Barclays Bank UK PLC
Annual Report

31 December 2022

Contents

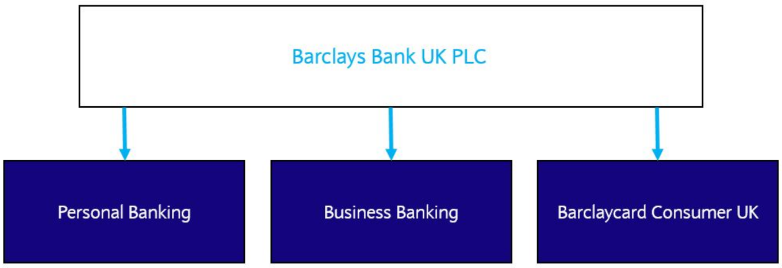
The Strategic Report was approved by the Board of Directors on 14 February 2023 and signed on their behalf by the Chair.

Overview

Barclays Bank UK PLC (the Company) is a wholly-owned subsidiary of Barclays PLC. The consolidation of Barclays Bank UK PLC and its subsidiaries is referred to as the Barclays Bank UK Group. The term Barclays refers to Barclays PLC, or depending on context the Barclays Group, and Barclays Group refers to Barclays PLC, together with its subsidiaries.

Barclays Bank UK PLC is the ring-fenced bank within the Barclays Group. The Barclays Bank UK Group contains the majority of the Barclays Group's Barclays UK division, including the Personal Banking, Business Banking and Barclaycard Consumer UK businesses other than the Barclays Partner Finance business.

Our structure



Barclays is one of the most recognisable brands in the UK. We serve customers across a wide range of retail banking needs, from credit card users, to start-up businesses, to homebuyers getting on the property ladder for the first time.

Personal Banking
Offers retail solutions to help customers with their day-to-day banking needs.

Business Banking
Serves business clients, from high growth start-ups to small and medium-sized businesses, with specialist advice for their business banking needs.

Barclaycard Consumer UK
A leading credit card provider, offering flexible borrowing and payment solutions, while delivering a leading customer experience.

Barclays Bank UK PLC is supported by the Barclays Group service company, Barclays Execution Services Limited (BX), which provides technology, operations and functional services to businesses across the Barclays Group.

Market and operating environment

Against a challenging economic and political backdrop this year, customer confidence in both the UK economy and its impact on their personal finances fell. Inflationary pressures have put significant strain on our customers in the UK and elsewhere, with many adapting to address these challenges, from changing their spending habits to paying down higher cost debts. As a bank, we have an important duty to play in society, and use our expertise to help people with their financial wellbeing, providing them with the support they need to navigate these uncertain times, including help with money management and budgeting.

There continues to be a significant shift towards digital adoption and demand for digital financial services to meet day-to-day needs. The changes in competition over the past decade makes addressing these evolving customer expectations even more pertinent. We aim to provide customers with banking services in new and innovative ways, embracing technology as a means of making things simpler, more transparent and more secure. Whilst we have seen an increase in the number of customers moving to digital, there remains a cohort of customers who are digitally less confident, and require more traditional points of engagement.

UK regulation continues to evolve, seeking to provide higher levels of protection for the consumer. The Consumer Duty, due to come into force in July 2023, is focused on ensuring that firms deliver good customer and client outcomes through: ensuring that products and services provide fair value; enabling informed decision-making and providing support that meets the needs of customers and clients. These key principles align with the Barclays Bank UK PLC Purpose and strategy, and we are committed to ensuring that the Consumer Duty is demonstrably embedded throughout the organisation.

Focus areas

- Providing exceptional service and insights to customers: We aim to provide simple, relevant and prompt services and propositions for our customers so they have greater choice and access to the support they need to make their money work for their individual circumstances.

- Driving technology and digital innovation: We continue to invest in our digital capabilities, upgrading our systems, moving to cloud technology and implementing automation of manual processes. This is intended to allow us to deliver a more personalised digital experience, reduce cost and create additional capacity to support more of our customers. It aims to give us the capability to drive service and improve financial inclusion.

- Continuing to grow our business: We are pursuing partnership and acquisition opportunities to build and deliver better propositions and services, while continuing to innovate across our Barclays platforms to unlock new and sustainable income streams. In the unsecured lending space, in particular, we are working with partners such as Avios, to adapt to evolving customer demands as they look for flexibility, convenience and safety from their lending solutions - driving a shift from overdrafts, towards reward credit cards and instalment lending.

- Evolving our societal purpose: We are working across the communities in which we serve to support financial inclusion and recognise our role in supporting the transition towards a low-carbon economy. We are reinventing how we support customers in the community and also seeking to preserve access to banking for consumers and businesses over the long term.

Year in review

Customer
This year, the UK has seen its fastest increase in inflationary pressure on household budgets in 40 years, and we have focused on making sure our customers have the support they need to navigate these challenging times. This includes our Money Management Hub, which provides tools and information directly to our customers, giving them a better grasp of their spending behaviours and the steps they can take to improve their financial wellbeing. We have been focused on helping customers boost their financial resilience in the long term, by encouraging healthy saving habits through the launch of our Rainy Day Saver account, as well as providing one-to-one support for customers experiencing financial hardship through our expert financial assistance teams.

We continue to focus on improving the overall customer experience by identifying and supporting the removal of the root causes of customer complaints. Complaints in 2022 have further reduced, with volumes decreasing 17% year on year excluding PPI complaints, or decreasing 18% when looking at total complaints. This has been achieved through the continued stability of our platforms, alongside regular and direct communications with customers during times of change, particularly in relation to our service model. We have seen acute pressures in areas impacted by economic events, such as an increase in complaints related to mortgages as customers rushed to find the right rates for them in light of Bank of England base rate changes.

The Net Promoter Score (NPS) for Barclays UK, the Barclays PLC segment, was relatively stable throughout 2022 at +11. This reflects the returning capability to service our customers after previous declines during the pandemic. However, we recognise that we need to continue to push forward our initiatives to drive further improvements in customer experience, including improving and expanding our digital journeys. Barclaycard UK NPS continued to trend upwards throughout 2022 to +12, in line with the market, as usage and availability of credit became more important to customers.

Supporting vulnerable customers across all of our Barclays channels remains a key focus. We have trained over 16,000 frontline colleagues to better recognise the subtle signs of vulnerability when speaking to customers who might need additional support, and are encouraging them to allow us to put an indicator on their banking records to ensure that Barclays, holistically, understands their needs and can better serve them across all their touchpoints as a result. Whilst we have made great progress, we have more to do to embed this with colleagues, including further training and support materials.

We have delivered a regular programme of customer education on fraud, scams and mules alongside our new 'Scan for a Scam' campaign, leveraging social media and influencers to ensure as broad a reach as possible. We have also invested in upskilling and educating colleagues across economic crime, and as a result, complaints relating to fraud, scams and mules have reduced by 17% versus 2021.

Access to banking services
We continue to evolve our physical service model, expanding Barclays Local - an alternative branch presence for those who need in-person support - which includes mobile banking vans and pop-up banking sites in community centres, libraries and business hubs. This transformation reflects the reality of the rapid digitisation of transactional banking, as customers demand more convenient, simpler ways to bank that fit their lives. These new formats seek to ensure we leave no-one behind and remain available, in person, to support the small proportion of customers unable to self-serve digitally, who value physical presence when things go wrong or to support them through vulnerability.

As part of the changes to our physical branches, we are working to ensure that customers who rely on cash can still access it and get the support they need. Barclays is one of the driving forces behind the Cash Action Working Group (CAG), working with industry banks and consumer groups, the Post Office and LINK, in an agreement on shared services such as banking hubs, helping to ensure long-term cash availability across the UK. We also rolled out a new Cashback Without Purchase service, in partnership with Barclaycard Payments, creating thousands of new locations for consumers to withdraw cash from shops, cafes, restaurants and other small businesses for free. We anticipate that it will also help local community cash recycling and boost business footfall.

Digital innovation
We continue to invest in smarter technologies to improve the customer and colleague experience, particularly for our digital journeys. For example, our mortgage customers can now manage their mortgage through the Barclays app, including switching onto a new rate up to 180 days before their current rate expires, and have the ability to apply for additional borrowing. This provides customers with greater choice of channel, and avoids the need for an appointment to be made when advice is not required. In 2022, our active mobile customers grew to 10.5 million and we hit a record of 15.4 million logins in a single day, demonstrating the impact of going digital-first.

Sustainability
We are working to reduce our own emissions at Barclays and have recently introduced our first fully electric mobile banking van. Vans are just one of the ways Barclays provides an accessible in-person service, supporting customers in remote and rural locations, as well as growing our business in strategic locations. Since launching our first van in August 2020, we've supported c.9,500 customers across 238 locations such as hospitals, schools, markets and retail parks. We are at the start of this journey, introducing another six electric mobile banking vans in early 2023, as part of our ambition to transform our entire existing fleet of vehicles in the UK to electric by 2025.

This year we expanded our green mortgages proposition to support the transition to a low-carbon economy, launching the Barclays Green Home Buy-to-Let Mortgage product. We also launched a Greener Home Rewards pilot, providing eligible UK mortgage customers with cash rewards when retrofitting their homes, for example, when installing double or triple glazing, solar panels or insulation. For our business customers, we continued to develop our partnership with Propel, helping to provide financing for businesses wanting to invest in renewable assets. To support this, in 2022, we launched a reduced interest rate proposition incentivising the purchase of electric vehicles.

Growing our business
We continued to unlock new and sustainable sources of income which also provide innovative propositions for our customers. We have reached an agreement to acquire Kensington Mortgage Company, a specialist mortgage lending platform focused on providing mortgages via brokers to customers with complex incomes, together with a portfolio of UK mortgages. Regulatory approval has been obtained and the transaction is now expected to complete in Q123. This will complement our existing residential mortgage offerings and give us the chance to support even more customers. Within our unsecured lending proposition, we are also working with partners to provide differentiated solutions for our customers, helping them make the most of their day-to-day spending, including launching two new co-branded credit cards this year in partnership with Avios.

Looking ahead
Our aim remains putting customers and clients at the heart of the decisions we make, helping to ensure good customer outcomes for every customer and client. We are continuing to adapt our service model for customers, creating a more efficient, more resilient and seamless service at a pace that suits our customers' expectations. We're also investing significantly in growing our financial assistance teams, to be on hand should customers and businesses run into some form of financial difficulty and need specialist support.

More interactions are moving to digital and virtual channels, with customers demanding better digital services and fewer customers using our branch network. Where traditional branches may have been the most appropriate point of engagement in the past, we are looking to increase the range of more flexible options for our customers; delivering human support for those customers who are digitally less confident.

This will continue to include physical branches, complemented with flexible banking pop-ups in community spaces, banking pods and mobile banking vans. We continue to ensure greater accessibility of cash in local and remote areas through our work with local businesses and the Post Office.

We are building partnerships in the open market and work across Barclays to deliver additional value for our customers and businesses through our size and scale, and continue to invest in digital platforms, remove unnecessary processes and costs and aim for a seamless self-service for customers.

We are acutely aware of increasing consumer expectations on climate and sustainability, and we are committed to supporting our customers and clients through the transition to a low-carbon economy. We continue to provide products and propositions which support greener choices.

Measuring success
- Income (2021: £6.5bn, 2022: £7.4bn)
- Operating expenses (2021: £4.7bn, 2022: £4.6bn)
- Profit before tax (2021: £2.2bn, 2022: £2.6bn)
- Return on tangible equity (2021: 17.6%, 2022: 18.7%)

Financial performance measures

The performance of Barclays Bank UK PLC contributes to the Barclays Group, upon which the delivery of strategy is measured.

Income statement

Barclays Bank UK Group results For the year ended 31 December	2022 £m	2021 £m
Total income	**7,397**	6,482
Operating costs	**(4,532)**	(4,640)
Litigation and conduct	**(45)**	(51)
Total operating expenses	**(4,577)**	(4,691)
Profit on disposal of subsidiaries, associates and joint ventures	**—**	1
Profit before impairment	**2,820**	1,792
Credit impairment (charges)/releases	**(268)**	371
Profit before tax	**2,552**	2,163
Taxation	**(745)**	(294)
Profit after tax	**1,807**	1,869
Attributable to:		
Equity holders of the parent	**1,634**	1,696
Other equity instrument holders	**173**	173
Profit after tax	**1,807**	1,869

Income statement commentary

Profit before tax was £2,552m (2021: £2,163m) with benefits from the rising rate environment in the UK more than offsetting the non-recurrence of a prior year credit impairment release.

Total income increased 14% to £7,397m, consisting of:

- Personal Banking income increased 17% to £4,700m driven by rising interest rates, partially offset by mortgage margin compression.
- Barclaycard Consumer UK income decreased 13% to £1,095m as higher customer spend volumes were more than offset by lower interest earning lending (IEL) balances, which continue to decline with customer repayments and ongoing prudent risk management.
- Business Banking income increased 16% to £1,629m driven by rising interest rates alongside improved transaction based revenues, partially offset by lower government scheme lending income as repayments continue.
- Head Office expense of £27m, related primarily to hedging arrangements.

There was a credit impairment charge of £268m (2021: £371m net release). The charge reflects an updated macroeconomic scenario together with a partial return to more normalised levels of customer behaviour. This is partially offset from the release of COVID-19 related adjustments as performance stabilises at or below pre pandemic levels. As at 31 December 2022, UK cards 30 and 90 day arrears remain at 0.9% (Q4 2021: 1.0%) and 0.2% (Q4 2021: 0.2%) respectively[a]. The UK cards business is supported by a total coverage ratio of 7.6% (FY21: 12.8%). The UK Cards coverage reflects revised recovery expectations under the ongoing debt sale program and continued resilience in the underlying book. PMAs are in place for the anticipated stress arising from the cost-of-living crisis.

Total operating expenses decreased 2% to £4,577m (2021: £4,691m) driven by efficiency savings more than offsetting the impact of inflation.

The effective tax rate (ETR) was 29.2% (2021: 13.6%). The tax charge includes a £163m re-measurement of the Barclays Bank UK Group's UK deferred tax assets (DTAs) due to the enactment of legislation to reduce the UK banking surcharge rate. Excluding this DTA's downward re-measurement, the ETR was 22.8%.

Note:
a As at 31 December 2019, UK cards 30 and 90 day arrears were 1.7% and 0.8% respectively.

Balance sheet information

The following assets and liabilities represent key balance sheet items for the Barclays Bank UK Group:

As at 31 December	2022 £m	2021 £m
Assets		
Loans and advances at amortised cost	**223,207**	220,271
Financial assets at fair value through other comprehensive income	**19,970**	14,945
Cash and balances at central banks	**54,208**	69,488
Liabilities		
Deposits at amortised cost	**258,117**	260,732

Balance sheet commentary

Total loans and advances increased to £223.2bn including an increase to debt securities at amortised cost of £5.8bn contributing to the Barclays Bank UK PLC liquidity pool. Loans and advances to customers at amortised cost decreased 1% to £203.3bn as mortgage growth was more than offset by a decrease in Business Banking balances due to repayment of government scheme lending and the yield curve impact from rising interest rates on the Education, Social Housing and Local Authority portfolio carrying value.

Active management of the liquidity pool has led to a change in the composition of the pool in Barclays Bank UK PLC with a decrease of 22% in cash at central banks to £54.2bn offset by an increase of 34% in financial assets at fair value through other comprehensive income to £20.0bn and the 45% increase in debt securities highlighted above.

Customer deposits at amortised cost remained broadly stable at £258.1bn maintaining a strong liquidity position.

Other metrics and capital[a]

As at 31 December	2022	2021
Common equity tier 1 (CET1) ratio	**14.7%**	15.2%
Total risk weighted assets (RWAs)	**£72.7bn**	£71.2bn
Average UK leverage ratio	**5.3%**	5.5%
Liquidity coverage ratio	**183%**	204%
Net stable funding ratio	**168%**	

Note
a Capital, RWAs and leverage are calculated applying the IFRS 9 transitional arrangements of the Capital Requirement Regulation (CRR) as amended by the Capital Requirement Regulation II (CRR II).

Capital commentary

The Barclays Bank UK Group CET1 ratio as at 31 December 2022 was 14.7%, which exceeds the CET1 regulatory capital minimum requirement of 11.8%.

Non-financial performance measures

Barclays Bank UK PLC is part of the Barclays Group which uses a variety of quantitative and qualitative measures to track and assess holistic strategic delivery.

Barclays Bank UK PLC has addressed the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 (the Act) through the disclosure contained in the Barclays PLC 2022 Annual Report on pages 60 to 62.

The Barclays Bank UK Group 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 Barclays Bank UK Group, 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 Barclays Bank UK Group 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 Barclays Bank UK Group with minor modifications where needed.

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

Given the increasing risks associated with climate change, and to support the Barclays Group's ambition to be a net zero bank by 2050, climate risk became a Principal Risk at the start of 2022.

Risk appetite

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

The Barclays Bank UK Group 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 and 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 Barclays Bank UK PLC Board and the Barclays Bank UK PLC 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 Barclays Bank UK Group 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 Barclays Bank UK Group is exposed.

Monitoring the risk profile

Together with a strong governance process, using business and the Barclays Group level Risk Committees as well as Board level forums, the Barclays Bank UK PLC Board receives regular information in respect of the risk profile of the Barclays Bank UK Group. Information received includes measures of risk profile against risk appetite as well as the identification of new and emerging risks, which are derived by mapping risk drivers, identified through horizon scanning, to risk themes, and similar analysis.

During 2022, the Barclays Group, including Barclays UK, ran a stress test to assess its capital adequacy and resilience under a severe but plausible macroeconomic scenario. The internal stress test was informed by the Bank of England 2022 regulatory stress test featuring high and persistent inflation, rising global interest rates, a severe UK recession brought by falling household real incomes, job losses leading to a high unemployment rate, energy and cost of goods shocks, increasing corporate defaults, and severe house and real estate price shocks.

We believe that our structure and governance supports us in managing risk in the changing economic, political and market environments.

For further detailed analysis of approach to risk management and risk performance see the full Risk review on pages 41 to 139.

The Enterprise Risk Management Framework defines nine Principal Risks			
		Risks are classified into Principal Risks, as below	How risks are managed
Principal Risk	Credit Risk	The risk of loss to the Barclays Bank UK Group from the failure of clients, customers or counterparties (including sovereigns), to fully honour their obligations to the Barclays Bank UK Group, 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 Barclays Bank UK Group's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.	A range of complementary approaches to identify and evaluate market risk are used to capture exposure to market risk. These are measured, limited and monitored by market risk specialists.
	Treasury and Capital Risk	Liquidity Risk: The risk that the Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group's pension plans. Interest Rate Risk in the banking book: The risk that the Barclays Bank UK Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.	Treasury and capital risk is identified and managed by specialists in Capital Planning, Liquidity, Asset and Liability Management and Market Risk. A range of approaches are used appropriate to the risk, such as limits; plan monitoring; and stress testing.
	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 assesses and manages its climate risk across its businesses and functions in line with its net zero ambition by monitoring exposure to elevated risk sectors, conducting scenario analysis and risk assessments for key portfolios. Climate risk controls are embedded across the Financial and Operational Principal Risk types through the Barclays Group's Frameworks, Policies and Standards (which apply to the Barclays Bank UK Group).
	Operational Risk	The risk of loss to the Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group'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 Barclays Bank UK Group's integrity and/or competence.	Reputation risk is managed by embedding our purpose and values, and maintaining a controlled culture within the Barclays Bank UK Group, 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 Barclays Bank UK Group Board.
	Legal Risk	The risk of loss or imposition of penalties, damages or fines from the failure of the Barclays Bank UK Group 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 the how these Principal Risks apply specifically to Barclays Bank UK Group, please see pages 59 to 69.

The following sub-sections include a summary of the Barclays Bank UK PLC specific items from the Barclays PLC Annual Report 2022. For full details, refer to the Our people and culture section of the Barclays PLC Annual Report 2022. Figures mentioned are for the Barclays Group, other than where specifically mentioned.

Empowering our colleagues

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, by acting in line with our Mindset.

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.

Our data-led approach, underpinned by our Wellbeing Index (now in its second year), brings together actionable insights for people leaders. It also enables curation of content for colleagues that is grounded in clinical evidence to help them better manage their own health. Ongoing leader-led campaigns are at the forefront of the way we engage with colleagues, with regular expert speaker events chaired by senior executives. Our 'Talk Money' week in the UK challenged the stigma around talking about money, building confidence with financial management and signposting to free and confidential support. This is complemented by practical resources and guidance offered through our global Be Well portal, and our Employee Assistance Programme.

In response to increases in living costs experienced by our UK colleagues, we brought forward part of the 2023 pay increase, awarding 35,000 UK-based junior colleagues a £1,200 salary increase effective from August 2022, ahead of our annual salary review. In January 2023, Barclays worked closely with Unite the Union to agree a 2023 UK pay deal which, combined with the August 2022 increases, brought the total average salary increase for our lowest paid colleagues up to 11%. By doing this we ensured that our minimum rate of pay in the UK remains well ahead of Living Wage Foundation benchmarks.

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.

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, Barclays PLC 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.

Workforce diversity

Developing diverse talent pipelines

We are focused on recruiting the best talent and have created, and participated in, dedicated recruitment schemes across our agendas and regions to increase access to diverse talent, for example, the Barclays Military and Veterans Outreach programme in the UK and US.

Globally, there is training and support available for all hiring managers and interviewers to ensure inclusivity and consistency throughout the hiring journey. We are an equal opportunities employer and give full and fair consideration to all populations based on their competencies, strengths and potential.

Additionally, as part of the UK Government Disability Confident scheme, we encourage applications from people with a disability, or a physical or mental health condition. We require people leaders to give full and fair consideration to those with a disability on the basis of strengths, potential and ability, both when hiring and managing. We also ensure opportunities for training, career development and promotion are available to all.

For further information on our work on developing diverse talent pipelines, please visit our DEI website.

Providing tools and support for colleagues to succeed and progress at every stage of their career

We offer multiple development programmes to support the growth of our colleagues, providing them with the opportunities and resources necessary to strengthen key skills to progress and reach their full potential.

The Black Professionals Resource Group (BPRG) created Ascent, a six-month programme for Analysts in the UK and US, to support the development of Black colleagues across Barclays and was the first such programme conceived and delivered by a Barclays Employee Resource Group (ERG). For further information on our development programmes, please visit the Talent Now and for the Future section in the Barclays PLC Annual Report.

Inclusive and equitable culture

At Barclays, we are committed to building a supportive and inclusive culture. We believe that making our organisation more equitable will help us to make the most of the different backgrounds, perspectives and experiences of our colleagues, and to better serve our customers and clients.

As part of our Continuous Listening strategy, we ask colleagues to participate in surveys, providing regular opportunities to feed back on their experience of working at Barclays. Colleagues are asked to share their feedback on topics ranging from inclusion to wellbeing, and responses help us to assess progress on our DEI journey and identify areas of focus. To learn more about the 2022 Your View survey results, please visit the Listening to Our Colleagues section in the Barclays PLC Annual Report.

Employee Resource Groups (ERGs)

Colleague networks have long played an important role at Barclays, through creating communities and fostering belonging. More recently, they have acted as a sounding board for the business, driving a better understanding of the needs of our customers, clients and communities. With over 24,000 colleagues globally participating in one or more of the ERGs, these colleague-led communities amplify the unique challenges of diverse groups at Barclays and provide insight into colleague sentiment and experience.

Socio-economic inclusion agenda

To support the launch of the socio-economic agenda, colleagues created the Inspire ERG, which aims to amplify the voices of those who identify as coming from a lower socio-economic background. Members and allies of the ERG are encouraged to develop their understanding of how socio-economic status can impact a person's work and life experiences. Through Inspire, we are also connecting with schools and universities to remove barriers for people of varied backgrounds to join Barclays.

Pronouns

In 2022, we added two new features to our internal phonebook where colleagues can opt to display their personal pronouns, as well as the phonetic spelling or audio recording of their name. We also proudly partnered with Microsoft, to pilot a pronoun feature on Microsoft Teams.

Branch colleagues in the UK are also now able to add their pronouns, as well as markers indicating health conditions and flags denoting spoken languages, to their name badges. This helps to create a safe space for our trans, non-binary and LGBT+ colleagues, and promotes inclusivity of diverse nationalities, abilities and backgrounds. We support the sharing of pronouns as a personal choice.

Wellbeing and policies

Prioritising the wellbeing of our colleagues is central to creating productive teams where all individuals feel valued and included. Our holistic and inclusive perspective requires us to measure wellbeing, using our Wellbeing Index and to educate and empower our colleagues and leaders to actively manage their health and support that of others. We continue to deploy training which recognises the importance of mental wellbeing and building a supportive and inclusive culture. We have also partnered with our DEI ERGs and leaders on global campaigns to normalise conversations about mental health and wellbeing topics. In the UK, Barclays pioneered 'This is Me', now in its ninth year, where individual colleagues talk openly about the challenges they have faced, with the aim of tackling the stigma associated with mental ill health.

Leadership accountability

Our leadership play an important role in progressing our DEI journey and meeting the rising expectations of colleagues, customers, clients and communities. Accountable Executives (AEs) from the Barclays Group Executive Committee have been appointed as visible advocates for the DEI agendas, shaping priorities and delivering against these.

Every colleague continues to have a mandatory inclusion performance objective against which they are assessed as part of their performance review. The objective encourages inclusive and supportive behaviours that recognise every individual's background as key drivers of our Purpose, Values and Mindset.

Data transparency and accountability

Data plays an essential role in delivering our DEI strategy, allowing senior leaders to make informed decisions and track our progress.

In an effort to ensure colleagues' personal data records are accurate, this year we held another 'Count Me In' campaign, inviting colleagues in the UK and US to review and share their personal details in our HR systems, in line with local privacy laws. Maintaining up to date personal data records also helps us to develop and update programmes, practices and policies to best support colleagues at every level.

Optimisation of external relationships

We develop relationships with external partners to challenge our thinking, leverage best practices and access diverse pools of talent. Across the Barclays Group we partner with organisations across all six agendas (disability, gender, LGBT+, multicultural, multigenerational and socio-economic).

Recognising our colleagues

Over the past year, Barclays and several of our colleagues have been recognised for our efforts to advance diversity, equity and inclusion. For further details, refer to the Our people and culture section in the Barclays PLC Annual Report 2022.

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, including doubling the number of recruiters to support our businesses and the launch of the Onboarding app, giving new joiners and their people leaders access to information required prior to joining Barclays, including the ability to sign employment contracts via the app.

Barclays was ranked number one in the LinkedIn Top Companies UK 2022 list, for the second year in a row. Based on LinkedIn-owned data, the list is a resource for jobseekers and career builders to explore open vacancies, enhance their skills and identify companies that invest in their talent. This was further recognised by the Learning and Performance Institute, where Barclays won a Bronze Learning Leader Award.

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.

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.

We also operate three high-potential flagship leadership programmes: The Enterprise Leaders Summit, for Managing Directors; the Strategic Leaders Programme, for Directors; and Aspire, for Vice Presidents. These programmes aim to build enterprise-wide leadership, alongside strong people leadership capabilities, helping colleagues tackle people management situations confidently, in line with our Values and Mindset.

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 biannual 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 2022 survey results indicated good progress for both engagement and our cultural measures. Senior leaders continue to receive and review the results from these surveys to inform decisions. Results from our surveys and other employee engagement were shared with colleagues and discussed with the Barclays PLC Board, Barclays Bank UK PLC Board, the Executive Committee and people leaders.

We have also evolved our Continuous Listening strategy, leveraging pulse surveys, as well as additional surveys deployed throughout the employee lifecycle, to capture insights which help us better understand our culture and improve colleague experience.

The Barclays PLC CEO held a number of engagement sessions with colleagues, including quarterly town halls on financial performance, listening sessions on flagship talent programmes and Q&A sessions. Other workforce engagement activities have also been carried out by the Barclays PLC Board, the trading entity Boards and Executive directors to deliver meaningful, regular two-way dialogue with colleagues. This helps the Barclays PLC Board, and the Barclays Bank UK PLC Board, reflect colleague feedback in their decision-making.

The Barclays Bank UK PLC Board has engaged, and will continue to engage, directly with colleagues and listen to feedback from the annual Your View surveys. In May 2022, the Barclays Bank UK PLC Board offsite was held in Southampton, where the Barclays Bank UK PLC Board visited the Barclays Eagle Lab for an immersion session, as well as spending time with colleagues at the local branch and a visit to the Barclays Flex Van. In September 2022, Barclays Bank UK PLC Board members facilitated networking lunches with multiple colleague groups. Additionally, two Game Changers events were held in 2022 which members of the Barclays Bank UK PLC Board participated in. Game Changers actively listen to take action and are committed to empowering others to build a better bank through our Barclays Mindset. The May event focused on #customerobsessed, whilst the November event was focused on #colleagueobsessed. Following the event, the Barclays Bank UK CEO and members of the Barclays Bank UK PLC Board hosted the Build a Better Bank Awards that recognised inspiring colleagues across a number of categories, including Mindset and Culture. We also keep colleagues updated on the strategy, performance and progress of the organisation through a combination of leader-led engagement, digital and print communication, blogs, vlogs and podcasts.

We maintain a strong and effective partnership with Unite, whom we brief on our strategy and progress to obtain feedback on how we can improve the colleague experience. In 2022, we engaged with Unite on the transition to hybrid working and our updated DEI strategy. We also consult with colleague representatives on major change programmes which impact our people, to minimise compulsory job losses, and focus on reskilling and redeployment. In 2022, this included the launch of an enhanced mobility service to further mitigate redundancies across the organisation, redeploying colleagues into roles commensurate with their skills and experience, and upskilling colleagues where required.

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, 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 Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

We regularly review and update these policies to ensure that they are in line with our broader DEI and people strategy. To support the transition to hybrid working in 2022, we updated our policies on Working Flexibly to enable an approach that meets the requirements of each role, while also taking into account the needs of our colleagues. We also updated our policies and guidance on a range of topics including workplace support for menopause and baby loss.

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.

For further information please see the Barclays PLC Pay Gaps and Fair Pay reports.

Barclays Bank UK PLC seeks to make sure we understand our customers and clients expectations and aspirations, developing products and services that support them especially during difficult economic conditions. We believe that transparency of information in our products and services is key to empowering consumers to make sound financial decisions.

The following sub-sections include a summary of the Barclays Bank UK PLC specific items with references to Barclays UK referring to the businesses of Barclays Bank UK PLC and its subsidiaries. For further details, refer to the Customer and Clients section of the Barclays PLC 2022 Annual Report.

Supporting customers through Barclays UK

Barclays has a large retail presence in the UK, offering a wide range of products and services to c.20 million customers through Barclays UK.

We recognise that there is a heightened need to help customers who may be experiencing financial vulnerability due to the current inflationary pressures on household budgets. We are endeavouring to support customers during these challenging times, by focusing on four key areas:

1. using data analytics to determine which customers are in need of support and the appropriate type of support;
2. engaging those customers impacted to increase awareness of products, tools and support available;
3. understanding customers' needs and developing solutions to provide greater support; and
4. ensuring colleagues have, and are aware of, the financial health tools to enable them to support customers.

Barclays defines vulnerability as any existing or potential customers who, due to their personal circumstances e.g. financial difficulty, long term medical conditions, or other personal circumstances, are especially susceptible to detriment.

Our aim at Barclays is to offer an accessible, empathetic and inclusive service for our customers, including for those who may typically face barriers to accessing banking services, such as customers living with disabilities, complex needs or experiencing difficult life events.

To better support financially vulnerable customers, we are enhancing our Barclays' tools, training, support and systems, continuing to improve our on-going support when customers need us the most.

Our key measures in 2022 have included:

- Extending unsecured borrowing solutions for consumers allowing them to borrow money without offering up security based on a major asset, while being protected by the Consumer Credit Legislation and the FCA's Consumer Credit Sourcebook
- Cost of living support by proactively contacting over 13.5m customers in 2022 with targeted emails based on their financial needs, providing support and guidance on managing their finances offering them help ranging from budgeting to direct financial support and guiding them towards dedicated functions such as Barclays Financial Assistance (BFA) or external agencies such as Step Change.
- Providing knowledge and expertise through our colleagues with the aim to offer our customers more tools and features to educate them on managing their money, including by giving them guidance on how to use our digital platforms via the Digital Eagles, or supporting them in their understanding of financial products, how to build financial plans, and save money through budgeting via our Barclays Money Mentors®.

Our early intervention strategies assess all customers who hold a retail product to determine if we think they would benefit from our support. These customer engagement strategies are bank-initiated and largely focused around proactive communications, based on sets of customer behavioural triggers, whilst we also support customers who initiate contact with us.

Our primary focus is to support customers whose account behaviours are showing signs of possible early financial difficulty, and look to help customers maintain or regain control of their finances.

Some of the other ways we seek to support vulnerability and provide responsible and inclusive banking are set out below:

Access to banking

Customers are looking for more convenient, simpler ways to bank that fit their lives, including banking digitally: our mobile app has over 10.5 million active users. We are continuing to help deliver these solutions at pace.

Alongside our investment in technology enabling digital customers to access tools and products whenever they need them, we're transforming the role of physical locations across the UK to ensure older and more vulnerable customers can still access banking.

We have launched our own initiatives, including a cashback without purchase service and Barclays Local, and we are working with other banks, the Post Office and LINK, to keep Barclays at the heart of the community.

Alongside these changes, we are investing in multi-skilled training for our colleagues so they are better able to serve customers in ways that meet their needs today as well as breaking down internal barriers to enable quicker resolution of customer queries.

Economic crime and scams

We have an established programme to educate customers and prevent them from falling victim to scams.

We have also launched a new Fraud and Scams hub on the Barclays website, which hosts a variety of content and resources to help the public learn how to keep themselves safe.

Additionally, to help keep our customers safe, we have continued to invest in multi-layered security systems that protect against fraud and scams, including ‘Confirmation of Payee’, an account name checking service that helps to make sure payments are not sent to the wrong bank or building society account.

We introduced app ID, which allows Barclays colleagues to verify to customers that they’re a legitimate caller and not an impersonator.

We are part of the ‘Do not originate’ scheme, created in partnership with the telecommunications industry, UK Finance and Ofcom, to prevent our most common in-bound helpline phone numbers from being used in a scam.

We are also proud initial signatories of the Contingent Reimbursement Model Code, providing measures to help prevent Authorised Push Payments scams taking place and increased consumer protection standards for customers of signatory firms.

We are founding members of Stop Scams UK, a cross-industry group made up of banks, telecoms and tech firms that have come together to seek to put an end to scams by collaborating, sharing best practices and engaging with the government and regulators to make it harder for scammers to operate. Through Stop Scams UK, we have created a dedicated hotline for customers to call if they think they are being targeted by a scammer.

Further detail and evidence with regards to our position can be found in the Frontier Economics report published earlier this year, in conjunction with Barclays, which includes Barclays’ Scams Manifesto, outlining specific and actionable recommendations.

Digital accessibility

We aim to ensure that our digital services are easy to see, hear, understand and use for all customers, including those with disabilities.

Collectively we seek to deliver digital services and workplace tools that promote disability inclusion and meet accessibility requirements set out in the Web Content Accessibility Guidelines (WCAG) 2.1 AA level.

Basic current account

Since 2015, we have been offering our basic current account, to individuals who may not be eligible for a standard account access to banking, including over the counter services, access to ATMs, and digital banking and free text alerts to manage finances. There were over 660,000 Barclays basic current accounts open at the end of 2022.

Access to a transactional bank account enables consumers to benefit from bill reductions through paying by Direct Debit and access to cheaper goods and services on the internet, to help them along their financial journey. If their circumstances change, customers on the basic current account are able to apply for a standard Barclays current account at any time.

Barclays mortgages and first-time buyers

In 2022, we helped almost 40,000 first-time buyers get onto the property ladder, near the level achieved in 2021. We have continued to support customers buying their first home with 95% loan-to-value mortgages through Government schemes including: Help to Buy and Mortgage Guarantee Schemes, and Barclays Family Springboard Mortgage.

Help to Buy scheme allows first-time buyers to get on the property ladder with the help of an equity loan from the Government. Customers put down a five per cent deposit which is ‘topped up’ with an equity loan of 20% (or 40% in London) to support their property purchase. Help to Buy is only available on new build properties.

Mortgage Guarantee Scheme offers 95% LTV mortgages which are backed by a Government guarantee. Customers can apply for the scheme with a minimum deposit of 5% of the property purchase price, and is available for first-time buyers and those looking to make their next move on the property ladder.

Complaints

In Barclays UK, as in previous years we continue to be focused on improving the overall customer experience by identifying and supporting the removal of the root causes of customer complaints. Complaints across Barclays UK in 2022 have further reduced on those received in 2021, with volumes including PPI decreasing 18% YoY (17% excluding PPI). This is despite an 8% rise in interactions across our channels which therefore lowers the rate of complaints per 10k interactions annually by 24%.

This has been achieved through continued stability of our platforms alongside mitigation of potential increases driven by changes across the business as we continue to transform our servicing model in a post-pandemic market. Some acute pressures exist in areas impacted by the economic changes seen in 2022 with volumes rising across Mortgage complaints as customers rushed to find the right rates for them in light of the Bank of England interest rate changes and unpredicted demand for Mortgages with rate switch applications up 30% in the second half of the year.

Strategic Report
Society

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

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 risk 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. 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. At Barclays, we are determined to play our part in view of our Purpose and relevant business and risk considerations.

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

In doing so, we also recognise 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.

See below for further details on Barclays' climate strategy.

Communities

In the communities in which we operate, Barclays is supporting people to develop the skills and confidence they need to succeed, now and in the future, and is working to help businesses create jobs. We collaborate 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.

Suppliers

As a global institution, we have responsibility for a large supply chain. We engage directly with our suppliers seeking to promote diversity, equity and inclusion and we work to identify and address modern slavery risks across our operations, supply chain, and customer and client relationships.

We engage with stakeholders internally and externally to assess our areas of focus against their priorities. That happens through ongoing conversations, as well as surveys and information requests from investors and ratings agencies. We also monitor closely the relevant ESG frameworks and reporting guidelines.

Barclays' climate strategy

Our climate strategy is driven by consideration of all relevant risks and all considerations, as well as our purpose to 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.

As noted above, in March 2020, Barclays announced its ambition to be a net zero bank by 2050, becoming one of the first banks to do so.

All of our 2030 target-setting includes the integration of 1.5°C aligned scenarios such as the IEA Net Zero 2050 scenario in our financed emission targets and use of ranges for certain sectors. We have developed a methodology for measuring our financed emissions and tracking them at a portfolio level against the goals and timelines of the Paris Agreement – this methodology[a] is called BlueTrack™. Barclays' climate strategy is comprised of three pillars:

1) Achieving net zero operations

Barclays is working to reduce its Scope 1, Scope 2 and Scope 3 operational emissions consistent with a 1.5°C aligned pathway and to counterbalance any residual emissions.

We are committed to achieving net zero operations and have made progress, having sourced 100% renewable electricity for our global real estate portfolio operations and created a pathway to address our supply chain emissions. We achieved our renewable electricity target ahead of schedule by matching 100% of our electricity consumption with energy attribute certificates and green tariffs which we consider to be a transitional solution as we seek to increase the proportion of on-site renewable electricity sources and Power Purchase Agreements.

Note

a. Further details on the methodology can be found on page 86 of the Barclays PLC 2022 Annual Report and in the 2023 BlueTrack™ Whitepaper at: home.barclays/sustainability/esg-resource-hub/reporting-and-disclosures/

2) Reducing our financed emissions

Barclays 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.

We are also committed to reducing our financed emissions, those deriving from the activities of the clients that we finance and those generated in their respective value chains, by advising and supporting them in their own transition to net zero. We have now set 2030 reduction targets across five of the highest-emitting sectors in our portfolio: Energy, Power, Cement, Steel and Automotive Manufacturing and have assessed the baseline and convergence point for our Residential Real Estate portfolio.

3) Financing the transition

Barclays is helping to provide the green and sustainable finance required to transform the economies, customers and clients we serve.

As a large global financial intermediary, Barclays also has an important role in helping channel investment into new green technologies and low-carbon infrastructure projects.

After a strategic review of the Group's capabilities, market demand and growth opportunities, we announced in December 2022, new targets to:

- Facilitate $1 trillion of Sustainable and Transition Financing between 2023 and the end of 2030[a].
- increase investment into global climate tech start-ups to £500m through our Sustainable Impact Capital portfolio by the end of 2027.

Our strategy is underpinned by the way we assess and manage our exposure to climate-related risk. Climate risk became a Principal risk at Barclays in 2022.

We keep our 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 our 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.

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 term impact on global warming. However, we anticipate 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.

Over the coming years, our 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 our clients' transitions. Progress is likely to vary year to year and we need to be able to adapt our approach to respond to external circumstances and to manage the effectiveness and impact of our support for the transition, whilst remaining focused on our ambition of becoming a net zero bank by 2050.

For details of how Barclays Bank UK Group is implementing Barclays' climate strategy, please see the Climate and Sustainability Report below at page 19.

Note

a. Financing of climate and environmental solutions including green mortgages, energy efficient technology and renewable energy, as well as financing for broader social and sustainability work, will all count towards the target. See Barclays' Sustainable Finance Framework (https://home.barclays/content/dam/home-barclays/documents/citizenship/ESG/2022/Barclays-Sustainable-Finance-Framework.pdf) for further details of the eligible transactions.

Section 172(1) Statement

How the Board has regard to the views of our stakeholders

The Directors have acted in the way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its member and this section forms our Section 172 disclosure, describing how, in doing so, the Directors considered the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006.

For further details on the principal activities of the Board during 2022, please refer to our Governance Report on pages 26 to 36. Details of how the Barclays Group engages with its stakeholders can be found on pages 16 to 22 of the Barclays PLC 2022 Annual Report and are incorporated by reference into this Statement.

How does the Board engage with stakeholders?

Throughout the year, the Board engages directly and indirectly with stakeholders to ensure it has a comprehensive understanding of the impact of the Group's operations on key stakeholders, as well as their interests and views. This engagement, both directly and through regular reports from individual business areas and key functions, ensures the Board is well-versed on key issues to enable the Directors to comply with their legal duty under Section 172(1).

Engagement in action

See below to find out about how the Directors have had regard to the matters set out in Section 172 when discharging their duties, and the effect of those considerations in reaching certain decisions taken by them in the context of how we have supported our customers, clients, colleagues and communities during these challenging times.

Supporting our customers, clients, colleagues and communities during these challenging times

During 2022, against a challenging economic and political backdrop both in the UK and overseas, the Directors considered matters relevant to the Barclays Bank UK Group’s strategy at every scheduled Board meeting. Specifically, the Board has been acutely aware of how the rising cost of living is impacting our customers’ and clients’ financial wellbeing, and recognises the important part that banks have to play in this scenario. The outcomes of detailed discussions between management and the Board about the external environment have been critical in evolving the Barclays Bank UK Group’s strategy in order to respond to the changes arising from the economic, legal, political and regulatory landscape and, therefore, to support our customers, clients, colleagues and communities during these challenging times. Further detail on the Barclays Bank UK Group’s strategy, including our four focus areas, can be found on pages 2 and 3 of the Strategic Report.

Cost of living

High inflation and increasing interest rates, coupled with rising energy costs, have put strain on our customers in the UK and elsewhere. As a result, we are seeing almost everyone adapt in some form or another, from changing their spending habits to paying down higher cost debts. Customers’ and clients’ different needs have been reinforced by analysis of the key drivers underpinning customer metrics, customer insights, direct feedback from colleagues, and the receipt of regular reports on complaints. The Board understands that a “one size fits all” approach is not appropriate in the circumstances and has, therefore, overseen the creation of tailored responses for our customers and clients as part of our broader strategy. This includes early intervention strategies, engaging those customers impacted to increase awareness of products, tools and support available, and providing expertise and knowledge through our colleagues. Please refer to page 13 of the Strategic Report for more information.

Throughout 2022, the Board - through the Board Risk Committee - has maintained close oversight of the business’ ongoing review of the Personal Banking and Business Banking portfolios. This review has been carried out in order to identify areas of stress where customers and clients might be facing financial pressures and the actions taken to support them, balancing our duty to lend responsibly alongside the need to support customers and clients who might be struggling in the current environment, particularly those who are characterised as vulnerable.

In monitoring our response to the increased cost of living, we are working with a wide range of stakeholders – including the FCA, the Government and our peers – to ensure customers and clients are supported during these challenging times. This includes consistent, industry-wide communications, where appropriate, so that all customers and clients, irrespective of who they bank with, can know what to expect from their financial services provider. In October, we had the opportunity to discuss the Barclays Bank UK Group’s response to the rising cost of living with the FCA when the regulator attended one of our Board meetings. We were also able to discuss the Barclays Bank UK Group’s approach to implementation of the new Consumer Duty, which will set clearer and higher standards of consumer protection across the financial services sector. The Board is committed to ensuring good customer and client outcomes, and that the Consumer Duty is demonstrably embedded throughout the organisation.

We are also committed to supporting the financial health of our colleagues and our communities.

In this context, the Board has engaged directly with colleagues, both in person and virtually, inside and outside of the boardroom, including when joining Employee Resource Group meetings, participating in leadership panel events, reverse mentoring, and through visiting branches, Eagle Labs and operational sites. The Board has also listened to feedback from colleagues via the bi-annual Your View surveys, including in relation to colleagues’ financial and personal wellbeing in light of the rising cost of living. Mindful of this, part of the 2023 pay increase was brought forward, which resulted in 35,000 UK-based junior colleagues being awarded a £1,200 salary increase effective from August 2022, ahead of the annual salary review. The Board, through the Board Remuneration Committee, continued to have regard to the impact of the current macroeconomic environment as it reviewed pay during the year-end cycle. In January 2023, Barclays worked closely with Unite the Union to agree a 2023 UK pay deal which, combined with the August 2022 increases, brought the total average salary increase for our lowest paid colleagues up to 11%. By doing this, we ensured that our minimum rate of pay in the UK remained ahead of Living Wage Foundation benchmarks. Further information on the resources and support available to colleagues relating to financial wellness is available in the 2022 Barclays Fair Pay Report.

With reference to our communities, whilst based at the Network Eagle Lab in Southampton – which was celebrating three years of Barclays Eagle Labs and Southampton City Council supporting local businesses in the area – the Board met colleagues and stakeholders who had benefited from initiatives such as Barclays' Black Founder Accelerator Programme (which supports the growth of early-stage digital and technology businesses founded by Black entrepreneurs in the UK) and Digital Eagles (which aims to help everyone get the most out of digital banking). The Directors also met colleagues involved with the LifeSkills programme, which has, this year, partnered with organisations like the Trussell Trust that work with local communities to help those most in need, building awareness of the help available to people facing financial difficulties, increasing access to the support they are entitled to and helping them maximise their incomes.

We want to assure our customers, clients, colleagues and communities that the Board will continue to keep the overarching cost of living situation under review so that the Barclays Bank UK Group can play its part in providing support during these challenging times.

Crawford Gillies
Chair – Barclays Bank UK PLC
14 February 2023

Embedding Barclays' climate strategy within Barclays Bank UK

The following sub-sections include a summary of the Barclays Bank UK specific items with references to Barclays UK referring to the businesses of Barclays Bank UK PLC and its subsidiaries. For full details, refer to the Climate and sustainability Report in the Barclays PLC 2022 Annual Report

Sustainability is a key focus area for Barclays Bank UK. We are actively engaging with our retail and business customers to better understand the steps they want to take to become more sustainable, and the role that finance can play in that. We are using this insight-led approach to design and develop sustainable finance solutions that meet the needs of our customers.

We have started embedding environmental considerations and climate risk into product and proposition standards, and we plan to further embed this into product governance through the New and Amended Product Approval (NAPA) process. We have recruited specialists into sustainability-focused roles across Barclays UK and we intend to roll out colleague training for the retail bank.

By working collaboratively under a unified strategy across Barclays UK, we aim to further expand our sustainable products and propositions to meet customers' needs and support them in seeking to reduce emissions.

Consumer Bank

Green home propositions

Barclays is committed to supporting our customers' transition to a more sustainable way of living; our Green Homes strategy is to deliver products and propositions to support our customers to take steps to improve the energy efficiency of their homes, switch to low-carbon heating and reduce their energy consumption. Our focus is on launching initiatives that aim to drive real benefit to society and to the environment

In 2018, Barclays led the market as one of the first UK lenders to launch a Green Mortgage. Since inception, Barclays UK has lent over £2.6bn to Green Home mortgage customers with £1.6bn of financing delivered in 2022. In 2022, Barclays expanded Green Home mortgages to include buy-to-let properties, supporting more customers to purchase an energy efficient new-build home.

In 2022, we launched the Greener Home Reward pilot, offering eligible customers up to £2,000 to improve the energy efficiency of their homes.

New sector assessed - Residential Real Estate

Estimating our financed emissions

Homes contributed to over 15% of total GHG UK emissions in 2021[a], primarily from the use of oil and gas in heating and hot water. Decarbonising UK homes is a complex challenge that will require widespread engagement and systemic change. In view of these challenges, we are announcing a convergence point for our UK residential real estate mortgage portfolio of a 40% reduction in CO2e emissions intensity against a 2022 baseline of 32.9 kgCO2e/m2 (Scopes 1 and 2).

Barclays has estimated the financed emissions and emissions intensity of its UK residential real estate portfolio by integrating the PCAF[2] approach into BlueTrack™. This is the first sector where we are leveraging the well-established approach and data sourcing recommended by PCAF. Our in scope portfolio consists mostly of Barclays UK residential mortgages, including properties to let. It also includes a smaller portfolio of mortgages originated by the Private Banking division of Barclays Bank PLC[c].

We have selected the Balanced Net Zero (BNZ) scenario developed by the UK's Climate Change Committee (CCC) as a benchmark for this sector, as it is specific to the UK, independent, developed by a credible institution and aims to achieve net zero emissions for the UK by 2050. In line with this scenario, our portfolio would need to reach an emissions intensity of 19.7kgCO_2e/m^2 by 2030 to be on a path to net zero by 2050, which would be a 40% reduction in emissions intensity from a 2022 baseline.

The transition of the residential real estate sector to net zero depends mostly on external changes and public policy interventions to: steer the UK energy grid towards renewable electricity; reduce dependence on fossil fuels for home heating; drive retrofitting of existing homes to promote energy efficiency; and require that new homes are built to a net zero standard.

Without these external changes, Barclays cannot materially decrease the emissions intensity of its mortgage portfolio. Barclays has therefore chosen to identify the 2030 emissions intensity 'convergence point' and measure our progress towards it, but not to set a formal target at the current time.

Barclays UK Residential Real Estate ambition

In addition to establishing a convergence point and measuring our progress towards it, we have set an ambition for 50% of homes in our Barclays UK mortgages book with known EPC rating to have an EPC of C or better by 2030. This will be an important improvement, but it will not be sufficient to reduce portfolio emissions intensity to the level required under a 1.5°C scenario.

Notes:

a Climate Change Committee 2022 Progress Report to Parliament.

b Our Data Quality scope for the Residential Real Estate sector is 3.7. The PCAF framework provides guidance for a data quality score for each sector to help institutions rate the reliability of their information. The score ranges from one to five, with one being the highest quality date. For Residential Real Estate, our Data Quality score is 3.7. Please refer to the BlueTrackTM Whitepaper for further details on how the data quality score is calculated.

c Corporate counterparties such as social housing associations or house builders, mortgages on properties outside of the UK or mortgages originated through Barclays UK Business Banking have not been included in this sector.

Our UK mortgages by EPC rating
Barclays UK regularly monitors the Energy Performance Certificate (EPC) rating of its mortgage portfolio, to support our management of climate risk and our understanding of the impact of our financing on the environment. In line with our commitment to the improvement in energy efficiency of our mortgages portfolio, Barclays UK has set an ambition for 50% of homes in its mortgage portfolio with a known EPC to be rated EPC band C or better by 2030. As at the end of Q3 2022, 42.3% were rated EPC C or better (out of homes with a valid EPC, or 27.5% including homes without an EPC).

In 2022, Barclays UK onboarded a third party to provide enhanced EPC matching in addition to a broad suite of climate data for assessing physical and transition risks in the Barclays UK Mortgages portfolio (owner-occupied and buy to let).

Based on the enhanced EPC matching, as of the end of Q3 2022, a valid EPC rating was available for 65.1%[a] of our mortgage book by volume compared to Q3 2021, where we had a valid EPC rating for 55.7% of our mortgage book. There are industry-wide challenges regarding obtaining greater coverage of EPC ratings as this data is sourced directly from the government EPC register and is released on a quarterly basis.

Drivers of the reduction in emissions in Residential Real Estate
The two most important drivers in the transition to net zero in this sector are the decarbonisation of the UK energy grid and the phasing out of fossil fuel in domestic heating through the switch to low-carbon heating bringing clean energy to our customers' homes. This will be mostly driven by the transition of the energy sector and UK Government policy to drive the decarbonisation of the UK electricity grid and promote the take up of low-carbon heating,

Barclays can play a role through supporting renewable projects and clients in the Power sector, for example through our BlueTrack™ targets, our banking activity and Sustainable Impact Capital investments.

Another key driver required to reach net zero in the Residential Real Estate sector is improving the energy efficiency of existing homes, which includes our customers improving the fabric of their homes and other energy efficiency measures.

Other key contributors to the reduction in emissions intensity of this sector include new homes being built to net zero standard, with low-carbon energy sources and high energy efficiency rating, and reduction in consumption through changes in behaviour.

As a mortgage lender, we can support our customers making the decision to retrofit their homes, switch to low-carbon heating e.g. heat pumps and reduce their energy consumption by providing education, financial incentives and partner offers, as well as financing through our wide range of lending products. However, we expect the overall impact of our actions to be low, given the barriers to retrofitting such as high upfront costs and low customer demand.

Barclays approach to advocacy in residential real estate
Barclays is also committed to working collaboratively with the UK Government to encourage and inform the development of strategies and policies to drive more energy-efficient homes and retrofitting, including through industry groups where appropriate, and through our own engagement with policymakers**.**
We have recommended that policymakers, in collaboration with the industry, take the following steps:

- increase policy clarity through a national decarbonisation roadmap and retrofitting strategy to create a clear framework for action.
- introduce measures to build trust and confidence in taking action, such as improved access to practical advice about retrofitting and installers who are TrustMark accredited.
- long-term funding which will give supply chains confidence to grow.
- Improve accuracy and confidence in EPC Standards as key basis for measuring change.

Business Banking

Business Banking has a dedicated strategy to;

- prepare colleagues by upskilling them on sustainability and client needs
- support clients to understand the case for sustainability and know how to take action
- develop products to finance the transition
- embedding sustainability into the business

Colleague engagement
We have provided training to our Business Banking Relationship Managers and Specialist Client Solutions Team, this is a key limb of the Business Bank's strategy.

We have expanded our Specialist offering, with an initiative to introduce net zero as a new area of expertise within our Specialist Client Solutions Team. Colleagues can now refer clients into the team to discuss how the transition to a low-carbon economy can impact their business. This is intended to extend across all regions in 2023.

Note
a EPC rating metrics calculated based on volume of accounts. Data as of 30 Sept 2022.

Recognising that our business customers have experienced unprecedented challenges over the last two years, and to support them on their journey from recovery to growth, in 2022 we launched Barclays Business Health Pledge. Sustainability has been a key theme covered under this pledge and two masterclasses have been filmed with a sustainability expert, alongside hosting over 50 local Business Health Pledge events, supporting over 1300 attendees. We have also held a 'High Growth Live' panel event on sustainable funding with over 300 attendees.

To recognise the positive impact ESG focused entrepreneurs on the wider economy, we have created a new 'Sustainability Award' category for the Barclays Entrepreneur Awards this year which saw a total of 112 entries across the whole breadth of the UK.

Recognising that Agriculture is a high emitting sector, we have announced a three-year agri-climate partnership with Oxford University on a project that will establish sector decarbonisation pathways and methodologies for measuring farm-level greenhouse gas emissions. The partnership is aimed at supporting the sector's transition to more sustainable practices and will inform financial decision-making.

The outcomes will be shared publicly and we aim to use these to set emissions reduction targets for the agriculture sector, in support of the bank's net zero ambition.

We have also created a Dairy & Livestock Forum to consider carbon emissions as part of our lending decisions to livestock farms. The aim is to drive awareness of clients' emissions and help both colleagues and clients understand and share best practice and practical actions that can be taken to reduce them. Topics on our 'Let's Talk Business' client podcast this year have also had a strong focus on sustainability.

External engagement

Barclays worked with the Cambridge Institute of Sustainability Leadership (CISL)'s Banking Environment Initiative (BEI) and Business for Social Responsibility (BSR) on a series of innovation sprints to better address the barriers SMEs face to reach net zero. The sprints produced a number of potential solutions to drive change and support SME net zero action.

Electric vehicle proposition

In July 2022, we created an initial £20m fund and launched a proposition with Propel Finance, our Asset Finance provider, to offer competitively priced fixed rate asset finance supporting business clients who are looking to purchase new electric vehicles.

Other ways of embedding climate and sustainability in our business

In 2022, we began issuing recycled cards for our retail credit and debit cards, as well as across our commercial card issuing portfolio. We have also used new digital journeys in the app and online banking to support an additional 1.8 million customers to become paperless and reduce their paper waste. We are also switching to a different paper type sourced from an integrated paper mill which has a lower environmental impact as it uses less energy.

We have launched our first electric mobile banking van to provide a lower emitting way of serving our customers and communities. Complementary to this, our electric mobile banking colleagues have been trained with a government approved Alternative Fuelled Vehicle (AFV) driving certification. Additional electric mobile banking vans will be introduced next year, in line with our intention to fully electrify our mobile banking vans by 2025. As part of our physical network, we are developing 'Print' and 'Energy' dashboards for our branch colleagues to provide information about usage and insights to encourage them to reduce the carbon footprint.

Consumer Bank - Barclays UK Sustainability Hub

We launched a Sustainability Hub to engage consumers and provide them information on financial products and services we offer that may support them in making more sustainable choices. This includes sharing Barclays' approach to tackling climate change. Given the current energy crisis and consumer interest in reducing home energy usage, we are engaging customers on this topic by featuring information about making homes more energy efficient. We are also providing information on moving towards sustainable travel and we aim to focus on this area, particularly by helping to scale the adoption of electric vehicles across the UK for consumers through partnerships and propositions. We plan to expand the content on the Sustainability Hub and integrate the content into the Barclays app.

Business Bank Sustainability Hub

The Business Bank's Sustainability Hub launched this year to support customers as they get started on their sustainability journey, to understand how they might be impacted and signposting them to support and financing options. It has content and resources on EV's and other green assets, as well as customer case studies to help customers explore options that may be right for them.

Important information / Disclaimers

In preparing the climate and sustainability content within the Barclays PLC and Barclays Bank UK PLC Annual Report, we have:

a. made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. This is for example the case in relation to financed emissions, portfolio alignment, classification of environmental and social financing, operational emissions and measurement of climate risk.

b. 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

c. 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 represented, 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. Where information is re-presented, recalibrated or updated from time to time, our principles based approach to reporting financial emissions data (see page 87 of the Barclays PLC Annual Report) sets out when information in respect of a prior year will be identified and explained.

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.

Chair's Introduction

I am pleased to present our Governance Report for 2022.

During 2022, as concerns turned from the COVID-19 pandemic to the macroeconomic environment, events both at home and overseas reinforced the importance of the Barclays Group Purpose to deploy finance responsibly whilst acting with empathy and integrity. The Board is acutely aware of how the increasing cost of living is impacting our customers' and clients' financial wellbeing, and recognises the important part that banks have to play in this scenario. We want to offer assurance that we are here to help individuals and businesses through this challenging time.

Strategy

As previously reported, in 2021, driven by the combination of the pandemic together with the low interest rate environment, the Board spent a considerable amount of time challenging and contributing to the Barclays Bank UK Group's strategy. In light of geopolitical and macroeconomic issues (including increasing interest rates and inflationary pressures), and the fact that the rising cost of living is prompting changes to people's behaviours and their spending, the Board re-tested that strategy in 2022 and is comfortable that the Company's four focus areas, as detailed on pages 2 and 3 of the Strategic Report, remain appropriate. Of course, the strategy has evolved to respond to changes arising from the legal, political and regulatory landscape. This year, that included the publication by the FCA of the final rules and guidance for its new Consumer Duty, which will set clearer and higher standards of consumer protection across the financial services sector. We are committed to ensuring good customer and client outcomes and that the Consumer Duty is demonstrably embedded throughout the organisation. With that in mind, we have overseen the Barclays Bank UK Group's approach to, and readiness for, implementation of the Consumer Duty, with enhanced management reporting to be brought to the Board in 2023 in order to ensure that we are able to evidence and measure customer and client outcomes. The Board will continue to receive regular implementation updates throughout 2023.

In fact, overseeing the evolution and execution of the Barclays Bank UK Group's strategy has been a key priority in 2022, with the Board spending approximately 50% of its time on different aspects of the strategy. This has included briefing sessions and deep dives on customer strategy, digitalisation, evolving our societal purpose, climate and sustainability, our operating and service models, technology (including operational resilience) and people matters such as building skills for the future and strategic talent. We were also delighted – as a result of the easing of COVID-19 restrictions – to take the Board offsite, on two occasions, to hear directly from colleagues, customers and clients about a variety of topics, including customer and client needs, how digital innovation and technology can play a role in meeting such needs, how the Barclays Bank UK Group is engaging with local communities, and the role that we are playing in supporting the transition to a low-carbon economy. We look forward to continuing to engage on these very important topics in the months and years ahead. For further detail on what the Board did in 2022, please refer to pages 28 and 29. For more information on our role in society and our sustainable products and propositions, please refer to pages 15 and 16 of the Strategic Report and the Climate and Sustainability Report on pages 19 to 22.

The successful delivery of the strategy remains dependent on our colleagues and, in particular, the creation of a diverse, equal and inclusive workforce comprised of individuals with the requisite capabilities and skills who are empowered and motivated to provide exceptional service. Colleague engagement and retention are also crucial and we believe that the Barclays Mindset and the overarching culture of the organisation are integral to this. The Board has engaged, and will continue to engage, directly with colleagues and listen to feedback from the bi-annual Your View surveys so that we can take into account issues of interest to colleagues when decision-making.

To ensure we deliver consistent returns for our shareholder, and in turn Barclays' investors, we continue to refine our operating model, identifying efficiencies and putting in place a more cost-effective infrastructure that can adapt to changing customer and client expectations whilst enabling us to invest for the future and remain competitive. The Board has remained close to the evolution of the operating model, including the changes to our physical footprint and the increased range of more flexible options that have been made available in order to better support the customers and clients we serve. We continue to believe that investment in digital innovation and technology will provide us with the capability to provide a greater range of services to more customers and clients as well as unlocking new sources of income.

Towards the end of 2022, Barclays established a change programme, alongside the Purpose, Values and Mindset, to ensure that the Barclays Group is performing at a consistently very high level, day in and day out. Shortly after its launch, we welcomed the Group Chief Executive to one of our Board meetings to talk to us about the programme. We fully support the principle of holding ourselves to a standard of consistent excellence in order to leave a strong legacy for the future and will, as a Board, spend time thinking about what this means for the Barclays Bank UK Group in early 2023.

Risk and control

This year, the Board Risk Committee has once again continued to oversee the risk management aspects of our strategy and its execution, helping ensure prudential soundness and that customer outcomes are delivered in the right way. In respect of new and emerging risks, the Committee has monitored the risks associated with the geopolitical and macroeconomic environments (including the implications of the Russian invasion of Ukraine), received regular reports on the Barclays Bank UK Group's operational resilience (including in the context of upgrading our systems, moving to cloud technology and implementing automation of manual processes), and reviewed risks relating to acquisitions and strategic projects. This has been supported by the work of the Board Audit Committee, which – in addition to its usual matters – has monitored the internal control environment and received updates on financial crime activity that impacted the Barclays Bank UK Group in 2022, including overseeing the Money Laundering Reporting Officer's report and regulatory correspondence as well as reviewing key accounting judgements.

Governance matters

As announced by Barclays on 23 January 2023, I will be stepping down from the Board as Chair and Non-Executive Director on 31 May 2023; this will coincide with my retirement as a Barclays Non-Executive Director, having served on that Board for nine years. The Board Nominations Committee, under the steer of Andrew Ratcliffe, led a formal and rigorous Chair succession process (further detail on which is set out on pages 30 and 31), appointing Spencer Stuart - a global executive search firm - to lead an external search. The process culminated in the Board Nominations Committee recommending Sir John Kingman's appointment to the Board, with such appointment being approved by the Directors subject to regulatory approval. Sir John, who has a deep background in financial services as a result of his executive and non-executive career, will join the Board on 1 June 2023.

In respect of the Board more generally, in order to ensure that Board composition continues to meet the ongoing needs of the Company and in line with the Barclays Group's plans for orderly succession, there were several changes to the Board in 2022. Following various external Non-Executive Director search exercises led by Spencer Stuart on behalf of the Company, we were pleased to announce the appointment of four new independent Non-Executive Directors – Tracy Corrigan, Vanessa Bailey (who also assumed the role of Chair of the Board Risk Committee), Bernadette Wightman and John Liver, all of whom joined the Board during 2022. Our new Directors have brought significant expertise and insight from across a broad range of industries, which will greatly assist in the drive to support customers and clients in different and new ways and to grow the business. David Thorburn and Kathryn Matthews retired from the Board in February and December 2022 respectively. We thank David and Kathryn for their service and the significant contribution that each of them made to the Barclays Bank UK Group during their tenures.

Finally, as articulated in our corporate governance principles, a successful company is led by an effective and entrepreneurial Board. In 2022, an internal evaluation of the Board was carried out. The evaluation assessed, amongst other matters, the progress made against the recommendations of the external evaluation undertaken by Christopher Saul Associates (CSA) in 2021, as reported in last year's Annual Report. This year's evaluation concluded that the Board is operating effectively, with a continued strong collegiate culture in which all members contribute to discussions and offer constructive challenge. Whilst certain areas were identified for continued focus in order to further improve effectiveness – including ensuring a continued and streamlined two-way dialogue between the Board and the Barclays Board – none were material. A summary of the key findings can be found on page 30.

Looking ahead

The Barclays Bank UK Group will continue to take steps to help ease customers' and clients' financial pressures and to "make money work" for everyone, including society and the environment, through our people, our products and our services. Together with overseeing the continued evolution and execution of the Barclays Bank UK Group's strategy to respond to changing customer and client needs, this will be the Board's priority in 2023.

On that note, I would like to thank all colleagues for their dedication and ongoing support of customers and clients during these challenging times and my fellow Board members for their hard work and insights throughout 2022. It has been a pleasure and a privilege to Chair the Company, and I wish the Barclays Bank UK Group every success.

Crawford Gillies
Chair – Barclays Bank UK PLC
14 February 2023

The Board

Welcome to our Board. The Directors who served during the year ended 31 December 2022 are set out in the table below, together with details of the composition of each of the Board Committees. All of the Directors, with the exception of David Thorburn and Kathryn Matthews, have served up to the date of signing this report.

	Board	Board Audit Committee	Board Nominations Committee	Board Remuneration Committee	Board Risk Committee
Current Directors					
Crawford Gillies Chair of the Board	C		C		
Vanessa Bailey[1] (appointed 13 June 2022) Independent Non-Executive Director	M	M	M		C
Tracy Corrigan[2] (appointed 24 May 2022) Independent Non-Executive Director	M			M	
Avid Larizadeh Duggan[3] Independent Non-Executive Director	M			M	
Michael Jary Independent Non-Executive Director	M		M	C	M
John Liver[4] (appointed 17 October 2022) Independent Non-Executive Director	M	M			M
Chris Pilling Independent Non-Executive Director	M	M			M
Andrew Ratcliffe[5] Independent Non-Executive Director	M	C	M		M
Bernadette Wightman (appointed 1 September 2022) Independent Non-Executive Director	M				
Matt Hammerstein Chief Executive	M				
James Mack Chief Financial Officer	M				
Former Directors					
David Thorburn (resigned 3 February 2022) Independent Non-Executive Director	M	M	M		C
Kathryn Matthews[6] (resigned 31 December 2022) Independent Non-Executive Director	M	M		M	

C Chair of Board or Board Committee.
M Member of Board or Board Committee.
1 Appointed as a member of the Board Audit Committee and the Board Risk Committee respectively on 13 June 2022, and as a member of the Board Nominations Committee on 1 September 2022. Assumed the role of Chair of the Board Risk Committee on 12 September 2022 (subject to regulatory approval, which was granted on 12 December 2022).
2 Appointed as a member of the Board Remuneration Committee on 1 September 2022.
3 Stepped down as a member of the Board Nominations Committee on 31 August 2022.
4 Appointed as a member of the Board Risk Committee on 17 October 2022 and as a member of the Board Audit Committee on 1 December 2022.
5 Appointed Interim Chair of the Board Risk Committee on 4 February 2022. Stepped down from that role and reverted to being a member on 12 September 2022.
6 Stepped down as a member of the Board Remuneration Committee on 30 September 2022 and as a member of the Board Audit Committee on 31 October 2022.

Charter of Expectations

Executive and Non-Executive Directors share the same statutory duties and are subject to the same constraints. The expectations of each Director are set out in the Company's Charter of Expectations. This includes role profiles and the behaviours and competencies required for each role on the Board, namely: the Chair, Board Committee Chairs, Executive Directors and Non-Executive Directors.

Time commitment

The Company's Charter of Expectations also sets out the time commitment for each role. Non-Executive Directors, including the Chair, are informed of the minimum time commitment required prior to their appointment; they must, on appointment and on an ongoing basis, be able to devote sufficient time to the Company to effectively discharge their responsibilities. A Non-Executive Director's preparation for, and attendance at, Board and Board Committee meetings is only part of their role. In addition, Non-Executive Directors are expected to provide effective oversight and scrutiny, strategic guidance and constructive challenge whilst holding the Executive Directors to account against their agreed performance objectives.

The time commitments of Directors are considered by the Board on appointment and are reviewed annually. External appointments must be agreed with the Chair and disclosed to the Board, before appointment, with an indication of the time involved. During the year, the Board Nominations Committee kept under review the number of external directorships held by each Director and considered the limits on the number of directorships imposed by relevant regulations. Following this year's review, the Board is satisfied that there are no Directors whose time commitment is considered to be a matter for concern.

Training and development

In order to enable the Directors to discharge their responsibilities and undertake their work with due care, ongoing training and development occurs throughout the year, with sessions on, for example, the Senior Managers Regime and Whistleblowing forming part of the Board programme. The Directors also participate in briefing sessions and deep dives in order to gain a more granular understanding of the business which, in turn, contributes to informed and sound decision-making. This year, the focus was - once again - on key areas of the Barclays Bank UK Group's strategy, including customer strategy, digitalisation, evolving our societal purpose, climate and sustainability, our operating and service models, technology (including operational resilience), and people matters such as building skills for the future and strategic talent. In many cases, these topics were brought to life through interactive sessions with colleagues, customers and clients. The Board will continue to enhance its education and training proposition in 2023.

In order to deepen its knowledge of the Barclays Bank UK Group and stay close to the business, the Board had regular meetings with senior management during the year and - as a result of the lifting of COVID-19 restrictions - Directors were once again able to visit branches. This included a couple of Board members participating in the "Walk a Mile in our Colleague's Shoes" initiative, which involved spending a day in branch working alongside colleagues and thus gaining invaluable insight into customer needs and colleague perspectives; other Directors visited Eagle Labs as well as operational and strategic sites. The Board participated in two offsite Board meetings, each of which was held over a two-day period. The meeting held at Barclays Radbroke campus focused on the digital agenda, talent development and technology whilst the meeting held at the Network Eagle Lab in Southampton focused on the Barclays Bank UK Group's societal purpose. The Board also maintained a strong connection to the business and colleagues by, for example, joining DEI Employee Resource Group meetings, participating in panel events and roadshows, and reverse mentoring. Further details on what the Board did in 2022, including its engagement with customers and clients, colleagues, and suppliers, can be found on pages 35 and 38.

All Directors who are new to the Board participate in an extensive induction programme, which is structured around the core components of the Barclays Bank UK Group's strategy. Each of the four Directors who joined the Board in 2022 received a personalised induction that was tailored to their specific experience and knowledge, and which provided access to all parts of the business in order to ensure that they had sufficient understanding of the nature of the business and the key issues that the Barclays Bank UK Group faces. Those Non-Executive Directors who joined Board Committees during the year also participated in sessions focused on the operation of the relevant Board Committee.

Our corporate governance principles and how we applied them in 2022

During the year ended 31 December 2022 and to the date of this report, the Company has continued to apply and has complied with its own corporate governance arrangements rather than the 2018 UK Corporate Governance Code or the Wates Corporate Governance Principles for Large Private Companies. This is on the basis that the Board believes that our own governance arrangements are the most appropriate for the Company, a wholly-owned subsidiary of a premium listed company which is also a complex financial institution subject to a comprehensive regulatory regime. This approach is consistent with the approach of other significant subsidiaries in the Barclays Group which are subject to the Companies (Miscellaneous Reporting) Regulations 2018 (2018 Regs).

The primary aim of our governance arrangements remains as stated in the Company's 2021 Annual Report, namely that they:

- are effective, in particular to ensure the safety and soundness of the ring-fenced bank
- provide checks and balances and encourage constructive challenge
- drive informed, collaborative and accountable decision-making
- create long-term sustainable value for our shareholder, Barclays, the ultimate shareholders of Barclays and our wider stakeholders

Set out below is an explanation of how the six principles that underpin our governance arrangements have been applied during 2022.

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

Principle One: Board Leadership and Company Purpose

A successful company is led by an effective and entrepreneurial Board whose role is to establish the company's purpose, values and strategy, aligned to its culture, and make decisions to promote its success for the long-term benefit of its shareholder, having regard to the interests of other relevant stakeholders and factors.

The Board is responsible for the overall leadership of the Company. The Board's role involves articulating a clear vision for the Company based on Barclays' Purpose, Values and Mindset, and establishing a strategy for both the Company and the Barclays Bank UK Group, supported by a framework of effective controls that are designed to mitigate financial and other risks and to protect the reputation of the business. This ultimately ensures that the business is able to operate effectively and independently, and is run in a way that promotes the long term success of the Company thereby creating and delivering sustainable value. For further details on internal control and risk management, please see pages 31 to 33.

The Board's role also involves ensuring that the necessary resources are in place to enable the Company to meet its objectives and measure performance against them. The Board receives regular and timely information on all key aspects of the business - including customers, conduct matters, financial performance, operational matters, strategy, risks and opportunities - supported by key performance indicators.

What the Board did in 2022

As a matter of course, the Board ensures that the Company is managed in accordance with the ring-fencing legislation and monitors the ring-fence perimeter of the Barclays Bank UK Group to ensure ongoing compliance with the ring-fencing requirements. In addition to this, the principal activities of the Board during 2022 included the following:

Strategic and operational matters

- Against the backdrop of the macroeconomic environment, overseeing the further evolution of the Barclays Bank UK Group's strategy that was first reported in 2020 and reviewing delivery against the same. Further detail on the Barclays Bank UK Group's strategy, including its four focus areas, can be found on pages 2 to 3 of the Strategic Report
- Receiving updates on the market and operating environment (including but not limited to the cost of living, inflation and interest rates) and overseeing the Barclays Bank UK Group's response to the same in relation to the support of customers, clients and colleagues
- Overseeing, in conjunction with the Board Risk Committee, the Barclays Bank UK Group's role in the Barclays Group's response to the Russian invasion of Ukraine
- Overseeing, in conjunction with the Board Risk Committee, the agreement to acquire Kensington Mortgage Company
- Receiving updates on developments in UK banking (such as the final recommendations arising from the independent panel review of the operation of the ring-fencing legislation) and the evolving regulatory landscape. This included the FCA's Consumer Duty in respect of which the Board oversaw the Barclays Bank UK Group's response to regulatory consultations on the matter
- Continuing to oversee the creation of an inclusive and supportive culture through the continued embedment of the Barclays Group Purpose, Values and Mindset, and DEI initiatives such as the DEI Employee Resource Groups and the Race at Work Action Plan as well as reviewing progress against key commitments. Further details can be found on pages 9 to 12 of the Strategic Report
- Overseeing colleague engagement via the Your View surveys, which have provided invaluable early insight into the ongoing adoption of Hybrid working, and receiving updates in respect of colleague wellbeing. Further details can be found on pages 9 to 12 of the Strategic Report and, separately, on pages 31 to 38 of the Barclays PLC 2022 Annual Report
- Overseeing customer, commercial, financial, operational, regulatory and risk matters, with regular updates from the Chief Executive and Executive Committee members
- Overseeing reputational risk matters, including in relation to access to cash and the Barclays Bank UK Group's physical footprint
- Receiving updates on citizenship, societal purpose, climate and sustainability, with the Board continuing to challenge and drive ambition in relation to the climate and sustainability agenda

Finance (including capital and liquidity)

- Discussing and approving the Barclays Bank UK Group's Medium Term Plan (MTP), in which strategy is embedded, together with related funding and capital plans for the Barclays Bank UK Group
- Overseeing the financial performance of the Barclays Bank UK Group and its main businesses through regular reports from the Chief Financial Officer
- On the recommendation of the Board Audit Committee, approving the Barclays Bank UK Group's full year and half year financial statements, and approving the payment of a 2021 full year dividend and the payment of a 2022 half year dividend
- On the recommendation of the Board Risk Committee, approving the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP)
- Overseeing, in conjunction with the Board Risk Committee, the results of a range of stress tests to assess capital adequacy and resilience under severe but plausible macroeconomic scenarios

Governance, risk, control and regulatory matters

- On the recommendation of the Board Risk Committee, approving the Company's qualitative and quantitative Risk Appetite Statements, including the new Climate Risk Appetite Statement, and overseeing risk parameters
- On the recommendation of the Board Risk Committee, approving the Barclays Bank UK Group elements of the Barclays Group Recovery and Resolution Plan and Resolvability Assessment Framework and the conclusions of the annual assessment of ring-fencing compliance
- Approving the Barclays Bank UK Group's Consumer Duty implementation plan and, separately, approving the appointment of an independent Non-Executive Director as the Barclays Bank UK Group's Consumer Duty Champion
- Overseeing key risk matters, including themes and emerging risks, through regular reports from the Chief Risk Officer as well as an annual report from the Barclays Group Chief Risk Officer in order to better understand the Group risk context

- Overseeing the Barclays Bank UK Group's operational and technology capacity, including - in conjunction with the Board Risk Committee - the annual self-assessment of operational resilience (which involved the identification of Important Business Services, as defined in the relevant regulation, and setting impact tolerances), the new Prudential Regulation Authority (PRA) Cyber Stress Test as well as the utilisation of more modern technology platforms
- Overseeing the services received from BX through - amongst other reports - an annual update from the BX Chief Executive
- Overseeing, with the support of the Board Audit Committee, the Barclays Bank UK Group's internal controls framework through regular reports from the Chief Controls Officer
- Overseeing, with the support of the Board Nominations Committee, changes to Board and Board Committee composition.
- Receiving regular updates from the Chairs of the Board Committees on matters discussed at meetings
- In conjunction with the Board Nominations Committee, overseeing the 2022 internal Board, Board Committee and Non-Executive Director evaluations

Principle Two: Division of Responsibilities

An effective Board requires a clear division of responsibilities with the Chair leading the Board and being responsible for its overall effectiveness, and the executive leadership of the company's business being delegated to the Chief Executive. The Board should consist of an appropriate combination of executive and independent Non-Executive Directors each with a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.

There is a clear division of responsibilities between the Chair and the Chief Executive. 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 also facilitates constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures Directors receive accurate, clear and timely information. The duties of the Board are executed in part through the Board Committees, which provide oversight and make recommendations on the matters delegated to them by the Board. The Chair of each Board Committee provides a report on Board Committee business at each Board meeting, including the matters being recommended for Board approval. Details on the principal Board Committees and their core responsibilities and activities in 2022 are set out in Principles Three to Five on pages 29 to 34.

Executive Committee

Responsibility for the day-to-day management of the Company is delegated to the Chief Executive who is supported by the Company's Executive Committee. Executive Committee membership includes the Chief Financial Officer, Chief Risk Officer, Chief Operations Officer, Heads of Business Banking, Customer and Wealth Management & Investments, and the leaders of Compliance, Human Resources and Legal. From 1 January 2023, the Executive Committee will also include the newly appointed Head of Sustainable Finance. The Executive Committee meets weekly and is chaired by the Chief Executive. The Executive Committee supports the Chief Executive in ensuring that the values, strategy and culture align, and that those elements are implemented and communicated consistently to colleagues; for example, quarterly town halls on financial performance, listening sessions on flagship talent programmes and Q&A sessions. Further details are set out on pages 11 and 12 of the Strategic Report.

Decision-making and conflicts of interest

The Board maintains a formal schedule of powers reserved to it in order to ensure that it has control over key decision-making. These powers include approval of key appointments, strategy, financial statements and any major acquisitions, mergers or disposals; pursuant to changes to the Matters Reserved to the Board during the year, the Board also has the power to approve material non-financial matters impacting the Barclays Bank UK Group including, but not limited to, matters involving material conduct risk and/or reputation risk considerations as well as significant customer remediation matters and strategic business changes.

There are also policies and procedures in place to support effective decision-making and independent challenge, including the Barclays Group's Corporate Governance Operating Manual, which clearly sets out how Barclays Group entities and their respective Boards and Board Committees should interact and, where appropriate, escalate issues.

For details of how the Directors have had regard to the matters set out in Section 172(1) of the Act when performing their duty to promote the success of the Company under Section 172, and the effect of those considerations in reaching certain decisions taken by them, please refer to the Section 172(1) Statement on pages 17 and 18 of the Strategic Report.

In accordance with the Act and the Company's Articles of Association, the Board has authority to authorise conflicts of interest, and this ensures that the influence of third parties does not compromise or override the independent judgement of the Board. The Company Secretary maintains a conflicts register, which is a record of actual and potential conflicts, together with any Board authorisation of the conflict. Throughout the year, the Board has authorised a number of potential conflicts and, on occasion, put in place appropriate procedures to manage that potential conflict. Following authorisation, all conflicts - whether actual or potential - are monitored in order to assist the relevant individuals in discharging their duties as a Director.

Principle Three: Composition, Succession and Evaluation

A Board with the right balance of skills, experience and diversity is critical to the sustainable delivery of value to the company's shareholder and broader stakeholders. The size of the Board should be guided by the scale and complexity of the company and appointments should be based on merit and objective criteria and with a view to promoting diversity and subject to a formal, rigorous and transparent procedure which is underpinned by an effective succession plan for the Board and senior management. A successful Board is a cohesive Board that provides informed and constructive challenge to the management team and measures its effectiveness.

As announced by Barclays on 23 January 2023, and referenced in the Chair's Introduction, Crawford Gillies will be stepping down from the Board as Chair and Non-Executive Director on 31 May 2023; this will coincide with Crawford's retirement as a Barclays Non-Executive Director, having served on that Board for nine years. The Board Nominations Committee, under the steer of Andrew Ratcliffe, led a formal and rigorous Chair succession process, appointing Spencer Stuart to lead an external search. The process culminated in the Board Nominations Committee recommending Sir John Kingman's appointment to the Board, with such appointment being approved by the Directors in January 2023 subject to regulatory approval. Crawford will remain on the Board until 31 May 2023 in order to ensure an orderly transition to Sir John, who will join the Board on 1 June 2023. Sir John has a deep background in financial services as a result of his executive and non-executive career; his experience spans the private and public sector with his former roles including senior positions at HM Treasury, as the first Chief Executive of UK Financial Investments Ltd and as Global Co-Head of the Financial Institutions Group at Rothschild. Sir John is currently Chair of Legal & General Group plc, having stepped down as Chair of Tesco Bank on 22 January 2023.

In respect of the Board more generally, in order to ensure that Board composition continues to meet the ongoing needs of the Company and in line with the Barclays Group's plans for orderly succession, there were several changes to the Board in 2022. Following various external Non-Executive Director search exercises led by Spencer Stuart on behalf of the Company, we were pleased to announce the appointment of four new independent Non-Executive Directors, which increased the overall size of the Board by two (taking into account in-year retirements). Having assessed the "new" composition and size of the Board, the Directors have confirmed that they consider both to be appropriate for a large UK retail bank. This assessment is supported by a skills matrix (refreshed annually), which helps the Directors to evaluate the experience and skills on the Board in order to ensure that there is the necessary expertise and knowledge to support and challenge management in its execution of the strategy. There is currently a good balance between the Executive Directors and independent Non-Executive Directors who, together, have a strong combination of financial, retail banking, risk and technical skills as well as experience in colleague engagement, customer experience, culture, financial regulation, technology and transformation. In particular, the new appointees to the Board bring significant expertise and insight across a broad range of industries as well as diversity of experience, gender and thought, which will greatly assist in the drive to support customers and clients in different and new ways and to grow the business. Overall, the majority of the Board is considered to be independent. Independence is reviewed annually, using the independence criteria set out in ring-fencing requirements. The Chair meets privately with the Non-Executive Directors, where appropriate, in order to promote the required independence.

Board succession planning will remain an area of focus in 2023 and beyond in order to ensure that there is the appropriate breadth and depth of talent on the Board. To the extent that any appointment(s) to the Board are made, such appointment(s) will be based on merit. Objective criteria are used to ensure that the Board has the necessary knowledge, skills and experience to be effective in the execution of the strategy whilst recognising the importance of diversity amongst the Directors including, but not limited to, diversity of experience, gender, ethnicity, geography and thought.

Our ambition, as set out in our Board Diversity Policy (which was revised in May 2022), is to achieve gender parity. However, it is recognised that, for practical reasons, there will be fluctuations around 50% female representation and 50% male representation on the Board. The Board acknowledges that although we made good progress towards our gender diversity target in 2022, with 42% female representation on the Board and 50% female representation amongst the Non-Executive Directors prior to Kathryn Matthews' retirement, there remains work to be done. With female representation on the Board currently at 36%, this will be a key consideration in future recruitment and succession planning. With reference to ethnic diversity, the Board's current target is to ensure that at least one Board member is a person of colour and that this is maintained once met.

Separately, the Board regularly reviews the leadership and succession needs of the business, which helps the Directors to understand the breadth and depth of talent at Executive Committee level and one level down. There were a number of changes to the Executive Committee during the year; however, the Board remains comfortable that the Executive Committee has the capabilities and strength of leadership required to support the execution of the strategy against the backdrop of a challenging and competitive operating environment. Talent and succession both at Executive Committee level and one level down will remain a key focus for 2023 and beyond in order to ensure that there is the appropriate diversity and range of talent within the organisation.

Accountability is driven through routine evaluations of the Board and Board Committees. In the fourth quarter of 2022, an internal evaluation of the Board, Board Committees and Non-Executive Directors (including the Chair) was carried out. The evaluation assessed, amongst other matters, the progress made against the recommendations of the external evaluation undertaken by CSA in 2021. As reported in our 2021 Annual Report, CSA has no connection to the Barclays Group or any individual Director, save as disclosed on page 166 of the Barclays PLC 2022 Annual Report. The overall conclusion of this year's internal evaluation was that the Board is operating effectively, with a continued strong collegiate culture in which all of the Directors - including the newer members of the Board - contribute to discussions and offer constructive challenge. Significant progress has been made to enhance effectiveness in the last year, in particular by appointing four new independent Non-Executive Directors, continuing to reshape Board agendas to focus on strategic issues and opportunities, and developing more opportunities for those at Executive Committee level and one level down to interact with the Non-Executive Directors. However, certain areas were identified for continued focus in order to further improve effectiveness. These include ensuring an ongoing and streamlined two-way dialogue between the Board and the Barclays Board, further simplification of Board papers with more timely circulation of the same, and increasing the visibility of the Executive talent pipeline. Work is ongoing to progress these matters.

Board Nominations Committee

The Board Nominations Committee comprises independent Non-Executive Directors (see page 26). Following a review of Board Committee composition in May 2022, Avid Larizadeh Duggan stepped down from the Committee in August 2022 and Vanessa Bailey joined the Committee in September 2022. This returned the membership of the Committee to the Chair and the Chairs of the other Board Committees, in accordance with the preference expressed in the Committee's Terms of Reference.

Meetings are attended by the Chief Executive and the Human Resources Director, at the invitation of the Committee Chair.

The principal role and responsibilities of the Committee are set out in its terms of reference and include:

- Skills and Diversity - evaluating the balance of skills, knowledge, experience and diversity for the Board and more broadly across the senior management of the business
- Director Appointments - identifying, and recommending to the Board, candidates for appointment to the Board and Board Committees
- Director Independence - considering and assessing the independence of the Non-Executive Directors, including recommendations for any steps to manage actual or potential conflicts of interest
- Board Performance - assessing the performance of the Non-Executive Directors and their annual time requirements
- Board Evaluation - considering any actions from the Board and Board Committee evaluation process that relate to the composition of the Board or Board Committees and, in conjunction with the Board, review the Board's progress against the recommendations arising from the evaluation process
- Board Development – leading the development and effective implementation of policies and procedures for the induction, training and professional development of all members of the Board
- Talent - overseeing the adoption of internal policies and talent progression for senior management

During 2022, the Committee's principal activities were:

- Reviewing the Board's composition – including the skills and experience of Board members, time commitments and the independence of the Non-Executive Directors (excluding the Chair)
- Leading, on behalf of the Board, the various Non-Executive Director search exercises that resulted in the Committee recommending four preferred candidates who were ultimately approved by the Board. This included, amongst other matters, agreeing the role specifications and carrying out initial interviews with candidates, with considerable oversight of the succession and transition of the Chair of the Board Risk Committee
- Leading, on behalf of the Board, the Chair succession process following notification from Crawford Gillies of his intention to step down from the Board as Chair and Non-Executive Director during 2023. The succession process was driven by Andrew Ratcliffe, in conjunction with the Barclays Group Nominations Committee, led by the Barclays Group Chairman, on the basis that the successful candidate would also be appointed as a Barclays Non-Executive Director. As part of that process, the Committee: agreed the appointment of Spencer Stuart to lead an external search; approved the role specification and search criteria; and approved the process regarding the recommendation and appointment of a new Chair (considering all options available for Chair succession), which culminated in the Committee recommending Sir John Kingman's appointment to the Board.
- Reviewing the composition of all of the Board Committees in light of the appointments to, and resignations, from the Board
- On a bi-annual basis, reviewing the Company's talent and succession plans at Executive Committee level and one level down and, when required, overseeing Executive Committee appointments
- Reviewing and updating the Board Diversity Policy, and monitoring the Board's progress against the same
- On behalf of the Board, reviewing and monitoring the Company's progress against its diversity, equity and inclusion agenda, and initiatives such as the Race at Work Action Plan
- Reviewing the results of the 2022 internal Board, Board Committee and Non-Executive Director evaluations, the overall conclusion of which was that the Board, Board Committees and the Non-Executive Directors are all operating effectively and meeting their required responsibilities
- Overseeing the management of any Non-Executive Director conflicts of interest and the conflicts of interest management procedures

Principle Four: Audit, Risk and Internal Control

The Board should establish formal and transparent policies and procedures to: (i) identify the nature and extent of principal risks the company is willing to take in order to achieve its long-term strategic objectives; (ii) manage such risks effectively; (iii) oversee the internal control framework; (iv) promote the independence and effectiveness of internal and external audit functions; and (v) satisfy itself on the integrity of financial reporting.

The Company 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 Principal Risks facing the Barclays Bank UK Group have been identified and robust processes are in place to evaluate and manage such risks including regular reporting to, and oversight by, the Board Risk Committee and the Board. A key component of the risk management 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 Barclays Bank UK Group 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 on page 8 of the Strategic Report.

The Board has overall responsibility 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 only provide reasonable and not absolute assurance against material misstatement or loss. Having said that, the effectiveness of the risk management and internal control system is reviewed regularly by the Board Risk Committee and the Board Audit Committee. Details of the role, responsibilities and activities of both Committees are set out below.

The Board receives regular reports on risk matters, including reputational risk matters, in order to ensure sufficient focus around strategic and emerging risks, including those arising from within the broader Barclays Group, which may impact the Barclays Bank UK Group. Oversight of conduct risk and compliance remains within the remit of the Board Risk Committee, as detailed below.

Board Audit Committee

The Board Audit Committee comprises independent Non-Executive Directors (see page 26), including Vanessa Bailey, who joined the Committee in June 2022, and John Liver, who joined the Committee in December 2022.

At the invitation of the Committee Chair, meetings are attended by management and others, including the Chief Executive, Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer, Chief Compliance Officer, Chief Controls Officer, Chief Operating Officer, General Counsel, the Company's statutory auditor and, at their request, Non-Executive Directors who are not members of the Committee who wish to further their knowledge and understanding on audit matters. The Board, together with the Board Audit Committee, is responsible for ensuring the independence and effectiveness of the internal audit function and the statutory auditor. The Committee Chair meets regularly with both the Chief Internal Auditor and the Senior Statutory Auditor throughout the year and Committee members meet with both without management present at least annually.

The Committee is responsible for overseeing financial reporting processes, reviewing the effectiveness of internal controls, considering whistleblowing arrangements and overseeing the work of the internal auditor and the statutory auditor. Throughout the year ended 31 December 2022 and to date, a comprehensive internal control framework has been in place within the Barclays Bank UK Group that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations. The Committee receives a quarterly report on the framework's operation (and its continued enhancements). This includes reports from the internal audit function, the statutory auditor and the Chief Controls Officer, as well as related plans and management actions to remediate control recommendations raised in those reports.

The principal role and responsibilities of the Committee are set out in its terms of reference and include:

- Financial Reporting - assessing the integrity of the Barclays Bank UK Group's financial statements and examining any significant reporting issues and judgements made
- Internal Controls - examining the operation and effectiveness of the Barclays Bank UK Group's system of internal controls
- Internal Audit - monitoring and examining the operation, effectiveness, independence and objectivity of the Internal Audit function
- Regulatory Reporting - reviewing arrangements established by management for compliance with regulatory and financial reporting, including compliance with the ring-fencing requirements
- External Audit - reviewing and monitoring the statutory auditor's independence, objectivity and effectiveness, including oversight of the regulatory developments within the delivery of audit services
- Whistleblowing - reviewing the integrity, independence and effectiveness of Barclays Bank UK Group's well-established policies and procedures on whistleblowing
- Material Legal Matters - overseeing significant contentious and non-contentious matters, together with current or emerging legal risks

During 2022, the principal activities of the Committee were:

- Examining the Barclays Bank UK Group's full year and half year financial statements and recommending their approval to the Board
- Examining the Barclays Bank UK Group's Q1 and Q3 2022 results for incorporation into Barclays PLC's Q1 and Q3 2022 results
- Assessing the appropriateness of key management judgements, including consideration of material conduct and litigation provisions (including collections and recoveries, and other material items) and accounting policy judgements (including expected credit losses, impairment and recoverability of goodwill)
- Receiving reports from the General Counsel on litigation matters pertinent to accounting provisions
- Receiving reports from the Chief Controls Officer on the internal controls framework and its effectiveness, and ensuring appropriate oversight of the BX control environment where it impacts the Barclays Bank UK Group's control environment
- Overseeing the statutory auditor's independence and objectivity and contributing to the Barclays Group's auditor effectiveness exercise, including receiving findings from the PRA on written auditor reporting and the Financial Reporting Council on their Audit Quality Review
- Overseeing the performance of the Internal Audit function, including an internal quality assurance assessment and approving the interim revisions to the 2022 audit plan and approving the 2023 audit plan
- Receiving reports from management on certain areas of the business where reports from the internal audit function had recommended improvements to existing controls (for example: Business Banking fraud and "Know Your Client" controls and procedures) or on areas of new risks (for example: third party suppliers)
- Monitoring management progress on the embedding of a Risk Control Self-Assessment framework
- Reviewing and re-adopting the refreshed Barclays Group policy on the provision of non-audit services by the statutory auditor
- Monitoring the whistleblowing programme, including receiving regular whistleblowing metrics as they relate to the Barclays Bank UK Group, and ensuring that the procedures for protection from detrimental treatment of staff who raise concerns continue to be effective
- Receiving updates on financial crime activity that impacted the Barclays Bank UK Group in 2022, including overseeing the Company's Money Laundering Reporting Officer's report, Post Office Cash Deposits Standards and Controls and Transaction Monitoring, as well as overseeing regulatory correspondence and related work
- Receiving the Company's Data Protection Officer's report
- Considering future internal control needs
- Reviewing the Committee's effectiveness

Board Risk Committee

The Board Risk Committee comprises independent Non-Executive Directors (see page 26). In February 2022, Andrew Ratcliffe assumed, on an interim basis, the role of Chair of the Board Risk Committee following David Thorburn's resignation. Vanessa Bailey was appointed to the Board on 13 June 2022, and assumed the role of Chair of the Board Risk Committee on 12 September 2022 (subject to regulatory approval, which was granted on 12 December 2022). This was followed by John Liver joining the Committee as a member in October 2022.

At the invitation of the Committee Chair, meetings are attended by management, including the Chief Executive, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, General Counsel, Chief Internal Auditor, the Company's statutory auditor and, at their request, Non-Executive Directors who are not members of the Committee who wish to further their knowledge and understanding on risk matters.

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

The principal role and responsibilities of the Committee are set out in its terms of reference and include:

- Risk Appetite and Risk Profile – reviewing and ensuring that the risks undertaken by the business are within the risk appetite of the Company, as set by the Board
- Risk Limits – reviewing and adopting risk limits and mandates for financial and non-financial risk, monitoring the risk profile and receiving and considering reports on key risk issues (including emerging risks)
- Regulatory – reviewing and monitoring the Company's capital and liquidity position including considering both the existing and forecasted Company risk profile and the potential impact of stress
- Internal Control and Risk Control – monitoring the Internal Control and Risk Control framework
- Credit Risk – reviewing credit risk performance (including concentration of credit risk and expected credit losses)
- Conduct Risk – reviewing the effectiveness of the management of conduct risk, seeking to ensure fair customer outcomes following the implementation of policies and reviewing the effectiveness of the Conduct Risk Management Framework, as it applies to the Company and its subsidiaries
- Climate Risk - considering matters including 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 (with the exception of reputation risk which is a matter reserved to the Board)
- Risk Culture – monitoring to ensure a robust risk culture (relating to risk awareness, risk taking and risk management)
- Ring-fencing – reviewing the ring-fencing requirements (including attestation and ongoing compliance requirements)

During 2022, the principal activities of the Committee were:

- Recommending to the Board the adoption of qualitative and quantitative Risk Appetite Statements, including the new Climate Risk Appetite Statement
- Reviewing and adopting the relevant Barclays Group policies, including the ERMF and the associated framework Company addenda as well as the Conduct Risk Management Framework
- Receiving and reviewing regular financial and non-financial risk reporting on each of the Principal Risks (detailed on page 8 of the Strategic Report), and reviewing emerging risks
- Adopting the 2022 Limits and Mandates and monitoring the risk profile in accordance with the same
- Reviewing conduct risk
- Monitoring compliance with key portfolio metrics, including the use of Chief Risk Officer discretion
- Overseeing risk resources and the independence of the Risk and Compliance functions
- Reviewing and recommending to the Board for approval the Barclays Bank UK Group elements of the Barclays Group Recovery and Resolution Plan and Resolvability Assessment Framework
- Reviewing and challenging the risks identified by the findings of internal audits
- Monitoring liquidity and capital levels and considering and recommending for Board approval the Company sections of the Barclays Group 2022 ICAAP and ILAAP
- Reviewing and approving the Barclays Bank UK Group's stress testing scenarios and results, including but not limited to the new PRA's Annual Cyclical Stress Scenario
- Overseeing the first and second line of defence elements of the risks and controls associated with the execution of the Barclays Bank UK Group's strategy
- Reviewing the first and second line of defence reports on the risks associated with the agreement to acquire Kensington Mortgage Company and strategic projects during the year
- Monitoring the risks associated with the geopolitical and macroeconomic environment, including but not limited to receiving updates on operational risk, credit risk and market risk exposures (to the extent applicable) in relation to - amongst other matters - the Russian invasion of Ukraine, and overseeing management's work to reduce these. The Committee also requested and received an additional sensitivity analysis to assess the impact of the conflict on the levels of stress not directly targeted by our internal stress tests if the conflict were to escalate further or become more prolonged in duration
- Reviewing and challenging management's preparations and actions to support customers facing, or who may face, difficulties as a result of increases in the cost of living
- Monitoring the risks associated with Consumer Duty implementation and public cloud migration
- Considering regular reports on the Barclays Bank UK Group's operational resilience and recommending for Board approval the annual self-assessment of operational resilience, which included overseeing the identification of Important Business Services (as defined in the relevant regulation) and the setting of impact tolerances
- Reviewing the Barclays Bank UK Group's ring-fencing compliance
- Reviewing and challenging the effectiveness of risk management and internal control systems
- Reviewing the Committee's effectiveness

Principle Five: Remuneration

The remuneration policies and practices should support strategy and promote long-term sustainable success, and be developed in accordance with formal and transparent procedures, ensuring no Director is involved in deciding their own remuneration outcome. Executive remuneration should be aligned to the company's purpose and values and the successful delivery of the strategy; with outcomes taking account of company and individual performance, and wider circumstances such as pay across the company's workforce and Barclays' Fair Pay agenda.

The Barclays Group's Remuneration Policy is set by the Barclays Group Remuneration Committee. This policy is reviewed and adopted by the independent Board Remuneration Committee. The policy ensures that remuneration is aligned to the Barclays Bank UK Group's strategy and risk management approach and designed to promote the long-term success of the Company.

The approach to executive and senior management remuneration is set by the Barclays Group's formal procedures on remuneration (these procedures ensure that no individual is involved in deciding their own remuneration). Additionally, remuneration is considered in relation to wider workforce remuneration policies, and alignment of incentives and rewards with culture and performance is reviewed annually by the Barclays Group Remuneration Committee.

The Barclays Bank UK Group is committed to paying people fairly, with regards to their specific role, seniority, responsibilities, skills and experience and other factors which properly affect pay, in a way that balances the needs of all of the Barclays Bank UK Group's stakeholders. You can find more information in the 2022 Barclays Fair Pay Report. The Company also remains focused on closing its gender and ethnicity pay gaps, where they exist. You can find more information on our UK-wide gender and ethnicity pay gaps for the year in the Barclays UK Pay Gaps disclosure.

Board Remuneration Committee

The Committee comprises independent Non-Executive Directors (see page 26), one of whom - Tracy Corrigan - joined the Committee in September 2022. Kathryn Matthews stepped down from the Committee in October 2022, ahead of her retirement from the Board.

At the invitation of the Committee Chair, meetings are attended by management, including the Chief Executive, Chief Financial Officer, Chief Risk Officer, the Human Resources Director and the Head of Reward.

The principal role and responsibilities of the Committee are set out in its terms of reference and include:

- Remuneration Policy – reviewing, adopting, and recommending for Board approval the Barclays Group's Remuneration Policy (set by the Barclays Group Remuneration Committee)
- Remuneration Approach – reviewing and approving the remuneration approach developed for the Company, which complies with the Barclays Group's Remuneration Policy thereby ensuring such policy is aligned with the Barclays Bank UK Group's strategy and risk management protocols and that incentives do not encourage risk taking beyond the tolerated risk of the Company, or undermine its ability to comply with ring-fencing requirements
- Overall Pay Structure – overseeing overall pay and benefits across the Barclays Bank UK Group
- Incentive Pay – considering the annual incentive pool and individual remuneration proposals for senior colleagues and the assessment of incentives to be delivered to the wider workforce. This includes considering ex-ante (current and future) and ex-post (crystallised) risk adjustments to remuneration

During 2022, the principal activities of the Committee were:

- Overseeing reward and recognition across the entire workforce to ensure alignment with our desired culture and behaviours. This included overseeing the decision to bring forward part of the 2023 pay increase, which resulted in 35,000 UK-based junior colleagues being awarded a £1,200 salary increase effective from August 2022, ahead of the annual salary review
- Receiving updates on the Barclays Bank UK Group's remuneration initiatives and developments, including Barclays' Fair Pay agenda and gender and ethnicity pay gaps
- Reviewing and approving the methodology and framework for 2022 incentive funding, including a simplified incentive plan for 2022/2023, linking incentives to a scorecard focused on customers, colleagues, citizenship and progress against our strategy
- Reviewing and approving the incentive pool outcome, including considering financial and risk performance updates (and the appropriateness of risk adjustments to incentives)
- Reviewing and approving, for recommendation to the Barclays Group Remuneration Committee, where appropriate, the remuneration of Executive Directors and other senior employees
- Considering legal, regulatory and stakeholder updates and ensuring that remuneration procedures and outcomes comply with regulatory requirements and that incentives do not encourage inappropriate risk taking
- Reviewing the Committee's effectiveness

The Committee also participated in informal briefing sessions on particularly pertinent topics, such as benchmarking in the industry. These will continue in 2023, with sessions on topics including financial services regulation proposed.

As referenced in the Strategic Report, and the Section 172(1) Statement, in January 2023, Barclays worked closely with Unite the Union to agree a 2023 UK pay deal which, combined with the aforementioned August increase, brought the total average salary increase for our lowest paid colleagues up to 11% and helped our minimum UK pay remain ahead of Living Wage Foundation benchmarks. Further information on the resources and support available to colleagues relating to financial wellness is available in the 2022 Barclays Fair Pay Report.

Principle Six: Stakeholder Relationships and Engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board should recognise the importance of listening to, and understanding the views of its stakeholders, including the workforce, and specifically the impact of the company's behaviour and business on customers and clients, colleagues, suppliers, communities and society more broadly, having regard to these views and impact when taking decisions.

As set out under Principle One, the Board's role involves articulating a clear vision for the Company based on Barclays' Purpose, Values and Mindset and establishing a strategy for both the Company and the Barclays Bank UK Group. Through this, the Board has identified key stakeholders on whom the success of the Company and the Barclays Bank UK Group depends. The Board seeks to understand key stakeholders' views, and the impact of the Barclays Bank UK Group's behaviour and business on them.

Customers and clients

Customers and clients are at the heart of the decisions we make. The Board is committed to ensuring good customer and client outcomes and that the Consumer Duty is demonstrably embedded throughout the organisation.

In 2022, the Board engaged with customers and clients in a wide variety of ways, including analysis of the key drivers underpinning customer metrics, customer insights, direct feedback from colleagues, and the receipt of regular reports on complaints. The Board also heard directly from customers and clients during the Board offsite in Southampton, when the Directors spent time at both a local branch and the Network Eagle Lab. This provided invaluable insight into customers' and clients' needs, and their experience of initiatives such as Barclays' Black Founder Accelerator Programme (which supports the growth of early-stage digital and technology businesses founded by Black entrepreneurs in the UK) and Digital Eagles (which aims to help everyone get the most out of digital banking).

Separately, the Barclays Bank UK Group is actively engaging with our retail customers to better understand the steps they want to take to live more sustainably, and the role that finance can play in that. This evidence-based approach is being used to design and develop sustainable finance solutions that meet the needs of our customers - please see "Communities and society" below.

Colleagues

Details of our colleague engagement model can be found on pages 11 and 12 of the Strategic Report – the model ensures effective and timely engagement with our colleagues, placing equal emphasis on listening (so that the Board can take colleagues' views into account when making decisions likely to affect their interests) and keeping colleagues informed.

In the spirit of keeping colleagues abreast of the evolution of the Barclays Bank UK Group's strategy in response to the changes arising from the economic, legal, political and regulatory landscape, there has been a combination of leader-led engagement, digital and print communication, blogs, vlogs, and podcasts. The Board has engaged directly with colleagues, both in person and virtually, inside and outside of the boardroom, including when joining DEI Employee Resource Group meetings, participating in leadership panel events, reverse mentoring, and through visiting branches, Eagle Labs and operational sites. The Board has also listened to feedback on a variety of topics via the bi-annual Your View surveys, including in relation to colleagues' financial and personal wellbeing in the context of the rising cost of living. Further information on the resources and support available to colleagues relating to financial wellness is available in the 2022 Barclays Fair Pay Report.

This year's Board immersion programme included a range of activities that allowed the Board to maintain a strong connection to colleagues; for example, attending celebratory events such as the "Build a Better Bank Awards" and getting involved in the day-to-day running of a branch through the "Walk a Mile in our Colleagues' Shoes" initiative.

Suppliers

For information on our engagement with suppliers, please see page 38 of the Directors' Report.

Communities and society

The Barclays Bank UK Group continues to play an important role in local communities, a role that goes beyond our physical footprint, as emphasised during the two-day offsite Board meeting in Southampton. Whilst based at the Network Eagle Lab, which was celebrating three years of Barclays Eagle Labs and Southampton City Council supporting local businesses in the area, the Board met colleagues and stakeholders who had benefited from initiatives such as Barclays' Black Founder Accelerator Programme and Digital Eagles. The Directors also met colleagues involved with the LifeSkills programme, which has, this year, partnered with organisations like the Trussell Trust that work with local communities to help those most in need, building awareness of the help available to people facing financial difficulties, increasing access to the support they are entitled to and helping them maximise their incomes.

Of course, society extends much further than just our local communities and, over the last year, the Directors have continued to engage with both the Barclays Group and management in relation to the Barclays Group's climate strategy and how the Barclays Bank UK Group can play its part in helping accelerate the transition to a low-carbon economy. The Board has overseen the introduction by the Barclays Bank UK Group of the ambition for 50% of homes in its mortgage portfolio with an EPC to be rated EPC band C or better by 2030, and the Directors fully support the expansion of the Barclays Bank UK Group's green financing proposition. However, there remains much more to be done. For more information on our role in society and our sustainable products and propositions, please refer to pages 15 and 16 of the Strategic Report and the Climate and Sustainability Report on pages 19 to 22.

Shareholder

Finally, the Board continues to consider engagement with its shareholder as being crucial to its understanding of the Barclays Group's strategy and the Barclays Bank UK Group's role within that; this has been an important factor in evolving the Barclays Bank UK Group's strategy this year. Akin with previous years, we were pleased to welcome both the Barclays Group Chairman and Group Chief Executive to our Board in 2022 - as well as certain Barclays' Executive Committee members - in order to discuss Barclays Group matters and to gain a better understanding of the opportunities and risks of the retail consumer business. The Chair's position on the Barclays Board also ensures the views of the Barclays Bank UK Group are represented at Barclays Group level. The Directors believe that this engagement model works well and intend to use it again in 2023, supported by any informal engagement opportunities that may arise during the course of the year.

For more information about the Barclays Bank UK Group's key stakeholders, how management and/or the Directors engaged with them, the key issues raised and actions taken, please refer to the Section 172(1) Statement on pages 17 to 18 of the Strategic Report and pages 16 to 22 of the Barclays PLC 2022 Annual Report.

Directors' Report

The Directors present their report together with the audited accounts for the Company for the year ended 31 December 2022.

Section 414A of the Act requires the Directors to present a Strategic Report in the Annual Report. The information can be found on pages 2 to 18.

The Company has addressed the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Act through the disclosure contained on pages 60 to 62 of the Barclays PLC 2022 Annual Report. In addition, the Company has chosen, in accordance with section 414C(11) of the Act and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report. Such information is incorporated by reference into this report.

The particulars of important events affecting the Company since 31 December 2022 can be found in the notes to the financial statements. An indication of likely future developments can be found in the Strategic Report.

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

	Page(s)
Performance measures	5 to 6
Managing risk, including Principal Risks	7 to 8
Society	15 to 16
Climate and Sustainability Report	19 to 22
Chair's Introduction	24 to 25
Governance Report	26 to 36
Disclosures required pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (2008 Regs) as updated by the 2018 Regs can be found on the following pages:	
Engagement with employees (Sch.7 Para 11 and 11A 2008/2018 Regs)	11 to 12
Policy concerning the employment of disabled persons (Sch.7 Para 10 2008 Regs)	9
Financial Instruments (Sch.7 Para 6 2008 Regs)	178 to 194
Hedge accounting policy (Sch.7 Para 6 2008 Regs)	179 to 180

Profits and dividends

The results of the Barclays Bank UK Group show statutory profit after tax of £1,807m (2021: £1,869m). The Barclays Bank UK Group had net assets of £15,413m at 31 December 2022 (2021: £17,400m).

The Company will pay a £705m dividend to its parent, Barclays PLC. Further details on dividends on ordinary shares paid in 2022 are set out in Note 10 to the financial statements.

Share capital

There was no increase in ordinary share capital during the year. Barclays PLC owns 100% of the issued ordinary shares. There are no restrictions on the transfer of ordinary shares or agreements between holders of ordinary shares known to the Company, which may result in restrictions on the transfer of ordinary shares or voting rights. Further information on the Company's share capital can be found in Note 26 to the financial statements.

Powers of Directors to issue or buy back the Company's shares

The powers of the Directors are determined by the Act and the Company's Articles of Association. No shares were repurchased in 2022.

Directors

The list of current Directors of the Company can be found in the Governance Report on page 26. Changes to Directors during the year and up to the date of signing this report are set out below.

Name	Role	Effective date of appointment / resignation
David Thorburn	Non-Executive Director	Resigned 3 February 2022
Tracy Corrigan	Non-Executive Director	Appointed 24 May 2022
Vanessa Bailey	Non-Executive Director	Appointed 13 June 2022
Bernadette Wightman	Non-Executive Director	Appointed 1 September 2022
John Liver	Non-Executive Director	Appointed 17 October 2022
Kathryn Matthews	Non-Executive Director	Resigned 31 December 2022

Directors' indemnities

'Qualifying third party indemnity' provisions (as defined by section 234 of the Act) were in force during the course of the financial year ended 31 December 2022 for the benefit of the then Directors of the Company and the then Directors of certain of the Company's subsidiaries and, at the date of this report, are in force for the benefit of the Directors of the Company and the Directors of certain of the Company's subsidiaries in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office. The Barclays Group also maintains Directors' and Officers' Liability Insurance which gives appropriate cover for legal action brought against the Company's Directors.

Political donations

The Barclays Bank UK Group did not give any money for political purposes in the UK, or outside the UK, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. Details of any political contributions made by the wider Barclays Group can be found in the Barclays PLC 2022 Annual Report.

Engagement with customers, suppliers and others in a business relationship with the Company

For information on our engagement with customers and clients, please refer to the Section 172(1) Statement on pages 17 to 18 of the Strategic Report, page 35 of the Governance Report and pages 16 to 22 of the Barclays PLC 2022 Annual Report.

Our engagement with suppliers is important. The Directors have regard, via management oversight, to the need to foster business relationships with suppliers and, as such, engage with them to seek adherence to the Barclays Third Party Code of Conduct (TPCoC) and Supplier Control Obligations (SCO), which cover our expectations of suppliers. For our higher risk suppliers, their adherence to the SCO and TPCoC is captured pre-contractually via a Pre-Contract Supplier Assurance Attestation. For our higher risk suppliers, their adherence to the SCO and TPCoC is captured pre-contractually via a Pre-Contract Supplier Assurance Attestation. Further, Barclays is a signatory of the Prompt Payment Code in the UK, aiming to pay our suppliers within clearly defined terms.

For more information on supporting our supply chain, please refer to pages 43 to 44 of the Barclays PLC 2022 Annual Report.

Branches and Country-by-Country Reporting

The Barclays Bank UK Group operates through branches, offices and subsidiaries in the UK.

The Company is exempt from publishing information required by The Capital Requirements (Country-by-Country Reporting) Regulations 2013 as the information is published by its parent, Barclays PLC. The information is due to be published on or around 15 February 2023 and will be available at home.barclays/annualreport.

Research and development

In the ordinary course of business, the Barclays Bank UK Group develops new products and services in each of its business divisions.

The auditor

The Barclays Group Audit Committee reviews the appointment of the statutory auditor, as well as their relationship with the Barclays Group, including monitoring the Barclays Group's use of the statutory auditor for non-audit services and the balance of audit and non-audit fees paid to them. More details on this can be found in Note 34 to the financial statements. Detail of the oversight of the statutory auditor by the Company's Board Audit Committee is set out on page 32.

An external audit tender was conducted in 2015 and the decision was made to appoint KPMG as the Barclays Group's statutory auditor with effect from the 2017 financial year, with PwC resigning as Barclays Group's statutory auditor at the conclusion of the 2016 audit.

The Company is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the statutory auditor and the setting of a policy on the provision of non-audit services.

Provided that KPMG continues to maintain its independence and objectivity, and the Barclays Group Audit Committee remains satisfied with its performance, the Barclays Group has no intention of tendering for an alternative statutory auditor before the end of the current required period of 10 years. Accordingly, any tender would be in respect of the 2027 financial year onwards and is likely to take place in 2025. The Barclays Group Audit Committee believes it would not be appropriate to tender before this date as it recognises that whilst it is important to ensure the audit firm remains objective and does not become overly familiar with management, there is an important balance to be struck with the investment of time required both from management and any completely new audit team for them to gain sufficient understanding of such a large complex organisation to ensure a top quality audit. The Barclays Group Audit Committee will give further consideration over the coming year to its audit tendering strategy to take account, as appropriate, of the outcome of the UK audit reform proposals.

Disclosure of information to the auditor

Each Director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware and that each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 418 of the Act and should be interpreted in accordance with and subject to those provisions.

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report set out on pages 141 to 150, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditor in relation to the financial statements.

Going concern

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

- assess the Barclays Bank UK Group'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 Barclays Bank UK Group or to cease operations, or have no realistic alternative but to do so.

The Barclays Bank UK Group'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.

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

Preparation of accounts

The Directors are required by the Act to prepare the Company and the Barclays Bank UK Group accounts for each financial year and, with regard to Barclays Bank UK Group accounts, in accordance with UK-adopted international accounting standards. The Directors have prepared these accounts in accordance with (a) UK-adopted international accounting standards; and (b) International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), including interpretations issued by the IFRS Interpretations Committee. Pursuant to the Act, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Barclays Bank UK Group and the Company and of their profit or loss for that period.

The Directors consider that, in preparing the financial statements on pages 151 to 224, the Barclays Bank UK Group and Company have used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors are satisfied that the Annual Report and financial statements, taken as a whole, provide the information necessary for its shareholder to assess the Barclays Bank UK Group and Company's position and performance, business model and strategy.

The Directors are responsible for 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.

Directors' responsibility statement

The Directors have responsibility for ensuring that the Company and the Barclays Bank UK Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Barclays Bank UK Group and which enable them to ensure that the financial statements comply with the Act.

The Directors are also responsible for preparing a Strategic Report, Directors' Report and Corporate Governance Statement in accordance with applicable law and regulations.

The Directors are responsible for the maintenance and integrity of the Annual Report and financial statements as they appear on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The current Directors, whose names and functions are set out on page 26, confirm to the best of their knowledge that:

(a) the financial statements, prepared in accordance with (a) UK-adopted international accounting standards; and (b) IFRS as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the management report, on pages 2 to 18, which is incorporated in the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Katie Marshall
Company Secretary
14 February 2023

Barclays Bank UK PLC
Registered in England. Company No. 9740322
Registered office: 1 Churchill Place, London E14 5HP

Content

The management of risk is a critical underpinning to the execution of the Barclays Bank UK Group's strategy. The material risks and uncertainties the Barclays Bank UK Group faces across its business and portfolios are key areas of management focus.

Content

Risk performance

Content

Supervision and regulation

The Barclays Bank UK Group's risk management strategy

This section introduces Barclays Bank UK Group'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 Barclays Bank UK Group. It is approved by the Barclays PLC Board on recommendation of the Barclays Group Board Risk Committee and the Barclays Bank UK Group Chief Risk Officer (CRO). The Barclays Bank UK PLC Board then approves its adoption on the recommendation of its Risk Committee, with modifications where needed.

The ERMF sets out:
- principal risks faced by the Barclays Bank UK Group, which guide 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
- roles and responsibilities for risk management and governance.

The ERMF is complemented by frameworks, policies and standards that 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
- 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 Barclays Bank UK Group and all associated support functions, including Finance, Operations, Treasury, and Human Resources. The first line is responsible for identifying and managing the risks in which they are engaged, operating within applicable limits, and escalating risk events or issues 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 Barclays Bank UK Group, 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 (see managing risk in the strategic report section) namely: credit risk, market risk, treasury and capital risk, climate risk, operational risk, model risk, conduct risk, reputation risk and legal risk. Note that climate risk was added in January 2022; see page 59 for more information.

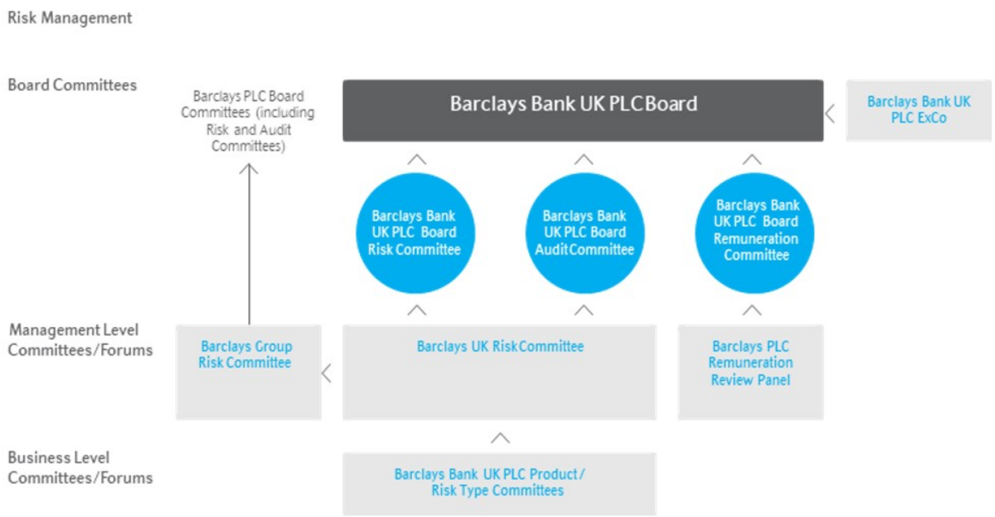
Each of the principal risks is overseen by an accountable executive within the Barclays Group who is responsible for overseeing and/or assigning responsibilities for the framework, policies and standards that set out associated responsibilities and expectations, and detail the related requirements around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

Risk appetite

Risk appetite is defined as the level of risk which the Barclays Group is prepared to accept in carrying out its activities. It provides a basis for ongoing dialogue between management and Board with respect to the Barclays Bank UK Group'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 Barclays Bank UK Group. The Barclays Bank UK 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 Barclays Group. The Barclays Group total risk appetite and its allocation to the Barclays Bank UK Group are supported by limits to enable and control specific exposures and activities that have material concentration risk implications.

Risk committees

The Barclays Bank UK Group's various risk committees consider risk matters relevant to their business, and escalate as required to the Barclays UK Risk Committee, whose Chair, in turn, escalates to the Barclays Group Risk Committee, Barclays Bank UK PLC Board Committees and the Barclays Bank UK PLC Board.



The Barclays Bank UK PLC Board receives regular information on the risk profile of the Barclays Bank UK Group, and has ultimate responsibility for risk appetite and capital plans, within the parameters set by the Barclays PLC Board. The Barclays Bank UK PLC 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 Barclays Bank UK Group. These are: the Barclays Bank UK PLC Board Risk Committee and the Barclays Bank UK PLC Board Audit Committee. Additionally, the Barclays Bank UK PLC Board Remuneration Committee oversees pay practices focusing on aligning pay to sustainable performance.

- **The Barclays Bank UK PLC Board Risk Committee (BRC)**: The BRC monitors Barclays Bank UK Group's risk profile against the agreed appetite. Where actual performance differs from expectations, the actions taken by management are reviewed to ascertain that the Committee is comfortable with them. The Barclays Bank UK Group CRO regularly presents a report to the BRC summarising developments in the risk environment and performance trends in the key portfolios. The BRC also reviews certain key risk methodologies, the effectiveness of risk management, and Barclays Bank UK Group'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 Barclays Bank UK Group CRO or senior risk managers in the business.

- **The Barclays Bank UK PLC Board Audit Committee (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 quarterly 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 UK PLC Board Remuneration Committee (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 by the Remco in the review and approval 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 Barclays Bank UK Group identifies, escalates and manages risk matters.

The Barclays Bank UK Group is committed to maintaining a robust risk culture in which:
- management expect, model and reward the right behaviours from a risk and control perspective
- colleagues identify, manage and escalate risk and control matters, and meet their responsibilities around risk management

The CEO works with the Executive Management to embed a sound 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 Barclays Bank UK Group'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 colleagues must attest to the "Barclays Way", our Code of Conduct, and comply with 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 to the Barclays Bank UK Group's future performance

The Barclays Bank UK Group 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 Barclays Bank UK Group'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 Barclays Bank UK Group'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 Barclays Bank UK Group.

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

i) Business conditions, general economy and geopolitical issues

The Barclays Bank UK Group'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 Barclays Bank UK Group'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 Barclays Bank UK Group and require the Barclays Bank UK Group and its customers to post additional collateral in order to satisfy margin calls; and (iv) revisions to calculated ECLs leading to increases in impairment allowances. In addition, the Barclays Bank UK Group'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 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 the on-going 'cost of living' pressures in much of the world, but particularly in the UK and Europe.

- In response to persistent inflationary pressures, throughout 2022, central banks, including the Bank of England, 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 Barclays Bank UK Group'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 economic performance.

- The UK Government 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.

- Trading arrangements between the UK and the European Union (EU), following the UK's exit from the EU, may: (i) raise costs for UK customers trading with the EU and/or otherwise adversely affect their business; and (ii) impact the Barclays Group's European 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 Barclays Bank UK Group's business, results of operations, financial condition and prospects. Unstable economic conditions could result in (among other things):
  - a deeper recession in the UK, with lower growth, higher unemployment and falling property prices, which could lead to increased impairments in relation to a number of the Barclays Bank UK Group's portfolios (including, but not limited to, its UK mortgage portfolio, UK unsecured lending portfolio (including credit cards) and commercial real estate exposures)
  - increased market and interest rate volatility, which could affect the underlying value of assets in the banking book and securities held by the Barclays Bank UK Group for liquidity purposes
  - a credit rating downgrade for Barclays Bank UK PLC (either directly or indirectly as a result of a downgrade in the UK sovereign credit ratings), which could significantly increase Barclays Bank UK PLC's cost of funding and/or reduce its access to funding, widen credit spreads and materially adversely affect Barclays Bank UK PLC's interest margins and liquidity position
  - a widening of credit spreads more generally or reduced investor appetite for Barclays Bank UK PLC's debt securities, which could negatively impact Barclays Bank UK PLC's cost of and/or access to funding

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 Barclays Bank UK Group.

The COVID-19 pandemic caused disruption to the Barclays Bank UK Group's customers, suppliers and staff. In the UK severe restrictions on the movement of people were implemented by the UK, Scottish, Welsh and Northern Irish governments, 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 Barclays Bank UK Group 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 Barclays Bank UK Group, 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 Barclays Bank UK Group or not currently expected to be significant to the Barclays Bank UK Group's profitability, capital and liquidity.

Further waves or new strains of COVID-19 could impact the Barclays Bank UK Group'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 Barclays Bank UK Group 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 gross domestic product (GDP) and unemployment have a significant impact on the modelling of expected credit losses (ECLs) by the Barclays Bank UK Group. 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 the Bank of England's, UK Government's 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 Barclays Bank UK Group'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 Barclays Bank UK Group's customers, employees and suppliers.

iii) The impact of interest rate changes on the Barclays Bank UK Group's profitability

Changes to the Bank of England base interest rate are significant for the Barclays Bank UK Group, 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 Barclays Bank UK Group's profitability as retail and 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 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 lending portfolio with resultant higher credit losses driving an increased impairment charge which would most notably impact retail unsecured portfolios and could have a material effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

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

In addition, changes in interest rates could have an adverse impact on the value of the securities held in the Barclays Bank UK Group's liquid asset portfolio. Consequently, this could create more volatility than expected through the Barclays Bank UK Group's Fair Value through Other Comprehensive Income (FVOCI) reserve and could adversely affect the profitability and prospects of the Barclays Bank UK Group.

iv) Competition in the banking and financial services industry

The Barclays Bank UK Group 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 Barclays Bank UK Group expects that competition in the financial services industry will continue to be intense and may have a material adverse effect on the Barclays Bank UK Group'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 access to banking facilities and increase disintermediation of banking services.

New technologies and changing consumer behaviour have required and could require the Barclays Bank UK Group 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 banking services may put pressure on the pricing of the Barclays Bank UK Group's products and services, which could reduce the Barclays Bank UK Group's revenues and profitability, or may cause the Barclays Bank UK Group to lose market share, particularly with respect to traditional banking products such as deposits, bank accounts and mortgage lending. 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 Barclays Bank UK Group'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 Barclays Bank UK Group's ability to attract or retain clients and customers. Any such impact could, in turn, reduce the Barclays Bank UK Group's revenues.

v) Regulatory change agenda and impact on business model

The Barclays Bank UK Group's businesses are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies, voluntary codes of practice and interpretations in the UK and, in some cases, other jurisdictions. Many regulatory changes relevant to the Barclays Bank UK Group's business may have an effect beyond the country in which they are enacted, either because the Barclays Bank UK Group's regulators deliberately enact regulation with extra-territorial impact or because the nature of its operations, or the location of its customers, mean that the Barclays Bank UK Group 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, 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 the UK or elsewhere may intervene further in relation to areas of industry risk already identified, or in new areas, which could adversely affect the Barclays Bank UK Group.

Current and anticipated areas of particular focus for the Barclays Bank UK Group's regulators, where regulatory changes could have a material effect on the Barclays Bank UK Group'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 the delivery of fair outcomes for customers and promoting effective competition in the interests of consumers, including the proposed introduction in the UK of a new consumer duty and measures resulting from ongoing thematic reviews into the workings of the retail, small- and medium-sized enterprise and wholesale banking sectors and the provision of financial advice to consumers;

- 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 Barclays Bank UK Group' below);

- 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, including in light of the UK financial services regulatory reform agenda announced in December 2022 and the proposals in the Financial Services and Markets Bill, and similarly regarding the access of UK and other non-EU financial institutions to EU markets;

- 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, and a renewed focus on vulnerable customers including the treatment of customers and consideration of longer-term initiatives to support borrowers in financial difficulty and measures designed to maximise access to cash for consumers;

- 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 Barclays Bank UK Group (for example, the requirements of the Senior Managers and Certification Regime in the UK 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 Barclays Bank UK Group's ability to implement globally consistent and efficient operating models;
- 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 Barclays Bank UK Group) 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 Bank UK Group and other financial institutions.

For further details on the regulatory supervision of, and regulations applicable to, the Barclays Bank UK Group, refer to the Supervision and regulation section.

vi) Impact of benchmark interest rate reforms on the Barclays Bank UK Group

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), 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 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 Barclays Bank UK Group, in respect of any financial instruments linked to, or referencing, any of these benchmark interest rates.

The Barclays Bank UK Group predominantly offers products which reference central bank rates rather than LIBOR or other indices which are likely to be subject to reform. Consequently, the product offering and business model are unlikely to be significantly affected. Nevertheless, there are other ways the Barclays Bank UK Group could be affected.

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 any other affected benchmark to determine the interest payable which are included in the Barclays Bank UK Group's financial assets and liabilities) that use these reference rates and indices, and present a number of risks for the Barclays Bank UK Group, 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 Barclays Bank UK Group faces conduct risks. These may lead to customer complaints, regulatory sanctions or reputational impact if the Barclays Bank UK Group 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:** members of the Barclays Bank UK Group 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 Barclays Bank UK Group's preparation and readiness for the replacement of LIBOR with alternative RFRs.

- **Financial risk**: the valuation of certain of the Barclays Bank UK Group's financial assets and liabilities may change. Moreover, transitioning to alternative RFRs may impact the ability of members of the Barclays Bank UK 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 the Secured Overnight Financing Rate (SOFR)) are look-back rates whereas term rates (such as LIBOR) allow borrowers to calculate at the start of any interest period exactly how much is payable at the end of such interest period. This may have an adverse effect on the Barclays Bank UK Group's cash flows.

- **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 Barclays Bank UK Group'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 Barclays Bank UK Group 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 IAS 39 could lead to increased volatility in the Barclays Bank UK Group's financial results and performance.

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

For further details on the impacts of benchmark interest rate reforms on the Barclays Bank UK Group, refer to Note 35.

vii) Change delivery and execution risks

The Barclays Bank UK Group 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. Accordingly, effective management of transformation projects is required to successfully deliver the Barclays Bank UK Group'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 Barclays Bank UK Group's strategy may be limited by operational capacity and the increasing complexity of the regulatory environment in which the Barclays Bank UK Group operates. In addition, whilst the Barclays Bank UK Group 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 Barclays Bank UK Group'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 UK and internationally. In line with regulatory expectations and requirements, the Group has embedded climate risk within the Enterprise Risk Management Framework, to address the financial and operational risks resulting from: (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 Barclays Bank UK Group's portfolios. In addition, the Barclays Bank UK Group's premises and resilience may also suffer physical damage due to weather events leading to increased costs for the Barclays Bank UK Group.

Transition risks arising from moving towards a low-carbon economy include changes to policy, law and regulation, as well as changes in societal expectations and consumer behaviours. When the transition is rapid and disorderly, these risks are more pronounced and can impact the lending activities undertaken by Barclays Bank UK Group, as well as its lending portfolios and the value of the Barclays Bank UK Group's assets. As sentiment towards climate change shifts and societal preferences change, the Barclays Bank UK Group 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 Barclays Bank UK Group's products, returns on certain business activities and the value of certain assets resulting in impairment charges.

For the Barclays Bank UK Group, UK mortgages & business banking Agriculture portfolios have been identified as sectors with 'elevated' climate risks given that they are sensitive to financial impacts as a result of the physical and/or transition risks of climate change. The UK mortgage portfolio is affected by acute physical risks, including flooding, and chronic physical risks such as subsidence and coastal erosion. From a transition risk perspective, the UK Mortgage portfolio is exposed to potential changes in energy efficiency performance requirements. Both the physical and transition risks that the UK Mortgages portfolio is exposed to may impact property valuations and affordability.

The Business Banking Agriculture portfolio is exposed to the physical risks of climate change such as flooding and drought, with the Arable sub-sector being particularly exposed. The Dairy & Cattle sub-sector is exposed to the transition risks of climate change, including changes in consumer behaviour, such as the increasing popularity of plant based diets, as well as the potential introduction of emissions taxation given the sector's significant contributor to the UK's methane emissions.

In addition, the impacts of physical and transition climate risks can lead to second order connected risks, which have the potential to affect the Barclays Bank UK Group's portfolios. For example, an increase in defaults and rising unemployment as a result of the physical and or transition risks as a result of climate change may lead to wider deterioration in the creditworthiness of the Barclays Bank UK Group's clients, higher expected credit losses (ECLs), and defaults among retail customers.

From January 2022, climate risk became one of the principal risks within the Barclays Bank UK Group's ERMF. Failure to adequately embed financial and operational risks associated with climate change into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change or failure to adapt the Barclays Bank UK Group'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 Barclays Bank UK Group'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 Barclays Bank UK Group will need to incorporate climate considerations into its strategy, business model, the products and services it provides to customers and its financial and non-financial risk management processes (including processes to measure and manage the various financial and non-financial risks the Barclays Bank UK Group faces as a result of climate change). The Barclays Bank UK Group also needs to ensure that its strategy and business model adapt to changing standards, industry and scientific practices, regulatory requirements and market expectations regarding climate change, which remain under continuous development. 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 Barclays Bank UK Group 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 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 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 Barclays Bank UK Group'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 Barclays Bank UK Group's customers, advancements of low-carbon technologies and supportive public policies in the markets where the Barclays Bank UK Group 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 Barclays Bank UK Group's business, results of operations, financial condition, prospects and reputation.

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

ii) Credit risk

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

a) Impairment

Impairment is calculated in line with the requirements of IFRS9 which results in recognition of loss allowances, based on ECLs, on a forward-looking basis using a broad scope of 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 Barclays Bank UK Group to accurately estimate credit losses through ECLs could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects. For further details, refer to Note 7.

b) Specific portfolios, sectors and concentrations

The Barclays Bank UK Group is subject to risks arising from changes in credit quality and recovery rates for loans and advances due from borrowers and counterparties and is subject to a concentration of those risks where the Barclays Bank UK Group has significant exposures to borrowers and counterparties in specific sectors, or to particular types of borrowers and counterparties. Any deterioration in the credit quality of such borrowers and counterparties 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 Barclays Bank UK Group's business, results of operations, financial condition and prospects:

- **Consumer affordability:** this has remained 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.

- **UK retail, hospitality and leisure:** falling demand, rising costs and, for UK retail, a structural shift to online shopping, continue to pressurise sectors heavily reliant on consumer discretionary spending. Such sectors may also be adversely impacted by cost of living pressures and other macroeconomic factors which affect consumers. This represents a potential risk in the Barclays Bank UK Group's corporate portfolio as a higher probability of default exists for retailers, hospitality providers and their landlords while these pressures remain.

- **UK real estate:** UK property represents a significant portion of the Barclays Bank UK Group's overall retail credit exposure and the Barclays Bank UK Group remains at risk of increased impairment from a material fall in property prices. During 2021 and continuing through the first half of 2022, property prices rose, particularly in the residential property market where customers sought more space as home working became more prevalent. However, rising mortgage interest rates and increasing economic concerns have reduced demand and borrowing capacity which resulted in small house price decreases in Q4 2022. This is likely to continue in 2023, especially in London and the South East of the UK where the Barclays Bank UK Group has a high exposure. Additionally, as mortgages roll off existing rates and onto new rates at higher levels, there is a risk of increasing borrower defaults which could then put further downward pressure on property prices and in turn impact the Barclays Bank UK Group's impairment and capital position. Furthermore, small segments of the housing market could be subject to specific valuation impacts (for example, certain properties within the Barclays Bank Group's residential loan portfolio may be subject to remediation activities relating to fire safety standards).

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

iii) Treasury and capital risk

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

a) Liquidity risk

Liquidity risk is the risk that the Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group faces include:

- **Stability of the Barclays Bank UK Group's deposit funding profile**: deposits which are payable on demand or at short notice could be adversely affected by the Barclays Bank UK Group failing to preserve the current level of customer and investor confidence or as a result of competition in the banking industry.

- **Impacts of market volatility:** adverse market conditions, with increased volatility in asset prices could: (i) negatively impact the Barclays Bank UK Group's liquidity position through increased derivative margin requirements and/or wider haircuts when monetising liquidity pool securities; and (ii) make it more difficult to execute secured financing transactions

- **Intraday liquidity usage:** increased collateral requirements for payments and securities settlement systems could negatively impact the Barclays Bank UK Group'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, negatively affecting the Barclays Bank UK Group'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 Barclays Bank UK Group's access to the money markets and/or terms on which the Barclays Bank UK Group 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 Barclays Bank UK Group)

b) Capital risk

Capital risk is the risk that the Barclays Bank UK Group 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 Barclays Bank UK Group's pension plans. Key capital risks that the Barclays Bank UK Group faces include:

- **Failure to meet prudential capital requirements**: this could lead to the Barclays Bank UK Group 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 Barclays Bank UK Group's capital or leverage position.

- **Adverse changes in FX rates impacting capital ratios**: the Barclays Bank UK Group share capital is denominated in sterling. However, some capital resources and MREL are denominated in foreign currencies. Changes in foreign currency exchange rates may adversely impact the sterling equivalent value of these items. As a result, the Barclays Bank UK Group's regulatory capital ratios are sensitive to foreign currency movements. Failure to appropriately manage the Barclays Bank UK Group's balance sheet to take account of foreign currency movements could result in an adverse impact on its regulatory capital.

c) Interest rate risk in the banking book

Interest rate risk in the banking book is the risk that the Barclays Bank UK Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities. The Barclays Bank UK Group'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 sterling interest rates may also compress net interest margin on retail portfolios. In addition, the Barclays Bank UK Group's liquid asset portfolio is exposed to potential capital and/or income volatility due to movements in market rates and prices which may have a material adverse effect on the capital position of the Barclays Bank UK Group.

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

iv) Operational risk

Operational risk is the risk of loss to the Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group and across the financial services industry, whether arising through failures in the Barclays Bank UK Group's technology systems, closure of the Barclays Bank UK Group's real estate services including its retail branch network, or availability of personnel or services supplied by third parties. Failure to build resilience and recovery capabilities into business processes or into the services on which the Barclays Bank UK Group's business processes depend, may result in significant customer detriment, costs to reimburse losses incurred by the Barclays Bank UK Group'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 Barclays Bank UK Group, like other financial institutions, experiences numerous attempts to compromise its cybersecurity protections.

The Barclays Bank UK Group 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 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 Barclays Bank UK Group in numerous ways, including attacks on networks, systems, applications or devices used by the Barclays Bank UK Group or parties such as service providers and other suppliers, counterparties, employees, contractors, customers or clients, presenting the Barclays Bank UK Group with a vast and complex defence perimeter. Moreover, the Barclays Bank UK Group 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 Barclays Bank UK Group's ability to effectively protect and defend against certain threats. Some of the Barclays Bank UK Group'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 Barclays Bank UK Group's operations. Such cyberattacks are likely to continue.

A failure in the Barclays Bank UK Group's adherence to its cybersecurity policies, procedures or controls, employee malfeasance, and human, governance or technological error could also compromise the Barclays Bank UK Group'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 Barclays Bank UK Group 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 Barclays Bank UK Group'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 Barclays Bank UK Group 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 Barclays Bank UK Group or its clients and customers, including exposure to potential contractual liability, claims, litigation, regulatory or other government action, loss of existing or potential customers, damage to the Barclays Bank UK Group'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 Barclays Bank UK Group. In addition, any new regulatory measures introduced to mitigate these risks are likely to result in increased technology and compliance costs for the Barclays Bank UK Group.

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

c) New and emergent technology

Technology is fundamental to the Barclays Bank UK Group's business and the financial services industry. Technological advancements present opportunities to develop new and innovative ways of doing business across the Barclays Bank UK Group, with new solutions being developed both in-house and in association with third-party companies. For example, payment services are increasingly occurring electronically, both on the Barclays Bank UK Group's own systems and through other alternative systems, and becoming automated. Whilst increased use of electronic payment systems could significantly reduce the Barclays Bank UK Group's cost base, it may, conversely, reduce the commissions, fees and margins made by the Barclays Bank UK Group on these transactions which could have a material adverse effect on the Barclays Bank UK Group'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 Barclays Bank UK Group'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 Barclays Bank UK Group's business activities and exploit changes to customer behaviour and product and channel use (such as the increased use of digital products and enhanced online services) 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 UK market has also seen significant growth in 'scams' where the Barclays Bank UK Group takes increased levels of liability as part of a voluntary code to provide additional safeguards to customers and clients who are tricked into making payments to fraudsters. 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 Barclays Bank UK Group's business, results of operations, financial condition and prospects.

e) Data management and information protection

The Barclays Bank UK Group holds and processes large volumes of data, including personal information, financial data and other confidential information, and the Barclays Bank UK Group'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 Barclays Bank UK Group's clients, customers, prospective clients and customers and their employees; (ii) clients and customers of the Barclays Bank UK Group's clients and customers and their employees (iii) the Barclays Bank UK Group's suppliers, counterparties and other external parties, and their employees; and (iv) the Group's employees and prospective employees.

Concerns regarding the effectiveness of the Barclays Bank UK Group's measures to safeguard data, including personal information, or even the perception that those measures are inadequate, could expose the Barclays Bank UK Group to the risk of loss or unavailability of data or data integrity issues and/or cause the Barclays Bank UK Group to lose existing or potential clients and customers, and thereby reduce the Barclays Bank UK Group's revenues. Furthermore, any failure or perceived failure by the Barclays Bank UK Group 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 Barclays Bank UK Group'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 Barclays Bank UK Group's reputation, subject the Barclays Bank UK Group to material fines or other monetary penalties, make the Barclays Bank UK Group 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 Barclays Bank UK Group, refer to the supervision and regulation section.

f) Processing errors

The Barclays Bank UK Group'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 complex and occur at high volumes and frequencies. As the Barclays Bank UK Group's customer base expands and the volume, speed, frequency and complexity of transactions 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 Barclays Bank UK Group's control, such as a spike in transaction volume, could adversely affect the Barclays Bank UK Group's ability to process transactions or provide banking and payment services.

Processing errors could result in the Barclays Bank UK Group, 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 and/or other transactions to be executed erroneously, illegally or with unintended consequences; and (iv) adversely affecting financial markets. Any of these events could materially disadvantage the Barclays Bank UK Group's customers, clients and counterparties (including them suffering financial loss) and/or result in a loss of confidence in the Barclays Bank UK Group which, in turn, could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

g) Supplier exposure

The Barclays Bank UK Group depends on suppliers for the provision of many of its services and the development of technology. Whilst the Barclays Bank UK Group 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 Barclays Bank UK Group'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 Barclays Bank UK Group's business, results of operations, financial condition and prospects.

h) 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 consolidated and individual financial statements, include credit impairment provisions, fair value of financial instruments, goodwill and intangible assets and provisions including conduct and legal, competition and regulatory matters (refer to the notes to the audited financial statements for further details). There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in material losses to the Barclays Bank UK Group, beyond what was anticipated or provided for. Further development of accounting standards and regulatory interpretations could also materially impact the Barclays Bank UK Group's results of operations, financial condition and prospects.

i) Tax risk

The Barclays Bank UK Group is required to comply with the tax laws and practice of all countries in which it has business operations. There is a risk that the Barclays Bank UK Group 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 Barclays Bank UK Group's interpretation of such laws differs from the interpretation of tax authorities), or by failing to manage its tax affairs in an appropriate manner. In addition, increasing tax authority focus on customer tax reporting requirements for UK and international customers and the digitisation of the administration of tax has potential to increase the Barclays Bank UK Group's tax compliance obligations further.

j) Ability to hire and retain appropriately qualified employees

As a regulated financial institution, the Barclays Bank UK Group requires diversified and specialist skilled colleagues. The Barclays Bank UK Group'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 Barclays Bank UK Group 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 Barclays Bank UK Group'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 Barclays Bank UK Group's approach to operational risk, refer to the operational risk management and operational risk performance sections.

v) Model risk

Model risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. The Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group making inappropriate business decisions and/or inaccuracies or errors in the Barclays Bank UK Group'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 Barclays Bank UK Group's business, results of operations, financial condition and prospects.

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

vi) Conduct risk

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

a) Market conduct

The Barclays Bank UK Group'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 Barclays Bank UK Group's business, financial condition and prospects. Examples of employee misconduct which could have a material adverse effect on the Barclays Bank UK Group's business include: (i) improperly selling or marketing the Barclays Bank UK Group's products and services; (ii) engaging in insider trading, market manipulation or unauthorised trading; or (iii) misappropriating confidential or proprietary information belonging to the Barclays Bank UK Group, its customers or third parties. These risks may be exacerbated in circumstances where the Barclays Bank UK Group 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 Barclays Bank UK Group must ensure that its customers, particularly those that are vulnerable, are able to make well-informed decisions on how best to use the Barclays Bank UK Group'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 Barclays Bank UK Group is at risk of financial loss and reputational damage as a result.

A key area of focus is the implementation and embedment of the FCA's new Consumer Duty, with rules for open products and services due to take effect at the end July 2023. This will impact areas including governance and accountability, MI and reporting, communications, product design and end-to-end customer journeys. The Barclays Bank UK Group may be required to incur significant additional expense in connection with this regulatory change.

c) Product design and review risk

Products and services must meet the needs of clients, customers, markets and the Barclays Bank UK Group throughout their life cycle. However, there is a risk that the design and review of the Barclays Bank UK Group'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 Barclays Bank UK Group.

d) Financial crime

The Barclays Bank UK Group 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). UK and US regulations covering financial institutions continue to focus on combating financial crime. Failure to comply may lead to enforcement action by the Barclays Bank UK Group's regulators, including severe penalties, which may have a material adverse effect on the Barclays Bank UK Group's business, financial condition, prospects and reputation.

e) Regulatory focus on culture and accountability

Regulators around the world continue to emphasise the importance of culture and personal accountability and enforce the adoption of adequate internal reporting and whistleblowing procedures to help to promote appropriate conduct and drive positive outcomes for customers, colleagues, clients and markets. The requirements and expectations of the UK Senior Managers Regime, Certification Regime and Conduct Rules reinforce additional accountabilities for individuals across the Barclays Bank UK Group with an increased focus on governance and rigour. Failure to meet these requirements and expectations may lead to regulatory sanctions, both for the individuals and the Barclays Bank UK Group.

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

vii) Reputation risk

Reputation risk is the risk that an action, transaction, investment, event, decision or business relationship will reduce trust in the Barclays Bank UK Group'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 Barclays Bank UK Group's overall reputation and any one transaction, investment or event (in the perception of key stakeholders) can reduce trust in the Barclays Bank UK Group's integrity and competence. The Barclays Bank UK Group'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 Barclays Bank UK Group'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 Barclays Bank UK Group (including its employees, clients and other associations) conducts its business activities, or the Barclays Bank UK Group'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 Barclays Bank UK Group'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 Barclays Bank UK Group'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 Barclays Bank UK Group (refer to 'iv) Operational risk' above).

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

viii) Legal risk and legal, competition and regulatory matters

The Barclays Bank UK Group conducts activities in a highly regulated market which exposes it and its employees to legal risk arising from: (i) the multitude of laws and regulations that apply to the businesses it operates, which are highly dynamic, may vary between jurisdictions and/or conflict, 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 Barclays Bank UK Group's businesses and business practices. In each case, this exposes the Barclays Bank UK Group and its employees to the risk of loss or the imposition of penalties, damages or fines from the failure of members of the Barclays Bank UK Group to meet their respective 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 Barclays Bank UK Group 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 Barclays Bank UK Group's conduct, this may also give rise to civil legal proceedings, including class actions. Other legal disputes may also arise between the Barclays Bank UK Group 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 Barclays Bank UK Group being liable to third parties or may result in the Barclays Bank UK Group's rights not being enforced or not being enforced in the manner intended or desired by the Barclays Bank UK Group.

Details of legal, competition and regulatory matters to which the Barclays Bank UK Group is currently exposed are set out in Note 24. In addition to matters specifically described in Note 24, the Barclays Bank UK Group is engaged in various other legal proceedings which arise in the ordinary course of business. The Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group (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 Barclays Bank UK Group, 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 Barclays Bank UK Group for financing or contributing to climate change and environmental degradation.

The outcome of legal, competition and regulatory matters, both those to which the Barclays Bank UK Group is currently exposed and any others which may arise in the future, is difficult to predict (and any provision made in the Barclays Bank UK Group's financial statements relating to those matters may not be sufficient to cover actual losses). In connection with such matters, the Barclays Bank UK Group may incur significant expense, regardless of the ultimate outcome, and any such matters could expose the Barclays Bank UK Group 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 Barclays Bank UK Group'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 Barclays Bank UK Group'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 Barclays Bank UK Group's business, results of operations, financial condition and prospects.

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 Group's 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 Group delivered a Climate Risk Plan with three overarching objectives:

1. Governance Framework: Establish a Climate Risk Committee (CRC), a Climate Risk Controls Forum, and refresh the Board Risk Committee reporting. The Barclays Bank UK Climate Risk Forum escalates to the Barclays UK Risk Committee and also into the Group CRC.

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 model for measuring and tracking financed emissions to cover our automobiles and residential real estate portfolios, in addition to energy, power, cement and steel.

For the Barclays Bank UK Group, UK mortgages & business banking agriculture portfolios have been identified as sectors with 'elevated' climate risks given that they are sensitive to financial impacts as a result of the physical and/or transition risks of climate change. These portfolios are therefore the focus for scenario analysis and carbon modelling within Barclays Bank PLC UK.

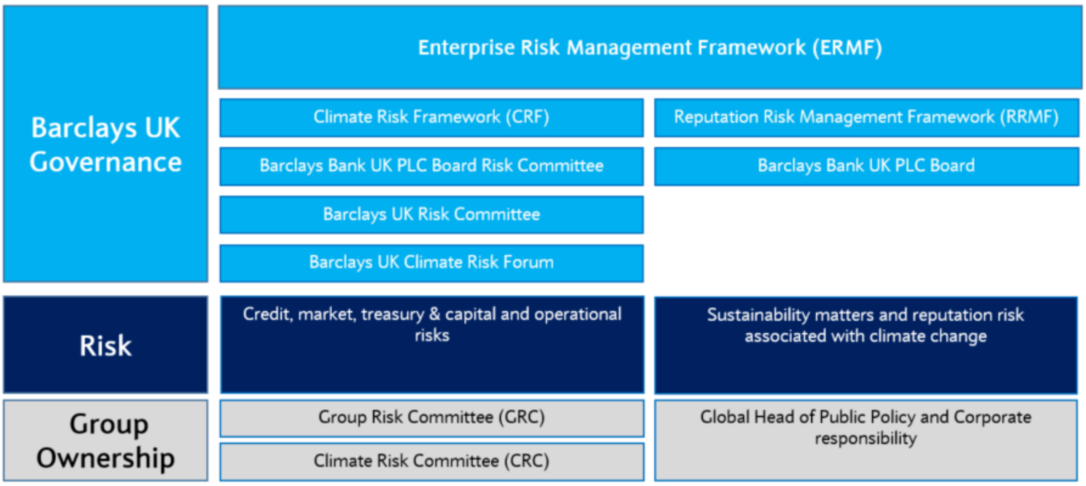
Organisation and Structure

On behalf of the Barclays PLC Board, the Barclays PLC BRC reviews and approves the Barclays Group's approach to managing the financial and operational risks associated with climate change. Reputation risk is the responsibility of the Barclays PLC Board, which directly handles the most material issues facing the Barclays Group. Broader sustainability matters and other reputation risk issues associated with climate change are coordinated by the Sustainability team. The Barclays Group Head of Climate Risk reports directly to Group Chief Risk Officer.
On behalf of the Barclays Bank UK Board, the Barclays Bank UK PLC Board Risk Committee reviews and approves the Barclays Bank UK approach to managing the financial and operational risks associated with climate change. Reputation risk is the responsibility of the Barclays Bank UK Board, which directly handles the most material issues facing Barclays Bank UK. Broader sustainability matters and other reputation risk issues associated with climate change are coordinated by the Sustainability team.

Within Barclays Bank UK, a Climate Risk lead was appointed in 2021, and a Barclays Bank UK Climate Risk Forum was established in November 2021. The forum provides support, guidance and oversight of the implementation and operation of Climate Risk within Barclays Bank UK. The forum undertakes duties such as recommending climate risk mandates and limits, monitoring the Barclays Bank UK climate risk profile and considering emerging risks or expected trends pertaining to Barclays Bank UK elevated and non-elevated portfolios. The forum also monitors physical and transition risk exposure and reviews risk measurement developments in relation to risk appetite, stress testing, scenario analysis and stress loss quantification. The Barclays Bank UK Climate Risk Forum escalates to the Barclays UK Risk Committee and also into the Group CRC.

To support the oversight of Barclays Group climate risk profile, a CRC has been established. The CRC is chaired by the Head of Climate Risk, who took the role of Climate Principal Risk owner in 2021, reporting directly to the Group Chief Risk Officer. The CRC is a subcommittee of the Group Risk Committee (GRC), the most senior executive body responsible for review and challenge of risk practices and risk profile, for climate risk and other principal risk types. The authority of the CRC is delegated by the GRC.

The Climate Risk Control Forum (CRCF) 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 as relating to the 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 establishing the following:

- 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
- 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 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

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.

Risk appetite

In 2022, as part of establishing a principal risk, Barclays defined a risk appetite statement and constraint for climate risk. The statement outlines that Barclays views climate change as a driver of financial and operational risk. Barclays has appetite to manage climate risk in line with its climate ambition and to reduce financed emissions in line with disclosed targets. Targets to 2025 are set for energy and power. Targets to 2030 are set for energy, power, cement and steel. In 2023, a target for auto manufacturing will also be set.

An assessment of progress to reduce financed emissions against the disclosed targets was made. 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 control that may will determine the pace of transition. For more detail on Barclays disclosed targets see the Barclays PLC 2022 Annual Report.

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

Climate-related Risk Management Processes				
	Credit Risk	**Market Risk**	**Treasury and Capital Risk**	**Operational Risk**
Frequency of assessment	Annually	Quarterly	Various (quarterly for pensions, IRRBB and liquidity risk; annually for capital risk)	Annually
Risk identification	Exposure in mortgage portfolio identified through a concentration risk framework. Exposure in Barclays Bank PLC 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. 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. 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.	Established reporting on internal and external climate-related risk events to the 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 Barclays Bank UK Group from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the Barclays Bank UK Group including the whole and timely payment of principal, interest, collateral and other receivables.

Overview

The credit risk that the Barclays Bank UK Group faces arises from retail and wholesale loans and advances together with the counterparty credit risk arising from derivative contracts with market counterparties; trading activities, including: debt securities, settlement balances with market counterparties, Fair value through other comprehensive income (FVOCI) assets and reverse repurchase loans. Wholesale lending in the Barclays Bank UK Group includes Business Banking, Education, Social Housing and Local Authorities (ESHLA) and Wealth UK portfolios.

Credit risk management objectives are to:

- maintain a framework of controls to oversee credit risk
- identify, assess and measure credit risk clearly and accurately across the Barclays Bank UK Group and within each separate business, from the level of individual facilities up to the total portfolio
- control and plan credit risk taking in line with external stakeholder expectations and avoiding undesirable concentrations
- monitor credit risk and adherence to agreed controls.

Organisation, roles and responsibilities

The first line of defence has primary responsibility for managing credit risk within the risk appetite and limits set by the Risk function, supported by a defined set of policies, standards and controls. In the Barclays Bank UK Group, business risk committees (attended by the first line) monitor and review the credit risk profile of each business unit where the most material issues are escalated to the Retail Credit Risk Management Committee, Wholesale Credit Risk Management Committee and Barclays UK Risk Committee.

Wholesale and retail portfolios are managed separately to reflect the differing nature of the assets; wholesale balances tend to be larger and are managed on an individual basis, while retail balances are greater in number but lesser in value and are, therefore, managed in aggregated segments.

The responsibilities of the credit risk management teams in the businesses, the sanctioning team and other shared services include: sanctioning new credit agreements; setting strategies for approval of transactions (principally retail); setting risk appetite; monitoring risk against limits and other parameters; setting recession readiness frameworks to protect portfolios in the event of economic stress, maintaining robust processes, data gathering, quality, storage and reporting methods for effective credit risk management; performing effective turnaround and workout scenarios for wholesale portfolios via dedicated restructuring and recoveries teams and maintaining robust collections and recovery processes/units for retail portfolios. The credit risk management teams in the Barclays Bank UK Group are accountable to the Barclays Bank UK Group CRO who, in turn, reports to the Barclays Group CRO.

For wholesale portfolios, credit risk managers are organised in sanctioning teams by client portfolio. In the wholesale portfolios, credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers entrusted with the higher levels of delegated authority. The largest credit exposures require the support of the Barclays Bank UK PLC Senior Credit Officer. For exposures in excess of the Barclays Bank UK PLC Senior Credit Officer's authority, approval by the Barclays Bank UK PLC CRO is also required. Where exposures are also of Barclays Group level significance, the Barclays Group Credit Risk Committee, attended by the Barclays Bank UK PLC Senior Credit Officer, provides a formal mechanism for the Barclays Group Senior Credit Officer to exercise the highest level of credit authority.

Credit risk mitigation

The Barclays Bank UK Group employs a range of techniques and strategies to actively mitigate credit risks. These can broadly be divided into three types:

- netting and set-off
- collateral
- risk transfer

Netting and set-off

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

Collateral

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

- **home loans**: a fixed charge over residential property in the form of houses, flats and other dwellings

- **wholesale lending**: a fixed charge over commercial property and other physical assets, in various forms
- **other retail lending**: includes second lien charges over residential property and finance lease receivables
- **derivatives**: the Barclays Bank UK Group also often seeks to enter into a margin agreement (e.g. Credit Support Annex) with counterparties with which the Barclays Bank UK Group 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 Barclays Bank UK Group subject to an agreement to return them for a fixed price
- **financial guarantees and similar off-balance sheet commitments**: cash collateral may be held against these arrangements

Risk transfer

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

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

Market risk management (audited)

The risk of loss arising from potential adverse changes in the value of the Barclays Bank UK Group'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 within the Barclays Bank UK Group arises from the risk management of the assets held within the liquidity pool. As a result, the market risk in the Barclays Bank UK Group is minimal. Transactions carrying market risk are executed by the Barclays Bank UK Group Treasury function.

Organisation, roles and responsibilities

The objectives of market risk management are to:

- understand and control market risk by robust measurement, limit setting, reporting and oversight
- control market risk within the allocated risk appetite

To meet the above objectives, a governance structure is in place to manage these risks consistent with the ERMF.

The Barclays Bank UK PLC Board Risk Committee recommends market risk appetite to the Barclays Bank UK PLC Board for their approval, within the parameters set by the Barclays PLC Board. The Barclays Bank UK Group CRO confirms the Barclays Bank UK Group market risk appetite with the Barclays Group CRO. The Market Risk Committee (MRC) reviews and makes recommendations concerning the Barclays Group-wide market risk profile to the Barclays Group Risk Committee. This includes overseeing the operation of the Market Risk Framework and associated policies and standards, monitoring market and regulatory changes, and reviewing limit utilisation levels. The committee is chaired by the Market Risk Principal Risk Lead and attendees include the business heads of market risk and business aligned market risk managers.

The Barclays Bank UK Group Treasurer is accountable for all market risks associated with its activities, whilst the Barclays Bank UK Group CRO is the senior manager accountable for oversight of market risk, in line with the Barclays Group Framework.

Treasury and capital risk management

This comprises:

Liquidity risk: The risk that the Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group's pension plans.

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

Barclays Bank UK Group Treasury manages treasury and capital risk exposure on a day-to-day basis with the Barclays Bank UK PLC Asset and Liability Committee (ALCO) acting as the principal management body. The Treasury and Capital Risk function is responsible for oversight and provides insight into key capital, liquidity and interest rate risk in the banking book (IRRBB) activities.

Liquidity risk management (audited)

Overview

The efficient management of liquidity is essential to the Barclays Bank UK Group 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 Barclays Bank UK PLC 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 Barclays Bank UK Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk framework, consistently with Barclays PLC Group policies and framework and with Barclays Bank UK CRO mandates.

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 Board.

The framework incorporates a range of ongoing business management tools to monitor, limit and stress test the Barclays Bank UK Group'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, Barclays Group maintains a recovery plan which includes application to the Barclays Bank UK Group. Adherence to limits reduces the likelihood that a liquidity stress event could lead to an inability to meet the Barclays Bank UK Group's obligations as they fall due.

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

Treasury has the primary responsibility for managing and monitoring capital adequacy. The Barclays Bank UK Group Treasury and Capital Risk function provides oversight of capital risk. Production of the Barclays Bank UK PLC Internal Capital Adequacy Assessment Process is the responsibility of Barclays Bank UK Group Treasury.

Capital risk management is underpinned by a control framework and policies. Capital plans reflect the capital management strategy and are implemented to deliver on the Barclays Bank UK Group's objectives, which are aligned to those of Barclays Group. The Barclays Bank UK Group-specific capital plans are developed in conformance with the Barclays Group control framework and policies for capital risk.

The Barclays Bank UK PLC Board approves the Barclays Bank UK Group capital plan, internal stress tests and results of regulatory stress tests. The Barclays Bank UK PLC Board also approves the recovery options documented in the Barclays Group recovery plan pertaining to the Barclays Bank UK Group. The Barclays Bank UK PLC ALCO is responsible for monitoring and managing capital risk in line with the Barclays Bank UK Group's capital management objectives, capital plan and risk frameworks. The Barclays UK Risk Committee monitors and reviews the capital risk profile and control environment, providing second line oversight of the management of capital risk. The Barclays Bank UK PLC Board Risk Committee reviews the risk profile, and sets risk appetite at a minimum annually and the impact of stress scenarios on the Barclays Bank UK Group capital plan/forecast in order to agree Barclays Bank UK Group's projected capital resources.

Management assures compliance with minimum regulatory capital requirements by reporting to the Barclays Bank UK PLC ALCO with oversight by the Barclays Group Treasury Committee, as required. In 2022, Barclays complied with all regulatory minimum capital requirements.

Pension risk

Barclays Bank UK PLC is a participating employer in the UK Retirement Fund (UKRF), whose assets and liabilities are currently held on the Barclays Bank PLC balance sheet. This participation is expected to cease in 2025. The nature of pension risk for Barclays Bank UK PLC is contingent, specifically on a Barclays Bank PLC default. Refer to note 28 Staff Costs for further detail.

Interest rate risk in the banking book management (IRRBB)

Overview
Interest rate risk in the banking book is driven by customer deposit taking and lending activities, investments in the liquid asset portfolio and funding activities. As per the Barclays Bank UK Group's policy to remain within the defined risk appetite, hedging strategies are executed to mitigate the various IRRBB risks that result from these activities. However, the Barclays Bank UK Group 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 Barclays Bank UK Group. This risk is often referred to by industry regulators as 'embedded option risk'.
- **Investment risks in the liquid asset portfolio**: the risk that the fair value of assets held in the liquid asset portfolio and associated risk management portfolios could be adversely impacted by market volatility, creating volatility in capital directly.

Organisation, roles and responsibilities
The Barclays Bank UK Group ALCO, together with the Barclays Group Treasury Committee, are responsible for monitoring and managing IRRBB risk in line with the Barclays Bank UK Group's management objectives and risk frameworks. The Barclays UK Risk Committee and Treasury and Capital Risk Committee monitor and review the IRRBB risk profile and control environment, providing second line oversight of the management of IRRBB. The Barclays Bank UK Group BRC reviews the interest rate risk profile, including setting of risk appetite at a minimum annually and the impact of stress scenarios on the interest rate risk of the Barclays Bank UK Group's banking books.

In addition, the Barclays Bank UK Group'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 the Barclays Bank UK Group 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 Barclays Bank UK Group's strategy, the stated risk appetite and stakeholder needs.

The Barclays Bank UK Group operates within a system of internal controls that enables business to be transacted and risk taken without exposing Barclays Bank UK Group 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 business risk committees and control committees. 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 Barclays UK Operational Risk Committee, the Barclays UK Risk Committee, the Barclays Bank UK PLC Board Risk Committee or the Barclays Bank UK PLC Board Audit Committee. In addition, specific reports are prepared by Operational Risk on a regular basis for the GRC and the Barclays Bank UK PLC Board Risk Committee.

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

The Barclays Group Head of Operational Risk is responsible for establishing, owning and maintaining an appropriate Barclays Group-wide Operational Risk Framework, meanwhile the Barclays Bank UK PLC Head of Operational Risk is responsible for overseeing the portfolio of operational risk across all Barclays Bank UK Group businesses.

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 the Barclays Bank UK Group's 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.

Operational risk categories

Operational risks are grouped into risk categories to support effective risk management, measurement and reporting. These comprise: Data Management Risk; Financial Reporting Risk; Fraud Risk; Information Security Risk; Operational Recovery Planning Risk; Payments Process 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 Bank UK Group also recognises that there are certain threats/risk drivers which are interconnected and have the potential to impact Barclays Bank UK Group's strategic objectives. These are referred to as Connected Risks and require an overarching and integrated risk management and/or reporting approach. The Barclays Bank UK Group's Connected Risks include Cyber, Data, Resilience and Third-Party Service Providers.

For definitions of the Barclays Bank UK Group's Operational Risk Categories and Connected Risks, refer to pages 121 to 122 of the Barclays Bank UK PLC Pillar 3 Report 2022.

Model risk management

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

Overview

The Barclays Bank UK Group 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 Model Risk Framework consists of the Model Risk Policy and standards. The policy prescribes 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 function reports to the Barclays Group CRO and operates a global framework. Implementation of best practice standards is a central objective of the Barclays Bank UK Group.

The key model risk management activities include:

- Correctly identifying models across all relevant areas of the Barclays Bank UK Group, and recording models in the Barclays Bank UK 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 Barclays Bank UK Group's products and services.

Overview

The Barclays Bank UK Group 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 Barclays Bank UK Group manages and measures its Conduct Risk Profile. The Group Chief Compliance Officer is accountable for developing, maintaining and overseeing a group-wide CRMF. The Barclays Bank UK Group Chief Compliance Officer is responsible for providing effective oversight, management and escalation of conduct risk in line with the CRMF at the Entity and Subsidiary level. This includes overseeing the development and maintenance of the relevant conduct risk policies and standards including 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 these policies and controls.

Senior managers are accountable within their areas of responsibility for owning and managing conduct risk in accordance with the CRMF, as defined within their regulatory Statement of Responsibilities.

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 Barclays achieve the right conduct outcomes and evolve a conduct-focused culture.

The governance of conduct risk within the Barclays Bank UK Group is fulfilled through management committees and forums operated by the first and second lines of defence with clear escalation and reporting lines into Board level committees. The Barclays Bank UK Group Risk Committee is the primary second line governance committees for the oversight of the conduct risk profile. The Barclays Bank UK risk committee's responsibilities include the identification and discussion of any emerging conduct risks exposures in the Barclays Bank UK Group.

Reputation risk management

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

Overview

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

Organisation, roles and responsibilities

The Barclays PLC Board is responsible for reviewing and monitoring the effectiveness of the Barclays Bank UK Group's management of reputation risk.

The Barclays Bank UK Group Chief Compliance Officer is responsible for overseeing the management of Reputation Risk for Barclays Bank UK Group 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. The Reputation Risk Management Framework sets out what is required to manage reputation risk across the Barclays Bank UK Group.

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

Legal risk management

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

Overview

The Barclays Bank UK Group has no tolerance for wilful breaches of laws, regulations or other legal obligations. However, the multitude of laws and regulations that the Barclays Bank UK Group is subject to are highly dynamic and their application to particular circumstances is often unclear. This results in a high level of inherent legal risk which Barclays Bank UK Group 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, Barclays Bank UK Group operates with a level of residual legal risk, for which the Barclays Bank UK Group has limited tolerance.

Organisation, roles and responsibilities

The Barclays Bank UK Group's businesses and functions have responsibility for identifying and escalating to the Legal Function legal risk in their areas, 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 Barclays Bank UK Group receives legal advice and support from appropriate legal professionals, working in partnership proactively to identify, manage and escalate legal risks as necessary.

The senior management of the Legal Function oversees, challenges and monitors the legal risk profile and effectiveness of the legal risk control environment across the Barclays Group. The Legal Function does not sit in any of the three lines of defence but supports them all. 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 Barclays Bank UK Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of risk management across the Barclays Bank UK Group. Escalation paths from this committee exist to the Barclays Group Risk Committee and Barclays Bank UK PLC Board Risk Committee.

Overview

Climate Risk refers to the financial and operational risks arising from climate change, through physical risks, risks arising from the transition to a low carbon economy and connectedness risks arising from the second order impacts of these two drivers.

For Barclays Bank UK PLC, UK Mortgages and Business Banking Agriculture have been identified as portfolios with 'elevated' exposure to the physical and transition risks of climate change.

The UK Mortgage portfolio is affected by physical risks, including flooding, subsidence and coastal erosion. From a transition risk perspective, the UK Mortgage portfolio is exposed to potential changes in energy efficiency performance requirements. Both the physical and transition risks that the UK Mortgages portfolio is exposed to may impact property valuations and affordability. To manage these risks, BUK Mortgages introduced a very high flood risk mandate in 2021, followed by a very high subsidence risk mandate in 2022. Climate Risks are considered across all portfolios during Barclays Bank UK PLC's annual mandate and scale review.

The Business Banking Agriculture portfolio is exposed to the physical risks of climate change such as flooding and drought. The Dairy & Cattle sub-sector is exposed to the transition risks of climate change, including changes in consumer behaviour, as well as the potential introduction of emissions taxation given the sector's significant contribution to the UK's methane emissions.

Subsidence: Total Volume of stock (as % of total UK Mortgage book) per risk band

Subsidence is driven by the interplay of precipitation, temperature and soil type factors, which result in volumetric changes to the soil. Increased volatility in weather conditions, as a result of climate change, contributes to the acceleration of subsidence impacts. Some areas, particularly those with high concentrations of clay soil (i.e. London), are more susceptible to subsidence. This shrink-swell impact can cause localised property level impacts, resulting in impacts to the valuation of a property, or impacts to affordability through remediation costs and high insurance premiums.

In 2022 Barclays on-boarded a third party to support climate risk data enhancements within the UK Mortgages portfolio, which included the ability to map the UK Mortgage portfolio to subsidence risk bands based on the near surface subsidence hazard level. The scoring is based on soil properties, in particular the extent to which the soil will shrink under hot and dry weather conditions, as well as the predicted temperature and probability of extreme rainfall. These variables are combined with subsidence claims per postcode to generate a pseudo-quantitative score, where a property in class 10 is around ten times as likely as a property in class 1 to make a subsidence claim.

Climate risks have been incorporated into annual mandate and scale reviews across Barclays Bank UK's portfolios. In 2022, Barclays Bank UK introduced a very high subsidence risk mandate in order to monitor and manage the percentage of properties (stock) within the UK Mortgage book at the highest risk of subsidence.

As at 30 September 2022[a]	
Risk Band	Volume %
1	9.5%
2	35.3%
3	23.0%
4	4.6%
5	4.6%
6	3.3%
7	2.4%
8	0.0%
9	0.2%
10	9.9%
Missing	7.0%

Flood: Total Volume of stock (as % of total UK Mortgage book) per risk band

Flooding in the UK is forecast to increase over time, with the potential for this increase to accelerate if greenhouse gas emissions are not reduced. The increased risk of flooding has the potential to impact the valuation of properties directly, as well as indirectly where areas may become high risk and property demand falls. Remediation costs, high insurance premiums or potential lack of insurance coverage have the potential to impact affordability.

In 2022 Barclays on-boarded a third party to support climate risk data enhancements within the UK Mortgages portfolio, this resulted in improvements in granularity, moving from postcode level to property level flood data. Flood Risk bands are based on average annual loss, generated using flood hazard frequency and flood depth from tidal, surface, pluvial and fluvial flooding and accounting for the mitigating impact of flood defences where these are present. Properties in the Moderate and High Risk bands are expected to face above average insurance costs given their elevated exposure to flood risk. Those within the Very High band are considered likely to cede to Flood Re.[b]

In 2021 Barclays Bank UK introduced a very high flood risk mandate within the UK Mortgage portfolio to monitor and manage the percentage of properties (stock) at very high flood risk.

Notes
a Data collected from 3rd party source based on one quarter lag, 30 September 2022 closest available dataset.
b Flood Re is a flood re-insurance scheme, which aims to make the flood cover proportion of household insurance policies more affordable for properties at the highest risk of flooding.

As at 30 September 2022[a]	
Risk Band	Volume %
Negligible	78.8%
Very Low	8.0%
Low	2.0%
Moderate	1.8%
High	2.8%
Very High	1.3%
Missing	5.4%

Note
a Data collected from 3rd party source based on one quarter lag, 30 September 2022 closest available dataset.

Carbon-related assets

We also disclose concentrations of credit exposure to carbon-related assets. The TCFD 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 below.

Elevated risk sectors

Credit exposures

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 represent those that the Group 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 Moody's and other external sources, with additional input from subject matter experts.

UK Mortgages

For 2022, UK Mortgage assets have been included in the table below. Mortgages do not meet the TCFD definition of a carbon-related asset. However, Mortgages are considered carbon-related, and have been covered as part of our work to assess the financed emissions across our portfolio and measure the baseline emissions that we finance across sectors. Barclays Bank UK PLC treats UK Retail Mortgages as an 'elevated' climate risk portfolio from a risk management perspective.

Elevated risk sector	Drivers of risk
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.
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 regional 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.
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.
Coal Mining and Coal Terminals	Reduction in demand of thermal coal, as utilities transition away from fossil fuel. More stringent air emissions, resulting in higher levels of capital investment.
Mining (including diversified miners)	Rising costs as a result of tighter environmental regulations and increasing water stress.
Mortgages	Evolving minimum energy efficiency requirements and increasing physical risks from flood, subsidence and coastal erosion have the potential to impact house prices and homeowner affordability.
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.
Road Haulage	Policy pressure to cut emissions, requiring high levels of capital investment.
Shipping	Policy pressure to cut emissions, requiring high 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

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

	2022			2021			
	Loans & advances	Loan commitments	Total	Loans & advances	Loan commitments	Total	Change
	£m	£m	£m	£m	£m	£m	%
Agriculture, Food and Forest Products	**3,917**	**790**	**4,707**	4,257	897	5,154	(9%)
Agriculture	**3,662**	**744**	**4,406**	3,960	846	4,806	
Food, Bev and Tobacco	**215**	**35**	**250**	249	40	289	
Paper and Forest Products	**40**	**11**	**51**	48	11	59	
Energy	**27**	**4**	**31**	33	6	39	(21%)
Coal Mining and Coal Terminals	**0**	**0**	**0**	0	0	0	
Oil & Gas	**22**	**4**	**26**	27	5	32	
Power Utilities	**5**	**0**	**5**	6	1	7	
Materials and Building	**10,001**	**823**	**10,824**	12,535	1,040	13,575	(20%)
Cement	**8**	**1**	**9**	9	1	10	
Chemicals	**36**	**9**	**45**	46	10	56	
Construction and Materials	**462**	**82**	**544**	640	86	726	
Homebuilding & Property Development	**1,159**	**183**	**1,342**	1,624	181	1,805	
Manufacturing	**549**	**97**	**646**	713	102	815	
Metals	**29**	**8**	**37**	43	9	52	
Mining (Incl. diversified miners)	**5**	**1**	**6**	7	1	8	
Packaging Manufacturers: Metal, Glass and Plastics	**5**	**1**	**6**	5	1	6	
Real Estate Management and Development	**7,746**	**440**	**8,186**	9,444	648	10,092	
Steel	**2**	**1**	**3**	4	1	5	
Transport	**500**	**66**	**566**	711	73	784	(28%)
Automotive	**16**	**4**	**20**	24	5	29	
Aviation	**5**	**1**	**6**	5	1	6	
Other Transport Services	**215**	**19**	**234**	286	20	306	
Ports	**0**	**0**	**0**	1	0	1	
Road Haulage	**240**	**37**	**277**	365	42	407	
Shipping	**24**	**5**	**29**	30	5	35	
Carbon-related assets in UK Retail Mortgages	**162,263**	**12,103**	**174,366**	158,113	11,315	169,428	3%
Subtotal (Elevated risk sectors)	**4,025**	**807**	**4,832**	4,483	918	5,401	(11%)
Carbon-related Assets Grand Total	**176,708**	**13,786**	**190,494**	175,649	13,331	188,980	1%
Total Loans & Advances & Loan Commitments	**223,207**	**58,072**	**281,279**	220,271	59,237	279,508	1%
Carbon-related assets / Total Loans & Advances & Loan Commitments	**79%**	**24%**	**68%**	80%	23%	68%	

Summary of Contents

All disclosures in this section, pages 74 to 116, are unaudited unless otherwise stated.

Overview

Credit risk represents a significant risk to the Barclays Bank UK Group and mainly arises from exposure to retail and wholesale loans and advances.

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

Loans: Gross loans and advances at amortised cost to customers and banks have increased by £2.5bn compared to £222.5bn in 2021. This includes £6bn increase in debt securities driven by Treasury investments and a £4bn growth in Mortgages. This is partially offset by wholesale lending materially within Business banking due to repayment of Bounce Back Loans (BBLS).

Maximum exposure: During 2022, the Barclays Bank UK Group's net exposure to credit risk decreased 3% to £171bn (2021: £177bn). Overall, the extent to which the Barclays Bank UK Group held mitigation against its total exposure remained broadly stable at 53% (2021: 53%).

Credit quality: Delinquencies remain well below pre-pandemic levels. A range of activities are in progress to protect our existing defensive positioning against the current macroeconomic headwinds. Gross exposures for government supported loan schemes stands at £7.3bn as at 2022 (2021: £10.4bn). *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 £3.1bn is observed in Stage 2 gross exposures driven by a weaker macroeconomic forecast. Stage 3 balances decreased by £0.4bn to £3.5bn compared to 2021 primarily due to write-offs in retail unsecured lending. Refer to pages 89 to 90 for further details.

Scenario: During the year, the economic risk from the COVID-19 pandemic has receded; however, economic uncertainty linked to high inflation in major economies and heightened geopolitical tensions persists. For Q422, macroeconomic scenarios have been refreshed and are designed around a broad range of economic outcomes. The Downside 2 scenario has been updated with reference to the most recent BoE Annual Cyclical Scenario (ACS) stress test. This has resulted in a movement in weights from the upside scenarios to the downside scenarios.

ECL: Impairment allowances on loans and advances at amortised cost including off-balance sheet has decreased to £1,758m (2021: £2,215m) primarily driven by write-offs. On-balance sheet coverage has reduced to 0.8% (2021: 1.0%) due to movement in portfolio mix towards lower ECL balances, revised recovery expectations and evolving macroeconomic scenarios. Coverage levels remain strong.

Charge: Credit impairment charges were £268m (2021: £(371)m release). The charges reflect an updated macroeconomic scenario together with a partial return to more normalised levels of customer behaviour.

Management adjustments: Macroeconomic uncertainty PMAs at 31 December 2022 amount to £218m (2021: £634m). The reduction is informed by the release of COVID-19 related adjustments as credit performance stabilises at or below pre-pandemic levels which is reflected in the models. PMAs are in place for the anticipated stress arising from the cost-of-living crisis. *Refer to the Management adjustment to models for impairment section on page 90 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 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.

Barclays Bank UK Group's maximum exposure and effects of netting, collateral and risk transfer

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

The Barclays Bank UK Group mitigates the credit risk to which it is exposed through netting and set-off, collateral and risk transfer. Further detail on the Group's policies to each of these forms of credit enhancement is presented on page 63 of the credit risk management section.

Collateral obtained (audited)
Where collateral has been obtained in the event of default, the Barclays Bank UK Group 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 Barclays Bank UK Group 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)

Barclays Bank UK Group 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	54,208	—	—	—	—	54,208
Cash collateral and settlement balances	5,194	—	—	—	—	5,194
Loans and advances at amortised cost:						
Home loans	162,365	—	—	(162,360)	—	5
Credit cards, unsecured loans and other retail lending	13,989	—	(56)	(412)	—	13,521
Wholesale loans	46,853	—	(8)	(11,615)	(11,840)	23,390
Total loans and advances at amortised cost	223,207	—	(64)	(174,387)	(11,840)	36,916
Of which credit-impaired (Stage 3):						
Home loans	*1,378*	—	—	*(1,374)*	—	*4*
Credit cards, unsecured loans and other retail lending	*166*	—	*(3)*	*(31)*	—	*132*
Wholesale loans	*1,383*	—	—	*(553)*	*(649)*	*181*
Total credit-impaired loans and advances at amortised cost	*2,927*	—	*(3)*	*(1,958)*	*(649)*	*317*
Reverse repurchase agreements and other similar secured lending	477	—	—	(477)	—	—
Trading portfolio assets:						
Debt securities	54	—	—	—	—	54
Total trading portfolio assets	54	—	—	—	—	54
Financial assets at fair value through the income statement						
Loans and advances	1,979	—	—	(1,483)	—	496
Other financial assets	—	—	—	—	—	—
Total financial assets at fair value through the income statement	1,979	—	—	(1,483)	—	496
Derivative financial instruments	611	(407)	(193)	(11)	—	—
Financial assets at fair value through other comprehensive income	19,970	—	—	—	(197)	19,773
Other assets	288	—	—	—	—	288
Total on-balance sheet	305,988	(407)	(257)	(176,358)	(12,037)	116,929
Off-balance sheet:						
Contingent liabilities	810	—	—	—	—	810
Loan commitments	58,072	—	(36)	(4,546)	(41)	53,449
Total off-balance sheet	58,882	—	(36)	(4,546)	(41)	54,259
Total	364,870	(407)	(293)	(180,904)	(12,078)	171,188

Off-balance sheet exposures are shown gross of provisions of £47m (2021: £36m). See Note 23 for further details. Wholesale loans and advances at amortised cost include £7.3bn (2021: £10.4bn) of BBLS and CBILS supported by UK Government guarantees of £7.2bn (2021: £10.2bn), which are included within the Risk transfer column in the table. For further information on credit mitigation techniques, refer to the credit risk management section.

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

Barclays Bank UK Group 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	69,488	—	—	—	—	69,488
Cash collateral and settlement balances	5,067	—	—	—	—	5,067
Loans and advances at amortised cost:						
Home loans	158,220	—	—	(158,145)	(57)	18
Credit cards, unsecured loans and other retail lending	13,425	—	(83)	(331)	—	13,011
Wholesale loans	48,626	—	(11)	(12,357)	(18,024)	18,234
Total loans and advances at amortised cost	220,271	—	(94)	(170,833)	(18,081)	31,263
Of which credit-impaired (Stage 3):						
Home loans	*1,110*	—	—	*(1,110)*	—	—
Credit cards, unsecured loans and other retail lending	*256*	—	—	*(12)*	—	*244*
Wholesale loans	*1,671*	—	—	*(641)*	*(742)*	*288*
Total credit-impaired loans and advances at amortised cost	*3,037*	—	—	*(1,763)*	*(742)*	*532*
Reverse repurchase agreements and other similar secured lending	65	—	—	(65)	—	—
Trading portfolio assets:						
Debt securities	169	—	—	—	—	169
Total trading portfolio assets	169	—	—	—	—	169
Financial assets at fair value through the income statement						
Loans and advances	2,767	—	—	(1,778)	—	989
Other financial assets	—	—	—	—	—	—
Total financial assets at fair value through the income statement	2,767	—	—	(1,778)	—	989
Derivative financial instruments	890	(270)	(536)	(82)	—	2
Financial assets at fair value through other comprehensive income	14,945	—	—	—	(233)	14,712
Other assets	316	—	—	—	—	316
Total on-balance sheet	313,978	(270)	(630)	(172,758)	(18,314)	122,006
Off-balance sheet:						
Contingent liabilities	590	—	—	—	—	590
Loan commitments	59,237	—	(42)	(4,674)	(41)	54,480
Total off-balance sheet	59,827	—	(42)	(4,674)	(41)	55,070
Total	373,805	(270)	(672)	(177,432)	(18,355)	177,076

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

Barclays Bank UK PLC 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	54,208	—	—	—	—	54,208
Cash collateral and settlement balances	5,136	—	—	—	—	5,136
Loans and advances at amortised cost:						
Home loans	162,320	—	—	(162,314)	—	6
Credit cards, unsecured loans and other retail lending	13,988	—	(56)	(412)	—	13,520
Wholesale loans	47,728	—	(8)	(11,631)	(11,840)	24,249
Total loans and advances at amortised cost	224,036	—	(64)	(174,357)	(11,840)	37,775
Of which credit-impaired (Stage 3):						
Home loans	*1,378*	—	—	*(1,374)*	—	*4*
Credit cards, unsecured loans and other retail lending	*166*	—	*(3)*	*(31)*	—	*132*
Wholesale loans	*1,383*	—	—	*(553)*	*(649)*	*181*
Total credit-impaired loans and advances at amortised cost	*2,927*	—	*(3)*	*(1,958)*	*(649)*	*317*
Reverse repurchase agreements and other similar secured lending	477	—	—	(477)	—	—
Trading portfolio assets:						
Debt securities	54	—	—	—	—	54
Total trading portfolio assets	54	—	—	—	—	54
Financial assets at fair value through the income statement						
Loans and advances	1,979	—	—	(1,483)	—	496
Other financial assets	—	—	—	—	—	—
Total financial assets at fair value through the income statement	1,979	—	—	(1,483)	—	496
Derivative financial instruments	611	(407)	(193)	—	—	11
Financial assets at fair value through other comprehensive income	19,970	—	—	—	(197)	19,773
Other assets	284	—	—	—	—	284
Total on-balance sheet	306,755	(407)	(257)	(176,317)	(12,037)	117,737
Off-balance sheet:						
Contingent liabilities	810	—	—	—	—	810
Loan commitments	58,072	—	(36)	(4,546)	(41)	53,449
Total off-balance sheet	58,882	—	(36)	(4,546)	(41)	54,259
Total	365,637	(407)	(293)	(180,863)	(12,078)	171,996

Off-balance sheet exposures are shown gross of provisions of £47m (2021: £36m). See Note 23 for further details. Wholesale loans and advances at amortised cost include £7.3bn (2021: £10.4bn) of BBLS and CBILS supported by UK Government guarantees of £7.2bn (2021: £10.2bn), which are included within the Risk transfer column in the table. 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)

Barclays Bank UK PLC 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	69,488	—	—	—	—	69,488
Cash collateral and settlement balances	4,986	—	—	—	—	4,986
Loans and advances at amortised cost:						
Home loans	158,220	—	—	(158,145)	(57)	18
Credit cards, unsecured loans and other retail lending	13,423	—	(83)	(331)	—	13,009
Wholesale loans	49,017	—	(11)	(12,357)	(18,024)	18,625
Total loans and advances at amortised cost	220,660	—	(94)	(170,833)	(18,081)	31,652
Of which credit-impaired (Stage 3):						
Home loans	*1,110*	—	—	*(1,110)*	—	—
Credit cards, unsecured loans and other retail lending	*255*	—	—	*(12)*	—	*243*
Wholesale loans	*1,671*	—	—	*(641)*	*(742)*	*288*
Total credit-impaired loans and advances at amortised cost	*3,036*	—	—	*(1,763)*	*(742)*	*531*
Reverse repurchase agreements and other similar secured lending	65	—	—	(65)	—	—
Trading portfolio assets:						
Debt securities	169	—	—	—	—	169
Total trading portfolio assets	169	—	—	—	—	169
Financial assets at fair value through the income statement						
Loans and advances	2,767	—	—	(1,778)	—	989
Other financial assets	—	—	—	—	—	—
Total financial assets at fair value through the income statement	2,767	—	—	(1,778)	—	989
Derivative financial instruments	890	(270)	(536)	—	—	84
Financial assets at fair value through other comprehensive income	14,945	—	—	—	(233)	14,712
Other assets	316	—	—	—	—	316
Total on-balance sheet	314,286	(270)	(630)	(172,676)	(18,314)	122,396
Off-balance sheet:						
Contingent liabilities	590	—	—	—	—	590
Loan commitments	59,237	—	(42)	(4,674)	(41)	54,480
Total off-balance sheet	59,827	—	(42)	(4,674)	(41)	55,070
Total	374,113	(270)	(672)	(177,350)	(18,355)	177,466

Expected Credit Losses

Loans and advances at amortised cost by product

The tables below present 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 gross loans and advances to the extent that the allowance does not exceed the drawn exposure 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.

Barclays Bank UK Group (audited)		Stage 2					
As at 31 December 2022	Stage 1	Not past due	<=30 days past due	>30 days past due	Total	Stage 3	Total[a]
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	143,214	15,680	1,673	485	17,838	1,436	162,488
Credit cards, unsecured loans and other retail lending	11,145	3,290	100	75	3,465	414	15,024
Wholesale loans	39,334	6,431	5	4	6,440	1,632	47,406
Total	193,693	25,401	1,778	564	27,743	3,482	224,918
Impairment allowance							
Home loans	17	31	9	8	48	58	123
Credit cards, unsecured loans and other retail lending	169	538	35	45	618	248	1035
Wholesale loans	155	147	1	1	149	249	553
Total	341	716	45	54	815	555	1,711
Net exposure							
Home loans	143,197	15,649	1,664	477	17,790	1,378	162,365
Credit cards, unsecured loans and other retail lending	10,976	2,752	65	30	2,847	166	13,989
Wholesale loans	39,179	6,284	4	3	6,291	1,383	46,853
Total	193,352	24,685	1,733	510	26,928	2,927	223,207
Coverage ratio	%	%	%	%	%	%	%
Home loans	—	0.2	0.5	1.6	0.3	4.0	0.1
Credit cards, unsecured loans and other retail lending	1.5	16.4	35.0	60.0	17.8	59.9	6.9
Wholesale loans	0.4	2.3	20.0	25.0	2.3	15.3	1.2
Total	0.2	2.8	2.5	9.6	2.9	15.9	0.8
As at 31 December 2021							
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	138,298	16,585	1,638	624	18,847	1,164	158,309
Credit cards, unsecured loans and other retail lending	11,450	2,652	97	61	2,810	829	15,089
Wholesale loans	44,213	2,972	5	5	2,982	1,857	49,052
Total	193,961	22,209	1,740	690	24,639	3,850	222,450
Impairment allowance							
Home loans	11	13	5	6	24	54	89
Credit cards, unsecured loans and other retail lending	201	804	42	44	890	573	1,664
Wholesale loans	183	55	1	1	57	186	426
Total	395	872	48	51	971	813	2,179
Net exposure							
Home loans	138,287	16,572	1,633	618	18,823	1,110	158,220
Credit cards, unsecured loans and other retail lending	11,249	1,848	55	17	1,920	256	13,425
Wholesale loans	44,030	2,917	4	4	2,925	1,671	48,626
Total	193,566	21,337	1,692	639	23,668	3,037	220,271
Coverage ratio	%	%	%	%	%	%	%
Home loans	—	0.1	0.3	1.0	0.1	4.6	0.1
Credit cards, unsecured loans and other retail lending	1.8	30.3	43.3	72.1	31.7	69.1	11.0
Wholesale loans	0.4	1.9	20.0	20.0	1.9	10.0	0.9
Total	0.2	3.9	2.8	7.4	3.9	21.1	1.0

Note
a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £25.6bn (December 2021: £20.4bn) and an impairment allowance of £4m (December 2021: £3m). This comprises £3m (December 2021: £3m) on £25.2bn Stage 1 assets (December 2021: £20.4bn), £1m (December 2021: £0m) on £397m Stage 2 assets (December 2021: £89m) and £0m (December 2021: £0m) on £0m Stage 3 other assets (December 2021: £0m). Loan commitments and financial guarantee contracts have total ECL of £47m (December 2021: £36m).

Barclays Bank UK PLC (audited)

		Stage 2					
As at 31 December 2022	Stage 1	Not past due	<=30 days past due	>30 days past due	Total	Stage 3	Total[a]
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	143,169	15,680	1,673	485	17,838	1,436	162,443
Credit cards, unsecured loans and other retail lending	11,144	3,290	100	75	3,465	414	15,023
Wholesale loans	40,209	6,431	5	4	6,440	1,632	48,281
Total	194,522	25,401	1,778	564	27,743	3,482	225,747
Impairment allowance							
Home loans	17	31	9	8	48	58	123
Credit cards, unsecured loans and other retail lending	169	538	35	45	618	248	1,035
Wholesale loans	155	147	1	1	149	249	553
Total	341	716	45	54	815	555	1,711
Net exposure							
Home loans	143,152	15,649	1,664	477	17,790	1,378	162,320
Credit cards, unsecured loans and other retail lending	10,975	2,752	65	30	2,847	166	13,988
Wholesale loans	40,054	6,284	4	3	6,291	1,383	47,728
Total	194,181	24,685	1,733	510	26,928	2,927	224,036
Coverage ratio	%	%	%	%	%	%	%
Home loans	—	0.2	0.5	1.6	0.3	4.0	0.1
Credit cards, unsecured loans and other retail lending	1.5	16.4	35.0	60.0	17.8	59.9	6.9
Wholesale loans	0.4	2.3	20.0	25.0	2.3	15.3	1.1
Total	0.2	2.8	2.5	9.6	2.9	15.9	0.8
As at 31 December 2021							
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	138,298	16,585	1,638	624	18,847	1,164	158,309
Credit cards, unsecured loans and other retail lending	11,450	2,652	97	61	2,810	827	15,087
Wholesale loans	44,604	2,972	5	5	2,982	1,857	49,443
Total	194,352	22,209	1,740	690	24,639	3,848	222,839
Impairment allowance							
Home loans	11	13	5	6	24	54	89
Credit cards, unsecured loans and other retail lending	201	804	43	44	891	572	1,664
Wholesale loans	183	55	1	1	57	186	426
Total	395	872	49	51	972	812	2,179
Net exposure							
Home loans	138,287	16,572	1,633	618	18,823	1,110	158,220
Credit cards, unsecured loans and other retail lending	11,249	1,848	54	17	1,919	255	13,423
Wholesale loans	44,421	2,917	4	4	2,925	1,671	49,017
Total	193,957	21,337	1,691	639	23,667	3,036	220,660
Coverage ratio	%	%	%	%	%	%	%
Home loans	—	0.1	0.3	1.0	0.1	4.6	0.1
Credit cards, unsecured loans and other retail lending	1.8	30.3	44.3	72.1	31.7	69.2	11.0
Wholesale loans	0.4	1.9	20.0	20.0	1.9	10.0	0.9
Total	0.2	3.9	2.8	7.4	3.9	21.1	1.0

Note

a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £25.5bn (December 2021: £20.2bn) and an impairment allowance of £3m (December 2021: £2m). This comprises £2m (December 2021: £2m) on £25.1bn Stage 1 assets (December 2021: £20.2bn), £1m (December 2021: £0m) on £397m Stage 2 assets (December 2021: £89m) and £0m (December 2021: £0m) on £0m Stage 3 other assets (December 2021: £0m). Loan commitments and financial guarantee contracts have total ECL of £47m (December 2021: £36m).

Movement in gross exposure and impairment allowance including provisions for loan commitments and financial guarantees (audited)

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 on page 170. 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	
Barclays Bank UK Group	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m
Home loans								
As at 1 January 2022	138,298	11	18,847	24	1,164	54	158,309	89
Transfers from Stage 1 to Stage 2	(8,568)	(1)	8,568	1	—	—	—	—
Transfers from Stage 2 to Stage 1	7,096	8	(7,096)	(8)	—	—	—	—
Transfers to Stage 3	(207)	—	(686)	(3)	893	3	—	—
Transfers from Stage 3	14	1	196	1	(210)	(2)	—	—
Business activity in the year[a]	28,141	5	1,142	7	6	—	29,289	12
Refinements to models used for calculation	—	—	—	—	—	—	—	—
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(8,716)	(6)	(1,073)	29	(132)	13	(9,921)	36
Final repayments[b]	(12,844)	(1)	(2,060)	(3)	(281)	(6)	(15,185)	(10)
Disposals	—	—	—	—	—	—	—	—
Write-offs[d]	—	—	—	—	(4)	(4)	(4)	(4)
As at 31 December 2022[e]	143,214	17	17,838	48	1,436	58	162,488	123
Credit cards, unsecured loans and other retail lending								
As at 1 January 2022	11,450	201	2,810	890	829	573	15,089	1,664
Transfers from Stage 1 to Stage 2	(1,417)	(38)	1,417	38	—	—	—	—
Transfers from Stage 2 to Stage 1	863	265	(863)	(265)	—	—	—	—
Transfers to Stage 3	(180)	(6)	(295)	(137)	475	143	—	—
Transfers from Stage 3	36	22	17	9	(53)	(31)	—	—
Business activity in the year[a]	2,269	24	432	67	26	21	2,727	112
Refinements to models used for calculation[f]	—	43	—	(232)	—	—	—	(189)
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(979)	(326)	41	266	13	309	(925)	249
Final repayments[b]	(897)	(16)	(94)	(18)	(59)	(34)	(1,050)	(68)
Disposals[c]	—	—	—	—	(227)	(143)	(227)	(143)
Write-offs[d]	—	—	—	—	(590)	(590)	(590)	(590)
As at 31 December 2022[e]	11,145	169	3,465	618	414	248	15,024	1,035
Wholesale loans								
As at 1 January 2022	44,213	183	2,982	57	1,857	186	49,052	426
Transfers from Stage 1 to Stage 2	(5,804)	(60)	5,804	60	—	—	—	—
Transfers from Stage 2 to Stage 1	685	12	(685)	(12)	—	—	—	—
Transfers to Stage 3	(1,226)	(5)	(477)	(6)	1,703	11	—	—
Transfers from Stage 3	150	15	310	27	(460)	(42)	—	—
Business activity in the year[a]	11,504	28	148	6	230	24	11,882	58
Refinements to models used for calculation[f]	—	(66)	—	(42)	—	(374)	—	(482)
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes[g]	(6,242)	58	(1,387)	65	(1,528)	489	(9,157)	612
Final repayments[b]	(3,946)	(10)	(255)	(6)	(139)	(14)	(4,340)	(30)
Write-offs[d]	—	—	—	—	(31)	(31)	(31)	(31)
As at 31 December 2022[e]	39,334	155	6,440	149	1,632	249	47,406	553

Notes

a. Business activity in the year does not include additional drawdowns on the existing facility which are reported under 'Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes'.

b. 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'.

c. The £227m disposals reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year.

d. In 2022, gross write-offs amounted to £625m (2021: £644m). In Q422, £329m of balances with de minimis recovery expectations were written-off in line with policy in UK Cards and Unsecured Loans. Post write-off recoveries amounted to £32m (2021: £35m). Net write-offs represent gross write-offs less post write-off recoveries and amounted to £593m (2021: £609m).

e. Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £25.6bn (December 2021: £20.4bn) and an impairment allowance of £4m (December 2021: £3m). This comprises £3m (December 2021: £3m) on £25.2bn Stage 1 assets (December 2021: £20.4bn), £1m (December 2021: £0m) on £397m Stage 2 assets (December 2021: £89m) and £0m (December 2021: £0m) on £0m Stage 3 other assets (December 2021: £0m).

f. Refinements to models used for calculation include a £(0.2)bn movement in Credit cards, unsecured loans and retail lending and £(0.5)bn movement in Wholesale loans. These reflect model enhancements 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.

g. 'Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes' reported within Wholesale loans also include assets of £1.3bn de-recognised due to payment received on defaulted loans from government guarantees issued under government's Bounce Back Loans Scheme.

Reconciliation of ECL movement to credit impairment charge/(release) for the year ended 31 December 2022

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Home loans	*6*	*24*	*8*	*38*
Credit cards, unsecured loans and other retail lending	*(32)*	*(272)*	*408*	*104*
Wholesale loans	*(28)*	*92*	*94*	*158*
ECL movement excluding assets derecognised due to disposals and write-offs	*(54)*	*(156)*	*510*	*300*
ECL movement on loan commitments and financial guarantees	2	9	—	11
ECL movement on other financial assets[a]	—	1	—	1
Recoveries and reimbursements[b]	(2)	(2)	(32)	(36)
Total exchange and other adjustments[c]				(8)
Total credit impairment charge for the year				268

Notes
a. Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £25.6bn (December 2021: £20.4bn) and an impairment allowance of £4m (December 2021: £3m). This comprises £3m (December 2021: £3m) on £25.2bn Stage 1 assets (December 2021: £20.4bn), £1m (December 2021: £0m) on £397m Stage 2 assets (December 2021: £89m) and £0m (December 2021: £0m) on £0m Stage 3 other assets (December 2021: £0m).
b. Recoveries and reimbursements include post write off recoveries of £32m and reimbursements expected to be received under the arrangement where Barclays Bank UK Group has entered into financial guarantee contracts which provide credit protection over certain assets with third parties of £4m.
c. Includes interest and fees in suspense.

Loan commitments and financial guarantees (audited)

Barclays Bank UK Group	Stage 1 Gross £m	Stage 1 ECL £m	Stage 2 Gross £m	Stage 2 ECL £m	Stage 3 Gross £m	Stage 3 ECL £m	Total Gross £m	Total ECL £m
Home loans								
As at 1 January 2022	10,780	—	531	—	3	—	11,314	—
Net transfers between stages	14	—	(18)	—	4	—	—	—
Business activity in the year	8,007	—	—	—	—	—	8,007	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(6,797)	—	(21)	—	(5)	—	(6,823)	—
Limit management and final repayments	(351)	—	(44)	—	—	—	(395)	—
As at 31 December 2022	11,653	—	448	—	2	—	12,103	—
Credit cards, unsecured loans and other retail lending								
As at 1 January 2022	42,183	7	2,462	29	186	—	44,831	36
Net transfers between stages	(1,923)	17	1,713	(17)	210	—	—	—
Business activity in the year	1,398	1	70	2	1	—	1,469	3
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(1,111)	(14)	(323)	29	(78)	—	(1,512)	15
Limit management and final repayments	(1,332)	(2)	(98)	(5)	(83)	—	(1,513)	(7)
As at 31 December 2022	39,215	9	3,824	38	236	—	43,275	47
Wholesale loans								
As at 1 January 2022	3,477	—	147	—	58	—	3,682	—
Net transfers between stages	(313)	—	313	—	—	—	—	—
Business activity in the year	7	—	—	—	—	—	7	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(137)	—	(37)	—	(5)	—	(179)	—
Limit management and final repayments	—	—	(6)	—	—	—	(6)	—
As at 31 December 2022	3,034	—	417	—	53	—	3,504	—

Loans and advances at amortised cost (audited)

Barclays Bank UK PLC	Stage 1 Gross £m	Stage 1 ECL £m	Stage 2 Gross £m	Stage 2 ECL £m	Stage 3 Gross £m	Stage 3 ECL £m	Total Gross £m	Total ECL £m
Home loans								
As at 1 January 2022	138,298	11	18,847	24	1,164	54	158,309	89
Transfers from Stage 1 to Stage 2	(8,568)	(1)	8,568	1	—	—	—	—
Transfers from Stage 2 to Stage 1	7,096	8	(7,096)	(8)	—	—	—	—
Transfers to Stage 3	(207)	—	(686)	(3)	893	3	—	—
Transfers from Stage 3	14	1	196	1	(210)	(2)	—	—
Business activity in the year[a]	28,141	5	1,142	7	6	—	29,289	12
Refinements to models used for calculation	—	—	—	—	—	—	—	—
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(8,716)	(6)	(1,073)	29	(132)	13	(9,921)	36
Final repayments[b]	(12,844)	(1)	(2,060)	(3)	(281)	(6)	(15,185)	(10)
Disposals[c]	(45)	—	—	—	—	—	(45)	—
Write-offs[d]	—	—	—	—	(4)	(4)	(4)	(4)
As at 31 December 2022[e]	143,169	17	17,838	48	1,436	58	162,443	123
Credit cards, unsecured loans and other retail lending								
As at 1 January 2022	11,450	201	2,810	891	827	572	15,087	1,664
Transfers from Stage 1 to Stage 2	(1,417)	(38)	1,417	38	—	—	—	—
Transfers from Stage 2 to Stage 1	863	265	(863)	(265)	—	—	—	—
Transfers to Stage 3	(180)	(6)	(295)	(137)	475	143	—	—
Transfers from Stage 3	37	22	17	9	(54)	(31)	—	—
Business activity in the year[a]	2,269	24	432	67	26	21	2,727	112
Refinements to models used for calculation[f]	—	43	—	(232)	—	—	—	(189)
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(981)	(326)	41	265	16	310	(924)	249
Final repayments[b]	(897)	(16)	(94)	(18)	(59)	(34)	(1,050)	(68)
Disposals[c]	—	—	—	—	(227)	(143)	(227)	(143)
Write-offs[d]	—	—	—	—	(590)	(590)	(590)	(590)
As at 31 December 2022[e]	11,144	169	3,465	618	414	248	15,023	1,035
Wholesale loans								
As at 1 January 2022	44,604	183	2,982	57	1,857	186	49,443	426
Transfers from Stage 1 to Stage 2	(5,804)	(60)	5,804	60	—	—	—	—
Transfers from Stage 2 to Stage 1	685	12	(685)	(12)	—	—	—	—
Transfers to Stage 3	(1,226)	(5)	(477)	(6)	1,703	11	—	—
Transfers from Stage 3	150	15	310	27	(460)	(42)	—	—
Business activity in the year[a]	11,624	28	148	6	230	24	12,002	58
Refinements to models used for calculation[f]	—	(66)	—	(42)	—	(374)	—	(482)
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes[g]	(5,878)	58	(1,387)	65	(1,528)	489	(8,793)	612
Final repayments[b]	(3,946)	(10)	(255)	(6)	(139)	(14)	(4,340)	(30)
Disposals	—	—	—	—	—	—	—	—
Write-offs[d]	—	—	—	—	(31)	(31)	(31)	(31)
As at 31 December 2022[e]	40,209	155	6,440	149	1,632	249	48,281	553

Notes
a. Business activity in the year does not include additional drawdowns on the existing facility which are reported under 'Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes'.
b. Final repayments include repayment from the facilities 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'.
c. The £45m disposal reported within Home loans relates to transfer of UK Mortgage facilities to a special purpose vehicle for the purpose of securitisation. The £227m disposal reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year.
d. In 2022, gross write-offs amounted to £625m (2021: £644m). In Q422, £329m of balances with de minimis recovery expectations were written-off in line with policy in UK Cards and Unsecured Loans. Post write-off recoveries amounted to £32m (2021: £35m). Net write-offs represent gross write-offs less post write-off recoveries and amounted to £593m (2021: £609m).
e. Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £25.5bn (December 2021: £20.4bn) and an impairment allowance of £3m (December 2021: £2m). This comprises £2m (December 2021: £2m) on £25.1bn Stage 1 assets (December 2021: £20.2bn), £1m (December 2021: £0m) on £397m Stage 2 assets (December 2021: £89m) and £0m (December 2021: £0m) on £0m Stage 3 other assets (December 2021: £0m).
f. Refinements to models used for calculation include a £(0.2)bn movement in Credit cards, unsecured loans and retail lending and £(0.5)bn movement in Wholesale loans. These reflect model enhancements 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.
g. 'Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes' reported within Wholesale loans also include assets of £1.3bn de-recognised due to payment received on defaulted loans from government guarantees issued under government's Bounce Back Loans Scheme.

Reconciliation of ECL movement to credit impairment charge/(release) for the year ended 31 December 2022

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Home loans	*6*	*24*	*8*	*38*
Credit cards, unsecured loans and other retail lending	*(32)*	*(273)*	*409*	*104*
Wholesale loans	*(28)*	*92*	*94*	*158*
ECL movement excluding assets derecognised due to disposals and write-offs	*(54)*	*(157)*	*511*	*300*
ECL movement on loan commitments and financial guarantees	2	9	—	11
ECL movement on other financial assets[a]	—	1	—	1
Recoveries and reimbursements[b]	(2)	(2)	(32)	(36)
Total exchange and other adjustments[c]				(9)
Total credit impairment charge for the year				267

Notes
a. Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £25.5bn (December 2021: £20.4bn) and an impairment allowance of £3m (December 2021: £2m). This comprises £2m (December 2021: £2m) on £25.1bn Stage 1 assets (December 2021: £20.2bn), £1m (December 2021: £0m) on £397m Stage 2 assets (December 2021: £89m) and £0m (December 2021: £0m) on £0m Stage 3 other assets (December 2021: £0m)
b. Recoveries and reimbursements include post write off recoveries of £32m and reimbursements expected to be received under the arrangement where the Bank has entered into financial guarantee contracts which provide credit protection over certain assets with third parties of £4m.
c. Includes interest and fees in suspense.

Loan commitments and financial guarantees (audited)

	Stage 1		Stage 2		Stage 3		Total	
Barclays Bank UK PLC	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m
Home loans								
As at 1 January 2022	10,780	—	531	—	3	—	11,314	—
Net transfers between stages	14	—	(18)	—	4	—	—	—
Business activity in the year	8,007	—	—	—	—	—	8,007	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(6,797)	—	(21)	—	(5)	—	(6,823)	—
Limit management and final repayments	(351)	—	(44)	—	—	—	(395)	—
As at 31 December 2022	11,653	—	448	—	2	—	12,103	—
Credit cards, unsecured loans and other retail lending								
As at 1 January 2022	42,183	7	2,462	29	186	—	44,831	36
Net transfers between stages	(1,923)	17	1,713	(17)	210	—	—	—
Business activity in the year	1,398	1	70	2	1	—	1,469	3
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(1,111)	(14)	(323)	29	(78)	—	(1,512)	15
Limit management and final repayments	(1,332)	(2)	(98)	(5)	(83)	—	(1,513)	(7)
As at 31 December 2022	39,215	9	3,824	38	236	—	43,275	47
Wholesale loans								
As at 1 January 2022	3,477	—	147	—	58	—	3,682	—
Net transfers between stages	(313)	—	313	—	—	—	—	—
Business activity in the year	7	—	—	—	—	—	7	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(137)	—	(37)	—	(5)	—	(179)	—
Limit management and final repayments	—	—	(6)	—	—	—	(6)	—
As at 31 December 2022	3,034	—	417	—	53	—	3,504	—

Loans and advances at amortised cost (audited)

Barclays Bank UK Group	Stage 1 Gross £m	Stage 1 ECL £m	Stage 2 Gross £m	Stage 2 ECL £m	Stage 3 Gross £m	Stage 3 ECL £m	Total Gross £m	Total ECL £m
Home loans								
As at 1 January 2021	129,012	27	18,411	32	1,135	45	148,558	104
Transfers from Stage 1 to Stage 2	(7,418)	(2)	7,418	2	—	—	—	—
Transfers from Stage 2 to Stage 1	5,004	11	(5,004)	(11)	—	—	—	—
Transfers to Stage 3	(202)	—	(417)	(4)	619	4	—	—
Transfers from Stage 3	13	—	154	1	(167)	(1)	—	—
Business activity in the year[a]	30,999	5	1,243	5	4	—	32,246	10
Refinements to models used for calculation	—	—	—	—	—	—	—	—
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(7,389)	(29)	(1,065)	2	(146)	23	(8,600)	(4)
Final repayments[b]	(11,149)	(1)	(1,867)	(3)	(278)	(14)	(13,294)	(18)
Disposals[c]	(572)	—	(26)	—	—	—	(598)	—
Write-offs[d]	—	—	—	—	(3)	(3)	(3)	(3)
As at 31 December 2021[e]	138,298	11	18,847	24	1,164	54	158,309	89
Credit cards, unsecured loans and other retail lending								
As at 1 January 2021	11,823	259	4,603	1,411	1,270	957	17,696	2,627
Transfers from Stage 1 to Stage 2	(963)	(36)	963	36	—	—	—	—
Transfers from Stage 2 to Stage 1	2,114	611	(2,114)	(611)	—	—	—	—
Transfers to Stage 3	(208)	(9)	(418)	(203)	626	212	—	—
Transfers from Stage 3	34	21	19	10	(53)	(31)	—	—
Business activity in the year[a]	1,884	24	142	33	24	13	2,050	70
Refinements to models used for calculation[f]	—	(2)	—	(6)	—	14	—	6
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes[g]	(2,345)	(642)	(304)	240	(91)	244	(2,740)	(158)
Final repayments[b]	(889)	(25)	(81)	(20)	(104)	(60)	(1,074)	(105)
Disposals[c]	—	—	—	—	(250)	(183)	(250)	(183)
Write-offs[d]	—	—	—	—	(593)	(593)	(593)	(593)
As at 31 December 2021[e]	11,450	201	2,810	890	829	573	15,089	1,664
Wholesale loans								
As at 1 January 2021	42,073	36	5,064	163	1,407	219	48,544	418
Transfers from Stage 1 to Stage 2	(1,919)	(5)	1,919	5	—	—	—	—
Transfers from Stage 2 to Stage 1	3,479	72	(3,479)	(72)	—	—	—	—
Transfers to Stage 3	(773)	(3)	(213)	(9)	986	12	—	—
Transfers from Stage 3	217	19	262	17	(479)	(36)	—	—
Business activity in the year[a]	8,004	21	100	3	246	26	8,350	50
Refinements to models used for calculation[f]	—	8	—	8	—	—	—	16
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(3,617)	40	(312)	(53)	(203)	18	(4,132)	5
Final repayments[b]	(3,251)	(5)	(359)	(5)	(52)	(5)	(3,662)	(15)
Write-offs[d]	—	—	—	—	(48)	(48)	(48)	(48)
As at 31 December 2021[e]	44,213	183	2,982	57	1,857	186	49,052	426

Notes

a. Business activity in the year does not include additional drawdowns on the existing facility which are reported under 'Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes'.

b. Final repayments include repayment from the facilities 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'.

c. The £598m disposals reported within Home loans relate to transfer of UK Mortgage facilities to a non-consolidated special purpose vehicle for the purpose of securitisation. The £250m disposals reported within Credit cards, unsecured loans and other retail lending portfolio relate to debt sales undertaken during the year.

d. In 2021, gross write-offs amounted to £644m (2020: £607m) and post write-off recoveries of £35m (2020: £31m). Net write-offs represent gross write-off less post write-off recoveries and amounted to £609m (2020: £576m).

e. Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £20.4bn (December 2020: £30.7bn) and an impairment allowance of £3m (December 2020: £15m). This comprises £3m ECL (December 2020: £4m) on £20.4bn Stage 1 assets (December 2020: £30.1bn), £0m (December 2020: £3m) on £89m Stage 2 assets (December 2020: £588m) and £0m (December 2020: £8m) on £0m Stage 3 other assets (December 2020: £10m).

f. Refinements to models used for calculation include a £6m movement in Credit cards, unsecured loans and retail lending and £16m movement 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.

g. Transfers and risk parameter changes include a £0.3bn (2020: £0.6bn) net release in ECL arising from a reclassification of £1.9bn (2020: £2.0bn) gross loans and advances from Stage 2 to Stage 1 in Credit cards, unsecured loans and other retail lending. The reclassification followed a review of back-testing of results which indicated that accuracy of origination probability of default characteristics require management adjustments to correct and was first established in Q220.

Reconciliation of ECL movement to credit impairment charge/(release) for the year ended 31 December 2021

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Home loans	*(16)*	*(8)*	*12*	*(12)*
Credit cards, unsecured loans and other retail lending	*(58)*	*(521)*	*392*	*(187)*
Wholesale loans	*147*	*(106)*	*15*	*56*
ECL movement excluding assets derecognised due to disposals and write-offs	*73*	*(635)*	*419*	*(143)*
ECL movement on loan commitments and financial guarantees	(9)	(248)	—	(257)
ECL movement on other financial assets[a]	—	(1)	(3)	(4)
Recoveries and reimbursements	11	5	(35)	(19)
Total exchange and other adjustments[b]				52
Total credit impairment release for the year				(371)

Notes
a. Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £20.4bn (December 2020: £30.7bn) and an impairment allowance of £3m (December 2020: £15m). This comprises £3m ECL (December 2020: £4m) on £20.4bn Stage 1 assets (December 2020: £30.1bn), £0m (December 2020: £3m) on £89m Stage 2 assets (December 2020: £588m) and £0m (December 2020: £8m) on £0m Stage 3 other assets (December 2020: £10m).
b. Includes interest and fees in suspense.

Loan commitments and financial guarantees (audited)

	Stage 1		Stage 2		Stage 3		Total	
Barclays Bank UK Group	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m
Home loans								
As at 1 January 2021	11,737	—	513	—	1	—	12,251	—
Net transfers between stages	(131)	—	124	—	7	—	—	—
Business activity in the year	7,015	—	—	—	—	—	7,015	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(7,552)	—	(64)	—	(3)	—	(7,619)	—
Limit management and final repayments	(289)	—	(42)	—	(2)	—	(333)	—
As at 31 December 2021	10,780	—	531	—	3	—	11,314	—
Credit cards, unsecured loans and other retail lending								
As at 1 January 2021	44,139	16	5,827	275	196	—	50,162	291
Net transfers between stages	2,759	209	(2,930)	(211)	171	2	—	—
Business activity in the year	468	—	19	—	—	—	487	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(4,294)	(214)	(385)	(28)	(86)	(1)	(4,765)	(243)
Limit management and final repayments	(889)	(4)	(69)	(7)	(95)	(1)	(1,053)	(12)
As at 31 December 2021	42,183	7	2,462	29	186	—	44,831	36
Wholesale loans								
As at 1 January 2021	3,250	—	830	2	67	—	4,147	2
Net transfers between stages	426	1	(422)	(1)	(4)	—	—	—
Business activity in the year	8	—	—	—	—	—	8	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	1	(1)	(173)	—	(5)	—	(177)	(1)
Limit management and final repayments	(208)	—	(88)	(1)	—	—	(296)	(1)
As at 31 December 2021	3,477	—	147	—	58	—	3,682	—

Loans and advances at amortised cost (audited)

Barclays Bank UK PLC	Stage 1 Gross £m	Stage 1 ECL £m	Stage 2 Gross £m	Stage 2 ECL £m	Stage 3 Gross £m	Stage 3 ECL £m	Total Gross £m	Total ECL £m
Home loans								
As at 1 January 2021	129,012	27	18,411	32	1,135	45	148,558	104
Transfers from Stage 1 to Stage 2	(7,418)	(2)	7,418	2	—	—	—	—
Transfers from Stage 2 to Stage 1	5,004	11	(5,004)	(11)	—	—	—	—
Transfers to Stage 3	(202)	—	(417)	(4)	619	4	—	—
Transfers from Stage 3	13	—	154	1	(167)	(1)	—	—
Business activity in the year[a]	30,999	5	1,243	5	4	—	32,246	10
Refinements to models used for calculation	—	—	—	—	—	—	—	—
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(7,389)	(29)	(1,065)	2	(146)	23	(8,600)	(4)
Final repayments[b]	(11,149)	(1)	(1,867)	(3)	(278)	(14)	(13,294)	(18)
Disposals[c]	(572)	—	(26)	—	—	—	(598)	—
Write-offs[d]	—	—	—	—	(3)	(3)	(3)	(3)
As at 31 December 2021[e]	138,298	11	18,847	24	1,164	54	158,309	89
Credit cards, unsecured loans and other retail lending								
As at 1 January 2021	11,823	259	4,603	1,411	1,266	957	17,692	2,627
Transfers from Stage 1 to Stage 2	(963)	(36)	963	36	—	—	—	—
Transfers from Stage 2 to Stage 1	2,114	611	(2,114)	(611)	—	—	—	—
Transfers to Stage 3	(208)	(9)	(418)	(203)	626	212	—	—
Transfers from Stage 3	34	21	19	10	(53)	(31)	—	—
Business activity in the year[a]	1,884	24	142	33	24	13	2,050	70
Refinements to models used for calculation[f]	—	(2)	—	(6)	—	14	—	6
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes[g]	(2,345)	(642)	(304)	241	(89)	243	(2,738)	(158)
Final repayments[b]	(889)	(25)	(81)	(20)	(104)	(60)	(1,074)	(105)
Disposals[c]	—	—	—	—	(250)	(183)	(250)	(183)
Write-offs[d]	—	—	—	—	(593)	(593)	(593)	(593)
As at 31 December 2021[e]	11,450	201	2,810	891	827	572	15,087	1,664
Wholesale loans								
As at 1 January 2021	42,461	36	5,064	163	1,407	219	48,932	418
Transfers from Stage 1 to Stage 2	(1,919)	(5)	1,919	5	—	—	—	—
Transfers from Stage 2 to Stage 1	3,479	72	(3,479)	(72)	—	—	—	—
Transfers to Stage 3	(773)	(3)	(213)	(9)	986	12	—	—
Transfers from Stage 3	217	19	262	17	(479)	(36)	—	—
Business activity in the year[a]	8,004	21	100	3	246	26	8,350	50
Refinements to models used for calculation[f]	—	8	—	8	—	—	—	16
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(3,614)	40	(312)	(53)	(203)	18	(4,129)	5
Final repayments[b]	(3,251)	(5)	(359)	(5)	(52)	(5)	(3,662)	(15)
Disposals	—	—	—	—	—	—	—	—
Write-offs[d]	—	—	—	—	(48)	(48)	(48)	(48)
As at 31 December 2021[e]	44,604	183	2,982	57	1,857	186	49,443	426

Notes

a. Business activity in the year does not include additional drawdowns on the existing facility which are reported under 'Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes'.

b. Final repayments include repayment from the facilities 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'.

c. The £598m disposals reported within Home loans relate to transfer of UK Mortgage facilities to a non-consolidated special purpose vehicle for the purpose of securitisation. The £250m disposals reported within Credit cards, unsecured loans and other retail lending portfolio relate to debt sales undertaken during the year.

d. In 2021, gross write-offs amounted to £644m (2020: £607m) and post write-off recoveries of £35m (2020: £31m). Net write-offs after applying recoveries amounted to £609m (2020: £576m).

e. Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £20.4bn (December 2020: £30.7bn) and an impairment allowance of £2m (December 2020: £12m). This comprises £2m ECL (December 2020: £3m) on £20.4bn Stage 1 assets (December 2020: £30.1bn), £0m (December 2020: £3m) on £89m Stage 2 assets (December 2020: £577m) and £0m (December 2020: £8m) on £0m Stage 3 other assets (December 2020: £10m).

f. Refinements to models used for calculation include a £6m movement in Credit cards, unsecured loans and retail lending and £16m movement 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.

g. Transfers and risk parameter changes include a £0.3bn (2020: £0.6bn) net release in ECL arising from a reclassification of £1.9bn (2020: £2.0bn) gross loans and advances from Stage 2 to Stage 1 in Credit cards, unsecured loans and other retail lending. The reclassification followed a review of back-testing of results which indicated that accuracy of origination probability of default characteristics require management adjustments to correct and was first established in Q220.

Reconciliation of ECL movement to credit impairment charge/(release) for the year ended 31 December 2021

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Home loans	*(16)*	*(8)*	*12*	*(12)*
Credit cards, unsecured loans and other retail lending	*(58)*	*(520)*	*391*	*(187)*
Wholesale loans	*147*	*(106)*	*15*	*56*
ECL movement excluding assets derecognised due to disposals and write-offs	*73*	*(634)*	*418*	*(143)*
ECL movement on loan commitments and financial guarantees	(9)	(248)	—	(257)
ECL movement on other financial assets[a]	-	1	(3)	(2)
Recoveries and reimbursements	12	4	(35)	(19)
Total exchange and other adjustments[b]				52
Total credit impairment release for the year				(369)

Notes

a. Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £20.4bn (December 2020: £30.7bn) and an impairment allowance of £2m (December 2020: £12m). This comprises £2m ECL (December 2020: £3m) on £20.4bn Stage 1 assets (December 2020: £30.1bn), £0m (December 2020: £3m) on £89m Stage 2 assets (December 2020: £577m) and £0m (December 2020: £8m) on £0m Stage 3 other assets (December 2020: £10m).

b. Includes interest and fees in suspense.

Loan commitments and financial guarantees (audited)

Barclays Bank UK PLC	Stage 1 Gross £m	Stage 1 ECL £m	Stage 2 Gross £m	Stage 2 ECL £m	Stage 3 Gross £m	Stage 3 ECL £m	Total Gross £m	Total ECL £m
Home loans								
As at 1 January 2021	11,737	—	513	—	1	—	12,251	—
Net transfers between stages	(131)	—	124	—	7	—	—	—
Business activity in the year	7,015	—	—	—	—	—	7,015	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(7,552)	—	(64)	—	(3)	—	(7,619)	—
Limit management and final repayments	(289)	—	(42)	—	(2)	—	(333)	—
As at 31 December 2021	10,780	—	531	—	3	—	11,314	—
Credit cards, unsecured loans and other retail lending								
As at 1 January 2021	44,139	16	5,827	275	196	—	50,162	291
Net transfers between stages	2,759	209	(2,930)	(211)	171	2	—	—
Business activity in the year	468	—	19	—	—	—	487	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(4,294)	(214)	(385)	(28)	(86)	(1)	(4,765)	(243)
Limit management and final repayments	(889)	(4)	(69)	(7)	(95)	(1)	(1,053)	(12)
As at 31 December 2021	42,183	7	2,462	29	186	—	44,831	36
Wholesale loans								
As at 1 January 2021	3,335	—	830	2	67	—	4,232	2
Net transfers between stages	426	1	(422)	(1)	(4)	—	—	—
Business activity in the year	8	—	—	—	—	—	8	—
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(84)	(1)	(173)	—	(5)	—	(262)	(1)
Limit management and final repayments	(208)	—	(88)	(1)	—	—	(296)	(1)
As at 31 December 2021	3,477	—	147	—	58	—	3,682	—

Stage 2 decomposition

Loans and advances at amortised cost[a]	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	**9,242**	**8,159**	**437**	**17,838**	**27**	**17**	**4**	**48**
Credit cards, unsecured loans and other retail lending	**2,701**	**760**	**4**	**3,465**	**518**	**99**	**1**	**618**
Wholesale loans	**5,591**	**847**	**2**	**6,440**	**132**	**14**	**3**	**149**
Total Stage 2	**17,534**	**9,766**	**443**	**27,743**	**677**	**130**	**8**	**815**

Loans and advances at amortised cost[a]	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 2021	£m	£m	£m	£m	£m	£m	£m	£m
Home Loans	11,467	6,817	563	18,847	15	6	3	24
loans and other retail lending	2,382	402	26	2,810	853	35	2	890
Wholesale loans	1,923	1,057	2	2,982	49	7	1	57
Total Stage 2	15,772	8,276	591	24,639	917	48	6	971

Note
a Where balances satisfy more than one of the above three criteria for determining a significant increase in credit risk, the corresponding gross 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 (including watchlist) for the portfolio under the qualitative test. Qualitative tests include £8.2bn (2021: £6.8bn) relating to UK Home Finance, £0.8bn (2021: £1.0bn) relating to Business Banking and £0.5bn (2021: £0.2bn) relating to Barclaycard UK.

A small number of other accounts (1.0% of impairment allowances and 1.6% 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. The percentage triggered by these backstop criteria is a measure of the effectiveness of the Stage 2 criteria in identifying deterioration prior to delinquency.

For further detail on the three criteria for determining a significant increase in credit risk required for Stage 2 classification, refer to Note 8 on page 170.

Stage 3 decomposition

Loans and advances at amortised cost	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
As at 31 December 2022	£m	£m	£m	£m	£m	£m
Home Loans	1,201	235	1,436	51	7	58
Credit cards, unsecured loans and other retail lending	291	123	414	194	53	247
Wholesale loans	1,425	207	1,632	109	141	250
Total Stage 3	2,917	565	3,482	354	201	555

Loans and advances at amortised cost	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
As at 31 December 2021	£m	£m	£m	£m	£m	£m
Home Loans	885	279	1,164	44	10	54
Credit cards, unsecured loans and other retail lending	337	492	829	175	398	573
Wholesale loans	1,758	99	1,857	113	73	186
Total Stage 3	2,980	870	3,850	332	481	813

Notes
a Includes £1.8bn (2021: £2.2bn) 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. Stage 3 exposures have reduced compared to 2021 driven by de-recognition of defaulted Wholesale Bounce Back Loans and Cards and Unsecured balances with de minimis recovery expectations, offset by on-going flows into default. In Home Loans, the increase is driven by adoption of the new definition of default under the Capital Requirements Regulation.

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]

	Impairment allowance pre management adjustments[b]	Economic uncertainty adjustments	Other adjustments	Management adjustments	Total impairment allowance[c]	Proportion of Management adjustments to total impairment allowance
		(a)	(b)	(a+b)		
As at 31 December 2022	£m	£m	£m	£m	£m	%
Home loans	34	4	85	89	123	72.4
Credit cards, unsecured loans and other retail lending	875	114	93	207	1,082	19.1
Wholesale loans	323	100	130	230	553	41.6
Total	**1,232**	**218**	**308**	**526**	**1,758**	**29.9**
As at 31 December 2021	£m	£m	£m	£m	£m	%
Home loans	20	38	31	69	89	77.5
Credit cards, unsecured loans and other retail lending	1,328	437	(65)	372	1,700	21.9
Wholesale loans	547	159	(280)	(121)	426	(28.4)
Total	**1,895**	**634**	**(314)**	**320**	**2,215**	**14.4**

Economic uncertainty adjustments presented by stage (audited)

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2022	£m	£m	£m	£m
Home loans	1	3	—	4
Credit cards, unsecured loans and other retail lending	22	91	1	114
Wholesale loans	84	16	—	100
Total	**107**	**110**	**1**	**218**
	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2021	£m	£m	£m	£m
Home loans	5	12	21	38
Credit cards, unsecured loans and other retail lending	29	405	3	437
Wholesale loans	157	2	—	159
Total	**191**	**419**	**24**	**634**

Notes
a. Positive values reflect an increase in impairment allowance and negative values reflect a reduction in the impairment allowance.
b. Includes £1.1bn (December 2021: £1.8bn) of modelled ECL, £0.1bn (December 2021: £0.1bn) of individually assessed impairments and £0.05bn (December 2021 £0bn) ECL from non-modelled exposures.
c. Total impairment allowance consists of ECL stock on drawn and undrawn exposure.

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 used to try 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 £218m (FY21: £634m) and includes:

Customer and client uncertainty provisions of £228m (FY21: £594m) includes:

- **Credit cards, unsecured loans and other retail lending** includes an adjustment of £114m (FY21: £437m) which has been applied to customers and clients considered most vulnerable to affordability pressures. This adjustment is predominantly held in Stage 2 in line with customer risk profiles.

  The decrease in the adjustment of £(323)m is informed by the release of COVID-19 related adjustments as credit performance stabilises at or below pre-pandemic levels which is reflected in the models. PMAs are in place for the anticipated stress arising from the cost-of-living crisis.

- **Wholesale loans:** £110m (FY21: £157m) includes an adjustment of £92m to reflect possible cross default risk on Barclays' lending in respect of clients who have taken bounce back loans and £18m 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 of £(10)m (FY21: £40m) includes:

- **Wholesale loans:** £(10)m (FY21: £2m) includes an adjustment to correct for the deterioration in wholesale PDs impacted by model over-sensitivity to certain macroeconomic variables.

- Management adjustments of £38m within **home loans** in 2021 primarily comprised of a now retired adjustment, reflecting the non-linearity of the UK mortgages portfolio in order to generate a more appropriate level of predicted results.

Other adjustments

Other adjustments are operational in nature and are expected to remain in place until they can be reflected 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 £308m (FY21: £(314)m) includes:

- **Home loans:** £86m (FY21: £31m) primarily includes adjustments for model performance informed by model monitoring and an adjustment for the adoption of the new definition of default under the Capital Requirements Regulation.

- **Credit cards, unsecured loans and other retail lending:** £93m (FY21: £(65)m) primarily includes an adjustment for adoption of the new definition of default under the Capital Requirements Regulation, partially offset by a recalibration of Loss Given Default (LGD) to reflect revised recovery expectations.

  The £(65)m adjustments held in FY21 primarily included an adjustment for reclassification of loans and advances from Stage 2 to Stage 1 in credit cards. The reclassification followed a review of back-testing results which indicated that accuracy of origination probability of default characteristics require management adjustment. This was partially offset by adjustments for model performance informed by model monitoring. These adjustments are no longer required due to model enhancements made during the year.

- **Wholesale loans:** £130m (FY21: £(280)m) primarily includes adjustment for the adoption of the new definition of default under the Capital Requirements Regulation and adjustment for model performance informed by model monitoring.

  Management adjustments of £(280)m within wholesale loans in 2021 consisted of an adjustment of £(380)m applied on bounce back loans to reverse out the modelled charge which did not consider the government guarantee. This adjustment is no longer needed due to model enhancements made during the year.

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 Barclays Bank UK Group uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury (short and medium term forecasts) and Bloomberg (based on median of economic 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 the 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 rate), 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 Barclays Bank UK Group'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 the UK, as inflation pressures continue to squeeze household income, along with significant monetary policy tightening, contribute to lower growth prospects. UK GDP is expected to continue falling into 2023. Slight increases in the UK unemployment rate are expected, peaking at 4.9% in Q423. The Bank of England continues raising interest rates, peaking in 2023, 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. The Bank of England is forced to raise interest rates sharply with the UK bank rate reaching 8%. Unemployment peaks at 8.5%. 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, the Bank of England lowers interest rates to support the economic recovery.

The methodology for estimating scenario probability weights involves simulating a range of future paths for UK and US GDP using historical data with 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 equate to 100%. The same scenarios used in the estimation of expected credit losses are also used to inform the Barclays Bank UK Group'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 95.

The economic uncertainty adjustments of £218m (2021: £634m) have been applied as overlays to the modelled ECL output. These adjustments consist of a customer and client uncertainty provision of £228m (2021: £594m) which has been applied to customers and clients considered most vulnerable to affordability pressures, and a model uncertainty adjustment of £(10m) (2021: £40m). For further details see page 92.

The tables below show the key UK 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 %
UK GDP[a]	3.3	(0.8)	0.9	1.8	1.9
UK unemployment[b]	3.7	4.5	4.4	4.1	4.2
UK HPI[c]	8.4	(4.7)	(1.7)	2.2	2.2
UK bank rate	1.8	4.4	4.1	3.8	3.4

As at 31 December 2021	2021 %	2022 %	2023 %	2024 %	2025 %
UK GDP[a]	6.2	4.9	2.3	1.9	1.7
UK unemployment[b]	4.8	4.7	4.5	4.3	4.2
UK HPI[c]	4.7	1.0	1.9	1.9	2.3
UK bank rate	0.1	0.8	1.0	1.0	0.8

Downside 2 average macroeconomic variables used in the calculation of ECL

As at 31 December 2022	2022 %	2023 %	2024 %	2025 %	2026 %
UK GDP[a]	3.3	(3.4)	(3.8)	2.0	2.3
UK unemployment[b]	3.7	6.0	8.4	8.0	7.4
UK HPI[c]	8.4	(18.3)	(18.8)	(7.7)	8.2
UK bank rate	1.8	7.3	7.9	6.6	5.5

As at 31 December 2021	2021 %	2022 %	2023 %	2024 %	2025 %
UK GDP[a]	6.2	0.2	(4.0)	2.8	4.3
UK unemployment[b]	4.8	7.2	9.0	7.6	6.3
UK HPI[c]	4.7	(14.3)	(21.8)	11.9	15.2
UK bank rate	0.1	2.2	3.9	3.1	2.2

Downside 1 average macroeconomic variables used in the calculation of ECL

As at 31 December 2022	2022 %	2023 %	2024 %	2025 %	2026 %
UK GDP[a]	3.3	(2.1)	(1.5)	1.9	2.1
UK unemployment[b]	3.7	5.2	6.4	6.0	5.8
UK HPI[c]	8.4	(11.7)	(10.6)	(2.8)	5.2
UK bank rate	1.8	5.9	6.1	5.3	4.6

As at 31 December 2021	2021 %	2022 %	2023 %	2024 %	2025 %
UK GDP[a]	6.2	2.8	(0.7)	2.3	2.9
UK unemployment[b]	4.8	6.2	6.8	6.0	5.3
UK HPI[c]	4.7	(6.8)	(10.5)	6.9	8.6
UK bank rate	0.1	1.6	2.7	2.3	1.6

Upside 2 average macroeconomic variables used in the calculation of ECL

As at 31 December 2022	2022 %	2023 %	2024 %	2025 %	2026 %
UK GDP[a]	3.3	2.8	3.7	2.9	2.4
UK unemployment[b]	3.7	3.5	3.4	3.4	3.4
UK HPI[c]	8.4	8.7	7.5	4.4	4.2
UK bank rate	1.8	3.1	2.6	2.5	2.5

As at 31 December 2021	2021 %	2022 %	2023 %	2024 %	2025 %
UK GDP[a]	6.2	7.2	4.0	2.7	2.1
UK unemployment[b]	4.8	4.5	4.1	4.0	4.0
UK HPI[c]	4.7	8.5	9.0	5.2	4.2
UK bank rate	0.1	0.2	0.5	0.5	0.3

Upside 1 average macroeconomic variables used in the calculation of ECL

As at 31 December 2022	2022 %	2023 %	2024 %	2025 %	2026 %
UK GDP[a]	3.3	1.0	2.3	2.4	2.1
UK unemployment[b]	3.7	4.0	3.9	3.8	3.8
UK HPI[c]	8.4	1.8	2.9	3.3	3.2
UK bank rate	1.8	3.5	3.3	3.0	2.8

As at 31 December 2021	2021 %	2022 %	2023 %	2024 %	2025 %
UK GDP[a]	6.2	6.0	3.1	2.3	1.9
UK unemployment[b]	4.8	4.6	4.3	4.2	4.1
UK HPI[c]	4.7	5.0	5.0	3.9	3.3
UK bank rate	0.1	0.6	0.8	0.8	0.5

Notes
a Average Real GDP seasonally adjusted change in year.
b Average UK unemployment rate 16-year+.
c Change in year end UK HPI = Halifax All Houses, All Buyers index, relative to prior year end.

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 93.

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) (audited)[a]

	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
As at 31 December 2022					
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 HPI[d]	37.8	21.0	1.2	(17.9)	(35.0)
UK bank rate[c]	0.5	0.5	3.5	6.3	8.0
As at 31 December 2021					
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 HPI[d]	35.7	23.8	2.4	(12.7)	(29.9)
UK bank rate[c]	0.1	0.1	0.7	2.8	4.0

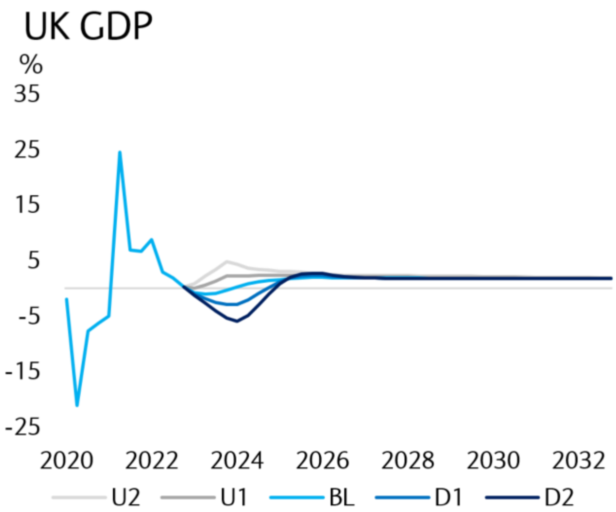
Average basis represents the average quarterly value of variables in the 20 quarter period with GDP and HPI based on yearly average and quarterly CAGRs respectively.

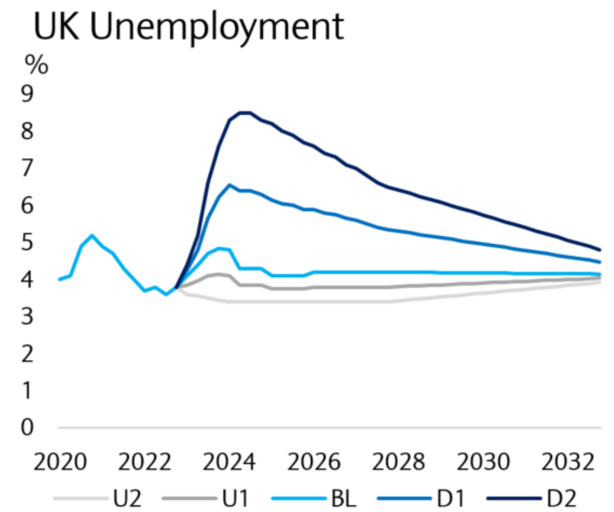
Macroeconomic variables used in the calculation of ECL (5-year averages) (audited)[a]

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
As at 31 December 2022					
UK GDP[e]	3.0	2.2	1.4	0.7	0.0
UK unemployment[f]	3.5	3.8	4.2	5.4	6.7
UK HPI[g]	6.6	3.9	1.2	(2.6)	(6.4)
UK bank rate[f]	2.5	2.9	3.5	4.7	5.8
As at 31 December 2021					
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 HPI[g]	6.3	4.4	2.4	0.3	(2.0)
UK bank rate[f]	0.3	0.5	0.7	1.7	2.3

Notes
a UK GDP = Real GDP growth seasonally adjusted; UK unemployment = UK unemployment rate 16-year+; UK HPI = Halifax All Houses, All Buyers Index. 20 quarter period starts from Q121 (2021: Q120).
b Maximum growth relative to Q420 (2021: Q419), based on 20 quarter period in Upside scenarios; 5-year yearly average CAGR in Baseline; minimum growth relative to Q420 (2021: Q419), based on 20 quarter period in Downside scenarios.
c Lowest quarter in Upside scenarios; 5-year average in Baseline; highest quarter in Downside scenarios. Period based on 20 quarters from Q121 (2021: Q120).
d Maximum growth relative to Q420 (2021: Q419), based on 20 quarter period in Upside scenarios; 5-year quarter end CAGR in Baseline; minimum growth relative to Q420 (2021: Q419), based on 20 quarter period in Downside scenarios.
e 5-year yearly average CAGR, starting 2020 (2021: 2019).
f 5-year average. Period based on 20 quarters from Q121 (2021: Q120).
g 5-year quarter end CAGR, starting Q420 (2021: Q419).

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





GDP growth based on year on year growth each quarter (Q/(Q-4)).

ECL under 100% weighted scenarios for modelled portfolios (audited)

The table below shows the ECL assuming 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.

	Scenarios					
As at 31 December 2022	Weighted[a]	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
Stage 1 Model exposure (£m)						
Home loans	141,079	144,102	143,231	141,695	139,005	135,062
Credit cards, unsecured loans and other retail lending[b]	23,792	24,451	24,145	23,795	23,344	22,829
Wholesale loans	19,362	23,328	21,554	19,422	17,359	15,431
Stage 1 Model ECL (£m)						
Home loans	4	—	—	1	6	26
Credit cards, unsecured loans and other retail lending	146	138	143	147	149	148
Wholesale loans	38	25	31	35	44	52
Stage 1 Coverage (%)						
Home loans	—	—	—	—	—	—
Credit cards, unsecured loans and other retail lending	0.6	0.6	0.6	0.6	0.6	0.6
Wholesale loans	0.2	0.1	0.1	0.2	0.3	0.3
Stage 2 Model exposure (£m)						
Home loans	18,470	15,447	16,319	17,854	20,544	24,487
Credit cards, unsecured loans and other retail lending[b]	4,504	3,678	4,062	4,495	5,076	5,737
Wholesale loans	6,784	2,819	4,593	6,725	8,787	10,715
Stage 2 Model ECL (£m)						
Home loans	9	—	1	1	11	107
Credit cards, unsecured loans and other retail lending	605	443	517	605	727	862
Wholesale loans	83	32	52	80	127	196
Stage 2 Coverage (%)						
Home loans	—	—	—	—	0.1	0.4
Credit cards, unsecured loans and other retail lending	13.4	12.0	12.7	13.5	14.3	15.0
Wholesale loans	1.2	1.1	1.1	1.2	1.4	1.8
Stage 3 Model exposure (£m)[c]						
Home loans	970	970	970	970	970	970
Credit cards, unsecured loans and other retail lending	379	379	379	379	379	379
Wholesale loans	2,855	2,855	2,855	2,855	2,855	2,855
Stage 3 Model ECL (£m)						
Home loans	13	3	4	6	19	68
Credit cards, unsecured loans and other retail lending	114	105	110	115	118	121
Wholesale loans[d]	49	45	47	49	57	64
Stage 3 Coverage (%)						
Home loans	1.3	0.3	0.4	0.6	2.0	7.0
Credit cards, unsecured loans and other retail lending	30.1	27.7	29.0	30.3	31.1	31.9
Wholesale loans[d]	1.7	1.6	1.6	1.7	2.0	2.2
Total Model ECL (£m)						
Home loans	26	3	5	8	36	201
Credit cards, unsecured loans and other retail lending	865	686	770	867	994	1,131
Wholesale loans[d]	170	102	130	164	228	312
Total ECL	1,061	791	905	1,039	1,258	1,644

Reconciliation to total ECL		£m
Total weighted model ECL		**1,061**
ECL from individually assessed impairments[d]		**118**
ECL from non-modelled and others		**53**
ECL from post model management adjustments		**526**
Of which: ECL from economic uncertainty adjustments	***218***	
Total ECL		**1,758**

Note
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 31st December 2022 and not on macroeconomic scenario.
d Material wholesale loan defaults are individually assessed across different recovery strategies. As a result, ECL of £118m is reported as an individually assessed impairment in the reconciliation table.

The use of five scenarios with associated weightings results in a total weighted ECL uplift from the Baseline ECL of 2.1%.

Home loans: Total weighted ECL of £26m represents a £18m increase over the Baseline ECL (£8m), with coverage ratios remaining steady across the Upside scenarios, Baseline and Downside 1 scenario. Under the Downside 2 scenarios, total ECL increases to £201m, driven by a significant fall in UK HPI (18.3%) in 2023 reflecting the non-linearity of the UK portfolio.

Credit cards, unsecured loans and other retail lending: Total weighted ECL of £865m is aligned to the Baseline ECL (£867m). 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 £1,131m under the Downside 2 scenario, mainly driven by significant increase in UK unemployment rate to 6% in 2023.

Wholesale loans: Total weighted ECL of £170m represents a 3.7% increase over the Baseline ECL (£164m). Total ECL increases to £312m under Downside 2 scenario, driven by a significant decrease in UK GDP to (3.4%) in 2023.

As at 31 December 2021	Scenarios					
	Weighted[a]	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
Stage 1 Model exposure (£m)						
Home loans	133,373	135,202	134,513	133,656	131,660	129,174
Credit cards, unsecured loans and other retail lending[b]	24,120	24,554	24,419	24,291	23,433	22,793
Wholesale loans	31,446	32,357	32,086	31,485	29,412	26,235
Stage 1 Model ECL (£m)						
Home loans	2	—	—	1	3	11
Credit cards, unsecured loans and other retail lending	95	101	99	97	87	77
Wholesale loans	71	50	62	70	77	69
Stage 1 Coverage (%)						
Home loans	—	—	—	—	—	—
Credit cards, unsecured loans and other retail lending	0.4	0.4	0.4	0.4	0.4	0.3
Wholesale loans	0.2	0.2	0.2	0.2	0.3	0.3
Stage 2 Model exposure (£m)						
Home loans	22,686	20,858	21,547	22,404	24,400	26,886
Credit cards, unsecured loans and other retail lending[b]	5,175	4,644	4,807	4,969	6,063	6,910
Wholesale loans	3,133	2,222	2,492	3,094	5,166	8,344
Stage 2 Model ECL (£m)						
Home loans	2	—	—	1	4	23
Credit cards, unsecured loans and other retail lending	744	656	689	720	891	1,008
Wholesale loans	66	37	47	66	139	281
Stage 2 Coverage (%)						
Home loans	—	—	—	—	—	0.1
Credit cards, unsecured loans and other retail lending	14.4	14.1	14.3	14.5	14.7	14.6
Wholesale loans	2.1	1.7	1.9	2.1	2.7	3.4
Stage 3 Model exposure (£m)[c]						
Home loans	1,114	1,114	1,114	1,114	1,114	1,114
Credit cards, unsecured loans and other retail lending	861	861	861	861	861	861
Wholesale loans	1,811	1,811	1,811	1,811	1,811	1,811
Stage 3 Model ECL (£m)						
Home loans	6	2	3	4	10	27
Credit cards, unsecured loans and other retail lending	533	526	530	534	541	549
Wholesale loans[d]	323	321	322	323	326	332
Stage 3 Coverage (%)						
Home loans	0.5	0.2	0.3	0.4	0.9	2.4
Credit cards, unsecured loans and other retail lending	61.9	61.1	61.6	62.0	62.8	63.8
Wholesale loans[d]	17.8	17.7	17.8	17.8	18.0	18.3
Total Model ECL (£m)						
Home loans	10	2	3	6	17	61
Credit cards, unsecured loans and other retail lending	1,372	1,283	1,318	1,351	1,519	1,634
Wholesale loans[d]	460	408	431	459	542	682
Total ECL	1,842	1,693	1,752	1,816	2,078	2,377

Reconciliation to total ECL		£m
Total model ECL		1,842
ECL from individually assessed impairments[d]		61
ECL from non-modelled and others		(8)
ECL from post model management adjustments[e]		320
Of which: ECL from economic uncertainty adjustments	*634*	
Total ECL		2,215

Note
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 31st December 2021 and not on macroeconomic scenario.
d Material wholesale loan defaults are individually assessed across different recovery strategies. As a result, ECL of £61m is reported as an individually assessed impairment in the reconciliation table.
e Post Model Adjustments include negative adjustments reflecting operational post model adjustments.

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. Barclays Bank UK Group implements limits on concentrations in order to mitigate the risk. The analysis of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged. Further detail on Barclays Bank UK Group's policies with regard to managing concentration risk is presented in the Barclays Bank UK PLC Pillar 3 report (unaudited).

Geographic concentrations

As at 31 December 2022, the geographic concentration of Barclays Bank UK Group's asset remained broadly consistent with 2021. Exposure concentrated in the UK was 92% (2021: 94%).

Credit risk concentrations by geography (audited)

Barclays Bank UK Group	United Kingdom £m	Americas £m	Europe £m	Asia £m	Africa and Middle East £m	Total £m
As at 31 December 2022						
On-balance sheet:						
Cash and balances at central banks	54,208	—	—	—	—	54,208
Cash collateral and settlement balances	4,909	69	94	122	—	5,194
Loans and advances at amortised cost	210,651	1,608	1,064	9,611	273	223,207
Reverse repurchase agreements and other similar secured lending	426	—	51	—	—	477
Trading portfolio assets	—	9	45	—	—	54
Financial assets at fair value through the income statement	1,979	—	—	—	—	1,979
Derivative financial instruments	603	5	2	1	—	611
Financial assets at fair value through other comprehensive income	2,463	7,716	2,913	6,843	35	19,970
Other assets	288	—	—	—	—	288
Total on-balance sheet	275,527	9,407	4,169	16,577	308	305,988
Off-balance sheet:						
Contingent liabilities	810	—	—	—	—	810
Loan commitments	58,022	13	13	13	11	58,072
Total off-balance sheet	58,832	13	13	13	11	58,882
Total	334,359	9,420	4,182	16,590	319	364,870
As at 31 December 2021						
On-balance sheet:						
Cash and balances at central banks	69,488	—	—	—	—	69,488
Cash collateral and settlement balances	4,751	197	69	50	—	5,067
Loans and advances at amortised cost	212,019	880	757	6,336	279	220,271
Reverse repurchase agreements and other similar secured lending	15	—	50	—	—	65
Trading portfolio assets	77	62	30	—	—	169
Financial assets at fair value through the income statement	2,767	—	—	—	—	2,767
Derivative financial instruments	869	19	2	—	—	890
Financial assets at fair value through other comprehensive income	3,138	6,640	3,632	1,498	37	14,945
Other assets	316	—	—	—	—	316
Total on-balance sheet	293,440	7,798	4,540	7,884	316	313,978
Off-balance sheet:						
Contingent liabilities	590	—	—	—	—	590
Loan commitments	59,101	34	49	35	18	59,237
Total off-balance sheet	59,691	34	49	35	18	59,827
Total	353,131	7,832	4,589	7,919	334	373,805

Credit risk concentrations by geography (audited)

Barclays Bank UK PLC	United Kingdom £m	Americas £m	Europe £m	Asia £m	Africa and Middle East £m	Total £m
As at 31 December 2022						
On-balance sheet:						
Cash and balances at central banks	**54,208**	**—**	**—**	**—**	**—**	**54,208**
Cash collateral and settlement balances	**4,850**	**69**	**95**	**122**	**—**	**5,136**
Loans and advances at amortised cost	**211,480**	**1,608**	**1,064**	**9,611**	**273**	**224,036**
Reverse repurchase agreements and other similar secured lending	**426**	**—**	**51**	**—**	**—**	**477**
Trading portfolio assets	**—**	**9**	**45**	**—**	**—**	**54**
Financial assets at fair value through the income statement	**1,979**	**—**	**—**	**—**	**—**	**1,979**
Derivative financial instruments	**604**	**5**	**2**	**—**	**—**	**611**
Financial assets at fair value through other comprehensive income	**2,463**	**7,716**	**2,913**	**6,843**	**35**	**19,970**
Other assets	**284**	**—**	**—**	**—**	**—**	**284**
Total on-balance sheet	**276,294**	**9,407**	**4,170**	**16,576**	**308**	**306,755**
Off-balance sheet:						
Contingent liabilities	**810**	**—**	**—**	**—**	**—**	**810**
Loan commitments	**58,022**	**13**	**13**	**13**	**11**	**58,072**
Total off-balance sheet	**58,832**	**13**	**13**	**13**	**11**	**58,882**
Total	**335,126**	**9,420**	**4,183**	**16,589**	**319**	**365,637**
As at 31 December 2021						
On-balance sheet:						
Cash and balances at central banks	69,488	—	—	—	—	69,488
Cash collateral and settlement balances	4,670	197	69	50	—	4,986
Loans and advances at amortised cost	212,408	880	757	6,336	279	220,660
Reverse repurchase agreements and other similar secured lending	15	—	50	—	—	65
Trading portfolio assets	77	62	30	—	—	169
Financial assets at fair value through the income statement	2,767	—	—	—	—	2,767
Derivative financial instruments	869	19	2	—	—	890
Financial assets at fair value through other comprehensive income	3,138	6,640	3,632	1,498	37	14,945
Other assets	316	—	—	—	—	316
Total on-balance sheet	293,748	7,798	4,540	7,884	316	314,286
Off-balance sheet:						
Contingent liabilities	590	—	—	—	—	590
Loan commitments	59,101	34	49	35	18	59,237
Total off-balance sheet	59,691	34	49	35	18	59,827
Total	353,439	7,832	4,589	7,919	334	374,113

Industry concentrations

As at 31 December 2022, total assets concentrated in home loans is 48% (2021: 45%) and cards, unsecured loans and other personal lending is 16% (2021: 16%). The proportion of the overall balance concentrated towards governments and central banks is 24% (2021: 26%), predominantly within cash and balances at central banks. Further details on material existing and emerging risks can be found on pages 46 to 58.

Credit risk concentrations by industry (audited)

Barclays Bank UK Group	Banks	Other financial insti-tutions	Manu-facturing	Const-ruction and property	Govern-ment and central bank	Energy and water	Wholesale and retail distribution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
As at 31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
On-balance sheet:												
Cash and balances at central banks	56	63	—	—	54,089	—	—	—	—	—	—	54,208
Cash collateral and settlement balances	574	38	—	—	4,526	—	—	1	—	55	—	5,194
Loans and advances at amortised cost	1,294	6,500	678	9,569	16,159	85	3,198	4,848	162,426	13,882	4,568	223,207
Reverse repurchase agreements and other similar secured lending	477	—	—	—	—	—	—	—	—	—	—	477
Trading portfolio assets	34	—	—	—	20	—	—	—	—	—	—	54
Financial assets at fair value through the income statement	—	—	—	1,816	8	—	—	152	—	—	3	1,979
Derivative financial instruments	469	142	—	—	—	—	—	—	—	—	—	611
Financial assets at fair value through other comprehensive income	4,912	1,474	—	166	13,311	—	—	—	—	—	107	19,970
Other assets	241	6	—	3	—	—	1	2	17	17	1	288
Total on-balance sheet	8,057	8,223	678	11,554	88,113	85	3,199	5,003	162,443	13,954	4,679	305,988
Off-balance sheet:												
Contingent liabilities	—	—	—	—	810	—	—	—	—	—	—	810
Loan commitments	100	11	143	711	—	12	396	459	12,103	43,274	863	58,072
Total off-balance sheet	100	11	143	711	810	12	396	459	12,103	43,274	863	58,882
Total	8,157	8,234	821	12,265	88,923	97	3,595	5,462	174,546	57,228	5,542	364,870
As at 31 December 2021												
On-balance sheet:												
Cash and balances at central banks	24	73	—	—	69,391	—	—	—	—	—	—	69,488
Cash collateral and settlement balances	816	329	—	—	3,842	—	—	12	—	68	—	5,067
Loans and advances at amortised cost	779	4,953	880	12,008	15,365	101	4,188	5,231	158,220	13,314	5,232	220,271
Reverse repurchase agreements and other similar secured lending	65	—	—	—	—	—	—	—	—	—	—	65
Trading portfolio assets	29	—	—	49	91	—	—	—	—	—	—	169
Financial assets at fair value through the income statement	—	—	—	2,554	10	—	—	200	—	—	3	2,767
Derivative financial instruments	566	324	—	—	—	—	—	—	—	—	—	890
Financial assets at fair value through other comprehensive income	4,499	1,302	—	148	8,897	—	—	13	—	—	86	14,945
Other assets	251	46	—	3	—	—	—	—	—	16	—	316
Total on-balance sheet	7,029	7,027	880	14,762	97,596	101	4,188	5,456	158,220	13,398	5,321	313,978
Off-balance sheet:												
Contingent liabilities	—	—	—	—	590	—	—	—	—	—	—	590
Loan commitments	100	27	154	921	2	13	427	474	11,314	44,827	978	59,237
Total off-balance sheet	100	27	154	921	592	13	427	474	11,314	44,827	978	59,827
Total	7,129	7,054	1,034	15,683	98,188	114	4,615	5,930	169,534	58,225	6,299	373,805

Credit risk concentrations by industry (audited)

Barclays Bank UK PLC	Banks	Other financial insti-tutions	Manu-facturing	Const-ruction and property	Govern-ment and central bank	Energy and water	Wholesale and retail distribution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
As at 31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
On-balance sheet:												
Cash and balances at central banks	56	63	—	—	54,089	—	—	—	—	—	—	54,208
Cash collateral and settlement balances	573	37	—	—	4,526	—	—	—	—	—	—	5,136
Loans and advances at amortised cost	1,969	6,717	678	9,569	16,159	85	3,198	4,847	162,354	13,882	4,578	224,036
Reverse repurchase agreements and other similar secured lending	477	—	—	—	—	—	—	—	—	—	—	477
Trading portfolio assets	34	—	—	—	20	—	—	—	—	—	—	54
Financial assets at fair value through the income statement	—	—	—	1,816	8	—	—	152	—	—	3	1,979
Derivative financial instruments	458	153	—	—	—	—	—	—	—	—	—	611
Financial assets at fair value through other comprehensive income	4,912	1,474	—	166	13,311	—	—	—	—	—	107	19,970
Other assets	243	4	—	3	—	—	1	2	17	13	1	284
Total on-balance sheet	8,722	8,448	678	11,554	88,113	85	3,199	5,001	162,371	13,895	4,689	306,755
Off-balance sheet:												
Contingent liabilities	—	—	—	—	810	—	—	—	—	—	—	810
Loan commitments	100	11	143	711	—	12	396	459	12,103	43,274	863	58,072
Total off-balance sheet	100	11	143	711	810	12	396	459	12,103	43,274	863	58,882
Total	8,822	8,459	821	12,265	88,923	97	3,595	5,460	174,474	57,169	5,552	365,637
As at 31 December 2021												
On-balance sheet:												
Cash and balances at central banks	24	73	—	—	69,391	—	—	—	—	—	—	69,488
Cash collateral and settlement balances	816	328	—	—	3,842	—	—	—	—	—	—	4,986
Loans and advances at amortised cost	1,088	5,035	880	12,008	15,365	101	4,188	5,231	158,246	13,311	5,207	220,660
Reverse repurchase agreements and other similar secured lending	65	—	—	—	—	—	—	—	—	—	—	65
Trading portfolio assets	30	—	—	49	90	—	—	—	—	—	—	169
Financial assets at fair value through the income statement	—	—	—	2,554	10	—	—	200	—	—	3	2,767
Derivative financial instruments	483	407	—	—	—	—	—	—	—	—	—	890
Financial assets at fair value through other comprehensive income	4,498	1,302	—	148	8,898	—	—	13	—	—	86	14,945
Other assets	249	52	—	3	—	—	—	—	—	12	—	316
Total on-balance sheet	7,253	7,197	880	14,762	97,596	101	4,188	5,444	158,246	13,323	5,296	314,286
Off-balance sheet:												
Contingent liabilities	—	—	—	—	590	—	—	—	—	—	—	590
Loan commitments	100	27	154	921	2	13	427	474	11,315	44,826	978	59,237
Total off-balance sheet	100	27	154	921	592	13	427	474	11,315	44,826	978	59,827
Total	7,353	7,224	1,034	15,683	98,188	114	4,615	5,918	169,561	58,149	6,274	374,113

The Barclays Bank UK Group'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 in the Expected Credit Losses section on pages 78 to 88.

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

PD Range %	Internal DG Band	Default Probability >Min	Mid	<=Max	Credit Quality description	Moody's	Standard and Poor's
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	A+
	4	0.05%	0.08%	0.10%		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%		Baa2	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	BB
0.75 to < 2.50	12	0.75%	0.98%	1.20%	Satisfactory	Ba2	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	Caa2	CCC+
	20	11.35%	15.00%	18.65%		Caa2	CCC
	21	18.65%	30.00%	99.99%		Caa3, Ca, C	CCC-,
100.00 (Default)	22	100%			Credit Impaired	D	D

For retail clients, a range of analytical tools are 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 Barclays Bank UK Group, the asset may not be collateralised, or may relate to unsecured retail facilities. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of deterioration, mortgages with a high loan to value, and unsecured retail loans operating outside normal product guidelines.

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

Loans that are past due are monitored closely, with impairment allowances raised as appropriate and in line with the Barclays Bank UK Group's impairment policies. These loans are all considered higher risk for the purpose of this analysis of credit quality.

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 Barclays Bank UK Group 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 Barclays Bank UK Group will use its own internal ratings for the securities.

Balance sheet credit quality

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

Overview

As at 31 December 2022 the ratio of the Barclays Bank UK Group's on-balance sheet assets classified as strong (0.0 < 0.60%) is at 90% (2021: 91%) of total assets exposed to credit risk.

Balance sheet credit quality (audited)

Barclays Bank UK Group As at 31 December 2022	PD Range	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35% to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35% to 100% %	Total %
Cash and balances at central banks		54,208	—	—	54,208	100	—	—	100
Cash collateral and settlement balances		5,136	58	—	5,194	99	1	—	100
Loans and advances at amortised cost									
Home loans		157,274	3,230	1,861	162,365	97	2	1	100
Credit cards, unsecured loans and other retail lending		5,219	8,200	570	13,989	37	59	4	100
Wholesale loans		30,100	13,929	2,824	46,853	64	30	6	100
Total loans and advances at amortised cost		192,593	25,359	5,255	223,207	87	11	2	100
Reverse repurchase agreements and other similar secured lending		477	—	—	477	100	—	—	100
Trading portfolio assets:									
Debt securities		54	—	—	54	100	—	—	100
Total trading portfolio assets		54	—	—	54	100	—	—	100
Financial assets at fair value through the income statement:									
Loans and advances		1,915	57	7	1,979	97	3	—	100
Other financial assets		—	—	—	—	—	—	—	—
Total financial assets at fair value through the income statement		1,915	57	7	1,979	97	3	—	100
Derivative financial instruments		611	—	—	611	100	—	—	100
Financial assets at fair value through other comprehensive income - debt securities		19,970	—	—	19,970	100	—	—	100
Other assets		285	3	—	288	99	1	—	100
Total on-balance sheet		275,249	25,477	5,262	305,988	90	8	2	100

Balance sheet credit quality (audited)

Barclays Bank UK Group As at 31 December 2021	PD Range	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35% to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35% to 100% %	Total %
Cash and balances at central banks		69,488	—	—	69,488	100	—	—	100
Cash collateral and settlement balances		4,986	81	—	5,067	98	2	—	100
Loans and advances at amortised cost									
Home loans		151,795	4,737	1,688	158,220	96	3	1	100
Credit cards, unsecured loans and other retail lending		5,483	7,445	497	13,425	41	55	4	100
Wholesale loans		33,067	13,451	2,108	48,626	68	28	4	100
Total loans and advances at amortised cost		190,345	25,633	4,293	220,271	86	12	2	100
Reverse repurchase agreements and other similar secured lending		65	—	—	65	100	—	—	100
Trading portfolio assets:									
Debt securities		169	—	—	169	100	—	—	100
Total trading portfolio assets		169	—	—	169	100	—	—	100
Financial assets at fair value through the income statement:									
Loans and advances		2,667	82	18	2,767	96	3	1	100
Other financial assets		—	—	—	—	—	—	—	—
Total financial assets at fair value through the income statement		2,667	82	18	2,767	96	3	1	100
Derivative financial instruments		890	—	—	890	100	—	—	100
Financial assets at fair value through other comprehensive income - debt securities		14,945	—	—	14,945	100	—	—	100
Other assets		310	6	—	316	98	2	—	100
Total on-balance sheet		283,865	25,802	4,311	313,978	91	8	1	100

Balance sheet credit quality (audited)

Barclays Bank UK PLC As at 31 December 2022	PD Range	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35% to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35% to 100% %	Total %
Cash and balances at central banks		54,208	—	—	54,208	100	—	—	100
Cash collateral and settlement balances		5,136	—	—	5,136	100	—	—	100
Loans and advances at amortised cost									
Home loans		157,229	3,231	1,860	162,320	97	2	1	100
Credit cards, unsecured loans and other retail lending		5,219	8,199	570	13,988	37	59	4	100
Wholesale loans		30,974	13,929	2,825	47,728	65	29	6	100
Total loans and advances at amortised cost		193,422	25,359	5,255	224,036	87	11	2	100
Reverse repurchase agreements and other similar secured lending		477	—	—	477	100	—	—	100
Trading portfolio assets:									
Debt securities		54	—	—	54	100	—	—	100
Total trading portfolio assets		54	—	—	54	100	—	—	100
Financial assets at fair value through the income statement:									
Loans and advances		1,915	57	7	1,979	97	3	—	100
Other financial assets		—	—	—	—	—	—	—	—
Total financial assets at fair value through the income statement		1,915	57	7	1,979	97	3	—	100
Derivative financial instruments		611	—	—	611	100	—	—	100
Financial assets at fair value through other comprehensive income - debt securities		19,970	—	—	19,970	100	—	—	100
Other assets		284	—	—	284	100	—	—	100
Total on-balance sheet		276,077	25,416	5,262	306,755	90	8	2	100

Balance sheet credit quality (audited)

Barclays Bank UK PLC As at 31 December 2021	PD Range	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35% to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35% to 100% %	Total %
Cash and balances at central banks		69,488	—	—	69,488	100	—	—	100
Cash collateral and settlement balances		4,986	—	—	4,986	100	—	—	100
Loans and advances at amortised cost									
Home loans		151,795	4,737	1,688	158,220	96	3	1	100
Credit cards, unsecured loans and other retail lending		5,483	7,444	496	13,423	41	55	4	100
Wholesale loans		33,458	13,451	2,108	49,017	69	27	4	100
Total loans and advances at amortised cost		190,736	25,632	4,292	220,660	86	12	2	100
Reverse repurchase agreements and other similar secured lending		65	—	—	65	100	—	—	100
Trading portfolio assets:									
Debt securities		169	—	—	169	100	—	—	100
Total trading portfolio assets		169			169	100	—	—	100
Financial assets at fair value through the income statement:									
Loans and advances		2,667	82	18	2,767	96	3	1	100
Other financial assets		—	—	—	—	—	—	—	—
Total financial assets at fair value through the income statement		2,667	82	18	2,767	96	3	1	100
Derivative financial instruments		890	—	—	890	100	—	—	100
Financial assets at fair value through other comprehensive income - debt securities		14,945	—	—	14,945	100	—	—	100
Other assets		316	—	—	316	100	—	—	100
Total on-balance sheet		284,262	25,714	4,310	314,286	91	8	1	100

Credit exposures by internal PD grade

The below tables represent credit risk profiles 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 170), 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 at amortised cost (audited)

As at 31 December 2022			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group		Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	PD range %	description	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	60,592	943	—	61,535	12	9	—	21	61,514	—
4-5	0.05 to < 0.15%	Strong	95,832	8,858	—	104,690	15	5	—	20	104,670	—
6-8	0.15 to < 0.30%	Strong	12,343	2,992	—	15,335	12	7	—	19	15,316	0.1
9-11	0.30 to < 0.60%	Strong	8,645	2,495	—	11,140	31	16	—	47	11,093	0.4
12-14	0.60 to < 2.15%	Satisfactory	9,686	3,756	—	13,442	128	123	—	251	13,191	1.9
15-19	2.15 to < 10%	Satisfactory	5	44	—	49	—	2	—	2	47	4.1
19	10 to < 11.35%	Satisfactory	6,093	6,549	—	12,642	130	391	—	521	12,121	4.1
20-21	11.35 to < 100%	Higher Risk	497	2,106	—	2,603	13	262	—	275	2,328	10.6
22	100%	Credit Impaired	—	—	3,482	3,482	—	—	555	555	2,927	15.9
Total			193,693	27,743	3,482	224,918	341	815	555	1,711	223,207	0.8

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

As at 31 December 2021			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group		Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	PD range %	description	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	49,325	699	—	50,024	10	2	—	12	50,012	—
4-5	0.05 to < 0.15%	Strong	65,684	3,371	—	69,055	13	1	—	14	69,041	—
6-8	0.15 to < 0.30%	Strong	47,003	8,498	—	55,501	24	5	—	29	55,472	0.1
9-11	0.30 to < 0.60%	Strong	13,395	2,509	—	15,904	70	14	—	84	15,820	0.5
12-14	0.60 to < 2.15%	Satisfactory	13,614	3,573	—	17,187	161	143	—	304	16,883	1.8
15-19	2.15 to < 10%	Satisfactory	1,325	1,651	—	2,976	61	477	—	538	2,438	18.1
19	10 to < 11.35%	Satisfactory	3,362	3,063	—	6,425	49	64	—	113	6,312	1.8
20-21	11.35 to < 100%	Higher Risk	253	1,275	—	1,528	7	265	—	272	1,256	17.8
22	100%	Credit Impaired	—	—	3,850	3,850	—	—	813	813	3,037	21.1
Total			193,961	24,639	3,850	222,450	395	971	813	2,179	220,271	1.0

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

As at 31 December 2022			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group		Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	PD range %	description	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	810	—	—	810	—	—	—	—	810	—
4-5	0.05 to < 0.15%	Strong	—	—	—	—	—	—	—	—	—	—
6-8	0.15 to < 0.30%	Strong	—	—	—	—	—	—	—	—	—	—
9-11	0.30 to < 0.60%	Strong	—	—	—	—	—	—	—	—	—	—
12-14	0.60 to < 2.15%	Satisfactory	—	—	—	—	—	—	—	—	—	—
15-19	2.15 to < 10%	Satisfactory	—	—	—	—	—	—	—	—	—	—
19	10 to < 11.35%	Satisfactory	—	—	—	—	—	—	—	—	—	—
20-21	11.35 to < 100%	Higher Risk	—	—	—	—	—	—	—	—	—	—
22	100%	Credit Impaired	—	—	—	—	—	—	—	—	—	—
Total			810	—	—	810	—	—	—	—	810	—

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

As at 31 December 2021			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group		Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	PD range %	description	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	590	—	—	590	—	—	—	—	590	—
4-5	0.05 to < 0.15%	Strong	—	—	—	—	—	—	—	—	—	—
6-8	0.15 to < 0.30%	Strong	—	—	—	—	—	—	—	—	—	—
9-11	0.30 to < 0.60%	Strong	—	—	—	—	—	—	—	—	—	—
12-14	0.60 to < 2.15%	Satisfactory	—	—	—	—	—	—	—	—	—	—
15-19	2.15 to < 10%	Satisfactory	—	—	—	—	—	—	—	—	—	—
19	10 to < 11.35%	Satisfactory	—	—	—	—	—	—	—	—	—	—
20-21	11.35 to < 100%	Higher Risk	—	—	—	—	—	—	—	—	—	—
22	100%	Credit Impaired	—	—	—	—	—	—	—	—	—	—
Total			590	—	—	590	—	—	—	—	590	—

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

As at 31 December 2022			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group		Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	PD range %	description	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	6,523	26	—	6,549	—	—	—	—	6,549	—
4-5	0.05 to < 0.15%	Strong	13,696	355	—	14,051	1	—	—	1	14,050	—
6-8	0.15 to < 0.30%	Strong	8,031	91	—	8,122	2	—	—	2	8,120	—
9-11	0.30 to < 0.60%	Strong	16,302	203	—	16,505	2	—	—	2	16,503	—
12-14	0.60 to < 2.15%	Satisfactory	7,365	2,322	—	9,687	3	13	—	16	9,671	0.2
15-19	2.15 to < 10%	Satisfactory	414	283	—	697	—	—	—	—	697	—
19	10 to < 11.35%	Satisfactory	734	1,304	—	2,038	1	21	—	22	2,016	1.1
20-21	11.35 to < 100%	Higher Risk	27	105	—	132	—	4	—	4	128	3.0
22	100%	Credit Impaired	—	—	291	291	—	—	—	—	291	—
Total			53,092	4,689	291	58,072	9	38	—	47	58,025	0,1

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

As at 31 December 2021			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group		Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	PD range %	description	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	9,463	31	—	9,494	—	—	—	—	9,494	—
4-5	0.05 to < 0.15%	Strong	13,007	178	—	13,185	1	—	—	1	13,184	—
6-8	0.15 to < 0.30%	Strong	8,623	308	—	8,931	1	—	—	1	8,930	—
9-11	0.30 to < 0.60%	Strong	17,076	212	—	17,288	2	—	—	2	17,286	—
12-14	0.60 to < 2.15%	Satisfactory	6,876	1,469	—	8,345	2	10	—	12	8,333	0.1
15-19	2.15 to < 10%	Satisfactory	645	730	—	1,375	1	16	—	17	1,358	1.2
19	10 to < 11.35%	Satisfactory	137	127	—	264	—	—	—	—	264	—
20-21	11.35 to < 100%	Higher Risk	23	85	—	108	—	3	—	3	105	2.8
22	100%	Credit Impaired	—	—	247	247	—	—	—	—	247	—
Total			55,850	3,140	247	59,237	7	29	—	36	59,201	0.1

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

As at 31 December 2022			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC		Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	PD range %	description	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	61,483	943	—	62,426	12	9	—	21	62,405	—
4-5	0.05 to < 0.15%	Strong	95,832	8,858	—	104,690	15	5	—	20	104,670	—
6-8	0.15 to < 0.30%	Strong	12,343	2,992	—	15,335	12	7	—	19	15,316	0.1
9-11	0.30 to < 0.60%	Strong	8,583	2,495	—	11,078	31	16	—	47	11,031	0.4
12-14	0.60 to < 2.15%	Satisfactory	9,686	3,756	—	13,442	128	123	—	251	13,191	1.9
15-19	2.15 to < 10%	Satisfactory	5	44	—	49	—	2	—	2	47	4.1
19	10 to < 11.35%	Satisfactory	6,093	6,549	—	12,642	130	391	—	521	12,121	4.1
20-21	11.35 to < 100%	Higher Risk	497	2,106	—	2,603	13	262	—	275	2,328	10.6
22	100%	Credit Impaired	—	—	3,482	3,482	—	—	555	555	2,927	15.9
Total			194,522	27,743	3,482	225,747	341	815	555	1,711	224,036	0.8

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

As at 31 December 2021			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC 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	49,693	699	—	50,392	10	2	—	12	50,380	—
4-5	0.05 to < 0.15%	Strong	65,684	3,371	—	69,055	13	1	—	14	69,041	—
6-8	0.15 to < 0.30%	Strong	47,003	8,498	—	55,501	24	5	—	29	55,472	0.1
9-11	0.30 to < 0.60%	Strong	13,418	2,509	—	15,927	70	14	—	84	15,843	0.5
12-14	0.60 to < 2.15%	Satisfactory	13,614	3,573	—	17,187	161	144	—	305	16,882	1.8
15-19	2.15 to < 10%	Satisfactory	1,325	1,651	—	2,976	61	477	—	538	2,438	18.1
19	10 to < 11.35%	Satisfactory	3,362	3,063	—	6,425	49	64	—	113	6,312	1.8
20-21	11.35 to < 100%	Higher Risk	253	1,275	—	1,528	7	265	—	272	1,256	17.8
22	100%	Credit Impaired	—	—	3,848	3,848	—	—	812	812	3,036	21.1
Total			194,352	24,639	3,848	222,839	395	972	812	2,179	220,660	1.0

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

As at 31 December 2022			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC 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	810	—	—	810	—	—	—	—	810	—
4-5	0.05 to < 0.15%	Strong	—	—	—	—	—	—	—	—	—	—
6-8	0.15 to < 0.30%	Strong	—	—	—	—	—	—	—	—	—	—
9-11	0.30 to < 0.60%	Strong	—	—	—	—	—	—	—	—	—	—
12-14	0.60 to < 2.15%	Satisfactory	—	—	—	—	—	—	—	—	—	—
15-19	2.15 to < 10%	Satisfactory	—	—	—	—	—	—	—	—	—	—
19	10 to < 11.35%	Satisfactory	—	—	—	—	—	—	—	—	—	—
20-21	11.35 to < 100%	Higher Risk	—	—	—	—	—	—	—	—	—	—
22	100%	Credit Impaired	—	—	—	—	—	—	—	—	—	—
Total			810	—	—	810	—	—	—	—	810	—

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

As at 31 December 2021			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC 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	590	—	—	590	—	—	—	—	590	—
4-5	0.05 to < 0.15%	Strong	—	—	—	—	—	—	—	—	—	—
6-8	0.15 to < 0.30%	Strong	—	—	—	—	—	—	—	—	—	—
9-11	0.30 to < 0.60%	Strong	—	—	—	—	—	—	—	—	—	—
12-14	0.60 to < 2.15%	Satisfactory	—	—	—	—	—	—	—	—	—	—
15-19	2.15 to < 10%	Satisfactory	—	—	—	—	—	—	—	—	—	—
19	10 to < 11.35%	Satisfactory	—	—	—	—	—	—	—	—	—	—
20-21	11.35 to < 100%	Higher Risk	—	—	—	—	—	—	—	—	—	—
22	100%	Credit Impaired	—	—	—	—	—	—	—	—	—	—
Total			590	—	—	590	—	—	—	—	590	—

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

As at 31 December 2022			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC		Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	PD range %	description	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	6,523	27	—	6,550	—	—	—	—	6,550	—
4-5	0.05 to < 0.15%	Strong	13,696	355	—	14,051	1	—	—	1	14,052	—
6-8	0.15 to < 0.30%	Strong	8,031	91	—	8,122	2	—	—	2	8,124	—
9-11	0.30 to < 0.60%	Strong	16,302	203	—	16,505	2	—	—	2	16,507	—
12-14	0.60 to < 2.15%	Satisfactory	7,365	2,321	—	9,686	3	13	—	16	9,702	0.2
15-19	2.15 to < 10%	Satisfactory	1,148	1,587	—	2,735	1	21	—	22	2,757	0.8
19	10 to < 11.35%	Satisfactory	—	—	—	—	—	—	—	—	—	—
20-21	11.35 to < 100%	Higher Risk	27	105	—	132	—	4	—	4	136	3.0
22	100%	Credit Impaired	—	—	291	291	—	—	—	—	291	—
Total			53,092	4,689	291	58,072	9	38	—	47	58,025	0.1

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

As at 31 December 2021			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC		Credit quality	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	PD range %	description	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	9,463	31	—	9,494	—	—	—	—	9,494	—
4-5	0.05 to < 0.15%	Strong	13,007	178	—	13,185	1	—	—	1	13,184	—
6-8	0.15 to < 0.30%	Strong	8,623	308	—	8,931	1	—	—	1	8,930	—
9-11	0.30 to < 0.60%	Strong	17,076	212	—	17,288	2	—	—	2	17,286	—
12-14	0.60 to < 2.15%	Satisfactory	6,876	1,469	—	8,345	2	10	—	12	8,333	0.1
15-19	2.15 to < 10%	Satisfactory	645	730	—	1,375	1	16	—	17	1,358	1.2
19	10 to < 11.35%	Satisfactory	137	127	—	264	—	—	—	—	264	—
20-21	11.35 to <100%	Higher Risk	23	85	—	108	—	3	—	3	105	2.8
22	100%	Credit Impaired	—	—	247	247	—	—	—	—	247	—
Total			55,850	3,140	247	59,237	7	29	—	36	59,201	0.1

Analysis of specific portfolios and asset types

Secured home loans

The UK home loan portfolio primarily comprises first lien mortgages and accounts for 100% of the Barclays Bank UK Group's total home loans balance.

Home loans principal portfolios		
As at 31 December 2022	2022	2021
Gross loans and advances (£m)	162,380	158,192
>90 day arrears, excluding recovery book (%)	0.1	0.1
Annualised gross charge-off rates (%)	0.5	0.5
Recovery book proportion of outstanding balances (%)	0.5	0.6
Recovery book impairment coverage ratio (%)	5.2	4.2

Within the UK home loans portfolio:

- Gross loans and advances increased by £4.2bn (2.7%) following an increase in Residential (3.2%), while Buy to Let (BTL) remained broadly stable.
- Owner-occupied interest-only home loans comprised 17% (2021: 19%) of total balances. The average balance weighted LTV on owner occupied loans remained stable at 50.0% (2021: 50.3%).
- BTL home loans comprised 12.7% (2021: 13.1%) of total balances. In BTL, the average balance weighted LTV remained stable at 53.2% (2021: 53.4.%).

Home loans principal portfolios - distribution of balances by LTV[a]	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
	%	%	%	%	%	%	%	%	%	%	%	%
As at 31 December 2022												
<=75%	78.8	10.5	0.8	90.1	10.2	30.8	33.2	74.2	—	0.2	2.9	0.1
>75% and <=90%	8.8	0.5	—	9.3	3.9	9.7	5.2	18.8	—	1.4	30.8	0.1
>90% and <=100%	0.6	—	—	0.6	0.3	0.3	2.4	3.0	—	1.5	85.0	0.4
>100%	—	—	—	—	0.1	0.6	3.3	4.0	0.4	21.4	64.9	13.1
As at 31 December 2021												
<=75%	77.2	11.3	0.7	89.2	8.3	17.7	31.9	57.9	—	0.1	2.4	—
>75% and <=90%	9.3	0.6	—	9.9	4.8	10.7	11.7	27.2	—	1.0	22.6	0.1
>90% and <=100%	0.9	—	—	0.9	0.9	1.0	2.9	4.8	0.1	1.9	87.5	0.3
>100%	—	—	—	—	0.2	1.0	8.9	10.1	0.4	6.4	100.0	14.1

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.

Home loans principal portfolios – average LTV		
As at 31 December 2022	2022	2021
Overall portfolio LTV (%):		
Balance weighted %	50.4	50.7
Valuation weighted %	37.3	37.5
For >100% LTVs:		
Balances £m	34	58
Marked to market collateral £m	26	47
Average LTV: Balance weighted %	210.6	160.9
Average LTV: Valuation weighted %	145.5	129.1
% of Balances in Recoveries	18.9	14.5

Home loans principal portfolios - new lending		
As at 31 December 2022	2022	2021
New Home loan bookings (£m)	**30,307**	33,945
New home loan proportion above 90% LTV (%)	**2.8**	1.9
Average LTV on new home loan: balance weighted (%)	**68.1**	69.5
Average LTV on new home loan: valuation weighted (%)	**59.6**	61.9

New Bookings: New lending in 2022 was £30.3bn, a reduction of 11% on 2021. This was mainly driven by economic conditions that resulted in general mortgage market suppression, including higher mortgage payments as rates continued to rise and increased cost of living factors in line with inflation.

Credit cards, unsecured loans and other retail lending

The principal portfolios listed below accounted for 93% (2021: 92%) of Barclays Bank UK Group's total credit cards, unsecured loans and other retail lending.

Credit cards, unsecured loans and other retail lending principal portfolios	Gross Exposure	30 Day Arrears, excluding recoveries book	90 Day Arrears, excluding recoveries book	Annualised Gross Write-off Rates	Annualised Net Write-off Rates
	£m	%	%	%	%
As at 31 December 2022					
UK cards	**9,939**	**0.9**	**0.2**	**3.7**	**3.6**
UK personal loans	**4,023**	**1.4**	**0.6**	**4.1**	**3.8**
As at 31 December 2021					
UK cards	9,933	1.0	0.2	4.1	4.0
UK personal loans	4,011	1.5	0.7	3.5	3.2

UK cards: 30 day arrears rate reduced marginally to 0.9% (2021: 1.0%) and 90 day arrears rate remained stable at 0.2% (2021: 0.2%), whilst total exposure was stable at £9.9bn. Both the gross and net write off rates decreased by 0.4% due to reduced debt sales and monthly delinquency flows.

UK personal loans: 30 and 90 day arrears rates reduced marginally to 1.4% (2021: 1.5%) and 0.6% (2021: 0.7%) respectively, whilst total exposure was stable at £4.0bn. Both the annualised gross and net write off rates increased by 0.6% due to increased regular debt sales.

Government supported loans

Throughout the COVID-19 pandemic Barclays has supported its customers and clients by participating in the UK Government's Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS) and Recovery Loan Scheme (RLS).

Government supported loans

	Gross exposure				Impairment allowance			Impairment coverage		Government guaranteed exposure
Barclays Bank UK Group	Stage 1	Stage 2	Stage 3	Total	Modelled Impairment	Management adjustment	Impairment post Management adjustment	Pre Management adjustment	Post Management adjustment	Total
	£m	£m	£m	£m	£m	£m	£m	%	%	£m
As at 31 December 2022										
BBLS	**3,066**	**2,903**	**618**	**6,587**	**6**	**27**	**33**	**0.1**	**0.5**	**6,554**
CBILS	**286**	**396**	**66**	**748**	**22**	**(9)**	**13**	**2.9**	**1.7**	**598**
RLS	**13**	**4**	**1**	**18**	**—**	**—**	**—**	**—**	**—**	**14**
Total	**3,365**	**3,303**	**685**	**7,353**	**28**	**18**	**46**	**0.4**	**0.6**	**7,166**
As at 31 December 2021										
BBLS	7,881	797	704	9,382	396	(380)	16	4.2	0.2	9,366
CBILS	900	110	47	1,057	12	(7)	5	1.1	0.5	845
RLS	11	—	1	12	—	—	—	2.7	2.7	10
Total	8,792	907	752	10,451	408	(387)	21	3.9	0.2	10,221

The BBLS and CBILS schemes were launched to provide financial support to smaller and medium-sized businesses in the UK who may experience financial difficulties as a result of the COVID-19 outbreak. The RLS aims to help UK businesses access finance as they recover and grow following the COVID-19 pandemic. These loans are guaranteed by the Government at 100% for BBLS and 80% for CBILS and RLS (70% for RLS issued post January 1, 2022) as at the balance sheet date.

Management adjustment of £(380)m applied in December 2021 has been discontinued following an update in the underlying ECL model that now fully recognises the 100% government guarantee against BBLS exposure within BUK Business Banking. However, we continue to hold the £(9)m (December 2021: £(7)m) adjustment against CBILS as the 80% government guarantee is not fully recognised in the models. In instances where Barclays has assessed the BBLS exposure to have not met strict assessment criteria, no claim has been made against the government guarantee resulting in an impairment allowance against these loans of £33m (December 2021: £16m) as at the balance sheet date.

Additionally, while the government supported loans are covered by guarantees, many BBLS customers have other financing arrangements with the Barclays Bank UK group which are not covered by the government guarantee. Noting the elevated levels of delinquency across the BBLS population, Barclays Bank UK Group has continued to apply an adjustment of £0.1bn to BBLS customers on usual lending outside the scheme.

All disclosures in this section are unaudited unless otherwise stated.

Overview

Market Risk within the Barclays Bank UK Group arises from the risk management of the assets held within the liquidity pool. As a result, the market risk in the Barclays Bank UK Group is minimal. Transactions carrying market risk are executed by the Barclays Bank UK Group Treasury function.

Management VaR (audited)

Management VaR estimates the potential loss arising from unfavourable market movements if the current positions were to be held unchanged for one business day. For internal market risk management purposes, a historical simulation methodology with a one-year equally weighted historical period, at the 95% confidence level is used for all trading books and some banking books.

Limits are applied at the total level as well as by risk factor type, which are then cascaded down to particular trading desks and businesses by the market risk management function.

Average management VaR in the Barclays Bank UK Group in 2022 was £0.8m (2021: £0.7m) and remained broadly stable throughout the period. Management VaR in the Barclays Bank UK Group in 2022 was driven by interest rate risk and basis risk in Barclays Bank UK Group Treasury.

Barclays Bank UK PLC adopts a standardised methodology for calculating capital requirements and as a result regulatory VaR is not applicable while management VaR is used only for internal risk calculations.

Summary of Contents

Liquidity risk

All disclosures in this section, pages 119 to 126, are unaudited unless otherwise stated.

Overview

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

Liquidity regulation

Certain Basel III standards including those relating to the introduction of the liquidity adequacy requirement measured through the LCR were implemented in EU law through CRR, as amended by CRRII, and the Capital Requirements Directive IV. These standards were retained in the UK regulatory framework via a series of onshoring instruments as part of the UK's withdrawal from the EU. In October 2021, the PRA published the final policy statement setting out its planned implementation of supplementary Basel III standards, including the Net Stable Funding Ratio (NSFR). These came into effect in the UK on 1 January 2022 from which date the Group and its UK subsidiaries monitor their positions against both the Liquidity Coverage Ratio (LCR) and NSFR.

The LCR is designed to promote short-term resilience of a bank's liquidity risk profile by holding sufficient High Quality Liquid Assets (HQLA) to survive an acute stress scenario lasting for 30 days. The LCR requirement takes into account the relative stability of different sources of funding and potential incremental funding requirements in a stress. The NSFR has been developed to promote a sustainable and stable structure of assets and liabilities.

Liquidity risk stress testing

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

As at 31 December 2022, Barclays Bank UK Group held eligible liquidity assets in excess of 100% of the net stress outflows to its internal and external regulatory requirements. A significant portion of the liquidity pool was held in cash and deposits with central banks. The liquidity pool was held entirely within Barclays Bank UK PLC.

The liquidity pool decreased to £81bn (December 2021: £86bn) and the LCR to 183% (December 2021: 204%) driven by increased customer lending, modestly lower customer deposits and contractual maturities of covered bonds.

	As at 31.12.22	As at 31.12.21
	£bn	£bn
Barclays Bank UK Group liquidity pool	81	86
	%	%
Barclays Bank UK Group liquidity coverage ratio	183	204

Barclays Bank UK Group maintains access to a variety of sources of wholesale funds in major currencies, including those available from term investors across a variety of distribution channels and geographies, short-term funding markets and repo markets. Key sources of wholesale funding include money markets, certificates of deposit, commercial paper, covered bonds and other securitisations. This funding capacity enables Barclays Bank UK Group to maintain a stable and diversified funding base.

Barclays Bank UK Group also supports various central bank monetary initiatives, such as the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). These are reported under 'repurchase agreements and other similar secured borrowing' on the balance sheet. Barclays Bank UK Group total borrowing remained at £15.0bn outstanding at the year-end.

Net Stable Funding Ratio (NSFR)

The external NSFR metric requires banks to maintain a stable funding profile taking into account both on and certain off balance sheet exposures over a medium to long term period. The ratio is defined as the Available Stable Funding (capital and certain liabilities which are treated as stable sources of funding) relative to the Required Stable Funding (assets on balance sheet and certain off balance sheet exposures). The NSFR (average of the last four spot quarter end positions) was 168% at December 2022, equivalent to a surplus of £108bn above the regulatory requirement and demonstrates Barclays' stable funding profile in relation to our on- and certain off-balance sheet activities.

Net Stable Funding Ratio[a]	As at 31.12.22 £bn
Total Available stable funding	266
Total Required stable funding	158
Surplus	108
Net stable funding ratio	168%

Note
a Represents the average of the last four spot quarter end positions.

As part of the liquidity risk appetite, Barclays establishes minimum LCR, NSFR and internal liquidity stress test limits. The Barclays Bank UK Group plans to maintain its surplus to the internal and regulatory requirements at an efficient level. Risks to market funding conditions, the liquidity position and funding profile are assessed continuously, and actions are taken to manage the size of the liquidity pool and the funding profile as appropriate.

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)

Barclays Bank UK Group	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
As at 31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets											
Cash and balances at central banks	54,208	—	—	—	—	—	—	—	—	—	54,208
Cash collateral and settlement balances	—	5,194	—	—	—	—	—	—	—	—	5,194
Loans and advances at amortised cost	2,561	2,355	2,636	1,042	1,075	5,060	6,942	19,047	25,432	157,057	223,207
Reverse repurchase agreements and other similar secured lending	—	477	—	—	—	—	—	—	—	—	477
Trading portfolio assets	54	—	—	—	—	—	—	—	—	—	54
Financial assets at fair value through the income statement	—	1	10	9	—	6	69	104	400	1,381	1,980
Derivative financial instruments	181	—	14	6	33	66	178	133	—	—	611
Financial assets at fair value through other comprehensive income	—	3,041	1,664	1,104	1,263	2,208	2,906	4,925	2,224	635	19,970
Other financial assets	104	155	27	—	—	—	—	—	—	2	288
Total financial assets	57,108	11,223	4,351	2,161	2,371	7,340	10,095	24,209	28,056	159,075	305,989
Other assets											6,190
Total assets											312,179
Liabilities											
Deposits at amortised cost	249,294	1,769	794	794	2,136	3,330	—	—	—	—	258,117
Cash collateral and settlement balances	—	553	—	—	—	—	—	—	—	—	553
Repurchase agreements and other similar secured borrowing	—	2,599	—	—	—	—	5,034	10,069	—	—	17,702
Debt securities in issue	—	5,973	502	—	—	—	—	501	984	49	8,009
Subordinated liabilities	—	—	—	—	—	1,549	2,296	1,895	1,608	920	8,268
Trading portfolio liabilities	464	—	—	—	—	—	—	—	—	—	464
Derivative financial instruments	726	24	4	5	2	22	19	160	—	—	962
Other financial liabilities	30	1,128	13	13	12	73	44	43	24	16	1,396
Total financial liabilities	250,514	12,046	1,313	812	2,150	4,974	7,393	12,668	2,616	985	295,471
Other liabilities											1,295
Total liabilities											296,766
Cumulative liquidity gap	(193,406)	(194,229)	(191,191)	(189,842)	(189,621)	(187,255)	(184,553)	(173,012)	(147,572)	10,518	15,413

Contractual maturity of financial assets and liabilities (audited)

Barclays Bank UK Group	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
As at 31 December 2021	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets											
Cash and balances at central banks	69,488	—	—	—	—	—	—	—	—	—	69,488
Cash collateral and settlement balances	139	4,928	—	—	—	—	—	—	—	—	5,067
Loans and advances at amortised cost	2,494	1,354	2,118	768	1,007	4,388	5,614	20,825	27,665	154,038	220,271
Reverse repurchase agreements and other similar secured lending	—	65	—	—	—	—	—	—	—	—	65
Trading portfolio assets	169	—	—	—	—	—	—	—	—	—	169
Financial assets at fair value through the income statement	—	8	—	—	8	31	16	161	502	2,041	2,767
Derivative financial instruments	243	22	47	—	—	82	145	351	—	—	890
Financial assets at fair value through other comprehensive income	—	1,087	408	796	872	1,172	2,816	3,094	3,509	1,191	14,945
Other financial assets	91	197	27	—	—	—	—	—	—	2	317
Total financial assets	72,624	7,661	2,600	1,564	1,887	5,673	8,591	24,431	31,676	157,272	313,979
Other assets											5,716
Total assets											319,695
Liabilities											
Deposits at amortised cost	255,414	543	1,396	1,078	826	1,475	—	—	—	—	260,732
Cash collateral and settlement balances	106	668	—	—	—	—	—	—	—	—	774
Repurchase agreements and other similar secured borrowing	—	3,156	—	—	—	—	4,501	10,503	—	—	18,160
Debt securities in issue	—	5,272	456	—	—	1,751	—	—	997	208	8,684
Subordinated liabilities	—	576	—	—	422	279	1,468	3,068	1,952	1,751	9,516
liabilities	878	—	—	—	—	—	—	—	—	—	878
Derivative financial instruments	730	—	—	18	4	2	26	23	11	—	814
Other financial liabilities	60	1,171	16	15	15	81	48	73	34	18	1,531
Total financial liabilities	257,188	11,386	1,868	1,111	1,267	3,588	6,043	13,667	2,994	1,977	301,089
Other liabilities											1,206
Total liabilities											302,295
Cumulative liquidity gap	(184,564)	(188,289)	(187,557)	(187,104)	(186,484)	(184,399)	(181,851)	(171,087)	(142,405)	12,890	17,400

Contractual maturity of financial assets and liabilities (audited)

Barclays Bank UK PLC	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
As at 31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets											
Cash and balances at central banks	54,208	—	—	—	—	—	—	—	—	—	54,208
Cash collateral and settlement balances	—	5,136	—	—	—	—	—	—	—	—	5,136
Loans and advances at amortised cost	2,614	2,967	2,636	1,042	1,075	5,224	6,942	19,047	25,432	157,057	224,036
Reverse repurchase agreements and other similar secured lending	—	477	—	—	—	—	—	—	—	—	477
Trading portfolio assets	54	—	—	—	—	—	—	—	—	—	54
Financial assets at fair value through the income statement	—	1	10	9	—	6	69	104	400	1,381	1,980
Derivative financial instruments	181	—	14	6	33	66	178	133	—	—	611
Financial assets at fair value through other comprehensive income	—	3,041	1,664	1,104	1,263	2,208	2,906	4,925	2,224	635	19,970
Other financial assets	91	156	35	—	—	—	—	—	—	2	284
Total financial assets	57,148	11,778	4,359	2,161	2,371	7,504	10,095	24,209	28,056	159,075	306,756
Other assets											6,424
Total assets											313,180
Liabilities											
Deposits at amortised cost	250,301	1,724	794	792	2,136	3,330	—	—	—	—	259,077
Cash collateral and settlement balances	—	486	—	—	—	—	—	—	—	—	486
Repurchase agreements and other similar secured borrowing	—	2,599	—	—	—	—	5,034	10,069	—	—	17,702
Debt securities in issue	—	5,973	502	—	—	—	—	501	984	49	8,009
Subordinated liabilities	—	—	—	—	—	1,549	2,296	1,895	1,608	920	8,268
liabilities	464	—	—	—	—	—	—	—	—	—	464
Derivative financial instruments	769	24	4	5	2	22	19	160	—	—	1,005
Other financial liabilities	30	1,091	13	13	12	79	44	43	24	16	1,365
Total financial liabilities	251,564	11,897	1,313	810	2,150	4,980	7,393	12,668	2,616	985	296,376
Other liabilities											1,251
Total liabilities											297,627
Cumulative liquidity gap	(194,416)	(194,535)	(191,489)	(190,138)	(189,917)	(187,393)	(184,691)	(173,150)	(147,710)	10,380	15,553

Contractual maturity of financial assets and liabilities (audited)

Barclays Bank UK PLC	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
As at 31 December 2021	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets											
Cash and balances at central banks	69,488	—	—	—	—	—	—	—	—	—	69,488
Cash collateral and settlement balances	58	4,928	—	—	—	—	—	—	—	—	4,986
Loans and advances at amortised cost	2,516	1,663	2,118	769	1,050	4,390	5,615	20,827	27,668	154,044	220,660
Reverse repurchase agreements and other similar secured lending	—	65	—	—	—	—	—	—	—	—	65
Trading portfolio assets	169	—	—	—	—	—	—	—	—	—	169
Financial assets at fair value through the income statement	—	8	—	—	8	31	16	161	502	2,041	2,767
Derivative financial instruments	243	22	47	—	—	82	145	351	—	—	890
Financial assets at fair value through other comprehensive income	—	1,087	408	796	872	1,172	2,816	3,094	3,509	1,191	14,945
Other financial assets	89	189	35	—	—	—	—	—	—	2	315
Total financial assets	72,563	7,962	2,608	1,565	1,930	5,675	8,592	24,433	31,679	157,278	314,285
Other assets											5,941
Total assets											320,226
Liabilities											
Deposits at amortised cost	255,968	543	1,396	1,078	826	1,475	—	—	—	—	261,286
Cash collateral and settlement balances	18	668	—	—	—	—	—	—	—	—	686
Repurchase agreements and other similar secured borrowing	—	3,156	—	—	—	—	4,501	10,503	—	—	18,160
Debt securities in issue	—	5,272	456	—	—	1,751	—	—	997	208	8,684
Subordinated liabilities	—	577	—	—	422	279	1,468	3,068	1,952	1,750	9,516
liabilities	878	—	—	—	—	—	—	—	—	—	878
Derivative financial instruments	730	—	—	18	3	2	27	23	11	—	814
Other financial liabilities	60	1,137	16	15	15	81	48	73	34	18	1,497
Total financial liabilities	257,654	11,353	1,868	1,111	1,266	3,588	6,044	13,667	2,994	1,976	301,521
Other liabilities											1,165
Total liabilities											302,686
Cumulative liquidity gap	(185,091)	(188,482)	(187,742)	(187,288)	(186,624)	(184,537)	(181,989)	(171,223)	(142,538)	12,764	17,540

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 Barclays Bank UK Group's trading strategies
- Retail and business bank 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 Barclays Bank UK Group's operations and liquidity needs because of the broad base of customers, both numerically and by depositor type
- Loans to retail and business bank 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 and subordinated liabilities may include early redemption features

Contractual maturity of financial liabilities on an undiscounted basis

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

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

Derivative financial instruments held for trading and trading portfolio liabilities are included in the on demand column at their fair value.

Contractual maturity of financial liabilities - undiscounted (audited)

Barclays Bank UK Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2022									
Deposits at amortised cost	249,294	1,769	794	2,930	3,331	—	—	—	258,118
Cash collateral and settlement balances	—	553	—	—	—	—	—	—	553
Repurchase agreements and other similar secured borrowing	—	2,607	—	—	5,736	12,234	—	—	20,577
Debt securities in issue	—	5,991	513	—	—	616	1,261	76	8,457
Subordinated liabilities	—	—	—	—	4,117	2,210	2,043	1,413	9,783
Trading portfolio liabilities	464	—	—	—	—	—	—	—	464
Derivative financial instruments	726	25	4	8	46	186	—	—	995
Other financial liabilities	30	1,130	15	28	126	49	30	26	1,434
Total financial liabilities	**250,514**	**12,075**	**1,326**	**2,966**	**13,356**	**15,295**	**3,334**	**1,515**	**300,381**
As at 31 December 2021									
Deposits at amortised cost	255,414	543	1,396	1,904	1,476	—	—	—	260,733
Cash collateral and settlement balances	106	668	—	—	—	—	—	—	774
Repurchase agreements and other similar secured borrowing	—	3,156	—	—	4,602	10,885	—	—	18,643
Debt securities in issue	—	5,301	456	—	1,761	—	1,203	315	9,036
Subordinated liabilities	—	579	—	424	1,874	3,434	2,408	2,418	11,137
Trading portfolio liabilities	878	—	—	—	—	—	—	—	878
Derivative financial instruments	730	—	—	23	29	25	12	—	819
Other financial liabilities	60	1,174	18	35	147	80	41	31	1,586
Total financial liabilities	**257,188**	**11,421**	**1,870**	**2,386**	**9,889**	**14,424**	**3,664**	**2,764**	**303,606**

Contractual maturity of financial liabilities - undiscounted (audited)

Barclays Bank UK PLC	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2022									
Deposits at amortised cost	250,301	1,724	794	2,928	3,331	—	—	—	259,078
Cash collateral and settlement balances	—	486	—	—	—	—	—	—	486
Repurchase agreements and other similar secured borrowing	—	2,607	—	—	5,736	12,234	—	—	20,577
Debt securities in issue	—	5,992	513	—	—	616	1,261	76	8,458
Subordinated liabilities	—	—	—	—	4,117	2,210	2,043	1,413	9,783
Trading portfolio liabilities	464	—	—	—	—	—	—	—	464
Derivative financial instruments	769	25	4	8	45	187	—	—	1,038
Other financial liabilities	30	1,094	15	28	132	49	30	26	1,404
Total financial liabilities	251,564	11,928	1,326	2,964	13,361	15,296	3,334	1,515	301,288
As at 31 December 2021									
Deposits at amortised cost	255,968	543	1,396	1,904	1,476	—	—	—	261,287
Cash collateral and settlement balances	18	668	—	—	—	—	—	—	686
Repurchase agreements and other similar secured borrowing	—	3,156	—	—	4,602	10,885	—	—	18,643
Debt securities in issue	—	5,301	456	—	1,761	—	1,203	315	9,036
Subordinated liabilities	—	580	—	424	1,874	3,434	2,408	2,417	11,137
Trading portfolio liabilities	878	—	—	—	—	—	—	—	878
Derivative financial instruments	730	—	—	22	30	25	12	—	819
Other financial liabilities	60	1,140	18	35	147	80	41	31	1,552
Total financial liabilities	257,654	11,388	1,870	2,385	9,890	14,424	3,664	2,763	304,038

Maturity of off-balance sheet commitments received and given (audited)
The maturity split of off-balance sheet commitments received (Guarantees, letters of credit and credit insurance Barclays Bank UK Group and PLC Dec 2022: £12,078m, Dec 2021: £18,355m), and given (see Note 23 on page 205) represents the undiscounted cash flows (i.e. nominal values) on the basis of the earliest opportunity at which they are available. All off-balance sheet commitments received and given for both Barclays Bank UK Group and Barclays Bank UK PLC are on demand.

Capital risk

All disclosures in this section, pages 127 to 128, are unaudited unless otherwise stated.

Overview

The disclosures below provide key capital metrics for Barclays Bank UK Group with further information on its risk profile included in the Barclays Bank UK PLC Pillar 3 Report 2022, due to be published on 15 February 2023 and which will be available at home.barclays/investor-relations/reports-and-events/annual-reports.

On 1 January 2022, the PRA's implementation of Basel III standards took effect including the re-introduction of the 100% CET1 capital deduction for qualifying software intangible assets and the introduction of the Standardised Approach for Counterparty Credit Risk (SA-CCR) which replaces the Current Exposure Method for Standardised derivative exposures as a more risk sensitive approach. In addition, the PRA also implemented IRB roadmap changes which includes revisions to the criteria for definition of default, probability of default and loss given default estimation to ensure supervisory consistency and increase transparency of IRB models.

References to CRR, as amended by CRR II, mean the capital regulatory requirements, as they form part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

As at 31 December 2022, Barclays Bank UK Group CET1 ratio was 14.7% which is above its minimum regulatory requirement of 11.8%.

Capital ratios[a,b]	As at 31 December 2022	As at 31 December 2021
CET1	14.7%	15.2%
Tier 1 (T1)	18.2%	18.8%
Total regulatory capital	21.8%	23.1%

Capital resources (audited)	£m	£m
CET1 capital	10,701	10,828
T1 capital	13,261	13,388
Total regulatory capital	15,828	16,442
Total risk weighted assets (RWAs) (unaudited)	72,719	71,213

Notes
a Capital and RWAs are calculated applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II.
b The fully loaded CET1 ratio was 14.6%, with £10.6bn of CET1 capital and £72.7bn of RWAs, calculated without applying the transitional arrangements of the CRR as amended by CRR II.

Leverage ratios and exposures

The Barclays Bank UK Group is required to disclose a UK leverage ratio based on capital and exposure on the last day of the quarter. The Barclays Bank UK Group is also required to disclose an average UK leverage ratio which is based on capital on the last day of each month in the quarter and an exposure measure for each day in the quarter.

Significant regulatory updates in the period

From 1 January 2022, under its revised UK leverage ratio framework introduced via the PRAs supervisory statement 45/15, central bank claims have been excluded from the UK leverage exposure measure where they are matched by qualifying liabilities (rather than deposits).

As at 31 December 2022, the Barclays Bank UK Group UK leverage ratio was 5.3% which is above the leverage ratio requirement.

Leverage ratios[a]	As at 31 December 2022 £m	As at 31 December 2021 £m
Average UK leverage ratio	**5.3%**	5.5%
Average T1 Capital	**13,270**	13,640
Average UK leverage exposure	**251,425**	246,849
UK leverage ratio[b]	**5.3%**	5.6%
T1 capital	**13,261**	13,388
UK leverage exposure	**250,092**	241,173

Notes
a Capital and leverage are calculated applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II.
b The CET1 capital held against the 0.35% O-SII additional leverage ratio buffer was £0.9bn and against the 0.3% countercyclical leverage ratio buffer was £0.8bn.

Interest rate risk in the banking book

All disclosures in this section, pages 129 to 130, are unaudited unless otherwise stated.

Overview

The treasury and capital risk framework covers interest rate sensitive exposures held in the banking book, mostly relating to accrual accounted and FVOCI instruments. The potential volatility of Net Interest Income (NII) is measured by an Annual Earnings at Risk (AEaR) metric which is monitored regularly and reported to senior management and the Barclays Bank UK PLC Board Risk Committee as part of the limit monitoring framework.

Summary of performance in the period

NII sensitivity to a -25bp shock to rates has remained broadly unchanged. There is an increased sensitivity in an up shock as a result of market rate changes and the composition of the balance sheet.

Key metrics

-£59m

AEaR across the Barclays Bank UK Group from a -25bps shock to forward interest rate curves.

Analysis of net interest income and equity sensitivity

The analysis of equity sensitivity measures the overall impact of a +/- 25bps movement in interest rates on net interest income, fair value through other comprehensive income, and cash flow hedge reserves using approaches below:

- NII sensitivity for non-traded financial assets and liabilities, including the effect of any hedging utilising the Net Interest Income (NII) metric as described on page 118 of the Barclays Bank UK PLC Pillar 3 Report 2022 (unaudited), which includes documentation of the main model assumptions. This analysis is not a forward guidance on NII and is intended as a quantification of risk exposure.

- For non-NII items, a DV01 metric is used which represents a change in value for a one basis point shift in the yield curve.

Analysis of equity sensitivity (audited)	31 December 2022		31 December 2021	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
Barclays Bank UK Group	£m	£m	£m	£m
Net interest income	15	(59)	(2)	(54)
Taxation effects on the above	(4)	16	1	15
Effect on profit for the year	11	(43)	(1)	(39)
As percentage of net profit after tax	0.6%	(2.4%)	(0.1%)	(2.1%)
Effect on profit for the year (per above)	11	(43)	(1)	(39)
Fair value through other comprehensive income reserve	(8)	8	(29)	29
Cash flow hedge reserve	(157)	157	(271)	271
Taxation effects on the above	45	(45)	81	(81)
Effect on equity	(109)	77	(220)	180
As percentage of equity	(0.7%)	0.5%	(1.3%)	1.0%

Analysis of equity sensitivity (audited)	31 December 2022		31 December 2021	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
Barclays Bank UK PLC	£m	£m	£m	£m
Net interest income	15	(59)	(2)	(54)
Taxation effects on the above	(4)	16	1	15
Effect on profit for the year	11	(43)	(1)	(39)
As percentage of net profit after tax	0.6%	(2.4%)	(0.1%)	(2.1%)
Effect on profit for the year (per above)	11	(43)	(1)	(39)
Fair value through other comprehensive income reserve	(8)	8	(29)	29
Cash flow hedge reserve	(157)	157	(271)	271
Taxation effects on the above	45	(45)	81	(81)
Effect on equity	(109)	77	(220)	180
As percentage of equity	(0.7%)	0.5%	(1.3%)	1.0%

NII sensitivity asymmetry is due to the timing impact of customer rate changes following the rate shock. NII sensitivity to a down shock year on year has remained broadly unchanged, however there has been increased sensitivity in an up shock as a result of rate changes and the composition of the balance sheet, specifically in non-maturity liabilities. Movements in the FVOCI reserve impact CET1 capital, however the movement in the cash flow hedge reserve does not affect CET1 capital.

Volatility of the FVOCI portfolio in the liquidity pool

Changes in value of FVOCI exposures flow directly through equity via the FVOCI reserve. The volatility of the value of the FVOCI investments in the liquidity pool is captured and managed through a value measure rather than an earning measure, i.e. non-traded market risk VaR.

Although the underlying methodology to calculate the non-traded VaR is identical to the one used in traded management VaR, the two measures are not directly comparable. The non-traded VaR represents the volatility to capital driven by the FVOCI exposures. These exposures are in the banking book and do not meet the criteria for trading book treatment.

Analysis of volatility of the FVOCI portfolio in the liquidity pool	2022			2021		
	Average	High	Low	Average	High	Low
For the year ended 31 December	£m	£m	£m	£m	£m	£m
Non-traded market value at risk (daily, 95%)	9	12	5	7	10	5

Value at Risk increased in H2 due to elevated market volatility. This is partially offset by a decrease in H1 due to a reduction in interest rate risk positioning.

All disclosures in this section, pages 131 to 132, are unaudited unless otherwise stated.

Overview

Operational risks are inherent in the Barclays Bank UK Group'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 the Barclays Bank UK Group'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 Barclays Bank UK Group that extend across multiple risk types, and therefore require an integrated risk management approach.

For definitions of these risks refer to the Management of Operational Risk section of the Barclays PLC 2022 Pillar 3 Report. To provide complete coverage of the potential adverse impacts on the Barclays Bank UK Group 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 the Barclays Bank UK Group's operational risk profile, including events above the Barclays Bank UK Group's reportable threshold, which have had a financial impact in 2022. The Barclays Bank UK Group'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] fell to £87m (2021: £107m) while the number of recorded events for 2022 remained broadly stable at 2,031 (2021: 2,138). The total operational risk losses for the year were mainly driven by events falling within the Execution, Delivery & Process Management and External Fraud BASEL Event Type categories, which tend to be high volume but low impact events.

Note
a The data disclosed includes operational risk losses for reportable events impacting the Barclays Bank UK Group business areas, having impact of > £10,000 and excludes events that are conduct or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Due to the nature of risk events that keep evolving, prior year losses are updated.

Key metrics

87%

of the Barclays Bank UK Group's reportable operational risk events had a loss value of £50,000 or less

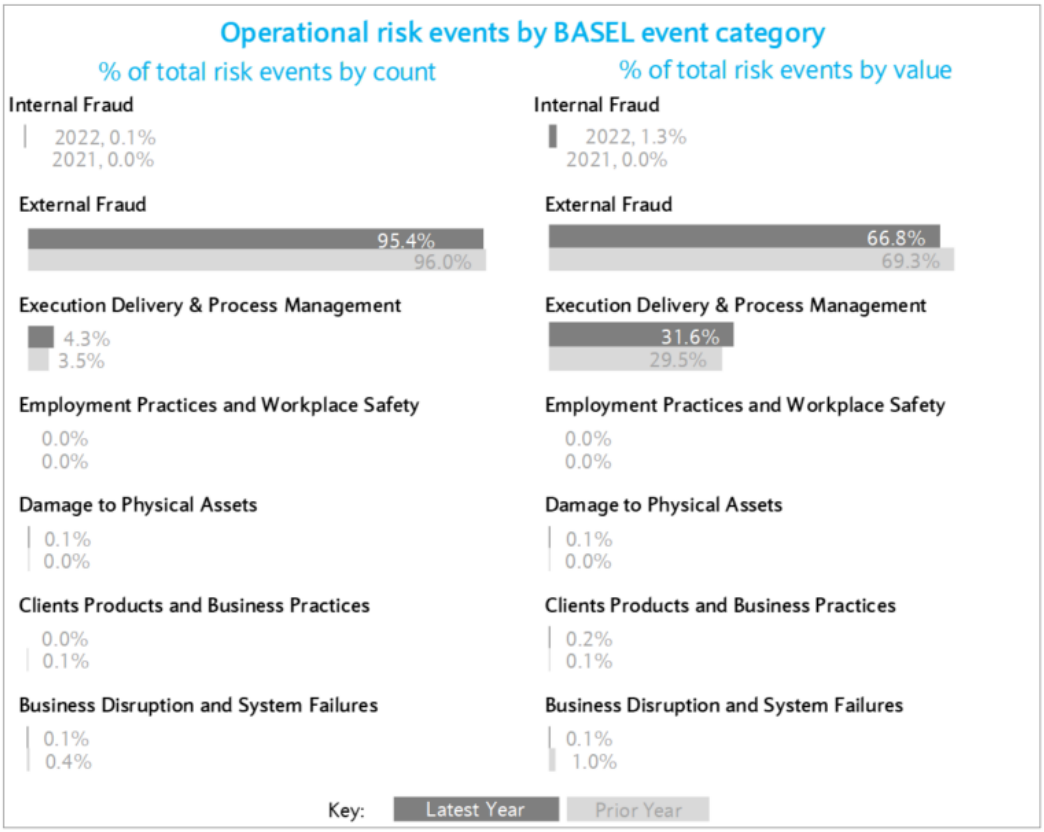
95%

of events by number are due to External Fraud

Operational risk profile

Within operational risk, there are a large number of smaller value risk events. In 2022, 87% (2021: 88%) of the Barclays Bank UK Group's reportable operational risk events by volume had a value of less than £50,000 each. Cumulatively, events under this £50,000 threshold accounted for only 42% (2021: 35%) of the Barclays Bank UK Group's total net operational risk losses. A small proportion of operational risk events have a material impact on the financial results of the Barclays Bank UK Group.

The analysis below presents the Barclays Bank UK Group's operational risk events by Basel event category[a]:



Note
a The data disclosed includes operational risk losses for reportable events impacting the Barclays Bank UK Group business areas, having impact of > £10,000 and excludes events that are conduct or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Due to the nature of risk events that keep evolving, prior year losses are updated.

- External Fraud remains the category with the highest frequency of events at 95% of total events in 2022 (2021: 96%) with number of events decreasing to 1,937 (2021: 2,052). Losses decreased to £58m accounting for 67% of total losses (2021: £74m / 69%). In this category, high volume, low value events are driven by transactional fraud often related to debit and credit card usage. Note: total External Fraud losses in 2022 including those from events with impacts < £10,000 amounted to £129m (2021: £137m).

- Execution, Delivery and Process Management impacts decreased to £27m (2021: £32m), accounting for 32% of overall operational risk losses (2021: 30%). 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, mapping mainly to Barclays Transaction Operations risk type. The volume of events in this category increased year-on-year to 87 (2021: 74), accounting for 4% of total events (2021: 4%).

Investment continues to be made in improving the control environment across the Barclays Bank UK Group. 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 the Barclays Bank UK Group continues to work closely with external partners on various prevention initiatives.

Operational Resilience remains a key area of focus for the Barclays Bank UK Group, having been reinforced in recent years due to potential operational disruption from the COVID-19 pandemic. The Barclays Bank UK Group 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 top focus for the Barclays Bank UK Group. The sophistication of threat actors continues to grow as noted by multiple external risk events observed throughout the year. Ransomware attacks across the global Barclays supplier base were observed and we worked closely with the affected suppliers to manage potential impacts to the Barclays Bank UK Group and its clients and customers. The Barclays Bank UK Group'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.

All disclosures in this section, pages 133 and 134, are unaudited unless otherwise stated.

Model risk

Barclays is committed to continuously improving model risk management and made a number of enhancements in 2022, including:

- improved transparency and oversight of model risk through implementation of upgrades to model risk governance structure
- 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 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 model risk team to support a wider range of model validation demand and newly emerging model risks
- progressed model inception validation by bringing more than 95% of model risk (by model output) into compliance with the model risk management framework

Conduct risk

The Barclays Bank UK Group is committed to continuing to drive the right culture throughout all levels of the organisation. The Barclays Bank UK Group 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 the management of conduct risk is ongoing and, alongside other relevant business and control management information, the Barclays Bank UK Group conduct risk dashboards is a key component of this.

The Barclays Bank UK Group continues to review the role and impact of conduct risk events and issues in the remuneration process at both the individual and business level.

Throughout 2022, the Barclays Bank UK Group 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 and associated Strategic Risk Assessment, material conduct risks associated with strategic and financial plans were assessed.

Throughout 2022, conduct risks were raised by each business area for consideration by the Barclays Bank UK PLC Board Risk Committee. The Committee reviewed the risks raised and whether management's proposed actions were appropriate to mitigate the risks effectively.

The Barclays Bank UK Group continued to incur costs in relation to litigation and conduct matters, please refer to Note 24 Legal, competition and regulatory matters and Note 22 Provisions, for further details. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters remains a necessary and important part of delivering the Barclays Bank UK Group's strategy and an ongoing commitment to improve oversight of culture and conduct.

The Barclays Bank UK PLC Board Risk Committee and senior management received conduct 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 Group operates within Risk Appetite. The tolerance adherence is assessed by the business through key indicators and reported to the Barclays Bank UK PLC Board Risk Committee as part of the conduct risk dashboard governance process.

The Barclays Bank UK Group 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.

For further details on the non-financial performance measures, please refer to page 6 of the Strategic Report.

Reputation risk

Barclays Bank UK Group is committed to identifying reputation risks and issues as early as possible and managing them appropriately. At a Barclays Bank UK Group level throughout 2021, reputation risks and issues were overseen by the Barclays Bank UK Board. The top live and emerging reputation risks and issues within the Barclays Bank UK Group are included within an over-arching quarterly report at the respective Board level. The Barclays Bank UK PLC Board reviews reputation risks raised by businesses and considered whether management's proposed actions, for example attaching conditions to proposed client transactions or increased engagement with impacted stakeholders, were appropriate to mitigate the risks effectively. The Board also received regular updates with regard to key reputation risks and issues, including: Barclays' response to the COVID-19 pandemic; Barclays' association with sensitive sectors; access to banking; lending practices and the resilience of key Barclays systems and processes.

The Barclays Bank UK Group continued to incur costs in relation to litigation and conduct matters, please refer to Note 24 Legal, competition and regulatory matters and Note 22 Provisions, for further details. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters remains an ongoing commitment to improve oversight of culture and conduct and management of reputation risks.

As part of Barclays 2021 Medium Term Planning process, material reputation risks associated with strategic and financial plans were also assessed.

Legal risk

The Barclays Bank UK Group 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 of the Barclays Bank UK Group

The Barclays Bank UK Group's operations are subject to a large number of rules and regulations applicable to the conduct of banking and financial services business. 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 day-to-day regulation and supervision of the Barclays Bank UK Group is divided between the Prudential Regulation Authority (PRA) (a division of the Bank of England (BoE)) and the Financial Conduct Authority (FCA). In addition, the Financial Policy Committee (FPC) of the BoE has influence on the prudential requirements that may be imposed on the banking system through its powers of direction and recommendation. Certain members of the Barclays Bank UK Group are also subject to regulatory initiatives undertaken by the UK Payment Systems Regulator (PSR), as a participant in payment systems regulated by the PSR.

Barclays Bank UK PLC is an authorised person, with permission to accept deposits, amongst other things, and subject to prudential regulation and supervision by the PRA and subject to conduct regulation and supervision by the FCA. The Barclays Bank UK Group is subject to prudential supervision on a group consolidated basis and on an individual basis. The Barclays Group is subject to prudential supervision by the PRA on a group consolidated basis. Barclays PLC has been approved by the PRA as a financial holding company.

The PRA's supervision of the Barclays Bank UK Group is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns or cross-firm reviews, reports obtained from skilled persons, 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 and resolution.

Further, the BoE, as the UK resolution authority, informs prudential requirements and sets requirements for the Group relating to resolution preparedness.

The FCA's supervision of the Barclays Bank UK Group is carried out through a combination of proactive engagement, regular thematic work and project work based on the FCA's sector assessments, which analyse the different areas of the market and the risks that may lie ahead.

The FCA and the PRA also apply the Senior Managers and Certification Regime (the SMCR) which imposes a regulatory approval, individual accountability and fitness and propriety framework in respect of senior or key individuals within relevant firms.

FCA supervision has focused on conduct risk and customer/client outcomes, including product design, customer behaviour, market operations, fair pricing, affordability, access to cash, and fair treatment of vulnerable customers.

PRA supervision has focused on financial resilience, credit risk management, Board effectiveness, operational resilience, climate risk and resolvability, where resolvability is reviewed in conjunction with the Resolution Directorate (a separate division of the BoE).

Both the PRA and the FCA apply standards that generally either anticipate or go beyond requirements established by global or EU standards, whether in relation to capital, leverage and liquidity, resolvability and resolution or matters of conduct. The UK is in the process of reviewing and revising the EU legislation that was onshored into English law following the UK's departure from the EU. This process is at a very early stage, but based on current indications, it is not expected to result in a materially different standard of regulation with respect to PRA and FCA standards. The medium term outlook for the costs and impact of operating under the post-Brexit UK regime remains unclear until details of any changes are confirmed. There is potential for an increase in regulatory implementation costs in the near term to adapt systems and controls.

Both the PRA and the FCA have assessed the impact of COVID-19 and Brexit on UK financial markets and customers as well as the orderly transition away from LIBOR and have issued guidance for regulated entities accordingly. In each case, the guidance focussed on customer / client outcomes and conduct risk, as well as ensuring fair and orderly markets.

Prudential regulation

Certain Basel III standards were implemented in EU law through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV), as amended by CRR II and CRD V. These standards were retained in the UK regulatory framework via a series of onshoring instruments as part of the UK's withdrawal from the European Union. Beyond the minimum standards required by CRR, the PRA has expected the Barclays Group, in common with other major UK banks and building societies, to meet a 7% Common Equity Tier 1 (CET1) ratio at the level of the consolidated group since 1 January 2016. The 7% CET1 ratio is made up of a Pillar 1 minimum capital requirement of 4.5% CET1 and a capital conservation buffer which must be met entirely with CET1 capital.

Global systemically important banks (G-SIBs), such as the Barclays Group, are subject to a number of additional prudential requirements, including the requirement to hold additional loss-absorbing capacity and additional capital buffers above the level required by Basel III standards. The level of the G-SIB buffer is set by the Financial Stability Board (FSB) according to a bank's systemic importance and can range from 1% to 3.5% of risk-weighted assets (RWAs). The G-SIB buffer must be met with CET1. In November 2022, the FSB published an update to its list of G-SIBs, maintaining the 1.5% G-SIB buffer that applies to the Barclays Group.

The Barclays Group is also subject to a 'combined buffer requirement' consisting of (i) a capital conservation buffer of 2.5%, and (ii) a countercyclical capital buffer (CCyB). The CCyB is based on rates determined by the regulatory authorities in each jurisdiction in which the Barclays Group maintains exposures. In March 2020, the FPC cut the UK CCyB rate to 0% with immediate effect in order to support the supply of credit expected as a result of the COVID-19 pandemic. In December 2021, the FPC raised the UK CCyB to 1% with effect from 13 December 2022. In July 2022, the FPC announced that it would raise the UK CCyB rate to 2% with effect from 5 July 2023.

The PRA requires UK firms to hold additional capital to cover risks which the PRA assesses are not fully captured by the Pillar 1 capital requirement. The PRA sets this additional capital requirement (Pillar 2A) at least annually, derived from each firm's individual capital guidance. Under current PRA rules, the Pillar 2A must be met with at least 56.25% CET1 capital and no more than 25% tier 2 capital. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2A) cannot be counted towards meeting the combined buffer requirement.

The PRA may also impose a confidential 'PRA buffer' to cover risks over a forward looking planning horizon, including with regard to firm-specific stresses or management and governance weaknesses. If the PRA buffer is imposed on a specific firm, it must be met separately to the combined buffer requirement, and must be met fully with CET1 capital.

In addition, Barclays Bank UK Group is subject to prudential regulation by the PRA and is required to meet a minimum Common Equity Tier 1 (CET1) ratio of 11.8% comprising a 4.5% Pillar 1 requirement, a 2.5% capital conservation buffer, a 1% countercyclical buffer, a 1% O-SII buffer and a 2.8% Pillar 2A add on.

As part of its approach to ring fencing, the FPC established a framework to apply a firm-specific systemic risk buffer (SRB) which could be set between 0% and 3% of RWAs and which had to be met solely with CET1 capital. The purpose of the SRB was to increase the capacity of ring-fenced bodies, such as Barclays Bank UK PLC, to absorb stress. The buffer rate applicable to the Barclays Bank UK Group was set at 1% with effect from August 2019. With the implementation of CRD V, the Other Systemically Important Institutions Buffer (O-SII buffer) replaced the SRB. As part of the implementation of CRD V, the PRA and FPC confirmed that the Barclays Bank UK PLC O-SII buffer would be held at the historical SRB rate of 1% until reassessment in December 2021. On 8 October 2021, the PRA extended the O-SII buffer rate of 1% for a further year, with any future adjustment to the O-SII buffer applicable from January 2024. In addition, in May 2022, the FPC decided to change the metric used to determine O-SII buffer rates from total assets to the UK leverage exposure measure and to recalibrate the thresholds used to determine O-SII buffer rates to prevent an overall tightening or loosening of the framework relative to its pre-Covid level. The FPC determined that the average of firms' quarter-end leverage exposure measure over the year will be used to determine O-SII buffer rates, rather than the year-end value and that this change will only take effect after the PRA's December 2023 review. Thus, the December 2023 review will be based on end-2022 leverage exposure measure. Rates set in 2023 will apply from January 2025.

In July 2021 and October 2021, the PRA, respectively, published a policy statement and a confirmation, setting out its planned implementation of certain Basel III standards, including the net stable funding ratio (NSFR), the new counterparty credit risk standard (SA-CCR) and rules on large exposures. As part of this policy statement, the PRA also confirmed that it would maintain its approach of requiring the deduction of software assets from capital. On 30 November 2022 the PRA published consultation paper CP16/22 concerning the implementation of the remaining Basel III standards, which include a revised standardised approach for credit risk, the elimination of modelled approaches for certain credit risk exposure categories, a new standardised approach for operational risk, a new market risk approach and the implementation of an output floor requiring reported RWAs calculated under standardised and modelled approaches to be a minimum of 72.5% of fully standardised calculations. The EU has also launched its legislative process for implementing these remaining Basel III reforms. In October 2021, the FPC and PRA published a policy statement setting out changes to the leverage ratio framework, including applying the leverage ratio requirement on an individual basis and making sub-consolidation available as an alternative to individual application where a firm has subsidiaries that can be consolidated, which apply from 1 January 2023.

Stress testing

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

Recovery and Resolution

Stabilisation and resolution framework

The UK framework for recovery and resolution was established by the Banking Act 2009, as amended. The EU framework was established by the 2014 Bank Recovery and Resolution Directive (BRRD), as amended by BRRD II.

The BoE, as the UK resolution authority, has the power to resolve a UK financial institution that is failing or likely to fail by exercising certain stabilisation tools, including (i) bail-in: the cancellation, transfer or dilution of a relevant entities' equity and write-down or conversion of the claims of a relevant entities' unsecured creditors (including holders of capital instruments) and conversion of those claims into equity as necessary to restore solvency; (ii) the transfer of all or part of a relevant entities' business to a private sector purchaser; and (iii) the transfer of all or part of a relevant entities' business to a "bridge bank" controlled by the BoE. When exercising any of its stabilisation powers, the BoE must generally provide that shareholders bear first losses, followed by creditors in accordance with the priority of their claims in insolvency.

In order to enable the exercise of its stabilisation powers, the BoE may impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts, or override events of default or termination rights that might otherwise be invoked as a result of a resolution action and modify contractual arrangements in certain circumstances (including a variation of the terms of any securities). HM

Treasury may also amend the law for the purpose of enabling it to use its powers under this regime effectively, potentially with retrospective effect.

In addition, the BoE has the power, under the Banking Act, to permanently write-down or convert into equity tier 1 capital instruments, tier 2 capital instruments and internal eligible liabilities at the point of non-viability of an institution.

The BoE's preferred approach for the resolution of the Barclays Group is a bail-in strategy with a single point of entry at Barclays PLC. Under such a strategy, Barclays PLC's subsidiaries (including entities within the Barclays Bank UK Group) would remain operational while Barclays PLC's capital instruments and eligible liabilities would be written down or converted to equity in order to recapitalise the Barclays Group and allow for the continued provision of services and operations throughout the resolution. The order in which the bail-in tool is applied reflects the hierarchy of capital instruments under UK CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency. Accordingly, the more subordinated the claim, the more likely losses will be suffered by owners of the claim.

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs, as required by the BRRD. Recovery plans are designed to outline credible actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. Removal of potential impediments to an orderly resolution of a banking group or one or more of its subsidiaries is considered as part of the BoE's and PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. The submission of resolution packs was suspended by the PRA in 2018 until further notice and replaced by annual EBA resolution reporting. The Barclays Group has provided the PRA with a recovery plan annually, however, the PRA notified in October 2022 that it has moved submission to a biennial submission cycle. The Barclays Group continues to maintain the recovery plan annually.

Under the Resolvability Assessment Framework (RAF), firms are required to have in place capabilities covering three resolvability outcomes: (i) adequate financial resources; (ii) being able to continue to do business through resolution and restructuring; and (iii) being able to communicate and co-ordinate within the firm and with authorities. The first self-assessment report on these capabilities was submitted by the Barclays Group to the PRA/BoE in 2021 and public disclosures by both firms and the PRA/BoE were made in June 2022 (and are required every two years thereafter). The Bank of England's assessment concluded that there are no shortcomings, deficiencies or substantive impediments identified in the Barclays Group's resolution capabilities that could impede its ability to execute the preferred resolution strategy. In future, should any such issues be identified, the PRA/BoE could exercise its various powers to direct the Barclays Group to address the relevant issues.

TLAC and MREL

The Barclays Group is under the supervision of the BoE, as the UK resolution authority, and is subject to a Minimum Requirement for own funds and Eligible Liabilities (MREL), which includes a component reflecting the FSB's standards on total loss absorbency capacity (TLAC).

The MREL requirements were fully implemented by 1 January 2022, from which time G-SIBs with resolution entities incorporated in the UK are required to meet an MREL equivalent to the higher of: (i) two times the sum of their Pillar 1 and Pillar 2A requirements; or (ii) the higher of two times their leverage ratio requirement or 6.75% of leverage exposures. Internal MREL for operating subsidiaries is subject to a scalar in the 75-90% range of the external requirement that would apply to the subsidiary if it were a resolution entity. The starting point for the scalar is 90% for ring-fenced bank sub-groups.

Bank Levy and FSCS

The BRRD established a requirement for EU member states to set up a pre-funded resolution financing arrangement with funding equal to 1% of covered deposits by 31 December 2024 to cover the costs of bank resolutions. The UK has implemented this requirement by way of a tax on the balance sheets of banks known as the 'Bank Levy'.

In addition, the UK has a statutory compensation fund called the Financial Services Compensation Scheme (FSCS), which is funded by way of annual levies on most authorised financial services firms.

Structural reform

In the UK, the Financial Services (Banking Reform) Act 2013 put in place a framework for ring-fencing certain operations of large banks. Ring-fencing requires, among other things, the separation of the retail and smaller deposit-taking business activities of UK banks into a legally distinct, operationally separate and economically independent entity, which is not permitted to undertake a range of activities. This regime was independently reviewed in 2021, with the final report published in March 2022. The review recommended that HM Treasury should review the practicalities of aligning the ring-fencing and resolution regimes, amongst other things, and the government has stated that it intends to issue a public call for evidence on this issue in the first quarter of 2023 and to consult on reforms to the ring-fencing regime in mid 2023 in line with the recommendations in the independent review.

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 information related to many derivatives transactions, which have impacts on the Wealth business. Focus is deepening and becoming increasingly transparent on the environmental and social disclosure requirements of financial products, in order to enable consumers to make more informed decisions as to the products they invest in. These new requirements may have an impact on Barclays Bank UK PLC both as an intermediary of financial products and as a product manufacturer.

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.

Other regulation

Consumer protection, culture and diversity and inclusion

In May 2021, the FCA published a consultation paper proposing the imposition of a new consumer duty on firms. The duty looks to set higher expectations for the standard of care that firms provide to customers and will impact all aspects of Barclays' retail businesses, including every customer journey, product and service as well as our relationships with partners, suppliers and third parties. This will result in significant implementation costs and there will also be higher ongoing costs for the industry as a result of extensive monitoring and evidential requirements. Final rules were published in July 2022 and will come into force on 31 July 2023 for new and existing products or services that are open to sale or renewal, and on 31 July 2024 for closed products or services.

Our regulators have 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. The UK regulators have also begun focusing on diversity and inclusion in financial services firms, with the Bank of England, PRA and FCA having published a joint discussion paper and the FCA having published a policy statement on this topic in April 2022.

In June 2022, the FCA published guidance for firms to make sure they consider the impact of a planned closure of a branch or conversion of free-to-use ATMs (cash machines or cashpoints) on their customers' everyday banking needs and the availability and provision of alternatives.

Data protection

Most countries where Barclays Group operates have comprehensive laws requiring openness and transparency about the collection and use of personal information, and protection against loss and unauthorised or improper access. Regulations regarding data protection are increasing in number, as well as levels of enforcement, as manifested in increased amounts of fines and the severity of other penalties. We expect that personal privacy and data protection will continue to receive attention and focus from regulators, as well as public scrutiny and attention. The EU's General Data Protection Regulation (GDPR) created a broadly harmonised privacy regime across EU member states, introducing mandatory breach notification, enhanced individual rights, a need to openly demonstrate compliance, and significant penalties for breaches. The 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 framework (as onshored into UK law and hence now referred to as the 'UK GDPR' - this sits alongside an amended version of the UK Data Protection Act 2018). Following the invalidation by the European Court of Justice (CJEU) of the EU-US Privacy Shield as a mechanism for transferring EU personal data to the US, the European Commission published new standard contractual clauses (SCCs) in 2021 to meet the requirements of GDPR and the CJEU decision, known as Schrems II. In early 2022, the UK Information Commissioner set out its own international data transfer agreement, and the international data transfer addendum to the European Commission's SCCs for international data transfers. Implementing the new EU SCCs and/or the UK addendum, which involve case-by-case transfer impact assessments and other safeguards, is likely to result in increased compliance costs for the Group. In 2021, China adopted its first comprehensive law in relation to personal information called the Personal Information Protection Law (PIPL). The PIPL applies to processing activities within mainland China, but similar to the GDPR, the PIPL has extraterritorial reach. As the global data protection regulatory landscape develops, noncompliance with any such requirements could lead to regulatory fines and other penalties.

Cybersecurity and operational resilience

Regulators globally continue to focus on cybersecurity risk management, organisational operational resilience and overall soundness across all financial services firms, with customer and market expectations of uninterrupted access to financial services remaining at an all-time high.

The regulatory focus has been further heightened by the increasing number of high-profile ransomware and other supply chain attacks seen across the industry in recent years and the growing reliance of financial services on Cloud and other third party service providers. This is evidenced by the continuing introduction of new laws and regulatory frameworks directed at enhancing resilience of both firms and their critical third party providers. A new UK framework introduced last year requires firms to be able to remain within impact tolerances set for their important business services by no later than 31 March 2025, with further legislation focusing on the resilience of critical third party providers now in the pipeline. 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. However, such measures are likely to result in increased technology and compliance costs for the Barclays Bank UK Group.

Regulatory initiatives on ESG disclosure

In the UK, the UK Government has confirmed its intention to develop a UK Green Taxonomy, and the Green Technical Advisory Group has published advice on development of a Green Taxonomy with further advice expected to follow. Reporting against the Taxonomy will form part of the UK's new Sustainability Disclosure Requirements (SDR). Certain companies will be required to disclose which portion of their activities are Taxonomy-aligned. The structure of the Taxonomy draws on the EU approach and has six environmental objectives (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). The UK regulators are also consulting on a new SDR Framework for firms as well as investment product disclosures, including a new sustainable investment labelling regime.

Sanctions and financial crime

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. In practice, the legislation requires the Barclays Bank UK Group to have adequate procedures to prevent bribery which, due to the extraterritorial nature of the statute, makes this both complex and costly.

The Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent the facilitation of UK and overseas tax evasion. It requires the Barclays Bank UK Group to have reasonable prevention procedures in place to prevent the criminal facilitation of tax evasion by persons acting for, or on behalf of, any entity in the Barclays Bank UK Group.

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

Under the Financial Services and Markets Bill (which has been introduced to Parliament but not yet passed), the Payments Systems Regulator (PSR) is required to introduce mandatory requirements for reimbursement of payments induced by fraud or dishonesty through the Faster Payments Scheme. These requirements must take effect within six months of the relevant provision in the Financial Services and Markets Bill (if and when it becomes law) taking effect. While the PSR issued an initial consultation on these requirements in Q4 2022, the exact requirements are not yet clear and so the anticipated impact of this scheme is not yet known. It is anticipated that, in some respects, liability will be more extensive than for subscribers to the existing Contingent Reimbursement Model Code, which currently covers payments induced by fraud.

In some cases, US state and federal regulations addressing sanctions, money laundering and other financial crimes may impact entities, persons or activities located or undertaken outside the US, including Barclays PLC and its subsidiaries. US government authorities have aggressively enforced these laws against financial institutions in recent years. As a result of the Russian invasion of Ukraine, there has been an increased regulatory focus on sanctions compliance in various jurisdictions, including in the US, UK and EU. Failure of a financial institution to ensure compliance with such laws could have serious legal, financial and reputational consequences for the institution.

Financial statements
Contents

Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Barclays Bank UK Group.

Independent Auditor's report to the members of Barclays Bank UK PLC

1 Our opinion is unmodified

We have audited the financial statements of Barclays Bank UK PLC ("the Parent Company") for the year ended 31 December 2022 which comprise the consolidated and Parent company balance sheets as at 31 December 2022, the consolidated income statement and statement of comprehensive income, the consolidated and Parent company statements of changes in equity and cash flow statements for the year then ended and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;

- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;

- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the directors on 21 March 2018 for the audit of the financial year ended 31 December 2017. The period of total uninterrupted engagement is for the six financial years ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 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. We summarise below the key audit matters (unchanged from 2021), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures.

These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Key audit matter</th><th>Our response to the risk</th></tr>
<tr><td>Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements

31 December 2022 £1,758m, 31 December 2021 £2,215m

See page 170 for the accounting policy for the impairment of financial assets under IFRS 9, page 73 for the credit risk disclosures, and page 170 for the financial disclosure note 8; Credit Impairment charge / (release)</td><td>Subjective estimate:

Risk vs 2021: ▲

The estimation of expected credit losses ("ECL") on financial instruments, involves significant judgement and estimates. Our assessment is that the risk has increased since FY21. This is due to the increased macroeconomic uncertainty seen during the year considering rising interest rates and inflationary pressures. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's and Parent Company's estimation of ECL are:

• Model estimations – 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"). ECL 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 and Parent Company's calculation of the ECL estimate.

• Economic scenarios – IFRS 9 requires the Group to measure ECL on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the forward-looking economic scenarios used, the probability weightings associated with the scenarios and the complexity of models used to derive the probability weightings.

• Qualitative adjustments – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends as well as risks not captured by models. They represent approximately 30% net of the ECL. These adjustments are inherently uncertain and significant management judgement is involved in estimating certain post model adjustments ("PMAs").</td><td>Our procedures to address the risk included:

Risk assessment: 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 and Parent Company'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 estimation of ECL either due to inputs or methods or assumptions.

Controls testing: We performed end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant manual, general IT and application controls over key systems used in the ECL process.
Key aspects of our controls testing involved evaluating the design and testing the operating effectiveness of the key controls over the:

• completeness and accuracy of the key inputs into the IFRS 9 impairment models;
• application of the staging criteria;
• model validation, implementation and monitoring;
• authorisation and calculation of post model adjustments; and
• selection and implementation of economic variables and the controls over the economic scenario selection and probabilities.

Our credit risk modelling expertise: We involved our own credit risk modellers who assisted in the following:
• evaluating the Group's impairment methodologies for compliance with IFRS 9;
• inspecting model code for the calculation of certain components of the ECL model to assess its consistency with the Group's approved staging criteria and the output of the model;
• 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;
• reperforming the calculation of certain qualitative adjustments to assess consistency with the qualitative adjustment methodologies;
• 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;
• 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
• 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.</td></tr>
</table>

	The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers including off balance sheet elements has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The credit risk sections of the financial statements (pages 93-100) disclose the sensitivities estimated by the Group. **Disclosure quality** The disclosures regarding the Group's and Parent Company's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results.	**Our economics expertise**: We involved our own economic specialists who assisted us in: • assessing the reasonableness of the Group's and Parent Company's methodology and models for determining the economic scenarios used and the probability weightings applied to them; • reperforming the calculation of the probability weightings applied to economic scenarios; • assessing key economic variables which included comparing samples of economic variables to external sources; • assessing the overall reasonableness of the economic forecasts by comparing the Group's and Parent Company's forecasts to our own modelled forecasts; and • assessing the reasonableness of the Group's and Parent Company's qualitative adjustments by challenging key economic assumptions applied in their calculation based on external sources. **Other test of details**: Key aspects of our testing in addition to those set out above involved: • Sample testing over key inputs into the ECL calculations; and • Selecting a sample of post model adjustments, considering the size and complexity, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data. **Assessing transparency**: We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. In addition, we assessed whether the disclosure of the key judgements and assumptions was sufficiently clear. **Our results**: The results of our testing were satisfactory and we considered the ECL charge, impairment allowance and the related disclosures to be acceptable (2021 result: acceptable).

Independent Auditor's report to the members of Barclays Bank UK PLC

Valuation of financial instruments held at fair value 31 December 2022 £1,844m, 31 December 2021 £2,662m Refer to page 161 (accounting policy for financial assets and liabilities) and page 187 (financial disclosure note 15 Fair value of financial instruments)	**Subjective valuation** **Risk vs 2021:** ◄► The fair value of the Group's and Parent company'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"). Where significant pricing inputs are unobservable, management has no reliable, relevant market data available in determining the fair value and hence estimation uncertainty can be high. These financial instruments are classified as Level 3, with management having controls in place over the boundary between Level 2 and 3 positions. Our significant audit risk is therefore over the significant Level 3 portfolio, which is the Education, Social Housing and Local Authority ("ESHLA") loan portfolio. As at 31 December 2022 the Group and Parent company have outstanding ESHLA loans which require significant judgement in the valuation due to the long dated nature of the portfolio, the lack of a secondary market in the relevant loans and unobservable loan spreads. At 31 December 2022, Level 3 instruments (£1,844m) represented 8% of the Group's and Parent company's financial instrument assets carried at fair value. **Disclosure quality** The disclosures are key to explaining the valuation techniques, key judgements, assumptions and material inputs.	Our procedures to address the risk included: **Risk assessment**: We performed granular and detailed risk assessment procedures throughout the audit period over the ESHLA balances within the Group and Parent Company's financial statements. As part of these risk assessment procedures, we identified the associated valuation inputs that have a risk of material misstatement including those arising from significant judgements over valuation due to unobservable inputs. **Control testing**: We performed end to end process walkthroughs to identify the key systems, applications and controls used in the valuations processes. We tested the design and operating effectiveness of key controls relating to this portfolio. We attended management's valuation committee throughout the year and observed discussion and challenge over valuation themes including items related to the valuation of certain difficult-to-value financial instruments recorded at fair value. Key aspects of our controls testing involved evaluating the design and testing the operating effectiveness of the key controls over: • Independent price verification (IPV), performed by a control function of key market pricing inputs, including completeness of positions and valuation inputs subject to the IPV process; • FVAs, including exit adjustments (to mark the portfolio to bid or offer prices), model shortcoming reserves to address model limitations; • The validation, completeness, implementation and usage of valuation models. This included controls over assessment of model limitations and assumptions; and • The assessment of the observability of a product and their unobservable inputs. **Our valuations expertise**: We involved our own valuations specialists in the following: • Independently re-pricing a selection of fair value financial instruments and challenging management on the valuations where they were outside our tolerance; and • Challenging the appropriateness of significant models and methodologies used in calculating fair values, risk exposures and in calculating FVAs, including comparison to industry practice. **Inspection of movements**: We inspected movements in unobservable inputs throughout the period to assess whether gains or losses generated were in line with the accounting standards. **Historical comparison**: We performed a retrospective review by inspecting significant gains and losses on a selection of trade exits or restructurings and evaluated whether these data points indicated elements of fair value not incorporated in the current valuation methodologies. We also inspected movements in unobservable inputs throughout the period to challenge whether any gain or loss generated was appropriate. **Assessing transparency**: We assessed the adequacy of the Group's and Parent Company's financial statements disclosures in the context of the relevant accounting standards. **Our results**: The results of our testing were satisfactory and we considered the fair value of Level 3 financial assets recognised to be acceptable (2021 result: acceptable).

User access management	**Control performance** **Risk vs 2021:** ◄► Our assessment of the risk is similar to 2021. The Group and Parent company's IT operations support a wide range of products and services, resulting in a large and complex IT infrastructure relevant to the financial reporting processes and related internal controls. User access management controls are an integral part of the IT environment to ensure both system access and changes made to 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 Our audit procedures identified control 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 infrastructure components. Management has ongoing programmes to remediate the deficiencies. Since these deficiencies were open during the year, we performed certain procedures to respond to the risk of unauthorised changes to automated controls over financial reporting.	Our procedures to address the risk included: **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: • Authorising access rights for new joiners • Timely removal of user access rights • Logging and monitoring of user activities • Privileged user access management and monitoring • Developer access to transaction and balance information • Segregation of duties; and • Re-certification of user access rights. • We performed procedures to assess whether additional detective compensating controls operate at the same level of precision to support our assessed risk of unauthorised activities and we tested management's incremental detective controls. **Our results**: Our testing did not identify unauthorised user activities in the systems relevant to financial reporting which would have required us to significantly expand the extent of our planned detailed testing.

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

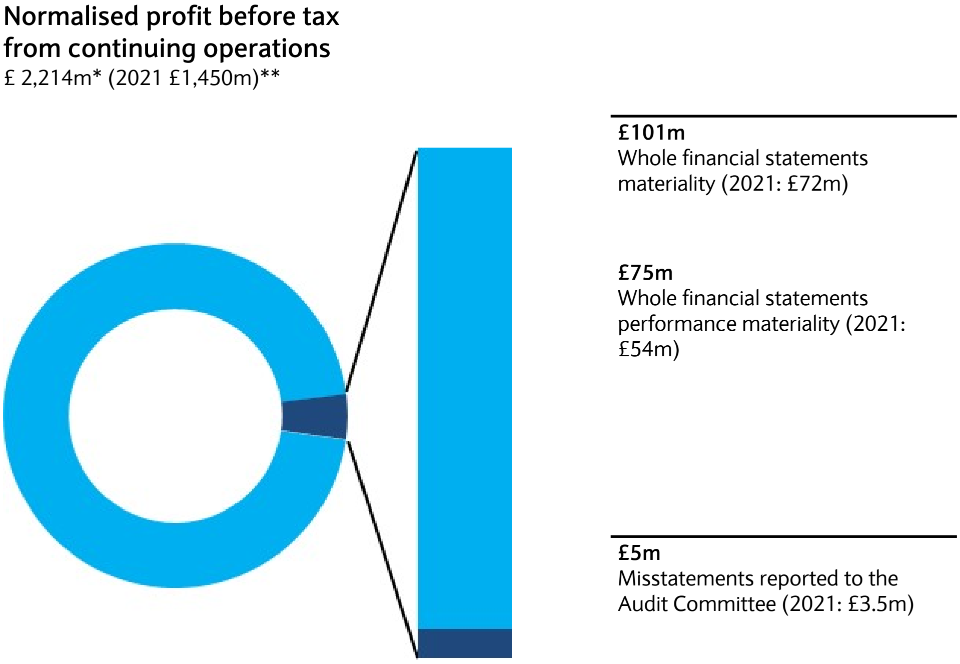
Materiality for the Group and Parent company financial statements as a whole was set at £101 million (2021: £72 million) and £100 million (2021: £70 million) respectively, determined with reference to a benchmark of profit before tax from continuing operations (of which it represents 4.5% (2021: 5%) for the Group and 4.5% (2021: 4.8%) for the Parent company), normalised downwards for 2022 by £338 million to adjust to the average ECL charge over the last four years given the observed volatility in the ECL charge from economic uncertainty as the economy recovered from the COVID-19 pandemic. In the prior year materiality was determined by normalising the benchmark downwards by £1 billion to adjust for the impact of ECL releases following a reduction in the COVID-19 related economic uncertainty.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Group and Parent company was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £75 million (2021: £54 million) for the Group and £75 million (2021: £52.5 million) for the Parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £5m (2021: £3.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Group materiality



* normalised by adjusting to the average ECL charge for past four years given the observed volatility in the ECL charge from economic uncertainty as the economy recovered from COVID-19 pandemic.

** normalised by adjusting for the impact of ECL releases during the current year following a reduction in the COVID-19 related economic uncertainty

Scope – general

We were able to rely upon the Group's internal control over financial reporting in all areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work.

The Group engagement team performed the audit of the Group as if it was a single aggregated set of financial information, using the materiality levels set out above.

The Group has certain centralised processes in India, the outputs of which are also included in the aggregated set of financial information. These services are subject to specified audit procedures, predominantly the testing of transaction processing and controls. We evaluated the work which the participating auditor performed in these areas. We communicated with the participating audit team throughout the audit by holding regular meetings.

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group and Parent 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's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that management considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period and which we challenged 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.

We 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.

Our procedures also included an assessment of whether the going concern disclosure in note 1 to the financial statements gives a complete and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

a. we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

b. we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and

c. We found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. In this risk assessment we considered the following:

- Our meetings throughout the year with the Group and Parent company Head of Risk, Group and Parent company Head of Compliance and Group and Parent company Head of Legal and reviews of Barclays' internal ethics and compliance reporting summaries, including those concerning investigations and regulatory correspondence;

- Enquiries of operational managers, internal audit, and the Board Audit Committee, and inspection of policy documentation as to the Group's and Parent company's policies and procedures relating to:

    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and

    - the internal controls established to mitigate risks related to fraud, including the appropriateness and impact of changes made to these controls to facilitate remote/hybrid working;

- The Group's and Parent company's remuneration policies, key drivers for remuneration and bonus levels;

- Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes audit partners and staff who have extensive experience of working with banks, and this experience was relevant to the discussion about where fraud risks may arise. The discussions also involved our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group and Parent company, including consideration of fraudulent schemes that had arisen in similar sectors and industries. The forensic specialists participated in the initial fraud risk assessment discussion and were consulted throughout the audit where further guidance was deemed necessary.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgments.

We also identified a fraud risk related to qualitative adjustments to the model-driven ECL results given these adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts, and the valuation of level 3 ESHLA loans held at fair value given there is significant management judgement around the valuation. Further detail in respect of these is set out in the key audit matter in section 2 of this report.

Our audit procedures included evaluating the design and implementation and operating effectiveness of relevant internal controls, assessing significant accounting estimates for bias as well as substantive procedures to address the fraud risks.

These procedures also included identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.

On this audit, we do not believe there is a fraud risk related to revenue recognition because there is limited complexity and judgement in the amount and timing of when revenue should be recognised.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements. For this risk assessment, matters considered include the following:

- our general commercial and sector experience;
- discussion with the directors and other management (as required by auditing standards);
- inspection of the Group's and Parent company's regulatory and legal correspondence;
- inspection of the policies and procedures regarding compliance with laws and regulations;
- relevant discussions with the Group's and Parent company's external legal counsel;
- relevant discussions with the Group's and Parent company's key regulatory supervisors including the Prudential Regulation Authority and Financial Conduct Authority; and
- the Group's and Parent Company's own assessment of the risks of non-compliance with laws and regulations.

As the Group and Parent company operates in a highly regulated environment, our assessment of risks of material misstatement also considered the control environment, including the Group and Parent company's higher level procedures for complying with regulatory requirements. Our assessment included inspection of key frameworks, policies and standards in place, understanding and evaluating the role of the compliance function in establishing these and monitoring compliance and testing of related controls around whistleblowing and complaints.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group and Parent company is subject to laws and regulations that directly impact the financial statements including:

- financial reporting legislation (including related companies' legislation);
- distributable profits legislation; and
- taxation legislation (direct and indirect).

We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and Parent company 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. We identified the following areas as those most likely to have such an effect:

- Specific aspects of regulatory capital and liquidity
- Customer conduct rules
- Money laundering
- Ring-fencing rules
- Sanctions list and financial crime
- Market abuse regulations
- 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 laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. If a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

In relation to the legal, competition and regulatory matters disclosed in note 24 we performed audit procedures which included making enquiries of Barclays internal counsel and inspection of minutes of meetings and regulatory correspondence. For a subset of these matters which we deemed to be more significant we also made enquiries of external counsel and obtained legal confirmations from Barclays' external counsel.

In respect of regulatory matters relating to conduct risk, our procedures included inspection of regulatory correspondence, independent enquiry of the Group's and Parent company's main regulators and performing audit procedures to respond to risks of material misstatement identified in recognised conduct provisions.

We consider management's response where potential non-compliance with laws and regulations has been identified regulations that could reasonably be expected to have a material effect on the financial statements, including their communication with those charged with governance and regulators, remediation actions and controls implemented to prevent future recurrence. Refer to further disclosures in note 24.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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 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 remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

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

Strategic report and directors' report

Based solely on our work on the other information:

a. we have not identified material misstatements in the strategic report and the directors' report;
b. in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
c. in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

a. adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
b. the Parent Company financial statements are not in agreement with the accounting records and returns; or
c. certain disclosures of directors' remuneration specified by law are not made; or
d. we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 39, 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 and Parent 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 the Parent 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael McGarry (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

14 February 2023

Consolidated financial statements
Consolidated income statement

For the year ended 31 December	Notes	2022 £m	2021 £m
Interest and similar income	3	**6,981**	5,775
Interest and similar expense	3	**(1,340)**	(769)
Net interest income		**5,641**	5,006
Fee and commission income	4	**1,689**	1,466
Fee and commission expense	4	**(322)**	(219)
Net fee and commission income		**1,367**	1,247
Net trading income	5	**385**	40
Net investment income	6	**1**	181
Other income		**3**	8
Total income		**7,397**	6,482
Staff costs	28	**(1,170)**	(1,392)
Infrastructure costs	7	**(385)**	(389)
Administration and general expenses	7	**(2,977)**	(2,859)
Provisions for litigation and conduct	22	**(45)**	(51)
Operating expenses	7	**(4,577)**	(4,691)
Profit on disposal of subsidiaries, associates and joint ventures		**—**	1
Profit before impairment		**2,820**	1,792
Credit impairment (charges)/releases	8	**(268)**	371
Profit before tax		**2,552**	2,163
Taxation	9	**(745)**	(294)
Profit after tax		**1,807**	1,869
Attributable to:			
Equity holders of the parent		**1,634**	1,696
Other equity instrument holders		**173**	173
Profit after tax		**1,807**	1,869

Note
As permitted by section 408(3) of the Companies Act 2006 an income statement for the parent company has not been presented.

Consolidated statement of comprehensive income

For the year ended 31 December	2022 £m	2021 £m
Profit after tax	1,807	1,869
Other comprehensive income/(loss) that may be recycled to profit or loss:		
Fair value through other comprehensive income reserve movement relating to debt securities		
Net losses from changes in fair value	(1,139)	(286)
Net gains due to fair value hedging	824	250
Net losses/(gains) transferred to net profit on disposal	42	(57)
Net losses/(gains) relating to (releases of) impairment	1	(2)
Tax	74	28
Cash flow hedging reserve		
Net losses from changes in fair value	(2,409)	(444)
Net losses/(gains) transferred to net profit	71	(667)
Tax	623	339
Other comprehensive loss that may be recycled to profit or loss	(1,913)	(839)
Other comprehensive income not recycled to profit or loss:	—	—
Other comprehensive loss for the year	(1,913)	(839)
Total comprehensive (loss)/income for the year	(106)	1,030

Consolidated balance sheet

As at 31 December	Notes	2022 £m	2021 £m
Assets			
Cash and balances at central banks		**54,208**	69,488
Cash collateral and settlement balances		**5,194**	5,067
Loans and advances at amortised cost	17	**223,207**	220,271
Reverse repurchase agreements and other similar secured lending		**477**	65
Trading portfolio assets	11	**54**	169
Financial assets at fair value through the income statement	12	**1,980**	2,767
Derivative financial instruments	13	**611**	890
Financial assets at fair value through other comprehensive income	14	**19,970**	14,945
Goodwill and intangible assets	20	**3,528**	3,526
Property, plant and equipment	18	**382**	562
Deferred tax assets	9	**1,916**	1,368
Other assets		**652**	577
Total assets		**312,179**	319,695
Liabilities			
Deposits at amortised cost	17	**258,117**	260,732
Cash collateral and settlement balances		**553**	774
Repurchase agreements and other similar secured borrowing		**17,702**	18,160
Debt securities in issue		**8,009**	8,684
Subordinated liabilities	25	**8,268**	9,516
Trading portfolio liabilities	11	**464**	878
Derivative financial instruments	13	**962**	814
Current tax liabilities		**578**	377
Other liabilities	21	**1,775**	1,824
Provisions	22	**338**	536
Total liabilities		**296,766**	302,295
Equity			
Called up share capital and share premium	26	**5**	5
Other equity instruments	26	**2,560**	2,560
Other reserves	27	**(2,279)**	(366)
Retained earnings		**15,127**	15,201
Total equity		**15,413**	17,400
Total liabilities and equity		**312,179**	319,695

The Board of Directors approved the financial statements on pages 151 to 224 on 14 February 2023.

Crawford Gillies
Chair

Matt Hammerstein
Chief Executive

James Mack
Chief Financial Officer

Consolidated 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	5	2,560	(366)	15,201	17,400
Profit after tax	—	173	—	1,634	1,807
Financial assets at fair value through other comprehensive income	—	—	(198)	—	(198)
Cash flow hedges	—	—	(1,715)	—	(1,715)
Total comprehensive income for the year	—	173	(1,913)	1,634	(106)
Employee share schemes	—	—	—	22	22
Other equity instruments coupons paid	—	(173)	—	—	(173)
Vesting of employee share schemes	—	—	—	(14)	(14)
Dividends paid	—	—	—	(1,715)	(1,715)
Other reserve movements	—	—	—	(1)	(1)
Balance as at 31 December 2022	5	2,560	(2,279)	15,127	15,413
Balance as at 1 January 2021	5	2,560	473	13,989	17,027
Profit after tax	—	173	—	1,696	1,869
Financial assets at fair value through other comprehensive income	—	—	(67)	—	(67)
Cash flow hedges	—	—	(772)	—	(772)
Total comprehensive income for the year	—	173	(839)	1,696	1,030
Employee share schemes	—	—	—	37	37
Other equity instruments coupons paid	—	(173)	—	—	(173)
Vesting of employee share schemes	—	—	—	(11)	(11)
Dividends paid	—	—	—	(510)	(510)
Balance as at 31 December 2021	5	2,560	(366)	15,201	17,400

Notes
a For further details, refer to Note 26.
b For further details, refer to Note 27.

Consolidated cash flow statement

For the year ended 31 December	Note	2022 £m	2021 £m
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax		**2,552**	2,163
Adjustment for non-cash items:			
Credit impairment charges/(releases)		**268**	(371)
Depreciation, amortisation and impairment of property, plant, equipment and intangibles		**187**	169
Other provisions		**47**	25
Other non-cash movements		**(878)**	(480)
Changes in operating assets and liabilities			
Cash collateral and settlement balances		**335**	322
Loans and advances at amortised cost		**2,893**	(4,591)
Repurchase and reverse repurchase agreements		**(870)**	11,050
Deposits at amortised cost		**(2,615)**	20,197
Debt securities in issue		**(675)**	1,181
Derivative financial instruments		**427**	(406)
Trading assets and liabilities		**(299)**	(258)
Financial assets and liabilities at fair value through the income statement		**787**	665
Other assets and liabilities		**(369)**	(299)
Corporate income tax paid		**(395)**	(53)
Net cash from operating activities		**1,395**	29,314
Financial assets at fair value through other comprehensive income		**(6,792)**	10,125
Property, plant and equipment and intangibles		**(13)**	—
Debt securities at amortised cost		**(5,796)**	(3,695)
Net cash from investing activities		**(12,601)**	6,430
Dividends paid and coupon payments on other equity instruments		**(1,888)**	(683)
Issuance of subordinated debt	25	**829**	1,025
Redemption of subordinated debt	25	**(2,017)**	(1,116)
Vesting of employee share schemes		**(14)**	(11)
Net cash from financing activities		**(3,090)**	(785)
Net (decrease)/ increase in cash and cash equivalents		**(14,296)**	34,959
Cash and cash equivalents at beginning of year		**73,376**	38,417
Cash and cash equivalents at end of year		**59,080**	73,376
Cash and cash equivalents comprise:			
Cash and balances at central banks		**54,208**	69,488
Loans and advances to banks with original maturity less than three months		**347**	46
Cash collateral at central banks		**4,525**	3,842
Cash and cash equivalents at end of year		**59,080**	73,376

Interest received by Barclays Bank UK Group was £6,982m (2021: £5,784m) and interest paid by Barclays Bank UK Group was £1,340m (2021: £769m). These amounts include interest paid and received arising from trading activities.

As at 31 December 2022, the Barclays Bank UK Group was required to maintain balances with central banks in respect of interbank payment schemes of £966m (2021: £847m).

Balance sheet

As at 31 December	Notes	2022 £m	2021 £m
Assets			
Cash and balances at central banks		**54,208**	69,488
Cash collateral and settlement balances		**5,136**	4,986
Loans and advances at amortised cost	17	**224,036**	220,660
Reverse repurchase agreements and other similar secured lending		**477**	65
Trading portfolio assets	11	**54**	169
Financial assets at fair value through the income statement	12	**1,980**	2,767
Derivative financial instruments	13	**611**	890
Financial assets at fair value through other comprehensive income	14	**19,970**	14,945
Investment in subsidiaries	36	**432**	432
Goodwill and intangible assets	20	**3,380**	3,378
Property, plant and equipment	18	**382**	562
Deferred tax assets	9	**1,916**	1,368
Other assets		**598**	516
Total assets		**313,180**	320,226
Liabilities			
Deposits at amortised cost	17	**259,077**	261,286
Cash collateral and settlement balances		**486**	686
Repurchase agreements and other similar secured borrowing		**17,702**	18,160
Debt securities in issue		**8,009**	8,684
Subordinated liabilities	25	**8,268**	9,516
Trading portfolio liabilities	11	**464**	878
Derivative financial instruments	13	**1,005**	814
Current tax liabilities		**567**	368
Other liabilities	21	**1,721**	1,775
Provisions	22	**328**	519
Total liabilities		**297,627**	302,686
Equity			
Called up share capital and share premium	26	**5**	5
Other equity instruments	26	**2,560**	2,560
Other reserves	27	**(2,177)**	(265)
Retained earnings[a]		**15,165**	15,240
Total equity		**15,553**	17,540
Total liabilities and equity		**313,180**	320,226

Note
a As permitted by section 408(3) of the Companies Act 2006 an income statement for the parent company has not been presented. Included in shareholders' equity for the Bank is a profit after tax for the year ended 31 December 2022 of £1,807m (2021: £1,863m).

The Board of Directors approved the financial statements on pages 156 to 158 on 14 February 2023.

Crawford Gillies
Chair

Matthew Hammerstein
Chief Executive

James Mack
Chief Financial Officer

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	**5**	**2,560**	**(265)**	**15,240**	**17,540**
Profit after tax	**—**	**173**	**—**	**1,634**	**1,807**
Financial assets at fair value through other comprehensive income	**—**	**—**	**(197)**	**—**	**(197)**
Cash flow hedges	**—**	**—**	**(1,715)**	**—**	**(1,715)**
Other	**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the year	**—**	**173**	**(1,912)**	**1,634**	**(105)**
Equity settled share schemes	**—**	**—**	**—**	**22**	**22**
Other equity instruments coupons paid	**—**	**(173)**	**—**	**—**	**(173)**
Vesting of employee share schemes	**—**	**—**	**—**	**(14)**	**(14)**
Dividends paid	**—**	**—**	**—**	**(1,715)**	**(1,715)**
Other movements	**—**	**—**	**—**	**(2)**	**(2)**
Balance as at 31 December 2022	**5**	**2,560**	**(2,177)**	**15,165**	**15,553**
Balance as at 1 January 2021	5	2,560	575	14,033	17,173
Profit after tax	—	173	—	1,690	1,863
Financial assets at fair value through other comprehensive income	—	—	(68)	—	(68)
Cash flow hedges	—	—	(772)	—	(772)
Other	—	—	—	—	—
Total comprehensive income for the year	—	173	(840)	1,690	1,023
Issue and exchange of other equity instruments	—	—	—	—	—
Equity settled share schemes	—	—	—	37	37
Other equity instruments coupons paid	—	(173)	—	—	(173)
Vesting of employee share schemes	—	—	—	(11)	(11)
Dividends paid	—	—	—	(510)	(510)
Other movements	—	—	—	1	1
Balance as at 31 December 2021	5	2,560	(265)	15,240	17,540

Notes
a For further details, refer to Note 26.
b For further details, refer to Note 27.

Cash flow statement

For the year ended 31 December 2022	2022 £m	2021 £m
Reconciliation of profit before tax to net cash flows from operating activities:		
Profit before tax	**2,552**	2,157
Adjustment for non-cash items:		
Credit impairment charges/(releases)	**268**	(369)
Depreciation, amortisation and impairment of property, plant, equipment and intangibles	**187**	169
Other provisions	**35**	12
Other non-cash movements	**(890)**	(470)
Changes in operating assets and liabilities		
Cash collateral and settlement balances	**333**	314
Loans and advances at amortised cost	**2,393**	(4,915)
Reverse repurchase agreements and other similar lending	**(870)**	11,050
Deposits at amortised cost	**(2,209)**	20,195
Debt securities in issue	**(675)**	1,181
Derivative financial instruments	**470**	(406)
Trading assets and liabilities	**(299)**	(258)
Financial assets and liabilities at fair value	**787**	665
Other assets and liabilities	**(368)**	(268)
Corporate income tax paid	**(392)**	(60)
Net cash from operating activities	**1,322**	28,997
Financial assets at fair value through other comprehensive income	**(6,780)**	10,125
Property, plant and equipment and intangibles	**(13)**	—
Debt securities at amortised cost	**(5,797)**	(3,695)
Net cash from investing activities	**(12,590)**	6,430
Dividends paid and other coupon payments on equity instruments	**(1,888)**	(683)
Issuance of subordinated debt	**829**	1,025
Redemption of subordinated debt	**(2,017)**	(1,116)
Vesting of employee share schemes	**(14)**	(11)
Net cash from financing activities	**(3,090)**	(785)
Effect of exchange rates on cash and cash equivalents	**—**	—
Net increase in cash and cash equivalents	**(14,358)**	34,642
Cash and cash equivalents at beginning of year	**73,376**	38,734
Cash and cash equivalents at end of year	**59,018**	73,376
Cash and cash equivalents comprise:		
Cash and balances at central banks	**54,208**	69,488
Loans and advances to banks with original maturity less than three months	**285**	46
Cash collateral at central banks	**4,525**	3,842
Cash and cash equivalents at end of year	**59,018**	73,376

Interest received by Barclays Bank UK PLC was £6,967m (2021: £5,780m) and interest paid by Barclays Bank UK PLC was £1,342m (2021: £769m). Dividends received were £17m (2021: £13m). These amounts include interest paid and received arising from trading activities.

As at 31 December 2022, Barclays Bank UK PLC was required to maintain balances with central banks in respect of interbank payment schemes of £966m (2021: £847m).

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

1 Significant accounting policies

1. Reporting entity

Barclays Bank UK PLC is a public company limited by shares, registered in England under company number 9740322, having its registered office at 1 Churchill Place, London, E14 5HP.

These financial statements are prepared for Barclays Bank UK PLC and its subsidiaries (the Barclays Bank UK Group) under Section 399 of the Companies Act 2006. The Barclays Bank UK Group is a major UK financial services provider engaged in retail banking, credit cards, wholesale banking, wealth management and investment management services. In addition, separate financial statements have been presented for the parent company.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Barclays Bank UK Group, and the separate financial statements of Barclays Bank UK PLC, have been prepared in accordance with UK-adopted international accounting standards.

The consolidated financial statements of the Barclays Bank UK Group, and the separate financial statements of Barclays Bank UK PLC, have also been prepared in accordance with IFRS as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS as issued by the IASB for the periods presented.

The principal accounting policies applied in the preparation of the consolidated and separate 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 separate financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies.

The financial statements are stated in millions of Pounds Sterling (£m), the functional currency of Barclays Bank UK PLC.

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to companies using IFRS. The financial statements are prepared on a going concern basis, as the Board is satisfied that the Barclays Bank UK Group and parent company have the resources to continue in business for a period of at least 12 months from approval of the financial statements. In making this assessment, the Board has considered a wide range of information relating to present and future conditions and includes a review of a working capital report (WCR). The WCR is used by the Board to assess the future performance of the Barclays Bank UK Group and 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 the Barclays Bank UK Group's medium term plan as well as projections of regulatory capital requirements and business funding needs. The WCR also includes an assessment of the impact of internally generated stress testing scenarios on the liquidity and capital requirement forecasts. The stress tests used were based upon an assessment of reasonably possible downside economic scenarios that the Barclays Bank UK Group could experience.

The WCR showed that the Barclays Bank UK Group had sufficient capital in place to support its future business requirements and remained above its regulatory minimum requirements in the stress scenarios. Accordingly, the Board concluded that there was a reasonable expectation that the Barclays Bank UK Group has adequate resources to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements.

1 **Significant accounting policies** (continued)

4. Accounting policies

The Barclays Bank UK Group prepares financial statements in accordance with IFRS. The Barclays Bank UK Group'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 those items, are set out under the relevant notes. Accounting policies that affect the financial statements as a whole are set out below.

(i) Consolidation

The Barclays Bank UK Group applies IFRS 10 *Consolidated financial statements*.

The consolidated financial statements combine the financial statements of Barclays Bank UK PLC and all its subsidiaries. Subsidiaries are entities over which Barclays Bank UK PLC has control. The Barclays Bank UK Group has control over another entity when the Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

None of the Barclays Bank UK Group's subsidiaries are significant in the context of the Barclays Bank UK Group's business, results or financial position. A complete list of all subsidiaries is presented in Note 37.

In the individual financial statements of Barclays Bank UK PLC, investments in subsidiaries are stated at cost less impairment.

(ii) Foreign currency translation

The Barclays Bank UK Group applies IAS 21 The Effects of Changes in Foreign Exchange Rates. Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Foreign currency monetary balances are translated into Sterling 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.

1. Significant accounting policies (continued)

(iii) Financial assets and liabilities

The Barclays Bank UK Group 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 Barclays Bank UK Group applies the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting purposes.

Recognition

The Barclays Bank UK Group 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 Barclays Bank UK Group 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 are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

Other financial assets are measured at fair value through profit and 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 Barclays Bank UK Group's policies for determining the fair values of the assets and liabilities are set out in Note 15.

1. Significant accounting policies (continued)

Derecognition
The Barclays Bank UK Group 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 cash flows 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% or more 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.

Transactions in which the Barclays Bank UK Group transfers assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis compares the Barclays Bank UK Group's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity, or prepayment rates.

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 Barclays Bank UK Group 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 Barclays Bank UK Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Barclays Bank UK Group 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 Barclays Bank UK Group 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 or mandatorily at fair value through profit and loss.

The Barclays Bank UK Group 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 Barclays Bank UK Group 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 and loss.

(iv) Issued debt and equity instruments
The Barclays Bank UK Group 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 Barclays Bank UK Group having an obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the Annual General Meeting 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 is required by 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 are applied.

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

Refer to Note 35 for further disclosure related to interest rate benchmark reform.

1 Significant accounting policies (continued)

(vi) Cash flow statement

Cash comprises cash on hand and balances at central banks. Cash equivalents comprise loans and advances to banks, cash collateral balances with central banks related to payment schemes and treasury and other eligible bills, all with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents. Investments in debt securities at amortised cost, presented within loans and advances on the balance sheet, are deemed to be investing activities for the purposes of the cash flow statement, except those instruments considered to be cash equivalents.

(vii) Accounting for business combinations

In accordance with IFRS 3, the Barclays Bank UK Group accounts for business combinations using the acquisition method. Under the acquisition method, the identifiable assets and liabilities of the acquiree are recognised by the acquirer on the acquisition date, which is determined to be the date the acquirer obtains control of the acquiree under IFRS 10.

The identifiable assets and liabilities are initially recognised at fair value by the acquirer, unless required otherwise by another accounting standard, such as IAS 12 Income Taxes and IAS 19 Employee Benefits.

A non-controlling interest, also known as a minority interest, arises where the acquirer does not acquire 100% of the acquiree.

Goodwill is recognised if the fair value of the consideration transferred is greater than the fair value of the identifiable assets and liabilities assumed. Goodwill is tested annually for impairment or more frequently if an indicator of impairment is identified. If the fair value of consideration transferred is less than the fair value of the identifiable assets and liabilities assumed then a gain is recognised in the income statement.

If the acquisition is incomplete at the end of the reporting period, then the acquirer prepares its financial statements using the information available. The financial statements are then retrospectively adjusted for new information of facts and circumstances that existed as at the acquisition date becomes available, but the adjustment period may not exceed one year from the acquisition date.

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:

IFRS17 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 were 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 Barclays Bank UK Group 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.

1. Significant accounting policies (continued)

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 consolidated and individual financial statements are highlighted under the relevant note.

Critical accounting estimates and judgements are disclosed in:

- Credit impairment charges on page 170
- Fair value of financial instruments on pages 187 to 192
- Goodwill and intangible assets on pages 199 to 202
- Provisions including conduct and legal, competition and regulatory matters on pages 203 to 204.

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 63 to 64 and the tables on pages 74 to 116
- Market risk on page 64 and the narratives on page 117
- Treasury and capital risk – capital on pages 64 to 66 and the tables on pages 127 to 128
- Treasury and capital risk – liquidity on pages 64 to 66 and the tables on pages 119 to 126.

These disclosures are covered by the Audit opinion (included on pages 141 to 150) where referenced as audited.

The notes included in this section focus on the results and performance of the Barclays Bank UK Group. Information on the income generated, expenditure incurred, segmental performance, tax and dividends are included here.

2 Segmental reporting

Presentation of segmental reporting
The Barclays Bank UK Group'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 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.

For segmental reporting purposes, the Barclays Bank UK Group divisions are defined as:

- **Personal Banking** which comprises Personal and Premier banking, Mortgages, Savings, Investments and Wealth management.
- **Barclaycard Consumer UK** which comprises the Barclaycard UK consumer credit cards business.
- **Business Banking** which offers products, services and specialist advice to clients ranging from start-ups to medium-sized businesses and is where the ESHLA loan portfolio is held.

The below table also includes Head Office which includes central support functions.

Analysis of results by business

	Personal Banking £m	Barclaycard Consumer UK £m	Business Banking £m	Head Office £m	Barclays Bank UK Group £m
For the year ended 31 December 2022					
Total income	**4,700**	**1,095**	**1,629**	**(27)**	**7,397**
Operating costs	**(3,038)**	**(545)**	**(905)**	**(44)**	**(4,532)**
Litigation and conduct	**(5)**	**(16)**	**(19)**	**(5)**	**(45)**
Total operating expenses	**(3,043)**	**(561)**	**(924)**	**(49)**	**(4,577)**
Other net income	**2**	**(1)**	**(1)**	**—**	**—**
Profit before impairment	**1,659**	**533**	**704**	**(76)**	**2,820**
Credit impairment (charges)/release	**(149)**	**30**	**(149)**	**—**	**(268)**
Profit/(loss) before tax	**1,510**	**563**	**555**	**(76)**	**2,552**
Total assets (£bn)	**230.4**	**9.8**	**72.0**	**—**	**312.2**
Number of employees (full time equivalent)	**3,100**	**100**	**3,000**	**10,200**	**16,400**
Average number of employees (full time equivalent)					**16,600**
For the year ended 31 December 2021					
Total income	4,001	1,252	1,401	(172)	6,482
Operating costs	(3,225)	(524)	(873)	(18)	(4,640)
Litigation and conduct	25	(60)	(2)	(14)	(51)
Total operating expenses	(3,200)	(584)	(875)	(32)	(4,691)
Other net income	1	(1)	—	1	1
Profit before impairment	802	667	526	(203)	1,792
Credit impairment (charges)/releases	33	404	(66)	—	371
Profit/(loss) before tax	835	1,071	460	(203)	2,163
Total assets (£bn)	226.1	9.2	84.1	0.3	319.7
Number of employees (full time equivalent)	4,200	100	2,900	10,400	17,600
Average number of employees (full time equivalent)					20,100

Income by geographic region
The Barclays Bank UK Group generates income from business activities in the United Kingdom.

3 Net interest income

Accounting for interest income and expenses
Interest income on loans and advances at amortised cost and financial assets at fair value through other comprehensive income, 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 Barclays Bank UK Group 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 Barclays Bank UK Group derives certain fees and incurs certain costs in the origination of mortgage products. Such fees and costs where directly attributable and incremental to the origination of the instrument, are deferred on the balance sheet and subsequently included within the calculation of the effective interest rate. They are amortised to interest income over the period of expected life.

Similarly, for mortgage products with distinct periods (initial and follow-on) and contractual margins over the original term wherein the initial contractual margin varies from the average calculated return, additional interest is deferred on the balance sheet and released to interest income over the remaining expected life. This adjustment results in a constant rate of return over contractual rate(s) recognised in the income statement.

There is judgement involved in application of the effective interest rate (EIR) method for loans measured at amortised cost, in particular developing repayment expectations for long dated instruments such as mortgages. Application of the EIR method adjusts the timing and amount of interest recognition, with qualifying revenue and expenses deferred and recognised through the life of the instrument as well as the deferred or accelerated recognition of interest where instruments have contractually specified decreases or increases in the calculation of interest.

EIR is subject to judgements regarding the rate at which loans are repaid, the key judgement being the prepayment rate following the end of the initial discount period, which is informed by internal modelling and reviewed quarterly. The review considers prepayment estimates against recent observed customer behaviour, with the carrying value of the EIR asset adjusted accordingly.

EIR calculations are performed at a portfolio level, aggregating financial instruments with similar characteristics and contractual terms. The values in the table below reflect net interest income post application of the EIR method.

	2022 £m	2021 £m
Cash and balances at central banks	**819**	56
Loans and advances at amortised cost	**5,581**	5,428
Fair value through other comprehensive income	**470**	170
Other	**111**	121
Interest and similar income	**6,981**	5,775
Deposits at amortised cost	**(345)**	(195)
Debt securities in issue	**(165)**	(83)
Subordinated liabilities	**(287)**	(333)
Other	**(543)**	(158)
Interest and similar expense	**(1,340)**	(769)
Net interest income	**5,641**	5,006

Interest and similar income presented above represents interest revenue calculated using the effective interest method. Interest and similar income includes £21m (2021: £30m) accrued on impaired loans. Other interest expense includes £10m (2021: £16m) relating to IFRS 16 lease interest expenses.

4 Net fee and commission income

Accounting for net fee and commission income
The Barclays Bank UK Group applies IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a five-step model governing revenue recognition. The five-step model requires the Barclays Bank UK Group 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 Barclays Bank UK Group recognises fee and commission income charged for services provided by the Barclays Bank UK Group as and when performance obligations are satisfied, for example, on completion of the underlying transaction. Where the contractual arrangements also result in the Barclays Bank UK Group 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.

	2022				
	Personal Banking	Barclaycard Consumer UK	Business Banking	Head Office	Total
	£m	£m	£m	£m	£m
Fee type					
Transactional	**749**	**171**	**165**	**—**	**1,085**
Advisory	**161**	**—**	**—**	**—**	**161**
Other	**214**	**1**	**228**	**—**	**443**
Total revenue from contracts with customers	**1,124**	**172**	**393**	**—**	**1,689**
Other non-contract fee income	**—**	**—**	**—**	**—**	**—**
Fee and commission income	**1,124**	**172**	**393**	**—**	**1,689**
Fee and commission expense	**(272)**	**(42)**	**(8)**	**—**	**(322)**
Net fee and commission income	**852**	**130**	**385**	**—**	**1,367**

	2021				
	Personal Banking	Barclaycard Consumer UK	Business Banking	Head Office	Total
	£m	£m	£m	£m	£m
Fee type					
Transactional	600	117	153	—	870
Advisory	172	—	—	—	172
Other	268	—	156	—	424
Total revenue from contracts with customers	1,040	117	309	—	1,466
Other non-contract fee income	—	—	—	—	—
Fee and commission income	1,040	117	309	—	1,466
Fee and commission expense	(186)	(27)	(6)	—	(219)
Net fee and commission income	854	90	303	—	1,247

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 Barclays Bank UK Group incurs certain card related costs including those related to cardholder reward programmes. 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 customer that continuously carry an outstanding balance (revolvers) are included in the effective interest rate of the receivable (refer to Note 3).

Advisory

Advisory fees are generated from wealth management services. Wealth management advisory are earned over the period the services are provided and are generally recognised quarterly when the market value of client assets is determined.

Contract assets and contract liabilities

The Barclays Bank UK Group 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 balance.

Remaining performance obligations

The Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group expects that incremental costs of obtaining a contract such as success fee and commission fees paid are recoverable and therefore capitalise such contract costs. Capitalised contract costs net of amortisation as at 31 December 2022 are £8m (2021: £6m).

Capitalised contract costs are amortised over the customer relationship period depending on the transfer of services to which the asset pertains. In 2022, the amount of amortisation was £2m (2021: £1m) and there was no impairment loss recognised in connection with the capitalised contract costs (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 arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions and from changes in fair value caused by movements in interest and exchange rates and other market variables.

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 £m	2021 £m
Net gains from assets and liabilities held for trading[a]	378	29
Net gains from financial instruments designated at fair value	7	11
Net trading income	**385**	40

Note
a Net trading income within Barclays Bank UK Group predominantly comprises gains and losses on derivatives in treasury which are held as economic hedges to manage risk and foreign exchange revaluations.

6 Net investment income

Accounting for net investment income
Dividends are recognised when the right to receive the dividend has been established. Other accounting policies relating to net investment income are set out in Note 12 and Note 14.

	2022 £m	2021 £m
Net (losses)/gains from disposal of debt instruments at fair value through other comprehensive income	(42)	57
Net gains from disposal of financial assets and liabilities measured at amortised cost	48	92
Net (losses)/gains on other investments	(5)	32
Net investment income	**1**	181

7 Operating expenses

	2022 £m	2021 £m
Infrastructure costs		
Property and equipment	198	220
Depreciation and amortisation	153	167
Impairment of property, equipment and intangible assets	34	2
Total infrastructure costs	385	389
Administration and general expenses		
Consultancy, legal and professional fees	85	51
Marketing and advertising	124	101
UK bank levy	25	35
Other administration and general expenses	2,743	2,672
Total administration and general expenses	2,977	2,859
Staff costs[a]	1,170	1,392
Provisions for litigation and conduct	45	51
Operating expenses	4,577	4,691

Note
a For further details on staff costs including accounting policies, refer to Note 28.

8 Credit impairment charge/(release)

Accounting for the impairment of financial assets

Impairment

The Barclays Bank UK Group is required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. Intercompany exposures in the individual financial statements, including loan commitments and financial guarantee contracts, are also in scope of IFRS 9 for ECL purposes.

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 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 Barclays Bank UK Group 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.

Determining a significant increase in credit risk since initial recognition:

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

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

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

ii) Qualitative test

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, including but not limited to bureau scores and high consumer indebtedness index, 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.

The criteria for determining a significant increase in credit risk for assets with bullet repayments follows the same principle as all other assets, i.e. quantitative, qualitative and backstop tests are all applied.

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 Barclays Bank UK Group uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury (short and medium term forecasts) and Bloomberg (based on median of economic forecasters) which forms the Baseline scenario. In addition, two adverse scenarios (Downside 1 and Downside 2) and two favourable scenarios (Upside 1 and Upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a broadly similar severity to 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 rate) 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 probability weights for each of the scenarios involves a comparison of the distribution of key historical UK macroeconomic variables against the forecast paths of the five scenarios. The methodology works such that the baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The same scenarios used in the estimation of expected credit losses are also used to inform the Barclays Bank UK Group'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, and credit cards and unsecured consumer loans are highly sensitive to unemployment.

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

The definition of default for the purpose of determining ECLs, and for internal credit risk management purposes, has been aligned to the Regulatory Capital CRR Article 178 definition of default, to maintain a consistent approach with IFRS 9 and associated regulatory guidance. The Regulatory Capital CRR Article 178 definition of default considers indicators that the debtor is unlikely to pay, includes exposures in forbearance 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 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 Barclays Bank UK Group'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 Barclays Bank UK Group may enter into a financial guarantee contract which requires the issuer of such contract to reimburse the Barclays Bank UK Group 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 Barclays Bank UK Group 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 revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. For revolving facilities, expected life is analytically derived to reflect 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. Issued financial guarantee contracts are discounted at the risk free rate. Lease receivables are discounted at the rate implicit in the lease. 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 Barclays Bank UK Group's risk models are used to determine the PD, LGD and EAD. For Stage 2 and 3, the Barclays Bank UK Group 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, based on the Barclays Bank UK Group's experience of managing credit risk. The determination of expected life is most material for Barclays' credit card portfolios which is obtained via behavioural life analysis to materially capture the risk of these facilities.

Within the retail and small businesses portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics where credit scoring techniques are generally used, the impairment allowance is calculated using forward looking modelled parameters which are typically run at account 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 Barclays Bank UK Group'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 90 in credit risk performance section.

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 reimbursements[a]	Total	Impairment Charges/ (Releases)	Recoveries and reimbursements	Total
	£m	£m	£m	£m	£m	£m
Loans and advances at amortised cost	**293**	**(36)**	**257**	(92)	(19)	(111)
Off-balance sheet loan commitments and financial guarantee contracts	**10**	**—**	**10**	(257)	—	(257)
Total	**303**	**(36)**	**267**	(349)	(19)	(368)
Financial instruments at fair value through other comprehensive income	**1**	**—**	**1**	(2)	—	(2)
Other financial assets measured at cost	**—**	**—**	**—**	(1)	—	(1)
Credit impairment charges/(releases)	**304**	**(36)**	**268**	(352)	(19)	(371)

Note

a Recoveries and reimbursements includes cash recoveries of previously written off amounts of £32m (2021: £35m) and a net increase in amount recoverable from financial guarantee contracts held with third parties of £4m (2021: £16m reduction).

Write-off that can still be subjected to enforcement activity

The contractual amount outstanding on financial assets that were written off during the period ended 31 December 2022 and that can still be subjected to enforcement activity is £419m (2021: £404m). This is lower than the write-offs 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 of £175m (2021: £186m), with a loss allowance measured at an amount equal to lifetime ECL, were subject to non-substantial modifications during the period, with a resulting loss of £3m (2021: £9m). There is no material movement in financial assets subject to non-substantial modification for which the loss allowance has changed to a 12 month ECL.

9 Tax

Accounting for income taxes

The Barclays Bank UK Group 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 for 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 Barclays Bank UK Group 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 Barclays Bank UK Group'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 Barclays Bank UK Group ultimately expects to pay the tax authority to resolve the position.

	2022 £m	2021 £m
Current tax charge/(credit)		
Current year	**537**	549
Adjustments in respect of prior years	**20**	(43)
	557	506
Deferred tax charge/(credit)		
Current year	**232**	(206)
Adjustments in respect of prior years	**(44)**	(6)
	188	(212)
Tax charge	**745**	294

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

	2022 £m	2022 %	2021 £m	2021 %
Profit before tax	**2,552**		2,163	
Tax charge based on the standard UK corporation tax rate of 19% (2021: 19%)	**485**	**19.0%**	411	19.0%
Recurring items:				
Banking surcharge[a] and other items	**179**	**7.0%**	159	7.4%
Non-deductible expenses	**12**	**0.5%**	10	0.5%
Impact of UK bank levy being non-deductible	**5**	**0.2%**	7	0.3%
Tax adjustments in respect of share-based payments	**—**	**—**	(1)	—
Adjustments in respect of prior years	**(24)**	**(1.0%)**	(49)	(2.3%)
Tax relief on payments made under AT1 instruments	**(33)**	**(1.3%)**	(33)	(1.5%)
Tax relief on holdings of inflation-linked government bonds	**(46)**	**(1.8%)**	(12)	(0.6%)
Non-recurring items:				
Remeasurement of UK deferred tax assets due to UK tax rate change	**163**	**6.4%**	(196)	(9.1%)
Non-deductible provisions for UK customer redress	**4**	**0.2%**	(2)	(0.1%)
Total tax charge/(credit)	**745**	**29.2%**	294	13.6%

Note
a Banking surcharge includes the impact of the 8% UK banking surcharge rate on profits and tax adjustments relating to UK banking entities

Factors driving the effective tax rate

The effective tax rate of 29.2% is higher than the UK corporation tax rate of 19% primarily due to the impact of the banking surcharge, the tax charge recognised for a remeasurement of UK deferred tax assets as a result of the enactment in 2022 of a reduction in the banking surcharge rate to 3% from 1 April 2023 and non-deductible expenses including UK bank levy. These factors, which have each increased the effective tax rate, have been partially offset by tax relief on holdings of inflation linked government bonds, tax relief on payments made under AT1 instruments and beneficial adjustments in respect of prior years.

Barclays Bank UK Group's future tax charge will be sensitive to the tax rates in force and changes to the tax rules in the UK.

In its Autumn Statement held in November 2022, the UK Government confirmed that, as currently enacted, the banking surcharge rate will be reduced from 8% to 3% from 1 April 2023. UK deferred tax assets as at 31 December 2022 are measured at this rate, having been remeasured when the 3% rate was substantively enacted in 2022. The statutory tax rate applicable to banks' UK profits will therefore be 28% (comprising a rate of 25% for corporation tax and of 3% for banking surcharge) from 1 April 2023.

Tax in the consolidated statement of comprehensive income

Tax relating to each component of other comprehensive income can be found in the consolidated statement of comprehensive income. The total amount recognised in relation to the remeasurement of UK deferred tax through other comprehensive income was a £55m debit (2021: £41m credit).

Tax included directly in equity

Tax included directly in equity comprises a £nil (2021: £9m) credit relating to share-based payments and deductible costs on issuing other equity instruments.

Deferred tax assets and liabilities

The deferred tax asset on the balance sheet for Barclays Bank UK Group and for Barclays Bank UK PLC is £1,916m (2021: £1,368m). All of these deferred tax assets are in the UK Tax Group and relate entirely to temporary differences. Business profit forecasts indicate these amounts will be fully recovered.

Of the deferred tax asset of £1,916m (2021: £1,368m), an amount of £nil (2021: £nil) relates to entities which have suffered a loss in either the current or prior year. This has been taken into account in reaching the above conclusion that these deferred tax assets will be fully recovered in the future.

The table below shows movements on deferred tax assets and liabilities during the year. The amounts are different from those disclosed on the balance sheet as they are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Barclays Bank UK Group and PLC	Fixed asset timing differences £m	Cash flow hedges £m	Loan impairment allowance £m	Other temporary differences £m	Total £m
Assets	875	213	209	71	1,368
Liabilities	—	—	—	—	—
At 1 January 2022	875	213	209	71	1,368
Income statement	(115)	—	(56)	(17)	(188)
Other comprehensive income and reserves	—	623	—	72	695
Other movements	41	—	—	—	41
	801	836	153	126	1,916
Assets	801	836	153	126	1,916
Liabilities	—	—	—	—	—
At 31 December 2022	801	836	153	126	1,916
Assets	702	—	206	14	922
Liabilities	—	(126)	—	(16)	(142)
At 1 January 2021	702	(126)	206	(2)	780
Income statement	173	—	3	36	212
Other comprehensive income and reserves	—	339	—	37	376
Other movements	—	—	—	—	—
	875	213	209	71	1,368
Assets	875	213	209	71	1,368
Liabilities	—	—	—	—	—
At 31 December 2021	875	213	209	71	1,368

The amount of deferred tax asset expected to be recovered after more than 12 months for the Barclays Bank UK Group and for Barclays Bank UK PLC is £1,869m (2021: £1,317m). The amount of deferred tax liability expected to be settled after more than 12 months for the Barclays Bank UK Group and for Barclays Bank UK PLC is £nil (2021: £nil). These amounts are before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Unrecognised deferred tax

Tax losses and temporary differences

Deferred tax assets have not been recognised in respect of gross tax losses of £274m (2021: £339m) in Barclays Bank UK Group and Barclays Bank UK PLC. These tax losses are comprised entirely of capital losses which 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 gains will be available against which they can be utilised.

Barclays Bank UK Group investments in subsidiaries, branches and associates

The amount of unrecognised deferred tax relating to temporary differences on investments in subsidiaries, branches and associates in both Barclays Bank UK Group and Barclays Bank UK PLC is £nil (2021: £nil).

10 Dividends on ordinary shares

The 2022 financial statements include £1,715m (2021: £510m) of dividends paid on ordinary shares. This comprises 2022 interim dividend of £705m (2021: £510m) and 2021 full year dividend £1,010m (2020: nil). This results in a total dividend for the year of £3.40 (2021: £1.01) per ordinary share.

The Directors have approved a 2022 full year dividend of £705m. The financial statements for the year ended 31 December 2022 do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2023.

The notes included in this section focus on assets and liabilities the Barclays Bank UK Group 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 Barclays Bank UK Group's approach to managing market risk can be found on page 64.

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).

	Barclays Bank UK Group and PLC	
	2022	2021
	£m	£m
Debt securities and other eligible bills	54	169
Trading portfolio assets	**54**	**169**
Debt securities and other eligible bills	(464)	(878)
Trading portfolio liabilities	**(464)**	**(878)**

Trading debt securities (assets) are part of managed assets within treasury. Trading debt securities (liabilities) relate to short positions held for hedging fair value loans and managed assets within treasury.

12 Financial assets at fair value through the income statement

Accounting for financial assets mandatorily at fair value
Financial assets 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.

Accounting for financial assets designated at fair value
Financial assets, other than those held for trading, are classified in this category if they are so irrevocably designated at inception and the use of the designation removes or significantly reduces an accounting mismatch.

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

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

	Barclays Bank UK Group and PLC	
	2022	2021
	£m	£m
Loans and advances	1,979	2,767
Financial assets designated at fair value	**1,979**	2,767
Equity Securities	1	—
Financial assets mandatorily at fair value	**1**	—
Total	**1,980**	2,767

Credit risk of financial assets designated at fair value and related credit derivatives
The following table shows the maximum exposure to credit risk, the changes in fair value attributable to changes in credit risk, and the cumulative changes in fair value since initial recognition for loans and advances.

	Barclays Bank UK Group and PLC					
	Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m
Loans and advances designated at fair value, attributable to credit risk	1,979	2,767	10	4	(6)	(16)

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 Barclays Bank UK Group's net interest income, net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

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

Hedge accounting

The Barclays Bank UK Group applies the requirements of IAS 39 Financial Instruments: Recognition and Measurement for hedge accounting purposes. The Barclays Bank UK Group applies hedge accounting to represent the economic effects of its interest rate, currency and contractually linked inflation risk management strategies. Derivatives are used to hedge interest rate, exchange rate, and exposures to certain indices such as house price indices and retail price indices related to non-trading positions. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Barclays Bank UK Group applies fair value hedge accounting and cash flow hedge accounting.

The Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.
- The Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group 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 Barclays Bank UK Group upon designation of the hedge to assume that the separately identifiable requirement is met if the Barclays Bank UK Group reasonably expects the RFR risk will become separately identifiable within the next 24 months. The Barclays Bank UK Group applies this relief to each RFR on a rate-by-rate basis and starts when the Barclays Bank UK Group 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	Barclays Bank UK Group			Barclays Bank UK PLC		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2022						
Total derivative assets/(liabilities) held for trading	**583,402**	**181**	**(726)**	**584,492**	**181**	**(769)**
Total derivative assets/(liabilities) held for risk management	**78,801**	**430**	**(236)**	**78,801**	**430**	**(236)**
Derivative assets/(liabilities)	**662,203**	**611**	**(962)**	**663,293**	**611**	**(1,005)**
As at 31 December 2021						
Total derivative assets/(liabilities) held for trading	578,933	243	(730)	578,933	243	(730)
Total derivative assets/(liabilities) held for risk management	77,257	647	(84)	77,257	647	(84)
Derivative assets/(liabilities)	656,190	890	(814)	656,190	890	(814)

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

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

Derivatives held for trading[a]	Barclays Bank UK Group			Barclays Bank UK PLC		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2022						
Foreign exchange derivatives						
OTC derivatives	13,584	138	(583)	13,462	126	(584)
Foreign exchange derivatives	13,584	138	(583)	13,462	126	(584)
Interest rate derivatives						
OTC derivatives	4,340	41	(112)	4,340	41	(112)
Interest rate derivatives cleared by central counterparty	565,478	2	(31)	565,477	2	(31)
Interest rate derivatives	569,818	43	(143)	569,817	43	(143)
Derivatives with subsidiaries	—	—	—	1,213	12	(42)
Derivative assets/(liabilities) held for trading	583,402	181	(726)	584,492	181	(769)
Total OTC derivatives	17,924	179	(695)	17,802	167	(696)
Total derivatives cleared by central counterparty	565,478	2	(31)	565,477	2	(31)
Derivatives with subsidiaries	—	—	—	1,213	12	(42)
Derivative assets/(liabilities) held for trading	583,402	181	(726)	584,492	181	(769)

Derivatives held for trading[a]	Barclays Bank UK Group			Barclays Bank UK PLC		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2021						
Foreign exchange derivatives						
OTC derivatives	20,511	98	(282)	20,389	56	(282)
Foreign exchange derivatives	20,511	98	(282)	20,389	56	(282)
Interest rate derivatives						
OTC derivatives	9,753	78	(364)	8,753	38	(364)
Interest rate derivatives cleared by central counterparty	548,669	67	(84)	548,669	67	(84)
Interest rate derivatives	558,422	145	(448)	557,422	105	(448)
Derivatives with subsidiaries	—	—	—	1,122	82	—
Derivative assets/(liabilities) held for trading	578,933	243	(730)	578,933	243	(730)
Total OTC derivatives	30,264	176	(646)	29,142	94	(646)
Total derivatives cleared by central counterparty	548,669	67	(84)	548,669	67	(84)
Derivatives with subsidiaries	—	—	—	1,122	82	—
Derivative assets/(liabilities) held for trading	578,933	243	(730)	578,933	243	(730)

Note
a Derivatives held for trading mainly includes derivatives held as economic hedges to manage risk.

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

Derivatives held for risk management	Barclays Bank UK Group			Barclays Bank UK PLC		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2022						
Derivatives designated as cash flow hedges						
Currency Swaps	9,946	374	(199)	9,946	374	(199)
Interest rate derivatives cleared by central counterparty	32,918	—	—	32,918	—	—
Derivatives designated as cash flow hedges	42,864	374	(199)	42,864	374	(199)
Derivatives designated as fair value hedges						
Interest rate swaps	3,252	56	(37)	3,252	56	(37)
Interest rate derivatives cleared by central counterparty	32,685	—	—	32,685	—	—
Derivatives designated as fair value hedges	35,937	56	(37)	35,937	56	(37)
Derivative assets/(liabilities) held for risk management	78,801	430	(236)	78,801	430	(236)
Total OTC derivatives	13,198	430	(236)	13,198	430	(236)
Total derivatives cleared by central counterparty	65,603	—	—	65,603	—	—
Derivative assets/(liabilities) held for risk management	78,801	430	(236)	78,801	430	(236)
As at 31 December 2021						
Derivatives designated as cash flow hedges						
Currency Swaps	6,592	642	—	6,592	642	—
Interest rate derivatives cleared by central counterparty	37,482	—	—	37,482	—	—
Derivatives designated as cash flow hedges	44,074	642	—	44,074	642	—
Derivatives designated as fair value hedges						
Interest rate swaps	2,537	5	(73)	2,537	5	(73)
Interest rate derivatives cleared by central counterparty	30,646	—	(11)	30,646	—	(11)
Derivatives designated as fair value hedges	33,183	5	(84)	33,183	5	(84)
Derivative assets/(liabilities) held for risk management	77,257	647	(84)	77,257	647	(84)
Total OTC derivatives	9,129	647	(73)	9,129	647	(73)
Total derivatives cleared by central counterparty	68,128	—	(11)	68,128	—	(11)
Derivative assets/(liabilities) held for risk management	77,257	647	(84)	77,257	647	(84)

Hedge accounting

Hedge accounting is applied predominantly for the following risks:
- Interest rate risk – arises due to a mismatch between fixed interest rates and floating interest rates. Interest rate risk also includes exposure to inflation risk for certain types of investments.
- Currency risk – arises due to assets or liabilities being denominated in different currencies than the functional currency of the relevant entity.
- Contractually linked inflation risk – arises from financial instruments within contractually specified inflation risk. The Group does not hedge inflation risk that arises from other activities.

In order to hedge these risks, the Group uses the following hedging instruments:
- Interest rate derivatives to swap interest rate exposures into either fixed or variable rates.
- Currency derivatives to swap foreign currency exposure into the entity's functional currency
- Inflation derivatives to swap inflation exposure into either fixed or variable interest 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 Barclays Bank UK Group 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.
- Inflation risk as a contractually specified component of a debt instrument.
- Forward exchange rate risk for foreign currency financial assets or financial liabilities.
- 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 Barclays Bank UK Group'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 Barclays Bank UK Group applies hedge accounting to dynamic scenarios, predominantly in relation to interest rate risk, with a combination of hedged items in order for its financial statements to reflect as closely as possible the economic risk management undertaken. In some cases, if the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated and a de-designated relationship is replaced with a different hedge accounting relationship.

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

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences.
- Changes in credit risk of the hedging instruments.
- If a hedging relationship becomes over-hedged.
- The effects of the reforms to IBOR because these might take effect at a different time and have a different impact on hedged items and hedging instruments.

Barclays Bank UK Group's risk exposure continues, in part, to be affected by interest rate benchmark reform. In most cases, hedged items and hedging instruments are expected to transition to relevant risk-free rates at the end of their current cash flow period. USD LIBOR, Canadian Dollar Offered Rate (CDOR) and Singapore Swap Offered Rate (SOR) linked hedge accounting relationships are still exposed to uncertainty regarding the precise timing and effects of benchmark reform. USD LIBOR and SOR benchmarks will cease to be published after 30 June 2023, CDOR - after 28 June 2024, but certain hedged items and hedging instruments continue to contractually reference these benchmarks beyond the cessation date.

The following table summarises the significant hedge accounting exposures impacted by the IBOR reform as at 31 December 2022:

Current benchmark rate	Expected convergence to RFR	Nominal amount of hedged items directly impacted by IBOR reform £m	Nominal amount of hedging instruments directly impacted by IBOR reform £m
USD LIBOR	Secured Overnight Financing Rate (SOFR)	**2,947**	**5,107**
Canadian Dollar Offered Rate (CDOR)	Canadian Overnight Repo Rate Average (CORRA)	**355**	**355**

The USD LIBOR hedged items and hedging instruments are expected to be transitioned to SOFR by 30 June 2023. The CDOR hedged items and hedging instruments are expected to be transitioned to CORRA by 28 June 2024.

Hedged items in fair value hedges

Barclays Bank UK Group and PLC		Accumulated fair value adjustment included in carrying amount			
Hedged item statement of financial position classification and risk category	Carrying amount £m	Total £m	Of which: Accumulated fair value adjustment on items no longer in a hedge relationship £m	Change in fair value used as a basis to determine ineffectiveness £m	Hedge ineffectiveness recognised in the income statement[a] £m
2022					
Assets					
Loans and advances at amortised cost					
– Interest rate risk	2,951	(3,339)	(1,274)	(4,092)	35
Debt securities classified at amortised cost					
– Inflation risk	1,004	(17)	(1)	(34)	2
Financial assets at fair value through other comprehensive income					
– Interest rate risk	8,395	(642)	(4)	(965)	24
– Inflation risk	2,495	(79)	(3)	(115)	16
Total Assets	14,845	(4,077)	(1,282)	(5,206)	77
Liabilities					
Debt securities in issue					
– Interest rate risk	(8,912)	1,032	113	1,092	(47)
Total Liabilities	(8,912)	1,032	113	1,092	(47)
Total Hedged items	5,933	(3,045)	(1,169)	(4,114)	30
2021					
Assets					
Loans and advances at amortised cost					
– Interest rate risk	7,201	647	(648)	(1,566)	33
Financial assets at fair value through other comprehensive income					
– Interest rate risk	8,591	35	4	(314)	(1)
– Inflation risk	2,795	84	—	80	3
Total Assets	18,587	766	(644)	(1,800)	35
Liabilities					
Debt securities in issue					
– Interest rate risk	(10,097)	(52)	117	375	(62)
Total Liabilities	(10,097)	(52)	117	375	(62)
Total Hedged items	8,490	714	(527)	(1,425)	(27)

Note
a Hedge ineffectiveness is recognised in net interest income.

For items classified as fair value through other comprehensive income, the hedge accounting adjustment is not included in the carrying amount, but rather adjusts other comprehensive income.

The following table shows the fair value hedging instruments which are carried on the balance sheet.

Barclays Bank UK Group and PLC		Carrying value				
		Derivative assets	Derivative liabilities	Nominal amount	Change in fair value used as a basis to determine ineffectiveness	Nominal amount directly impacted by IBOR reform
Hedge type	Risk category	£m	£m	£m	£m	£m
As at 31 December 2022						
Fair value	Interest rate risk	—	—	32,133	3,977	5,462
	Inflation risk	56	(37)	3,804	167	—
	Total	56	(37)	35,937	4,144	5,462
As at 31 December 2021						
Fair value	Interest rate risk	—	—	30,415	1,475	3,063
	Inflation risk	5	(84)	2,768	(77)	—
	Total	5	(84)	33,183	1,398	3,063

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

Barclays Bank UK Group and PLC	2022 £m	2023 £m	2024 £m	2025 £m	2026 £m	2027 £m	2028 and later £m
As at 31 December 2022							
Fair value hedges of:							
Interest rate risk (outstanding notional amount)	32,133	30,705	26,682	19,883	15,151	11,261	10,728
Inflation risk (outstanding notional amount)	3,804	3,764	2,815	2,635	818	378	—

There are 1,052 (2021: 1,126) interest rate risk fair value hedges with an average fixed rate of 2.4% (2021: 2.6%) across the relationships in Barclays Bank UK Group and PLC and 45 (2021: 36) inflation risk fair value hedges with an average rate of 0.5% (2021: 0.7%) across the relationships.

The following table shows hedged items in cash flow hedges:

Hedged items in cash flow hedges Barclays Bank UK Group and PLC	Change in value of hedged item used as the basis for recognising ineffectiveness	Balance in cash flow hedging reserve for continuing hedges	Balances remaining in cash flow hedging reserve for which hedge accounting is no longer applied	Hedging gains or losses recognised in other comprehensive income	Hedge ineffectiveness recognised in the income statement[a]
Description of hedge relationship and hedged risk	£m	£m	£m	£m	£m
2022					
Cash flow hedge of:					
Interest rate risk					
Loans and advances at amortised cost	1,926	1,367	1,013	1,926	(48)
Foreign exchange risk					
Debt securities classified at amortised cost	483	601	—	483	—
Total cash flow hedge	2,409	1,968	1,013	2,409	(48)
2021					
Cash flow hedge of:					
Interest rate risk					
Loans and advances at amortised cost	800	627	(106)	800	(67)
Foreign exchange risk					
Debt securities classified at amortised cost	(356)	123	—	(356)	1
Total cash flow hedge	444	750	(106)	444	(66)

Note
a Hedge ineffectiveness is recognised in net interest income.

There are 56 (2021: 35) foreign exchange risk cash flow hedges with an average foreign exchange rate of 148.01 JPY: 1 GBP (2021: 137.99 JPY: 1 GBP) across the relationships.

The following table shows the cash flow hedging instruments which are carried on the balance sheet.

Barclays Bank UK Group and PLC		Carrying value				
		Derivative assets	Derivative liabilities	Nominal amount	Change in fair value used as a basis to determine ineffectiveness	Nominal amount directly impacted by IBOR reform
Hedge type	Risk category	£m	£m	£m	£m	£m
As at 31 December 2022						
Cash flow	Interest rate risk	—	—	**32,918**	**(1,974)**	—
	Foreign exchange risk	**374**	**(199)**	**9,946**	**(483)**	—
	Total	**374**	**(199)**	**42,864**	**(2,457)**	—
As at 31 December 2021						
Cash flow	Interest rate risk	—	—	37,482	(867)	—
	Foreign exchange risk	642	—	6,592	357	—
	Total	642	—	44,074	(510)	—

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 or disposal of investment	Amount recycled from other comprehensive income due to hedged item affecting income statement	Amount recycled from other comprehensive income due to sale or disposal of investment
	£m	£m	£m	£m
Barclays Bank UK Group and PLC				
Cash flow hedge of interest rate risk				
Recycled to net interest income	**(67)**	**1**	124	1
Cash flow hedge of foreign exchange risk				
Recycled to other income	**(5)**	—	542	—

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

Barclays Bank UK Group and PLC	2022 Cash flow hedging reserve	2021 Cash flow hedging reserve
	£m	£m
Balance on 1 January	**(431)**	341
Hedging gains/(losses) for the year	**(2,409)**	(444)
Amounts reclassified in relation to cash flows affecting profit or loss	**71**	(667)
Tax	**623**	339
Balance on 31 December	**(2,146)**	(431)

14 Financial assets at fair value through other comprehensive income

Accounting for financial assets at fair value through other comprehensive income (FVOCI)

Financial assets that are debt instruments held in a business model that is achieved by both collecting contractual cash flows and selling, and that contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at FVOCI. They are subsequently re-measured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Interest (calculated using the effective interest method) is recognised in the income statement in net interest income (Note 3). Upon disposal, the cumulative gain or loss recognised in other comprehensive income is included in net investment income (Note 6).

In determining whether the business model is achieved by both collecting contractual cash flows and selling financial assets, it is determined that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. The Barclays Bank UK Group will consider past sales and expectations about future sales to establish if the business model is achieved.

	Barclays Bank UK Group and PLC	
	2022	2021
	£m	£m
Debt securities and other eligible bills	**19,970**	14,945
Financial assets at fair value through other comprehensive income	**19,970**	14,945

15 Fair value of financial instruments

Accounting for financial assets and liabilities – fair values

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

All financial instruments are initially recognised at fair value on the date of initial recognition (including transaction costs, other than financial instruments held at fair value through profit or loss) and depending on the subsequent classification of the financial 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 Barclays Bank UK Group's financial assets and liabilities for which quoted prices are not available, 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 including, for example, interest rate yield curves and currency rates.

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 190.

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 with judgement applied in determining the boundary between Level 2 and 3 classification.

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

Valuation technique using significant unobservable inputs – Level 3

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

The following table shows Barclays Bank UK Group'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

	2022				2021			
	Valuation technique using				Valuation technique using			
Barclays Bank UK Group	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	9	45	—	54	90	79	—	169
Financial assets at fair value through the income statement	—	136	1,844	1,980	—	105	2,662	2,767
Derivative financial assets	—	611	—	611	—	890	—	890
Financial assets at fair value through other comprehensive income	5,675	14,295	—	19,970	5,045	9,900	—	14,945
Total assets	5,684	15,087	1,844	22,615	5,135	10,974	2,662	18,771
Trading portfolio liabilities	(448)	(16)	—	(464)	(827)	(51)	—	(878)
Derivative financial liabilities	—	(962)	—	(962)	—	(814)	—	(814)
Total liabilities	(448)	(978)	—	(1,426)	(827)	(865)	—	(1,692)

The following table shows Barclays Bank UK PLC'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

	2022				2021			
	Valuation technique using				Valuation technique using			
Barclays Bank UK PLC	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	9	45	—	54	90	79	—	169
Financial assets at fair value through the income statement	—	136	1,844	1,980	—	105	2,662	2,767
Derivative financial assets	—	611	—	611	—	890	—	890
Financial assets at fair value through other comprehensive income	5,675	14,295	—	19,970	5,045	9,900	—	14,945
Total assets	5,684	15,087	1,844	22,615	5,135	10,974	2,662	18,771
Trading portfolio liabilities	(448)	(16)	—	(464)	(827)	(51)	—	(878)
Derivative financial liabilities	—	(1,005)	—	(1,005)	—	(814)	—	(814)
Total liabilities	(448)	(1,021)	—	(1,469)	(827)	(865)	—	(1,692)

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. Transfers have been reflected as if they had taken place at the beginning of the year.

Asset transfer between Level 3 and Level 2 is due to an increase in observable market activity related to an input.

Analysis of movements in Level 3 assets and liabilities

Barclays Bank UK Group and PLC	As at 1 January 2022 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total (losses) and gains in the period recognised in the income statement: Trading income[a] £m	Total (losses) and gains in the period recognised in the income statement: Other income £m	Total gains or (losses) recognised in OCI £m	Transfers: In £m	Transfers: Out £m	As at 31 December 2022 £m
Non-asset backed loans	2,662	—	—	—	(284)	(471)	—	—	—	(63)	1,844
Other	—	—	—	—	—	—	—	—	—	—	—
Financial assets at fair value through the income statement	**2,662**	**—**	**—**	**—**	**(284)**	**(471)**	**—**	**—**	**—**	**(63)**	**1,844**

	As at 1 January 2021 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total (losses) and gains in the period recognised in the income statement: Trading income[a] £m	Total (losses) and gains in the period recognised in the income statement: Other income £m	Total gains or (losses) recognised in OCI £m	Transfers: In £m	Transfers: Out £m	As at 31 December 2021 £m
Non-asset backed loans	3,301	—	—	—	(500)	(122)	—	—	—	(17)	2,662
Other	1	—	—	—	—	—	(1)	—	—	—	—
Financial assets at fair value through the income statement	3,302	—	—	—	(500)	(122)	(1)	—	—	(17)	2,662

Note
a Trading income represents losses on Level 3 financial assets which are offset by gains on derivative hedges disclosed within Level 2.

Valuation technique and sensitivity analysis

Non-asset backed loans
Description: Largely made up of fixed rate loans, extended to counterparties in the Education, Social Housing and Local Authority sectors.

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

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

Level 3 sensitivity: The sensitivity of fixed rate loans is calculated by applying a shift to loan spreads, aligned to the prudent valuation framework for calculating market data uncertainty around an unobservable valuation input. The prudent valuation framework additionally requires Barclays Bank UK plc to be capitalised to 50% of the impact of such valuation uncertainty being realised in the income statement. On a portfolio level, the sensitivity is equivalent to an average stress to the input loan spread of 39bp.

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

Barclays Bank UK Group and PLC	2022				2021			
	Income statement		Other compre-hensive income		Income statement		Other compre-hensive income	
	Trading income [a]	Other income		Total	Trading income [a]	Other income		Total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets at fair value through the income statement	(471)	—	—	(471)	(122)	—	—	(122)
Total	(471)	—	—	(471)	(122)	—	—	(122)

Note
a Trading income represents losses on Level 3 financial assets which are offset by gains on derivative hedges disclosed within Level 2.

Significant unobservable inputs

	Valuation technique(s)	Significant unobservable inputs	2022 Range		2021 Range		
			Min	Max	Min	Max	Units[a]
Non-asset backed loans	Discounted cash flows	Loan spread	50	589	31	1,552	bps

Note
a The units used to disclose ranges for significant unobservable inputs are percentages, points and basis points. Points are a percentage of par; for example, 100 points equals 100% of par. 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 interrelationships can be identified between significant unobservable inputs used in fair value measurement, a description of those interrelationships is included below.

Loan spread

Loan spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Loan spreads typically reflect credit quality, the level of comparable assets such as gilts and other factors, and form part of the yield used in a discounted cash flow calculation.

The ESHLA portfolio primarily consists of long-dated fixed rate loans extended to counterparties in the UK Education, Social Housing and Local Authority sectors. The loans are categorised as Level 3 in the fair value hierarchy due to their illiquid nature and the significance of unobservable loan spreads to the valuation. Valuation uncertainty arises from the long-dated nature of the portfolio, the lack of secondary market in the loans and the lack of observable loan spreads. The majority of ESHLA loans are to borrowers in heavily regulated sectors that are considered low credit risk, and have a history of near zero defaults since inception and where Barclays is often afforded a position as a secured creditor. While the overall loan spread range is from 50bps to 589bps (2021: 31bps to 1,552bps), the vast majority of spreads are concentrated towards the bottom end of this range, with 84% of the loan notional being valued with spreads less than 200bps consistently for both years.

In general, a significant increase in loan spreads in isolation will result in a fair value decrease for a loan.

Sensitivity analysis of valuations using unobservable inputs

	2022		2021	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	£m	£m	£m	£m
Non asset backed loans	71	(68)	66	(105)
Total	71	(68)	66	(105)

The effect of stressing unobservable inputs to a 90th percentile confidence interval of a potential range of values, alongside considering the impact of using alternative models, would be to increase fair values by up to £71m (2021: £66m) or to decrease fair values by up to £68m (2021: £105m). All the potential effect would impact profit and loss. A methodology asymmetry in calculating the favourable and unfavourable changes in the sensitivity analysis exists and is attributable to Investing and Funding costs contributing to the unfavourable side only. This can result in asymmetric numerical outcomes for favourable and unfavourable sensitivities.

Portfolio exemptions
The Barclays Bank UK Group 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 Barclays Bank UK Group 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 £10m (2021: £12m) for financial instruments measured at fair value and £191m (2021: £202m) for financial instruments carried at amortised cost. The decrease in financial investments measured at fair value of £2m (2021: £1m) was driven by amortisation and releases of £2m (2021: £2m) offset by additions of £nil (2021: £1m). The decrease of £11m (2021: £15m) in financial instruments carried at amortised cost is driven by amortisation and releases of £11m (2021: £15m) offset by additions of £nil (2021: £nil).

Comparison of carrying amounts and fair values:
The following tables summarise the fair value of financial assets and liabilities measured at amortised cost on Barclays Bank UK Group's and Barclays Bank UK PLC's balance sheet:

Barclays Bank UK Group	2022					2021				
As at 31 December	Carrying amount £m	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m	Carrying amount £m	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets										
Loans and advances at amortised cost	223,207	216,878	815	36,214	179,849	220,271	220,960	1,897	25,807	193,256
Reverse repurchase agreements and other similar secured lending	477	477	—	477	—	65	65	—	65	—
Financial liabilities										
Deposits at amortised cost	(258,117)	(257,886)	(249,057)	(5,590)	(3,239)	(260,732)	(260,749)	(253,601)	(5,644)	(1,504)
Repurchase agreements and other similar secured borrowing	(17,702)	(17,702)	—	(17,702)	—	(18,160)	(18,160)	—	(18,160)	—
Debt securities in issue	(8,009)	(8,163)	—	(6,980)	(1,183)	(8,684)	(8,945)	—	(8,801)	(144)
Subordinated liabilities	(8,268)	(8,370)	—	(8,370)	—	(9,516)	(9,976)	—	(9,976)	—

Barclays Bank UK PLC	2022					2021				
As at 31 December	Carrying amount £m	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m	Carrying amount £m	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets										
Loans and advances at amortised cost	224,036	217,706	815	37,042	179,849	220,660	221,349	1,897	26,198	193,254
Reverse repurchase agreements and other similar secured lending	477	477	—	477	—	65	65	—	65	—
Financial liabilities										
Deposits at amortised cost	(259,077)	(258,846)	(249,057)	(6,550)	(3,239)	(261,286)	(261,304)	(253,601)	(6,199)	(1,504)
Repurchase agreements and other similar secured borrowing	(17,702)	(17,702)	—	(17,702)	—	(18,160)	(18,160)	—	(18,160)	—
Debt securities in issue	(8,009)	(8,163)	—	(6,980)	(1,183)	(8,684)	(8,945)	—	(8,801)	(144)
Subordinated liabilities	(8,268)	(9,976)	—	(9,976)	—	(9,516)	(9,976)	—	(9,976)	—

The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are available, it may not be appropriate to directly compare this fair value information to independent market sources or other financial institutions. Different valuation methodologies and assumptions can have a significant impact on fair values which are based on unobservable inputs.

Financial assets
The carrying value of financial assets held at amortised cost (including loans and advances to banks and customers, and other lending such as reverse repurchase agreements and cash collateral on securities borrowed) is determined in accordance with the relevant accounting policy in Note 17.

Loans and advances at amortised cost
The fair value of loans and advances, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Where market data or credit information on the underlying borrowers is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rates. For 2022, the fair value is lower than carrying value mainly on fixed rate products driven by rising interest rates. The majority will be part of a wider portfolio which includes fair valued instruments that are not presented in this table.

Reverse repurchase agreements and other similar secured lending
The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

Financial liabilities
The carrying value of financial liabilities held at amortised cost (including customer accounts, other deposits, repurchase agreements and cash collateral on securities lent, debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy in Note 1.

Deposits at amortised cost
In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently, such as customer accounts and other deposits and short-term debt securities.

The fair value for deposits with longer-term maturities, mainly time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently, the fair value discount is minimal.

Repurchase agreements and other similar secured borrowing
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 Barclays Bank UK Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- all financial assets and liabilities that are reported net on the balance sheet

- all derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The 'Net amounts' presented are not intended to represent the Barclays Bank UK Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

Barclays Bank UK Group	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	**611**	**—**	**611**	**(407)**	**(204)**	**—**	**—**	**611**
Reverse repurchase agreements and other similar secured lending[e]	**2,547**	**(2,070)**	**477**	**—**	**(477)**	**—**	**—**	**477**
Total assets	**3,158**	**(2,070)**	**1,088**	**(407)**	**(681)**	**—**	**—**	**1,088**
Derivative financial liabilities	**(936)**	**—**	**(936)**	**407**	**415**	**(114)**	**(26)**	**(962)**
Repurchase agreements and other similar secured borrowing[e]	**(4,669)**	**2,070**	**(2,599)**	**—**	**2,599**	**—**	**(15,103)**	**(17,702)**
Total liabilities	**(5,605)**	**2,070**	**(3,535)**	**407**	**3,014**	**(114)**	**(15,129)**	**(18,664)**
As at 31 December 2021								
Derivative financial assets	890	—	890	(270)	(618)	2	—	890
Reverse repurchase agreements and other similar secured lending[e]	6,333	(6,268)	65	—	(65)	—	—	65
Total assets	7,223	(6,268)	955	(270)	(683)	2	—	955
Derivative financial liabilities	(814)	—	(814)	270	542	(2)	—	(814)
Repurchase agreements and other similar secured borrowing[e]	(9,424)	6,268	(3,156)	—	3,156	—	(15,004)	(18,160)
Total liabilities	(10,238)	6,268	(3,970)	270	3,698	(2)	(15,004)	(18,974)

Notes
a No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.
b Financial collateral of £204m (2021: £618m) was received in respect of derivative assets, including £193m (2021: £536m) of cash collateral and £11m (2021: £82m) of non-cash collateral. Financial cash collateral of £415m (2021: £542m) was placed in respect of derivative liabilities. 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 Repurchase and other similar secured lending and Reverse Repurchase and other similar secured lending held at amortised cost.

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 Barclays Bank UK are further explained in the Credit risk mitigation section on page 63.

Barclays Bank UK PLC	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	611	—	611	(407)	(193)	11	—	611
Reverse repurchase agreements and other similar secured lending[e]	2,547	(2,070)	477	—	(477)	—	—	477
Total assets	3,158	(2,070)	1,088	(407)	(670)	11	—	1,088
Derivative financial liabilities	(979)	—	(979)	407	415	(157)	(26)	(1,005)
Repurchase agreements and other similar secured borrowing[e]	(4,669)	2,070	(2,599)	—	2,599	—	(15,103)	(17,702)
Total liabilities	(5,648)	2,070	(3,578)	407	3,014	(157)	(15,129)	(18,707)
As at 31 December 2021								
Derivative financial assets	890	—	890	(270)	(536)	84	—	890
Reverse repurchase agreements and other similar secured lending[e]	6,333	(6,268)	65	—	(65)	—	—	65
Total assets	7,223	(6,268)	955	(270)	(601)	84	—	955
Derivative financial liabilities	(814)	—	(814)	270	542	(2)	—	(814)
Repurchase agreements and other similar secured borrowing[e]	(9,424)	6,268	(3,156)	—	3,156	—	(15,004)	(18,160)
Total liabilities	(10,238)	6,268	(3,970)	270	3,698	(2)	(15,004)	(18,974)

Notes
a No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.
b Financial cash collateral of £193m (2021: £536m) was received in respect of derivative assets. Financial cash collateral of £415m (2021: £542m) was placed in respect of derivative liabilities. 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 Repurchase and other similar secured lending and Reverse Repurchase and other similar secured lending held at amortised cost.

The notes included in this section focus on the Barclays Bank UK Group's loans and advances and deposits at amortised cost, leases, property, plant and equipment and goodwill and intangible assets. Details regarding the Barclays Bank UK Group's liquidity and capital position can be found on pages 119 to 130.

17 Loans and advances and deposits at amortised cost

Accounting for loans and advances and deposits 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. Refer to Note 1 for details on 'solely payments of principal and interest'.

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 Barclays Bank UK Group is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the Barclays Bank UK Group will consider past sales and expectations about future sales.

Loans and advances and deposits at amortised cost

	Barclays Bank UK Group		Barclays Bank UK PLC	
	2022	2021	2022	2021
As at 31 December	£m	£m	£m	£m
Loans and advances at amortised cost to banks	**1,391**	1,163	**1,412**	903
Loans and advances at amortised cost to customers	**203,279**	206,367	**204,087**	207,016
Debt securities at amortised cost	**18,537**	12,741	**18,537**	12,741
Total loans and advances at amortised cost	**223,207**	220,271	**224,036**	220,660
Deposits at amortised cost from banks	**59**	149	**59**	149
Deposits at amortised cost from customers	**258,058**	260,583	**259,018**	261,137
Total deposits at amortised cost	**258,117**	260,732	**259,077**	261,286

18 Property, plant and equipment

Accounting for property, plant and equipment

The Barclays Bank UK Group 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 to 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 Barclays Bank UK Group uses the following annual rates in calculating depreciation:

Annual rates in calculating depreciation	Depreciation rate
Freehold land	Not depreciated
Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%

	Barclays Bank UK Group and PLC		
	Property	Right of use assets[a]	Total
	£m	£m	£m
Cost			
As at 1 January 2022	**839**	**500**	**1,339**
Additions	**11**	**7**	**18**
Disposals[b]	**(194)**	**(38)**	**(232)**
Exchange and other movements	**2**	**(3)**	**(1)**
As at 31 December 2022	**658**	**466**	**1,124**
Accumulated depreciation and impairment			
As at 1 January 2022	**(548)**	**(229)**	**(777)**
Disposals[b]	**189**	**34**	**223**
Depreciation charge	**(72)**	**(80)**	**(152)**
Impairment charge	**(22)**	**(12)**	**(34)**
Exchange and other movements	**(2)**	**—**	**(2)**
As at 31 December 2022	**(455)**	**(287)**	**(742)**
Net book value	**203**	**179**	**382**
Cost			
As at 1 January 2021	937	530	1,467
Additions	7	3	10
Disposals	(105)	(27)	(132)
Exchange and other movements	—	(6)	(6)
As at 31 December 2021	839	500	1,339
Accumulated depreciation and impairment			
As at 1 January 2021	(552)	(178)	(730)
Disposals	99	23	122
Depreciation charge	(96)	(71)	(167)
Impairment charge	1	(3)	(2)
As at 31 December 2021	(548)	(229)	(777)
Net book value	291	271	562

Notes
a Right of use (ROU) asset balances relate to Property Leases under IFRS 16. Refer Note 19 for further details.
b Disposals primarily pertain to fully depreciated assets which are not in use.

There is no income from property rentals in the current year (2021: £9m).

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 Barclays Bank UK Group has decided to apply.

When the Barclays Bank UK Group 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 Barclays Bank UK Group's estimate of the amount expected to be payable under a residual value guarantee; or
- The Barclays Bank UK Group'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 Barclays Bank UK Group 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 Barclays Bank UK Group leases various offices, branches and other premises under non-cancellable lease arrangements to meet its operational business requirements. In some instances, Barclays Bank UK Group will sublease property to third parties when it is no longer needed to meet business requirements. Currently, Barclays Bank UK Group and Barclays Bank UK PLC 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 Barclays Bank UK Group and Barclays Bank PLC recognised total expense of £1m (2021: £2m) for short term leases during the year. The portfolio of short term leases to which Barclays Bank UK Group and Barclays Bank UK PLC is exposed at the end of the year is not dissimilar to the expenses recognised in the year.

Lease liabilities	Barclays Bank UK Group and PLC	
	2022	2021
	£m	£m
As at 1 January	**288**	365
Interest	10	13
New leases	7	2
Disposals	(7)	(7)
Cash payments	(71)	(79)
Exchange and other movements	(3)	(6)
As at 31 December (see Note 21)	**224**	288

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	Barclays Bank UK Group and PLC	
	2022	2021
	£m	£m
Not more than one year	**61**	73
One to two years	**52**	64
Two to three years	**46**	55
Three to four years	**30**	51
Four to five years	**17**	28
Five to ten years	**31**	41
Greater than ten years	**27**	31
Total undiscounted lease liabilities as at 31 December	**264**	343

In addition to the cash flows identified above, Barclays Bank UK Group and Barclays Bank UK PLC are exposed to:

- Variable lease payments: This variability will typically arise from either inflation index instruments or market based pricing adjustments. Currently, 331 leases (2021: 533 leases) out of the total 714 leases (2021: 928 leases) have variable lease payment terms based on market based pricing adjustments. Of the gross cash flows identified above, £175m (2021: 264m) is attributable to leases with some degree of variability predominately linked to market based pricing adjustments.

- Extension and termination options: The table above represents Barclays Bank UK Group and Barclays Bank UK PLC'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 £10m (2021: £26m) for leases where it is highly expected to exercise an early termination option. However, there is no significant impact where it is expected to exercise an extension option.

Barclays Bank UK Group and Barclays Bank UK PLC currently do not have any significant sale and lease back transactions. Barclays Bank UK Group and Barclays Bank UK PLC do not have any restrictions or covenants imposed by the lessor on its property leases which restrict its businesses.

20 Goodwill and intangible assets

Accounting for goodwill and intangible assets

Goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*.

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the purchase consideration over the fair value of the Barclays Bank UK Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of the cash generating unit (CGU) including goodwill with the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks, of the CGU to which the goodwill relates, or the CGU's fair value if this is higher.

Intangible assets

Intangible assets other than goodwill 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 incurred.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) 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
Goodwill	Not amortised
Customer lists	12 months to 25 years
Licences and other	12 months to 25 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.

	Barclays Bank UK Group				Barclays Bank UK PLC			
	Goodwill	Customer lists	Licences and other	Total	Goodwill	Customer lists	Licences and other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
As at 1 January 2022	**3,526**	**90**	**—**	**3,616**	**3,378**	**90**	**—**	**3,468**
Addition	—	—	2	2	—	—	2	2
Disposals	—	—	—	—	—	—	—	—
As at 31 December 2022	**3,526**	**90**	**2**	**3,618**	**3,378**	**90**	**2**	**3,470**
Accumulated amortisation and impairment								
As at 1 January 2022	**—**	**(90)**	**—**	**(90)**	**—**	**(90)**	**—**	**(90)**
Amortisation charge	—	—	—	—	—	—	—	—
Exchange and other adjustments	—	—	—	—	—	—	—	—
As at 31 December 2022	**—**	**(90)**	**—**	**(90)**	**—**	**(90)**	**—**	**(90)**
Net book value	**3,526**	**—**	**2**	**3,528**	**3,378**	**—**	**2**	**3,380**
Cost								
As at 1 January 2021	3,526	90	—	3,616	3,378	90	—	3,468
Addition	—	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	—	—	—
As at 31 December 2021	3,526	90	—	3,616	3,378	90	—	3,468
Accumulated amortisation and impairment								
As at 1 January 2021	—	(89)	—	(89)	—	(89)	—	(89)
Amortisation charge	—	—	—	—	—	—	—	—
Exchange and other adjustments	—	(1)	—	(1)	—	(1)	—	(1)
As at 31 December 2021	—	(90)	—	(90)	—	(90)	—	(90)
Net book value	3,526	—	—	3,526	3,378	—	—	3,378

As part of the Barclays Group strategy, internally generated software and other purchased software are held in Barclays Execution Services Limited. Barclays Bank UK Group receives the required services from Barclays Execution Services Limited, which are charged on a cost plus basis.

Critical accounting estimates and judgements

Goodwill
Testing goodwill for impairment involves a significant amount of judgement. Goodwill is allocated to CGUs for the purpose of impairment testing. The review of goodwill for impairment involves calculating a value in use (VIU) valuation which is compared to the carrying value of a CGU associated with the goodwill to determine whether any impairment has occurred. This includes the identification of independent CGUs across the organisation and the allocation of goodwill to those CGUs.

The calculation of a value in use contains a high degree of uncertainty in estimating the future cash flows and the rates used to discount them. Key judgements include determining the carrying value of the CGU, the cash flows and discount rates used in the calculation.

– The cash flow forecasts used by management involve judgement and are based upon a view of the future prospects of the business and market conditions at the point in time the assessment is prepared. The estimation of cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding long-term sustainable cash flows.
– The discount rates applied to the future cash flows also involve judgement as they can have a significant impact on the valuation. The discount rates used are compared to market participants to ensure that they are appropriate and based on an estimated cost of equity for each CGU.
– The choice of a terminal growth rate used to determine the present value of the future cash flows of the CGUs is also a judgement that can impact the outcome of the assessment. The terminal growth rate and discount rates used may vary due to external market rates and economic conditions that are beyond management's control, including the potential effect of climate change.

Further details of some of the key judgements are set out below.

2022 impairment review

The 2022 impairment review was performed during Q4 2022. In comparison to the prior year, the macroeconomic outlook has improved, with expectations of increased interest rates. However, unsecured balances are lower, reflecting reduced borrowing and higher repayments by customers. These factors impact favourably and adversely on the operating environments of the CGUs. A detailed assessment has been performed, with the approach and results of this analysis set out below.

Determining the carrying value of CGUs

The carrying value for each CGU is the sum of the tangible equity, goodwill and intangible asset balances associated with that CGU.

The Group manages the assets and liabilities of its CGUs with reference to the tangible equity of the respective businesses. That tangible equity is derived from the level of risk weighted assets (RWAs) and capital required to be deployed in the CGU and therefore reflects its relative risk, as well as the level of capital that management consider a market participant would require to hold and retain to support business growth.

The goodwill held across the group has been allocated to the CGU where it originated, based upon historical records. The intangible asset balances are allocated to the CGUs based upon their expected usage of these assets.

Cash flows

The five-year cash flows used in the calculation are based on the formally agreed medium term plans approved by the Board. These are prepared using macroeconomic assumptions which management consider reasonable and supportable, and reflect business agreed initiatives for the forecast period. The macroeconomic assumptions underpinning the medium term plan were determined in August 2022 and management has considered whether there are subsequent significant changes in those assumptions which would adversely impact the results of the impairment review.

As required by IAS 36, all estimates of future cash flows exclude cash inflows or outflows that are expected to arise from restructuring initiatives where a constructive obligation to carry out the plan does not yet exist.

In line with prior year treatment, the Education, Social Housing and Local Authority (ESHLA) portfolio has been excluded from the Business Banking CGU cash flows. This is a legacy loan portfolio which was previously within the Non-Core bank and was not part of the business to which the goodwill relates. As such, the cash flows relating to this portfolio have been excluded from the Business Banking VIU calculation.

Discount rates

IAS 36 requires that the discount rate used in a value in use calculation reflects the pre-tax rate an investor would require if they were to choose an investment that would generate similar cash flows to those that the entity expects to generate from the asset. In determining the discount rate, management have in previous years identified the cost of equity associated with market participants that closely resemble the Group's CGUs and adjusted them for tax to arrive at the pre-tax equivalent rate. This method assumed a static rate of tax that was applicable to the pre-tax cash flows of the CGU. The cost of equity without adjusting for the tax rate has been used as the discount rate in the 2022 impairment assessment and applied to the post tax cash flows of the CGU. This post-tax method incorporates the impact of changing tax rates on the cash flows and is expected to produce the same VIU result as the pre-tax method adjusted for varying tax rates. Using the resultant VIU the equivalent pre-tax discount rate has been calculated. The range of equivalent pre-tax discount rates applicable across the CGUs range from 15.6% to 16.5% (2021: 14.2% to 15.1%).

Terminal growth rate

The terminal growth rate is used to estimate the effect of projecting cash flows to the end of an asset's useful economic life. It is management's judgement that the cash flows associated with the CGUs will grow in line with the major economies in which the Barclays Bank UK Group operates. Inflation rates are used as an approximation of future growth rates and form the basis of the terminal growth rates applied. The terminal growth rate used is 2.0% (2021: 2.0%).

Outcome of goodwill review

The Personal Banking and Business Banking retail banking CGUs carry the majority of the Group's goodwill balance, predominantly as a consequence of the Woolwich acquisition. The goodwill within Personal Banking was £2,718m (2021: £2,718m), of which £2,501m (2021: £2,501m) was attributable to Woolwich, and within Business Banking was £629m (2021: £629m), fully attributable to Woolwich. The recoverable amount for both Personal Banking and Business Banking have increased in comparison to the 2021 impairment review, reflective of improvements in the interest rate and macroeconomic outlook.

Based on management's plans and assumptions the value in use exceeds the carrying value of the CGUs and no impairment has been indicated.

The outcome of the impairment review for Personal Banking and Business Banking are set out below:

Cash generating unit	Tangible equity	Goodwill	Intangibles	Carrying value	Value in use	Value in use exceeding carrying value 2022	Value in use exceeding carrying value 2021
	£m	£m	£m	£m	£m	£m	£m
Personal Banking	5,091	2,718	—	7,809	13,494	5,685	2,106
Business Banking	1,549	629	—	2,178	8,762	6,584	3,581
Total	**6,640**	**3,347**	**—**	**9,987**	**22,256**	**12,269**	5,687

Sensitivity of key judgements

The CGUs are sensitive to possible adverse changes in the key assumptions that support the recoverable amount:

Cash Flows: The medium term plans used to determine the cash flows used in the VIU calculation rely on macroeconomic forecasts, including interest rates, GDP and unemployment, and forecast levels of market and client activity. Interest rate assumptions impact planned cash flows from both customer income and structural hedge contributions and therefore cash flow expectations are highly sensitive to movements in the yield curve. The cash flows also contain assumptions with regards to the prudential and financial conduct regulatory environment which may be subject to change. Given the current level of economic uncertainty, a 10% reduction in cash flows has been provided to show the sensitivity of the outcome to a change in these key assumptions.

Discount rate: The discount rate should reflect the market risk-free rate adjusted for the inherent risks of the business it is applied to. Management have identified discount rates for comparable businesses and consider these to be a reasonable estimate of a suitable market rate for the profile of the business unit being tested. The risk that these discount rates may not be appropriate is quantified below and show the impact of a 100 bps change in the discount rate.

Terminal growth rate: The terminal growth rate is used to estimate the cash flows into perpetuity based on the expected longevity of the CGUs businesses. The terminal growth rate is sensitive to uncertainties in the macroeconomic environment. The risk that using inflation data may not be appropriate for its determination is quantified below and shows the impact of a 100bps change in the terminal growth rate.

Allocated capital rate: Tangible equity is allocated based on the level of risk weighted assets (RWAs) and capital required to be deployed in the CGU which is dependent on the relative risk of businesses. The capital ratio used in determining the level of tangible equity allocated to the CGU and its capital cash flows could move over time as a result of a change to the prudential regulatory environment or the risk profile of the business. The impact of a 50bps increase in capital ratio is quantified below.

The sensitivity of the value in use to key judgements in the calculations is set out below:

						Reduction in headroom				Change required to reduce headroom to zero			
Cash generating unit	Carrying value	Value in use	Value in use exceeding carrying value	Discount rate	Terminal growth rate	100bps increase in the discount rate	100bps decrease in terminal growth rate	50bps increase to allocated capital rate	10% reduction in forecasted cash flows	Discount rate	Terminal growth rate	Allocated Capital rate	Cash flows
	£m	£m	£m	%	%	£m	£m	£m	£m	%	%	%	%
Personal Banking	7,809	13,494	5,685	16.5%	2.0%	(925)	(580)	(265)	(1,466)	9.7%	(25.1)%	10.7%	(38.8)%
Total	**7,809**	**13,494**	**5,685**										

The notes included in this section focus on the Barclays Bank UK Group's accruals, provisions and contingent liabilities. Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Contingent liabilities reflect potential liabilities that are not recognised on the balance sheet.

21 Other liabilities

	Barclays Bank UK Group		Barclays Bank UK PLC	
	2022	2021	2022	2021
	£m	£m	£m	£m
Accruals and deferred income	**380**	293	**355**	278
Other creditors	**1,141**	1,146	**1,112**	1,112
Items in the course of collection due to other banks	**30**	97	**30**	97
Lease liabilities (refer to Note 19)	**224**	288	**224**	288
Other liabilities	**1,775**	1,824	**1,721**	1,775

22 Provisions

Accounting for provisions

The Barclays Bank UK Group 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 Barclays Bank UK Group 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. See Note 24 for more detail of legal, competition and regulatory matters.

	Redundancy and restructuring £m	Undrawn contractually committed facilities and guarantees provided[a] £m	Customer redress £m	Legal, competition and regulatory matters £m	Sundry provisions £m	Total £m
Barclays Bank UK Group						
As at 1 January 2022	140	36	236	1	123	536
Additions	—	17	46	4	68	135
Amounts utilised	(80)	—	(109)	(6)	(48)	(243)
Unused amounts reversed	(27)	(7)	(17)	—	(37)	(88)
Exchange and other movements	7	—	(15)	5	1	(2)
As at 31 December 2022	40	46	141	4	107	338
Barclays Bank UK PLC						
As at 1 January 2022	140	36	226	1	116	519
Additions	—	17	40	4	61	122
Amounts utilised	(80)	—	(99)	(6)	(41)	(226)
Unused amounts reversed	(27)	(7)	(17)	—	(36)	(87)
Exchange and other movements	7	—	(15)	5	3	—
As at 31 December 2022	40	46	135	4	103	328

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 £273m (2021: £488m) for Barclays Bank UK Group and £262m (2021: £471m) for Barclays Bank UK PLC.

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 the Credit risk section for loan commitments and financial guarantees on page 82 and 84.

Customer redress
Customer redress provisions comprise the estimated cost of making redress payments to customers, clients and counterparties for losses or damages associated with inappropriate judgement in the execution of the Barclays Bank UK Group's business activities.

Legal, competition and regulatory matters
The Barclays Bank UK Group is engaged in various legal proceedings. For further information in relation to legal proceedings and discussion of the associated uncertainties, please refer to Note 24.

Sundry provisions
This category includes provisions that do not fit into any of the other categories, such as fraud losses and dilapidation provisions.

23 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:

	Barclays Bank UK Group		Barclays Bank UK PLC	
	2022	2021	2022	2021
	£m	£m	£m	£m
Guarantees and letters of credit pledged as collateral security	**660**	440	**660**	440
Performance guarantees, acceptances and endorsements	**150**	150	**150**	150
Total contingent liabilities and financial guarantees	**810**	590	**810**	590
Standby facilities, credit lines and other commitments	**58,072**	59,237	**58,072**	59,237
Total commitments	**58,072**	59,237	**58,072**	59,237

Provisions for expected credit losses held against contingent liabilities and commitments equal £46m (2021: £36m) for Barclays Bank UK Group and Barclays Bank UK PLC and are reported in Note 22.

Further details on contingent liabilities relating to legal, competition and regulatory matters can be found in Note 24.

24 Legal, competition and regulatory matters

The Barclays Bank UK Group faces legal, competition and regulatory challenges, many of which are beyond our control. The extent of the impact of these matters cannot always be predicted but may materially impact our operations, financial results, condition and prospects. Matters arising from a set of similar circumstances can give rise to either a contingent liability or a provision, or both, depending on the relevant facts and circumstances.

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 22 *Provisions*. We have not disclosed an estimate of the potential financial impact or effect on the Barclays Bank UK Group of contingent liabilities where it is not currently practicable to do so. Various matters detailed in this note seek damages of an unspecified amount. While certain matters specify the damages claimed, such claimed amounts do not necessarily reflect the Barclays Bank UK Group's potential financial exposure in respect of those matters.

HM Revenue & Customs (HMRC) assessments concerning UK Value Added Tax

In 2018, HMRC issued notices that have the effect of removing certain overseas subsidiaries that have operations in the UK from Barclays' UK VAT group, in which group supplies between members are generally free from VAT. The notices have retrospective effect and correspond to assessments of £181m (inclusive of interest), of which Barclays would expect to attribute an amount of approximately £128m to Barclays Bank UK PLC and £53m to Barclays Bank PLC. HMRC's decision has been appealed to the First Tier Tribunal (Tax Chamber).

Local authority civil actions concerning LIBOR

Following settlement by Barclays Bank PLC of various governmental investigations concerning certain benchmark interest rate submissions, in the UK, certain local authorities brought claims in 2018 against Barclays Bank PLC and Barclays Bank UK PLC asserting that they entered into loans between 2006 and 2008 in reliance on misrepresentations made by Barclays Bank PLC in respect of its conduct in relation to LIBOR. The loans were originally entered into with Barclays Bank PLC, but Barclays Bank UK PLC is now the lender of record. Barclays Bank PLC and Barclays Bank UK PLC were successful in their applications to strike out the claims. The claims have been settled on terms such that the parties have agreed not to pursue these claims further and to bear their own costs. The financial impact of the settlements is not material to the Barclays Bank UK Group's operating results, cash flows or financial position.

FCA investigation into transaction monitoring

The FCA has been investigating Barclays' compliance with UK money laundering regulations and the FCA's rules and Principles for Businesses in an investigation which is focussed on aspects of Barclays' transaction monitoring in relation to certain business lines now in Barclays Bank UK PLC. Barclays has been co-operating with the investigation and responding to information requests.

General

The Barclays Bank UK Group is engaged in various other legal, competition and regulatory matters in the jurisdictions in which it operates. The Barclays Bank UK Group is subject to legal proceedings brought by and against members of the Barclays Bank UK Group which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data management and protection, intellectual property, money laundering, financial crime, employment, environmental and other statutory and common law issues.

The Barclays Bank UK Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which it is or has been engaged. The Barclays Bank UK Group is cooperating with the relevant authorities and keeping all relevant agencies briefed as appropriate in relation to these matters and others described in this note on an ongoing basis.

At the present time, Barclays Bank UK PLC does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, 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 Barclays Bank UK PLC'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.

The notes included in this section focus on the Barclays Bank UK Group'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 Barclays Bank UK Group maintains sufficient capital to meet our regulatory requirements refer to page 64.

25 Subordinated liabilities

Accounting for subordinated liabilities
Subordinated liabilities are measured at amortised cost using the effective interest method under IFRS 9.

	Barclays Bank UK Group and PLC	
	2022	2021
	£m	£m
As at 1 January	**9,516**	9,869
Issuances	**829**	1,025
Redemptions	**(2,017)**	(1,116)
Other	**(60)**	(262)
As at 31 December	**8,268**	9,516

Issuances comprise £829m of intra-group loans from Barclays PLC.

Redemptions comprise £2,017m of intra-group loans from Barclays PLC.

Other movements predominantly comprise foreign exchange movements and fair value hedge adjustments.

Subordinated liabilities include accrued interest and none of the subordinated liabilities are secured.

			Barclays Bank UK Group and PLC[a]	
			2022	2021
	Initial call date	Maturity date	£m	£m
Barclays Bank UK PLC notes issued intra-group to Barclays PLC				
4.375% Fixed Rate Subordinated Notes (USD 1,250m)		2024	**1,013**	974
3.75% Fixed Rate Resetting Subordinated Callable Notes (GBP 500m)	2025	2030	**444**	482
5.20% Fixed Rate Subordinated Notes (USD 683m)		2026	**524**	516
4.836% Fixed Rate Subordinated Callable Notes (USD 800m)	2027	2028	**620**	624
5.088% Fixed-to-Floating Rate Subordinated Callable Notes (USD 200m)	2029	2030	**148**	154
3.564% Fixed Rate Resetting Subordinated Callable Notes (USD 1,000m)	2030	2035	**662**	697
Barclays Bank UK PLC intra-group loans from Barclays PLC				
3.65% Fixed Rate Subordinated Loan (USD 1,100m)		2025	**877**	850
Various Fixed and Floating Rate Subordinated Loans			**3,980**	5,219
Total subordinated liabilities			**8,268**	9,516

Subordinated liabilities

Subordinated liabilities are issued by Barclays Bank UK PLC for the development and expansion of the business and to strengthen the capital base. The principal terms of these liabilities are described below:

Currency and Maturity

In addition to the individual subordinated liabilities listed in the table, the £3,980m (2021: £5,219m) balance of intra-group loans is made up of various fixed, fixed-to-floating and floating rate loans from Barclays PLC with notional amounts denominated in USD 4,400m, EUR 350m and GBP 400m, with maturities ranging from 2024 to 2041. Certain intra-group loans have a call date one year prior to their maturity.

Subordination

All subordinated liabilities are issued intra-group to Barclays PLC. Both the subordinated notes and the subordinated loans rank behind the claims of depositors and other unsecured unsubordinated creditors but before the claims of the holders of Barclays Bank UK PLC equity. However, the subordinated notes rank behind the subordinated loans.

Interest

Interest on the floating rate loans is set by reference to market rates at the time of issuance and is fixed periodically in advance, based on the related market rate.

Interest on fixed rate notes and loans is set by reference to market rates at the time of issuance and fixed until maturity.

Interest on fixed rate callable notes and loans is set by reference to market rates at the time of issuance and fixed until the call date. After the call date, in the event that the notes or loans are not redeemed, the interest rate will be re-set to either a fixed or floating rate until maturity based on market rates.

Repayment

Those notes and loans with a call date are repayable at the option of Barclays Bank UK PLC on such call date in accordance with the conditions governing the respective liabilities, some in whole or in part, and some only in whole, or otherwise on maturity. The remaining instruments outstanding at 31 December 2022 are redeemable only on maturity, subject in particular cases to provisions allowing an early redemption in the event of certain changes in tax law or to certain changes in legislation or regulations.

In certain cases, any repayments prior to maturity may require the prior consent of the PRA or BoE.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

26 Ordinary shares, share premium, and other equity

Called up share capital, allotted and fully paid

	Number of shares	Ordinary share capital	Ordinary share premium	Total share capital and share premium	Other equity instruments
	m	£m	£m	£m	£m
As at 1 January 2022	**505**	**5**	**—**	**5**	**2,560**
AT1 securities issuance	—	—	—	—	—
AT1 securities redemption	—	—	—	—	—
As at 31 December 2022	**505**	**5**	**—**	**5**	**2,560**
As at 1 January 2021	505	5	—	5	2,560
AT1 securities issuance	—	—	—	—	—
AT1 securities redemption	—	—	—	—	—
As at 31 December 2021	**505**	**5**	**—**	**5**	**2,560**

Ordinary shares

The issued ordinary share capital of Barclays Bank UK PLC, as at 31 December 2022, comprised 505m (2021: 505m) ordinary shares of £0.01 each.

Other equity instruments

Other equity instruments of £2,560m (2021: £2,560m) include AT1 securities issued to Barclays PLC. Barclays PLC uses funds from its own market issuance of AT1 securities to purchase AT1 securities from Barclays Bank UK Group. 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.

In 2022, there were no issuances of AT1 instruments (2021: no issuances) and no redemptions (2021: no redemptions).

AT1 equity instruments

	Initial call date	2022 £m	2021 £m
AT1 equity instruments - Barclays Bank UK Group			
7.25% Perpetual Subordinated Contingent Convertible Securities	2023	**750**	750
5.875% Perpetual Subordinated Contingent Convertible Securities	2024	**622**	622
7.125% Perpetual Subordinated Contingent Convertible Securities	2025	**693**	693
6.375% Perpetual Subordinated Contingent Convertible Securities	2025	**495**	495
Total AT1 equity instruments		**2,560**	2,560

27 Reserves

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve represents the changes in the fair value of fair value through other comprehensive income investments since initial recognition.

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.

Other reserves and other shareholders' equity

Other reserves and other shareholders' equity relate to the merger reserve for Barclays Bank UK Group and the Group Reconstruction Relief for Barclays Bank UK PLC, in respect of the transfer of the UK banking business in 2018.

	Barclays Bank UK Group		Barclays Bank UK PLC	
	2022	2021	2022	2021
	£m	£m	£m	£m
Fair value through other comprehensive income reserve	(222)	(24)	(222)	(25)
Cash flow hedging reserve	(2,146)	(431)	(2,146)	(431)
Other reserves and other shareholders' equity	89	89	191	191
Total	(2,279)	(366)	(2,177)	(265)

The notes included in this section focus on the costs and commitments associated with employing our staff.

28 Staff costs

Accounting for staff costs
The Barclays Bank UK Group 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 Barclays Bank UK Group 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.

The accounting policy for share-based payments is included in Note 29.

	2022 £m	2021 £m
Performance costs	88	109
Salaries	688	751
Social security costs	90	94
Post-retirement benefits[a]	134	151
Other compensation costs	34	51
Total compensation costs	**1,034**	1,156
Other resourcing costs		
Outsourcing	102	46
Redundancy and restructuring	(27)	134
Temporary staff costs	43	45
Other	18	11
Total other resourcing costs	**136**	236
Total staff costs	**1,170**	1,392

Note
a Post-retirement benefits charge relates to £134m (2021: £151m) in respect of defined contribution schemes.

Participation in the UK Retirement Fund

As permitted under the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015, from 1 September 2017, until late 2025, Barclays Bank UK PLC will participate as an employer in the UK Retirement Fund (UKRF). Barclays Bank UK PLC will make contributions for the future service of its employees who are currently Afterwork members and, in the event of Barclays Bank PLC's insolvency during this period, Barclays Bank UK PLC would step in as principal employer of the UKRF. Barclays Bank PLC remains the sponsoring employer of the UKRF.

Under IAS 19, the UKRF is a defined benefit plan that share risks between entities under common control. Barclays Bank PLC accounts for the defined benefit obligation and Barclays Bank UK PLC recognises a cost equal to its contributions to the scheme. In accordance with accounting standards, Barclays Bank UK PLC does not account for any potential additional liability to the scheme at the end of the transitional phase.

29 Share-based payments

Accounting for share-based payments

The Barclays Bank UK Group 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 charge for the year arising from share based payment schemes was as follows:

	Charge for the year	
	2022	2021
	£m	£m
Deferred Share Value Plan / Share Value Plan	**5**	7
Others	**18**	19
Total equity settled	**23**	26
Cash settled	**—**	—
Total share based payments	**23**	26

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 an SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

Deferred Share Value Plan (DSVP)

The DSVP was introduced in February 2017. The terms of the DSVP are materially the same as the terms of the SVP as described above, save that Executive Directors are not eligible to participate in the DSVP and the DSVP operates over market purchase shares only.

Other schemes

In addition to the SVP and DSVP, the 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 (000s)	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 (000s)
	£	£			£	£		
DSVP / SVP[a,b]	**1.38**	**1.61**	**2**	**12,379**	1.52	1.76	2	11,780
Others[a]	**0.38-1.64**	**1.61-1.65**	**0-2**	**114,368**	0.63-1.80	1.75-1.92	0-3	132,204

SVP and DSVP are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently, the fair value of these awards is based on the market value at that date.

Sharesave has a contractual life of 3 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 / SVP[a,b]		Others[a,c]			
	Number (000s)		Number (000s)		Weighted average ex. price (£)	
	2022	2021	2022	2021	2022	2021
Outstanding at beginning of year/ acquisition date	**11,780**	12,848	**132,204**	150,209	**0.95**	0.95
Transfers in the year[d]	**367**	(35)	**(3,645)**	(7,608)	**—**	—
Granted in the year	**5,294**	2,805	**16,660**	14,073	**1.33**	1.43
Exercised/released in the year	**(3,499)**	(3,731)	**(17,370)**	(10,734)	**1.12**	1.39
Less: forfeited in the year	**(1,563)**	(107)	**(11,912)**	(9,826)	**1.00**	0.94
Less: expired in the year	**—**	—	**(1,569)**	(3,910)	**1.14**	1.67
Outstanding at end of year	**12,379**	11,780	**114,368**	132,204	**0.96**	0.95
Of which exercisable:	**—**	—	**12,854**	12,106	**1.18**	1.21

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 The number of awards within Others at the end of the year principally relates to Sharesave (number of awards exercisable at end of year was 5,012,883). The weighted average exercise price relates to Sharesave.
d Awards of employees transferred between Barclays Bank UK Group and the rest of the Barclays PLC Group.

Awards and options granted to employees and former employees of Barclays Bank UK Group under the Barclays PLC Group share plans may be satisfied using new issue shares, treasury shares and market purchase shares of Barclays PLC. Awards granted to employees and former employees of Barclays Bank UK Group under DSVP may only be satisfied using market purchase shares of Barclays PLC.

There were no significant modifications to the share based payments arrangements in 2022 and 2021.

As at 31 December 2022, the total liability arising from cash-settled share based payments transactions was £nil (2021: £nil).

The section presents information on the Barclays Bank UK Group's interests in structured entities. Detail is also given on securitisation transactions the Barclays Bank UK Group has entered into and arrangements that are held off-balance sheet.

30 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. Voting rights may relate to administrate tasks only, with the relevant activities of the entity being 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 Barclays Bank UK Group'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.

Consolidated structured entities

The Barclays Bank UK Group has contractual arrangements which may require it to provide financial support to the following types of consolidated structured entities:

Securitisation vehicles

The Barclays Bank UK Group uses securitisation as a source of financing and a means of risk transfer. Refer to Note 31 for further detail.

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to structured entities not controlled by the Barclays Bank UK Group, and are established by the Barclays Bank UK Group or 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 Barclays Bank UK Group. Such interests include holding of debt or equity securities, lending, loan commitments, financial guarantees and investment management agreements.

The Barclays Bank UK Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions, to provide risk management services and for specific investment opportunities. Structured entities may take the form of funds, trusts, securitisation vehicles, and private investment companies. The largest transactions for Barclays Bank UK Group include holding notes issued by securitisation vehicles, loans to trusts, and facilitating customer requirements through funds. As at 31 December 2022, there were 170 (2021: 191) structured entities that Barclays Bank UK Group entered into transactions.

The Barclays Bank UK Group's interests in structured entities are set out below, summarised by the nature of the interest and limited to significant categories, based on maximum exposure to loss.

Summary of interests in unconsolidated structured entities

	Lending	Other	Total[a]
As at 31 December 2022	£m	£m	£m
Financial assets at fair value through the income statement	50	—	50
Loans and advances at amortised cost	222	7,228	7,450
Other assets	—	4	4
Total on-balance sheet exposures	272	7,232	7,504
Total off-balance sheet notional amounts	24	—	24
Maximum exposure to loss	296	7,232	7,528
Total assets of the entity	5,500	24,921	30,421
As at 31 December 2021			
Financial assets at fair value through the income statement	69	—	69
Loans and advances at amortised cost	245	5,241	5,486
Other assets	—	5	5
Total on-balance sheet exposures	314	5,246	5,560
Total off-balance sheet notional amounts	32	—	32
Maximum exposure to loss	346	5,246	5,592
Total assets of the entity	5,628	24,059	29,687

Note
a None of the structured entities are Barclays Bank UK Group owned and not consolidated per IFRS 10 Consolidated Financial Statements.

Maximum exposure to loss

Unless specified otherwise below, the Barclays Bank UK Group'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 Barclays Bank UK Group 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 Barclays Bank UK Group'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 Barclays Bank UK Group incurred an impairment charge of £4m (2021:£3m) against such facilities.

Other
This includes interests in debt securities issued by securitisation vehicles and investment funds with interests restricted to management fees based on performance of the fund and trusts held on behalf of beneficiaries with interests restricted to unpaid fees.

Assets transferred to sponsored unconsolidated structured entities
The Barclays Bank UK Group 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.

31 Securitisations

Accounting for securitisations
The Barclays Bank UK Group uses securitisations as a source of finance and a means of risk transfer. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Barclays Bank UK Group's continuing involvement in those assets or lead to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Barclays Bank UK group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

The Barclays Bank UK Group makes transfers of financial assets, either where legal rights to the cash flows from the asset are passed to the counterparty or beneficially, where the Barclays Bank UK Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty. Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

A summary of the main transactions, and the assets and liabilities and the financial risks arising from these transactions, is set out below:

Transfers of financial assets that do not result in derecognition

The Barclays Bank UK Group was party to securitisation transactions involving its mortgage loan balances. In these transactions, the assets, interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, which then issues interest bearing debt securities to third party investors.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction. Partial continued recognition of the assets to the extent of the Barclays Bank UK Group's continuing involvement in those assets can also occur or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer.

The following table shows the carrying amount of securitised assets that have not resulted in full derecognition, together with the associated liabilities, for each category of asset on the balance sheet:

	2022				2021			
	Assets		Liabilities		Assets		Liabilities	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Barclays Bank UK Group	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances at amortised cost								
Mortgage Loans	496	439	(45)	(45)	—	—	—	—

Balances included in the above table within loans and advances at amortised cost represent securitisations where substantially all the risks and rewards of the asset have been retained by the Group.

The relationship between the transferred assets and the associated liabilities is that holders of notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their notes, although the contractual terms of their notes may be different to the maturity and interest of the transferred assets.

	2022				2021			
	Assets		Liabilities		Assets		Liabilities	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Barclays Bank UK PLC	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances at amortised cost								
Mortgage Loans	**451**	**399**	**—**	**—**	—	—	—	—

Balances included in the above table within loans and advances at amortised cost represent securitisations where the risks and rewards are neither substantially transferred nor retained. In 2022, financial assets of £496m were transferred in this manner and the carrying value of the asset representing continued involvement is included in the table above.

Continuing involvement in financial assets that have been derecognised

In some cases, the Barclays Bank UK Group may have transferred a financial asset in its entirety but may have continuing involvement in it. This arises in asset securitisations where loans and asset backed securities were derecognised as a result of the Barclays Bank UK Group's involvement with residential mortgage backed securities. Continuing involvement largely arises from providing financing into these structures in the form of retained notes, which do not bear first losses.

The table below shows the potential financial implications of such continuing involvement:

	Continuing involvement [a]			Gain/(loss) from continuing involvement	
	Carrying amount	Fair value	Maximum exposure to loss	For the year ended	Cumulative to 31 December
Type of transfer	£m	£m	£m	£m	£m
2022					
Residential mortgage backed securities	**481**	**481**	**481**	**—**	**—**
Total	**481**	**481**	**481**	**—**	**—**
2021					
Residential mortgage backed securities	497	497	497	—	—
Total	497	497	497	—	—

Note
a Assets which represent the Barclays Bank UK Group's continuing involvement in derecognised assets are recorded in Loans and advances at amortised cost.

32 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 Barclays Bank UK Group balance sheet, for example because Barclays 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 Barclays Bank UK Group 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:

	Barclays Bank UK Group and PLC	
	2022	2021
	£m	£m
Loans and advances at amortised cost	27,987	35,221
Cash collateral and settlement balances	3,390	3,586
Financial assets at fair value through other comprehensive income	3,317	4,722
Trading portfolio assets	11	77
Assets pledged	**34,705**	**43,606**

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.

	Barclays Bank UK Group and PLC	
	Transferred assets	Associated liabilities
	£m	£m
As at 31 December 2022		
Repurchase agreements	24,762	(17,681)
Debt securities in issue	4,703	(3,297)
Derivative financial instruments	1,552	(1,552)
Other	3,688	(2,894)
	34,705	(25,424)
As at 31 December 2021		
Repurchase agreements	30,369	(17,939)
Debt securities in issue	6,877	(4,968)
Derivative financial instruments	2,284	(2,284)
Other	4,076	(2,893)
	43,606	(28,084)

For repurchase agreements, the difference between transferred assets and associated liabilities is predominantly due to IFRS netting.

Barclays Bank UK Group has an additional £2.6bn (2021: £2.3bn) of loans and advances within its asset backed funding programmes that can readily be used to raise additional secured funding and are available to support future issuances.

Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, Barclays Bank UK Group 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:

	Barclays Bank UK Group and PLC	
	2022	2021
	£m	£m
Fair value of securities accepted as collateral	2,893	6,368
Of which fair value of securities re-pledged/transferred to others	1,250	985

Additional disclosure has been included in collateral and other credit enhancements (pages 75 to 78).

The notes included in this section focus on related party transactions, Auditors' remuneration, Directors' remuneration and interest rate benchmark reform. Related parties include any subsidiaries, associates, joint ventures and key management personnel.

33 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, which is also the ultimate parent company, is Barclays PLC, which holds 100% of the issued ordinary shares of Barclays Bank UK PLC. The largest group in which the results of the Company are consolidated is headed by Barclays PLC, 1 Churchill Place London E14 5HP. The consolidated financial statements of the group are available to the public and may be obtained from Barclays Corporate Secretariat, 1 Churchill Place London E14 5HP.

Subsidiaries

Transactions between Barclays Bank UK PLC and its subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Barclays Bank UK Group's financial statements.

Fellow subsidiaries

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

Associates, joint ventures and other entities

There were no material related party transactions with associates, joint ventures or pension funds during the year.

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

	Parent £m	Fellow subsidiaries £m
For the year ended and as at 31 December 2022		
Total income	**(286)**	**140**
Credit impairment charges	**—**	**—**
Operating expenses	**(38)**	**(2,442)**
Total assets	**—**	**1,709**
Total liabilities	**9,155**	**860**
For the year ended and as at 31 December 2021		
Total income	(289)	85
Credit impairment charges	—	—
Operating expenses	(36)	(2,343)
Total assets	16	733
Total liabilities	9,550	949

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

	Parent £m	Subsidiaries £m	Fellow subsidiaries £m
As at 31 December 2022			
Total assets	**—**	**1,346**	**1,692**
Total liabilities	**9,155**	**1,046**	**857**
As at 31 December 2021			
Total assets	16	913	733
Total liabilities	9,550	550	945

It is the normal practice of Barclays Bank UK PLC to provide its subsidiaries with support and assistance by way of guarantees, indemnities, letters of comfort and commitments, as may be appropriate, with a view to enabling them to meet their obligations and to maintain their good standing, including commitment of capital and facilities. For dividends paid to Barclays PLC see Note 10.

Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays Bank UK PLC (directly or indirectly) and comprise the Directors and Officers of Barclays Bank UK PLC, certain direct reports of the Chief Executive Officer and the heads of major business units and functions.

The Barclays Bank UK Group provides banking services to Key Management Personnel and persons connected to them. Transactions during the year and the balances outstanding were as follows:

Loans outstanding	2022 £m	2021 £m
As at 1 January	**11.8**	3.6
Loans issued during the year[a]	**1.1**	11.7
Loan repayments during the year[b]	**(2.3)**	(3.5)
As at 31 December	**10.6**	**11.8**

Notes
a Includes loans issued to existing Key Management Personnel and new or existing loans issued to newly appointed Key Management Personnel.
b Includes loan repayments by existing Key Management Personnel and loans to former Key Management Personnel.

No allowances for impairment were recognised in respect of loans to Key Management Personnel (or any connected person).

Deposits outstanding	2022 £m	2021 £m
As at 1 January	**3.6**	3.0
Deposits received during the year[a]	**21.5**	21.2
Deposits repaid during the year[b]	**(19.7)**	(20.6)
As at 31 December	**5.4**	3.6

Notes
a Includes deposits received from existing Key Management Personnel and new or existing deposits received from newly appointed Key Management Personnel.
b Includes deposits repaid by existing Key Management Personnel and deposits of former Key Management Personnel.

Total commitments outstanding

Total commitments outstanding refer to the total of any undrawn amounts on credit card and/or overdraft facilities provided to Key Management Personnel. Total commitments outstanding as at 31 December 2022 were £0.6m (2021: £0.3m).

All loans to Key Management Personnel (and persons connected to them) were made in the ordinary course of business; 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.

Remuneration of Key Management Personnel

Total remuneration awarded to Key Management Personnel below represents salaries, short term benefits and pensions contributions received during the year and awards made as part of the latest remuneration decisions in relation to the year. 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 costs for deferred awards. Figures are provided for the period that individuals met the definition of Key Management Personnel.

	2022 £m	2021 £m
Salaries and other short-term benefits	13.7	14.6
Pension costs	0.1	0.1
Other long-term benefits	1.3	2.0
Share-based payments	1.7	2.3
Employer social security charges on emoluments	2.5	2.6
Costs recognised for accounting purposes	19.3	21.6
Employer social security charges on emoluments	(2.5)	(2.6)
Other long-term benefits – difference between awards granted and costs recognised	0.3	0.6
Share-based payments – difference between awards granted and costs recognised	(0.1)	0.3
Total remuneration awarded	17.0	19.9

Disclosure required by the Companies Act 2006

The following information regarding the Barclays Bank UK PLC Board of Directors is presented in accordance with the Companies Act 2006:

	2022 £m	2021 £m
Aggregate emoluments[a]	4.5	4.2

Note

a The aggregate emoluments include amounts paid for the 2022 year. In addition, deferred cash and share awards for 2022 with a total value at grant of £1.2m (2021: £1.5m) will be made to Directors which will only vest subject to meeting certain conditions.

There were no pension contributions paid to defined contribution schemes on behalf of Directors (2021: £nil). There were no notional pension contributions to defined contribution schemes.

As at 31 December 2022, there were no Directors accruing benefits under a defined benefit scheme (2021: nil).

Of the figures in the table above, the amounts attributable to the highest paid Director in respect of qualifying services are as follows:

	2022 £m	2021 £m
Aggregate emoluments[a]	1.8	1.5

Note

a The aggregate emoluments include amounts paid for the 2022 year. In addition, deferred cash and share awards for 2022 with a total value at grant of £0.9m (2021: £1.0m) will be made to highest paid Director which will only vest subject to meeting certain conditions.

There were no actual pension contributions paid to defined contribution schemes on behalf of the highest paid Director (2021: £nil). There were no notional pension contributions to defined contribution schemes.

Advances and credit to Directors and guarantees on behalf of Directors

In accordance with Section 413 of the Companies Act 2006, the total amount of advances and credits made available in 2022 to persons who served as Directors during the year was £0.3m (2021: £0.1m). The total value of guarantees entered into on behalf of Directors during 2022 was £nil (2021: £nil).

34 Auditor's remuneration

	2022 £m	2021 £m
Audit of the Barclays Bank UK Group's annual accounts	**9**	7
Other services:		
Audit of the Company's subsidiaries[a]	**1**	1
Other audit related fees[b]	**2**	2
Total Auditor's remuneration	**12**	10

Notes;
a Comprises the fees for the statutory audit of the subsidiaries and fees for the work performed by associates of KPMG in respect of the consolidated financial statements of the Company.
b Comprises services in relation to statutory and regulatory filings. These include audit services for the review of the interim financial information under the Listing Rules of the UK listing authority.

35 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, the Barclays Bank UK Group 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 Barclays Bank UK Group's exposure to rates subject to benchmark interest rate reform has been predominantly to GBP, CHF and USD LIBOR. With the exception of a limited number of small exposures with retail customers, exposure is related to ESHLA (Education, Social Housing and Local Authority) clients and the derivative hedging thereof. Retail lending and mortgage exposure to LIBOR in Barclays Bank UK Group has been minimal. Following transition activity in late 2021 and early 2022, almost all GBP and CHF LIBOR positions ("2021 scope") have transitioned onto RFRs, with only a small amount of synthetic GBP LIBOR exposure remaining.

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 Barclays Group 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.

GBP LIBOR ceased to be published in its original form from the end of 2021 and a synthetic version of GBP LIBOR have been made available for a limited period of time. This was to help mitigate the risk of widespread disruption to legacy LIBOR contracts which had not transitioned by end 2021, when the GBP 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 29th September 2022 the FCA announced that the 1- and 6- month synthetic GBP LIBOR tenors would cease immediately after 31st March 2023.

On 23rd November 2022 the FCA announced that the 3-month synthetic GBP LIBOR tenor will cease at end 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 end September 2024. A final decision from the FCA is expected by early in the second quarter of 2023.

All remaining USD LIBOR exposure as at 31 December 2022 is to derivative contracts facing central clearing counterparties (CCP) which will follow a market-wide, standardised approach to reform through a series of CCP-led conversions, similar to those used for GBP and CHF LIBOR.

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 ceased LIBOR settings; noting that this exposure for the Barclays Bank UK Group has reduced to £12m gross notional of synthetic GBP LIBOR loan facilities as at 31 December. Barclays is now focused on transition of legacy positions related to USD LIBOR (and other in-scope IBORs) and remains on track to meet the associated industry deadlines.

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

Global regulators and central banks in the UK, US and EU have been driving international efforts to reform key benchmark interest rates and indices, such as LIBOR, which are used to determine the amounts payable under a wide range of transactions and make them more reliable and robust. These benchmark reforms have resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of RFRs, the discontinuation of certain reference rates (including LIBOR), and the introduction of implementing legislation and regulations. Notwithstanding these developments, given the unpredictable consequences of benchmark reform, any of these developments could have an adverse impact on market participants, including the Barclays Bank UK Group, in respect of any financial instruments linked to, or referencing, any of these benchmark interest rates.

The Barclays Bank UK Group predominantly offers products which reference central bank rates rather than LIBOR or other indices which are likely to be subject to reform. Consequently, the product offering and business model are unlikely to be significantly affected. Nevertheless, there are other ways the Barclays Bank UK Group could be affected.

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 impact of legislation to deal with 'certain legacy' contracts that cannot convert into RFRs or add RFR fallbacks before cessation of the benchmark they reference, may adversely affect a broad range of transactions (including any securities, loans, repurchase and securities lending transactions and derivative transactions which use LIBOR or any other affected benchmark to determine the amount of interest payable that are included in the Barclays Bank UK Group's financial assets and liabilities) that use these reference rates and indices, and present a number of risks for the Barclays Bank UK Group, 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 Barclays Bank UK Group faces conduct risks. These may lead to customer complaints, regulatory sanctions or reputational impact if the Barclays Bank UK Group 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**: members of the Barclays Bank UK Group 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 Barclays Bank UK Group's preparation and readiness for the replacement of LIBOR with alternative RFRs.

- **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 mechanism used by Barclays Bank UK Group on certain transactions

- **Financial risk**: the valuation of certain of the Barclays Bank UK Group's financial assets and liabilities may change. Moreover, transitioning to alternative RFRs may impact the ability of members of the Barclays Bank UK 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 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 UK Group's cash flows.

- **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 Barclays Bank UK Group'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 Barclays Bank UK Group 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 IAS 39 could lead to increased volatility in the Barclays Bank UK Group's financial results and performance.

Any of these factors may have a material adverse effect on the Barclays Bank UK Group'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 LIBOR transitions.

The Barclays Bank UK Group does not expect material changes to its risk management approach and strategy as a result of interest rate benchmark reform.

The following table summarises the remaining USD LIBOR exposure due to mature post 30 June 2023, when USD LIBOR will either cease to be published or cease to be published in its current form, versus exposure to the same product at 31 December 2021.

USD LIBOR	2022 £m	2021 £m
Derivative notional contract amount		
OTC interest rate derivatives - cleared by central counterparty	**17,825**	16,670

Derivatives are reported by using the notional contract amount.

36 Barclays Bank UK PLC (the Parent company)

The investment in subsidiaries of £432m (December 2021: £432m) predominantly relates to investments in Barclays Insurance Services Company Limited, Barclays Investment Solutions Limited and Barclays Asset Management Limited. At the end of each reporting period an impairment review is undertaken in respect of investment in subsidiaries. Impairment is indicated where the investment exceeds the recoverable amount. The recoverable amount is calculated as a value in use (VIU) which is derived from the present value of future cash flows expected to be received from the investment. The VIU calculation uses future years forecast profits from financial budgets approved by management as an approximation of future cash flows. In 2021, the investment in FirstPlus Financial Group Limited of £14m held by Barclays Bank UK PLC showed a VIU of £5m resulting in an impairment being recognised of £9m. These cash flows were discounted using a pre-tax rate discount rate of 18.0%. In 2022, the recoverable amount was higher than the carrying value of all investments in ordinary shares held by Barclays Bank UK PLC.

37 Related undertakings

The Barclays Bank UK Group's corporate structure consists of a number of related undertakings, comprising subsidiary undertakings, joint ventures, associated undertakings and significant holdings. A full list of these related undertakings is set out below, together with the country of incorporation, registered office (or principal place of business) and the identity and percentage of each share class held by the Barclays Bank UK Group. The information is provided as at 31 December 2022.

The entities are grouped by the countries in which they are incorporated. The profits earned by the activities of these entities are in some cases taxed in countries other than the country of incorporation, for example where the entity carries on business through a branch in a territory outside of its country of incorporation. The Barclays PLC 2022 Country Snapshot provides details of where the Barclays Group carries on its business, where its profits are subject to tax and the taxes it pays in each country it operates in.

Wholly owned subsidiaries

Unless otherwise stated, the undertakings below are wholly owned and included in the consolidation, and the share capital held by the Barclays Bank UK Group comprises ordinary and/or common shares, which are held by subsidiaries within the Barclays Bank UK Group. Unless otherwise stated, Barclays Bank UK PLC holds 100% of the nominal value of each share class. .

Notes

A. Directly held by Barclays Bank UK PLC

B. Partnership Interest

C. A Ordinary Shares

Wholly owned subsidiaries	Note
United Kingdom	
– 1 Churchill Place, London, E14 5HP	
Barclays Asset Management Limited	A
Barclays Direct Investing Nominees Limited	
Barclays Financial Planning Nominee Limited	
Barclays Global Shareplans Nominee Limited	
Barclays Insurance Services Company Limited	A
Barclays Investment Solutions Limited	A
Barclays SAMS Limited	A
Barclays Singapore Global Shareplans Nominee Limited	
Barclayshare Nominees Limited	
FIRSTPLUS Financial Group Limited	A
Solution Personal Finance Limited	A
Woolwich Homes Limited	A
-1-4,ClydePlaceLane,	
Glasgow, G5 8DP,	
R.C. Greig Nominees Limited	

Other Related Undertakings
Unless otherwise stated, the undertakings below are included in the consolidation, and the share capital held by the Barclays Bank UK Group comprises ordinary and/or common shares, which are directly held by Barclays Bank UK PLC. The percentage of the nominal value of each share class held by Barclays Bank UK PLC is provided below.

Other Related Undertakings	%	Note
United Kingdom		
– 1 Churchill Place, London,		
E14 5HP		
Barclaycard Funding PLC	100.00	A, C
Barclays Covered Bonds Limited Liability Partnership	50.00	A, B

Joint Ventures
The related undertaking below is dealt with as a Joint Venture in accordance with s.18, Schedule 4, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and is proportionally consolidated. The proportion of the capital of the related undertaking held by Barclays Bank UK PLC is stated below.

Joint Venture	%	Note
United Kingdom		
– All Saints Triangle, Caledonian Road, London, N1 9UT		
Vaultex UK Limited	50.00	A

Joint management factors

The Joint Venture board comprises two Barclays representative directors, two Joint Venture partner directors and three non Joint Venture partner directors. The Board of Directors are responsible for setting the company strategy and budgets. For IFRS purposes, Vaultex is accounted for as a Joint Operation in the Barclays Bank UK Group financial statements.

The last financial year of the above Joint Venture ended on 6 October 2022.

The term Barclays Bank UK Group refers to Barclays Bank UK PLC together with its subsidiaries. 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 Pounds Sterling 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 14 February 2023, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022, which contain an unmodified audit report under Section 495 of the Companies Act 2006 (which does not make any statements under Section 498 of the Companies Act 2006), will be delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

Barclays Bank UK Group is an issuer in the debt capital markets and meets with investors via formal road-shows and other ad hoc meetings. Consistent with its usual practice, Barclays Bank UK Group expects that from time to time over the coming half year it will meet with investors to discuss these results and other matters relating to the Barclays Bank UK Group.

Forward-looking statements

This document contains certain forward-looking statements with respect to the Barclays Bank UK Group. Barclays Bank UK Group 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 Barclays Bank UK Group (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 Barclays Bank UK Group'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 Barclays Bank UK Group'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 Barclays Bank UK Group's control; the impact of competition; capital, leverage and other regulatory rules applicable to past, current and future periods; macroeconomic and business conditions in the UK and in any systemically important economy which impacts the UK, 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 any entity within the Barclays Bank UK Group 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 risk of cyber-attacks, information or security breaches or technology failures on the Barclays Bank UK Group's reputation, business or operations; the Barclays Bank UK Group's ability to access funding; and the success of acquisitions, disposals and other strategic transactions. A number of these factors are beyond the Barclays Bank UK Group's control. As a result, the Barclays Bank UK Group'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 Barclays Bank UK Group's forward-looking statements. Additional risks and factors which may impact the Barclays Bank UK Group's future financial condition and performance are identified in the description of material existing and emerging risks on pages 46 to 58 of this Annual Report.

Subject to Barclays Bank UK PLC's obligations under the applicable laws and regulations of any relevant jurisdiction (including, without limitation, the UK) 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.