
| **Accumulated depreciation and impairment** | | | | |
| **As at 1 January 2021** | (28) | (29) | (28) | (85) |
| Disposals | — | — | — | — |
| Depreciation charge | (4) | (6) | (13) | (23) |
| **As at 31 December 2021** | (32) | (35) | (41) | (108) |
| **Net book value** | 18 | 16 | 56 | 90 |

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

## 19 Leases

**Accounting for leases**
IFRS 16 applies to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38 *Intangible Assets*, service concession arrangements, leases of biological assets within the scope of IAS 41 *Agriculture and* leases of minerals, oil, natural gas and similar non-regenerative resources. IFRS 16 includes an accounting policy choice for a lessee to elect not to apply IFRS 16 to remaining assets within the scope of IAS 38 *Intangible Assets* which the Bank has decided to apply.

When the Bank is the lessee, it is required to recognise both:
- A lease liability, measured at the present value of remaining cash flows on the lease; and
- A right of use ('ROU') asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease. The lease liability is remeasured when there is a change in one of the following:
- Future lease payments arising from a change in an index or rate;
- The Bank's estimate of the amount expected to be payable under a residual value guarantee; or
- The Bank's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to nil.

On the balance sheet, the ROU assets are included within property, plant and equipment and the lease liabilities are included within other liabilities.

The Bank applies the recognition exemption in IFRS 16 for leases with a term not exceeding 12 months. For these leases the lease payments are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more appropriate.

As a Lessee
The Bank leases various offices, branches and other premises under non-cancellable lease arrangements to meet its operational business requirements. In some instances, Bank will sublease property to third parties when it is no longer needed to meet business requirements. Currently, the Bank does not have any material subleasing arrangements.

ROU asset balances relate to property leases only. Refer to Note 18 for the carrying amount of ROU assets.

The Bank did not have material short term leases during the year.

**Lease liabilities**

| | 2022<br>€m | 2021<br>€m |
|---|---|---|
| **As at 1 January** | **58** | 75 |
| Interest | **2** | 2 |
| New leases | **10** | — |
| Disposal | **—** | — |
| Cash payments | **(16)** | (16) |
| Exchange and other movements[a] | **27** | (3) |
| **As at 31 December (see Note 23)** | **81** | 58 |

Note
a Other movements include modification of €26m (2021: €2m).

The below table sets out a maturity analysis of undiscounted lease liabilities, showing the lease payments after the reporting date.

**Undiscounted lease liabilities maturity analysis**

| | 2022<br>€m | 2021<br>€m |
|---|---|---|
| Not more than one year | **15** | 12 |
| One to two years | **16** | 8 |
| Two to three years | **16** | 7 |
| Three to four years | **10** | 6 |
| Four to five years | **8** | 6 |
| Five to ten years | **19** | 16 |
| Greater than ten years | **12** | 14 |
| **Total undiscounted lease liabilities as at 31 December** | **96** | 69 |

In addition to the cash flows identified above, the Bank is exposed to:

- Variable lease payments: This variability will typically arise from either inflation index instruments or market based pricing adjustments. Currently, the Bank has 15 leases (2021: 12) out of the total 21 leases (2021: 17) which have variable lease payment terms based on market based pricing adjustments. Of the gross cash flows identified above, €95m (2021: €69m) is attributable to leases with some degree of variability predominately linked to market based pricing adjustments.
- Extension and termination options: The table above represents the Bank's best estimate of future cash out flows for leases, including assumptions regarding the exercising of contractual extension and termination options. The above gross cash flows have been reduced by €29m (2021:€nil) for leases where the Bank is highly expected to exercise an early termination option. There is no significant impact where the Bank is expected to exercise an extension option.

The Bank currently does not have any significant sale and lease back transactions. The Bank does not have any restrictions or covenants imposed by the lessor on its property leases which restrict its businesses.

### 20 Intangible assets

**Accounting for intangible assets**

*Intangible assets*

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

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

For internally generated intangible assets, only costs incurred during the development phase are capitalised. Expenditures in the research phase are expensed when it is incurred.

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

| Annual rates in calculating amortisation | Amortisation period |
|---|---|
| Other software | 12 months to 6 years |
| Internally generated software[a] | 12 months to 6 years |

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred. Intangible assets not yet available for use are reviewed annually for impairment.

Note

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

| | Internally generated software €m | Other software €m | Licenses and Other contracts €m | Total €m |
|---|---|---|---|---|
| **Cost** | | | | |
| **As at 1 January 2022** | **141** | **8** | **3** | **152** |
| Additions | **15** | **—** | **1** | **16** |
| Disposals | **—** | **—** | **—** | **—** |
| **As at 31 December 2022** | **156** | **8** | **4** | **168** |
| **Accumulated amortisation and impairment** | | | | |
| **As at 1 January 2022** | **(85)** | **(7)** | **(1)** | **(93)** |
| Disposals | **—** | **—** | **—** | **—** |
| Impairment Charge | **—** | **—** | **—** | **—** |
| Amortisation charge | **(15)** | **—** | **(1)** | **(16)** |
| **As at 31 December 2022** | **(100)** | **(7)** | **(2)** | **(109)** |
| **Net book value** | **56** | **1** | **2** | **59** |
| | | | | |
| **Cost** | | | | |
| **As at 1 January 2021** | 120 | 8 | 3 | 131 |
| Additions | 21 | — | — | 21 |
| **As at 31 December 2021** | 141 | 8 | 3 | 152 |
| **Accumulated amortisation and impairment** | | | | |
| **As at 1 January 2021** | (73) | (7) | (1) | (81) |
| Disposals | — | — | — | — |
| Impairment Charge | — | — | — | — |
| Amortisation Charge | (12) | — | — | (12) |
| **As at 31 December 2021** | (85) | (7) | (1) | (93) |
| **Net book value** | 56 | 1 | 2 | 59 |

Determining the estimated useful lives of intangible assets (such as those arising from contractual relationships) requires an analysis of circumstances. The assessment of whether an asset is exhibiting indicators of impairment as well as the calculation of impairment, which requires the estimate of future cash flows and fair values less costs to sell, also requires the preparation of cash flow forecasts and fair values for assets that may not be regularly bought and sold.

## 21 Cash collateral and settlement balances

| | 2022 €m | 2021 €m |
|---|---|---|
| **Assets** | | |
| Cash collateral | **10,303** | 13,416 |
| Settlement balances | **8,237** | 4,235 |
| **Cash collateral and settlement balances** | **18,540** | 17,651 |
| | | |
| **Liabilities** | | |
| Cash collateral | **17,052** | 13,293 |
| Settlement balances | **7,632** | 3,832 |
| **Cash collateral and settlement balances** | **24,684** | 17,125 |

## 22 Other assets

| | 2022 €m | 2021 €m |
|---|---|---|
| Credit related fees receivable | **51** | 53 |
| Amounts receivable from Barclays Group companies | **362** | 159 |
| Other debtors and prepaid expenses | **178** | 125 |
| **Other assets** | **591** | 337 |

# Accruals, provisions, contingent liabilities and legal proceedings

The notes included in this section focus on the Bank's other liabilities, provisions, contingent liabilities and commitments and legal competition and regulatory matters can be found on pages 174 to 175.

## 23 Other liabilities

| | 2022 | 2021 |
|---|---|---|
| | €'m | €'m |
| Accruals and deferred income | **241** | 194 |
| Payable to Barclays Group companies | **182** | 71 |
| Other creditors | **210** | 140 |
| Items in the course of collection due to banks | **29** | 49 |
| Lease liabilities (See Note 19) | **81** | 58 |
| **Other liabilities** | **743** | 512 |

## 24 Provisions

**Accounting for provisions**

The Bank applies IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in accounting for non-financial liabilities.

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists; for example, when the Bank has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan.

*Critical accounting estimates and judgements*

The financial reporting of provisions involves a significant degree of judgement and is complex. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the outflows that may arise from past events requires judgements to be made based on the specific facts and circumstances relating to individual events and often requires specialist professional advice. When matters are at an early stage, accounting judgements and estimates can be difficult because of the high degree of uncertainty involved. Management continues to monitor matters as they develop to re-evaluate on an ongoing basis whether provisions should be recognised, however there can remain a wide range of possible outcomes and uncertainties, particularly in relation to legal, competition and regulatory matters, and as a result it is often not practicable to make meaningful estimates even when matters are at a more advanced stage.

The complexity of such matters often requires the input of specialist professional advice in making assessments to produce estimates. Customer redress and legal, competition and regulatory matters are areas where a higher degree of professional judgement is required. The amount that is recognised as a provision can also be very sensitive to the assumptions made in calculating it. This gives rise to a large range of potential outcomes which require judgement in determining an appropriate provision level.

| | Redundancy and restructuring | Undrawn contractually committed facilities and guarantees provided[a] | Customer redress | Legal, competition and regulatory matters | Sundry provisions | Total |
|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m |
| **As at 1 January 2022** | 10 | 27 | 9 | 3 | 30 | 79 |
| Additions | 12 | 23 | 3 | 3 | 16 | 57 |
| Amounts utilised | (7) | — | (8) | — | (4) | (19) |
| Unused amounts reversed | (6) | (2) | (3) | — | (7) | (18) |
| Exchange and other movements | — | (2) | — | — | 2 | — |
| **As at 31 December 2022** | 9 | 46 | 1 | 6 | 37 | 99 |
| | | | | | | |
| **As at 1 January 2021** | 9 | 52 | — | — | 11 | 72 |
| Additions | 12 | 4 | 12 | 2 | 22 | 52 |
| Amounts utilised | (9) | — | — | (1) | (2) | (12) |
| Unused amounts reversed | (2) | (31) | (3) | — | (1) | (37) |
| Exchange and other movements | — | 2 | — | 2 | — | 4 |
| **As at 31 December 2021** | 10 | 27 | 9 | 3 | 30 | 79 |

Note

a Undrawn contractually committed facilities and guarantees provisions are accounted for under IFRS 9.

Provisions expected to be recovered or settled within no more than 12 months after 31 December 2022 were €86m (2021: €53m).

## Accruals, provisions, contingent liabilities and legal proceedings

**Redundancy and restructuring**
These provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists. Additions made during the year relate to formal restructuring plans and have either been utilised, or reversed, where total costs are now expected to be lower than the original provision amount.

**Undrawn contractually committed facilities and guarantees**
Impairment allowance under IFRS 9 considers both the drawn and the undrawn counterparty exposure. For retail portfolios, the total impairment allowance is allocated to the drawn exposure to the extent that the allowance does not exceed the exposure as ECL is not reported separately. Any excess is reported on the liability side of the balance sheet as a provision. For wholesale portfolios, the impairment allowance on the undrawn exposure is reported on the liability side of the balance sheet as a provision. For further information, refer to Credit Risk section for loan commitments and financial guarantees on page 67.

**Customer redress**
Customer redress provisions comprise the estimated cost of making redress payments to customers, clients and counterparties for losses or damages associated with certain judgements in the execution of the Bank's business activities.

**Legal, competition and regulatory matters**
The Bank is engaged in various legal proceedings. For further information in relation to legal proceedings and discussion of the associated uncertainties, please refer to Note 26.

**Sundry provisions**
This category includes provisions that do not fit into any of the other categories, such as fraud losses, dilapidation provisions and tax provisions'.

### 25 Contingent liabilities and commitments

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

The following table summarises the nominal principal amount of contingent liabilities and commitments which are not recorded on-balance sheet:

| | 2022 | 2021 |
|---|---|---|
| | €m | €m |
| Guarantees and letters of credit pledged as collateral security | 2,815 | 2,519 |
| Performance guarantees, acceptances and endorsements | 1,956 | 1,540 |
| **Total contingent liabilities and financial guarantees** | **4,771** | 4,059 |
| *Of which: Financial guarantees carried at fair value* | — | — |
| | | |
| Documentary credits and other short-term trade related transactions | 69 | 145 |
| Standby facilities, credit lines and other commitments | 32,391 | 27,280 |
| **Total commitments** | **32,460** | 27,425 |
| *Of which: Loan commitments carried at fair value* | 1,729 | 1,523 |

Provisions for expected credit losses held against commitments at 31 December 2022 amounted to €46m (2021: €27m) and are reported in Note 24.

### 26 Legal, competition and regulatory matters

The Bank faces legal, competition and regulatory challenges, many of which are beyond the Bank's control, in the jurisdictions in which it operates, including (but not limited to) proceedings brought by and against the Bank. Matters arising from a set of similar circumstances can give rise to either a contingent liability or a provision, or both, depending on the relevant facts and circumstances. The recognition of provisions in relation to such matters involves critical accounting estimates and judgments in accordance with the relevant accounting policies applicable to Note 24, Provisions. At the present time, the Bank is not subject to any legal, competition or regulatory matters which give rise to a material contingent liability. However, in light of the uncertainties involved in such matters, there can be no assurance that the outcome of a particular matter or matters (including formerly active matters or those matters arising after the date of this note) will not be material to the Bank's results, operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of profit otherwise reported for the reporting period.

In connection with the implementation of Barclays' response to the UK's withdrawal from the EU, parts of the businesses carried on by BB PLC and BCSL have been transferred to the Bank. Under the terms of these transfers, (1) BB PLC and BCSL will remain liable for, and have agreed to indemnify the Bank in respect of, any conduct and litigation liabilities arising in relation to acts or omissions (or alleged acts or omissions) of BB PLC or BCSL (as the case may be) which occurred prior to the transfer of the relevant business; and (2) the Bank will be liable for, and has agreed to indemnify BB PLC or BCSL (as the case may be) in respect of, any conduct and litigation liabilities arising in relation to acts or omissions (or alleged acts or omissions) of the Bank which occur after the transfer of the relevant business.

# Capital instruments, equity and reserves

The notes included in this section focus on the Bank's loan capital and shareholders' equity including issued share capital, retained earnings and other equity balances. For more information on capital management and how the Bank maintains sufficient capital to meet the Bank's regulatory requirements refer to page 53.

## 27 Subordinated liabilities

**Accounting for subordinated liabilities**
Subordinated debt is measured at amortised cost using the effective interest method under IFRS 9.

| | 2022<br>€m | 2021<br>€m |
|---|---|---|
| As at 1 January | **3,171** | 1,061 |
| Issuances | **1,500** | 2,310 |
| Redemptions | **—** | (200) |
| Other | **8** | — |
| **As at 31 December** | **4,679** | 3,171 |

Issuances of €1,500m for the year ended 31 December 2022 comprise of: €1,200m Euro Inter Bank Offered Rate ('Euribor') Tier 3 and €300m Euribor Tier 2 intra-group loans from BB PLC.

Other movements comprise accrued interest.

Subordinated liabilities include accrued interest. None of the Bank's subordinated liabilities are secured.

| | Rate | Maturity date | 2022<br>€m | 2021<br>€m |
|---|---|---|---|---|
| Tier 3 Floating Rate Subordinated Loan (€125m) | 1m Euribor plus 1.79% | 2024 | 125 | 125 |
| Tier 3 Floating Rate Subordinated Loan ( €600m) | 1m ESTR plus 2.27% | 2026 | 602 | — |
| Tier 3 Floating Rate Subordinated Loan ( €350m) | 1m Euribor plus 0.84% | 2027 | 350 | 350 |
| Tier 3 Floating Rate Subordinated Loan ( €200m) | 1m Euribor plus 0.86% | 2027 | 200 | 200 |
| Tier 3 Floating Rate Subordinated Loan ( €100m) | 1m Euribor plus 0.77% | 2027 | 100 | 100 |
| Tier 3 Floating Rate Subordinated Loan ( €300m) | 1m Euribor plus 2.40% | 2028 | 301 | — |
| Tier 3 Floating Rate Subordinated Loan ( €300m) | 1m Euribor plus 2.24% | 2028 | 301 | — |
| Tier 3 Floating Rate Subordinated Loan ( €800m) | 1m Euribor plus 0.94% | 2029 | 802 | 800 |
| Tier 2 Floating Rate Subordinated Loan (€375m) | 1m Euribor plus 4.04% | 2029 | 377 | 376 |
| Tier 2 Floating Rate Subordinated Loan (€56m) | 1m Euribor plus 3.851% | 2029 | 56 | 56 |
| Tier 2 Floating Rate Subordinated Loan (€95m) | 1m Euribor plus 3.855% | 2029 | 95 | 95 |
| Tier 2 Floating Rate Subordinated Loan (€170m) | 1m Euribor plus 1.81% | 2030 | 170 | 170 |
| Tier 2 Floating Rate Subordinated Loan (€160m) | 1m Euribor plus 1.625% | 2031 | 160 | 160 |
| Tier 2 Floating Rate Subordinated Loan (€39m) | 1m Euribor plus 3.32% | 2031 | 39 | 39 |
| Tier 3 Floating Rate Subordinated Loan ( €370m) | 1m Euribor plus 1.07% | 2032 | 370 | 370 |
| Tier 2 Floating Rate Subordinated Loan ( €300m) | 1m Euribor plus 4.35% | 2032 | 301 | — |
| Tier 3 Floating Rate Subordinated Loan ( €200m) | 1m Euribor plus 1.01% | 2032 | 200 | 200 |
| Tier 3 Floating Rate Subordinated Loan ( €130m) | 1m Euribor plus 1.10% | 2032 | 130 | 130 |
| **Total subordinated liabilities**[a] | | | **4,679** | 3,171 |

Note
a Instrument values are disclosed to the nearest million

### Subordinated liabilities

Subordinated liabilities are issued for the development and expansion of the business and to strengthen the Bank's capital base. The principal terms of these liabilities are described below:

#### Subordination

Tier 3 floating rate subordinated loans rank behind the claims of depositors and other unsecured unsubordinated creditors but above the claims of the holders of the Tier 2 Subordinated Loans, Additional Tier 1 Capital and ordinary shares.

Tier 2 floating rate subordinated loans rank behind the claims of depositors, other unsecured unsubordinated creditors and the holders of the Tier 3 Loans but above the claims of the holders of Additional Tier 1 Capital and ordinary shares.

#### Interest

Interest on the floating rate loans is fixed periodically, based on the related market or local central bank rates.

### Repayment

For Tier 3 loans, in the event of non-payment of principal and interest, or where there is a default in the performance or observance of loan obligations, the lender may immediately recall all or part of the loan.

For Tier 2 loans, in the event the Bank fails to pay any amount that has become due and payable under the Tier 2 loan and such failure to pay continues (after the expiration of applicable grace periods), the lender may, at its discretion and without further notice to the Bank, institute proceedings in Ireland for its winding-up and/or prove and/or claim in the Bank's liquidation.

Any prepayment prior to maturity requires the prior written consent of the regulator.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

## 28 Ordinary shares, share premium, and other equity

| Authorised ordinary share capital | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of shares | Ordinary share capital | Number of shares | Ordinary share capital |
| | m | €m | m | €m |
| **At 31 December** | **5,000** | **5,000** | 5,000 | 5,000 |

| Called up share capital, allotted and fully paid and other equity instruments | Number of shares | Ordinary share capital | Ordinary share premium | Total share capital and share premium | Other equity instruments |
|---|---|---|---|---|---|
| | m | €m | €m | €m | €m |
| **As at 1 January 2022** | **899** | **899** | **2,348** | **3,247** | **805** |
| Issue of ordinary shares | **—** | **—** | **625** | **625** | **—** |
| **As at 31 December 2022** | **899** | **899** | **2,973** | **3,872** | **805** |
| | | | | | |
| **As at 1 January 2021** | 899 | 899 | 1,383 | 2,282 | 565 |
| Issue of ordinary shares | — | — | 965 | 965 | — |
| AT1 securities issuance | — | — | — | — | 240 |
| **As at 31 December 2021** | 899 | 899 | 2,348 | 3,247 | 805 |

### Ordinary shares

The issued ordinary share capital of the Bank, as at 31 December 2022, comprised 898,669,034 (2021: 898,668,934) ordinary shares of €1 each. During the year 2022 the Bank issued 100 ordinary shares of €1 each at a premium of €625m.

### Other equity instruments

Other equity instruments of €805m (2021: €805m) is comprised of AT1 securities issued by the Bank and purchased by BB PLC. The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under prevailing capital rules applicable as at the relevant issue date.

The coupon payments on the AT1 instrument are fully discretionary and non-cumulative and are recognised directly in equity upon payment.

In 2022, there were no issuances of AT1 instruments (2021: two issuances).

| | Rate | 2022 €m | 2021 €m |
|---|---|---|---|
| AT1 Floating Rate Perpetual Contingent Write-down Securities (€300m) | 1m Euribor plus 7.356% | **300** | 300 |
| AT1 Floating Rate Perpetual Contingent Write-down Securities (€69m) | 1m Euribor plus 6.682% | **69** | 69 |
| AT1 Floating Rate Perpetual Contingent Write-down Securities (€36m) | 1m Euribor plus 5.950% | **36** | 36 |
| AT1 Floating Rate Perpetual Contingent Write-down Securities (€85m) | 1m Euribor plus 6.240% | **85** | 85 |
| AT1 Floating Rate Perpetual Contingent Write-down Securities (€75m) | 1m Euribor plus 6.240% | **75** | 75 |
| AT1 Floating Rate Perpetual Contingent Write-down Securities (€100m) | 1m Euribor plus 4.343% | **100** | 100 |
| AT1 Floating Rate Perpetual Contingent Write-down Securities (€140m) | 1m Euribor plus 3.720% | **140** | 140 |
| **Total AT1 securities** | | **805** | 805 |

The principal terms of the AT1 securities are described below:

- The AT1 securities rank behind the claims against the Bank of: 1) unsubordinated creditors; 2) claims which are expressed to be subordinated to the claims of unsubordinated creditors of the Bank, but no further or otherwise; 3) claims which are, or are expressed to be, junior to the claims of other creditors of the Bank, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, pari passu with, or junior to, the claims of the holders of the AT1 securities.
- The AT1 securities bear a floating rate of interest. Interest on the AT1 securities is due and payable only at the sole discretion of the Bank, and the Bank shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date.
- AT1 securities are undated and are redeemable, at the option of the Bank, in whole but not in part on their fifth anniversary from the date of issue and every interest payment date thereafter. In addition, the AT1 securities are redeemable, at the option of the Bank, in whole in the event of certain changes in the tax or regulatory treatment of the AT1 securities. Any redemptions require the prior consent of the CBI and/or the ECB.
- Should the CET1 ratio of the Bank fall below 7%, the AT1 securities are irrevocably written down with by an amount equal to the lower of 1) the amount necessary to generate sufficient CET1 capital to restore the Bank's CET1 ratio to at least 7%; or 2) the amount that would reduce the principal amount of the AT1 securities to zero.

### 29 Reserves

#### Cash flow hedging reserve
The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to the income statement when the hedged transactions affect profit or loss.

#### Own credit reserve
The own credit reserve reflects the cumulative own credit gains and losses on financial liabilities at fair value. Amounts in the own credit reserve are not recycled to profit or loss in future periods.

#### Other reserves and other shareholders' equity
Other reserves and other shareholders' equity relate to the merger reserve and group reconstruction relief for the Bank, in respect of the transfer of European branches from BB PLC in 2018 and 2019, and represents the excess of the book value at transfer over the fair value.

| | 2022<br>€m | 2021<br>€m |
|---|---|---|
| Cash flow hedging reserve | **(211)** | (14) |
| Own credit reserve | **(15)** | (137) |
| Other reserves and other shareholders' equity | **(45)** | (45) |
| **Total** | **(271)** | (196) |

## Other disclosure matters

The notes included in this section focus on the Bank's staff costs, share-based payments and pensions and post-retirement benefits, structured entities, financing activities, assets pledged, collateral received and assets transferred, repurchase agreements and other similar borrowing, consolidated entities, related party transactions and directors' remuneration, auditor's remuneration, post balance sheet events and interest rate benchmark reform can be found on pages 179 to 197.

### 30 Staff costs

**Accounting for staff costs**

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

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

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

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

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

| | 2022 | 2021 |
|---|---|---|
| | €m | €m |
| Salaries | **206** | 186 |
| Social security costs | **75** | 64 |
| Post-retirement benefits[a] | **11** | 11 |
| Performance costs | **99** | 87 |
| Other compensation costs[b] | **19** | 18 |
| **Total compensation costs** | **410** | 366 |
| | | |
| **Other resourcing costs** | | |
| Outsourcing | **16** | 11 |
| Redundancy and restructuring | **8** | 10 |
| Temporary staff costs | **2** | 7 |
| Other resourcing costs | **5** | 5 |
| **Total other resourcing costs** | **31** | 33 |
| | | |
| **Total staff costs** | **441** | 399 |

Notes

a Post-retirement benefits charge includes €11m (2021: €11m) in respect of defined contribution schemes and €nil (2021: €nil) in respect of defined benefit schemes.

b Other compensation expenses include allowances and incentives, benefits in kind and other non-performance cost recharges.

At 31 December 2022, the number of staff (full time equivalents) was 1,776 (31 December 2021: 1,708). The average number of employees for the year was 1,748 (31 December 2021: 1,690).

## Other disclosure matters

### 31 Share-based payments

**Accounting for share-based payments**
The Bank applies IFRS 2 *Share-based Payments* in accounting for employee remuneration in the form of shares.

Employee incentives include awards in the form of shares and share options, as well as offering employees the opportunity to purchase shares on favourable terms. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

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

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

The Bank enters into equity settled share-based payment transactions in respect of services received from some of its employees.

The cost to the Bank of all share based payments as recharged by Barclays PLC Group for the financial year ended 31 December 2022 was €22m (2021: €20m). There are no cash settled share based payment transactions.

The terms of the main current plans are as follows:

#### Share Value Plan ('SVP')
The SVP was introduced in Barclays PLC Group in March 2010. SVP awards have been 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, four, five or seven years. Participants do not pay to receive an award or to receive a release of shares. For awards granted before December 2017, the grantor may also make a dividend equivalent payment to participants on release of a SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

#### Deferred Share Value Plan ('DSVP')
The DSVP was introduced in Barclays PLC Group in February 2017. The terms of the DSVP are materially the same as the terms of the SVP as described above. DSVP operates over market purchase shares only.

#### Other schemes
In addition to the SVP and DSVP, the Barclays PLC Group operates a number of other schemes settled in Barclays PLC Shares including Sharesave (both UK and Ireland), Sharepurchase (both UK and Overseas), and the Barclays PLC Group Long Term Incentive Plan. A delivery of upfront shares to 'Material Risk Takers' can be made as a Share Incentive Award (Holding Period) under the SVP.

#### Share option and award plans
The weighted average fair value per award granted, weighted average share price at the date of exercise/release of shares during the year, weighted average contractual remaining life and number of options and awards outstanding (including those exercisable) at the balance sheet date were as follows:

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Weighted average fair value per award granted in year | Weighted average share price at exercise/ release during year | Weighted average remaining contractual life in years | Number of options/ awards outstanding | Weighted average fair value per award granted in year | Weighted average share price at exercise/ release during year | Weighted average remaining contractual life in years | Number of options/ awards outstanding |
| | € | € | | | € | € | | |
| DSVP and SVP[a,b] | **1.45** | **1.61** | **1** | **19,558,688** | 1.63 | 1.75 | 1 | 15,468,680 |
| Sharesave[a] | **—** | **1.75** | **2** | **1,404,488** | 0.63 | 1.72 | 3 | 1,615,979 |
| Others[a] | **1.60-1.63** | **1.57-1.67** | **—** | **129,457** | 1.75-1.78 | 1.75-1.80 | — | 119,378 |

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

## Other disclosure matters

Sharesave has a contractual life of 3 years and 5 years, the expected volatility is 31.10% for 3 years and 30.56% for 5 years. The risk free interest rates used for valuations are 4.28% and 4.05% for 3 years and 5 years respectively. The pure dividend yield rates used for valuations are 4.01% and 3.93% for 3 years and 5 years respectively. The repo rates used for valuations are (0.47)% and (0.63)% for 3 years and 5 years respectively. The inputs into the model such as risk free interest rate, expected volatility, pure dividend yield rates and repo rates are derived from the market data.

### Movements in options and awards

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

| | DSVP and SVP[a,b] | | Sharesave[a] | | | | Others[a] | |
|---|---|---|---|---|---|---|---|---|
| | Number | | Number | | Weighted average ex. price (€) | | Number | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Outstanding at beginning of year/acquisition date[c]** | **15,468,680** | 13,227,450 | **1,615,979** | 1,705,327 | **0.88** | 0.90 | **119,378** | 114,245 |
| Transfers in the year[d] | **192,145** | 1,506,170 | **75,886** | 117,600 | | | **9,384** | 15,834 |
| Granted in the year | **12,149,246** | 8,284,419 | **—** | 6,293 | **—** | 1.43 | **4,094,680** | 3,812,579 |
| Exercised/released in the year | **(7,296,344)** | (5,517,908) | **(74,768)** | (29,355) | **1.28** | 1.37 | **(4,087,129)** | (3,818,894) |
| Less: forfeited in the year | **(955,039)** | (2,031,451) | **(208,039)** | (130,905) | **0.88** | 1.03 | **(6,856)** | (4,386) |
| Less: expired in the year | **—** | — | **(4,570)** | (52,981) | **1.40** | 1.13 | **—** | — |
| **Outstanding at end of year** | **19,558,688** | 15,468,680 | **1,404,488** | 1,615,979 | **0.86** | 0.88 | **129,457** | 119,378 |
| **Of which exercisable:** | **—** | — | **27,539** | 23,906 | **1.17** | 1.43 | **60,400** | 55,016 |

Notes
a Options/award granted over Barclays PLC shares.
b Weighted average exercise price is not applicable for SVP and DSVP awards as these are not share option schemes.
c Weighted average exercise price for outstanding at the beginning of the year includes transfers in the year.
d Awards of employees transferred between the Bank and the rest of the Barclays PLC Group.

Awards and options granted to employees and former employees of the Bank under the Barclays Group share plans may be satisfied using new issue shares, treasury shares and market purchase shares of Barclays PLC.

There were no significant modifications to the share based payments arrangements in 2022 and 2021.

### 32 Pensions and post-retirement benefits

**Accounting for pensions and post-retirement benefits**

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

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

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

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

Changes in pension scheme liabilities or assets (re-measurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Re-measurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction). The risks that Barclays runs in relation to the post retirement schemes are typical of final salary pension schemes, principally that investment returns fall short of expectations, that inflation exceeds expectations, and that retirees live longer than expected.

Accounting estimates
There are four key estimates that impact the net defined benefit liability. These are the discount rate, the inflation rate, the rate of increase for pensions and mortality. These are set out in detail in pages 185 to 186.

The Bank operates a funded defined benefit pension scheme in Ireland (The Barclays Bank Irish Retirement and Life Assurance Plan) which was closed to new accrual on 31 May 2013. Contributions are made annually by the Bank to a separately administered pension fund as determined by a qualified actuary based on triennial valuations. The most recent triennial valuation was carried out as at 31 December 2020. The Plan liabilities were assessed using the Attained Age method and were arrived at using actuarial assumptions based on market expectations at the valuation date. The triennial valuation disclosed that the fair value of the Plan assets represented 96% of the value of

benefits that had accrued to members, after allowing for expected future increases in pensions. As a result of the valuation discussions with the Trustees and the recommendations of the actuary, the Bank agreed to pay €0.5 million per annum in contributions over 5 years from 2021 to 2025. The Plan is also subject to an annual valuation under the Irish Pensions Authority Minimum Funding Standard ('MFS'). The MFS valuation is designed to assess whether the scheme has sufficient funds to provide a minimum level of benefits in a wind-up scenario. The actuary confirmed that the Plan satisfied the statutory MFS at 31 December 2022.

During 2018, the Bank assumed responsibility for additional pension liabilities relating to Barclays operations in Germany. With an effective date of 1 December 2018, certain pension liabilities were transferred from the German branch from BB PLC to the Bank and were immediately recognised. As these liabilities were unfunded, no corresponding assets were transferred. There is no legal requirement to fund pension liabilities in Germany.

With effect from 31 December 2020, the financing of the main plan in Germany, the Hamburg pension scheme, was moved to a multi-employer plan. This follows a similar move in 2016 for certain pension arrangements for operations in Frankfurt. A lump sum contribution of €21m was paid to transfer accrued obligations and contributions are paid to the multi-employer plan in respect of new accrual. The multi-employer plan applies German funding rules for pension insurances which prescribe necessary funding levels. The relationship between ongoing contributions for future service (which are agreed between the Bank and the relevant works councils) and the pensions emerging from the multi-employer plan is governed by tariffs that are agreed with the BaFin regulatory authority. The assets are effectively shared between the companies participating in the arrangement; there is no pre-specified allocation between companies on an ongoing basis, nor on wind-up or withdrawal. There will be insufficient information on the Bank's 'share' of plan assets going forwards to account for this plan as defined benefit under IAS19 as the multi-employer plan does not sufficiently allocate assets between member companies or individuals. This defined benefit plan is therefore accounted for as if it were defined contribution, in line with typical market practice. Accrued benefits are reinsured. Experience within the multi-employer plan is pooled across membership and any surplus returns may be used to offset the cost of indexing pensions in payment. There may be additional costs if surplus returns are less than required indexation. The Bank remains ultimately liable for the benefits it promised, as are other employers participating in the multi-employer plan. As at 31 December 2021 the multi-employer plan had 784 member companies and 485,000 insured individuals. The multi-employer plan showed a small surplus in its published results as at 31 December 2021 with both assets and liabilities of some €33bn. The Bank's Frankfurt and Hamburg offices, together, have c.1,000 employees and former employees covered by the multi-employer plan. The Bank expects to contribute €2.3m to the multi-employer plan in 2023 (2022: €2.3m).

The remaining plans in Germany are closed to new entrants.

In addition to the above, the Bank has defined benefit pension liabilities relating to immaterial schemes operating in France and Portugal.

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

The following tables include amounts recognised in the income statement and an analysis of benefit obligations and scheme assets for all the Bank's defined benefit schemes. The net position is reconciled to the assets and liabilities recognised on the balance sheet. The tables include funded and unfunded post-retirement benefits.

| Income statement charge | 2022 | | | | |
|---|---|---|---|---|---|
| | Ireland[a] | Germany[a] | France[a] | Portugal[a] | Total |
| | €m | €m | €m | €m | €m |
| Interest cost on Defined Benefit Obligation ('DBO') | 1 | (2) | — | — | (1) |
| Interest income on assets | (1) | — | — | — | (1) |
| **Net interest cost on net defined benefit liability** | — | (2) | — | — | (2) |
| **Other finance income** | | | | | |
| Current service cost | — | — | 1 | — | 1 |
| **Total service cost** | — | — | 1 | — | 1 |
| Curtailment or settlements | — | — | — | — | — |
| **Pension expense** | — | (2) | 1 | — | (1) |

| Income statement charge | 2021 | | | | |
|---|---|---|---|---|---|
| | Ireland[a] | Germany[a] | France[a] | Portugal[a] | Total |
| | €m | €m | €m | €m | €m |
| Interest cost on Defined Benefit Obligation ('DBO') | 1 | — | — | — | 1 |
| Interest income on assets | (1) | — | — | — | (1) |
| **Net interest cost on net defined benefit liability** | — | — | — | — | — |
| **Other finance income** | | | | | |
| Current service cost | — | — | — | — | — |
| **Total service cost** | — | — | — | — | — |
| **Pension expense** | — | — | — | — | — |

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

## Other disclosure matters

The amounts recognised in other comprehensive income are as follows:

**Statement of other comprehensive income**

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Ireland €m | Germany[a] €m | France[a] €m | Portugal[a] €m | Total €m |
| Actuarial (gain)/loss - experience | 3 | — | — | — | 3 |
| Actuarial (gain)/loss - financial | (22) | (2) | (2) | (1) | (27) |
| **Actuarial (gain)/loss arising during period** | (19) | (2) | (2) | (1) | (24) |
| **Return on plan assets (greater)/less than discount rate** | 12 | — | — | — | 12 |
| **Remeasurement effects recognised in OCI** | (7) | (2) | (2) | (1) | (12) |

**Statement of other comprehensive income**

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Ireland[a] €m | Germany[a] €m | France[a] €m | Portugal[a] €m | Total €m |
| Actuarial (gain)/loss - experience | (1) | — | — | — | (1) |
| Actuarial (gain)/loss - financial | 1 | — | — | — | 1 |
| **Actuarial (gain)/loss arising during period** | — | — | — | — | — |
| **Return on plan assets (greater)/less than discount rate** | (6) | — | — | — | (6) |
| **Remeasurement effects recognised in OCI** | (6) | — | — | — | (6) |

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

The following tables outline the balance sheet position as at 31 December 2022 and 31 December 2021.

**Balance sheet**

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Ireland €m | Germany €m | France €m | Portugal €m | Total €m |
| Present value of funded liabilities | (43) | — | — | (2) | (45) |
| Present value of the unfunded liabilities | — | (9) | (3) | — | (12) |
| **Present value of total liabilities** | (43) | (9) | (3) | (2) | (57) |
| **Fair value of scheme assets** | 47 | — | — | 2 | 49 |
| **Retirement benefit asset/(liability)** | 4 | (9) | (3) | — | (8) |

**Balance sheet**

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Ireland €m | Germany €m | France €m | Portugal €m | Total €m |
| Present value of funded liabilities | (63) | — | — | (3) | (66) |
| Present value of the unfunded liabilities | — | (12) | (4) | — | (16) |
| **Present value of total liabilities** | (63) | (12) | (4) | (3) | (82) |
| **Fair value of scheme assets** | 59 | — | — | 2 | 61 |
| **Retirement benefit asset/(liability)** | (4) | (12) | (4) | (1) | (21) |

### Reconciliation of defined benefit asset/liability

| | Ireland €m | Germany €m | France €m | Portugal €m | Total €m |
|---|---|---|---|---|---|
| **Defined benefit asset/(liability) at 1 January 2022** | (4) | (12) | (4) | (1) | (21) |
| Current service cost | — | — | 1 | — | 1 |
| Interest cost on DBO | (1) | 2 | — | — | 1 |
| Interest income on assets | 1 | — | — | — | 1 |
| Remeasurement gain recognised in OCI | 7 | 2 | 2 | 1 | 12 |
| Employer contributions | — | — | — | — | — |
| Settlement | — | 2 | — | — | 2 |
| Other movements | 1 | (3) | (2) | — | (4) |
| **Defined benefit asset/(liability) at 31 December 2022** | 4 | (9) | (3) | — | (8) |

### Movement in Scheme Assets

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Ireland €m | Germany[a] €m | France[a] €m | Portugal €m | Total €m |
| **At 1 January 2022** | 59 | — | — | 2 | 61 |
| Interest income on plan assets | 1 | — | — | — | 1 |
| Return on plan assets greater/(less) than discount rate | (12) | — | — | — | (12) |
| Benefits paid – from plan assets | (1) | — | — | — | (1) |
| Employer contributions paid | — | — | — | — | — |
| **At 31 December 2022** | 47 | — | — | 2 | 49 |

### Movement in Scheme Liabilities

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Ireland €m | Germany[a] €m | France[a] €m | Portugal €m | Total €m |
| **At 1 January 2022** | (63) | (12) | (4) | (3) | (82) |
| Current service cost | — | — | 1 | — | 1 |
| Interest cost on DBO | (1) | 2 | — | — | 1 |
| Actuarial gain/(loss)- experience | (3) | — | — | — | (3) |
| Actuarial gain/(loss) - financial | 22 | 2 | 2 | 1 | 27 |
| Benefits paid – from plan assets | 1 | — | — | — | 1 |
| Benefits paid – directly by the Bank | — | 2 | — | — | 2 |
| Settlement | — | — | — | — | — |
| Other movements | 1 | (3) | (2) | — | (4) |
| **At 31 December 2022** | (43) | (9) | (3) | (2) | (57) |

Note
a Pension schemes in Germany and France are unfunded and hence do not have any assets against them.

The weighted average duration of the benefit payments reflected in the defined benefit obligation for Ireland and Germany is 20 years and 7 years respectively. The duration in Ireland has decreased from 24 years as at 2021 to 20 years, primarily due to the increase in discount rate, driven by higher corporate bond yields.

In Ireland, assets and the benefit obligation have reduced by €12m and €20m respectively over the year, primarily due to higher gilt and bond yields. Higher bond yields resulted in a larger impact on the benefit obligation as the discount rate is set solely based on corporate bond yields.

Where a scheme's assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions (the asset ceiling). In the case of Ireland the asset ceiling is not applied as, in certain specified circumstances, such as wind-up, the Bank expects to be able to recover any surplus. Similarly, a liability in respect of future minimum funding requirements is not recognised. The Trustee does not have a substantive right to augment benefits, nor do they have the right to wind up the plan except in the dissolution of the Group or termination of contributions by the Group. The application of the asset ceiling to other plans and recognition of additional liabilities in respect of future minimum funding requirements are considered on an individual plan basis.

### Analysis of scheme assets

A long-term investment strategy has been set for the Irish Pension Plan with its asset allocation comprising a mix of equities, bonds, property, mixed investment funds and other assets. This recognises that different asset classes are likely to produce different returns and some asset classes may be more volatile than others. The long-term investment strategy aims to ensure, among other objectives, that investments are adequately diversified and the overall level of investment risk is acceptable.

ESG related factors are considered in determining investment policy for the Irish Pension Plan. In particular, the equity fund is designed to deliver equity market returns with enhanced exposure to more sustainable companies and a better alignment to the low carbon transition economy.

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

**Analysis of scheme assets**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Value[a] | % of total fair value of scheme assets | Value[a] | % of total fair value of scheme assets |
| | €m | % | €m | % |
| Equities | **20** | **40%** | 26 | 43% |
| Bonds | **18** | **36%** | 22 | 36% |
| Property | **2** | **4%** | 2 | 3% |
| Mixed Investment Funds[b] | **9** | **19%** | 11 | 18% |
| Other | **—** | **1%** | — | —% |
| **Fair value of scheme assets** | **49** | **100%** | 61 | 100% |

Notes
a All assets in the above table are quoted assets
b Ireland's Diversified Growth Fund is included under Mixed Investment Funds category.

### Assumptions

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

**Ireland**

| Key financial assumptions | 2022 | 2021 |
|---|---|---|
| | % p.a. | % p.a. |
| Discount rate | **3.60%** | 1.10% |
| Inflation rate ('CPI') | **2.25%** | 1.75% |
| Rate of increase for pension | **2.25%** | 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 | 2022 | 2021 |
|---|---|---|
| **Life expectancy at 60 for current pensioners (years)** | | |
| – Males | **26.7** | 26.6 |
| – Females | **29.2** | 29.1 |
| **Life expectancy at 60 for future pensioners currently aged 40 (years)** | | |
| – Males | **29.1** | 29.0 |
| – Females | **31.3** | 31.2 |

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

| Key financial assumptions | 2022 | 2021 |
|---|---|---|
| | % p.a. | % p.a. |
| Discount rate | 3.20% | 0.80% |
| Inflation rate ('CPI') | 2.25% | 1.75% |
| Rate of increase for pension | 2.25% | 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 | 2022 | 2021 |
|---|---|---|
| **Life expectancy at 60 for current pensioners (years)** | | |
| – Males | 25.2 | 25.1 |
| – Females | 28.9 | 28.8 |
| **Life expectancy at 60 for future pensioners currently aged 40 (years)** | | |
| – Males | 28.2 | 28.0 |
| – Females | 31.2 | 31.1 |

### Sensitivity analysis on actuarial assumptions

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. The sensitivity analysis has been calculated by valuing the liabilities using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed in the table above, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly. The difference between the recalculated liability figure and that stated in the balance sheet reconciliation table above is the figure shown. The selection of these movements to illustrate the sensitivity of the defined benefit obligation to key assumptions should not be interpreted as the Bank expressing any specific view of the probability of such movements happening.

| Change in key assumptions | 2022 | 2021 |
|---|---|---|
| | (Decrease)/ Increase in defined benefit obligation | (Decrease)/ Increase in defined benefit obligation |
| | €m | €m |
| **Discount rate** | | |
| 0.50% p.a. increase | (4) | (7) |
| **Assumed Inflation** | | |
| 0.50% p.a. increase | 5 | 8 |

### Expected employer contributions

The Bank's expected contributions to the Barclays Bank Irish Retirement and Life Assurance Plan in respect of defined benefits in 2023 is €0.5m (2022: €0.5m). In addition, the expected contributions to the Irish defined contribution scheme in 2022 is €3m (2022: €3m). The next triennial valuation is due to be carried out as at 31 December 2023 which will assess the long-term funding position and may lead to a requirement for additional contributions beyond 2025.

Direct benefit payments of €1.5m are expected to be paid to the unfunded plans in Germany in 2023 (2022: €1.9m).

## 33 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate to administrate tasks only and the relevant activities are directed by means of contractual arrangements. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

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

**Unconsolidated structured entities**
The term 'unconsolidated structured entities' refers to structured entities not consolidated by Barclays, and are established by a third party. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Bank. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to the Bank, lending, loan commitments, financial guarantees and investment management agreements.

The Bank enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions, risk management services and for specific investment opportunities. This is predominately within the CIB business. Structured

entities may take the form of funds, trusts, securitisation vehicles, and private investment companies. The largest transactions for Barclays include loans and derivatives with hedge fund structures and special purpose entities and holding notes issued by securitisation vehicles.

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

**Summary of interests in unconsolidated structured entities**

| | Secured financing €m | Short-term traded interests €m | Traded derivatives €m | Other interests €m | Total €m |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| **Assets** | | | | | |
| Trading portfolio assets | — | 70 | — | — | 70 |
| Financial assets at fair value through the income statement | 544 | — | — | 11 | 555 |
| Derivative financial instruments | — | — | 313 | — | 313 |
| Loans and advances at amortised cost | — | — | — | 457 | 457 |
| **Total assets** | **544** | **70** | **313** | **468** | **1,395** |
| **Liabilities** | | | | | — |
| Derivative financial instruments | — | — | 329 | — | 329 |

| | Secured financing €m | Short-term traded interests €m | Traded derivatives €m | Other interests €m | Total €m |
|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | |
| **Assets** | | | | | |
| Trading portfolio assets | — | 11 | — | — | 11 |
| Financial assets at fair value through the income statement | 792 | — | — | 24 | 816 |
| Derivative financial instruments | — | — | 260 | — | 260 |
| Loans and advances at amortised cost | — | — | — | 403 | 403 |
| **Total assets** | **792** | **11** | **260** | **427** | **1,490** |
| **Liabilities** | | | | | — |
| Derivative financial instruments | — | — | 444 | — | 444 |

Secured financing arrangements, short-term traded interests and traded derivatives are typically managed under market risk management policies described in the Market risk management section which includes an indication of the change of risk measures compared to last year. For this reason, the total assets of these entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented. Other interests include lending where the interest is driven by normal customer demand. As at 31 December 2022, there were 168 (2021: 151) structured entities that the Bank entered into transactions with.

*Secured financing*
The Bank routinely enters into reverse repurchase contracts, stock borrowing and similar arrangements on normal commercial terms where the counterparty to the arrangement is a structured entity. Due to the nature of these arrangements, especially the transfer of collateral and ongoing margining, the Bank is able to manage its variable exposure to the performance of the structured entity counterparty. The counterparties included in secured financing include hedge fund limited structures, investment companies, funds and special purpose entities.

*Short-term traded interests*
As part of its market making activities, the Bank buys and sells interests in structured vehicles, which are predominantly debt securities issued by asset securitisation vehicles. Such interests are typically held individually or as part of a larger portfolio for no more than 90 days. In such cases, the Bank typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

*Traded derivatives*
The Bank enters into a variety of derivative contracts with structured entities which reference market risk variables such as interest rates, foreign exchange rates and credit indices among other things. The main derivative types which are considered interests in structured entities include index-based and entity specific credit default swaps, balance guaranteed swaps, total return swaps, commodities swaps, and equity swaps. Interest rate swaps, foreign exchange derivatives that are not complex and which expose the Bank to insignificant credit risk by being senior in the payment waterfall of a securitisation and derivatives that are determined to introduce risk or variability to a structured entity are not considered to be an interest in an entity and have been excluded from the disclosures.

A description of the types of derivatives and the risk management practices are detailed in Note 13. The risk of loss may be mitigated through ongoing margining requirements as well as a right to cash flows from the structured entity which are senior in the payment waterfall. Such margining requirements are consistent with market practice for many derivative arrangements and in line with the Bank's normal credit policies.

Derivative transactions require the counterparty to provide cash or other collateral under margining agreements to mitigate counterparty credit risk. The Bank is mainly exposed to settlement risk on these derivatives which is mitigated through daily margining. Total notional contract amounts were €8,314m (2021: €6,803m).

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

*Other interests in unconsolidated structured entities*

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

### Nature of interest

| | Lending €m | Others €m | Total[a] €m |
|---|---|---|---|
| **As at 31 December 2022** | | | |
| **Assets** | | | |
| Financial assets at fair value through the income statement | — | 11 | 11 |
| Loans and advances at amortised cost | 365 | 92 | 457 |
| **Total on-balance sheet exposures** | **365** | **103** | **468** |
| Total off-balance sheet notional amounts | 569 | — | 569 |
| **Maximum exposure to loss** | **934** | **103** | **1,037** |
| **Total assets of the entity** | **8,650** | **1,240** | **9,890** |
| **As at 31 December 2021** | | | |
| **Assets** | | | |
| Financial assets at fair value through the income statement | — | 24 | 24 |
| Loans and advances at amortised cost | 324 | 79 | 403 |
| **Total on-balance sheet exposures** | **324** | **103** | **427** |
| Total off-balance sheet notional amounts | 255 | — | 255 |
| **Maximum exposure to loss** | **579** | **103** | **682** |
| **Total assets of the entity** | **8,353** | **1,302** | **9,655** |

Note
a None of the structured entities are Barclays Bank Ireland plc owned and not consolidated per IFRS 10 Consolidated Financial Statements.

*Maximum exposure to loss*

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

*Lending*

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

*Other*

This includes interests in debt securities issued by securitisation vehicles.

*Assets transferred to sponsored unconsolidated structured entities*

BBI is considered to sponsor another entity if, it had a key role in establishing that entity, it transferred assets to the entity, the Barclays name appears in the name of the entity or it provides guarantees on the entity's performance. As at 31 December 2022, no assets were transferred to sponsored unconsolidated structured entities.

# Other disclosure matters

## 34 Analysis of change in financing during the year

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

| | Liabilities | | Equity | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Subordinated debt | Lease liabilities[a] | Called up share capital | Share premium | Other equity | Other reserve | Retained earnings | |
| | €m | €m | €m | €m | €m | €m | €m | €m |
| **Balance as at 1 January 2022** | **3,171** | **58** | **899** | **2,348** | **805** | **(196)** | **2,043** | **9,128** |
| Proceeds from the issuance of subordinated debt | **1,500** | **—** | **—** | **—** | **—** | **—** | **—** | **1,500** |
| Lease liability paid | **—** | **(16)** | **—** | **—** | **—** | **—** | **—** | **(16)** |
| Other equity instruments coupons paid | **—** | **—** | **—** | **—** | **(48)** | **—** | **—** | **(48)** |
| Issue of ordinary shares | **—** | **—** | **—** | **625** | **—** | **—** | **—** | **625** |
| **Total changes from financing cash flows** | **1,500** | **(16)** | **—** | **625** | **(48)** | **—** | **—** | **2,061** |
| **Other changes** | | | | | | | | |
| Interest expense | **65** | **2** | **—** | **—** | **—** | **—** | **—** | **67** |
| Interest paid | **(57)** | **—** | **—** | **—** | **—** | **—** | **—** | **(57)** |
| Other movements | **—** | **37** | **—** | **—** | **—** | **—** | **—** | **37** |
| **Total liability related other changes** | **8** | **39** | **—** | **—** | **—** | **—** | **—** | **47** |
| **Total equity related other changes** | **—** | **—** | **—** | **—** | **48** | **(75)** | **66** | **39** |
| **Balance as at 31 December 2022** | **4,679** | **81** | **899** | **2,973** | **805** | **(271)** | **2,109** | **11,275** |
| **Balance as at 1 January 2021** | 1,061 | 75 | 899 | 1,383 | 565 | (132) | 1,843 | 5,694 |
| Proceeds from the issuance of subordinated debt | 2,310 | — | — | — | — | — | — | 2,310 |
| Lease liability paid | — | (16) | — | — | — | — | — | (16) |
| Other equity instruments coupons paid | — | — | — | — | (40) | — | — | (40) |
| Redemption of subordinated debt | (200) | — | — | — | | — | — | (200) |
| Issue of ordinary shares | | | | 965 | | | | 965 |
| Additional Tier 1 issuance | — | — | — | — | 240 | — | — | 240 |
| **Total changes from financing cash flows** | 2,110 | (16) | — | 965 | 200 | — | — | 3,259 |
| **Other changes** | | | | | | | | |
| Interest expense | 33 | 2 | — | — | — | — | — | 35 |
| Interest paid | (33) | — | — | — | — | — | — | (33) |
| Exchange and other movements | — | (3) | — | — | — | — | — | (3) |
| **Total liability related other changes** | — | (1) | — | — | — | — | — | (1) |
| **Total equity related other changes** | — | — | — | — | 40 | (64) | 200 | 176 |
| **Balance as at 31 December 2021** | 3,171 | 58 | 899 | 2,348 | 805 | (196) | 2,043 | 9,128 |

Note
a See note 19 (Leases) for further details.

### 35 Assets pledged, collateral received and assets transferred

Assets are pledged or transferred as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to derivatives. Assets transferred are non-cash assets transferred to a third party that do not qualify for derecognition from the Bank's balance sheet, for example because the Bank retains substantially all the exposure to those assets under an agreement to repurchase them in the future for a fixed price.

Where non-cash assets are pledged or transferred as collateral for cash received, the asset continues to be recognised in full, and a related liability is also recognised on the balance sheet. Where non-cash assets are pledged or transferred as collateral in an exchange for non-cash assets, the transferred asset continues to be recognised in full, and there is no associated liability as the non-cash collateral received is not recognised on the balance sheet. The Bank is unable to use, sell or pledge the transferred assets for the duration of the transaction and remains exposed to interest rate risk and credit risk on these pledged assets. Unless stated, the counterparty's recourse is not limited to the transferred assets.

The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

| | 2022 | 2021 |
|---|---|---|
| | €m | €m |
| Cash collateral and settlement balances | **10,303** | 13,457 |
| Trading portfolio assets | **5,811** | 6,207 |
| Loans and advances at amortised cost | **2,040** | 1,975 |
| Financial assets at fair value through the income statement | **1,127** | — |
| **Assets pledged** | **19,281** | 21,639 |

The following table summarises the transferred financial assets and the associated liabilities. The transferred assets represents the gross carrying value of the assets pledged and the associated liabilities represents the IFRS balance sheet value of the related liability recorded on the balance sheet.

| | Transferred assets | Associated liabilities | Transferred assets | Associated liabilities |
|---|---|---|---|---|
| | 2022 | 2022 | 2021 | 2021 |
| | €m | €m | €m | €m |
| Derivative financial instruments | **10,737** | **10,737** | 14,252 | 14,252 |
| Repurchase agreements | **8,006** | **2,293** | 6,831 | 2,794 |
| Other | **538** | **—** | 556 | — |
| | **19,281** | **13,030** | 21,639 | 17,046 |

For repurchase agreements the difference between transferred assets and associated liabilities is predominantly due to IFRS netting. There are no agreements where a counterparty's recourse is limited to only the transferred assets.

#### Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Bank is allowed to resell or re-pledge the collateral held. The fair value at the balance sheet date of collateral accepted and re-pledged to others was as follows:

| | 2022 | 2021 |
|---|---|---|
| | €m | €m |
| Fair value of securities accepted as collateral | **73,811** | 70,865 |
| Of which fair value of securities re-pledged/transferred to others | **50,807** | 51,547 |

Additional disclosure has been included in collateral and other credit enhancements (Pages 61 to 63).

### 36 Repurchase agreements and other similar secured borrowing

Repurchase agreements and other similar secured borrowing of €2,964m at 31 December 2022 (31 December 2021: €3,596m) includes €1,526m (31 December 2021: €2,917m) in relation to secured borrowings under the third series of the ECB's Targeted Longer Term Refinancing Operations ('TLTRO III').

In October 2022, the ECB amended the terms of the TLTRO III such that from 23 November 2022, the applicable TLTRO III rate is the average Deposit Facility Rate between 23 November 2022 and the maturity of the TLTRO III. Prior to the terms change, the applicable rate had been that from 24 June 2022 until the maturity of the TLTRO III, the applicable rate was the average Deposit Facility Rate over the life of the TLTRO III.

This change acts to increase the rate on the TLTRO III, and as a result, the Bank, in accordance with IFRS 9, booked income adjustments in 2022 to reflect the impact of the change over the life of the TLTRO III. On an ongoing basis, the Bank continues to accrue at the original

effective interest rate ('EIR') adjusted for rate hikes through H2 of 2022. Included within interest income is a reduction recognised in 2022 as a result of the re-estimation of cash flows on drawings of €15m (31 December 2021: gain €35m).

As the TLTRO is issued by the ECB, the Bank does not consider TLTRO III funding to represent a government grant.

## 37 Consolidated entities

The Bank has assessed its involvement with structured entities in accordance with the definitions and guidance in:

- IFRS 10 Consolidated financial statements;
- IFRS 11 Joint arrangements;
- IAS 28 Investments in associates and joint ventures, and
- IFRS 12 Disclosure of interests in other entities.

The Bank consolidates a structured entity if it controls the investee. Under IFRS 10, this is when the Bank is exposed or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. The Bank generally considers it has control over securitisation vehicles whose purpose is to securitise loans and advances to the customers to provide the Bank with collateral for financing activities, see note 35.

The Bank consolidates two structured entities whose purpose is to acquire loans, other financial assets and issue mortgage backed securities. A list of these structures, the country of incorporation and the nature of business is set out below. The information is provided as at 31 December 2022.

| Company Name | Registered office | % nominal value held | Principal place of business or incorporation | Nature of business |
|---|---|---|---|---|
| Alstertal Consumer Finance 2021-1 DAC | 3rd Floor, Fleming Court, Fleming's Place, Dublin 4, Ireland | — | Ireland | Special Purpose Vehicle |
| Mercurio Mortgage Finance s.r.l | Corso Vercelli 40, 20145, Milan, Italy | — | Italy | Special Purpose Vehicle |

The Bank has three subsidiary undertakings, being Barclays Europe Nominees DAC, Barclays Europe Firm Nominees DAC, and Barclays Europe Client Nominees DAC, each having its registered office at One Molesworth Street, Dublin 2, D02 RF29, Ireland. In each case, the Bank holds 100% of the ordinary shares in the subsidiary undertaking, and the business of the subsidiary undertaking is to act as a nominee company and hold shares as such.

### Financial support given to consolidated structured entities

During the year ended 31 December 2022, the Bank had a contractual arrangement in place which may require it to provide financial support of up to €19m to Mercurio Mortgage Finance s.rl (December 2021: €19m).

### Significant restrictions

The Bank does not have significant restrictions on its ability to access or use its assets or repay the liabilities of the consolidated entities.

## 38 Related party transactions and Directors' remuneration

### Related party transactions

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

### Parent company

The parent company is BB PLC, which holds 100% (31 December 2021: 100%) of the issued ordinary shares of the Bank and 100% (31 December 2021: 100%) of the AT1 securities issued by the Bank. The ultimate controlling parent of the Bank is B PLC.

### Fellow subsidiaries

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

## Other disclosure matters

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

| | Parent | Fellow subsidiaries | Pension funds |
|---|---|---|---|
| | €m | €m | €m |
| **For the year ended and as at 31 December 2022** | | | |
| Total income | 371 | 13 | — |
| Operating expenses | (5) | (371) | (1) |
| Total assets | 8,504 | 4,427 | 3 |
| Total liabilities | 16,960 | 5,320 | — |
| **For the year ended and as at 31 December 2021** | | | |
| Total income | 333 | 63 | — |
| Operating expenses | (7) | (290) | (1) |
| Total assets | 13,935 | 3,255 | 4 |
| Total liabilities | 17,601 | 3,968 | 1 |

Total income from parent and fellow subsidiaries above of €384m (2021: €396m) includes net fee and commission income of €501m (2021: €357m). Further information on net fees and commission income can be found within note 4.

Operating expenses payable to fellow subsidiaries above of €371m (2021: €290m) primarily reflects the cost of services provided by Barclays Execution Services Limited, the B PLC Group-wide service company.

During the year ended 31 December 2022, the Bank issued 100 (2021: 300) ordinary shares of €1 each to its parent, at a premium of €625m (2021: €965m).

The Bank made coupon payments of €48m (2021: €40m) to its parent during the year on AT1 securities.

As at 31 December 2022, the Bank has collateralised financial guarantees from its parent totalling €10,876m (2021: €9,570m).

Total assets and liabilities with parent and fellow subsidiaries comprise:

| As at 31 December | 2022 | 2021 |
|---|---|---|
| | €m | €m |
| Cash collateral and settlement balances | 5,247 | 2,392 |
| Loans and advances at amortised cost | 801 | 522 |
| Reverse repurchase agreements and other similar secured lending | 1,764 | 3,228 |
| Financial assets at fair value through the income statement | 4,284 | 5,932 |
| Derivative financial instruments | 473 | 4,963 |
| Other assets[a] | 362 | 154 |
| **Total assets with parents and fellow subsidiaries** | **12,931** | 17,191 |
| | | |
| Deposits at amortised cost | 2,477 | 2,580 |
| Cash collateral and settlements balances | 4,970 | 1,923 |
| Repurchase agreements and other similar secured borrowing | 1,437 | 680 |
| Debt securities in issue | 1,500 | 1,500 |
| Subordinated liabilities | 4,679 | 3,171 |
| Financial liabilities designated at fair value | 6,130 | 7,000 |
| Derivative financial instruments | 905 | 4,644 |
| Other liabilities | 182 | 73 |
| **Total liabilities with parents and fellow subsidiaries** | **22,280** | 21,571 |

Note
a. Other assets includes an amount of €119m (2021: €nil) receivable from BB PLC under a sub-participation agreement.

Derivatives with the parent and fellow subsidiaries are collateralised with cash and other financial instruments. Reverse repurchase agreements, repurchase agreements and financial assets/liabilities at fair value through the income statement are secured on underlying financial instruments.

# Other disclosure matters

**Key Management Personnel**

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank (directly or indirectly) and comprise the Board of Directors and the Executive Committee of the Bank.

| As at 31 December | 2022<br>€m | 2021<br>€m |
|---|---|---|
| Loans | **1.0** | 1.0 |
| Undrawn amount or credit cards and/or overdraft facilities | **0.6** | 0.6 |
| Deposits | **1.0** | 0.6 |

All loans to Key Management Personnel (and persons connected to them) were made in the ordinary course of business in accordance with the Banks Related Party Lending policy; were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons; and did not involve more than a normal risk of collectability or present other unfavourable features.

No allowances for impairment were recognised in respect of loans to Key Management Personnel (or any connected person).

**Remuneration of Key Management Personnel**

Total remuneration awarded to Key Management Personnel below represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest remuneration decisions. Costs recognised in the income statement reflect the accounting charge for the year included within operating expenses. The difference between the values awarded and the recognised income statement charge principally relates to the recognition of deferred costs for prior year awards. Figures are provided for the period that individuals met the definition of Key Management Personnel.

| | 2022<br>€m | 2021<br>€m |
|---|---|---|
| Short-term employee benefits | **11.8** | 11.8 |
| Post-employment benefits | **0.4** | 0.3 |
| Share-based payments | **3.2** | 4.3 |
| Termination benefits | **1.0** | 1.5 |
| Other long term benefits | **1.4** | 3.0 |
| **Total Key Management Personnel remuneration** | **17.8** | 20.9 |

**Directors' remuneration**

| | 2022<br>€m | 2021<br>€m |
|---|---|---|
| Emoluments in respect of qualifying services | **3.6** | 3.4 |
| Benefits under long term incentive schemes | **1.5** | 2.3 |
| **Total Directors' remuneration** | **5.1** | 5.7 |

During the year ended 31 December 2022, Directors accrued benefits under a defined benefit scheme or defined contribution scheme of €0.1m (2021: €0.1m).

### 39 Auditor's remuneration

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

| | 2022 €m | 2021 €m |
|---|---|---|
| Audit of the Bank's financial statements | 3.3 | 2.9 |
| **Other services:** | | |
| Other assurance services | 0.8 | 0.9 |
| Tax advisory services | — | — |
| Other non-audit services | — | — |
| **Total Auditor's remuneration**[a] | 4.1 | 3.8 |

Note
a Of the 2022 audit fees, €1.5m of the statutory audit fees (2021: €1.4m) and €0.3m (2021: €0.3m) of the non-audit services fees relates to fees paid to other KPMG network firms.

### 40 Post balance sheet events

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

### 41 Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as LIBOR has been a priority for global regulators. As a result, the UK's Financial Conduct Authority ('FCA') and other global regulators instructed market participants to prepare for the cessation of most LIBOR rates after the end of 2021, and to adopt "Risk-Free Rates" ('RFRs').

Pursuant to FCA announcements during 2021, panel bank submissions for all GBP, JPY, EUR and CHF LIBOR tenors ceased after 31 December 2021. For USD, certain actively used tenors will continue to be provided until end June 2023 in their current form, however in line with the US banking regulators' joint statement, Barclays ceased issuing or entering into new contracts that use USD LIBOR as a reference rate from 31 December 2021, other than in relation to those allowable use cases set out under the FCA's prohibition notice (ref 21A). These include, amongst others, market making in support of client activity; or transactions that reduce or hedge Barclays' or any client of Barclays' USD LIBOR exposure on contracts entered into before 1 January 2022.

The Bank's exposure to rates subject to benchmark interest rate reform has been predominantly to GBP, USD, JPY and CHF LIBOR and Euro Overnight Index Average ('EONIA') in addition to the GBP LIBOR ICE Swap Rate, JPY LIBOR Tokyo Swap Rate and USD LIBOR ICE Swap Rate, with the vast majority concentrated in derivatives within the Global Markets business. Some additional exposure exists on floating rate loans and advances, repurchase and securities lending agreements and debt securities held and issued within the Corporate and Investment Bank. Following transition activity in late 2021 and early 2022, almost all GBP LIBOR, GBP LIBOR ICE Swap Rate, JPY LIBOR and JPY LIBOR Tokyo Swap Rate and CHF LIBOR and EONIA positions ("2021 scope") have transitioned onto RFRs and while there are a number of benchmarks yet to cease, the Barclays Bank Group's risk exposure is now mainly to USD LIBOR and the USD LIBOR ICE Swap Rate.

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

#### How the Bank is managing the transition to alternative benchmark rates

Barclays has established a Group-wide LIBOR Transition Programme. The Transition Programme spans all business lines and has cross-functional governance which includes Legal, Compliance, Conduct Risk, Risk and Finance. The Transition Programme aims to drive strategic execution and identify, manage and resolve key risks and issues as they arise. Barclays continues to provide quarterly updates on progress and exposures to the PRA/FCA and other regulators as required.

The Transition Programme follows a risk-based approach, using recognised 'change delivery' control standards. Accountable Executives are in place within key working groups and workstreams, with overall Board oversight delegated to the Board Risk Committee.

Approaches to USD LIBOR and USD LIBOR ICE Swap Rate exposure transition vary by product and nature of counterparty. The Group has engaged with counterparties to transition or include robust fallback provisions where not already agreed in contracts with maturities after June 2023, when USD LIBOR and the USD LIBOR ICE Swap Rate will either cease to be published, or cease to be published in their current form. Any fallback provision will provide the relevant replacement rate, in the case of the ISDA 2020 IBOR Fallbacks Protocol this is the RFR plus a credit adjustment spread. For bilateral derivative exposure, adherence to the relevant ISDA Fallback Protocols have provided Barclays with an efficient mechanism to amend outstanding trades to incorporate fallbacks. Beyond the ISDA 2020 IBOR Fallbacks Protocol and the ISDA 2021 Fallbacks Protocol, another option has been to bilaterally amend terms with counterparties. Derivative contracts facing central

clearing counterparties ('CCP') will follow a market-wide, standardised approach to reform through a series of CCP-led conversions, similar to those used for GBP, JPY and CHF LIBOR and EONIA.

GBP and JPY LIBOR ceased to be published in their original form from the end of 2021 and synthetic versions of GBP and JPY LIBOR have been made available for a limited period of time. This is to help mitigate the risk of widespread disruption to legacy LIBOR contracts which had not transitioned by end 2021, when the GBP and JPY panel bank submissions ended. The FCA has reiterated that any synthetic LIBOR tenors are only a bridge to give time to transition to appropriate alternative RFRs and not a permanent solution. Barclays continues to monitor, assess and limit the reliance on synthetic LIBOR.

On 29 September 2022 the FCA announced that the 1- and 6- month synthetic GBP LIBOR tenors would cease immediately after 31 March 2023 and confirmed that the synthetic JPY LIBOR tenors would cease permanently at the end of 2022.

On 23 November 2022 the FCA announced that the 3-month synthetic GBP LIBOR tenor will cease at the end of March 2024 and that the overnight and 12-month USD LIBOR tenors will cease at end June 2023. The FCA also proposed that the 1-, 3- and 6-month USD LIBOR tenors should be published under a synthetic methodology for a temporary period until the end of September 2024. A final decision from the FCA is expected by early in the second quarter of 2023.

US Federal legislation (the Adjustable Interest Rate ('LIBOR') Act) has been enacted which provides a solution for contracts governed under US law which reference USD LIBOR but do not have adequate fallbacks. The effect of this legislation on in scope agreements will be to deem all references to USD LIBOR to the replacement Secured Overnight Financing Rate ('SOFR') with the additional benefit of statutory contract continuity and safe harbour protection. This contrasts with the legislation implemented in the UK which provides for statutory contract continuity with safe harbour protection only for the administrator and could expose market participants to additional litigation risk.

**Progress made during 2022**

During 2022, Barclays delivered technology and business process changes required to ensure operational readiness in preparation for transitions to RFRs for those benchmark rates ceasing June 2023. This included new RFR product capabilities and alternatives to LIBOR across loans, bonds, repurchase and securities lending transactions and derivatives. Barclays continued to monitor and address its unremediated exposure to 2021 scope; noting that as at 31 December 2022 exposure was reduced to less than 0.2% of Group baseline exposure.

The Bank's unremediated exposure for 2021 scope as at 31 December 2022, excluding secondary traded loans and bonds, was €0.2bn of GBP LIBOR and GBP LIBOR ICE Swap Rate exposure. This exposure consisted predominantly of bilateral derivatives with the remainder consisting of undrawn syndicated loans where transition is led by a third-party agent. Barclays continues to engage with clients and agents as appropriate to address the outstanding unremediated exposures.

Barclays is now focused on transition of legacy positions related to USD LIBOR and USD LIBOR ICE Swap Rate (and other in-scope IBORs) and remains on track to meet the associated industry deadlines. In the first half of 2022, Barclays successfully transitioned all uncommitted USD LIBOR lending exposures.

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

Global regulators and central banks in the UK, US, EU and APAC have been driving international efforts to reform key benchmark interest rates and indices, such as LIBOR, which are used to determine the amounts payable under a wide range of transactions and make them more reliable and robust. These benchmark reforms have resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of RFRs, the discontinuation of certain reference rates (including LIBOR), and the introduction of implementing legislation and regulations.

Uncertainty associated with such potential changes, including the availability and/or suitability of alternative RFRs, the participation of customers and third-party market participants in the transition process; challenges with respect to required consents or other pre-conditions to documentation changes; and the impact of legislation to deal with 'certain legacy' contracts that cannot convert into or add fallbacks RFRs before cessation of the benchmark they reference, may adversely affect a broad range of transactions (including any securities, loans and derivatives which use LIBOR or any other affected benchmark to determine the amount of interest payable that are included in the Bank's financial assets and liabilities) that use these reference rates and indices and present a number of risks for the Bank, including, but not limited to:

- **Conduct risk**: in undertaking actions to transition away from using certain reference rates (such as LIBOR) to new alternative RFRs, the Bank faces conduct risks. These may lead to customer complaints, regulatory sanctions or reputational impact if the Bank is considered to be (among other things) (i) undertaking market activities that are manipulative or create a false or misleading impression, (ii) misusing sensitive information or not identifying or appropriately managing or mitigating conflicts of interest, (iii) providing customers with inadequate advice, misleading information, unsuitable products or unacceptable service, not taking a consistent approach to remediation for customers in similar circumstances, (v) unduly delaying the communication and migration activities in relation to client exposure, leaving them insufficient time to prepare, or (vi) colluding or inappropriately sharing information with competitors.

- **Litigation risk**: members of the Bank may face legal proceedings, regulatory investigations and/or other actions or proceedings regarding (among other things) (i) the conduct risks identified above, (ii) the interpretation and enforceability of provisions in LIBOR-based contracts, and (iii) the Bank's preparation and readiness for the replacement of LIBOR with alternative RFRs.

- **Financial risk:** the valuation of certain of the Barclays Bank Group's financial assets and liabilities may change. Moreover, transitioning to alternative RFRs may impact the ability of members of the Barclays Bank Group to calculate and model amounts receivable by them on certain financial assets and determine the amounts payable on certain financial liabilities (such as debt securities issued by them) because certain alternative RFRs (such as the Sterling Overnight Index Average ('SONIA') and SOFR) are look-back rates whereas term rates (such as LIBOR) allow borrowers to calculate at the start of any interest period exactly how much is payable at the end of such interest period. This may have a material adverse effect on the Barclays Bank Group's cash flows.

- **Pricing risk**: changes to existing reference rates and indices, discontinuation of any reference rate or indices and transition to alternative RFRs may impact the pricing mechanisms used by the Bank on certain transactions.

- **Operational risk**: changes to existing reference rates and indices, discontinuation of any reference rate or index and transition to alternative RFRs may require changes to the Bank's IT systems, trade reporting infrastructure, operational processes, and controls. In addition, if any reference rate or index (such as LIBOR) is no longer available to calculate amounts payable, the Bank may incur additional expenses in amending documentation for new and existing transactions and/or effecting the transition from the original reference rate or index to a new reference rate or index.

- **Accounting risk**: an inability to apply hedge accounting in accordance with IAS39 could lead to increased volatility in the Bank's financial results and performance.

Any of these factors may have a material adverse effect on the Bank's business, results of operations, financial condition, prospects and reputation. While a number of the above risks in relation to transition of legacy 2021 scope onto RFRs have been substantially mitigated, they remain relevant in relation to USD and related LIBOR transitions.

The Bank does not expect material changes to its risk management approach and strategy as a result of interest rate benchmark reform.

The following table summarises USD LIBOR non-derivatives exposures due to mature post 30 June 2023, when USD LIBOR will cease to be published, or cease to be published in its current form: and remaining exposure to GBP LIBOR.

| | | | 2022 | | | 2021 |
|---|---|---|---|---|---|---|
| | GBP LIBOR | USD LIBOR | Total | GBP LIBOR | USD LIBOR | Total |
| As at 31 December | €m | €m | €m | €m | €m | €m |
| **Non-derivative financial assets** | | | | | | |
| Loans and advances at amortised cost | — | 185 | 185 | 122 | 397 | 519 |
| | | | | | | |
| Standby facilities, credit lines and other commitments | 6 | 4,774 | 4,780 | 8,377 | 233 | 8,610 |

Balances reported at amortised cost are disclosed at their gross carrying value and do not include any provisions for expected credit losses that may be held against them.

The following table summarises USD LIBOR and USD LIBOR ICE Swap Rate derivatives exposures due to mature post 30 June 2023, when USD LIBOR and the USD LIBOR ICE Swap Rate will cease to be published, or cease to be published in their current form and remaining exposure to GBP LIBOR and GBP LIBOR ICE Swap Rate:

| | | | 2022 | | | 2021 |
|---|---|---|---|---|---|---|
| | GBP LIBOR | USD LIBOR | Total | GBP LIBOR | USD LIBOR | Total |
| As at 31 December | €m | €m | €m | €m | €m | €m |
| **Derivative notional contract amount** | | | | | | |
| OTC interest rate derivatives | 253 | 81,488 | 81,741 | 11,236 | 41,150 | 52,386 |
| OTC interest rate derivatives cleared by central counterparty | — | 11,166 | 11,166 | — | 3,897 | 3,897 |
| Exchange traded interest rate derivatives | — | 17 | 17 | — | — | — |
| OTC foreign exchange derivatives | — | 54 | 54 | 7,278 | 62,055 | 69,333 |
| Other derivatives | — | 1,326 | 1,326 | — | 1,249 | 1,249 |
| **Derivative notional contract amount** | 253 | 94,051 | 94,304 | 18,514 | 108,351 | 126,865 |

Derivatives are reported by using the notional contract amount..

### Fallback clauses

The 31 December 2022 exposure has been broken up into those with robust fallbacks and those without. Fallbacks here are defined as any mechanism involving a 'switch' or 'hardwire' or a contractual agreement to automatically transition to an agreed rate. One of the most commonly used market solutions to incorporate fallback provisions into certain legacy non-cleared derivative agreements are the ISDA Fallbacks Protocols, namely the ISDA 2020 IBOR Fallbacks Protocol and the ISDA 2021 Fallbacks Protocol published in October 2020. Market participants who have adhered to the relevant ISDA Fallbacks Protocol agree, between adhering parties, that their legacy non-cleared contracts will be amended to include the relevant fallback provisions.

The following table presents a breakdown of USD LIBOR and GBP LIBOR non-derivative exposures with robust fallbacks in place and those without as at 31 December 2022:

| As at 31 December 2022 | With appropriate fallback clause GBP LIBOR €m | USD LIBOR €m | Total €m | Without appropriate fallback clause GBP LIBOR €m | USD LIBOR €m | Total €m |
|---|---|---|---|---|---|---|
| Non-derivative financial assets | | | | | | |
| Loans and advances at amortised cost | — | 185 | 185 | — | — | — |
| Standby facilities, credit lines and other commitments | 6 | 4,564 | 4,570 | — | 210 | 210 |

The majority of non-derivatives USD LIBOR exposure without fallbacks is made up of participation only syndicated loans where the bank is engaging with agents to understand their transition approach.

The following table presents a breakdown of USD LIBOR, USD LIBOR ICE Swap Rate, GBP LIBOR and GBP LIBOR ICE Swap Rate derivative exposures with robust fallbacks in place and those without as at 31 December 2022:

| As at 31 December 2022 | With appropriate fallback clause GBP LIBOR €m | USD LIBOR €m | Total €m | Without appropriate fallback clause GBP LIBOR €m | USD LIBOR €m | Total €m |
|---|---|---|---|---|---|---|
| **Derivative notional contract amount** | | | | | | |
| OTC interest rate derivatives | 103 | 77,973 | 78,076 | 150 | 3,515 | 3,665 |
| OTC interest rate derivatives - cleared by central counterparty | — | 11,166 | 11,166 | — | — | — |
| Exchange traded interest rate derivatives | — | 17 | 17 | — | — | — |
| OTC foreign exchange derivatives | — | 54 | 54 | — | — | — |
| Other derivatives | — | 772 | 772 | — | 554 | 554 |
| **Derivative notional contract amount** | 103 | 89,982 | 90,085 | 150 | 4,069 | 4,219 |

The GBP LIBOR derivatives exposures with appropriate fallback clauses represent swaptions with robust fallbacks where the switch to the relevant RFR will take place at a future option exercise date, these are not considered to be unremediated exposures.

The majority of USD LIBOR and USD LIBOR ICE Swap Rate exposures are already covered by fallbacks as a result of the 2020 ISDA IBOR Fallbacks Protocol and the June 2022 Benchmark Module of the ISDA 2021 Fallbacks Protocol which relevant Barclays entities have adhered to.

## 42 Approval of financial statements

The Board of Directors approved the financial statements on 15 March 2023..

# Abbreviations

| | |
|---|---|
| ACPR | Autorité de contrôle prudentiel et de résolution |
| ALCO | Asset & Liability Committee |
| AMLA | Anti-Money Laundering Authority |
| AT1 | Additional Tier 1 |
| B PLC | Barclays PLC |
| BAC | Board Audit Committee |
| BaFin | German Federal Financial Supervisory Authority |
| BAU | Business as Usual |
| BB PLC | Barclays Bank PLC |
| BBI | Barclays Bank Ireland PLC |
| BBI BERC | Barclays Europe Risk Committee |
| BCBS | Basel Committee on Banking Supervision |
| BCI | Barclays Capital International |
| BCSL | Barclays Capital Securities Limited |
| BNG | Biodiversity net gain |
| bps | Basis Points |
| BRC | Board Risk Committee |
| Brexit | UK's withdrawal from the EU |
| BRRD | Bank Recovery and Resolution Directive |
| CA | Comprehensive Assessment |
| CAGR | Compound Annual Growth Rate |
| CBD | Convention on Biological Diversity |
| CBE | Consumer Bank Europe |
| CBI | Central Bank of Ireland |
| CC&P | Consumer, Cards and Payments |
| CCFOR | Climate Change Financial Risk and Operational Risk Policy |
| CCP | Central Counterparty Clearing |
| CCyB | Countercyclical Capital Buffer |
| CDR | Constant Default Rate |
| CDS | Credit Default Swap |
| CEO | Chief Executive Officer |
| CET1 | Common Equity Tier 1 |
| CFO | Chief Financial Officer |
| CFTC | Commodity Futures Trading Commission |
| CGCCI | Corporate Governance Code for Credit Institutions |
| CIB | Corporate and Investment Bank |
| COO | Chief Operating Officer |
| CPI | Consumer Price Index |
| CPR | Conditional Prepayment Rate |
| CRC | Climate Risk Committee |
| CRCF | Climate Risk Control Forum |
| CRD | Capital Requirements Directive |
| CRMF | Conduct Risk Management Framework |
| CRO | Chief Risk Officer |
| CRR | Capital Requirements Regulation |
| CRST | Climate Risk Stress Test |
| CSA | Credit Support Annex |
| CToBs | Clearing Terms of Business |
| CTRC | Climate Transaction Review Committee |
| DBO | Defined Benefit Obligation |

# Abbreviations

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|---|---|
| DDoS | Distribute Denial of Service |
| DECL | Disclosures about Expected Credit Losses |
| DEI | Diversity, Equity and Inclusion |
| DGS | Deposit Guarantee Scheme |
| DORA | Digital Operational Resilience Act |
| DSVP | Deferred Share Value Plan |
| EAD | Exposure at Default |
| EBA | European Banking Authority |
| EC | European Commission |
| ECB | European Central Bank |
| ECL | Expected credit losses |
| EEA | European Economic Area |
| EIR | Effective Interest Rate |
| EMIR | European Market Infrastructure Regulation |
| EONIA | Euro Overnight Index Average |
| ERMF | Enterprise Risk Management Framework |
| ESEF | Single Electronic Reporting Format |
| ESG | Environmental, Social and Governance |
| ESI | Environmental and Social Impact |
| EU | European Union |
| EURIBOR | Euro Inter Bank Offered Rate |
| F&P | Fitness and Probity |
| FCA | Financial Conduct Authority |
| FRB | Federal Reserve Board |
| FTR | Funds Transfer Regulation |
| FVAs | Fair Value Adjustment |
| FVTPL | Fair Value Through Profit or Loss |
| FX | Foreign Exchange |
| GAR | Green Asset Ratio |
| GDP | Gross Domestic Product |
| GDPR | General Data Protection Regulation |
| GMD | Group Models Database |
| GRC | Group Risk Committee |
| G-SIB | Global systemically important banks |
| HPI | House Price Index |
| HQLA | High Quality Liquid Assets |
| IAASA | Irish Auditing and Accounting Supervisory Authority |
| IAS | International Accounting Standard |
| IASB | International Accounting Standards Board |
| IBOR | Interbank Offered Rates |
| ICA | Investor Compensation Act |
| ICAAP | Internal Capital Adequacy Assessment Process |
| ICS | Investor Compensation Scheme |
| IFRICs | International Financial Reporting interpretations |
| IFRS | International Financial Reporting Standard |
| ILAAP | Internal Liquidity Adequacy Assessment Process |
| ILO | International Labour Organisation |
| IMM | Internal Model Method |
| IOSCO | International Organisation of Securities Commissions |
| IPV | Independent price verification |

# Abbreviations

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|---|---|
| IRRBB | Interest Rate Risk in the Banking Book |
| ISAs | International Standards on Auditing |
| ISDAs | International Swaps Derivatives Association master agreements |
| IVU | Independent Validation Unit |
| JST | Joint Supervisory Team |
| KPIs | Key Performance Indicators |
| LCR | Liquidity Coverage Ratio |
| LGD | Loss Given Default |
| LIBOR | London Inter Bank Offered Rate |
| LTV | Loan to Value |
| MAR | Market Abuse Regulation |
| MFS | Minimum Funding Standard |
| MiFID | Markets in Financial Instruments Directive in Europe |
| MLD5 | 5th Anti-Money Laundering Directive |
| MLD6 | 6th EU AML Directive |
| MREL | Minimum Requirement for own Funds and Eligible Liabilities |
| MRGR | Model Risk Governance & Review |
| MRM | Model Risk Management |
| MRMQ | Model Risk Measurement and Quantification |
| NFRD | Non-Financial Reporting Directive |
| NNIs | New Nuclear Installations |
| NPPs | Nuclear Power Plants’ |
| NSFR | Net Stable Funding Ratio |
| O-SII | Other Systemically Important Institution |
| OTC | Over the Counter |
| SSM | Single Supervisory Mechanism |
| PD | Probability of Default |
| Pillar 2G | Pillar 2 Guidance |
| Pillar 2R | Pillar 2 Requirements |
| PRA | Prudential Regulation Authority |
| PS | Probabilities of Survival |
| PSD2 | Payments Services Directive |
| RCF | Revolving credit facility |
| RemCo | Remuneration Committee |
| RFRs | Risk-Free Reference Rates |
| RNIME | Risks not in model engine |
| ROU | Right of use |
| RW | Ramsar Wetlands |
| RWAs | Risk weighted assets |
| S&P | Standard & Poor’s Global |
| SARON | Swiss Average Rate Overnight |
| SCA | Strong Customer Authentication |
| SEC | Securities and Exchange Commission |
| SFTR | Securities Financing Transactions Regulation |
| SOFR | Secured Overnight Funding Rate |
| SONIA | Sterling Overnight Index Average |
| SPPI | Solely payments of principal and interest |
| SRB | Single Resolution Board |
| SREP | Supervisory Review & Evaluation Process |
| SRF | Single Resolution Fund |

# Abbreviations

| | |
|---|---|
| SRMR | Single Resolution Mechanism Regulations |
| SVP | Share Value Plan |
| T1 | Tier 1 |
| TCFD | Taskforce on Climate-related Financial Disclosures |
| TLAC | Total Loss Absorption Capacity |
| TLTRO | Targeted Longer Term Refinancing Operations |
| TNFD | Taskforce on Nature-related Financial Disclosures |
| UN | United Nations |
| UNEP-FI | United Nations Environment Programme Finance Initiative |
| VaR | Value at Risk |
| VCoE | Validation Centre of Excellence |
| WHS | World Heritage Sites |

# Notes

**Notes**

The terms 'Bank', 'BBI' or 'Company' refer to Barclays Bank Ireland PLC. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2022 to the corresponding twelve months of 2021 and balance sheet analysis as at 31 December 2022 with comparatives relating to 31 December 2021. The abbreviations '€m' and '€bn' represent millions and thousands of millions of Euros respectively.

There are a number of key judgement areas, for example impairment calculations, which are based on models and which are subject to ongoing adjustment and modifications. Reported numbers reflect best estimates and judgements at the given point in time.

Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards ('IFRS') are explained in the results glossary that can be accessed at home.barclays/investor-relations/reports-and-events/latest-financial-results.

The information in this document, which was approved by the Board of Directors on 15 March 2023, does not comprise statutory financial statements within the meaning of Section 274 of the Companies Act 2014. Statutory financial statements for the year ended 31 December 2022, which contain an unmodified statutory auditor report under Section 391 of the Companies Act 2014, will be delivered to the Registrar of Companies in accordance with Part 6 of the Companies Act 2014 and the European Communities (Credit Institutions: Financial Statements) Regulations, 2015 (S.I. 266 of 2015).

The Bank is an issuer in the debt capital markets and it may from time to time over the coming half year meet with investors to discuss these results and other matters relating to the Bank.

**Forward-looking statements**

This document contains certain forward-looking statements with respect to the Bank. The Bank cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. Forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Forward-looking statements can be made in writing but also may be made verbally by directors, officers and employees of the Bank (including during management presentations) in connection with this document. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Bank's future financial position, income levels, costs, assets and liabilities, impairment charges, provisions, capital, leverage and other regulatory ratios, capital distributions (including dividend policy and share buybacks), return on tangible equity, projected levels of growth in banking and financial markets, industry trends, any commitments and targets (including environmental, social and governance ('ESG') commitments and targets), business strategy, plans and objectives for future operations and other statements that are not historical or current facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements speak only as at the date on which they are made. Forward-looking statements may be affected by a number of factors, including, without limitation: changes in legislation, regulation and the interpretation thereof, changes in IFRS and other accounting standards, including practices with regard to the interpretation and application thereof and emerging and developing ESG reporting standards; the outcome of current and future legal proceedings and regulatory investigations; the policies and actions of governmental and regulatory authorities; the Bank's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; environmental, social and geopolitical risks and incidents and similar events beyond the Bank's control; the impact of competition; capital, leverage and other regulatory rules applicable to past, current and future periods; Eurozone and global macroeconomic and business conditions, including inflation; volatility in credit and capital markets; market related risks such as changes in interest rates and foreign exchange rates; higher or lower asset valuations; changes in credit ratings of the Bank or any securities issued by it; changes in counterparty risk; changes in consumer behaviour; the direct and indirect consequences of the Russian invasion of Ukraine on European and global macroeconomic conditions, political stability and financial markets; direct and indirect impacts of the coronavirus ('COVID-19') pandemic; instability as a result of the UK's exit from the European Union ('EU'), the effects of the EU-UK Trade and Cooperation Agreement and any disruption that may subsequently result in the UK, the EU and globally; the risk of cyber-attacks, information or security breaches or technology failures on the Bank's reputation, business or operations; the Bank's ability to access funding; and the success of acquisitions, disposals and other strategic transactions. A number of these factors are beyond the Bank's control. As a result, the Bank's actual financial position, results, financial and non-financial metrics or performance measures or its ability to meet commitments and targets may differ materially from the statements or guidance set forth in the Bank's forward-looking statements. Additional risks and factors which may impact the Bank's future financial condition and performance are identified in the description of material existing and emerging risks on pages 34 to 45 of this Annual Report.

Subject to Barclays Bank Ireland PLC's obligations under the applicable laws and regulations of any relevant jurisdiction (including, without limitation, Ireland), in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.